

Federal Reserve Board Interchange Fee Survey

On September 13, 2010, the Board distributed three surveys (an issuer, payment card network, and merchant acquirer survey) designed to assist the Board in developing proposed new rules relating to debit card interchange fees and network routing and exclusivity required under Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”).

The issuer survey requested information about the costs associated with debit card (including prepaid cards) transactions. The payment card network (PCN) survey requested information on fees charged or received by payment card networks. The issuer, PCN and merchant acquirer surveys all requested information about fraud losses, fraud-prevention costs, and network routing and exclusivity arrangements associated with debit card transactions.

The issuer survey was distributed to those organizations believed to issue debit cards or to have affiliates that issue debit cards and that, together with affiliates, have assets of \$10 billion or more. The PCN survey was distributed to PCNs that process debit card transactions. The merchant acquirer survey was distributed to a sample of large merchant acquirers. Surveys also were distributed to other companies wishing to participate upon request.

Respondents have until October 12, 2010 to submit survey responses. Any questions or difficulties with the survey should be directed to Jennifer Davidson at 202-452-2446 or emailed to Interchange.Survey@frb.gov.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

LOUISE L. ROSEMAN
DIRECTOR
DIVISION OF
RESERVE BANK OPERATIONS
AND PAYMENT SYSTEMS

September 13, 2010

Sent via email

[Name]
[Payment Card Network]
[Address]

Dear [name]:

We would appreciate your participation in an important survey designed to assist the Board in developing proposed new rules relating to interchange fees required under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act). We are sending you this survey because your organization is a payment card network subject to the Board's interchange fee rules. This survey will help the Board obtain information about fees charged or set by payment card networks, fraud losses, fraud-prevention costs, and network routing and exclusivity arrangements associated with debit card transactions.

Section 1075 of the Act directs the Board to establish standards restricting the level of interchange fees for certain debit card (including prepaid card) transactions to an amount that is "reasonable and proportional" to the cost incurred by the issuer with respect to that transaction.¹ In addition, the Act requires the Board to issue rules that prohibit issuers and payment card networks from requiring that a particular debit card transaction be processed on only one payment card network and from limiting the ability of merchants to direct the routing of debit card transactions.

To contribute to the development of the Board's proposed rules, please complete the attached encrypted survey by **October 12, 2010**.

Attached to this e-mail are an encrypted survey form; an unencrypted, sample survey form; and survey instructions. You will receive a follow-up e-mail containing the encryption key for the survey form.² Please forward both e-mails to the individual in your organization who will coordinate your survey response and send a confirmation message to Interchange.Survey@frb.gov with the point of contact's name, e-mail address, and phone number.

¹ In developing these standards, the Board is required to distinguish between "the incremental cost incurred by an issuer for the role of the issuer in the authorization, clearing, and settlement of a particular electronic debit transaction" and "other costs incurred by an issuer which are not specific to a particular electronic debit transaction."

² We are also sending you a paper copy of this letter and all attachments.

The survey will ask for your institution's unique identifier. Your institution's **unique identifier** is [*unique identifier*].

The Federal Reserve System regards the individual organization information provided by each respondent as confidential (5 U.S.C. § 552(b)(4)). If it should be determined subsequently that any information collected on this form must be released, the respondents will be notified. Pursuant to the Act, we may make public summary and aggregate information with respect to the costs of authorizing, clearing, and settling debit card transactions and debit card interchange fees, if the Board deems it appropriate and in the public interest to do so.

Questions regarding this survey should be directed to Interchange.Survey@frb.gov. Thank you in advance for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Louise Rosen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Attachments

[c: *other individuals, if requested*]

Payment Card Network Survey Instructions FR 3062

These are instructions for the Payment Card Network (PCN) Survey (“the survey”), which has been sent by the Board of Governors of the Federal Reserve System (“the Board”) to your organization.

We would appreciate your participation in this important survey designed to assist the Board in implementing new rules relating to interchange fees required under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act).¹ This survey will help the Board obtain information about fees charged or set by payment card networks, fraud losses and fraud-prevention costs, and network routing and exclusivity arrangements associated with debit card transactions.

Section 1075 of the Act directs the Board to establish standards restricting the level of interchange fees for certain debit card (including prepaid card) transactions to an amount that is “reasonable and proportional” to the cost incurred by the issuer with respect to that transaction. In addition, the Act requires the Board to issue rules that prohibit issuers and payment card networks from requiring that a particular debit card transaction be processed on only one payment card network and from limiting the ability of merchants to direct the routing of debit card transactions.

As input to the development of the Board’s proposed rules, the information requested in this survey is broad to provide the Board with a greater perspective on the debit card industry. You should not infer, from the information requested, any particular policy direction of the Board as it develops its proposed regulations implementing the interchange provisions of the Act.

Your organization has also received an encrypted spreadsheet that contains the survey, as well as a passcode (via a separate e-mail) required to open the spreadsheet. This passcode will ensure that your response is encrypted when you return it to the Board. In order to complete the survey, you must be running Microsoft Excel version 2007 or 2010 and must provide the passcode when opening the spreadsheet. **Please complete the survey and send it as an attachment to Interchange.Survey@frb.gov by October 12, 2010.**

The survey contains seven sections and a response form, provided as separate tabs in the spreadsheet. Please carefully read the instructions including the scope and reporting period applicable for each section. Please complete all sections of the survey. **Do not leave any cells in the survey blank (other than unused comment fields). If a response to a particular cell does not exist, enter a 0. If a response to a particular cell cannot be determined, enter DK for “don’t know.”** In cases where DK is entered, please provide an explanation in the associated comment field. We will review the submitted surveys for logical consistency and to identify potential inaccuracies with respect to reported items. We may contact the

¹ The Act, Pub. L. 111-203, 124 Stat. 1376, was enacted on July 21, 2010.

point-of-contact identified in your survey response if we need to confirm or revise a reported item, or need further explanation.

In the “Response form” section in the first tab of the survey worksheet, please provide the designated point-of-contact for your organization’s overall response. Please also include the Unique Identifier assigned to your institution (provided in the cover letter to the survey).

If you have questions about or difficulties with the survey, including questions about the passcode, survey encryption, or survey submission, Board staff can assist you. Please call Jennifer Davidson at 202-452-2446 or e-mail Interchange.Survey@frb.gov for assistance. Provide your name, organization, and contact information along with your inquiry when you call or email. If we receive a substantial number of questions that are similar in nature, we will address these frequently asked questions (FAQs) and post the list to the Regulatory Reform section of the Board’s public website (http://www.federalreserve.gov/newsevents/reform_about.htm).

Response burden and confidentiality

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 which 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 150 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 e-mail to regs.comments@frb.gov; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0329), 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 Instructions

General Definitions

- Signature debit – Access to funds in a cardholder’s asset account for point-of-sale or other purchase transactions through the use of a debit card, payment code, or other device, in which the access is not authorized through the use of a PIN.
- PIN debit – Access to funds in a cardholder’s asset account for point-of-sale or other purchase transactions through use of a debit card, payment code, or other device, in which

the access is authorized through the use of a PIN. Does not include cards that do not support point-of-sale or other purchase transactions (e.g., cards that can only access ATM networks).

- Prepaid – Access to prepaid funds held in an account that may be used for point-of-sale or other purchase transactions through use of a prepaid card, payment code, or other device. Include information for both reloadable and non-reloadable prepaid cards and for government and non-government prepaid programs. For purposes of prepaid card programs set up with an omnibus account, an account refers to each sub-account for each cardholder and not to the omnibus account in which funds for each of the sub-accounts are kept.
- Throughout the survey, the term “United States” refers to the States, territories, or possessions of the United States, or any political subdivision of any of the foregoing.

Section I. Payment Card Network Information

Reporting period: Unless instructed otherwise, report data as of year-end 2009.

Scope: Report data on transactions for cards associated with asset accounts domiciled in the United States. Include both domestic and international transactions. Also report data related to network reach in the United States.

Card program (column) definitions: Report data in each column for accounts and cards that are associated with each type of card programs (signature debit, PIN debit, and prepaid). See above for card program definitions.

Card network data (row) definitions:

- Round values to the nearest dollar. Do not include dollar signs or commas.

I.A.1. Purchases and returns: Total transactions

The total number and value of in-scope transactions that involved a transfer of value between a cardholder and a merchant. Include both purchase transactions in which value was transferred from the cardholder to the merchant in exchange for goods and services and return transactions in which value was transferred from the merchant to the cardholder. Do not include chargebacks or any event in which value was not transferred between a cardholder and a merchant, such as denials, errors, or authorizations that did not clear or were not presented for settlement. For prepaid cards, do not include funds loads to cards.

I.A.1.a. Transactions that included cash back

The number and value of transactions (from I.A.1.) in which the merchant gave part of the point-of-sale purchase value to the cardholder as cash. Include both the purchase and cash-back amounts in the value.

I.A.1.b. Cash-back amount

The total value of cash given by merchants to cardholders in cash-back transactions.

I.B.1. Transaction environment: Card-present

The number and value of transactions (from I.A.1.) in which the card was physically present at the time of purchase (in-person or automated kiosk transactions).

I.B.2. Transaction environment: Card-not-present

The number and value of transactions (from I.A.1.) in which the card was not physically present at the time of purchase (e.g., mail order, Internet, or telephone transactions).

I.C.1. Transaction type: Purchase

The number and value of transactions (from I.A.1.) in which value was transferred from the cardholder to the merchant in exchange for goods or services.

I.C.2. Transaction type: Return

The number and value of transactions (from I.A.2.) initiated by the merchant in which value was transferred from the merchant to the cardholder following a return of goods, a refund for services, or a correction of the cardholder's purchase amount.

I.D.1. Transaction location: Domestic

The number and value of transactions (from I.A.1.) in which the merchant was located in the United States.

I.D.2. Transaction location: International

The number and value of transactions (from I.A.1.) in which the merchant was located outside of the United States.

I.E.1. Merchant acceptance: Number of merchants

The number of merchants accepting payments on your network in the United States. In the comment field, explain whether franchisees of franchise chains were reported collectively as a single merchant or whether they were reported individually.

I.E.2. Merchant acceptance: Number of merchant locations

The number of locations at which merchants accept payments on your network in the United States.

I.F.1. Card issuance: Number of card issuers

The number of organizations in the United States issuing cards associated with U.S. domiciled asset accounts that can be used on your network.

I.F.2. Card issuance: Number of cards

The number of cards associated with U.S. domiciled asset accounts that can be used on your network.

I.G.1. Network coverage: Domestic regions covered

List the regions in which your network's cards are accepted in the United States.

I.G.2. Network coverage: International regions covered

List the regions in which your network's cards are accepted outside the United States.

Section II. 2009 Fees

Reporting period: Report data for calendar year 2009.

Scope: For each card program type (signature debit, PIN debit, and prepaid), report data on all interchange fees, fees charged to issuers and acquirers, and incentives/discounts provided to issuers and acquirers for transactions in the United States.

General:

- If a network was also the card issuer and acquirer such that the network had no interchange or issuer related fees (such as in the case of American Express or Discover prepaid cards), subsections II.A. through II.D. should be left blank. Fees charged by the network to merchants should be reported instead in subsections II.E. through II.G.
- If a particular fee included multiple tiers, such as in the case of volume-tiered pricing, report each tier on a separate line and label the entries accordingly. These types of tiered fees should not be reported in sections II.D. or II.G. as discount or incentive programs.
- If a network assessed fees to entities that process transactions for issuers or acquirers (such as processors), those fees should be reported in the applicable issuer and acquirer fee sections.
- To the extent that certain revenues were based on activity across different card products and types, allocate those revenues to each card category (signature, PIN, prepaid) based on the number or value of transactions, as applicable, in each category.
- The prepaid card category includes card products that may be exempt, such as cards issued through government-administered card programs.
- Round values to the nearest dollar. Do not include dollar signs or commas.

Section II.A. Interchange fees paid to issuers and charged to acquirers

- For each interchange fee program in 2009, provide the information described below.
- Add additional rows as needed to list all fee programs under your network.
- For each subcategory (i.e., signature, PIN, and prepaid), ensure that the number and value of transactions, as well as fees charged under each program, sum to the values reported in the total row for that subcategory.

II.A.1. Fee program name:

Provide the name of the interchange fee category.

II.A.2. Fee program description and qualification criteria:

Provide a brief description of the types of transactions to which the fee applied, including, as applicable, the merchant type, any processing requirements, speed of clearing/settlement, maximum fraud rates, minimum sales volume, etc.

II.A.3. and 4. Use environment:

Indicate whether the fee was applicable to a card-present environment, card-not-present environment, or both.

II.A.5. and 6. Effective dates:

Provide the start and end dates for the fee program. If a fee was changed during the year, list the fees as separate line items (one for the period during which the old fee was in effect and one for the period during which the new fee was in effect).

II.A.7. Dollar per transaction fee:

If applicable, provide the fixed-dollar component of the fee.

II.A.8. Percentage of value fee:

If applicable, provide the component of the fee that was calculated as a percentage of the value of the transaction.

II.A.9. Dollar minimum on fee:

If applicable, provide the minimum amount that must be charged under the fee program.

II.A.10. Dollar cap of fee:

If applicable, provide the maximum amount that could be charged under the fee program.

II.A.11. Number of transactions:

Provide the number of transactions on which the interchange fee was charged.

II.A.12. Total value of transactions:

Provide the value of transactions on which the interchange fee was charged.

II.A.13. Total fees provided to issuers:

Provide the total dollar amount of interchange fees provided to issuers under the fee program.

II.A.14. Explanatory comments:

Provide any explanatory comments you believe are necessary.

Section II.B. Network fees charged to issuers that are assessed on a per-transaction basis

- Report below information for each fee that was charged to the issuer on a per-transaction basis by the network in 2009. Certain transactions may be assessed multiple per-transaction fees.
- Add additional rows as needed to list all transaction-related fees charged to issuers by your network.
- For each subcategory (i.e., signature, PIN, and prepaid), ensure that the fees charged to the issuers for each fee type sum to the value reported in the total row for that subcategory.

II.B.1. Fee type:

Provide the name of the fee.

II.B.2. Fee description:

Provide a brief description of the fee.

II.B.3. and 4. Effective dates:

Provide the start and end dates for the fee. If a fee was changed during the year, list the fees as separate line items (one for the period during which the old fee was in effect and one for the period during which the new fee was in effect).

II.B.5. Dollar per transaction fee:

If applicable, provide the fixed-dollar component of the fee.

II.B.6. Percentage of value fee:

If applicable, provide the component of the fee that was calculated as a percentage of the value of the transaction.

II.B.7. Other fee:

If applicable, Provide the method used to calculate the fee, including any minimums or maximums.

II.B.8. Number of transactions:

Provide the number of transactions on which the fee was charged.

II.B.9. Total value of transactions:

Provide the value of transactions on which the fee was charged.

II.B.10. Total transaction fees charged to issuers:

Provide the total dollar amount of fees charged to issuers under this fee type.

II.B.11. Explanatory comments:

Provide any explanatory comments you believe are necessary.

Section II.C. Network fees charged to issuers that are not assessed on a per-transaction basis

- Report below information for each fee that was charged to the issuer by the network and was charged on a per-transaction basis. (Note: These fees could, however, be based on transaction volume thresholds.)
- Add additional rows as needed to list all non-transaction-related fees charged to issuers by your network.
- For each subcategory (i.e., signature, PIN, and prepaid), ensure that the fees charged to the issuers for each fee type sum to the value reported in the total row for that subcategory.

II.C.1. Fee type:

Provide the name of the fee.

II.C.2. Fee description:

Provide a brief description of the fee.

II.C.3. Optional:

Note if the fee is for an optional service. Report “yes” or “no” in the space provided.

II.C.4. and 5. Effective dates:

Provide the start and end dates for the fee. If a fee was changed during the year, list the fees as separate line items (one for the period during which the old fee was in effect and one for the period during which the new fee was in effect).

II.C.6. Fee:

Provide the specific fee structure.

II.C.7. Fee calculation volume:

If applicable, provide the level of the volume used to calculate total fees charged (e.g., number of cards if the fee is a card-based fee, etc.).

II.C.8. Total non-transaction fees charged to issuers:

Provide the total dollar amount of fees charged to issuers under this fee type.

II.C.9. Explanatory comments:

Provide any explanatory comments you believe are necessary.

Section II.D. Other program fees paid to issuers, or discounts in fees paid by issuers (e.g., incentive programs, etc.) (excluding interchange fees reported in section II.A.)

- Report below information for each fee that was paid to or each discount that was issued to an issuer.
- Note that tiered fee structures do not represent discounts and should be reported in the appropriate subsections and not in subsections II.D. or II.G. For example, if a particular fee included multiple tiers, such as in the case of volume-tiered pricing, these fees would not be considered discount or incentive programs and should be reported elsewhere in section II. Incentives and discounts to be reported in this section are those programs that represent monies paid to issuers or discounts to issuers based on the achievement of certain specified goals or targets.
- Add additional rows as needed to list all program fees paid or discounted to issuers by your network.
- For each subcategory (i.e., signature, PIN, and prepaid), ensure that the fees paid or discounted to the issuers for each fee type sum to the value reported in the total row for that subcategory.

II.D.1. Fee or discount type:

Provide the name of the fee or discount program.

II.D.2. Fee description:

Provide a brief description of the fee paid or discount.

II.D.3. and 4. Effective dates:

Provide the start and end dates for the fee or discount. If a fee or discount was changed during the year, list the fees or discounts as separate line items (one for the period during which the old fee or discount was in effect and one for the period during which the new fee or discount was in effect).

II.D.5. Fee or discount:

Provide the specific fee or discount structure.

II.D.6. Issuers in program:

Total number of issuers that received fees or were issued discounts under the program.

II.D.7. Fee or discount volume:

If applicable, provide the level of the volume used to calculate total fees reimbursed or discounts issued.

II.D.8. Total fees paid or discounted to issuers:

Provide the total dollar amount of fees paid or discounted to issuers under this program.

II.D.9. Explanatory comments:

Provide any explanatory comments you believe are necessary.

Section II.E. Network fees charged to acquirers or merchants that are assessed on a per-transaction basis (excluding interchange fees reported in section II.A.)

- Report below information for each fee that was charged to the acquirer or merchant on a per-transaction basis. Certain transactions may be assessed multiple per-transaction fees.
- Add additional rows as needed to list all transaction-related fees charged to acquirers or merchants by your network.
- For each subcategory (i.e., signature, PIN, and prepaid), ensure that the fees charged to acquirers or merchants for each fee type sum to the value reported in the total row for that subcategory.

II.E.1. Fee type:

Provide the name of the fee.

II.E.2. Fee description:

Provide a brief description of the fee.

II.E.3. and 4. Effective dates:

Provide the start and end dates for the fee. If a fee was changed during the year, list the fees as separate line items (one for the period during which the old fee was in effect and one for the period during which the new fee was in effect).

II.E.5. Dollar per transaction fee:

If applicable, provide the fixed dollar component of the fee.

II.E.6. Percentage of value fee:

If applicable, provide the component of the fee that was calculated as a percentage of the value of the transaction.

II.E.7. Other fee:

If applicable, provide the method used to calculate the fee, including any minimums or maximums.

II.E.8. Number of transactions:

Provide the number of transactions on which the fee was charged.

II.E.9. Total value of transactions:

Provide the value of transactions on which the fee was charged.

II.E.10. Total fees charged to acquirers or merchants:

Provide the total dollar amount of fees charged to acquirers or merchants under this fee type.

II.E.11. Explanatory comments:

Provide any explanatory comments you believe are necessary.

Section II.F. Network fees charged to acquirers or merchants that are not assessed on a per-transaction basis

- Report below information for each fee that was charged to the acquirer or merchant and was charged on a per-transaction basis. (Note: These fees could, however, be based on transaction volume thresholds.)
- Add additional rows as needed to list all non-transaction-related fees charged to acquirers or merchants by your network.
- For each subcategory (i.e., signature, PIN, and prepaid), ensure that the fees charged to the acquirers or merchants for each fee type sum to the value reported in the total row for that subcategory.

II.F.1. Fee type:

Provide the name of the fee.

II.F.2. Fee description:

Provide a brief description of the fee.

II.F.3. Optional:

Note if the fee is for an optional service. Report “yes” or “no” in the space provided.

II.F.4. and 5. Effective dates:

Provide the start and end dates for the fee. If a fee was changed during the year, list the fees as separate line items (one for the period during which the old fee was in effect and one for the period during which the new fee was in effect).

II.F.6. Fee:

Provide the specific fee structure.

II.F.7. Fee calculation volume:

If applicable, provide the level of the volume used to calculate total fees charged (e.g., number of cards if the fee is a card-based fee, etc.)

II.F.8. Total fees charged to issuers:

Provide the total dollar amount of fees charged to acquirers or merchants under this fee type.

II.F.9. Explanatory comments:

Provide any explanatory comments you believe may be necessary.

Section II.G. Other program fees paid to acquirers or merchants by or discounts in fees paid by acquirers or merchants (e.g., incentive programs, etc.)

- Report below information for each fee that was paid to or each discount that was issued to an acquirer or merchant.
- Note that tiered fee structures do not represent discounts and should be reported in the appropriate subsections and not in subsections II.D. or II.G. For example, if a particular fee included multiple tiers, such as in the case of volume-tiered pricing, these fees would not be considered discount or incentive programs and should be reported elsewhere in section II. Incentives and discounts to be reported in this section are those programs that represent monies paid to acquirers or merchants or discounts to acquirers or merchants based on the achievement of certain specified goals or targets.
- Add additional rows as needed to list all program fees paid or discounted to acquirers or merchants by your network.
- For each subcategory (i.e., signature, PIN, and prepaid), ensure that the fees paid or discounted to the acquirers or merchants for each fee type sum to the value reported in the total row for that subcategory.

II.G.1. Fee or discount type:

Provide the name of the fee or discount program.

II.G.2. Fee description:

Provide a brief description of the fee paid or discount.

II.G.3. and 4. Effective dates:

Provide the start and end dates for the fee or discount. If a fee or discount was changed during the year, list the fees or discounts as separate line items (one for the period during which the old fee or discount was in effect and one for the period during which the new fee or discount was in effect).

II.G.5. Fee or discount:

Provide the specific fee or discount structure.

II.G.6. Acquirers or merchants in program:

Total number of acquirers or merchants that received fees or were provided discounts under the program.

II.G.7. Fee or discount volume:

If applicable, provide the level of the volume used to calculate total fees reimbursed or discounts issued.

II.G.8. Total fees paid or discounted to acquirers or merchants:

Provide the total dollar amount of fees paid or discounted to acquirers or merchants under this program.

II.G.9. Explanatory comments:

Provide any explanatory comments you believe are necessary.

Section III. Historical Interchange Fees

Reporting period: Report data for the years specified.

Scope: For each card program type (signature debit, PIN debit, and prepaid), report interchange fee data for transactions in the United States.

- Note: If a network is also the card issuer and acquirer such that the network had no interchange or issuer related fees (such as in the case of American Express or Discover prepaid cards), total fees charged to merchants should be reported instead. Further, in the explanatory comments, the network should provide the percentage of total fees reported that was assessed on a per-transaction basis and the percentage that was not assessed on a per-transaction basis. These percentages should total to 100 percent.
- Round values to the nearest dollar. Do not include dollar signs or commas.

III.1. Total interchange fees reimbursed to issuers:

Provide the total dollar amount of interchange fees collected from merchants or acquirers and reimbursed to issuers.

III.2. Total number of transactions:

Total number of transactions on which an interchange fee was assessed.

III.3. Total value of transactions:

Total value of transactions on which an interchange fee was assessed.

III.4. Average interchange fee as a percentage of total transaction value:

The average interchange assessed should be calculated by dividing total interchange fees reimbursed to issuers as reported in III.1. by the total value of transactions as reported in III.3.

Section IV. Fraud Prevention and Data Security Costs

Reporting period: Report data for calendar year 2009.

Scope: For each card program type (signature debit, PIN debit, and prepaid), report data on your fraud prevention and data security costs for transactions in the United States.

General:

- There may be some overlap associated with fraud prevention and data security activities and respondents should avoid potential double counting of costs. For example, costs for PCI compliance should be reported as a data security cost rather than a fraud prevention cost.
- For capital expenditures, report costs depreciated or amortized during 2009. Report the amount of such expenditures and the depreciation/amortization approach (e.g., straight-line over five years) in the associated comment field for a response.
- Costs related to or allocable to ATM transaction costs should not be included in costs reported for debit card or prepaid card transactions.
- Costs shared with other card programs or activities should be allocated to each card category based on the number of transactions or other appropriate activity-based measures.
 - For example, if your organization has shared costs for signature and PIN debit operations, allocate those costs to signature debit based on the proportion of signature debit transactions to total debit transactions.
 - If your organization has shared costs for debit card operations and other card program operations, first allocate those costs to debit card operations based on the proportion of debit transactions to total relevant card transactions. Then allocate the costs for debit card operations to signature and PIN debit operations as described above.
 - If you allocate shared costs, provide a description of such costs in the associated comment field for a response. Include the activities for which costs are jointly shared, the total amount of such costs, and the allocation method if it is not based on the number of transactions.
- **Do not allocate corporate overhead costs to card program categories (columns). Do not allocate other overhead costs to card programs except insofar as that overhead is directly related to activity in a card program.**
- **Do not double count costs across card program categories (columns).**
- **Do not double count costs across activity categories (rows).**
- Round values to the nearest dollar. Do not include dollar signs or commas.

Section IV.A. Fraud prevention costs

IV.A.1. Type of fraud prevention activity

Fraud prevention activities include activities related to monitoring transactions to detect and prevent fraud, as well as costs related to responding to potential fraud to prevent further losses.

The types of fraud prevention activities listed in the table are illustrative and not meant to be exhaustive. If necessary, respondents should add fraud prevention activities undertaken by their networks.

IV.A.2.and 3. and 4. Fully-allocated costs

For each card category, provide the fully-allocated costs associated with each fraud prevention activity undertaken by the network. These costs include costs attributable to a single card category and joint costs shared with other card categories. Joint costs should be allocated to each card category based on the number of transactions. However, do not allocate corporate overhead costs to card categories. Do not allocate other overhead costs to card categories except insofar as that overhead is directly related to activity in a card category. Do not double count costs across card categories or across fraud prevention activities.

IV.A.5. Cost allocation methodology

As noted above, joint costs should be allocated to each card category based on the number of transactions. If a different allocation methodology is used, explain the methodology and provide the proportion of total costs that are joint versus direct.

Section IV.B. Data security costs

IV.B.1. Type of data security activity

Data security activities include activities related to securing the data processing and communications infrastructure of the network.

The types of data security activities listed in the table are illustrative and not meant to be exhaustive. If necessary, respondents should add data security activities undertaken by their networks.

IV.B.2.and 3. and 4. Fully-allocated costs

For each card category, provide the fully-allocated costs associated with each data security activity undertaken by the network. These costs include costs attributable to a single card category and joint costs shared with other card categories. Joint costs should be allocated to each card category based on the number of transactions. However, do not allocate corporate overhead costs to card categories. Do not allocate other overhead costs to card categories except insofar as that overhead is directly related to activity in a card category. Do not double count costs across card categories or across data security activities.

IV.B.5. Cost allocation methodology

As noted above, joint costs should be allocated to each card category based on the number of transactions. If a different allocation methodology is used, explain the methodology and provide the proportion of total costs that are joint versus direct.

Section V. Fraud Losses

Reporting period: Report data for calendar year 2009.

Scope: For each card category (signature debit, PIN debit, and prepaid), report data for fraud losses associated with your network's U.S. transactions.

- Round values to the nearest dollar. Do not include dollar signs or commas.
- Percentages reported in columns (6), (7) and (8) should sum to 100 percent.
- **Each fraudulent transaction should be reported only once to avoid double counting.**
- **Do not double count fraud losses across card categories (columns). For example if a dual function PIN and signature debit card is lost and stolen and used to make a fraudulent signature debit transaction, the incidence should be counted and valued only once under the signature debit fraud losses.**
- **Do not double count fraud losses across fraud types (rows).**

V.1. Type of fraud:

The types of fraud that have been listed are illustrative and not meant to be exhaustive. Respondents should add fraud types as needed.

V.2. Gross number of fraudulent transactions:

Based on data provided and available to the network, provide the gross number of fraudulent transactions charged back through the network for each fraud type.

V.3. Net number of fraudulent transactions after representments:

Based on data provided and available to the network, provide the net number of fraudulent transactions charged back through the network after representments for each fraud type.

V.4. Gross value of fraudulent transactions:

Based on data provided and available to the network, provide the gross value of fraudulent transactions charged back through the network for each fraud type.

V.5. Net value of fraudulent transactions after representments:

Based on data provided and available to the network, provide the net value of fraudulent transactions charged back through the network after representments for each fraud type.

V.6. Percentage of net fraud loss value after representments borne by issuers and cardholders:

Based on data provided and available to the network, provide the percentage of the value of net fraud losses after representments that were borne by issuers and cardholders for each fraud type.

V.7. Percentage of net fraud loss value after representments borne by network:

Based on data provided and available to the network, provide the percentage of the value of net fraud losses after representments that were borne by the network for each fraud type.

V.8. Percentage of net fraud loss value after representations borne by acquirers and merchants:

Based on data provided and available to the network, provide the percentage of the value of net fraud losses after representations that were borne by acquirers and merchants for each fraud type.

Section VI. Fraud Occurrence and Mitigation

- For the questions in panels VI.A. – VI.H., place an “X” in the box associated with your organization’s response. Briefly provide any necessary elaboration in the text boxes on the form.

Section VII. Exclusivity Arrangements and Routing Procedures

- For the questions in panels VII.A. – VII.F., place an “X” in the box associated with your organization’s response. Briefly provide any necessary elaboration in the text boxes on the form.

Response form.	
Networks covered in this survey response.	
Unique identifier (provided in cover letter to survey).	
Primary contact for this survey response.	
Name:	
E-mail:	
Phone:	

Please refer to the instructions that accompanied this survey. Do not leave any cells in the survey blank. If a response to a particular cell does not exist, enter a 0. If a response to a particular cell cannot be determined, enter DK for “don’t know.” If you have other questions or difficulties, Board staff can assist you. Please call Jennifer Davidson at 202-452-2446 or email Interchange.Survey@frb.gov for assistance. Provide your name, organization, and contact information along with your inquiry when you call or email.

Section I. Payment Card Network Information

	Signature debit (1)		PIN debit (2)		Prepaid (3)	
	Number	Value	Number	Value	Number	Value
A. Purchases and returns						
1. Total transactions						
a. Transactions that included cash back						
b. Cash-back amount						
B. Transaction environment						
1. Card-present						
2. Card-not-present						
C. Transaction type						
1. Purchase						
2. Return						
D. Transaction location						
1. Domestic						
2. International						
E. Merchant acceptance						
1. Number of merchants						
2. Number of merchant locations						
F. Card issuance						
1. Number of card issuers						
2. Number of cards						
G. Network coverage						
1. Domestic regions covered						
2. International regions covered						

Please provide any explanatory comments regarding your response above, if needed.

II.A. Interchange fees paid to issuers and charged to acquirers

Fee	Fee program name	Fee program description and qualification criteria	Use environment		Effective dates		Interchange fee				Number of transactions	Total value of transactions (\$)	Total fees provided to issuers (\$)	Explanatory Comments
			Card-present	Card-not-present	Start date	End Date	Dollar per transaction (\$)	Percentage of transaction value (%)	Dollar minimum on fee (\$)	Dollar cap on fee (\$)				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Example	Restaurant Debit	Applies to all restaurants	x		1/1/2009	4/30/2009	0.10	1.19	n.a.	n.a.	10,000,000	500,000,000	10,500,000	
	Signature Debit													
	1													
	2													
	3													
	4													
	Add additional programs as needed													
	Total signature debit													
	PIN Debit													
	1													
	2													
	3													
	4													
	Add additional programs as needed													
	Total PIN debit													
	Prepaid													
	1													
	2													
	3													
	4													
	Add additional programs as needed													
	Total prepaid													

Sample Survey Submission
Not Valid for Submission

II.B. Network fees charged to issuers that are assessed on a per-transaction basis

Fee	Fee type	Fee description	Effective dates		Fee			Number of transactions	Total value of transactions (\$)	Total transaction fees charged to issuers (\$)	Explanatory Comments
			Start date	End Date	Dollar per transaction (\$)	Percentage of transaction value (%)	Other (describe calculation method)				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Example	Switch fee	Fee to process transactions	1/1/2009	12/31/2009	0.03	n.a.	n.a.	1,000,000,000	150,000,000,000	30,000,000	
	Signature Debit										
	1										
	2										
	3										
	4										
	Add additional programs as needed										
	Total signature debit										
	PIN Debit										
	1										
	2										
	3										
	4										
	Add additional programs as needed										
	Total PIN debit										
	Prepaid										
	1										
	2										
	3										
	4										
	Add additional programs as needed										
	Total prepaid										

Sample Submission
Not Valid for Survey

II.C. Network fees charged to issuers that are not assessed on a per-transaction basis

Fee	Fee type (1)	Fee description (2)	Optional (3)	Effective dates		Fee (6)	Fee calculation volume, if applicable (7)	Total non-transaction fees charged to issuers (\$) (8)	Explanatory Comments (9)
				Start date (4)	End Date (5)				
Example	Licensing assessment	Tiered monthly participation fee	No	1/1/2009	12/31/2009	\$x per month for up to A cards outstanding; \$y per month for between A and B cards outstanding; \$z per month for more than B cards outstanding	n.a.	50,000,000	
Signature Debit									
1									
2									
3									
4									
Add additional programs as needed									
Total signature debit									
PIN Debit									
1									
2									
3									
4									
Add additional programs as needed									
Total PIN debit									
Prepaid									
1									
2									
3									
4									
Add additional programs as needed									
Total prepaid									

Sample Survey Submission
Not Valid for Submission

II.D. Other program fees paid to issuers, or discounts in fees paid by issuers (e.g., incentive programs, etc.) (excluding interchange fees reported in section II.A)

Fee	Fee or discount type (1)	Fee or discount description (2)	Effective dates		Fee or discount (5)	Number of issuers in program (6)	Fee or discount calculation volume, if applicable (7)	Total fees paid or discounted to issuers (\$) (8)	Explanatory Comments (9)
			Start date (3)	End Date (4)					
Example	Volume incentives	Payment to issuers for volumes exceeding certain thresholds	1/1/2009	12/31/2009	x% discount on fees for volume over y million	1	n.a.	300,000	
Signature Debit									
1									
2									
3									
4									
Add additional programs as needed									
Total signature debit									
PIN Debit									
1									
2									
3									
4									
Add additional programs as needed									
Total PIN debit									
Prepaid									
1									
2									
3									
4									
Add additional programs as needed									
Total prepaid									

Sample Submission
Not Valid for Submission

II.E. Network fees charged to acquirers or merchants that are assessed on a per-transaction basis (excluding interchange fees reported in section II.A)

Fee	Fee type (1)	Fee description (2)	Effective dates		Fee			Number of transactions (8)	Total value of transactions (\$) (9)	Total fees charged to acquirers or merchants (\$) (10)	Explanatory Comments (11)
			Start date (3)	End Date (4)	Dollar per transaction (\$) (5)	Percentage of transaction value (%) (6)	Other (describe calculation method) (7)				
Example	Switch fee	Fee to process transactions	1/1/2009	12/31/2009	0.03	n.a.	n.a.	1,000,000,000	150,000,000,000	30,000,000	
	Signature Debit										
	1										
	2										
	3										
	4										
	Add additional programs as needed										
	Total signature debit										
	PIN Debit										
	1										
	2										
	3										
	4										
	Add additional programs as needed										
	Total PIN debit										
	Prepaid										
	1										
	2										
	3										
	4										
	Add additional programs as needed										
	Total prepaid										

Sample Submission
Not Valid for Submission

III.F. Network fees charged to acquirers or merchants that are not assessed on a per-transaction basis

Fee	Fee type (1)	Fee description (2)	Optional (3)	Effective dates		Fee (6)	Fee calculation volume, if applicable (7)	Total fees charged to acquirers or merchants (\$) (8)	Explanatory Comments (9)
				Start date (4)	End Date (5)				
Example	Licensing assessment	Tiered monthly participation fee	No	1/1/2009	12/31/2009	\$x per month for up to A cards outstanding; \$y per month for between A and B cards outstanding; \$z per month for more than B cards outstanding	n.a.	50,000,000	
Signature Debit									
1									
2									
3									
4									
Add additional programs as needed									
Total signature debit									
PIN Debit									
1									
2									
3									
4									
Add additional programs as needed									
Total PIN debit									
Prepaid									
1									
2									
3									
4									
Add additional programs as needed									
Total prepaid									

Sample Survey Submission
Not Valid for Submission

II.G. Other program fees paid to acquirers or merchants by or discounts in fees paid by acquirers or merchants (e.g., incentive programs, etc.)

Fee	Fee or discount type (1)	Fee or discount description (2)	Effective dates		Fee or discount (5)	Number of acquirers or merchants in program (6)	Fee or discount calculation volume, if applicable (7)	Total fees paid or discounted to acquirers or merchants (\$) (8)	Explanatory Comments (9)
			Start date (3)	End Date (4)					
Example	Volume incentives	Payment to issuers for volumes exceeding certain thresholds	1/1/2009	12/31/2009	x% discount on fees for volume over y million	1	n.a.	300,000	
Signature Debit									
1									
2									
3									
4									
Add additional programs as needed									
Total signature debit									
PIN Debit									
1									
2									
3									
4									
Add additional programs as needed									
Total PIN debit									
Prepaid									
1									
2									
3									
4									
Add additional programs as needed									
Total prepaid									

Sample Survey Submission
Not Valid for Submission

Section III. Historical Interchange Fees

	Total interchange fees reimbursed to issuers	Total number of transactions	Total value of transactions	Average interchange fee as a percentage of total transaction value
Year	(1)	(2)	(3)	(4)
Signature Debit				
1990				
1995				
2000				
2005				
2009				
PIN Debit				
1990				
1995				
2000				
2005				
2009				
Prepaid				
1990				
1995				
2000				
2005				
2009				

Please provide any explanations as to changes or trends in interchange rates from 1990 to 2009.

IV.A. Fraud prevention costs

	Type of fraud prevention activity	Fully allocated costs			Cost allocation methodology for joint costs if not based on the number of transactions (include percentage of fully allocated costs that are joint)
		PIN debit (\$)	Signature debit (\$)	Prepaid (\$)	
	(1)	(2)	(3)	(4)	(5)
1	Specialized authorization services				
2	Transaction verification				
3	Cardholder transaction monitoring				
4	Merchant transaction monitoring				
5	Development/assessment of merchants' security programs				
6	Data compromise response				
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
Total					

Please provide any explanatory comments in the space below.

IV.B. Data security costs

	Type of data security activity (1)	Fully allocated costs			Cost allocation methodology for joint costs if not based on the number of transactions (include percentage of fully allocated costs that are joint) (5)
		PIN debit (\$) (2)	Signature debit (\$) (3)	Prepaid (\$) (4)	
1	Data access controls				
2	Data processing security				
3	Communications security				
4	PCI compliance				
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
Total					

Please provide any explanatory comments in the space below.

V.A. Signature debit fraud losses

	Type of fraud (1)	Number of fraudulent transactions		Value of fraudulent transactions		Percentage of net fraud loss value after representations		
		Gross (2)	Net after representations (3)	Gross (\$) (4)	Net after representations (\$) (5)	Issuers and cardholders (%) (6)	Network (%) (7)	Acquirers and merchants (%) (8)
1	Lost or stolen							
2	Counterfeit							
3	Mail order, telephone order, Internet order							
4	Account takeover							
5	Family fraud							
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total signature debit								

Please provide any explanatory comments in the space below.

V.B. PIN debit fraud losses

	Type of fraud	Number of fraudulent transactions		Value of fraudulent transactions		Percentage of net fraud loss value after representations		
		Gross (2)	Net after representments (3)	Gross (\$) (4)	Net after representments (\$) (5)	Issuers and cardholders (%) (6)	Network (%) (7)	Acquirers and merchants (%) (8)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Lost or stolen							
2	Counterfeit							
3	Mail order, telephone order, Internet order							
4	Account takeover							
5	Family fraud							
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total PIN debit								

Please provide any explanatory comments in the space below.

V.C. Prepaid fraud losses

	Type of fraud	Number of fraudulent transactions		Value of fraudulent transactions		Percentage of net fraud loss value after representations		
		Gross	Net after representations	Gross (\$)	Net after representations (\$)	Issuers and cardholders (%)	Network (%)	Acquirers and merchants (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Lost or stolen							
2	Counterfeit							
3	Mail order, telephone order, Internet order							
4	Account takeover							
5	Family fraud							
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total prepaid								

Please provide any explanatory comments in the space below.

Section VI. Fraud Occurrence and Mitigation

VI.A.) Is the level or incidence of fraud influenced by whether the authorization of an electronic debit transaction occurs in a card-present or card-not-present environment?

YES **NO**

If the answer to the above question is "Yes," please briefly explain in the space provided below.

Sample Survey
Not Valid for Submission

VI.B.) Is the level or incidence of fraud in a card-present environment influenced by whether the authorization of an electronic debit transaction is based on a PIN or a signature?

YES **NO**

If the answer to the above question is "Yes," please briefly explain in the space provided below.

Sample Survey
Not Valid for Submission

VI.C.) Is the level or incidence of fraud in a card-present environment influenced by whether an electronic debit transaction occurs face to-face or unattended? **YES** **NO**

If the answer to the above question is "Yes," please briefly explain in the space provided below.

VI.D.) Have existing interchange fees influenced incentives for each party involved in electronic debit transactions to reduce fraud on such transactions? **YES** **NO**

Please briefly explain why or why not in the space provided below.

VI.E.) Are there any industry-wide estimates available of fraud prevention and data security costs expended by each party involved in electronic debit transactions?

YES **NO**

If the answer to the above question is "Yes," please briefly explain in the space provided below.

Sample Survey
Not Valid for Submission

VI.F.) In addition to the network estimates provided in response to section V are there any industry-wide estimates available of fraud losses absorbed by each party involved in electronic debit transactions?

YES **NO**

If the answer to the above question is "Yes," please briefly explain in the space provided below.

Sample Survey
Not Valid for Submission

VI.G.) Are there any industry accepted or network required fraud prevention standards with which issuers and merchants must adhere? **YES** **NO**

If the answer to the above question is "Yes," please briefly explain in the space provided below.

Sample Survey
Not Valid for Submission

VI.H.) In the space provided below, briefly describe any available, economical means by which fraud on electronic debit transactions can currently be reduced by each party in such transactions. Also, please describe additional future means that may be available to prevent fraud.

Sample Survey
Not Valid for Submission

Section VII. Exclusivity Arrangements and Routing Procedures

VII.A.) Does your organization currently have any rules, guidelines, policies, interpretations, or otherwise with regard to an issuer's ability to issue debit cards (whether signature or PIN-based) or prepaid cards that:

YES NO

1. Require debit cards or prepaid cards issued on your payment card network to be exclusively processed on your payment card network (or an affiliated payment card network)?

2. Limit or otherwise restrict an issuer's ability to issue debit cards or prepaid cards that can be processed on an unaffiliated payment card network?

If the answer to either of the above questions is "Yes," briefly describe the nature of such restrictions in the space below:

[Empty text box for describing restrictions]

YES NO

3. Over the past 10 years, has your organization changed any of its rules, guidelines, policies, interpretations or otherwise with respect to 1. or 2. above?

If "Yes," briefly describe the nature of and reasons for such changes in the space below:

[Empty text box for describing changes]

VII.B.) Does your organization currently enter into contracts with individual issuers in your payment card network under which the issuer agrees:

YES NO

1. That any debit cards (whether signature or PIN-based) or prepaid cards issued on the payment card network are exclusively processed on that payment card network (or an affiliated payment card network)?

2. Not to issue any debit cards (whether signature or PIN-based) or prepaid cards that can be processed on an unaffiliated payment card network?

3. To commit to or guarantee a certain volume or dollar threshold of transactions that will be processed on that payment card network (or an affiliated payment network)?

If "Yes," briefly describe the nature of such contracts in the space below:

[Empty text box for describing contracts]

YES NO

4. Over the past 10 years, has your organization entered any contracts with issuers in your payment card network with respect to 1., 2., or 3. above?

If "Yes," briefly describe the nature of such contracts in the space below:

[Empty text box for describing contracts]

VII.C.) With respect to individual issuers in your payment card network, does your organization provide incentives based on whether the issuer agrees:

YES NO

- 1. That any debit cards (whether signature or PIN-based) or prepaid cards issued on your payment card network are exclusively processed on your payment card network (or an affiliated payment card network)?
- 2. Not to issue any debit cards (whether signature or PIN-based) or prepaid cards that can be processed on an unaffiliated payment card network?
- 3. To commit to or guarantee a certain volume or dollar threshold of transactions that will be processed on your payment card network (or an affiliated payment network)?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

If "Yes," mark all incentives your organization provides:

- a. Higher interchange fees
- b. Lower network fees
- c. More favorable terms (briefly describe in the space below)
- d. Other (briefly describe in the space below)

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

Sample Survey
Not Valid for Submission

VII.D.) Does your organization currently have any rules, guidelines, policies, interpretations, or otherwise (including volume or dollar threshold requirements) that direct or set priorities regarding how a person that accepts debit cards (or their merchant acquirer or processor) or prepaid cards must route an electronic debit transaction when multiple payment card networks, including your own, are available to process that particular transaction?

YES NO

If "Yes," briefly describe the nature of such restrictions in the space below:

Over the past 10 years, has your organization changed any of its rules, guidelines, policies, interpretations or otherwise with respect to the question above?

YES NO

If "Yes," briefly describe the nature of and reasons for such changes in the space below:

VII.E.) Does your organization currently enter into contracts with merchant acquirers or processors that direct the merchant acquirer or processor to route a transaction over your payment card network when multiple payment card networks, including your own, are available to process that transaction or to otherwise set routing preferences for your payment card network?

YES NO

If "Yes," briefly describe such contracts in the space provided below:

4. Over the past 10 years, has your organization entered any contracts with merchant acquirers or processors with respect to the question above?

YES NO

If "Yes," briefly describe the nature of such contracts in the space below:

VII.F.) Does your organization currently provide incentives to merchant acquirers or processors to encourage the merchant acquirer or processor to route a transaction over your payment card network when multiple payment card networks, including your own, are available to process that transaction or to otherwise set routing preferences for your payment card network?

YES NO

If "Yes," mark all incentives your organization provides:

a. Lower network fees

b. More favorable terms (briefly describe in the space below)

c. Other (briefly describe in the space below)

Sample Survey
Not Valid for Submission