

## Card Issuer Survey FAQs

**NOTE: If your organization has been compiling its response in a way that is inconsistent with these FAQs, and correcting your reporting would significantly impair your organization's ability to respond by October 12, 2010, please contact Board staff at [Interchange.Survey@frb.gov](mailto:Interchange.Survey@frb.gov).**

### **GENERAL QUESTIONS:**

**Q1:** Can we have an extension of the reporting deadline?

**A1:** Due to time constraints on the rule-making process, it is not possible to extend the reporting deadline. If you have concerns about the precision of data reported by October 12, 2010, please report the available data and, in the associated comment fields for problematic data, note your concerns.

**Q2:** What should we do if we cannot report 2009 data for some items?

**A2:** Please contact Board staff at [Interchange.Survey@frb.gov](mailto:Interchange.Survey@frb.gov) with details about the nature of your organization's reporting difficulties.

**Q3:** What should we do if we do not have information about a particular item in our systems?

**A3:** In general, if the response to a particular item cannot be determined, enter a "DK" for "don't know." Please provide an explanation for such responses in the associated comment field. However, to the extent possible, you should attempt to provide responses for "total" items, even if you cannot break out that total into subtotals. For example, if your organization does not classify accounts by customer type, you should report the number of total accounts in item I.A. and should report "DK" for items I.A.2. – I.A.4.

**Q4:** How should we report overhead and capital costs in the survey?

**A4:** Organizations may report capital costs that are directly related to debit card activity, appropriately amortized and allocated, as long as they describe those costs and their amortization and allocation methods in the associated comment fields. Organizations may report overhead costs, such as the cost of card processing centers, to the extent that the overhead is directly related to activity in a card program. Please document such costs in the associated comment field, including a description of the costs, their amount, and the allocation method used.

**Q5:** In sections III and IV, to the extent that it is applicable, may we include an allocation for our card-processing-center costs and branches based on volume of business or other measurable variables?

**A5:** In sections III and IV, you may allocate expenses that are directly related to debit card activity using the cost allocation methods described in the instructions. Card-processing-center costs would be an example of such an expense. In general, do not allocate the cost of branches as those costs are not directly related to debit card activity. However, to the extent that certain activities at branches, such as fraud prevention activities, can be directly linked to debit cards, you may include an allocated portion of those costs in the appropriate line item(s). Please document such costs in the associated comment field, including a description of the costs, their amount, and the allocation methodology used.

**Q6:** Where should we report marketing expenses?

**A6:** In general, do not report marketing expenses in your survey response. To the extent that your organization has a revenue-sharing arrangement with an external partner who may provide marketing services on your behalf, you may provide the costs of those arrangements in item III.C.3. (Affinity partner revenue-sharing).

**Q7:** Should we include ATM-related cost data?

**A7:** To the extent that your organization has joint costs across ATM and debit card operations, you may include an allocated portion of those costs in the appropriate line item(s). Please document such costs in the associated comment field, including a description of the costs, their amount, and the allocation methodology used.

## **SECTION I**

**Q8:** How should we treat respondents' cards in the survey response?

**A8:** If a depository institution is the sponsor of a Bank Identification Number (BIN), issues cards from that BIN on behalf of other depository institutions, and provides all or virtually all of the services to issue, process, and service those cards, then that depository institution should report information about those cards, including the number of cards, number of transactions, and relevant costs, in its survey response. That institution should further report the number of such cards in item I.B.4. (Respondent cards). The depository institutions on whose behalf the cards are issued should not include information about those cards in their respective survey responses.

**Q9:** How should we treat card information for BINs for which we serve as the sponsor on behalf of other entities managing a prepaid card program?

**A9:** If a depository institution serves as the sponsor of a BIN for another entity that manages a prepaid card program, where the other entity performs all or virtually all of the processing services for such cards, then the depository institution should not report information about those cards, including number of cards and transactions, in its survey response. However, if the depository-institution sponsor of the BIN provides significant processing services for such cards (including authorization, clearing and settlement), that depository institution should report information about the cards and transactions for which it provides such services and should report the associated costs.

**Q10:** For total accounts, should we only include accounts for which the card is active?

**A10:** No. For total accounts, you should report the number of all open accounts for which a non-expired card has been issued, regardless of whether that card is active.

**Q11:** For total cards, should we only count cards that are active?

**A11:** No. For total cards, you should report the total number of non-expired cards, regardless of whether the card is active.

**Q12:** Should we report a Health Savings Account card as a consumer debit card, a government card, or a prepaid card?

**A12:** For purposes of the survey, please treat cards associated with Health Savings Accounts as non-government prepaid cards. Similarly, please treat cards associated with Flexible Spending Accounts and Health Reimbursement Accounts as non-government prepaid cards.

## **SECTION II**

**Q13:** What is an authorization without value transfer (item II.C.)?

**A13:** Authorizations without value transfer occur when an authorization takes place, but the value associated with that authorization is never cleared and settled. For example, a hotel may obtain an authorization for a certain amount when a customer checks in, but this authorization may never clear and settle if the hotel submits a subsequent authorization for the exact amount of the stay when the customer checks out or if the consumer pays the hotel bill by another payment method. Similar arrangements can arise with car rentals or pay-at-the-pump gasoline dispensers. Another example can occur if a customer decides to cancel a transaction at the point of sale after that transaction has been authorized, but before completing the transaction. In these cases, authorization takes place, with potential costs being incurred for processing that authorization, but the authorization does not clear and settle. If your organization does not track this

information, please enter “DK” for that item and note the difficulty in the associated comment field.

**Q14:** What is the relationship between total transactions (item II.A.), purchases (item II.A.4.), and returns (item II.A.5.)?

**A14:** Per the definition of total transactions, item II.A. should be the sum of item II.A.4. and item II.A.5. That is, total transactions = purchases + returns.

**Q15:** Do we report a chargeback if the case was opened in 2009, but not processed until 2010?

**A15:** Chargebacks and representments should be reported only if the chargeback or representment was processed in calendar year 2009. This includes chargebacks and representments processed in 2009, even if they relate to transactions made in a prior period. This does not include chargebacks and representments associated with a transaction in 2009, but not processed until 2010.

### **SECTION III**

**Q16:** In item III.A.5., does “total processing costs of chargebacks” include the cost to process the original transaction related to a chargeback?

**A16:** Please include only the cost of processing the chargeback itself in item III.A.5. Include the cost of processing the original transaction in item III.A.4. In addition, for transactions that are subsequently charged back, please count those original transactions in your reporting of item II.A. (Total transactions) and count the actual chargeback itself in item II.B.

## **SECTION IV**

**Q17:** Are royalties considered a non-transaction processing fee?

**A17:** If the royalty is a discount off of standard network switch fees that depends on the volume of transactions that are processed with your cards, you should net those variable discounts from the network processing fees reported in section III. If the royalty is a fee (or payment received) that is invariant to the number of transactions processed with your cards, you should report that fee (or payment received) in item IV.D.

**Q18:** Would expenses associated with PCI compliance be included in compliance costs (item IV.G.)?

**A18:** No. PCI compliance is not a Federal, State, or local regulation and should not be included in item IV.G. To the extent that you undertake data security steps to be compliant with PCI standards, those steps and their costs, appropriately allocated, should be reported in section V.

**Q19:** Would the costs of complying with Regulation E (12 CFR part 205), e.g., sending monthly statements to consumers, be included in item IV.G?

**A19:** To the extent that you can allocate part of the costs of Regulation E periodic statements to debit card activity, you may report those allocated costs. In the associated comment field, please indicate the size and nature of such allocated costs along with the method that you used to perform the allocation. Do not include the entire cost of providing Regulation E periodic statements, or all Regulation E compliance costs generally, in the compliance costs. Regulation E periodic statements include ACH and other transactions that are not electronic debit transactions, as defined in the interchange fee provisions of the Dodd-Frank Act, and the costs associated with such items should not be reported.

## **SECTION V**

**Q20:** Should we include the cost of anti-skimming devices attached to ATMs to prevent debit cards from being compromised?

**A20:** The allocated cost of anti-skimming devices attached to ATMs may be included in section V. Please report that cost as a distinct line item, with a clear description, in the list of fraud prevention activities that you report in section V.

## **SECTION VI**

**Q21:** Should we report data on fraud activity and losses based on the charge-off date (the date we accept the loss), the date the transaction occurred, or the date that the customer reported the transaction as fraud (unauthorized)?

**A21:** Report data for fraud losses that were realized in 2009, even if those losses were associated with transactions that took place in prior years. Do not report losses that were realized in 2010, even if those losses were associated with transactions that took place in 2009.

**Q22:** For gross fraud (column (4) in section VI), should we report all fraudulent transactions regardless of whether our institution absorbs the loss or recovers from a third party?

**A22:** For the gross value of fraudulent transactions (column (4) in section VI), you should include the value of all fraudulent transactions including those that you do not return to an acquirer through a chargeback procedure and those that you return to an acquirer through a chargeback procedure. For the latter, you should include the value of all chargebacks, regardless of whether they are subsequently represented by an acquirer.

**Q23:** Does “Type of fraud” include fraud that occurs at an ATM due to a debit card being compromised?

**A23:** Data on fraud that occurs at an ATM due to a debit card being compromised may be included in section VI. Please report data on such fraud as a distinct line item, with a clear description, in the list of fraud types that you report in section VI.

**Q24:** For column (8) in section VI, in what circumstances would any losses be borne by cardholders?

**A24:** Depending on your organization’s practices and policies, cardholders may be subject to certain fraud losses. For example, Regulation E’s liability limitations do not apply to business debit cards. Additionally, a payment card network’s “zero-liability” policy may not apply to all fraudulent activity. Therefore, to the extent that cardholders experience losses due to fraudulent activity associated with your organization’s debit cards, those losses should be reported in section VI for each relevant fraud category. The percentage of net fraud losses in column (7) borne by cardholders should reflect those losses. If your organization’s cardholders have no losses associated with a particular type of fraudulent activity, then this percentage would be “0”.

**Q25:** For column (8) in section VI, should cardholder losses include denied fraud claims where we find that a cardholder did, in fact, make the charges?

**A25:** You should only include information for transactions that your organization has determined are fraudulent. That is, do not include information for transactions that a cardholder alleges are fraudulent, but that your organization determines are not.



## **SECTION VII**

**Q26:** For question VII.B.1., does exclusivity mean only arrangements where an issuer is required (by contract or other agreement or rule) to route 100% of covered transactions over a payment card network?

**A26:** Exclusivity is not limited to those arrangements where 100% of covered transactions must be processed over a payment card network. For example, if 70% of your cards (or transactions) must be processed on a single network under your contracts with that network, you should answer “yes” to question VII.B.1. with an explanation of the arrangement in the text box provided. Depending on the nature of the contracts that you have with payment card networks, it may also be appropriate to answer “yes” to question VII.B.3. with an explanation in the text box provided.

**Q27:** For question VII.B.3., would a percentage share requirement (i.e., a requirement that a certain percentage of transactions be processed over a payment card network) be considered a “volume or dollar threshold of transactions”?

**A27:** A percentage share requirement would qualify as a “certain volume or dollar threshold of transactions.”