



News Release

PULSE Study: Debit Fraud Loss Rates Decline After Chip Cards Introduced

2017 Debit Issuer Study finds continued growth in debit and mobile wallet enrollment

HOUSTON, August 14, 2017 — According to the *2017 Debit Issuer Study*, commissioned by PULSE, one of the nation's leading debit/ATM networks, U.S. financial institutions substantially increased issuance of chip debit cards in 2016 and experienced reduced fraud losses. Since the fraud liability shift for most debit transactions took effect in 2015, an estimated 80 percent of U.S. debit cards have been converted to chip cards. The study also found that fraud loss rates dropped by approximately 28 percent in 2016 compared to 2015 levels.

Nonetheless, the 12th annual Debit Issuer Study confirmed that fraud continues to challenge issuers. U.S. financial institutions lost an estimated \$900 million to debit card fraud in 2016.

"The financial services industry has taken a number of measures that likely impacted the reduction in fraud losses for debit card issuers," said Jim Lerdal, Vice President of Fraud and Risk Management for PULSE. "Among them are the conversion to chip debit cards, greater use of tokenization in mobile commerce and continued investment in fraud-mitigation solutions."

But reducing card fraud is not a simple prospect.

"The more financial institutions tighten fraud-tolerance limits, the more they risk negatively impacting the cardholder experience," said Lerdal. "It is a balancing act because declining potentially fraudulent transactions could lead to 'false positive' fraud identification, which can frustrate account holders and potentially drive them to other methods of payment."

Mobile wallets see increased enrollment, but low usage

The study also found enrollment of debit cards into Apple Pay increased 80 percent in 2016. Key findings include:

- Three out of four issuers now support debit cards being loaded into at least one mobile wallet.
- Enrollment among consumers also has increased, with Apple Pay remaining the most popular mobile wallet of the big three "Pays," which include Android Pay and Samsung Pay.
- Despite this momentum, usage of debit cards in mobile wallets remains low. Combined, Apple Pay, Android Pay and Samsung Pay account for only about one-quarter of 1 percent of U.S. debit transactions.

Continued growth of debit

Debit card usage grew in 2016, driven by an increase in both the overall card base and transactions per active card. Study findings include:

- The total number of debit transactions continued to increase, rising an average of 7 percent year-over-year in 2016 for the issuers in the study.
- The number of debit transactions per active consumer card reached a record high of 23.6 transactions per month, which represents a 6 percent increase over results reported in the 2016 study.
- The number of debit cards increased 1 percent year-over-year.



“This year’s study confirms that debit remains a core part of the expanding payments landscape, even as new forms of payment emerge,” said Steve Sievert, Executive Vice President of Marketing and Brand Communications for PULSE. “The average consumer now uses their debit card 39 percent more often than they did in 2010, and for more transactions of lower value, indicating that debit is a fundamental financial tool for their everyday lives.”

Chip card growth likely to slow as transition plateaus

Issuers have put chip debit cards in the hands of consumers at a faster pace than anticipated in last year’s study. “Chip-on-chip” transactions – those conducted with chip-enabled cards at chip-enabled terminals – amounted to 30 percent of all debit transactions in January 2017, a 650 percent year-over-year increase.

“The growth of chip-on-chip transactions is likely to slow as the card base migration concludes,” said Tony Hayes, a Partner at Oliver Wyman who co-led the study. “In addition, many transactions are not chip-eligible, such as online purchases and fuel dispenser transactions.”

About the Study

The *2017 Debit Issuer Study* is the 12th installment in the study series, commissioned by PULSE and conducted by Oliver Wyman, an independent management consulting firm. The study provides an objective fact base on debit card issuer performance and financial institutions’ outlook for the debit card business. Fifty financial institutions – including large banks, credit unions and community banks – participated in the study. Collectively, the participants issue approximately 134 million debit cards. The sample is representative of the U.S. debit market in terms of institution type, geography and debit network participation.

About PULSE

PULSE, a Discover Financial Services (NYSE: DFS) company, is one of the nation’s leading debit/ATM networks. Financial institutions, merchants, processors and ATM deployers across the United States and around the world depend on PULSE’s comprehensive suite of products and services and its commitment to providing exceptional client service, flexibility, security and superior economics. PULSE also is a resource for debit education, research and knowledge drawn from more than three decades of industry experience. For more information, visit pulsenetwork.com.

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