

## Debit Performance

# Tips for Becoming a Best-in-Class Issuer



**D**ebit matters. It is at the core of the relationship between a financial institution and its account holders. What's more, debit is a key source of revenue for banks and credit unions. Improving the results of an institution's debit card program can have a significant impact on the bottom line.

"The challenge is for financial institutions to replicate the success of debit card issuers that consistently outperform the ranks in key benchmark areas," said Tony Hayes, a partner with Oliver Wyman who served as project lead on the PULSE-sponsored Debit Issuer Study series.

Over the years, the study has found that, in each key debit program benchmark measurement, there are a number of financial institutions that significantly outperform the others. These institutions are referred to as "best-in-class issuers."

To achieve best-in-class status, an issuer must be in the top 25 percent of all issuers surveyed for a given performance metric. The *2009 Debit Issuer Study* found that best-in-class issuers are well over 50 percent more effective in some metrics, such as PIN debit fraud loss rates.

(continued on page 10)

## ICBA Community Bank Payments Survey:

# Debit Cards Dominate Payments

**D**ebit cards are the most important consumer payments product or service for community banks, according to the Independent Association of Community Bankers *2009 Community Bank Payments Survey*. Ninety-eight percent of community banks surveyed offer debit cards, and – using a scale of 1 to 5 to rank product importance – survey participants gave debit cards the highest ranking of all payment products.

The survey, the third of its kind, is designed to track community bank trends and strategies in payments. More than 900 community banks participated.

(continued on page 11)



Internet PIN Debit  
Aligns with Consumer  
Preferences  
Page 4



PULSE Expands ATM  
Acceptance Beyond  
United States  
Page 6



The Ins and Outs  
of Social Media  
Page 9



Dave Schneider

**“While this slight decline [in fraud rates] is positive news for debit card issuers, what’s more impressive is the average loss rate achieved by the issuers who are best at identifying fraud early or preventing it altogether.”**

## Dear PULSE Participant,

For the first time since PULSE began commissioning the annual Debit Issuer Study in 2005, financial institutions reported a decrease in net fraud rates from debit cards. That’s right. Debit card fraud rates actually declined in 2008 for the issuers we surveyed.

While this slight decline is positive news for debit card issuers, what’s more impressive is the average loss rate achieved by the issuers who are best at identifying fraud early or preventing it altogether. The top 25 percent of issuers surveyed for the 2009 Debit Issuer Study achieved PIN debit fraud loss rates that were more than 87 percent lower than the average for all issuers.

This gap illustrates the difference that improved fraud prevention tools and processes can make in an issuer’s debit card program, because reductions in fraud losses go straight to an issuer’s bottom line. It also shows that it is possible for debit card issuers to combat fraud effectively.

PULSE is actively working to provide an expanded array of fraud prevention solutions and support services. In the near future, you can expect to hear about expanded services available through our DebitProtect® neural network-based fraud prevention program. We also are developing an informational resource on fraud prevention best practices for network participants, and are continuing to collaborate with others in the industry with the goal of improving fraud prevention technology and practices for everyone.

In addition to these efforts, it is important to remember that your cardholders are an invaluable asset in any fraud defense. Javelin Strategy & Research reports that 50 percent of fraud cases are first discovered by the consumer.

Educating cardholders should be an ongoing priority for all financial institution. PULSE offers a wide range of printed and electronic materials for this purpose. To make these materials a part of your financial institution’s fraud prevention plan, visit [www.pulsenetwork.com/debitsafety](http://www.pulsenetwork.com/debitsafety).

If your institution is not already registered to participate in DebitProtect, contact your PULSE account representative, or call 800-420-2122. Registration is easy and only requires payment of a nominal charge. Once registered, the basic alert service is provided at no additional charge to PULSE issuers. By working together, we can continue to make strides in the quest to reduce debit fraud losses.

Sincerely,

Dave Schneider

President

# Ignite Award Commemorates Sue Carpenter

**P**ULSE has bestowed its inaugural Ignite Award, an annual employee honor that recognizes the significant and admirable contributions the late Sue Carpenter made to PULSE's staff and customers.

"PULSE lost a special employee and friend when Sue passed away last November," said Dave Schneider, PULSE president. "We created this award to recognize individuals who consistently demonstrate the fundamental qualities that come to mind when we think of Sue: inspiration, growth, neighborliness, integrity, teamwork and effort."

Janet Meadors, a manager in PULSE's project management office, won the Ignite Award at a ceremony in October attended by several members



Inaugural Ignite Award Winner Janet Meadors (front row, second from left) is pictured with Sue Carpenter's family.

of Carpenter's family. Meadors was honored for her work on the toughest company-critical projects with patience and adaptability, as well as for taking pride in supporting colleagues.

Through the Ignite Award, the values and qualities that made Sue Carpenter a remarkable person continue to resonate at PULSE.

## Debit Research Can Impact Your Bottom Line

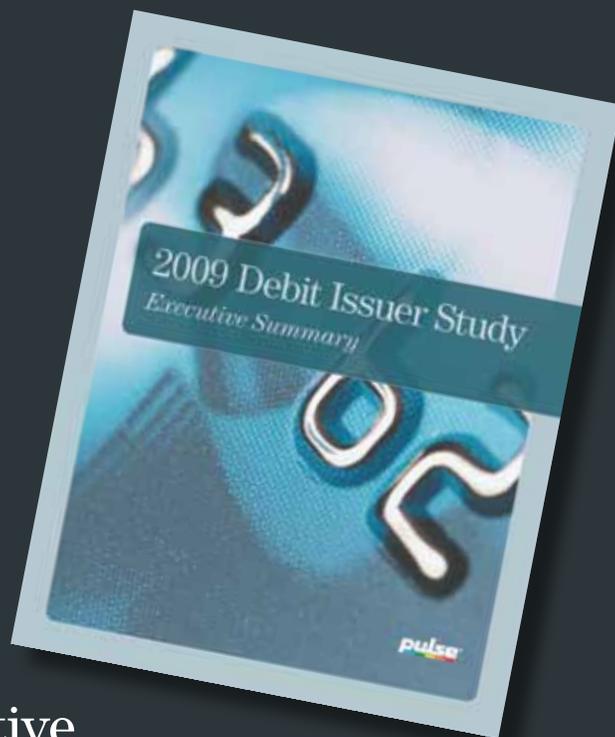
**FACT:** Despite business debit's high profitability, it remains a small portion of the overall debit market with only 6% of all cards.

**FACT:** Debit card fraud loss rates declined in 2008, though ATM losses pose a growing problem for issuers.

**FACT:** Seventy-nine percent of issuers are satisfied with their rewards programs, but cardholder engagement remains a key challenge.

Download your complimentary *2009 Debit Issuer Study Executive Summary* today

[pulsenetwork.com/research](http://pulsenetwork.com/research)



# Internet PIN Debit Provides Opportunity to Align with Consumer Preferences

**R**esearch shows that as consumers continue to make purchases online, payment preferences are expanding to include “pay now” debit alternatives. A white paper, authored by Javelin Strategy & Research, delves into the potential that Internet PIN debit provides merchants and financial institutions to align consumer preferences with their own initiatives.

The paper includes findings from a recent study commissioned by PULSE and Acculynk and conducted by Javelin on PaySecure™, the new Internet PIN debit payment method provided by Acculynk. Concentrating on the need for acceptance by financial institutions, merchants and consumers, the paper highlights opportunities to capitalize on new trends by offering Internet PIN debit payment options.

## Financial Institutions

When making online purchases, an increasing number of consumers are looking to alternative payments, including e-mail payment methods and stored value products. Internet PIN debit enables financial institutions to offer an online

payment method that mimics one consumers are already familiar with – point-of-sale debit. Institutions can retain transactions, while continuing to leverage branded relationships with customers.

## Merchants

Internet PIN debit provides merchants with immediate benefits through increased volume, reduced manual review of purchases and lower costs, including overhead from fraud and chargeback management. Minimal changes and costs required for implementation make Internet PIN debit an attractive option for merchants to improve their bottom line.

## Consumers

As they shop online, consumers want payment methods that are easy to use and provide a level of assurance that their money will be transferred securely. Internet PIN debit options, such as PaySecure, fulfill consumer needs for ease of use and security by capitalizing on a familiar payment behavior.



By focusing on the benefits to financial institutions, merchants and consumers, the paper illustrates that Internet PIN debit fits the profile of a preferred deposit-based payment option through an established method. It highlights the opportunity to capture a significant portion of Internet transactions.

“This white paper highlights Internet PIN debit opportunities,” said George Danforth, vice president of emerging products for PULSE. “We view this new method as a tremendous opportunity to bring PIN debit payments online.”

You can download a complimentary copy of the white paper from PULSE at [www.pulsenetwork.com/IPDpaper](http://www.pulsenetwork.com/IPDpaper).

# PULSE Exchange Enables Secure Online Data Sharing

**P**ULSE offers a secure online method for network participants to upload and download shared files. This online repository, accessed from the PULSE Web site, meets compliance requirements for sharing sensitive data.

PULSE Exchange is convenient and easy to use, and it is provided at no additional cost to network participants. Users are required to have an authenticated login, and they can see only those

documents that pertain to their institution or organization.

PULSE Exchange is the exclusive method by which users of PULSE's DebitProtect® fraud detection and alert service can obtain their lists of potentially affected cards following card data compromises. Network participants can enroll in DebitProtect by e-mailing [dpaccess@pulsenetwork.com](mailto:dpaccess@pulsenetwork.com) to obtain a User Access Request form. After

completing and submitting the form, users will be granted access to *both* DebitProtect and PULSE Exchange.

The *PULSE Exchange User Guide* is available online at [www.pulsenetwork.com/pulseexchange](http://www.pulsenetwork.com/pulseexchange). Questions about the tool should be directed to the PULSE Fraud Department at 800-420-2122 or via e-mail at [debitprotect@pulsenetwork.com](mailto:debitprotect@pulsenetwork.com).

# Paying it Forward: Payments Now, Soon and Later



By Lee Wetherington  
ProfitStars®

**T**hese days, it's easy to be gloomy about everything, and payments are no exception. The recession cut growth rates of debit card and ACH transactions dramatically and ushered in a steady and steep decline in credit card volume. Combined, these factors hurt financial institutions' fee income, fed fears of further decline and "forced" many to put plans for the future on hold.

But, there is good news: Transaction volumes are stabilizing, and the impending recovery means payments franchises represent the biggest opportunities for growth, both short- and long-term. Many financial institutions are still paralyzed by wait-and-see fear, which only makes the opportunity that much bigger for those with the foresight and fortitude to act now.

## Payments Now

The biggest short-term opportunity in payments is Remote Deposit Capture (RDC). Checks still make up 70 percent of receivables among two-thirds of all U.S. businesses. This, along with the mandate to cut costs and collect faster in dire economic times, is fueling 80 percent growth in the number of businesses adopting RDC this year.

Yet, only a small percentage of financial institutions offering RDC are successfully acquiring new relationships and the low cost deposits that come with them. This is because most RDC institutions limit their

campaigns to existing customers. Moreover, while the RDC land grab for core deposits rages on, some institutions are pulling back to make sense of the RDC risk management guidance issued by the Federal Financial Institutions Examination Council in January. The bottom line is that financial institutions must decide now whether to get serious about RDC or be left behind.

On the consumer side, it's debit, debit, debit. Last year was the first time the use of debit cards exceeded that of credit cards, and, over the course of the recession, consumers turned to their debit cards in droves. This practice buoyed a positive growth rate in debit card volume throughout the recession. Savvy institutions are capitalizing on this debit trend with targeted rewards programs, more transparent and less punitive overdraft protection programs and automated tie-ins to savings accounts. The goal here is to position debit card programs in ways that address consumer pain by educating, encouraging and enabling them to spend sensibly and save regularly.

## Payments Soon

The mid-term priority for a payments franchise should build upon the migration to debit by promoting secure use of debit cards online and offering open-loop prepaid cards in a variety of flavors, such as gift cards and travel cards. Prepaid cards provide an alternative means of paying with plastic instead of cash, while also giving financial institutions a source of fee income.

More exciting still are the pilots, like that being conducted now by PULSE and other networks, testing secure ways to use PIN debit cards online. Once these methods and technologies are standardized, an institution's objective will be to promote usage of debit cards for e-commerce. This will ultimately be the

best way of defending e-commerce card-share against the recent gains of alternative payment providers like PayPal and Amazon.com.

## Payments Later

All of these payments trends and developments lead to one thing: the mobile phone. The biggest question in mobile banking today is: How can my financial institution generate revenue? The answer is mobile payments.

The mobile phone will ultimately be the payments device of choice, a device that can wirelessly present the consumer's choice of payment instrument at the point of sale – be it a debit, prepaid or credit card – without having the physical card present. The stakes are huge, and since so many of today's mobile phones (and likely all of tomorrow's) are Internet-connected, PayPal and Amazon.com will also be competing for those point-of-sale payments.

## Pay it Forward

Don't let the recession and its aftermath blind your financial institution to current and coming opportunities in payments. Winners are made in transition, and those financial institutions with the insight and foresight to recognize and pursue opportunities in payments will be those who exit the recession stronger than they entered. Pay it forward.

*Lee Wetherington, AAP, is Director of Strategic Insight for ProfitStars, provider of best-of-breed solutions that enhance the performance of financial institutions of all sizes and charters using any core processing system. He oversees communications and public relations initiatives with the financial services industry. For more information, visit [www.profitstars.com](http://www.profitstars.com).*

# PULSE Expands ATM Acceptance Beyond U.S.

**P**ULSE's parent company, Discover Financial Services, acquired Diners Club International in the summer of 2008. Since that time, PULSE has been working to expand ATM and cash access acceptance outside the U.S. in support of Diners Club. As part of this effort, PULSE has signed acquiring agreements with Interac, Canada's EFT network, and TRIONIS, a European interbank processing network.

In July, acceptance of Diners Club International® cards was initiated at the ATMs and over-the-counter cash access locations of participating acquirers in more than 100 countries. And, as of October 2009, Discover® cards are now accepted at those same ATMs.

“Our initial focus has been to provide cash access in major international business and leisure destinations,” said Amy Parsons, PULSE senior vice president and director of global ATM expansion. “Going forward, our focus will be to continue adding ATMs and cash access locations in these countries, as well as in the U.S. and around the world.”

# 15%

**Number of mobile phone users who used their mobile devices to perform a banking function in the past month.**

*Source: Javelin Strategy & Research*



## Participant Impact

Earlier this year, PULSE participants began earning ATM acquirer interchange on transactions made with internationally issued Diners Club cards at PULSE ATMs. The inclusion of Diners Club cards in the PULSE network represents an additional and highly competitive revenue opportunity for PULSE ATM acquirers, and one that is available only through PULSE.

In addition, debit cards issued by PULSE's more than 4,500 financial institution participants are now accepted at ATMs in Canada bearing the PULSE acceptance mark. International acceptance of PULSE cards will be expanded in the near future to include ATMs in popular travel destinations throughout Mexico and the Caribbean.

PULSE communicated the impending ATM acceptance expansion to network processors and financial institutions in mid-August, along with details about the fee structure. Pricing for these non-U.S.-initiated ATM transactions is highly competitive.

For pricing details on these transactions, participants may access the PULSE Participant Fee Schedule in the password-protected area of the PULSE Web site. Visit the “Forms & Requirements” area in the Financial Institutions section at [www.pulsenetwork.com](http://www.pulsenetwork.com) (login required).

## AFFN and PULSE Networks Sign Reciprocal Agreement

Through a new reciprocal acceptance agreement with the Armed Forces Financial Network (AFFN), PULSE cards will be accepted at 195,000 AFFN ATMs at or near U.S. military installations worldwide beginning November 9, 2009. The agreement will enable PULSE and AFFN cardholders to conduct withdrawals, transfers and balance inquiries at both networks' ATMs.

"PULSE is always seeking new opportunities to enhance the value of the services we provide to network participants, such

as expanded ATM acceptance through this new reciprocal agreement with AFFN," said Judith McGuire, PULSE senior vice president, product management.

For pricing details on these transactions, participants may access the PULSE Participant Fee Schedule on the PULSE Web site. Visit the "Forms & Requirements" area in the Financial Institutions section at [www.pulsenetwork.com](http://www.pulsenetwork.com) (login required).

## Network Operating Rules Revised

The *PULSE Rules and Operating Procedures* have been updated to reflect recent developments at PULSE and within the payments industry in general. PULSE notified participants in early July of the availability of the new rules document, Version 9.3, on the PULSE Web site. The rules took effect August 10, 2009.

### The recent changes to the PULSE rules impact the following areas:

- Confidentiality
- Termination transition assistance
- International transactions and currency conversion
- Security compliance for acquirers
- Reconciliation
- Suspension of participation

To view the new rules, visit the "Forms & Requirements" section of the Financial Institutions, Processors or Retailers/ISOs areas at [www.pulsenetwork.com](http://www.pulsenetwork.com) (login required). Available on those pages are:

- The *PULSE Rules and Operating Procedures, Version 9.3*
- A comparison version showing changes to Version 9.2
- A communication summarizing the changes

If you have any questions regarding these revisions, please contact your PULSE account manager, or call the client services team at 877-247-8573.

### Phishers Target New Medium

#### *American Banker*

Fraudsters have begun aiming phishing attacks at the chat windows many financial institutions use to communicate with consumers online. RSA, a security solution provider, says the technique was used against customers of one bank and is likely to draw copycats. The scam began at a phishing Web site, from which consumers were passed on to the legitimate bank Web site to avoid detection. At that point, a bogus chat window appeared, and the scammer impersonated a bank employee.

### Debit Cards as Safety Rewards

#### *DelawareOnline.com*

Healy Long and Jevin, a Delaware-based concrete construction company, is using prepaid debit cards as incentives for safe on-the-job behavior. The company rolled out the incentive program in August 2008, distributing a card to every employee. Each month, if employees work a minimum of 30 hours a week without a recordable injury, they all get \$25 electronically deposited onto their SafeRewards cards at the end of the following month. If there is a recordable injury, no one receives the bonus.

### ATM Surcharge Fees Rise

#### *Cardline*

Financial institutions increased their ATM surcharge fees this year, while "foreign" ATM fees have declined. Bankrate.com surveyed 250 U.S. banks, finding that the average ATM surcharge fee had risen to \$2.22 from \$1.97 last year. Foreign fees – assessed when an institution's account holders use ATMs owned by other organizations – averaged \$1.32 this year, compared with \$1.46 in 2008.

# PCI Council Promotes Skimming Prevention

The Payment Card Industry Security Standards Council (PCI SSC) in August announced the availability of a new guide to educate merchants about preventing card skimming attacks. The document, *Skimming Prevention – Best Practices for Merchants*, provides information on subjects such as physical protection of terminals, prevention of PIN compromises and training of store personnel.

The guide was developed by the council's PIN Entry Device Working Group, with

input from law enforcement and industry experts. According to the council's press release on the new resource, suggested guidelines help merchants to:

- Evaluate the risks related to skimming
- Understand the vulnerabilities inherent in the use of point-of-sale terminals and terminal infrastructure
- Assess challenges associated with staff members that have access to consumer payment devices

- Prevent or deter criminal attacks against point-of-sale terminals and terminal infrastructure
- Identify any compromised terminals as soon as possible and notify the appropriate agencies to minimize the impact of a successful attack

To download a copy of the PCI SSC *Skimming Prevention* paper, visit [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org).

## Embracing Gen Y

### Maximum productivity, maximum profitability

For the first time in U.S. history, four generations of professionals are working side by side. At this year's PULSE Conference, author Jason Dorsey – a member of Generation Y – shed some light on the mindset of the youngest generation in our workforce, and how best to inspire and motivate this group as both professionals and consumers.

The self-proclaimed Gen Y Guy™ outlined the major characteristics of each generation, and how those defining traits affect perspectives and expectations. Many Gen Y-ers, currently ages 14 to 32, were raised by hard-working Baby Boomers who were determined to make their children's paths easier than their own. So, Gen Y kids often did not work during their school years, and were subsequently encouraged to find a job that makes them happy.

Therefore, many members of this generation have a sense of entitlement, and define themselves by what they do after five o'clock, Dorsey said. More importantly, they often have no previous work experience – a fact that Baby Boomers may not take into account. The wake-up call from Dorsey: "If we don't seem like we know what we're doing, it's because we don't!"

This generation tends to be driven by outcome rather than process. Raised in the age of high technology and the dawn of the

Internet, they hunger for instant gratification and continuous progress.

So how do business leaders channel Gen Y's passion for high-tech, fast-paced living into productivity and success? How do we make Gen Y a competitive advantage on both sides of the desk?

#### Gen Y in the Workplace

Gen Y is accustomed to growth and change, and diverse challenges will keep them engaged. For example, ask a Gen Y employee to start a blog designed to reach a new demographic for the company. Succeeding at this type challenge can reinforce self-worth and hold their interest.

While these young associates may be intelligent, remember that they often lack real-world experience and might not intuitively know what is expected of them. Providing examples of performance expectations will set them on the right track.

And when they succeed, reward them. Gen Y's view time as currency, so shaving an hour or so off their day goes a long way. Gen Y's are very lifestyle-driven, so skip the gift card in favor of concert tickets.

Regardless of the outcome, feedback should be delivered frequently, and in short bursts. Waiting for the annual review could mean losing a Gen Y employee's interest and loyalty, and ultimately the employee.

#### Gen Y in the Marketplace

Dorsey believes that Gen Y buyers need to see an immediate and convenient application for every product they acquire. They want to know, "How am I going to use this today?" This generation also thrives on individuality and likes to know that their purchase is unique. Products like instant-issue debit or credit cards and personalized accounts are ideal for this group.

Further, Dorsey recommended that service providers be an information resource for these young consumers. Utilizing social media to attract their attention and engage their interest can be more effective than using traditional media. Make it a point to know what resources they are using, such as [www.mint.com](http://www.mint.com) and [www.current.com](http://www.current.com), and be prepared to keep up with changes and developments.

Gen Y is the fastest growing demographic in the workforce, and the age gap between business associates working side by side is at its greatest in our history. Jason Dorsey's energy, sense of humor and passion for these young professionals translates into practical business sense for reaching a powerful segment of society.

For more information, visit Jason at [www.jasondorsey.com](http://www.jasondorsey.com).

## The Ins and Outs of Social Media

# Your Account Holders Are Using It – Shouldn't You Be Too?

**T**weets, blogs, friends and fans are redefining how individuals and companies communicate. To help put the extraordinary growth in the use of social media and social networking into perspective, consider this: the number of unique visitors on the microblogging site Twitter grew by 2,500 percent in just one year. And there are many more examples of explosive growth in the social media arena (see “Facts” below).

In July, PULSE presented a PULSE Academy® professional development session on social media. Glen Orr, senior vice president of the public relations firm, GolinHarris, and Steve Sievert, PULSE senior vice president of communications and marketing, together explored the ways financial institutions may be affected by social media, even if they do not get involved. These experts guided participants through the current trends in social media and how to leverage their business impact for maximum benefit.

### Why Social Media?

Besides networking sites like Twitter and Facebook, social media encompasses a wide variety of channels including blogs, feedback forums, “gripe sites” and viral video sites such as YouTube.

In today's Internet age, many individuals begin their quest for products and

services online. While some businesses use social media channels for sales, contests and customer service, others use them to disseminate facts and information, positioning themselves as thought leaders in their industry. Still others use these sites as research forums, simply observing what practices are taking place in the social media space, and how users are responding.

The over-arching purpose of social media is to allow consumers to connect directly to a company or brand in a public forum, and foster community among like-minded users. Major companies such as Blockbuster, Centex Homes, Michael's, Texas Instruments and Wells Fargo are actively using these outlets to reach their consumers.

### PULSE's Participation

PULSE's use of social media began as part of its effort to strengthen its role as a thought leader and community educator for the debit industry.

“We started DebitFacts.org to combat negative media coverage about debit,” said Sievert. “Reports were circulating that presented a biased, uninformed point of view about the use of debit cards. Besides its negative impact, the information was mostly inaccurate due to a lack of familiarity with Reg E, which was put in place to protect consumers. By contrast, there was very little defense of debit in the media and online.”

To raise awareness of DebitFacts.org, PULSE and Golin Harris developed a Facebook page and Twitter presence for the Web site. This provided PULSE with additional channels for informing consumers about the merits of using debit and counterbalancing inaccuracies about debit cards.

“Whether or not you embrace this trend of new media, one overlying theme is clear – people are talking about your business and industry through these channels, regardless of your participation, and they may be filling the space with negative information that could have lasting effects,” said Orr. “It is vital that you get involved and tell your side of the story.”

To listen to the complimentary PULSE Academy webinar on-demand at your convenience, visit the Professional Development area of the PULSE Web site at [www.pulsenetwork.com](http://www.pulsenetwork.com).



## F@cts

- Twitter hosted an estimated 19 million unique visitors in March 2009, up 95 percent from 9.8 million in February (and up 2,500% in the last year)
- Facebook claims 300 million users, nearly equal to the U.S. population
- MySpace has 70 million users
- 50% of consumers have read a blog and made a purchase based on its information
- 52% of social networkers have “friended” or “fanned” at least one brand through a network

Source: Anderson Analytics, 2009



**“The most important take-away from these findings is that all debit card issuers can impact their debit program’s performance by targeting improved results in key areas...”**

*Tony Hayes, Oliver Wyman*

“Best-in-class status was not limited to large issuers, nor were the top performers consistent across various metrics, suggesting that all issuers have the opportunity to improve their performance in certain key areas,” said Hayes. “Performance by these institutions continues to highlight growth potential in issuers’ debit card portfolios, despite challenging economic conditions.”

### Performance Trends

Best-in-class issuers achieved an average debit card penetration rate of 91 percent in 2008, compared to an average of 73 percent for all issuers surveyed.

“These institutions tend to do the best job positioning their debit cards with new account holders and have the most efficient on-boarding processes,” said Hayes.

Issuers in the highest quartile saw an average of 9.3 PIN debit transactions and 16.0 signature debit transactions per active card per month in 2008. This compares to 6.3 and 12.6, respectively, for all issuers surveyed.

Best-in-class issuers also generated an average of \$106 in net interchange revenue per active card per year in 2008, compared to an average of \$81 for all issuers.

“These issuers have notably lower fraud rates as well,” said Hayes, “suggesting that better tools and processes can effectively combat fraud.”

Best-in-class issuers recorded PIN debit fraud losses of 0.10 basis points (bps) per gross dollar value (GDV) and signature debit fraud losses of 1.44 bps per GDV. These figures compare to 0.80 bps/GDV and 5.24 bps/GDV, respectively, for all issuers surveyed.

“The most important take-away from these findings is that all debit card issuers can impact their debit program’s performance by targeting improved results in key areas,” said Hayes. “It’s a matter of deciding which measures you want to target for improvement, analyzing the available data related to your current performance in those areas and developing a program tailored to achieve the desired results.”

An executive summary of the findings from the *2009 Debit Issuer Study* is available on the PULSE Web site at [www.pulsenetwork.com/research](http://www.pulsenetwork.com/research) (login required).

## U.S. Bank Extends Debit Network Relationship with PULSE



**P**ULSE has extended its relationship with U.S. Bank in a long-term agreement that provides U.S. Bank customers with PIN debit point-of-sale (POS) and ATM services.

U.S. Bancorp, with \$266 billion in assets, is the parent company of U.S. Bank, the sixth-largest commercial bank in the United States. The bank operates 2,847 banking offices and 5,183 ATMs in 24 states, and has been a PULSE participant since 2001.

“PULSE has a proven record of providing reliable and high-quality PIN POS and ATM services, which was vital in renewing our long-standing relationship,” said Lynn Heitman, senior vice president in U.S. Bank Retail Payment Solutions. “PULSE has been a strong partner of ours for many years, and we look forward to continuing to provide our cardholders with convenient and accessible debit and ATM services through an industry leader like PULSE.”

By establishing long-term relationships, PULSE is able to further solidify its commitment to network participants.

“We strive to provide quality services to all of our participants, and we are proud to work with a valued customer in U.S. Bank,” said Leah Henderson, PULSE’s executive vice president of sales. “We look forward to growing our long-held relationship with U.S. Bank, as we continue to provide reliable network access and customer service to our entire network.”

# Students Receive School Supplies

**P**ULSE provided school supplies and backpacks to all 450 students of Dodson Elementary in Houston. Employees participated by stuffing backpacks and distributing them to the students.

The event was part of a new community outreach initiative known as “Discover Success in Schools.” This company-wide program is designed to help build partnerships with local schools and further the company’s commitment to supporting education.

PULSE staff members will take part in additional Discover Success in Schools events this school year, including Junior

Achievement, Read Across America activities and incentive-based mentoring sessions. Company donations will support the music department and technology for classrooms.



## **Debit Cards Dominate Payments** (continued from page 1)

Payments fraud remains a major concern for community banks, with 88 percent of respondents reporting credit or debit card-related losses during the past year. Ninety-one percent of banks surveyed reissued debit cards last year as a result of fraud. Sixty-five percent of community banks noted that they have increased their spending to address payments fraud, while less than 1 percent decreased spending on fraud prevention.

The survey also revealed that community banks’ investments in payments products remain strong despite a harsh economic climate. Fifty-two percent of survey participants increased their investment in consumer payments products over the past two years. Most see this as a way to increase profitability, deepen customer relationships, improve efficiency, create new revenue streams and differentiate themselves from competitors.

While just 6 percent of the banks surveyed offer mobile payments services (including mobile banking), 27 percent plan to increase technology spending for these services over the next two years. Interest in mobile payments services is driven by larger, more urban community banks.

Community banks that focus their payments strategy on acquiring and retaining business customers tend to offer a wider selection of payments products to all of their customers, according to ICBA. Not surprisingly, these banks also offer a broader array of business payments products.

To download an executive summary of the *2009 ICBA Community Bank Payments Survey*, visit [www.icba.org](http://www.icba.org).



PULSATIONS is produced bi-monthly by PULSE.  
Please send information for the newsletter to:  
Anne Rhodes, PULSATIONS Editor  
PULSE

1301 McKinney, Suite 2500  
Houston, TX 77010

arhodes@pulsenetwork.com

PULSATIONS can be viewed on the PULSE Web site at  
www.pulsenetwork.com/PULSATIONS.



# 60 Seconds with...

*Steve Sievert*  
Senior Vice President,  
Communications and Marketing



## Networking Gets Social

Use of online social networks is dramatically changing the way consumers interact with one another and businesses.

Sites such as Facebook and Twitter, with their friends, fans and tweets, make talking with someone or sending an e-mail seem old-fashioned. And, it's not just teens and Generation Y who are championing the social networking cause. According to Forrester Research, the most rapid growth in social network use is among consumers 35 and older.

If your financial institution isn't blogging, tweeting or building a Facebook fan base, you are missing a valuable

opportunity to connect with customers, keep your brand top of mind and cultivate customer loyalty. While it might be easy to discount social networks as nothing more than a fad, the numbers suggest otherwise.

Facebook generates 87 million unique views per month. MySpace boasts 70 million unique monthly visitors. Use of Twitter now stands at 21 million on a monthly basis. The dominant players in the space might change over the next five years, but social networking is here to stay.

At PULSE, we entered social networking this year by establishing a Facebook and Twitter presence for DebitFacts.org, the consumer debit awareness Web site

launched in 2008. The networking sites have enabled us to engage in dialogue with consumers who had not previously visited the site. Facebook and Twitter have become key channels for expanding the reach of DebitFacts.org. Social networks can be effective means of extending your brand, as well.

Seventy-five percent of Americans are still spectators to what is taking place on social networks. Many could be your customers who are looking for a reason to get involved. Give them one by creating a social networking presence for your financial institution (see related article on page 9).

## IN CLOSING

### Convenience Fee Notice Reminder

The Independent Community Bankers of America is encouraging community banks to ensure that ATM fee disclosure notices are posted on all of their ATMs. In *ICBA NewsWatch Today*, the association cited class-action lawsuits that have been filed against banks whose ATMs did not have the required signage.

Section 205.16 of Regulation E requires ATMs to disclose any fees on a physical sign in a prominent and conspicuous

location on or at the ATM, as well as on the ATM screen – or on a paper receipt – before imposing fees. The physical signage must state that a fee will be imposed for providing electronic fund transfer services or a balance inquiry (or may be imposed, if that is the case) and disclose the amount of the fee.

PULSE goes a step further, requiring that the notice convey that the convenience fee is in addition to any fees that may be assessed by the cardholder's financial

institution. The notice also must include the name of the owner, operator or sponsor imposing the convenience fee or rebate.

The *PULSE Convenience Fee and Rebate Guide*, available on the PULSE Web site at [www.pulsenetwork.com](http://www.pulsenetwork.com), includes a sample disclosure. For more information, visit the Documents & Forms page in the Financial Institutions section.