

## PULSE Fraud Prevention 360°

# New Web-based Resource Supports Participants in Combating Card Fraud



Preventing and responding to payment fraud requires rigorous management techniques and strategies on the part of the financial institutions that issue cards. To assist participants in this endeavor, PULSE has launched a new online resource for payment card fraud prevention information.

PULSE Fraud Prevention 360° is a Web-based resource encompassing information PULSE gathered from its fraud experts and a wide variety of industry and government sources. The site is available to PULSE network participants 24/7 should they need to view the latest fraud-related news, review considerations for reissuing debit cards following a breach or read tips on spotting fraud in transaction data.

"PULSE Fraud Prevention 360° is a resource dedicated to assisting network participants in combating the continued onslaught of card fraud," said James Cichy, PULSE vice president, fraud management. "The site is designed to help institutions curb fraud losses and maintain the secure electronic payments services that consumers expect."

The site will be updated on a regular basis to keep participants abreast of fraud-related news and the latest fraud-management strategies.

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# The Value of PIN Debit

## Security, Reliability and Ease are Responsible for PIN's Popularity

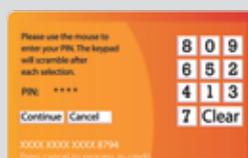
As the payments industry has evolved through the recession, PIN debit continues to be the debit payment of choice for consumers, delivering exceptional value for issuers and merchants through lower fraud losses and chargebacks.

Consumers increasingly are choosing PIN debit over signature debit, especially in the in-store environment. According to the 2009 Debit Issuer Study, PIN debit usage grew nearly twice as fast as signature debit (15 percent versus 8 percent) during the second half of 2008. More recently, First Data's SpendTrend report revealed that, on the Friday after Thanksgiving 2009, PIN debit transactions were

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Dave Schneider

“At PULSE, we strive to maximize the value of PIN debit for your financial institution. And the benefits of PULSE participation are more than just monetary. We are continually making investments in our business...”

## Dear PULSE Participant,

Whether or not the U.S. has emerged from “The Great Recession,” one thing is certain: debit has remained a bright spot for financial institutions throughout the economic downturn.

As consumers have become more diligent about managing their finances, debit cards have become increasingly popular. According to the December 2009 *Nilson Report*, 51 percent of U.S. card transactions (including credit, debit, prepaid and EBT cards) came from debit cards in 2008, compared to 36 percent in 2003. The publication also reported that debit cards represented 37 percent of total U.S. card spend in 2008, compared to 28 percent in 2003.

PIN debit growth has outpaced that of signature debit for the past several years. When you consider the value PIN debit offers financial institutions, merchants and consumers, that fact should come as no surprise. One of the primary differentiators between PIN and signature debit is a measurable reduction in fraud losses. According to PULSE’s *2009 Debit Issuer Study*, net fraud losses per card per year were more than twice as much for signature debit transactions than for PIN debit and ATM transactions combined. And, because cardholders must enter their PIN to authorize transactions, chargeback rates and back-office costs are much lower than with other payment methods. PIN debit also offers faster settlement.

On May 1, 2010, PULSE will introduce pricing changes for 2010 that will increase PIN debit revenue paid to issuers (see related article on page 10). Collectively, the pricing changes are projected to increase the average interchange revenue paid to PULSE issuers on PIN debit transactions (net of PULSE’s new issuer switch fee for these transactions) by 18 percent.

At PULSE, we strive to maximize the value of PIN debit for your financial institution. And the benefits of PULSE participation are more than just monetary. We are continually making investments in our business, such as the roll-out of Internet PIN debit network-wide, as an optional payment product, to increase debit-based payment choices (see related article on page 8).

In addition, PULSE continues to support industry research, provide enhanced professional development opportunities and offer value-added services such as DebitFacts.org, a consumer-focused debit informational Web site. All these advantages are possible because debit remains our sole focus.

If you would like to review any aspect of your PIN debit program, simply give your account manager a call. They will be happy to assist you.

Sincerely,

Dave Schneider

President

# PULSE Webinars Where You Want, When You Want

PULSE hosts a wide range of professional development webinars and webcasts to keep network participants informed about trends and developments in electronic payments. In addition to the live events, sessions are recorded and are available to participants through on-demand replay.

Participants who were unable to attend a particular session can listen to webinars online at their convenience. Or, if you attended a session and found it particularly valuable, on-demand replays enable you to share the information with your colleagues in a convenient format.

Currently, available sessions include:

## PULSE Debit Performance Webcast Series

- Mitigating Card Issuing Risks Through Fraud Prevention
- Dispute Resolution Fundamentals – an Introduction to Chargeback Management
- Advanced Chargeback Resolution Forum

## PULSE Academy

- Maximizing Your Network Participation
- Beyond Customer Service: Turning Customers Into Partners

- Regulatory and Legislative Developments
- Fraud Prevention & Security Forum
- Innovative Deposit Products to Increase Revenue

A participant log-in ID and password are required to access PULSE's on-demand webinars. To view the available webinars, go to [www.pulsenetwork.com/pd](http://www.pulsenetwork.com/pd). To be added to PULSE's professional development notification list, e-mail your name, company, e-mail address and phone number to Melissa Voelkner at [mvoelkner@pulsenetwork.com](mailto:mvoelkner@pulsenetwork.com).

## Questions? Comments?



E-mail us at [feedback@pulsenetwork.com](mailto:feedback@pulsenetwork.com)

PULSE has launched a new e-mail address dedicated to responding to your feedback. Queries and comments will be answered within one business day. We look forward to hearing from you.

## PULSE Goes Virtual

# Online Forum to Feature Expert Panel

This year, PULSE is going virtual. In lieu of the PULSE Conference, PULSE is adding two interactive eForums to its professional development agenda.

Individuals may conveniently access these eForums from their home, office or virtually anywhere else in the world. Each 90-minute session will provide targeted information on the topics most requested by PULSE financial institution participants.

The *2010 Insights & Solutions eForums*, the first of which will take place in April, will be conducted via webcast, featuring live streaming video. The first eForum will focus on revenue generation, marketing strategies and customer service. Financial institutions that have experienced unique success in these areas will share their accomplishments through case studies that pinpoint the key tactics of their programs and the outcomes they have achieved.

Each case study will be followed by a live discussion with a moderated panel.

Industry experts will focus on best practices and offer additional insight into what makes certain programs successful.

Questions and comments submitted prior to the eForum will be addressed during this roundtable discussion for further exploration of the topics at hand. The event will also feature live audience questions throughout the session.

"This new offering is designed to augment our current professional development lineup," said Cindy Ballard, PULSE executive vice president, Communications and Marketing. "By using interactive technologies, we have created a program through which our participants can receive the same level of education that has become standard at the PULSE Conference while benefiting from the convenience and cost savings of an online program."

PULSE is sensitive to the current economic climate and the expenses associated with traveling to a conference.

The *2010 Insights & Solutions eForums*, provided free of charge to all PULSE participants, will deliver industry insights in a concise, efficient approach.

Both eForums will be 90-minute sessions, compared to the one-hour sessions used in PULSE's other Web-based professional development programs. This change is a direct response to feedback from PULSE participants requesting longer, more in-depth sessions with additional time for audience questions.

For more information on how to register and submit questions and discussion topics prior to the event, visit [www.pulseeforum.com](http://www.pulseeforum.com). For event updates, log onto Twitter and follow [@pulsenetwork/eforum](https://twitter.com/pulsenetwork/eforum).

The PULSE Conference will return in the spring of 2011. Dates and location will be announced later this year.

April 29, 2010  
1:00 - 2:30 p.m. CDT

## Insights & Solutions eForum



Patricia Hewitt is director of Debit Advisory Services for Mercator Advisory Group. In addition to her previous role as principal in her own consulting firm, Hewitt has held senior leadership positions at a major commercial bank, a leading software development firm and a Fortune 500 financial services company. Her broad range of experience includes merchant acquisition, debit product development and strategic business and alliance management, as well as retail and bankcard software support and development.



John Moore, a long-time believer in word-of-mouth marketing, shares business and marketing advice with companies seeking to earn unwavering devotion from both customers and employees. Drawing from his unique experiences with Starbucks and Whole Foods Market, he began the Brand Autopsy Marketing Practice in 2005. Moore focuses on the influential power of devoted customers and brings a sense of urgency and innovation to audiences, creating new ideas and spurring on business and brand advancement.



Doug Rappoport is a product manager on the Rewards Management and Enhancement Services team at Wells Fargo. He is a member of the core group focused on integrating the Wachovia Possibilities Rewards® program with the Wells Fargo Rewards® program. Doug brings to this role experience and expertise in building rewards programs, specifically focusing on merchant-funded rewards. He successfully launched the Wachovia Earn More Mall<sup>SM</sup> merchant-funded program.

# The Business of Financial Institution Security



By Geoff Bibby  
Zix Corporation

Financial institutions are increasingly concerned with protecting privacy and preventing data breaches, and with good reason, because millions of dollars and the corporate reputation are on the line. In a recent survey by the American Institute of Certified Public Accountants on crucial technology initiatives facing businesses globally, information security management, privacy management and secure data storage, transmission and exchange topped the list.

E-mail has become a primary way to transfer and exchange sensitive information. It must be protected. Gartner, Inc. says recent federal compliance legislation puts pressure on organizations to encrypt electronic transmissions of personal data, and encourages states to implement similar legislation.

Some organizations were already onboard with encryption technology, even before the legislation. STAR Financial Bank, a PULSE participant based in Fort Wayne, Ind., uses encryption to safeguard its e-mail traffic.

Don Smith, STAR Financial's Security Information Officer, said, "Securing the delivery of information to customers is a high priority for us, not only from a legal and regulatory point of view, but more importantly, because of the peace of mind it provides. We had been receiving e-mail from customers that contained unencrypted confidential information. Now, when we respond, the data automatically gets encrypted, demonstrating our commitment to protecting clients' privacy."

## Unsecured E-mail is Dangerous

Despite a growing awareness of e-mail security breaches, many financial institutions do not encrypt e-mails containing

confidential information. According to a recent survey by Wolters Kluwer Financial Services, two-thirds of banks polled rely on unencrypted delivery methods to send confidential data. One-third use regular e-mail, while another third rely on regular or overnight mail or are unsure of the method they employ.

Savvy businesses like STAR Financial Bank are proactive about securing their customers' personal information because they realize their reputations – and their bottom line – are on the line. According to the Ponemon Institute, the average cost of a data breach to an organization that has experienced one is \$6.6 million, or more than \$200 per compromised record.

## Regulatory Mandates

For a financial institution, information is one of its most important assets. The Federal Financial Institutions Examination Council considers the use of encryption for information in transit a prudent layer of security and a recommended default practice.

Protecting the confidentiality and integrity of information, and monitoring for and detecting unauthorized access to information, are federal mandates. Individual state laws requiring customer notification of compromised unencrypted electronic information are quickly becoming the norm. A federal bill that may be even more stringent is currently under debate. Credit card companies have also implemented data protection requirements that include use of data encryption for transmissions of cardholder data and sensitive information over public networks.

E-mail encryption complies with federal and state regulations. Policy-based e-mail encryption inspects outbound e-mail to see if it violates corporate policy. If the policy says an e-mail should be encrypted, it is automatically encrypted. Employees do not have to remember to secure an e-mail. These services should have send-to-anyone capability, allowing encrypted e-mail to be delivered automatically in the manner that works best for the end-user.

## Earning Customers' Trust

For more than a century, The National Banks of Central Texas has been helping

"Protecting the confidentiality and integrity of information, and monitoring for and detecting unauthorized access to information, are federal mandates."

customers build their financial security. This PULSE participant is now helping protect account holders' personal financial information online, as well.

"We're very aware of our customers' privacy, and we're determined it won't be breached," said Information Security Officer Barry Birchards. "Before we implemented an e-mail encryption solution, we were getting privacy questions from customers all the time. Now they can see right away that our e-mail is encrypted, and that makes them feel safer."

Financial institutions' reputations and financial well-being are at risk if they do not secure personal information. Financial losses can occur from identity theft, loan fraud, money laundering and other criminal acts that can stem from data leaks. The cost of notifying each affected customer and subsequent reactions will have significant negative bottom-line impact, not to mention the cost of regulatory fines.

Institutions must keep government compliance and customer security a top priority. E-mail encryption is a simple and cost-effective way to ensure both.

*Geoff Bibby joined ZixCorp in September 2003 and serves as vice-president of Corporate Marketing. Mr. Bibby has over 15 years of experience in the high-tech industry, most recently spending six years at Entrust Inc., an Internet security vendor. Mr. Bibby is responsible for all aspects of ZixCorp corporate marketing. For more information, visit [www.zixcorp.com](http://www.zixcorp.com).*

# Louisiana Credit Union Sets Sights on 'Green' Headquarters

Pelican State Credit Union in Baton Rouge, La., has purchased a 42,000 square foot office building from Piccadilly Restaurants. The credit union will use the building as its headquarters, undertaking limited renovations focused on energy efficiency and employee-friendly 'green' initiatives.

The decision to purchase and renovate an existing structure instead of building from the ground up was part of a green initiative. Pelican State CU hopes to achieve Leadership in Energy and Environmental Design (LEED) certification for the project.

"We are recycling \$3.5 million in office space," said Jeffrey Conrad, Pelican CEO. "This was an opportunity for us to make a huge environmental impact in our own community."

Pelican will begin moving into the 42,000 square foot building over the next

six months, while leasing some space back to Piccadilly. Renovations began in January and will continue for approximately three years.

"This is a big move for us at Pelican," said Conrad. "The Piccadilly building is over four times the size of our original Lake Sherwood Office operations building."

Pelican worked with its Board of Directors in selecting the location because it will benefit both staff and membership. "Our objective was to provide a workplace environment that we are proud of and comfortable within," he said.

For more information on this and other Pelican State Credit Union news, please visit [www.pelicanstatecu.com](http://www.pelicanstatecu.com).



## Reg E Changes to Impact Debit Overdrafts

The Federal Reserve Board's Final Rule amending Regulation E requires substantial changes to debit card issuers' overdraft services. It is essential for financial institutions to become familiar with all of the regulations under the rule, as well as additional legislation being considered.

The Final Rule, issued November 12, 2009, prohibits financial institutions from charging overdraft fees for ATM withdrawals and one-time debit card transactions that overdraw a consumer's account unless the consumer has expressly opted-in to an overdraft program. As part of the rule, there are several regulations financial institutions must comply with, including giving consumers proper notification of the program, ample time to respond and written confirmation if they opt in. Institutions also cannot base account terms and conditions on opt-in preferences. Necessary provisions must be implemented by July 1, 2010 for new customers and August 15, 2010 for existing ones.

"The rule provides for a limited exception to the notice and opt-in requirements," said Duncan Douglass, a partner with law firm Alston & Bird LLP, at a recent PULSE Academy session, *Regulatory and Legislative Developments: A Review of the Federal Reserve's Rule on Overdraft Services and Related Legislative Proposals*.

"The exception applies to financial institutions that already have a policy and practice of declining to authorize and pay ATM and one-time debit card transactions when the institution has a reasonable belief that the consumer has insufficient funds to cover the transaction. It applies only to the notice and opt-in requirements; it does not permit the institution to charge a fee for any resulting overdrafts," Douglass clarified.

Additional legislation being considered could further restrict overdraft fees for debit transactions. Under consideration are limits on the number of overdraft fees a financial institution can charge, requirements for fees to be proportional to the

cost of processing overdrafts and obligations for reordering transactions so they post in an order that prevents avoidable overdrafts.

Industry associations and analysts across the country have offered several strategies for implementing long-term plans to offset the impact of current and upcoming regulations and legislative changes in the debit industry. To effectively respond to the evolution, financial institutions must evaluate current operations and develop a comprehensive plan to implement changes. Plans should include effective campaigns for communicating the changes to consumers, means for identifying affected transactions and approaches for responding to both opt-in and non-opt-in consumers.

A PULSE white paper on this approach is available at [www.pulsenetwork.com/research](http://www.pulsenetwork.com/research).

For more information, on-demand access to the December PULSE Academy session is available on the PULSE Web site at [www.pulsenetwork.com/pa](http://www.pulsenetwork.com/pa).

## Discover® Debit Provides Cardholders Range of Benefits

Discover Debit not only delivers a comprehensive signature debit product with all the industry-standard services issuers expect, but also offers a wide range of consumer benefits, including a rewards program, discount online shopping and an account analyzer.

*Perks Everyday*® is a points-based loyalty program designed to provide cardholders with a variety of reward options. By using a Discover Debit card for transactions made in-store or online at national and regional merchants, consumers can earn points that can be redeemed for gift cards, cash rewards, merchandise, green rewards, travel and charitable donations.

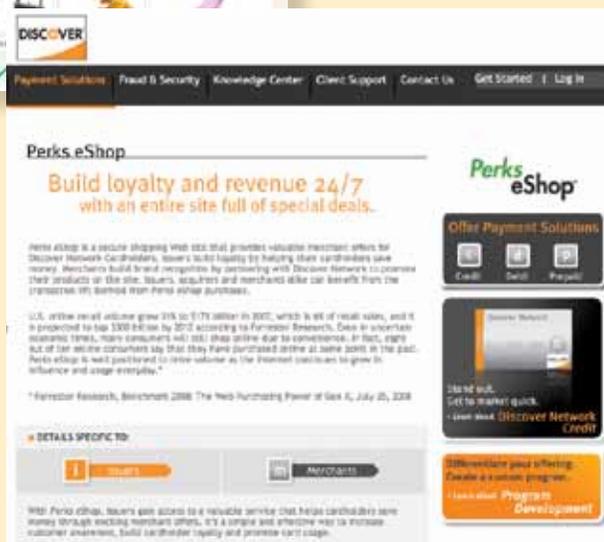
In addition to earning rewards, consumers using Discover Debit while shopping online can benefit from numerous discount offers through the *Perks eShop*™. The secure shopping Web site features

valuable merchant sales on popular brands. From Sports Authority to Marriott to Walgreens, numerous brand-name retailers offer cardholders discounts and in-store coupons.

By making purchases with Discover Debit, consumers also can monitor their spending through Discover's Spend Analyzer. As a component of the company's Financial Management Tool Suite, the analyzer helps cardholders manage their money by showing exactly how much they spent. Easy-to-read charts show cardholder transaction history and trend information, including where the cardholder shopped and how often, as well as monthly comparisons.

The consumer benefits for Discover Debit make it a comprehensive product that will engage cardholders while encouraging loyalty and creating differentiation from other brands. Marketing collateral and support are available for all aspects of Discover Debit, including customization and co-branding for the *Perks Everyday* rewards program.

For more information on all of the benefits of Discover Debit, contact your PULSE account manager.



## Education a Priority for Prepaid Industry

*PaymentsSource*

The prepaid industry is continuing to grow as consumers become more comfortable with prepaid products. The consensus among attendees at the 2010 Prepaid Card Expo is that the industry should do more to educate consumers about the products' features and benefits to achieve widespread adoption. Education should be focused not only at underbanked consumers, but at the affluent as well, according to panelists who spoke at the conference.

## Wells Fargo Offers Paperless ATM Receipts

*The Tech Chronicles*

Wells Fargo is offering account holders the option of receiving ATM receipts electronically, either as an e-mail or in their account inbox. The e-mail will include an image of the ATM receipt. Cardholders can select the electronic receipt option at the end of their ATM transaction. The move provides "green" benefits by reducing paper usage, as well as litter at ATM sites. It also suits the lifestyle of many tech-savvy account holders. Account holders must be online banking users to receive the new service.

## U.S.-issued Cards Increasingly Declined Overseas

*American Banker*

U.S. payment card issuers are facing a growing number of cardholder complaints about denied transactions overseas. The denials stem from incompatibilities between magnetic stripe and EMV card formats, the latter of which incorporates a microchip and requires a PIN. U.S. issuers have long resisted conversion to the EMV format, but that resistance may be declining, despite the prospect of high conversion costs. The Smart Card Alliance expects to see U.S. financial institutions issue EMV cards beginning this year.

# Internet PIN Debit to Roll Out Network-wide

Despite the recession, debit usage is still rising, and overall consumer preference for the payment method shows no sign of cooling off. Consumers continue to decrease their debt loads and shift to debit payments.

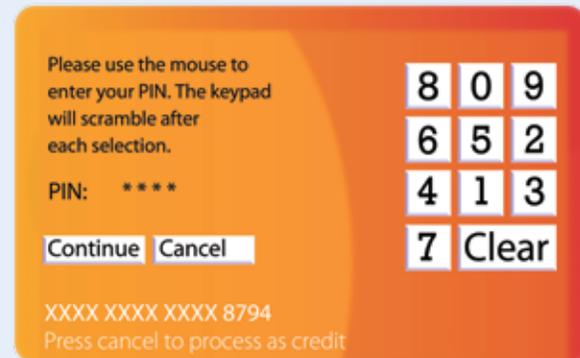
In 2008, debit and prepaid card payments constituted 25 percent of Internet payments, according to the BAI/Hitachi 2008 Study of Consumer Payment Preferences. Although consumers' comfort with online debit payments has grown since the Payment Preferences Study first inquired about it in 2001, it still lags behind comfort with online credit card, prepaid card and Internet payment services. PULSE believes this is about to change.

The network has been piloting Acculynk's PaySecure® Internet PIN debit technology for six months. Pilot participants are pleased with the results because, not only is consumer adoption strong, but Internet PIN debit also gives debit cardholders a new payment option, thus enabling incremental debit transactions

and increased interchange income. Although PULSE is still evaluating the results of the pilot, the network expects to roll out the product to all participants in the near future.

Internet PIN debit is easy to use. The technology features a scrambling online PIN pad that is displayed when a shopper chooses to check out of a participating Internet merchant site using PIN debit. This PIN pad is secure because at no time is the PIN saved, transmitted or stored. Instead, data associated with the PIN-entry process is encrypted and transmitted.

Issuers appreciate the added security presented by Internet PIN debit. It can be difficult to authenticate cardholders in the Internet's card-not-present environment. By requiring PIN entry, an Internet PIN debit transaction is far more secure than other online transactions. In addition, the payment method helps to build transaction volume and provide an edge against non-bank Internet payment alternatives.



When rolled out, the Internet PIN debit service will be optional for issuers. For more information, or to view a short demonstration of how the scrambling PIN pad works, visit Products and Services in the About PULSE section of the PULSE Web site at [www.pulsenetwork.com](http://www.pulsenetwork.com).

# PULSE Launches Online Security Compliance Tool

To protect the security of its PIN debit transactions, PULSE has developed procedures and controls for its network and participants. These rules and systems help PULSE participants maintain compliance with the network's technical, operational and security-related requirements.

For U.S. processors, PULSE requires submission of the approved Security Compliance Review (TR-39), plus additional inventory and identification forms, prior to coming live and by December 31 of each even-numbered year thereafter.

PULSE has recently added an online tool, called the Security Compliance Review Information Guide (available at

[www.pulsenetwork.com/compliance-ebook](http://www.pulsenetwork.com/compliance-ebook)), to provide processors easy access to information and Web links to assist in submitting TR-39 reviews. The guide also provides information about the review itself, submission procedures and a direct link to the automated online submission tool.

Questions regarding the Security Compliance Review or the guide should be directed to the compliance department by calling 800-420-2122 or e-mailing [compliance@pulsenetwork.com](mailto:compliance@pulsenetwork.com).



# PULSE Select® Surcharge-free ATM Network

## Expanded coverage taking you further

According to the PULSE 2009 Debit Issuer Study, approximately 75 percent of ATM transactions in 2008 were performed “on-us,” or at an ATM that is owned or branded by the card issuer, presumably to avoid surcharge fees.

PULSE has formed a strategic alliance with the MoneyPass® network that connects financial institutions, ATMs and cardholders across the country. The PULSE Select® Surcharge-free ATM Network enables participating financial institutions to provide nationwide surcharge-free ATM access to their cardholders by enabling them to use cash machines in both the PULSE and MoneyPass networks without incurring a surcharge.

PULSE Select cardholders have access to their money at more than 13,000 convenient, accessible ATMs at financial institutions and retail locations. The program includes marketing materials to assist participants in promoting the network to cardholders, including a dedicated Web site with ATM locator for all PULSE Select and MoneyPass ATMs.

Participants in Select ATM®, PULSE’s previous surcharge-free ATM alliance, are required to sign new agreements to join the PULSE Select/MoneyPass network. Program implementation takes an estimated 45 to 60 days.

“Our alliance with the MoneyPass network allows PULSE the opportunity to broaden the scope of our previous surcharge-free network,” said Judith

McGuire, PULSE senior vice president of product management. “Since we launched PULSE Select at the PULSE Conference last year, we are seeing continuous growth in the program.”

### Program Benefits

Expanded access to surcharge-free cash has positive effects for all parties. First, participants may experience increased interchange revenue due to heightened traffic on their ATMs. Participating institutions’ cardholders don’t pay a surcharge at participating ATMs, but your institution can earn surcharge revenue by assessing fees to cardholders from non-participating financial institutions. In addition, when a MoneyPass cardholder from another financial institution uses your ATM, your institution will receive higher interchange than it receives today.

Financial institutions that currently offer rebates on surcharge fees may also see higher profit margins by reducing those expenses. Most importantly, cardholders appreciate the convenience of broader coverage and more prevalent access to their cash, especially when travelling.

Open to all PULSE participants, PULSE Select affords financial institutions the ability to remain competitive with larger entities by extending their coverage without incurring the cost of deploying new ATMs. Providing a service that gives cardholders greater convenience and cost



**pulse  
Select®**



savings enables financial institutions to attract and retain account holders in a burgeoning marketplace.

For more information on how to join the PULSE Select Surcharge-free ATM Network, contact the client services team at 877-247-8573 or log onto [www.pulsenetwork.com/pulselect](http://www.pulsenetwork.com/pulselect).

## Industry Boosts Debit Card Fraud Protections

Debit card issuers are providing greater security protection than ever before, says Javelin Strategy & Research. The firm’s 2009 Banking Identity Safety Scorecard indicated that all of the 25 largest U.S. banks and credit unions now offer zero liability policies on debit cards that cover PIN, signature and card-not-present purchases.

Javelin calls this a “major milestone for the industry” because, for the first time, it puts debit card protections on equal footing with those provided by credit cards.

In addition to zero-liability protections, all of the top financial institutions also offer next-day replacement of lost or stolen debit cards. They also provide online



anti-phishing e-mail education to their account holders.

For more information on the study, visit [www.javelinstrategy.com/brochure-160](http://www.javelinstrategy.com/brochure-160).

## New Web-based Fraud Resource (continued from page 1)

PULSE Fraud Prevention 360° contains a wealth of information to support financial institutions in their efforts to minimize debit card fraud, including a real-time fraud news feed on the home page.

### Available Information:

The site is divided into the following areas:

**Fraud Trends** provides an overview of the various types of fraud, such as card fraud, identity fraud and disputed transactions. It also offers information about techniques such as accessing data “in flight” rather than “at rest.”

**Reducing Losses** features checklists for both internal and external fraud incidents. This area also includes tips on preparing for fraud losses, working with customers who have fallen victim to fraud, developing reissuance criteria, containing losses, evaluating lessons learned, logging activities and communicating with cardholders impacted by fraud.

**Defense Techniques** provides an overview of the available fraud prevention tools and how they can be used in your institution’s fraud program.

**Prevention** offers details on training institution staff to spot fraud, as well as how to decide whether to reissue cards following card data exposure.

**What’s Next** offers details on fraud trends anticipated for the next three years, as well as areas where regulation and oversight are expected to increase, such as the Payment Card Industry standards.

**FAQ** answers several common fraud prevention questions.

**Quick Tips** explains what to look for when onboarding account holders to prevent fraud, as well as information hidden in transaction data that may indicate fraud has occurred.



**Resources** provides links to additional sources of information on fraud prevention and management.

Visit PULSE Fraud Prevention 360° today at [www.pulsenetwork.com/fp360](http://www.pulsenetwork.com/fp360).

# PULSE 2010 Pricing Announced

In late 2009 and early 2010, PULSE conducted a comprehensive review of its pricing structure, with the objectives of delivering value to all network participants while maintaining fair and competitive fees. In early March, PULSE announced the details of its 2010 pricing changes in a series of communications distributed to network processors, financial institutions, merchants and ISOs.

### Key changes to PULSE’s fee structure include:

- Revisions to several components of tiered merchant PIN POS debit interchange fees;
- Introduction of an issuer PIN debit switch fee; and
- A change to determining merchant switch fee tiers.

The 2010 PULSE Participant and Acquirer fee schedules are available for download on the PULSE Web site. Visit [www.pulsenetwork.com](http://www.pulsenetwork.com) and go to the Documents & Forms area in the Financial Institutions, Processors or Retailers/ISOs section.

In addition to periodic revisions to its fee structure, PULSE strives to further enhance the benefits of PIN debit for participants through regular improvements in network capabilities. In 2009, the network expedited funds, fees and PIX<sup>2</sup> settlement by adjusting its settlement calendar. PULSE now settles interchange and funds from weekend transactions a day earlier than it did previously. PULSE also enabled acceptance of Diners Club International cards at its ATMs, providing participants a new acquiring opportunity that is only available through PULSE.

PULSE’s 2010 initiatives will include expansion of the DebitProtect<sup>®</sup> fraud detection system with rules optimization, point-of-compromise detection, real-time transaction blocking, automated card lockdown and an online fraud prevention social networking forum. We also will roll out a new Management Information Systems platform that will substantially improve online transaction reporting, transaction analytics and billing, and drive additional debit usage and financial institution revenue. Both projects will be implemented in phases starting this year, and continuing into 2011.

Questions regarding the pricing revisions should be addressed to your PULSE account manager or processor relationship manager.

## PULSE 2010 Speaker Resource Program

# Industry Experts Offer Key Insights

**P**ULSE works closely with state and national banking associations and credit union leagues throughout the year by exhibiting at trade shows, sponsoring events and participating in joint activities. Another way in which PULSE supports these organizations is by making PULSE subject matter experts available to present timely information on a variety of electronic banking and technology topics.

Each year, the network offers a new array of topics under the PULSE Speaker Resources Program. The program is offered to associations and leagues at no cost.

### Topics for 2010 include:

**Technology Evolution**, detailing emerging payment technologies

**Making Social Media Work for Your Institution**, exploring social networking options and benefits

**Debit Trend Spotting**, providing results of the latest Debit Issuer Study

**Exclusively PULSE**, explaining how to maximize the value of debit programs through participation in PULSE

**Drivers of Consumer Debit Use**, providing an understanding of how and why cardholders use debit

**Security and Compliance Today**, offering insight into the why's and how's of various compliance requirements

**Prepare, Protect, Prevent: How to Safeguard Against Fraud**, reviewing fraud trends and prevention techniques

To request a PULSE speaker, contact the Association Relations department at 800-420-2122.



Dave Schneider

### The Value of PIN Debit (continued from page 1)

up 9 percent from the previous year, compared to 6 percent for credit and signature debit. And, on December 24, 2009, PULSE's daily transaction volume reached an all-time high.

Debit now accounts for the biggest share of in-store purchases at 37 percent, comprised of 20 percent PIN and 17 percent signature, according to the BAI/Hitachi *2008 Study of Consumer Payment Preferences*. On average, consumers make eight PIN debit in-store purchases per month, compared to seven in-store signature debit purchases, the study found.

"Consumers continue to show a marked preference for PIN debit, citing security, convenience and speed as their primary reasons," stated the BAI/Hitachi report.

Consumer preference for PIN debit is particularly prevalent in certain retail settings, with PIN debit accounting for 32 percent of grocery store purchases, compared to 16 percent for signature

debit. Consumers choose PIN debit for 27 percent of discount store purchases, compared to 13 percent for signature debit.

### Benefits of PIN

Consumers have long appreciated the pay-as-you-go aspect of debit, a benefit that has become even more important in today's economy. Debit usage has been accelerated by the recession, said TowerGroup in a research report released last fall. According to the report, debit usage now accounts for more than half of all non-cash purchases.

As consumers continue to opt for PIN debit, issuers and merchants benefit in several ways. Transactions initiated with a PIN result in lower fraud losses than signature debit. In addition, PIN debit offers a single-message transaction that is completed in-person by the authorized

cardholder. Because cardholders must enter their PIN, chargeback rates are much lower than with other payment methods. An additional benefit for financial institutions is the exceptional value PULSE delivers by providing high PIN debit interchange revenue.

When compared to other payment methods, the benefits of PIN debit are clear. From continued consumer preference to lower fraud losses and chargebacks to increased interchange revenue, PIN debit transactions through the PULSE network provide tremendous value.

To help maximize your debit program and realize all of the benefits of PIN debit, contact your PULSE account manager, or call the client services team at 877-247-8573.



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## 60 Seconds with... *Carrie Brown*

Senior Vice President,  
Enterprise Project Management Office

### Adding Value Through Technology

PULSE is often thought of as a financial services company, but it is also a technology company. Underlying the switching and settling of electronic transactions is a vast and complex network of hardware, software, telecommunications and databases. While it is challenging at times to explain this technology to non-technical people, it is much easier to describe the impact it has on network participants and debit cardholders.

PULSE's Project Management Office has been working on some far-reaching projects in recent months. In 2009, we were busy with the integration of the PULSE, Discover and Diners Club networks. The end result is that Diners Club cardholders can now use their cards at ATMs and cash locations worldwide, including throughout the PULSE network in the U.S.

The inclusion of these cards in PULSE represents an additional and highly competitive revenue opportunity for PULSE ATM acquirers. In addition, PULSE cards are now accepted at selected ATMs in Canada, Mexico and the Caribbean.

One focus for the Project Management Office in 2010 will be the rollout of an Integrated Processing Platform (IPP) that has been in development for more than a year. This initiative includes new fee billing, settlement, dispute processing and data warehousing/analytics platforms. It will be implemented in phases beginning this year and continuing into 2011.

The IPP project involves a cross-functional team of PULSE and Discover staff members. The work of this team touches virtually every department in PULSE, from Finance to Sales and Product Management.

The IPP will provide PULSE processors and financial institutions with a powerful reporting tool. The data available from these new systems will enable participants to benchmark themselves against their peers based on geography, asset size or a host of other factors.

This ability will be a great value-add for our participants. It will enable them to see where and how their cardholders are using their debit cards, in terms of merchant types, card spend and other metrics. This level of insight will allow participants to develop campaigns to make their portfolios more profitable.

Technologies such as the PULSE IPP do more than just increase efficiencies; they create new opportunities for improving the bottom line of not only our business, but yours as well.

### IN CLOSING

### Changing Lives ... One Bike at a Time

On December 16, 2009, more than 30 PULSE employees participated in the annual Elves & More bike-building event.

Elves & More designs programs to buy, build and deliver bicycles to underprivileged children in the Greater Houston area. The bicycles are incentives for children to

stay in school and out of trouble while improving their health. Employees donated at least three hours of time at the bike-building facility.

In 2009, Elves & More gave away its 100,000<sup>th</sup> bicycle to a Houston child.

