



Protecting Debit Card Income

What the Durbin Amendment Means for You

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Discussion Items



- Durbin Amendment overview
- NYCE overview
- Strategic value proposition
- Durbin Amendment preparation
- Q&A session



Durbin Amendment Milestones



An amendment to limit interchange fees for debit transactions, the “Durbin Amendment” as part of the of the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted into law July 2010 and will take effect July 21, 2011.



Durbin Amendment

Key provisions



- **Regulated Interchange**

- Impacts financial institutions with assets of \$10B and greater
- Currently proposed at \$0.12 maximum rate (subject to final Fed review and ruling)
- Interchange restricted for debit and single load prepaid programs.
- Government , general purpose reloadable prepaid and credit card programs are excluded

- **Exclusivity**

- Impacts all financial institutions
- Financial institutions must maintain at least two debit network relationships
- Networks with POS access to DDAs for purchases
 - No distinction between signature and PIN authentication
- The two networks must not be affiliated
 - MasterCard® signature/Maestro® PIN or Visa® signature/Interlink PIN

- **Merchant Controlled Network Routing**

- Impacts all financial institutions
- Issuers can no longer designate routing preference between networks
- Multiple PIN network relationships will likely result in reduced interchange revenue

Exclusivity

Two potential options



- **Alternative A**

- **One signature** and **one PIN** based debit network
 - Must be unaffiliated providers
 - Virtually eliminates negative impacts of merchant controlled routing
 - Relatively easy implementation, proposed effective Oct 2011
- LIKELY EXCLUSIVITY REQUIREMENT

- **Alternative B**

- **Two signature** and **two PIN** based debit networks
 - Merchants would have at least two routing options in both the signature and PIN channels
 - Would allow for aggressive “race to the bottom” interchange competition between the networks – dramatically reducing issuer revenue
 - Operational challenges, proposed effective Jan 2013
- UNLIKELY THAT THIS OPTION WILL BE REQUIREMENT

Poll: Affiliated Signature and PIN Networks



Do you participate in affiliated networks for signature and PIN and no other debit networks?

- YES
- NO



NYCE Overview

NYCE Payments Network



Size & Scale



Coverage in all 50 States

360,000 ATMs

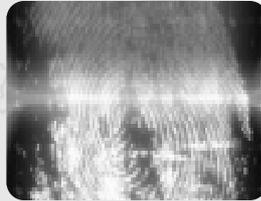
22,500
Surcharge-Free ATMs

2 million POS
Locations

1,400 Direct
Billers

Industry
Leading
Availability

Strategic Focus



Issuer-centric
to optimize
existing card base
transactions

Drive migration of
expense-based
transactions to
higher value
forms
of payment

83% Exclusive
Transactions

A Non-competing
Network

Advanced Functionality



Real-time
Fraud Monitoring
and Management

Text and Mobile
Applications

Consistent record
of Innovation

Approval Rate
Management

Consistent Service

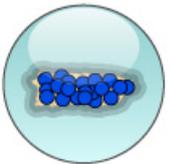
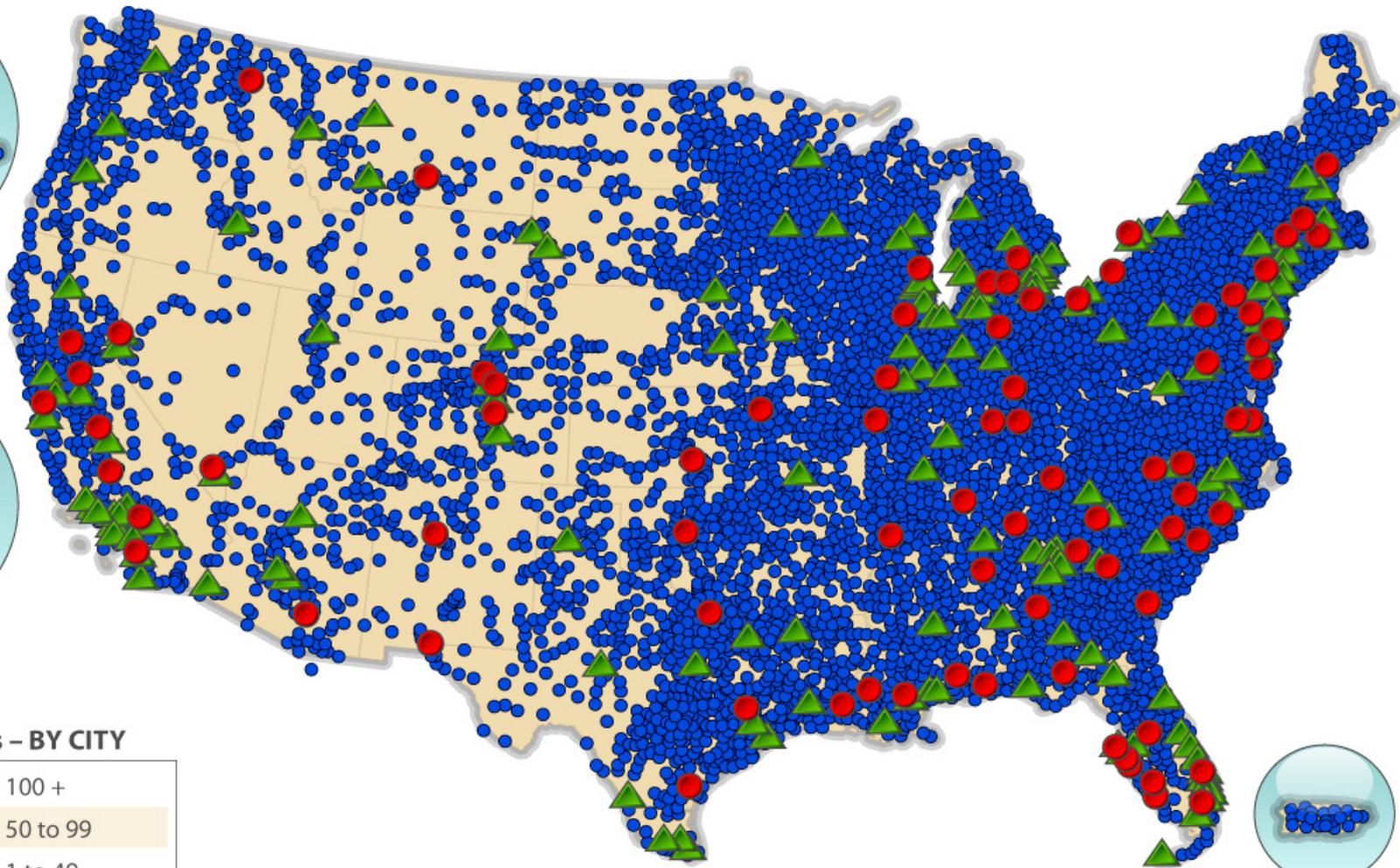
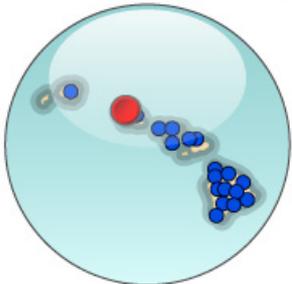
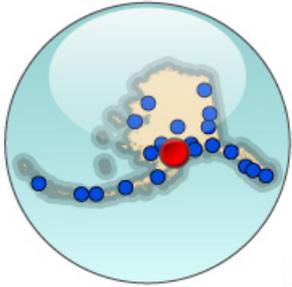


No Impact to
Cardholders
during
Implementation

Fully engaged
with merchants

Reporting and
Data
Integration

National ATM Footprint



ATMs - BY CITY

- 100 +
- ▲ 50 to 99
- 1 to 49

NYCE POS Nationwide Network

Single network relationship will access all



- 2 Million POS Locations
- Nationwide Coverage, including the following retailer types:
 - Supermarkets
 - Convenience stores
 - Gas stations
 - Drug stores
 - Department stores
 - Big Box
 - Discount Stores
- And many, many more.....
- Retailers that accept PIN Debit, accept NYCE



Strategic Value Proposition

NYCE Strategic Imperative

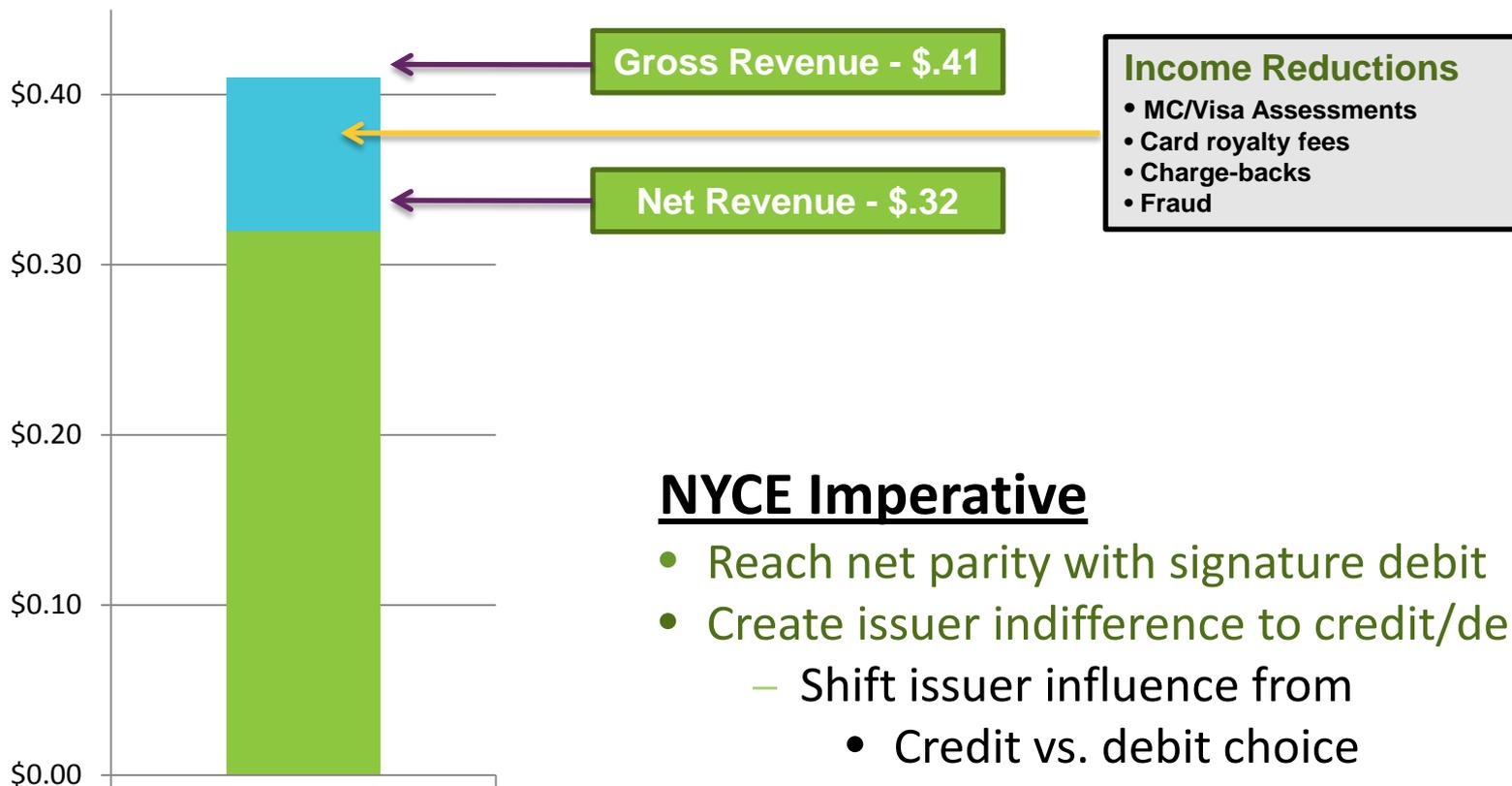
Financial institution alignment



- Single focus on issuer value delivery
 - Favorable interchange structure for issuers
 - ATM
 - POS
- Deliver net interchange parity with signature debit
 - Cause card usage not credit vs. debit
- NYCE is not engaged in conflicting business lines
 - Merchant processing
 - Debit card product introduction

NYCE Imperative

Close the signature interchange gap

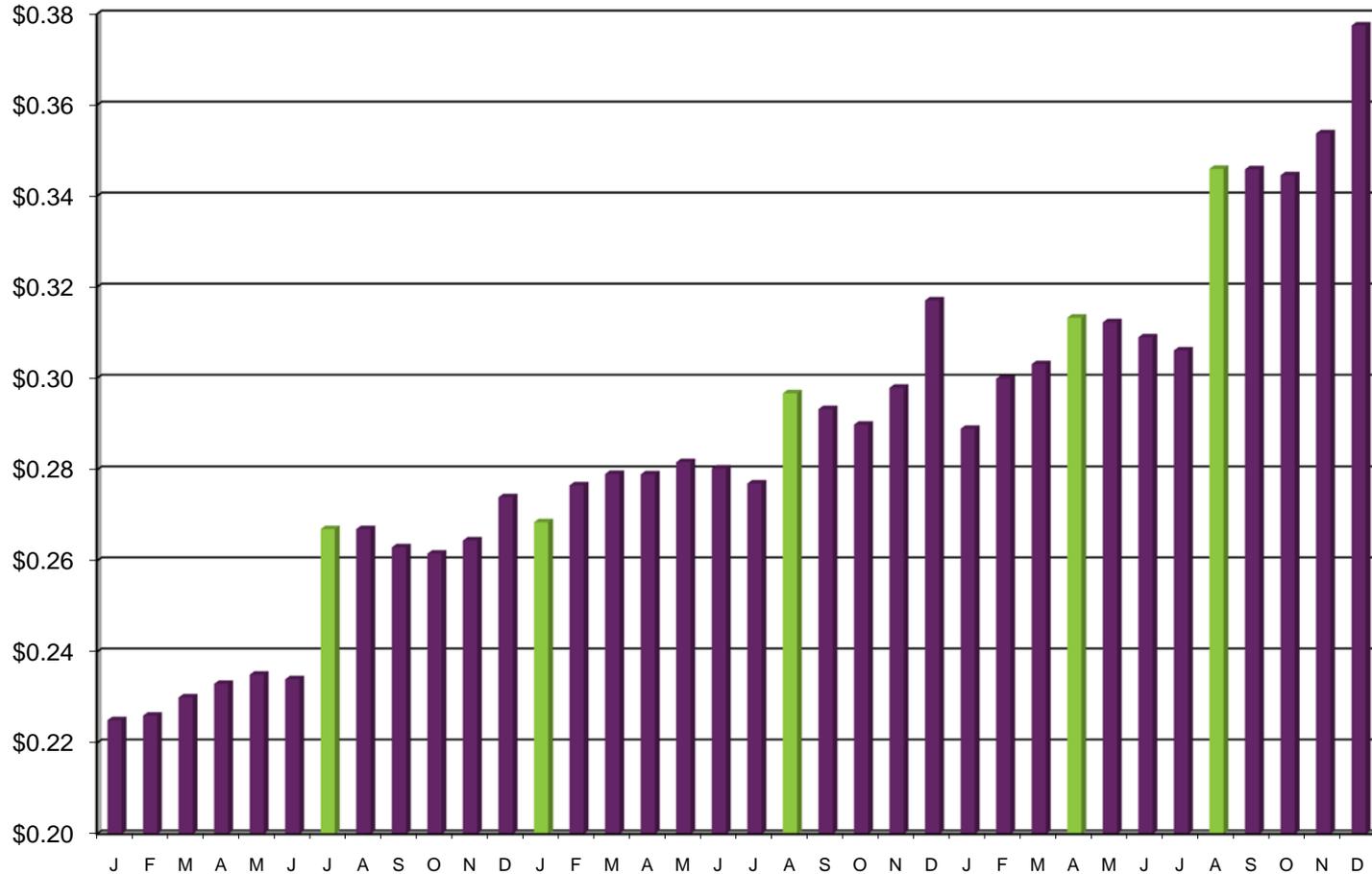


NYCE Imperative

- Reach net parity with signature debit
- Create issuer indifference to credit/debit choice
 - Shift issuer influence from
 - Credit vs. debit choice
 - Shift issue influence to
 - Simple card utilization

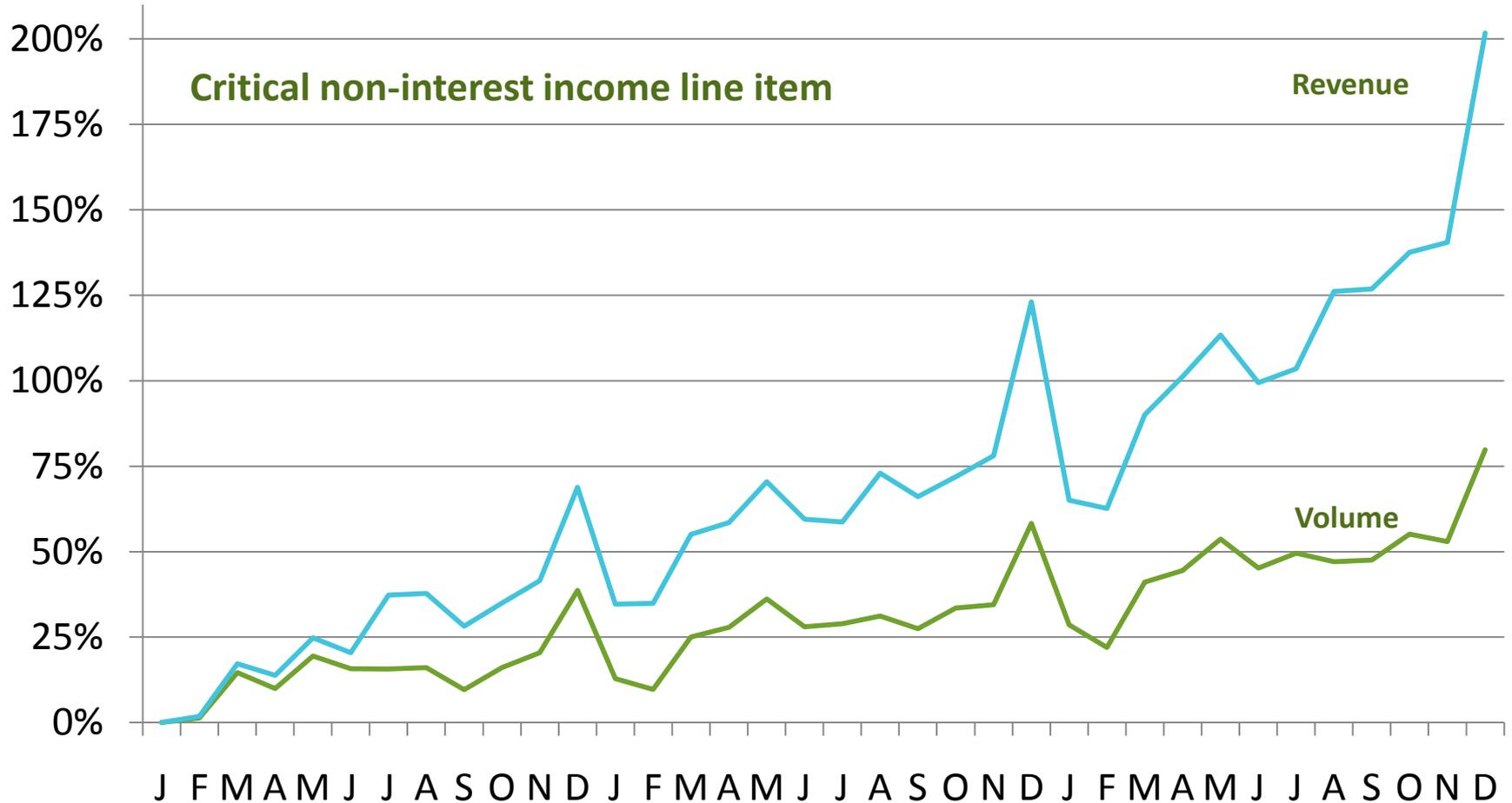
NYCE POS Interchange Growth

Since 2008



NYCE POS Interchange Outpaces Volume

More than double the growth rate



Poll: Multiple PIN Debit Networks



Do you currently participate in multiple PIN debit networks?

- YES
- No



Durbin Amendment Preparation – Not Just Compliance

Regulated Interchange



Action	Impact
Durbin Provision	Cap debit interchange (both signature and PIN)
Impacted Institutions	Institutions with assets of \$10B and greater
Compliance	Accept lower debit card interchange income
Preparation	<ul style="list-style-type: none">• Implement additional fees• Eliminate free checking• Potentially shift to credit and general purpose reloadable (GPR) prepaid cards

Non-exclusivity



Action	Impact
Durbin Provision	Financial institutions must have at least two unaffiliated networks
Impacted Institutions	Any bank or credit union that uses either MasterCard/Maestro or Visa/Interlink as their sole debit providers
Compliance	Add an unaffiliated, complementary PIN-based debit network
Preparation	Replace - not complement - Maestro or Interlink

Merchant Routing



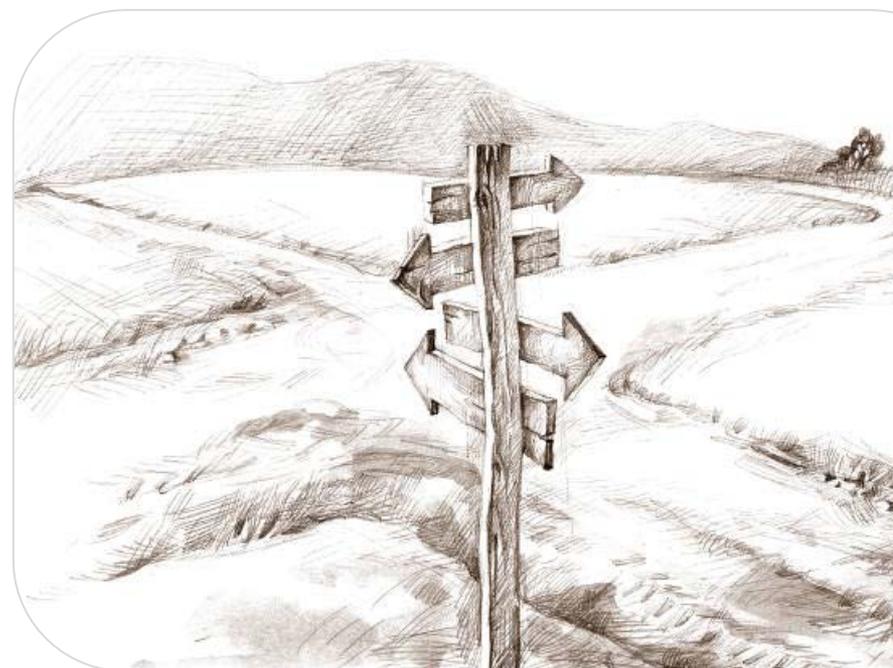
Action	Impact
Durbin Provision	Complete merchant discretion in routing debit transactions
Impacted Institutions	Any institution with more than one PIN-based debit network
Compliance	No requirement
Preparation	Maintain just one PIN-based network relationship by choosing a single provider – deny merchant ability to utilize least cost route

Choosing a Single Provider



Factors

- Strategic alignment
- Issuer focus
- Interchange initiatives
- Network reaction to Durbin



Network Practices

POS genetics



Component	NYCE	Other Providers
Interchange Strategy	Drive debit volume through <ul style="list-style-type: none"> • High exclusive issuer base 	Drive debit volume through <ul style="list-style-type: none"> • Lower merchant interchange expense/issuer income
Constituencies	<ul style="list-style-type: none"> • Issuers 	<ul style="list-style-type: none"> • Issuers • Merchants <ul style="list-style-type: none"> – Processing interests – Product adoption
Interchange Concession	Only one off-sheet deal; don't spend issuer revenue	Multiple special deals <ul style="list-style-type: none"> • Processing customers • Preservation/expansion of other brands
Durbin Reaction	<ul style="list-style-type: none"> • Increase merchant fees • No additional issuer fees • Potential further interchange value 	<ul style="list-style-type: none"> • Reduce merchant fees • Add \$.01 issuer "compliance fee" • Announce "intelligent routing" approach – least cost path • Negotiate lower merchant interchange

Financial Institution Preparation Summary

Next steps



FI Situation	To Do
Single Debit Relationship with MC or Visa	<ul style="list-style-type: none"> • Identify preferred unaffiliated PIN-based debit network • Discuss relief from Maestro or Interlink agreements with MC and Visa • <i>Execute agreement with sole preferred provider</i>
Multiple PIN-based Debit Network Relationships	<ul style="list-style-type: none"> • Identify preferred PIN-based debit network • Determine termination dates of current PIN-based network relationships <ul style="list-style-type: none"> – Understand contractual latitude/options • <i>Execute agreement with sole preferred provider</i>
Sole Unaffiliated PIN Debit Network Relationship	<ul style="list-style-type: none"> • Determine if current provider is desired PIN debit partner <ul style="list-style-type: none"> – Yes – No action necessary – No – <ul style="list-style-type: none"> • Determine termination date of current PIN-based network relationship • Contact preferred partner • <i>Maintain relationship with current provider – if desired - or execute agreement with sole preferred provider</i>

Summary - Why NYCE?



Durbin Provision	FIS Response
Exclusivity	NYCE as preferred PIN network
Merchant Routing	NYCE as preferred PIN network
Regulated Interchange	NYCE + Prepaid, Credit, Loyalty and Fraud

- Issuer centric focus on delivering interchange value to financial institutions
 - Not distracted by conflicting initiatives
- National POS/ATM acceptance
 - No need for any complementary networks
- Industry interchange leadership of consecutive increases in issuer's PIN-based debit income
 - **DOUBLED** since 2008!

Key Contacts



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FIS Q&A Session

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