



WHAT'S AHEAD IN STORED VALUE Prepaid TRENDS

November 2, 2007 | Volume 2, Issue 22

Q&A: FRAUD

Credit, Debit, and Prepaid Fraud Are All Connected

By Ben Jackson

Money laundering and fraud remain constant risks for the prepaid card industry. To understand how big the risks are, and to find out what issuers, processors, and program managers can do to minimize them, *Prepaid Trends* spoke with Doug Johnson, senior policy advisor with the American Bankers Association.

PT: To start, let's talk about the risks in prepaid cards. What kind of criminal activity happens that involves prepaid cards?

Johnson: First of all, I tend to look at prepaid card risk from the standpoint of my banking membership to a greater



> Doug Johnson

degree than others might for understandable reasons. I tend to take a holistic view, looking at prepaid card fraud in the context of the other card fraud which occurs and that more directly impacts our financial institutions.

Credit card fraud and debit card fraud, because of volumes alone, are far in excess of anything which we see in the prepaid environment.

From the standpoint of our banks, **PREPAID FRAUD** cont. on p.6 ▶

GIFT CARDS

Gift Cards Still Stylish This Year

By Amy McCullough

Fads often determine what reaches the top of holiday shoppers' lists, but the evidence shows that gift card issuers need not worry about their product falling out of fashion.

Gift cards are expected to rake in \$35 billion in sales this holiday season, breaking last year's sales record by nearly 35%, according to a survey by Archstone Consulting LLC which is based in Stamford Conn.

According to Archstone's survey of 1,128 gift card buyers and recipients

across the United States, gift cards will make up 6% of holiday sales, almost double 2005's level of 3.3%.

Stores love gift cards because most people tend to spend more than the face value of the card,

GIFT CARD cont. on p.8 ▶

MORE INSIDE

> Finger Paying

Biometric payment is a new form of lunch money in West Virginia schools, but other states are not as keen on the idea. See page 4

>>> NEWS BREAK >>>

Prepaid card loads to grow 17% by 2010

The prepaid market will grow 17.1% over the next three years, to \$421.5 billion, according to a report released today by The Mercator Advisory Group Inc., which is based in Waltham, Mass. The closed-loop market will be \$239.9 billion, up from \$171.2 billion in 2006, and network-branded cards will make up \$181.6 billion of the market, up from \$26.75 billion in 2006. Still the faster growth rate of open-loop cards doesn't mean closed loop cards will fade away, says Tim Sloane, director of debit advisory services for Mercator. Funds loaded onto distributed-in-store gift cards grew 88%, from 2005 to 2006, to \$3.7 billion. That is up from \$500 million in 2003, Sloane says. "It is not like they're not executing properly," he says.

The new face of your prepaid card is **your customer.**



DimpleDough enables on-demand photo card personalization and co-branding for prepaid cards.
Let us put a smile on the face of your prepaid program:)



www.dimpledough.com | 216-393-1979 | info@dimpledough.com



COMPANY PROFILE

Prepaid Cards Let Fans Put Celebrities in Their Pockets

By Ben Jackson

Thanks to the magic of prepaid cards, fans of actress Carmen Electra and golfer Natalie Gulbis can put the stars in their back pocket.

Payment Data Systems Inc., which is based in San Antonio, Texas, has offered a Carmen Electra Prepaid MasterCard since 2005. In August, it launched its second celebrity card, the Natalie Gulbis Gift MasterCard, and it is in discussions with other celebrities, according to Michael R. Long, the chairman, chief executive officer and co-founder of Payment Data Systems.

"They will be well-known names in different sports genres," Long says of future celebrity cards.

The Carmen Electra card is sold strictly on the Internet and currently so is the Natalie Gulbis card. Consumers can buy and register their reloadable cards at www.carmencard.com, and check their balances there. However, that site is not linked from Carmen Electra's home page. Messages left at Electra's management company were not returned by the deadline for this story.

The Natalie Gulbis site, www.nataliegulbis.com, has a link for purchasing cards with her picture on them.

Long says the company saw celebrities as a way to attract people to its prepaid cards.

"Some people like to carry some kind of memorabilia or wear somebody's jersey," Long says. "I see a lot of people doing that."

He says the target demographics of the Carmen Electra card are mostly 18-to-35-year-old men, and for the Natalie Gulbis card, the audience is golfers and fans of professional golf. That explains the next stage for the Natalie Gulbis card.

"We do have plans to move Natalie to retail distribution in golf pro shops and golf retail shops early next year," Long says.

The cards are all open-loop MasterCards and issued by \$630 million-asset MetaBank, which is based in Storm Lake, Iowa. The Carmen card comes as a reloadable prepaid card or as a gift card with a two-year expiration date. Reloadable cards have a \$4 monthly fee and cardholders can reload their cards through the Green Dot Corp. network, direct deposit and the automated clearing house network. The reloadable cards have a \$9.95 issuance fee plus reloading fees. Gift cards

have a \$5.95 issuance fee.

The Natalie cards are gift cards available in denominations of \$10 to \$500 that are activated at the time of purchase and also expire in two years. The issuer charges a \$5.95 issuance fee for the cards if bought through the Internet. Purchasers of the card can choose one of three designs and have messages such as "Good job" or "I love you" printed on the card.

In a statement announcing the launch of the card, Gulbis said the cards "makes for a unique golf tournament award and giveaway. The ability to have a printed gift message on the card is my favorite feature."

Long says gift cards made sense given the target market and distribution plans for the Natalie card, but a reloadable card wouldn't appeal as much to the same market.

The celebrities get an up-front fee, a payment for every card issued and a portion of the revenue generated by the cards, Long says.

He says Carmen Electra has been great to work with because her agents understood that this was a way for her to raise her profile. She also has been

willing to do promotions, appearances and endorsements connected with the card. For example, in October, she shopped at a Los Angeles boutique store with the winner of a Carmen Electra Gift MasterCard Sweepstakes.

"Carmen has been an excellent person to work with," Long says. "She is very dedicated and

hard working."

In a statement released in 2005, Carmen Electra said: "The Carmen Electra cards give me another way to connect with my fans while providing them the ability to enjoy the convenience of shipping or paying bills with ease—online and offline."

Gulbis' agents approached Payment Data after hearing about the Carmen Card, Long says. MasterCard sponsors Gulbis on the LPGA tour, so it was a good fit for MasterCard, Gulbis and Payment Data to issue a card with her likeness.

The cards are signature-based cards, and do not have personal identification numbers. Cardholders can call a customer service line or go to a Web site if the card is lost or stolen and have a new one issued with the remaining balance.

Long says the cards will have a life beyond payments:

"You also will see it become a collectible. Some people like to collect these like they collect baseball cards." **{PT}**



BIOMETRICS

Having the Right Digits Means Having Your Lunch

By Rebecca Milfeld

At a number of school cafeterias across West Virginia, children are paying for chicken nuggets and chocolate milk biometrically, spending money set aside in debit-like accounts with a quick finger-swipe across a reader.

The state used to identify each student with a four- to five-digit ID number, but about four years ago changed the numbers to nine digits. Secondary schools had been using plastic swipe cards as a system of payment for school lunches, and when students forgot their cards they were responsible for punching in their ID numbers on a keypad.

“We had enough mistakes with four- or five-digit IDs,” says Beverly Blough, director of food services for Wood County Schools in West Virginia. “Going to nine digits, I saw the writing on the wall.”

Although finger scanning is not making the lunch lines faster, it is reducing the frustration level, Blough says. The switch to the finger scan in her district is “not driven by economics, it’s driven by inconvenience.”

“Let’s keep the students focused on learning instead of slapping them on the fingers for forgetting their lunch cards,” she says.

Still, biometric payments have not had universal acclaim.

In Wilmette, Ill., a Chicago-area suburb, school officials briefly used a finger-scan payment option at Wilmette Junior High and Highcrest Middle School, only to scrap the system soon after the beginning of the school year.

“We believed it would facilitate checking out the lunches more quickly,” says Wilmette interim superintendent Raymond Lechner.

Instead, the school had to deal with parents concerned about fingerprinting and privacy and with a system that did not always perform properly and created longer lunch lines. On top of that, under an Illinois law that went into effect in August, schools are now required to get parent permission before taking an image of a child’s finger, something Wilmette Public schools had not done.

Biometrics is defined as the measurement of individual characteristics, such as fingerprints or retinal patterns, to identify individuals. It has been used everywhere from Walt Disney World, where tickets are matched with ticket-holder finger-swipes to keep multi-day passes from being resold, to grocery stores, such as Jewel-Osco where customers now can pay using their finger.

No fingerprints are stored for biometric scanning. Instead, the process employs software to identify unique points on a finger and then creates an algorithm to identify those representative points. The fingerprint is



discarded, and the scanner uses a series of numbers representing the points to identify a finger.

Nonetheless, obstacles have come up for the payment system. In Iowa, biometric fingerprinting effectively was banned in schools when the state passed the Child Identification and Protection Act in 2005, prohibiting the fingerprinting of children by a government unit except under certain conditions.

For Information Services USA, which is based in Hiawatha, Iowa, and specializes in software for schools and businesses, the law has put a damper on local biometric sales. The company, which sold Wilmette Public Schools its finger-scanning system, has been providing biometric finger-scanners to two other schools for more than a year, while four more schools are considering using its products.

“It is a very new technology, and schools are a little skittish,” says Sean Taylor, software product manager at Information Services USA.

Biometrics is only one of half a dozen methods Information Services USA uses to identify students. So while Wilmette no longer lets children pay with finger swipes, they are using the company to give students 4-digit ID numbers to punch into a keypad.

“We bought a system that we love, and the biometric system was just one small part of that,” says Lechner.

Information Services USA makes a variety of products, from messaging systems to notify parents and employees about snow days to work-order tracking systems for schools. It sees a future for biometric payment systems, but doesn’t expect them to take off immediately.

HAVING THE RIGHT DIGITS cont. on p.10 ►

TSYS Prepaid — A Trusted Partner for Comprehensive Prepaid Solutions



Whether it's giving gifts with dynamic in-store promotions, giving unbanked employees access to financial services or rewarding consumers for their purchasing, TSYS Prepaid creates client-centric solutions that can propel your business and delight your customers at the same time. By combining our industry-leading technology with our consultative approach, we ensure you'll receive the benefit of our prepaid experience, regulatory guidance, around-the-clock customer support and global presence in today's market. Customers notice that kind of service. To learn more, call +1.678.566.4188 or email us at prepaysales@tsys.com.

Our Product is service.

open and closed | general purpose | payroll | rebates | consumer
loop gift | reloadable | promotions



© 2007 Total System Services, Inc.* All rights reserved worldwide. TSYS® is a federally registered service mark of Total System Services, Inc.

Q&A: FRAUD

Prepaid Fraud

► cont. from p.1

it is still the debit and credit fraud which is a much larger piece of the fraud puzzle from our perspective.

It is not like [criminals who steal card data] have money that they're trying to work through the system. They've got information, which they need to turn into cash or some kind of electronic cash. They need to turn that data into something of value—as opposed to having something of value and trying to wash it in some fashion,

PT: *How much fraud and money laundering happens through prepaid cards?*

Johnson: Data fraud is substantially larger in my view. The volume alone tells you the market for credit and debit is so much larger.

That doesn't mean that as the market for prepaid gets larger and becomes more open-ended, where cards can be utilized in a lot of different manners other than in a closed retail environment, that we are not going to see more of it. I think we are going to see a greater level of increased interaction between the various types of fraud. You really can't look at them as one in isolation of the others.

PT: *Are there lessons to be learned? Should the prepaid industry be looking at what's happening with debit and credit cards for lessons on how to avoid fraud?*

Johnson: I think one of the challenges that you have in a prepaid market, external from financial institutions, is essentially knowing your customer. It is contingent upon the banker or issuer of a prepaid card to some degree to know who they are conducting business with.

When you're talking about other markets for prepaid where you don't have that existing customer relationship I think that's where it becomes a little more problematic.

In a retail environment, you don't have the expectation to know your customer that way.

There is a way to know your transaction. That's where companies like Wal-Mart when they see someone or a series of folks come into their store and buying a bunch of cards just below the limit, need to be able to—and have an interest in—having a mechanism to track those transactions.

In the retail environment, it is more about knowing your transaction. In the banking environment, it is a little easier

because we have a customer relationship and know that customer.

PT: *Are certain kinds of cards—such as open-loop, branded cards, gift cards—more risky than others?*

Johnson: If you've got an open system, if you've got a payroll card that you can load other funds on, those are going to have inherently greater levels of risk than if it's a closed-end cards, [such as] a gift card or a health savings card, which is single purpose.

You have the ability to manipulate specific thresholds: how much you allow on an open-ended card, that kind of thing, to try to limit your risks.

You need to have abilities to track transactions and understand what really is being transacted on a particular card.

PT: *Are cards more or less risky than other prepaid instruments such as key fobs and biometrics?*

Johnson: A key fob would be essentially the same as a card which has been enabled with the same technology that you see so often now where, particularly for small value payments, you can skim your card over a point of sale device at your drug store or local coffee shop. I view them as basically the same. I think you will see, over time, potentially increased use of biometrics. The timing of that is something that is always subject to debate in terms of how well-accepted biometric technology is going to be. You've had the technologies available for a while. It may be something you see increased use of, but I don't see that magically in 2008 you're going to see a lot more biometrics.

It depends on what, as an individual, you have a tendency to lose more—your keys or your wallet. We all recognize that. As soon as you make the transaction, they're riding the same payment rails.

PT: *Who needs to worry about fraud and money laundering — issuers, processors, retailers, consumers?*

Johnson: It's everybody. It takes a village, if you will, to deal with the issue overall. That village exists between the program people that are in the middle and the bankers and the retail folks that are the providers. We have an evolving market that we need to foster. We need to all have skin in the game from the standpoint of knowing what our

PREPAID FRAUD cont. on p.10 ►

“That's the first line of defense — to have the customer turn off paper....”

—Doug Johnson,
Senior Policy Advisor,
American Bankers Association

WHAT'S AHEAD IN STORED VALUE

Prepaid TRENDS

Gift Cards. Debit Cards Payroll Cards.

Receive the latest developments and trends on the fast pace prepaid card and stored valued market with **Prepaid Trends**, a FREE, twice-monthly PDF electronic newsletter.

From legal and regulatory issues to technology and marketing, **Prepaid Trends** offers a fresh approach to this dynamic industry. Each issue provides comprehensive, insightful and timely analysis of the following topics:

- Breaking news briefs
- The latest promotions
- Q&As with industry executives
- Surveys
- Marketing and advertising
- Prepaid strategies
- Case studies
- And more!

Learn and apply industry tips, strategies and tactics on boosting your company's sales potential.

**Sign up today for
your FREE subscription!**
Questions? Call (800) 221-1809.



GIFT CARDS

Gift Card

► cont. from p.1

and it creates additional shopping trips for customers. Archstone Practice Leader Dave Sievers says the trend is moving toward prepaid debit cards this year, which means the recipient can spend the gift card anywhere debit cards are accepted.

“In our opinion prepaid debit cards will grow substantially this year,” Sievers says.

For years retailers have worked to overcome the stigma attached to giving gift cards to loved ones. Now through aggressive, creative marketing techniques and packaging, the little plastic cards are no longer a blemish on the holiday shopping list, according to Eric Child, president of Seastone LC, a company based in Provo, Utah, that sells specialized gift card packaging.



► Dave Sievers

“Gift cards are becoming very, very important to retailers bottom line,” Child says. “Gift card sales are a bigger retail category than any other category. As a retailer you don’t want to ignore that.”

Stores like Wal-Mart, Kohl’s, Circuit City and Staples carry Seastone’s colorfully packaged cards. Consumers also can work with the company’s designers to create customized packages for their gifts.

Child says his company has seen at least 100% growth every year since its inception four years ago, with 200% growth last year. He says the company is growing because of the value that the packaging adds to the gift card.

“It makes a complete gift . . . so, it takes some of the stigma out of giving just plastic for gifts,” Child says. “All of our biggest retailers have mandates from top management to keep growing their gift cards and to buy more gift cards and gift packaging.”

NPD Group Inc. a market research firm based in Port Washington, N.Y. found in its “Annual Survey of Consumers’ Holiday Purchase Intentions” that 39% of 1,943 respondents say they intend to buy gift cards and an additional 10% say they “feel a gift card is an acceptable thing to do.”

Retailers are expected to reach a much broader customer base this year by selling gift cards outside their own stores. For example, gift cards for most major retailers are now being sold in kiosks in the mall, inside grocery stores and even the neighborhood drug store.

In addition, retailers will likely find a more lasting place for gift cards on the sales floor, as opposed to the more traditional behind-the-counter approach.

Forrester Research Inc. Principal Analyst Sucharita Mulpuru predicted online gift card sales would increase

from 66% in 2006 to 76% this year. Forrester, a technology and market research company based in Cambridge, Mass., asked 2,500 online consumers about their spending plans across eight retail categories.

“Retailers should have an action plan in place for how best to take advantage of gift cards following Christmas and through January, which is known to be the most active redemption period,” Mulpuru wrote in her report in October. “Online retailers that are ready to capture those customers will likely be able to maintain relatively strong sales, in spite of the traditional Q1 seasonal dip.”

Though the gift card industry is expected to grow significantly, certain segments will do better than others, Sievers says.

In addition to the prepaid debit cards, gift cards to discount retail stores, such as Wal-Mart, book stores, department stores, electronic, entertainment and apparel stores will see the most growth.

Other categories, such as grocery stores, auto, music and travel are not expected to see as much growth, according to Archstone’s report.

Gift cards to trendy apparel retailers are expected to remain popular with parents and grandparents of teenagers, Sievers says.

Consumer Electronics analyst Andy Hargreaves, with Pacific Crest Securities, which is based in Portland, Ore., says he does not expect a decrease in gift card sales either, saying often times the cards are purchased as accessories to much larger products.

“A lot of times you may see someone buying an iPod with an iTunes gift card,” Hargreaves says.

Companies also are using gift cards as incentives for their customers, according to a recent study from First Data Corp., of Greenwood Village Col., which focuses on electronic commerce and payment services.

More than half of the 526 people surveyed by First Data say gift card incentives not only influenced their purchase overall, but also their choice of store. About 41% of respondents say similar incentives influenced the brand they decided to purchase.

According to the survey, about three-quarters of customers would be more likely to make a purchase at a store offering a gift card as an incentive promotion versus a store that did not.

“Our research indicates that gift cards continue to be a powerful tool for merchants to attract consumers and incent them to buy,” First Data President Mark Herrington says in a statement. “From large discount stores to fast-casual restaurants, many verticals are now utilizing incentive gift cards to retain current customers as well as acquire new customers through partnerships with non-competing brands.”

{PT}

INDUSTRY NEWS

Highlights From the Prepaid Cards Summit & Expo 2007

By Ed McKinley

For those of you who could not attend the recent Prepaid Cards Summit 2007 Conference & Expo in London, *Prepaid Trends* has a quick look at some highlights from the show.

PREPAID MARKET WILL GROW BUT WILL TAKE ON NEW FORMS

Prepaid cards appear nearly certain to grow in Europe but may take forms barely recognizable today, panelists said at the Prepaid Cards Summit. Nearly all corporate cards will become prepaid and contactless will succeed, but mobile phones and chips embedded beneath the skin may replace cards, says Robert Courtneidge, global head, cards and payments, for Salans LLP, an international law firm. The short term will see continued experimentation with prepaid cards and a temptation to add “bells and whistles,” but stronger companies will succeed in the longer term if they have “a great value proposition,” according to Anil Aggarwal, CEO of Nashua, N.H.-based Prepaid Media LLC. The very name “prepaid” may disappear as the industry develops a wide range of differing products, but companies will succeed by keeping payments simple for consumers, according to Chris Reddish, group head prepaid Europe for MasterCard Worldwide. Companies that now have nothing to do with the payments business will enter the market and succeed by drawing upon enormous customer bases while keeping the needs of customers in mind, concludes Ken Howes, director, Edgar, Dunn & Co., an international financial services consulting company, and director of the Prepaid International Forum, a UK-based trade group.

UK'S OPEN-LOOP PREPAID MALL GIFT CARD MIRRORS AMERICAN MODEL'S APPROACHES

The United Kingdom's first open-loop mall-based prepaid gift card got off to a good start two years ago because its creators at Trafford Centre copied the American way of putting together a program, says a shopping center official. Typical of an American undertaking, the mall's prepaid card partners include MBNA, eFunds and Visa, said Jon Levenson, director of commercial partnerships for Trafford, during a talk last week at the Prepaid Cards Summit. Despite the imitating the American approach, almost any observer would credit Trafford with doing lots of things right on its own. The center's 240 stores, bars and restaurants, backed by free parking for up to 10,000 cars, attracted 30 million visitors last year. It operates a 20-screen cinema that draws more filmgoers than any other UK theatre. Meanwhile, the mall's prepaid gift card attracts an average load of 35 pounds (US\$76.75 or 50.05 Euros),

Levenson says. Customers benefit from gift cards because they make great presents, better than the 46% of all gifts that researchers say recipients do not want, Levenson says. Moreover, gift cards are easy to wrap and easy to mail. Retailers benefit from gift cards, he says, because recipients spend more than 99% of the value loaded onto the cards, and 75% of them spend more than the amount of the card. Banks benefit from gift cards, which amount to interest-free loans to financial institutions from consumers. The dark side of gift cards emerges when issuers deduct fees from unspent balances and bury warnings about them in fine print, Levenson says.

'EVERYWHERE' CARD FROM OCTOPUS RULES HONG KONG PREPAID MARKET

United Kingdom-based company Octopus Knowledge Ltd. has created a prepaid contactless card nearly has a monopoly in the Hong Kong prepaid market. Brian Chambers, Octopus Knowledge managing director, acknowledged the card's almost overwhelming presence after a speech at the Prepaid Cards Summit. The card, known among users as “The Everywhere Card,” first appeared 10 years ago as a transport card. Today, Hong Kong transit riders purchase 92% of their subway rides with the card. Riders buy half of the other 8% of subway rides with an earlier magnetic-stripe version of the card launched 30 years ago. Some of that popularity results from the card's discounted subway fares, Chambers says, adding that the card offers no price break on bus fares but still pays for 86% of bus tickets. The card has become so much a part of life in Hong Kong that the government has approached Octopus Knowledge about using the card in Hong Kong's 16,000 parking meters. Fifteen million of the cards are circulating in a metropolitan area of 7 million inhabitants, numbers that show the card's popularity among visitors as well as residents, Chambers says. Now, Octopus Knowledge is encouraging retailers to accept the card for payments, a move that has prompted government regulators to require the company to become a financial institution. The card appears likely to succeed as a general-spend vehicle because commuters use it daily and feel comfortable with it, Chambers says. He also points out that 80% of Hong Kong residents take public transportation daily. If Octopus Knowledge conquers retail payments in Hong Kong, the company intends to use the card to provide services that “go beyond payments,” Chambers says without elaboration. **{PT}**

Prepaid
TRENDS

www.prepaidtrends.com

Jim Callan / Vice President
[770] 935-8330

James.Callan@SourceMedia.com

Andrew Rowe / Publisher [312] 983-6131
Andrew.Rowe@SourceMedia.com**Ed McKinley / Group Editor**
[312] 983-6152

Edward.McKinley@sourcemedia.com

Ben Jackson / Managing Editor
[312] 983-6150

Benjamin.Jackson@sourcemedia.com

Sharon Pollack /
Executive Director of Creative Services**Gina Capone / Associate Art Director****May Burke / Production Manager**

ADVERTISING SALES

Theresa Cryns / East Coast & Midwest
[312] 983-6179

Theresa.Cryns@SourceMedia.com

Bob Mitchell / Western U.S.

[312] 983-6147

Robert.Mitchell@SourceMedia.com

CUSTOMER SERVICE

[800] 221-1809

custserv@sourcemedia.com

Michael O'Conner / Circulation Director
[800] 221-1809

Michael.Oconner@SourceMedia.com

Marilyn Wong / Marketing Manager
[212] 803-8498

Marilyn.Wong@SourceMedia.com



Chairman & CEO James M. Malkin

CFO William Johnston

President, Securities Group Frank Quigley

President, Banking Group Jeff Scott

Pres., Accuity David Irving

VP, Sales & Customer Service Steve Andreazza

VP, Finance Richard Antoneck

SVP, Operations Celie Baussan

VP, Human Resources Mila Baker

Chief Technology Officer Ivan Latanision

Exec.VP, Marketing & Strategic Planning Anne O'Brien

Prepaid Trends is published biweekly by SourceMedia, Inc., One State Street Plaza, 27th Floor New York, NY 10004. Subscriptions are free. For subscriptions, renewals, address changes or delivery service issues contact 800-221 1809. For reprints, call Howard Gilbert, 212-803-8367; fax, 212-843-9624. Direct editorial inquires to ISO&Agent, 550 West Van Buren, 11th Floor, Chicago, IL 60607; phone, 312-983-6127. The contents of Prepaid Trends are, and remain, the property of SourceMedia, Inc.

© 2007 SourceMedia Inc., and Prepaid Trends. All rights reserved.

BIOMETRICS

Having the right digits

▶ cont. from p.4

It sees a future for biometric payment systems, but doesn't expect them to become widespread immediately.

"I see it longer-term," Taylor says. "I see it a lot slower than we initially anticipated it to be."

That is fine with Wilmette Public Schools.

"It was a feature offered, and we thought, 'Oh, let's give it a whirl,'" Lechner says.

Even with legal obstacles, finger scanning for school lunches is by no means facing a bleak future. More than 1,000 schools have purchased finger scanners from identiMetrics, a

Malvern, Pa., company that specializes in biometric finger-scanning products.

According to identiMetrics, West



▶ AnnMarie Dunphy

Virginia Public Schools lead the nation in biometric use. About 35% of the state's schools use its products, generally finger-scanners for

lunches, but also for libraries and attendance systems at some schools.

"We're in a very young industry," says Anne Marie Dunphy, who helped found the company in 2002 and serves as its chief financial officer. "I liken it to the computer-science industry in the 1980s—it's just exploding." **{PT}**

Q&A: FRAUD

Prepaid Fraud

▶ cont. from p.6

responsibilities are to limit the risks of fraud associated with these cards so the consumer will continue to be comfortable with their use.

The consumer has less risk in general. They're a partner in it because to the extent that we have proper controls in place, the retailers, the programmers, the banks—if we're doing our job, then the customer will have greater abilities to use those cards going forward.

PT: *Is the risk of fraud growing or shrinking?*

Johnson: I think that it is always hard to quantify that. All we can do is ensure that we, as financial institutions, as law enforcement and as retailers, do everything we can to harden the system as much as we can.

What that means is to ensure first

and foremost that our customers have the tools that they need.

Javelin research will tell you that fully half of the identity fraud that occurs is first found out about by the individual which the unauthorized transaction occurred against.

Empowering customers with all the tools they need to protect themselves is giving them, and making sure they are aware of, the ability to monitor their transactions on a real time-basis on the Internet.

That's the first line of defense—to have the customer turn off paper because the other thing we know is that the majority of these frauds is friendly fraud.

Friendly fraud could be anything from your doctor's office to a relative or a neighbor. It is someone close to you from physical standpoint.

I think we have the tendency to look to the exotic when it is actually the mundane that we are vulnerable to and need to defend ourselves against. **{PT}**