



To: EFTA Members

From: Dennis Ambach, Legislative & Regulatory Council Chairman

Date: July 27, 2012

Subject: Federal Reserve Final Rule on Durbin Amendment (Reg II) Fraud-Adjustment

The Federal Reserve Board (Board) published the final [rule](#) today on fraud-prevention cost adjustments allowed under Regulation II (the Durbin Amendment). As you may recall, the Board's Durbin Amendment final rule issued last July allowed for a provisional, one cent fraud-prevention adjustment in addition to the 21 cent and *ad valorem* rates. The Board asked for additional information and comments on fraud-prevention standards in the marketplace and suggested it may increase the adjustment depending on the data received.

The Board's final rule that takes effect October 1, did not change the one cent fraud-prevention adjustment standard. The final rule requires an issuer to develop policies and procedures reasonably designed to detect fraud in order to receive the fraud-prevention adjustment. Required elements of these policies and procedures should include:

- Identify and prevent fraudulent electronic debit transactions
- Monitor the incidence of, reimbursements received for, and losses incurred from fraudulent electronic debit transactions
- Respond appropriately to suspicious electronic debit transactions so as to limit the fraud losses that may occur and prevent the occurrence of future fraudulent electronic debit transactions
- Secure debit card and cardholder data

Issuers must inform its payment card networks annually of its fraud-prevention compliance program in order to receive the one cent adjustment under Reg II.

I will provide additional thoughts on the Board's final rule during the next Legislative & Regulatory call on Wednesday, August 8 at 2 pm eastern.