Visa U.S.A. Introduces Account Data Compromise Recovery Process

Dave Van Horn, Vice President, Operations and Risk Infrastructure

In Brief: The Visa U.S.A. board of directors recently approved revisions to the Visa U.S.A. Inc. Operating Regulations that impact your procedures. A new process, Account Data Compromise Recovery (ADCR) replaces the existing compliance process for disputed counterfeit card transactions that result from an account compromise event in which a merchant or its agent stored the full contents of any track on the magnetic stripe subsequent to authorization of a transaction. This new process, effective for specified Compromised Account Management System (CAMS) alerts dated on or after October 1, 2006, also includes compensation for a portion of operating expenses incurred as a result of the account compromise.

This article describes a new process designed to replace the complex compliance process used today for recovery of magnetic-stripe counterfeit transaction (processed with a POS entry Mode code of “90”) losses incurred as a result of magnetic-stripe data compromises.

Background

Currently, issuers are using the compliance process to recover losses associated with disputed counterfeit card transactions that result from a violation of the Operating Regulations involving the electronic storage of full track magnetic-stripe data. The compliance process allows an issuer to pursue recovery of its direct financial loss against the acquirer whose merchant stored magnetic-stripe data, although the counterfeit transactions under dispute were acquired elsewhere.

Although the compliance process provides a means to recover substantiated transaction financial losses, many members have reported that the process is cumbersome and costly when thousands of accounts and fraudulent transactions are involved. In addition, due to the complex nature of emerging fraud patterns, some issuers may not become aware that a counterfeit loss is directly related to an account compromise until after the compliance time limit has passed.

In March 2005, the board approved Operating Regulation changes to streamline this process, adjust time limits and specify documentation requirements, with the understanding that further changes to the process would be needed in the future. This process limited case filings to actual counterfeit transaction losses and excluded any issuers’ expenses associated with card replacement or enhanced fraud monitoring following receipt of a Compromised Account Management System (CAMS) alert. CAMS is the reporting system used by Visa to alert issuers of their account numbers that have been potentially compromised.

In the summer of 2005, due to the unusually high volume of disputes from a processor compromise involving the prohibited storage of magnetic-stripe data, Visa offered members an optional, alternative compliance process. This alternative process proved more cost-effective, efficient and beneficial for all members.

Account Data Compromise Recovery

Using the alternative compliance concept, Visa formulated a new process that was developed with a working group of members to ensure that the process is equitable for both issuers and acquirers. This new process, Account Data Compromise Recovery (ADCR), will replace the current compliance process and will be used exclusively for magnetic-stripe data compromise events related to CAMS alerts that occur on or after October 1, 2006. In order for issuers to participate in ADCR, they must be registered to receive CAMS alerts. If you are not currently receiving CAMS alerts, send an e-mail to CAMS@visa.com to obtain a registration form.

ADCR provides two processes for issuers to partially recover losses. The first being partial recovery of their incremental magnetic-stripe (POS 90) counterfeit fraud losses associated with a compromise event. The second is partial recovery of operating expenses incurred due to a compromise event.

ADCR will improve back-office efficiencies and increase member profitability by:

▸ Eliminating supporting documentation, filing fees and review fees
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- Establishing a fixed timeline of up to 13 months of liability for eligible counterfeit transactions properly reported to Visa
- Estimating total acquirer liability early in the process to allow better forecasting of financial impact
- Calculating acquirer liabilities and issuer reimbursements on an aggregate basis based on a reasonable estimate of losses, rather than attempting to address rights and amounts on a per-transaction basis
- Utilizing the Global Member Billing Solution for quarterly settlement of payments and reimbursements
- Promoting Cardholder Information Security Program (CISP) and Payment Card Industry (PCI) compliance

Significant elements of the new process include:

- **Counterfeit Fraud**
  The Counterfeit Fraud Recovery process allows issuers to recover incremental POS 90 counterfeit fraud attributed to an account compromise event. In order for transactions to qualify for recovery they must meet the criteria noted in Appendix A. For an event to qualify for recovery of counterfeit fraud losses, all of the following must occur:
  - An account compromise event has been identified
  - A CAMS alert has been sent to the affected members
  - The full contents of any track on the magnetic stripe was stored subsequent to authorization of a transaction
  - The account compromise event involves a minimum of 10,000 U.S. Visa account numbers
  - Visa has determined that incremental fraud (i.e., above an established baseline) is attributed to the account compromise event

Upon validation of all the above, ADCR will:
- Advise the acquirer, using the Acquirer Liability Estimation notification, of the estimated counterfeit fraud liability amount that is expected to occur during the event window. The estimation will be calculated based on fraud reported at the time of the CAMS alert and will include a projection of additional fraud expected to be reported by the end of the fraud-reporting window for the event. Visa will also provide some transaction details for the transactions that have been fraud reported at the time of the notification. Providing this estimation will assist acquirers when estimating their potential liability.
- Provide acquirers the opportunity to submit a written appeal and provide any documentation to Visa for consideration when making the final determination of ADCR eligibility. The information must be sent via e-mail to ADCcalculations@visa.com and received by Visa within 30 calendar days of the date on the Acquirer Liability Estimation notification. Such appeal will be considered by the ADCR Review Committee or, if the total expected acquirer liability is equal to or greater than $500,000, the appeal will be considered by the Corporate Risk Committee. A determination of such appeal will be provided to the acquirer.
- Calculate the actual acquirer counterfeit fraud liability amount and each issuer’s counterfeit fraud recovery amount after the close of the fraud-reporting window. The calculations will be conducted at the Business ID level. Visa will not collect, nor will issuers receive, reimbursement if their recovery amount is less than $25. Additionally, issuers are not eligible to receive reimbursement on account numbers that were involved in a CAMS event that qualified for participation in the ADCR process within the previous 12 months. (See Appendix A for details of the Acquirer Counterfeit Fraud Liability calculation and Appendix B for details of the Issuer Counterfeit Fraud Recovery calculation.)
- Notify the acquirer (via the Acquirer Final Liability Statement) and issuers (via the Issuer Reimbursement Statement) of their respective liability or reimbursement amount. This will occur at the same time that members are advised of their respective Operating Expense liability or reimbursement amount, if any.
- Charge issuers a small administrative fee for each credit issued. Visa is charging this fee due to the level of administration required to support this process. The Counterfeit Loss Expense Administrative Fee will be equal to 3 percent of the eligible counterfeit fraud recovery amount (minimum $1, not to exceed $200). This amount will be deducted from the Gross Recoverable amount. (See Appendix B for additional information.)
Visa U.S.A. Introduces Account Data Compromise Recovery Process (Continued)

- Operating Expense Recovery

  Recognizing that issuers incur operating expenses after being notified of a magnetic-stripe data compromise event, the Operating Expense Recovery process allows issuers to receive partial recovery of these expenses. Issuers must enroll in the ADCR Operating Expense Recovery program to be eligible for operating expense reimbursement. Issuers that complete the one-time Operating Expense Recovery enrollment process on or before September 30, 2006, will be eligible for Operating Expense Recovery for the first qualifying CAMS event and any qualifying CAMS events thereafter. Issuers that do not enroll by September 30, 2006, may enroll at any time through the ongoing enrollment process but are only eligible for operating expense reimbursement for qualifying CAMS events that occur after their enrollment date. Once enrolled, issuers automatically receive operating expense reimbursement for their eligible account numbers involved in any subsequent, qualifying CAMS events. Issuers that have not completed the enrollment process are not eligible to receive operating expense reimbursement. The enrollment form and instructions will be sent under a separate e-mail communication to the Primary Center Manager for each issuer Visa Business ID. The e-mail will come from ADCR Enrollment Team under the e-mail address of VisaCommunications@T2MR3.com.

  For an event to qualify for recovery of operating expenses, all of the following must occur:
  - An account compromise event has been identified
  - A CAMS alert has been sent to affected members
  - The full contents of any track on the magnetic stripe was stored subsequent to authorization of a transaction
  - The account compromise event involves a minimum of 10,000 U.S. Visa account numbers

  Upon validation of all the above, ADCR will:
  - Advise the acquirer, using the Acquirer Liability Estimation notification, of the estimated Operating Expense Recovery amount to assist the acquirer in forecasting its liability. The estimation will be calculated by taking 80 percent of the number of eligible account numbers and multiplying it by $1.
  - Provide acquirers the opportunity to submit a written appeal and provide any documentation to Visa for consideration when making the final determination of ADCR eligibility. The information must be sent via e-mail to ADCCalculations@visa.com and received by Visa within 30 calendar days of the date on the Acquirer Liability Estimation notification. Such appeal will be considered by the ADCR Review Committee or, if the total expected acquirer liability is equal to or greater than $500,000, the appeal will be considered by the Corporate Risk Committee. A determination of such appeal will be provided to the acquirer.
  - Calculate and notify participating issuers of their eligible Operating Expense Recovery amount at the Business ID level using the Issuer Reimbursement Statement. This will occur at the same time that issuers are advised of their Counterfeit Fraud Recovery amount, if recovery is due. Visa will not collect, nor will issuers receive reimbursement for, recovery amounts that are less than $25. Additionally, account numbers involved in a CAMS event that qualified for participation in the ADCR process within the previous 12 months will not qualify for reimbursement. The notification will also provide links to other relative information regarding ADCR. (See Appendix C for details of the Issuer Operating Expense Recovery calculation.)
  - Charge issuers a small administrative fee for each credit issued. Visa is charging this fee due to the level of administration required to support this process. The Operating Expense Administrative Fee will be equal to 3 percent of the eligible Operating Expense Recovery amount (minimum $1, not to exceed $200). This amount will be deducted from the Gross Recoverable amount. (See Appendix C for additional information.)
  - Calculate and notify acquirer(s) of their respective Operating Expense Liability amount using the Acquirer Liability Final Statement. This will occur at the same time the acquirer is notified of its Counterfeit Fraud Liability amount. (See Appendix D for details of Acquirer Operating Expense Liability calculation.)

Notifications

Issuer statements will be sent via e-mail to both the Primary Center Manager and Fraud Manager(s) using the e-mail
addresses currently available at Visa’s corporate database or to the designee provided through the Operating Expense Recovery enrollment process. Acquirer statements will be sent via e-mail to both the Primary Center Manager and Fraud Manager(s) using the e-mail address currently available at Visa’s corporate database. To designate a specific recipient contact name and e-mail address for this process, send an e-mail to USMemberContacts@visa.com. The request must reference the following information:

- Member Business ID
- Institution Name (“Center”)
- Contact Person’s First and Last Name
- Contact Person’s Title (CEO, President, Fraud Manager)
- Contact Mailing Address
- Contact Phone Number
- Contact Fax Number
- Contact E-mail Address

Global Member Billing Solutions

The settlement of issuer reimbursements and acquirer liability for both processes will be facilitated through the Global Member Billing Solution (GMBS) service (formerly known as Integrated Billing) on a quarterly basis. Issuer reimbursements will be billed at the Business ID level. The date for each event’s billing is based on the date the CAMS alert is issued. See the chart below for the estimated settlement dates.

<table>
<thead>
<tr>
<th>CAMS Event Date</th>
<th>Estimated Settlement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 16 to March 15</td>
<td>August 15</td>
</tr>
<tr>
<td>March 16 to June 15</td>
<td>November 15</td>
</tr>
<tr>
<td>June 16 to September 15</td>
<td>February 15</td>
</tr>
<tr>
<td>September 16 to December 15</td>
<td>May 15</td>
</tr>
</tbody>
</table>

1 APCR payments depend upon the availability of funds from the acquirer(s). Limited recoveries will be prorated among issuers. Visa reserves the right to determine appropriate application of funds collected from the acquirer(s) among other obligations owed by the acquirer(s) pursuant to the Visa U.S.A. Inc. Certificate of Incorporation and By-Laws and Operating Regulations.

Miscellaneous

ADCR will accommodate situations when common account numbers are compromised in multiple events that occur within 30 days of each other and each event has a minimum of 100,000 U.S. account numbers. The liability for both the Counterfeit Fraud and Operating Expense will be shared among the acquirers for accounts in common. For these instances, when calculating the Counterfeit Fraud Recovery, the 13-month event window will be based on the CAMS date of the most recent event. (See Appendix A for additional information.) There are no impacts to issuers when this occurs. Issuers’ procedures will remain the same.

ADCR is dependent upon Visa’s ability to collect the liability payment from the acquirer(s). If a magnetic-stripe data compromise event is deemed catastrophic, or Visa cannot collect from the acquirer, Visa may, in the interest of all members, initiate an alternative process.

Elimination of Compliance for CAMS Alerts Issued on or After October 1, 2006

The existing compliance process for recovery of losses associated with violations of the Visa U.S.A. Inc. Operating Regulations, Section 5.2.1.3.b, involving storage of magnetic-stripe data will be replaced with the new ADCR process for CAMS alerts issued on or after October 1, 2006. Compliance rights will no longer be available for disputes relating to CAMS alerts issued on or after October 1, 2006.

For CAMS alerts issued prior to October 1, 2006:

- The last day an issuer may file a pre-compliance case is January 28, 2007.
The last day an issuer may file a compliance case with Visa is March 29, 2007.

All compliance cases filed for storage of magnetic-stripe data after March 29, 2007, will be returned to the issuer and will not be reviewed by the Compliance Committee. Existing time frames and technical requirements apply to all pre-compliance cases initiated on or before January 28, 2007, and filed by March 29, 2007.

Visa strongly encourages issuers to closely monitor their accounts to ensure unnecessary losses are not incurred. This change to the compliance process is significant, and issuers should ensure all cases that qualify for the existing process have been initiated as a pre-compliance on or before January 28, 2007.

If a disputed transaction posts to a cardholder’s account after January 28, 2007, for a CAMS alert that occurred prior to October 1, 2006, the compliance right for storage of magnetic-stripe data will not be available to the issuer to pursue nor will the dispute qualify for the new ADCR process.

For violations involving storage of magnetic-stripe data at a merchant located outside of the U.S. region, issuers may have rights to pursue compliance in accordance with the Visa International Operating Regulations.

Visa U.S.A. Introduces Account Data Compromise Recovery Process (Continued)

For More Information:
For questions pertaining to the ADCR process or calculations, send an e-mail to ADCcalculations@visa.com.
For questions pertaining to the ADCR Operating Expense enrollment process, send an e-mail to ADCenroll@visa.com.
To update contact and e-mail address for the Account Data Compromise Recovery process, send an e-mail to USMemberContacts@visa.com.
For questions pertaining to the elimination of compliance for violations involving storage of magnetic-stripe data, contact the Member Information Center at 650-432-2888 or send an e-mail to MemberInfoCenter@visa.com.
For questions pertaining to the Compromised Account Management System (CAMS), send an e-mail to CAMS@visa.com.

Coming soon ADCR will be on Visa Online at www.us.visaonline.com.

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Appendix A—Acquirer Counterfeit Fraud Liability Calculation

The acquirer’s counterfeit fraud liability amount is calculated by Visa as follows:

1. The percentage of complete magnetic-stripe-read (POS 90) counterfeit fraud for the Visa system divided by total fraud for the Visa system is the BASELINE PERCENTAGE and excludes the accounts and associated fraud from the account compromise event being measured.

2. The total fraud for the account compromise event (excluding accounts and associated fraud from magnetic-stripe compromises in the 12 months prior to the CAMS event date and from issuers that were not signed up to receive CAMS alerts) is multiplied by the BASELINE PERCENTAGE to determine the amount of POS 90 counterfeit fraud that would be considered normal for that event (i.e., the BASELINE POS 90 COUNTERFEIT FRAUD for an event).

3. The BASELINE POS 90 COUNTERFEIT FRAUD for an event is subtracted from the actual POS 90 counterfeit fraud for an event to determine the INCREMENTAL FRAUD.\(^2\)

**Example**

If the incremental fraud for an account compromise event is 63 percent of the actual POS 90 counterfeit fraud for the event being measured, the acquirer is liable for 63 percent of the actual POS 90 counterfeit fraud reported for that event. Recovery amounts less than $25 are not collected or reimbursed to issuers and are deducted from the acquirer’s gross counterfeit fraud liability amount.

<table>
<thead>
<tr>
<th>Acquirer Counterfeit Fraud Liability Calculation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual POS 90 counterfeit fraud for the event</td>
<td>$4,500,000</td>
</tr>
<tr>
<td>Fraud from accounts in previous events</td>
<td>($ 250,000)</td>
</tr>
<tr>
<td>Fraud from non-participating issuers</td>
<td>($ 130,000)</td>
</tr>
<tr>
<td>Gross Recoverable Amount</td>
<td>$4,120,000</td>
</tr>
<tr>
<td>Baseline POS 90 counterfeit fraud (37%)</td>
<td>($1,524,400)</td>
</tr>
<tr>
<td>Gross Counterfeit Fraud Liability amount (63%)</td>
<td>$2,595,600</td>
</tr>
<tr>
<td>(Incremental fraud)</td>
<td></td>
</tr>
<tr>
<td>Deduct issuer recovery amounts less than $25</td>
<td>($ 250,500)</td>
</tr>
<tr>
<td>and POS 90 counterfeit fraud for issuers</td>
<td></td>
</tr>
<tr>
<td>not registered to receive CAMS alerts</td>
<td></td>
</tr>
<tr>
<td>Net Counterfeit Fraud Liability amount</td>
<td>$2,345,100</td>
</tr>
</tbody>
</table>

\(^2\) The actual POS 90 counterfeit fraud amount comes from the Visa Fraud Reporting Service and is based on the TC 40 Type 4 fraud reports submitted by issuers in accordance with the Visa U.S.A. Inc. Operating Regulations.
Appendix A—Acquirer Counterfeit Fraud Liability Calculation (Continued)

The amount collected from the acquirer would be 100 percent of the incremental fraud less recovery amounts that are less than $25 (i.e., the amount above baseline POS 90 counterfeit fraud) for the account compromise event.

Only transactions that meet all of the following criteria will be considered:

- Transaction date must fall within the event window (13-month maximum)
  - Up to 12 months prior to the CAMS event date
  - And, on average, one month after the CAMS event date (based on when during the month the CAMS alert is distributed)
- POS Entry Mode in the authorization message is 90 (complete magnetic-stripe read and transmitted)
- Transaction must be fraud reported to Visa as counterfeit within 90 days of the final month of the event window
- The Business ID is licensed to an issuer that is registered to receive CAMS alerts and received the CAMS alert to which this ADCR process relates
- Transactions must have occurred on account numbers not involved in another account compromise event that qualified for participation in the ADCR process in the 12 months prior to the current CAMS event date

EXCEPTION: For qualifying compromise events involving 100,000 accounts or more, if any qualifying compromise event occurs within 30 calendar days of another qualifying compromise event, the liability would be shared among acquirers for the accounts in common.
Appendix B—Issuer Counterfeit Fraud Recovery Calculation

Issuer counterfeit fraud recovery amounts are calculated by Visa by applying the incremental percentage of magnetic-stripe-read (POS 90) counterfeit fraud for an account compromise event to each issuer’s total reported POS 90 counterfeit fraud for that event. The fraud recovery calculation excludes counterfeit fraud incurred on account numbers involved in magnetic-stripe data account compromise events that qualified for participation in the ADCR process in the 12 months prior to the current CAMS event date. Issuers must be registered to receive CAMS alerts by the date of the alerts relevant to the ADCR process to be eligible for counterfeit fraud recovery.

Example
If the incremental fraud to be collected from the acquirer is 63 percent of the total POS 90 counterfeit fraud for the account compromise event, each issuer will receive 63 percent of their POS 90 counterfeit fraud for that event, less the Counterfeit Loss Expense Administrative Fee.³

<table>
<thead>
<tr>
<th>Issuer Counterfeit Fraud Recovery Calculation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer reported $50,000 in POS 90 counterfeit fraud</td>
<td>$50,000</td>
</tr>
<tr>
<td>Baseline POS 90 counterfeit fraud (37%)</td>
<td>($18,500)</td>
</tr>
<tr>
<td>Gross Recoverable amount i.e. Incremental Fraud (63%)</td>
<td>$31,500</td>
</tr>
<tr>
<td>Counterfeit Loss Expense Administrative Fee:</td>
<td></td>
</tr>
<tr>
<td>3% x $31,500 = $945 (maximum fee is $200)</td>
<td>($200)</td>
</tr>
<tr>
<td>Net Counterfeit Fraud Recovery amount:</td>
<td>$31,300</td>
</tr>
</tbody>
</table>

The aggregated net counterfeit fraud recovery amounts to be distributed to the issuers plus the aggregated Counterfeit Loss Expense Administrative Fee amounts retained by Visa will be equal to the amount collected from the acquirer(s).

Issuers’ net counterfeit fraud recovery amounts will be calculated and distributed at the Business ID level.

Recovery amounts less than $25 will not be collected or reimbursed.

³ The Counterfeit Loss Expense Administrative Fee equals 3 percent of the eligible counterfeit fraud recovery amount (minimum fee is $1, not to exceed $200).
Appendix C—Issuer Operating Expense Recovery Calculation

Issuer Operating Expense Recovery amounts are calculated by Visa for issuers that are enrolled in the ADCR Operating Expense Recovery process and are also registered to receive CAMS Alerts, as follows:

1. The number of account numbers involved in the CAMS event is determined by issuer Business ID.

2. Account numbers involved in CAMS events that qualified for participation in the ADCR process in the 12 months prior to the current CAMS event date are excluded.

3. Also, 20 percent of the account numbers in the CAMS event are excluded. [NOTE: Based on a survey of Member Working Group participants’ historical experience, 20 percent of account numbers provided in a CAMS alert incur little to no operating expense (e.g., expired cards, already transferred accounts, lost/stolen, closed accounts, etc.).] The remaining 80 percent represents account numbers “worked” by issuers following receipt of a CAMS alert.

4. The gross Operating Expense Recovery amount is $1 per eligible account number as defined above.

5. The Operating Expense Administrative Fee\(^4\) is deducted from the gross Operating Expense amount.

**Example**

<table>
<thead>
<tr>
<th>Issuer Operating Expense Recovery Calculation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Issuer’s account numbers in CAMS event</td>
<td>100,000</td>
</tr>
<tr>
<td>2. Account numbers in previous events</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Gross number of eligible account numbers</td>
<td>98,000</td>
</tr>
<tr>
<td>3. Net number of eligible account numbers “worked” (80% x 98,000)</td>
<td>78,400</td>
</tr>
<tr>
<td>4. Gross Operating Expense amount (78,400 x $1)</td>
<td>$78,400</td>
</tr>
<tr>
<td>5. Operating Expense Administrative Fee: (3% x $78,400 = $2,352; maximum fee is $200)</td>
<td>($200)</td>
</tr>
<tr>
<td>Net Operating Expense Recovery amount:</td>
<td>$78,200</td>
</tr>
</tbody>
</table>

The aggregated net operating expense recovery amounts to be distributed to the issuers plus the aggregated Operating Expense Administrative Fee amounts retained by Visa will be equal to the amount collected from the acquirer(s).

Issuers’ net operating expense recovery amounts will be calculated and distributed at the Business ID level.

Issuers will only receive compensation once, within a one-year window, per account number and only from the first qualifying CAMS event in which the account number appeared.

Recovery amounts less than $25 will not be collected or reimbursed.

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\(^4\) The Operating Expense Administrative Fee equals 3 percent of the gross operating expense amount (minimum fee is $1, not to exceed $200).
Appendix D—Acquirer Operating Expense Liability Calculation

The acquirer’s Operating Expense Liability is calculated by Visa as follows:

1. Determine the number of accounts involved in the CAMS event.

2. Exclude account numbers for issuers that were not enrolled in the ADCR Operating Expense Recovery process or were not registered to receive CAMS alerts on the date of the relevant alerts.

3. Exclude account numbers involved in qualifying CAMS events in the prior 12 months.

   EXCEPTION: For qualifying compromise events involving 100,000 U.S. Visa accounts or more, if any qualifying compromise event occurs within 30 calendar days of another qualifying compromise event, the liability for operating expenses would be shared among acquirers for the accounts in common.

4. Since 80 percent of account numbers in a CAMS event are historically “worked” by issuers, 20 percent of the accounts will be excluded.

5. A $1 Operating Expense Recovery amount will be applied to each eligible account to arrive at the Gross Operating Expense Liability amount.

6. Exclude recovery amounts that are less than the established $25 minimum to arrive at the net Operating Expense Liability amount.

Example

<table>
<thead>
<tr>
<th>Acquirer Operating Expense Liability Calculation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Number of accounts involved in the CAMS event</td>
<td>1,000,000</td>
</tr>
<tr>
<td>2. Deduct account numbers for non-enrolled/non-registered issuers</td>
<td>(25,000)</td>
</tr>
<tr>
<td>3. Deduct account numbers in CAMS events in prior 12 months</td>
<td>(125,000)</td>
</tr>
<tr>
<td>Gross number of eligible accounts</td>
<td>850,000</td>
</tr>
<tr>
<td>4. Number of accounts “worked” (80% x 850,000)</td>
<td>680,000</td>
</tr>
<tr>
<td>5. Gross Operating Expense Liability amount (680,000 x $1)</td>
<td>$680,000</td>
</tr>
<tr>
<td>6. Deduct recovery amounts less than $25</td>
<td>($15,000)</td>
</tr>
<tr>
<td>Net Operating Expense Liability amount</td>
<td>$665,000</td>
</tr>
</tbody>
</table>