

Written Statement of
International Communications International, Inc. (InComm)
for
United States Senate Special Committee on Aging Hearing
“Private Industry’s Role in Stemming the Tide of Phone Scams”
November 19, 2014

Chairman Nelson, Ranking Member Collins, and members of the Committee, thank you for holding this hearing on the prepaid industry’s role in mitigating elderly-targeted fraud and for inviting InComm to participate. We have followed closely the Committee’s efforts to investigate and reduce fraud perpetrated against some of our nation’s most vulnerable citizens, and I am pleased to be here today to share what InComm is doing to eliminate the ability of fraudsters and scam artists to take advantage of seniors in what we refer to as “victim-assisted fraud.”

My name is R.B. “Skeet” Rolling and I am the Chief Operating Officer of ITC Financial Licenses, an affiliate of InComm that offers numerous financial services products, including the Vanilla Reload Network. I’ve been investigating and working to prevent fraud for over 30 years. I started my career as a law enforcement officer. After a brief stint in retail corporate security, I entered the banking industry and helped manage all facets of credit and debit card operations for what is now Synovus Financial Corporation for ten years. For the next eleven years I led the development and delivery of fraud and risk products for TSYS, one of the world’s largest payment processors. I’ve been with ITC Financial Licenses for the past eleven years, leading our compliance, fraud and anti-money laundering teams for all of InComm’s business globally. In addition, I frequently speak at industry conferences on matters such as identity theft, fraud, and compliance. I am also a member of the executive board of the Columbus, Georgia Better Business Bureau. During my time in the financial services industry, I have seen many types of fraud, each of which the industry has aggressively worked to eliminate. The prepaid industry’s efforts to eliminate victim-assisted fraud are no exception.

InComm is a leading global distributor and technology provider of gift cards, prepaid cards, and payment solutions across a wide variety of retail industries around the globe. Headquartered in Atlanta, Georgia since its founding in 1992, InComm has grown to employ 1,700 people in 30 countries across 5 continents. ITC Financial Licenses is registered with FinCEN as a money services business (MSB) and is authorized to offer InComm’s financial services products in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. To that end, ITCFL is licensed as a money transmitter by 46 states and the 3 territories, and is subject to the oversight of the banking regulators in each of those jurisdictions, including the Florida Office of Financial Regulation, where Chairman Nelson is from, and the Maine Bureau of Consumer

Credit Protection, where Ranking Member Collins is from. At the federal level, we are regulated primarily by the Consumer Financial Protection Bureau (CFPB).

InComm and ITCFL are proud to offer the Vanilla Reload Network. Our network has grown to be the second largest reload network in the country, with approximately 250,000 customers using the network monthly through nearly 70,000 retailer locations nationwide. Vanilla Reload allows consumers to load funds to their general purpose reloadable (GPR) prepaid cards, so that they may use those cards to shop online or in retail, pay bills, transfer money, and manage their spending and saving. Consumers rely on Vanilla Reload and similar industry solutions for an easy, safe, and convenient way to add funds to their card accounts, especially those customers who are either unbanked or who use these card accounts as a bank account replacement. The vast majority of consumers -- 99.9% -- use Vanilla Reload legitimately.

In terms of fraud prevention, one of the biggest issues our industry faces is the mitigation and prevention of victim-assisted fraud. This type of fraud is difficult for industry participants to detect and eliminate because the underlying scams rely on legitimate customers being deceived into using a reload network to send money to a criminal. The retail transaction initiated by the victim occurs as any typical, legitimate transaction, and funds are subsequently redeemed to a GPR card in a likewise typical manner.

This fraud typically takes the form of a promise of free money, winning the lottery or qualifying for a loan. The criminals are ruthless, often preying on the elderly, and unfortunately they continue to find new ways in which to scam unsuspecting victims. Most recently, fraudsters have revived the "grandparent scam" – posing as a relative of the victim who is in distress and in dire need of immediate financial assistance.

In a typical scenario, the fraudster convinces a victim to load money onto a reload product and then the victim provides the PIN to the fraudster. Once the fraudster has the PIN, he is able redeem the money onto a prepaid card and then either quickly spend the funds or withdraw the cash from an ATM. This is very difficult to prevent as the fraudster has effectively fooled the victim into believing that he or she is helping a family member in need or is otherwise providing the PIN to a trusted individual. Even when the clerk at the checkout warns the victim and even when warnings are placed on products, victims are so convinced by the fraudster's story that they ignore the warnings and ultimately fall victim to the scam.

Even at InComm, we have witnessed this criminality on a most personal level, when the grandmother of one of our own employees purchased a competitor's reload PIN product and lost thousands of dollars to a fraudster who pretended to be a grandson in need of money to cover hospital and legal expenses following a car crash. Even the cashier's warnings did not deter the victim from going through with the transaction – the fraudster's story was so convincing that all she could think about was the well-being of her grandson.

InComm and ITCFL take our responsibility to our consumers very seriously. ITCFL has over 60 employees dedicated to compliance, anti-money laundering, and fraud prevention. We have invested significant time and resources since we launched Vanilla Reload to develop and institute best practices to warn consumers about the dangers of victim-assisted fraud and to monitor, spot, and stop this fraud. We've created a fraud lab to test our products with the latest criminal techniques – as fraudsters evolve and change their methods, so do we.

We train the clerks selling these products to warn customers prior to purchase, place warnings on websites, we've started a GPR blog used to educate consumers about the use of GPR products and to warn them about scams, hired a social media coordinator to monitor potential fraud activity that occurs online, and we send a fraud resource guide to our retail partners across our network.

InComm has eliminated ATM cash access on its GPR card products in countries where we observed a large volume of fraud in order to prevent fraudsters from withdrawing stolen funds in those countries. We have a robust suspicious activity policy with protocols in place to identify fraudulent activity, such as multiple reloads from various locations, and we take actions to prevent fraud, such as freezing or requesting a third party prepaid issuer to freeze the underlying prepaid account to prevent ATM withdrawals or purchases when fraud is suspected.

Further, at InComm we have consistently sought to develop new technology and implement program restrictions to make our products more difficult for criminals to use. On our GPR prepaid cards, we have many daily, monthly, and dollar-based limits on ATM withdrawals, reloads, and other activities that help reduce fraud and subsequent losses.

Perhaps most importantly, InComm has developed proprietary swipe reload technology which allows a customer to swipe a GPR prepaid card at the point of sale to facilitate the reload transaction. This process is not only more convenient for customers, but also eliminates victim-assisted reload fraud by preventing the cash from being transferred via use of a PIN. By offering card-present reloads, only the person holding the card can load funds. We've invested significant amounts of money, time, and resources in helping our retailers overcome the expense and effort necessary to implement our swipe reload technology at their stores and point of sale systems. We were pleased to be able to announce on October 24, 2014 that (i) InComm added an additional 15,000 swipe reload locations (bringing the total swipe reload locations to over 55,000), and (ii) InComm will remove the Vanilla Reload PIN packs from stores by March 31, 2015. The combination of these actions demonstrates our dedication to weed out fraud and prevent criminals from misusing our network, and to continue to provide a safe, easy, and convenient way for our customers to add funds to their accounts.

InComm's experience has taught us that there are three ways to significantly reduce fraud and criminal use of financial products. First, consumer awareness. That's why we take steps to

warn our consumers about the threat of scams across various media and work with our retail partners to do the same. Second, industry awareness. We have met with the IRS, Secret Service, the CFPB, state banking departments, and representatives of this Committee to discuss fraud and to determine best practices to combat fraud. We are an active participant within our industry trade group, the Network Branded Prepaid Card Association (NBPCA), and one of our executives is the current Chairman of that group. We spend significant time and resources educating the retailers which sell our products, and train their employees to recognize and warn seniors about fraud issues. Third, use of technology. As a leading technology innovator in the gift and prepaid market, this is our greatest strength. We have developed technology – our swipe reload platform – that will eliminate elderly-targeted, victim-assisted fraud in our reload network. Because of this advancement in technology and our efforts to make it available to all of our retail partners, we will be retiring the reload PIN product by the end of Q1 in 2015.

Thank you again for your efforts in calling attention to this serious problem and for organizing this hearing to allow the prepaid industry to discuss the steps we are taking to proactively eliminate opportunities for fraudsters to take advantage of seniors. We will continue to do our part to eliminate victim-assisted fraud, while simultaneously enhancing the reload experience for our customers.