Citibank and Visa
Citibank® Commercial Cards, Government Services

Citibank and Visa

The Eighth Annual GSA SmartPay Conference
Patti Walls, Bruce Sullivan, Linda McGee, August 3, 2006
Goal & Objectives

- To provide an understanding of how Visa processes your transactions
- To learn how Visa manages fraud and security
- To gain an inside advantage on 1057 and 1099 reporting and information on the new Qualified Purchasing Card Agent initiative
Agenda

- The Visa Organization
- Revenue and Transactional Flow
- Protecting your Card Information
- Socio-Economic and Tax Reporting
- Qualified Payment Card Agent Status
Citibank and Visa

Bruce Sullivan
Visa
Life of a transaction.... and other important things to know about Visa

Bruce E. Sullivan, VP Visa Government Services
Linda McGee, VP Visa Commercial
IT’S ALL SEMANTICS!

- MR DUCKS
- MR NOT
- MR TOO
- LIB
- MR DUCKS
Agenda

• The Visa Organization and Brand
• Revenue and Transactional Flow
• Who’s Watching the Store?
  – Protecting your card information
• Socio-Economic and Tax Reporting
  – Qualified Payment Card Agent Status
The Visa Brand: A Powerful Global Presence

Canada
Merchants: 640,300
ATMs: 19,200

United States
Merchants: 5,825,000
ATMs: 380,000

Latin America
Merchants: 1,983,200
ATMs: 64,600

European Union
Merchants: 7,107,400
ATMs: 314,700

Central Europe,
Middle East, Africa
Merchants: 541,900
ATMs: 56,700

Asia Pacific
Merchants: 7,414,200
ATMs: 122,100
The Visa Organization
Roles and Responsibilities

Citibank
• Issue cards
• Assume buyer's credit risk
• Generate reports
• Provide customer service
• Differentiate service with custom products and enhancements

Visa
• Sets standards and rules
• Provides systems/operations
• Move money and data
• Provides risk management
• Simultaneously balance the needs of Issuers, Acquirers, Merchants, Cardholders and Businesses
• Provide expert service/support to SmartPay members and clients
  – Legislative, Regulatory Guidance/Support
  – New Products

Acquirers
• Sign up suppliers
• Assess processing fees to suppliers
• Underwrite supplier risk
• Provide processing
• Generate reports
• Provider customer service
• Differentiate service with custom products and enhancements
The Visa System: How the World Pays
Key Stakeholders

Visa Association

- Citibank
- Member Institutions

Cardholders

Acquirers

Merchants
The Visa System
How a Transaction Is Authorized

1. Buyer Provides Card Number to Supplier
2. Supplier Requests Authorization
3. Acquirer Sends Authorization to Visa
4. Visa Forwards Request to Issuer
5. Issuer Approves or Declines
6. Visa Sends Authorization Response to Acquirer
7. Acquirer Sends Authorization Response to Supplier
8. Supplier Completes Transaction Based on Authorization Response
The Visa System Clearing and Settlement

1. Supplier Submits $100 Transaction to Visa
2. Issuer Pays Visa $98.50 ($100 minus interchange fee of $1.50)
3. Visa Credits the Acquirer $98.50 ($100 minus interchange fee of $1.50)
4. Visa Submits $100 Transaction to Issuer
5. Issuer Pays Visa $98.50 ($100 minus interchange fee of $1.50)
6. Acquirer Pays Merchant $98.00 ($100 minus $2.00 Acquirer Discount Fee)
7. Buyer Pays Issuer $100
8. Issuer Bills Buyer $100

Transaction Amount: $100.00
Interchange Fee: $ 1.50
Visa Pays Acquirer: $ 98.50
Acquirer Pays Merchant: $ 98.00
Net Fee to Acquirer: $ 0.50
1.50% Interchange Rate*
2.00% Merchant Discount* (Merchant Discount is set by Acquirer and may vary)
*Rates are for illustrative purposes only
Card Information Security
Who’s Watching the Store?
Data Security

Relationships Matrix

Citibank

Agency

Merchant

Processor

Cardholder
Causes Of Known Identity Theft

...You are the First Line of Defense

<table>
<thead>
<tr>
<th>Offline 68.2%</th>
<th>Online 11.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>lost or stolen wallet, checkbook or credit card</td>
<td></td>
</tr>
<tr>
<td>friends, acquaintances, relatives</td>
<td></td>
</tr>
<tr>
<td>accessed as offline transaction</td>
<td></td>
</tr>
<tr>
<td>corrupt employee</td>
<td></td>
</tr>
<tr>
<td>stolen paper mail</td>
<td></td>
</tr>
<tr>
<td>taken from garbage</td>
<td></td>
</tr>
<tr>
<td>computer spyware</td>
<td></td>
</tr>
<tr>
<td>accessed as part of online transaction</td>
<td></td>
</tr>
<tr>
<td>computer virus/hacker</td>
<td></td>
</tr>
<tr>
<td>phishing</td>
<td></td>
</tr>
</tbody>
</table>

VISA
What’s Visa Doing? Card Technological Safeguards

Technology Innovations

- Truncation of Account Numbers
- Advanced Authorization
- Card Verification Value
- Card Verification Value 2
- Payment Card Industry Data Security Program
- Verified By Visa
- Issuers’ Clearinghouse
- Address Verification
Industry Alignment
Visa’s Card Information Security Program (CISP) to Payment Card Industry (PCI) Data Security Standard

Build and Maintain a Secure Network
• Install and maintain a firewall confirmation to protect data
• Do not use vendor-supplied defaults for system passwords and other security parameters

Protect Cardholder Data
• Protect stored data – never store track data
• Encrypt transmission of cardholder data and sensitive information across public networks

Maintain a Vulnerability Management Program
• Use and regularly update anti-virus software
• Develop and maintain secure applications
Industry Alignment
Visa’s Card Information Security Program (CISP) to Payment Card Industry (PCI) Data Security Standard

Implement Strong Access Control Measures
• Restrict access to data by business need-to-know
• Assign a unique ID to each person with computer access
• Restrict physical access to cardholder data

Regularly Monitor and Test Networks
• Track and monitor all access to network resources and cardholder data
• Regularly test security systems and processes

Maintain an Information Security Policy
• policy that addresses information security
Citibank and Visa

Linda McGee
Visa
SmartPay Socio-Economic and Tax Reporting Requirements
Socio-Economic and Tax Reporting

- Socio-economic classifications are collected primarily from third party data providers
- Other than SBA designated classifications the data should be considered “Self Certified”
- Currently, large/small indicators are not calculated we provide:
  - NAICS code
  - Annual Revenue
  - Number of Employees
Socio- Economic Indicators provided:

- Supplier Name
- Supplier Name
- Address
- Tax Identification Number
- NAICS Code
- Women Owned
- Veteran Owned
- Disabled Veteran Owned
- Vietnam Era Veteran
- 8(a) Classification
- 8(a) Expiration Date
- SBA Registered
- SBA Small Disadvantaged Business
- Hub Zone Certified
- Minority Vendor Code
- Number of Employees
- Annual Revenue
Qualified Payment Card Agent (QPCA) – What is It?

- IRS designation allowing Payment Card Organizations (Visa) that meet IRS standards to collect, validate and distribute IRS 1099 MISC information
  - Allows Visa the ability to validate supplier Name / TIN through the IRS TIN Matching Program
QPCA – What the Agency Receives

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides a grace period for obtaining merchants 1099 information</td>
<td></td>
</tr>
<tr>
<td>TIN matching will be done by Visa, agency will receive a merchant qualification report</td>
<td></td>
</tr>
<tr>
<td>Expanded penalty protection by relying on QPCA’s data</td>
<td></td>
</tr>
</tbody>
</table>
QPCA Status – Will ’06 be Our Year?

• Awaiting changes to IRS guidance based on card industry comments
  – Once guidance is released there will be a 60-day public comment period before regulations are finalized
  – QPCA is required to mail letters to all merchants and cardholders
  – Allow for a 60-day “Opt Out” period
  – Begin TIN Matching and achieve required IRS results

• Bottom Line… Probably will not happen in “06
Summary

- To provide an understanding of how Visa processes your transactions
- To learn how Visa manages fraud and security
- To gain an inside advantage on 1057 and 1099 reporting and information on the new Qualified Purchasing Card Agent initiative
Citibank and Visa

Questions?
Reminders

- Thank you for attending this session!

- Visit the Citigroup Welcome Center
  - Majestic Ballroom C, Level Two
  - National Industries for the Blind will have a display of products

- Visit the Citigroup Technical Demonstration Center
  - Landmark 5, Level One

- Please take a moment to complete your GSA survey for this session
Citigroup's Corporate and Investment Bank ("CIB") maintains a policy of strict compliance to the anti-tying provisions of the Bank Holding Company Act of 1956, as amended, and the regulations issued by the Federal Reserve Board implementing the anti-tying rules (collectively, the "Anti-tying Rules"). Moreover, our credit policies provide that credit must be underwritten in a safe and sound manner and be consistent with Section 23B of the Federal Reserve Act and the requirements of federal law. Consistent with these requirements, and the CIB's Anti-tying Policy:

- You will not be required to accept any particular product or service offered by Citibank or any Citigroup affiliate as a condition to the extension of commercial loans or other products or services to you by Citibank or any of its subsidiaries, unless such a condition is permitted under an exception to the Anti-tying Rules.

- CIB will not vary the price or other terms of any Citibank product or service based on the condition that you purchase any particular product or service from Citibank or any Citigroup affiliate, unless we are authorized to do so under an exception to the Anti-tying Rules.

- CIB will not require you to provide property or services to Citibank or any affiliate of Citibank as a condition to the extension of a commercial loan to you by Citibank or any Citibank subsidiary, unless such a requirement is reasonably required to protect the safety and soundness of the loan.

- CIB will not require you to refrain from doing business with a competitor of Citigroup or any of its affiliates as a condition to receiving a commercial loan from Citibank or any of its subsidiaries, unless the requirement is reasonably designed to ensure the soundness of the loan.

This presentation is for informational purposes only. Citibank USA, N.A. and its affiliates do not warrant the accuracy or completeness of any information or materials set forth herein. This material does not constitute a recommendation to take any action, and Citibank USA, N.A and its affiliates are not providing investment, tax or legal advice. Citibank USA, N.A. and its affiliates accept no liability whatsoever for any use of this presentation or any action taken based on or arising from the material contained herein.