

**July 27, 2010**

Re: Chip payoff hasn't come; Credit-card security hike should have yielded interest-rate decrease: Group

To the Editor:

I wanted to set the record straight on some of the comments made by Bruce Cran of the Consumers' Association of Canada regarding the new chip and PIN credit cards and fraud prevention he made in the article "Chip payoff hasn't come; Credit-card security hike should have yielded interest-rate decrease: Group" from July 24, 2010

Mr. Cran says that the nationwide rollout of chip cards is near complete and that credit card fraud has been "almost eliminated". While many chip credit cards are now in customer wallets, the rollout is not complete. And credit card fraud is going down, but the banks that issue Visa, MasterCard and American Express credit cards still had losses of \$358 million in 2009. We have seen from other countries that the move to chip will reduce fraud, but nothing will eliminate it completely and the effort, and cost, of fighting fraud and protecting customers will remain.

Mr. Cran believes that credit card interest rates should go down as fraud is reduced. That decision would be up to each bank, but it is important to understand that fraud is only one small part of the cost of running a convenient, safe and efficient credit card system. Among the other costs are: an interest-free period from purchase to payment; unsecured credit, where no collateral is needed which makes it a higher risk for the credit card issuer; fraud prevention programs; the technology and labour involved in issuing cards and processing large volumes of transactions and payments; providing value-added rewards programs; and covering the costs of unpaid, delinquent accounts.

Canadian banks and credit card companies are always looking for ways to make banking and payments tools more efficient and convenient, while keeping costs competitive for their customers. Chip and PIN cards do this and most consumers are happy having a more secure card and the peace of mind that goes with it.

Sincerely,

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