



A Flexible, Comprehensive Solution for
Prepaid Card Programs

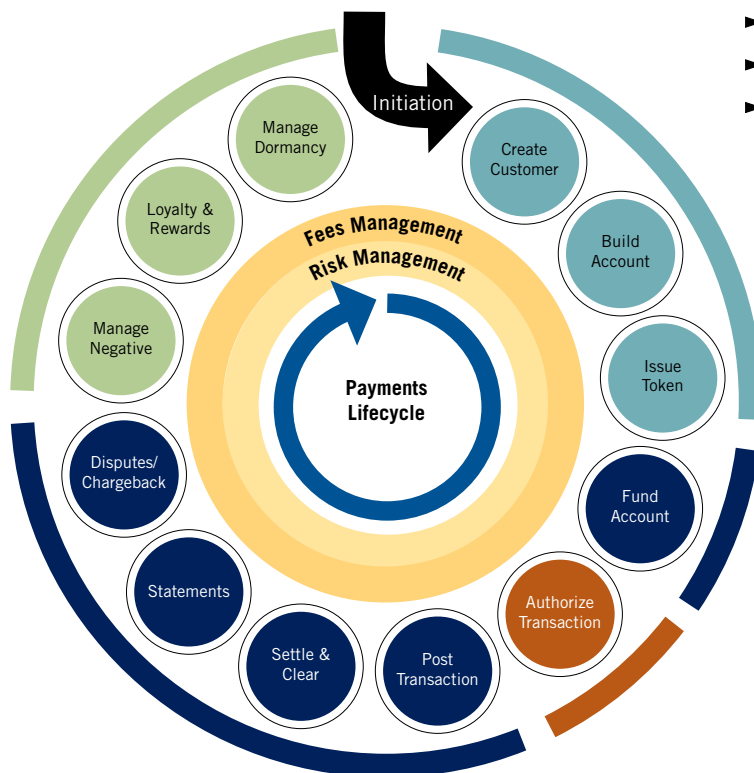


Prepaid Card Programs

The prepaid market is the fastest growing payment card segment. According to predictions by Mercator Advisory Group, in the United States alone, the open-loop, branded prepaid market will experience an average annual market spend of US\$28 billion and the closed-loop, private-label prepaid market US\$171 billion between 2006 and 2009. This equates to 33 and 6 percent annual growth respectively. In addition, research by MasterCard estimates that spending on prepaid cards in Europe could reach €120 billion by 2010.

Around the globe, prepaid programs support a wide range of products and services, typically targeting specific market segments with focused services. The focused nature of prepaid means issuers require highly flexible, end-to-end solutions that can quickly adapt to new market requirements.

ACI Worldwide offers a flexible, comprehensive prepaid solution based on more than 30 years of global experience in both consumer and corporate electronic payments. With ACI's software and services, issuers have a viable alternative that allows them to offer unique services and programs based on market needs.



The Prepaid Product Life Cycle

As companies prepare for the implementation of prepaid card programs, they must consider the full prepaid life cycle. The diagram on the left captures the elements of the prepaid program life cycle from initiation of a new card program to management of dormant accounts. Additionally, provisions for risk and fee management must be considered across all stages of the life cycle.

ACI's solution supports the full life cycle for open- and closed-loop product types, including the following:

- ▶ Program management (establishment of business rules, processes and pricing)
- ▶ Customer, card, account creation and management
- ▶ Funding (value loading) procedures
- ▶ Flexible transaction acquiring and routing
- ▶ Authorization, clearing and settlement
 - ▶ Activity reporting and statement generation
 - ▶ Customer dispute management
 - ▶ Loyalty and rewards program management
 - ▶ Inactive accounts and breakage management
 - ▶ Fraud detection and prevention

The solution's flexibility allows issuers to select only those components needed to support their particular requirements.

A Proven Solution for Prepaid Card Programs

The key to ACI's prepaid solution is that it combines the power of the leading ACI payment engine; card, account and chip management; settlement processing; and dispute processing and fraud management products. Bringing these market-proven software products together to form a comprehensive prepaid solution provides institutions with the following benefits:

- ▶ Increased ownership and control through an in-house system
- ▶ Natural advantages of a single-vendor solution
- ▶ Flexibility to accommodate multiple prepaid product programs through a single system
- ▶ Expandable to support not only prepaid programs, but also enterprise-wide card programs, such as debit and credit

Program Management and Support

ACI's solution supports prepaid programs that range from the most basic to the most sophisticated. This is achieved by allowing prepaid program managers to define business processing rules, such as product usage rules, account funding processes, fee schedules and product pricing, and dormancy tracking definitions. In addition, interfaces to customer service systems, hosted Web sites and customer relationship management (CRM) systems can be easily established through the use of Web services and application program interfaces (APIs).

Card, Account and Chip Management

Whether implementing a prepaid program on a magnetic stripe, EMV chip card or contactless card, ACI's prepaid solution allows issuers to manage the complete life cycle of both the customer and the associated card products, including the following:

- ▶ Processing applications for prepaid cards
- ▶ Embossing the card, as well as initiating PIN generation, PIN mailers, other card security numbers and card carriers
- ▶ Generating personalization files
- ▶ Maintaining customer card and account details
- ▶ Managing replacement of damaged, lost and stolen cards
- ▶ Managing the card renewal cycle

“There’s no such thing as a global prepaid market — each country and each market segment within each country has to be addressed as a unique go-to-market proposition ...”

- Mercator Advisory Group, 2006

For chip card implementations, ACI's modular, highly configurable chip card component manages the entire life cycle of any chip card and its applications. This includes preauthorized EMV applications for card issuers that wish to implement a prepaid offline infrastructure based on the global Visa and MasterCard EMV standard.

Finally, flexible account-level structures within ACI's prepaid solution enables single transaction instruments for multiple accounts as well as multiple transaction instruments for a single account.

Balance Management, Value Loading and Reloading

The ability to manage card balances is a critical aspect of an effective prepaid program regardless of whether the card is a one-time-use or multi-use card. ACI's prepaid solution provides comprehensive balance management and the ability to use fee parameters during the authorization process as well as allowing partial amount authorizations.

For multi-use cards, the prepaid solution supports initial value loading and reloading using a variety of methods. The system can support batch file value updates and online, real time value loads. Value reloading can be user-initiated or timer-driven top-up. In addition to managing the balances, the solution also provides features to manage dormant accounts.

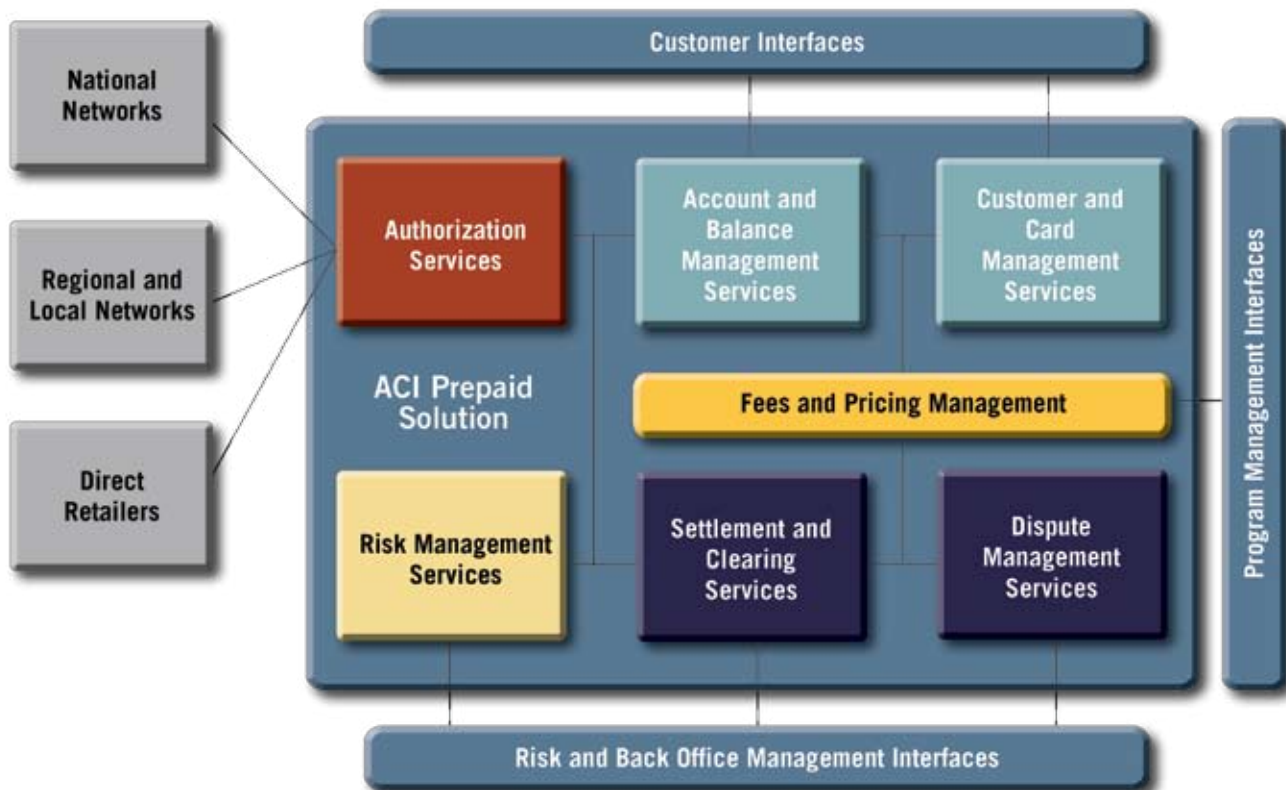
Authorization

The ACI prepaid solution provides an integrated payment engine to flexibly acquire, authenticate, route, switch and authorize prepaid financial transactions from multiple channels. The authorization functions can be scripted to support authorization parameters based on market segment. The component is Triple DES (3DES) compliant, supports all leading payment cards, and offers standard interfaces to leading devices, switches and host systems. ACI's fault-tolerant application software takes advantage of the best in systems software for reliability, availability, scalability and high-performance transaction throughput.

Transaction Settlement

The ACI prepaid solution's settlement component automates many of the crucial functions associated with validating and settling funds between cardholders and electronic funds transfer (EFT) networks. It provides automatic reconciliation functions, fee processing, funds movement and posting file settings. Settlement functions also support the creation and settlement of all exception/chargeback transactions. For audit, analysis and archive purposes, a full set of reporting options are available.

The ACI Prepaid Solution Environment



Prepaid Card Programs

PREPAID MARKET SEGMENTS

Although there is no single market for prepaid cards, there are key market segments that can be served by prepaid programs, including the following:

- **General spending.** This includes cards such as gift and petty cash cards supporting online or in-store purchases.
- **Teen or youth.** This includes cards for teens or youths who may not have an individual bank account. These cards allow parents to fund prepaid cards for their dependents and give them experience with budgeting and banking services. Typically, these prepaid card programs support online activity, ATM withdrawals and purchases.
- **Unbanked or underserved.** This includes cards for individuals who may not have bank accounts. These cards provide the access to banking services without credit liabilities while providing access to traditional card services at ATMs, financial institutions, retailers and over the Internet. This type of prepaid program can also support account transfers and transfers to friends and family.
- **Corporate.** This allows disbursement of payroll, travel cash advances, incentives, bonuses and other compensation to employees who do not have traditional bank accounts and eliminates the need for paper checks or disbursements.
- **Travel and transportation.** These cards can be used for prepaid mass transit, fuel and fleet cards, as well as for multicurrency, international travel cards providing a secure method to access cash during travel and replacing the need for traveler's checks.
- **Government.** Prepaid cards allow government entities to disburse social benefits electronically in a secure, cost-effective manner.
- **Healthcare.** Prepaid cards used in this market can supplement the existing paper processes and allow healthcare programs to be supported electronically, such as for flexible spending accounts.

Exceptions — Disputes and Case Management

ACI's prepaid solution provides claims and adjustment processing that focuses on case management. Multiple disputed transactions and the associated processing can be combined in each case with the system providing queue management via parameterized system processes. The system manages and settles exception transactions — including chargebacks, partial chargebacks and re-presentments — while providing an audit trail of operator actions to ensure staff members follow procedures.

Fee Management

ACI's prepaid solution supports a wide variety of flexible transaction surcharges and transaction-based administrative fees. Specific examples of these types of event-driven fees include product initiation and activation, POS and ATM transaction fees, card replacement or secondary card fees, and monthly maintenance fees.

Loyalty and Rewards

ACI offers loyalty and customer incentive reward programs that support enterprise-wide accumulation and redemption features based on user-defined incentives. The loyalty program is highly flexible, allowing the user to target incentives to specific customer segments.

Fraud Management

ACI's comprehensive fraud detection solution helps prepaid issuers combat fraud schemes. From strategic, user-defined rules to powerful neural network technology using custom modeling techniques, the solution cost-effectively reduces losses and limits an organization's exposure to risk.

Implementation Options

ACI's prepaid solution can be implemented either on-premise or, in some markets, as a hosted solution through ACI On Demand™. ACI On Demand offers a solution for organizations that choose to outsource their ACI prepaid solutions. Unlike processor environments in which an image of the software is shared by many institutions, ACI On Demand provides each institution with a unique image that provides the issuer with the flexibility and control required to meet its specific needs.

ACI On Demand alleviates the need for day-to-day management of the system, reducing costs by eliminating hardware and software capital expenses as well as the need for technical employees to maintain the system. After initial connectivity is established, ACI manages the operational and IT-related tasks for the prepaid solution.

Experience, Expertise

ACI's prepaid solution is deployed through a combination of world-class software solutions that include ACI Payments Manager™, the ACI Card Management System™, ACI Proactive Risk Manager™, the ACI Retail Commerce Server™, ACI Smart Chip Manager™, the ACI Dispute Management System™ and BASE24-eps™. Issuers can choose components based on their business needs today, while setting a foundation to meet future market requirements.

Every second of every day, more than 800 customers around the world rely on ACI solutions to process payments, manage risk, automate back-office systems and provide application infrastructure services. More customers use ACI software to manage higher payment volumes, of greater diversity, across more platforms and geographies than any other provider in our field. Since 1975, ACI has provided software solutions to the world's innovators. We welcome the opportunity to do the same for you.

- ▶ Supports both open- and closed-loop programs
- ▶ Supports complete magnetic and chip card issuance and management, including customer initiation, embossing file creation, PIN generation and management, a customer service database, and account closures
- ▶ Provides merchant management
- ▶ Features a dynamic business and portfolio hierarchy configuration
- ▶ Offers complete program portfolio and balance management with dormancy and aging rules
- ▶ Provides flexible authorization and fee assessment with the ability to support offline chip card-based prepaid management using EMV's preauthorized capabilities
- ▶ Provides authorization match and hold for dual-message processing
- ▶ Provides comprehensive fraud detection features
- ▶ Ensures accurate and timely settlement, and interfaces to accounting system
- ▶ Offers complete customer dispute management features with the ability to handle high-volume, low-value chargeback transactions
- ▶ Provides transaction warehousing and reporting
- ▶ Offers transaction summary for commission allocations and billing
- ▶ Provides customer statement creation for card and loyalty programs