



SUSTAINABILITY ACCOUNTING STANDARD | FINANCIALS SECTOR

CONSUMER FINANCE

Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #FN0201

Prepared by the
Sustainability Accounting Standards Board®

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CONSUMER FINANCE

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders. The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for Consumer Finance.

SASB Standards are comprised of (1) disclosure guidance and (2) accounting standards on sustainability topics for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as the Form 10-Q, Form S-1, and Form 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context— to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

Companies in the Consumer Finance Industry provide personal finance through credit and debit card products. Certain companies within this industry provide transaction processing and payment technology for debit and credit cards.

Note: The SASB Consumer Finance (FN0201) Standard is limited to the abovementioned consumer finance services. A separate SASB accounting standard addresses the sustainability issues for mortgage finance activities.

Guidance for Disclosure of Material Sustainability Topics in SEC filings

1. Industry-Level Material Sustainability Topics

For the Consumer Finance Industry, SASB has identified the following material sustainability topics:

- **Financial Inclusion**
- **Customer Privacy & Data Security**
- **Transparent Information & Fair Advice for Customers**
- **Responsible Lending & Debt Prevention**

2. Company-Level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of the information made available.”¹

SASB has attempted to identify those sustainability topics that evidence suggests may be material for all companies within each SICs industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to describe in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K “any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.”²

Furthermore, Instructions to Item 303 state that the MD&A “shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.”

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- If a company’s management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant’s financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management’s Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **“Sustainability Accounting Standards Disclosures.”**³

b. Other Relevant Sections of Form 10-K

¹ TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

² C.F.R. 229.303(Item 3030)(a)(3)(ii).

³ [SEC \[Release Nos. 33-8056; 34-45321; FR-61\] Commission Statement about Management’s Discussion and Analysis of Financial Condition and Results of Operations](#): “We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing.”

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Specifically Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State, and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations targeting discharge of materials into the environment or primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, “such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.”

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via <http://www.sasb.org/approach/conceptual-framework/>.

Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Consumer Finance Industry, SASB identifies two categories of accounting metrics: 1) Quantitative and 2) Discussion and Analysis.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-20⁴—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following related to the topic:

⁴ SEC Rule 12b-20: “In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made not misleading.”

- the registrant's **strategic approach** to managing performance on material sustainability issues;
- the registrant's **competitive positioning**;
- the **degree of control** the registrant has;
- any **measures the registrant has undertaken** or **plans to undertake** to improve performance; and
- data for registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the [Sustainability Industry Classification System \(SICS™\)](#). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act)⁵, for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);⁶
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that such registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

⁵ Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than \$10 million in assets.

⁶ See US GAAP consolidation rules (Section 810).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparison of disclosure, to the extent that they are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed “activity metrics” —may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant – however, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

Where relevant, SASB recommends specific activity metrics that – at a minimum – should accompany SASB Sustainability Accounting Metric disclosures to aid investors in interpretation, analysis, and benchmarking.

For the Financials Sector, metrics measuring revenue, returns, margins, and regulatory capital are relevant for normalizing and analyzing SASB disclosures. Because these and other relevant financial metrics are readily available in financial statements and from financial data vendors, SASB does not specify activity metrics for the industries within the Financials Sector.

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables like the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically-based estimates, such as the reliance on certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company and, therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward Looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as forward looking and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In reporting on SASB Standards, it is expected that registrants report with the same level of rigor, accuracy, and responsibility as all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation), for example, an Examination Engagement as described in AT Section 701.

The following sections contain the technical protocols associated with each accounting metric such as guidance on definitions, scope, accounting guidance, compilation, and presentation.

The term “shall” is used throughout this Standard to indicate those elements that reflect SASB’s mandatory disclosure requirements. The terms “should” and “may” are used to indicate guidance, which, although not mandatory, provides a recommended means of disclosure.

Table 1. Material Sustainability Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Financial Inclusion	Revenue from credit and debit products targeting unbanked and underbanked segments	Quantitative	U.S. dollars (\$)	FN0201-01
	Percentage of new accounts held by first-time credit card holders	Quantitative	Percentage (%)	FN0201-02
Customer Privacy & Data Security	Number of data security breaches and percentage involving customers' personally identifiable information ⁷	Quantitative	Number (#), percentage (%)	FN0201-03
	Amount of fraudulent transaction activity, percentage from: (1) card-not-present fraud and (2) card-present and other fraud	Quantitative	U.S. dollars (\$), percentage (%)	FN0201-04
	Description of data security and fraud prevention efforts related to new and emerging technologies and/or new and emerging threats	Discussion and Analysis	n/a	FN0201-05
Transparent Information & Fair Advice for Customers	Amount of legal and regulatory fines and settlements associated with disclosure, transparency, or marketing ⁸	Quantitative	U.S. dollars (\$)	FN0201-06
	Payout ratio for add-on products ⁹	Quantitative	Ratio in U.S. dollars (\$)	FN0201-07
Responsible Lending & Debt Prevention	For customers with FICO scores above and below 640 (subprime): (1) average customer debt (2) average APR (3) mean and median age of accounts (4) average monthly full payment rate	Quantitative	U.S. dollars (\$), percentage (%), years, rate	FN0201-08
	Percentage of applications accepted for applicants with FICO scores above and below 640 (subprime)	Quantitative	Percentage (%)	FN0201-09
	Average annual fees per account for pre-paid transaction products	Quantitative	U.S. dollars (\$)	FN0201-10

⁷ Note to **FN0201-03** – Disclosure shall include a description of corrective actions implemented in response to data security incidents or threats.

⁸ Note to **FN0201-06** – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

⁹ Note to **FN0201-07** – Disclosure shall include a description of the type of add-on products offered and of how compensation of sales representatives is related to the sales of these products.

Financial Inclusion

Description

In the U.S., an estimated 11 percent of consumers are unbanked, and an additional 11 percent are underbanked. Advancements in payment technology provide opportunities for consumer finance companies to expand access to financial services to these populations, domestically and abroad. Expansion into new markets and technologies can provide significant sources of revenue; however, firms must also ensure that the associated regulatory and financial risks are managed. In addition, technological advancements have lowered barriers to entry and allowed new companies to enter the consumer finance industry, thereby increasing competition and putting pressure on incumbents. Enhanced disclosure on financial inclusion will provide shareholders with an understanding of how companies are increasing shareholder and societal value

Accounting Metrics

FN0201-01. Revenue from credit and debit products targeting unbanked and underbanked segments

- .01 The registrant shall disclose revenue from financial products that are targeted toward unbanked and underbanked customer segments.
- .02 Disclosure shall include revolving credit products, such as credit cards and pre-paid debit cards that serve an unmet financial need (e.g., bill paying, receiving direct deposits, basic savings, etc.).
- .03 Specific financial products targeted toward unbanked and underbanked segments may include, but are not limited to:
 - Secured credit cards
 - Student credit cards
 - Fair credit cards
 - Low-credit limit cards
 - Prepaid reloadable (i.e., general purpose reloadable) cards
- .04 The scope of disclosure shall exclude the following products and services:
 - Non-revolving credit, such as unsecured loans (e.g., payday loans, personal loans)
 - Prepaid non-reloadable cards (e.g., stored-value gift cards)
 - Services, such as check-cashing and remittances
 - Money orders, bank (cashiers) checks, and remittances (domestic or international)
- .05 Unbanked customers are those in households without a checking or savings account who may rely on alternative financial services (AFS), such as payday loans, non-bank money orders, non-bank check cashing services, non-bank remittances, rent-to-own services, pawnshops, or refund anticipation loans (RALs).

- .06 Underbanked customers are in households that have a checking and/or a savings account but may still regularly use AFS.
- .07 Revenue shall be calculated as the aggregate amount of all fees (e.g., for late payment, account maintenance, opening an account, depositing money, checking balances, withdrawing money, etc.) and interest charged during the fiscal year.
- This figure shall include “pre-accounts fees” that are charged to customers prior to opening an account, such as an application fee or a processing fee for account approval.

FN0201-02. Percentage of new accounts held by first-time credit card holders

- .08 An individual shall be considered a first-time account holder if he/she does not have any account listed on his/her credit history report of the type “credit card” or “bankcard.”
- Valid credit history reports are those produced by a national consumer credit reporting agency such as Equifax, Transunion, or Experian.
- .09 The registrant shall calculate the percentage as the total number of new credit card accounts approved for first-time credit card holders during the fiscal year divided by the total number of credit card accounts approved during the fiscal year.

Customer Privacy & Data Security

Description

Ensuring the privacy and security of personal financial data is an essential responsibility of the consumer finance industry. Companies that fail to manage performance in this area are susceptible to decreased revenues and consumer confidence. Further, although many states have passed laws requiring businesses to notify authorities in the event of a security breach, the current absence of federal standards has led to increased costs, as companies are forced to comply with a patchwork of state laws. Disclosure of the number of security breaches, the extent of fraudulent charges, and efforts to manage these risks will allow shareholders to understand how consumer finance companies are protecting long-term value.

Accounting Metrics

FN0201-03. Number of data security breaches and percentage involving customers' personally identifiable information

- .10 The registrant shall calculate and disclose the total number of data security breaches, which are defined as instances of unauthorized acquisition, access, use, or disclosure of protected information.
- .11 The scope of disclosure shall be limited to data security breaches, cyber security risks, and incidents that resulted in the registrant's business processes deviating from its expected outcomes for confidentiality, integrity, and availability.
 - Disclosure shall include incidents of unauthorized acquisition or acquisition without valid authorization, resulting from people, process, or technology deficiencies or failures.
 - Disclosure shall exclude disruptions of service due to equipment failures.
- .12 "Personally Identifiable Information" refers to any information about an individual maintained by an agency, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, social security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.¹⁰
- .13 The registrant shall disclose the percentage of data security breaches involving customers' unencrypted personally identifiable information and the customers were notified of the breach.
 - Notification includes that which is voluntary by the registrant or required by state law.
 - Disclosure shall include incidents when encrypted data were acquired with an encryption key that was also acquired.
 - The registrant may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation until the law enforcement agency determines that such notification does not compromise such an investigation.

¹⁰ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

.14 Disclosure shall follow, but not be limited to, the U.S. Security and Exchange Commission's (SEC) [CF Disclosure Guidance: Topic No. 2, Cybersecurity](#).

- At a minimum, this includes when the costs or other consequences associated with one or more known incidents—or the risk of potential incidents—represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant's results of operations, liquidity, or financial condition, or would cause reported financial information to not be necessarily indicative of future operating results or financial condition (e.g., theft of intellectual property, reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

NOTE TO FN0201-03

- .15 The registrant shall describe the corrective actions taken in response to specific incidents, trends in security breaches, or future security uncertainties, such as changes in operations, management, processes, products, business partners, training, or technology.
- .16 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself would not compromise the registrant's ability to maintain data privacy and security.

FN0201-04. Amount of fraudulent transaction activity, percentage from: (1) card-not-present fraud and (2) card-present and other fraud

- .17 The registrant shall calculate fraudulent activity as the total value (in U.S. dollars) of account holder transactions refunded to account holders (card holders) due to fraud.
- .18 The scope shall include losses from the unauthorized use of revolving consumer credit cards, including instances of card-present fraud and instances of card-not-present fraud, where the registrant is liable for losses (e.g., such as when a merchant is using a chargeback protection service).
- .19 The scope shall also include transactions determined to be fraudulent that the registrant charged back to merchants (and/or their acquiring banks), including those related to card-not-present fraudulent activity.
- .20 The registrant shall report the percentage (by dollar amount) of fraudulent activity attributable to card-present fraud and "other types of fraud" and the percentage attributable to card-not-present fraud.
- .21 Card-not-present (CNP) fraud is characterized by the unauthorized use of a credit card number, the security code printed on the card, and/or the cardholder's address details for a transaction in a non-face-to-face setting with a merchant.
- CNP fraud includes that which is conducted online, through mail, or over the phone.
- .22 Card-present fraud is characterized by the unauthorized use of a physical credit card for a transaction in a face-to-face setting with a merchant.
- "Other types of fraud" includes identify theft and any fraudulent transaction that cannot be classified as CNP fraud.

FN0201-05. Description of data security and fraud prevention efforts related to new and emerging technologies and/or new and emerging threats

- .23 The registrant shall describe its customer data security and fraud prevention efforts, such as physical technologies, data analysis, merchant programs (e.g., training), fraud prevention services, consumer education, and partnerships (e.g., with peers, law enforcement, or business partners).
- .24 New and emerging technologies with data security and fraud risks include, but are not limited to, near-field communication (NFC) payment systems, mobile banking, and web-based banking.
- .25 New and emerging threats to data security include, but are not limited to, hacking, social engineering, malware, and digital eavesdropping.
- .26 New and emerging fraud threats include, but are not limited to, skimming and other card-not-present frauds.
- .27 All disclosure shall be sufficient such that it describes the registrant's data security and fraud prevention efforts, but disclosure itself would not compromise the registrant's ability to maintain data privacy and security.

Transparent Information & Fair Advice for Customers

Description

Consumer finance companies will continue to face scrutiny as the Consumer Financial Protection Bureau (CFPB) attempts to ensure transparency and enhanced disclosure. The CFPB's attention to the industry's marketing practices as they relate to credit card add-on products (i.e., debt cancellation, identity theft protection, and credit reporting and monitoring) is demonstrated by recent fines and enhanced oversight. The ability of consumer finance companies to ensure that customers are provided with transparent information and fair advice related to these and other products is likely to have material implications.

Accounting Metrics

FN0201-06. Amount of legal and regulatory fines and settlements associated with disclosure, transparency, or marketing

- .28 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with information transparency, including those related to truthful advertising, transparency of small print, transparency of fees and penalties, and notices and notifications.
- .29 Disclosure shall include, but not be limited to, violations of the Credit CARD Act of 2009, Truth in Lending Act, Federal Trade Commission (FTC) Act, or Dodd-Frank Wall Street Reform and Consumer Protection Act.
- .30 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

NOTE TO FN0201-06

- .31 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, non-prosecution agreement) and context (e.g., advertising-related, breach of contract, negligence, etc.) of fines and settlements.
- .32 The registrant shall describe any corrective actions that it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

FN0201-07. Payout ratio for add-on products

- .33 The registrant shall disclose the payout ratio from add-on products that offer any form of debt cancellation, deferment, or forbearance in exchange for regular payment, including those marketed as "debt protection," "payment protection," or "credit insurance."
- .34 The payout ratio (loss ratio) shall be calculated as the total amount (in U.S. dollars) of benefits to customers (i.e., claims paid or debt forgiven) divided by the total amount of revenue or premiums received from these products (i.e., fees).

NOTE TO FN0201-07

.35 The registrant shall disclose the type of add-on products it offered during the fiscal year or has current plans to offer, where an add-on product is any optional additional product or service associated with a credit card account. These include, but are not limited to:

- Debt protection, payment protection, or credit insurance
- Credit monitoring or alert services, which provide credit report and score notifications
- Identity theft protection or fraud monitoring, which provide alerts of activities occurring related to an account

.36 The registrant shall describe how its representatives' compensation is linked to sales of add-on products, such as the incentive structures employed.

- Where relevant, the registrant should describe systems in place to ensure that fair, transparent, and truthful information about the benefits and risks of add-on products is communicated during the sales process.

Responsible Lending & Debt Prevention

Description

An increase in subprime lending and payment delinquency indicates that lenders are lowering standards and providing capital to consumers that are prone to excessive credit card debt. Although consumer finance companies can benefit in the short-term from increased customer debt through late fees and interest charges, a reliance on these revenue streams can have a negative impact on results. The disclosure of key characteristics of a lending portfolio, including average customer debt, mean and median age of accounts, and average monthly full payment rate will allow shareholders to determine which consumer finance companies are better positioned to protect value.

Accounting Metrics

FN0201-08. For customers with FICO scores above and below 640 (subprime):

- (1) average customer debt**
- (2) average APR**
- (3) mean and median age of accounts**
- (4) average monthly full payment rate**

- .37 The registrant shall disclose (1), (2), (3), and (4) for all customers with FICO scores above 640 and for all customers with FICO scores equal to, or below, 640.
- .38 Average customer debt shall be calculated as a simple weighted average by aggregating all revolving credit extended to individuals at the end of the fiscal year and dividing by the total number of individuals with credit card accounts.
 - The registrant shall exclude non-revolving consumer credit, such as motor vehicle loans, education loans, or other loans (e.g., boat, trailers, and mobile home loans).
- .39 The registrant shall disclose the average APR for all accounts assessed interest during the fiscal year, calculated as the annualized ratio of total finance charges to the total average daily balances, against which the finance charges were assessed (excluding accounts for which no finance charges were assessed).
- .40 The mean and median age of account (in months) shall be calculated according to standard statistical methods from the date that each active account was opened until the close of the fiscal year.
 - Accounts closed during the fiscal year shall be excluded from the calculation.
- .41 The average monthly full payment rate shall be calculated as the number of monthly customer statements for which the statement balance was paid in full divided by the total number of months that customer accounts were active.

FN0201-09. Percentage of applications accepted for applicants with FICO scores above and below 640 (subprime)

- .42 The registrant shall calculate its acceptance rate for applicants with prime FICO scores as the number of approved credit card account applications for customers with FICO scores above 640 divided by all new credit card applications.

- .43 The registrant shall calculate its acceptance rate for applications with subprime FICO scores as the number of approved applications for customers with FICO scores equal to or below 640 divided by all new credit card applications.
- .44 The scope of applications used in calculation shall be those the registrant approved or denied during the fiscal year, regardless of when the application was received.

FN0201-10. Average annual fees per account for pre-paid transaction products

- .45 The registrant shall calculate the average fees per account (in U.S. dollars) as a weighted average by aggregating all revenue received from pre-paid fees during the fiscal year divided by the total number of accounts.
- .46 The registrant shall disclose revenue from pre-paid transaction products, including prepaid reloadable (i.e., general purpose reloadable) cards and prepaid non-reloadable cards (e.g., stored-value gift cards).
- .47 Revenue shall be calculated according to the same method as in FN0201-01, as the aggregate amount of all fees (e.g., for late payment, account maintenance, opening an account, depositing money, checking balances, withdrawing money, etc.).

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