

NAVY / MARINE CASH™

Frequently Asked Management Questions

1. *Is the Navy / Marine Cash Program a debit or credit card? Describe how the stored value feature works.*

The Navy / Marine Cash program is a debit card. The Navy / Marine Cash card combines chip technology and a magnetic stripe and leverages global banking infrastructure and standards to minimize the need for Sailors and Marines to carry cash. A chip-based, secure, electronic purse provides for a cashless environment within the lifelines of the ship. A magnetic stripe provides for pre-paid debit access to funds at over 600,000 ATMs and 18 million merchants worldwide. To support these transactions, Navy / Marine Cash also provides store-and-forward, off-line access to checking and savings accounts ashore.

Sailors and Marines will continue to have their pay deposited in their Direct Deposit Accounts through the Navy's Direct Deposit System. On board ship, they will be able to use cashless ATMs to access these accounts electronically and transfer money as needed into their Navy / Marine Cash accounts. Navy / Marine Cash provides these electronic banking capabilities without additional charge to our Sailors and Marines, 24 hours a day, seven days a week, through store-and-forward, off-line access to virtually all bank and credit union accounts ashore. Sailors and Marines who elect the Split Pay Option (SPO) can also have a portion of their pay sent directly to their Navy Cash account each payday.

On the ship, Sailors and Marines will use the chip-based electronic purse on their Navy / Marine Cash cards in point-of-sale terminals rather than using cash in the Ship's Store, Post Office, MWR, Wardroom, and other "retail" locations throughout the ship and in card access devices in vending and game machines. This cashless environment will not only improve service to customers but also reduce workload by automating payment transactions and eliminating (as nearly as possible) the circulation of cash aboard ship.

Off the ship, Sailors and Marines will be able to use the magnetic stripe on their Navy / Marine Cash cards to purchase gifts and souvenirs and pay for meals in restaurants using the Navy / Marine Cash card directly. They will also be able to obtain the cash they need during port visits from ATMs that are available in the local area. Overseas, these local ATM transactions generally provide the best exchange rate for foreign currency.

In support of Navy / Marine Cash, a U.S. Department of the Treasury Agent Bank provides access to virtually all banks and credit unions and reconciliation and settlement services not only for electronic banking transactions but also for all "retail" transactions on the ship, thus further reducing workload and eliminating a large portion of the accountability of the retail operators and the Disbursing Officer.

2. *What is the technology supporting the Navy / Marine Cash system?*

Navy / Marine Cash is an effort to evolve to a cashless environment within the lifelines of the ship with an application that will work on ships ranging in size from an FFG with a small crew and very little communications support to a CV/CVN with a large crew and robust communications support. Navy / Marine Cash is designed to operate in a store and forward mode that does not require full-time communications support. The transactions that load value into a Sailor's Navy / Marine Cash account are not processed as online ATM debit transactions

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but as offline Automated Clearing House (ACH) transactions that essentially equate to electronic personal check cashing.

The Navy tested online ATM debit transactions during the Commercial Banking Afloat (CBA) prototype. CBA was tested on two aircraft carriers, USS Theodore Roosevelt (CVN 71) in LANTFLT and USS Constellation (CV 64) in PACFLT. There were growing pains during the prototype, and most of these problems have been fixed. CBA reduced the number of personal checks cashed and the number of Split Pay Accounts but has, in general, increased the workload in the Disbursing Office. CBA remains active on Constellation but has been shut down on Theodore Roosevelt. In the end, the communications support available on small deck ships was too cost prohibitive for CBA and was not available 24/7.

The magnetic stripe on the Navy / Marine Cash card is a standardized product. It is a MasterCard debit card that carries the MasterCard, Cirrus, and Maestro logos and can be used at over 600,000 ATMs and over 18 million merchants worldwide.

The electronic purse on the chip on the Navy / Marine Cash card is not a standardized product. The many standardized (but generally incompatible) electronic purse products available in the commercial world each bring with them different problems, not the least of which is that there is a cost associated with each and every copy of the purse made. The Visa Cash product, for example, is not PIN protected. The MasterCard Mondex product is not designed as a fully accounted system. PIN protection and full accountability were specific Navy requirements.

In the U.S., debit and credit transactions at retail locations are generally online transactions and each carry with them associated fees to the merchant. For off-line debit and credit transactions, the associated fees to the merchant are generally much higher. In general, the communications support required to support online transactions are not available in retail locations on the ship, and the commercial debit and credit fee structures do not fit in with the Ship's Store pricing structure.

3. Why did the Navy go to the Treasury Department to secure the card instead of using a competitive vehicle?

Because Navy / Marine Cash incorporates a stored value function and requires the provider to hold a funds pool backing that stored value, it was determined that the provider must be a financial institution. The Navy / Marine Cash initiative is a joint undertaking between the Department of the Navy and U.S. Department of Treasury, Financial Management Service (FMS). FMS is the division of the United States Treasury which provides collection, disbursement, and financial management services to the rest of the Federal Government. In that role, it has statutory authority to designate financial institutions as Depositories and Financial Agents of the United States and direct them to provide financial services to the Government. In order to obtain card-related financial services, including credit card collections and debit card services, FMS selected several financial institutions through a competitive process to provide what it terms Plastic Card Network (PCN) services. Among the banks chosen to provide various services under the PCN, Treasury designated J.P. Morgan Chase to be its agent bank to provide emerging technology services. As a part of that designation, Treasury has tasked J.P. Morgan Chase with the provision of financial services necessary to support Navy / Marine Cash. By working with FMS, the Navy does not need to pay to develop the network and financial services already provided by the PCN. In addition, FMS supports stored value card programs for the U.S. Marine Corps, the U.S. Army, and the U.S. Air Force, and NAVSUP was able to leverage those experiences and lessons learned in developing and deploying the Navy / Marine Cash prototype. Like the U.S. Marine Corps, the U.S. Army, and the U.S. Air Force, NAVSUP

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entered into an agreement with FMS to work together to improve financial management and business processes through the use of smart card and related technologies.

4. *How do we manage enrollment of new check-ins that don't already have a Navy / Marine Cash card?*

The Navy / Marine Cash Disbursing Application includes an on screen utility that enables the Disbursing Office to enter the information needed to enroll new crewmembers. The enrollment information is then forwarded ashore where the new member is enrolled in the program and the action is initiated to personalize and produce the Permanent Navy / Marine Cash Card. As soon as it is produced, the card will be mailed to the Disbursing Office.

At the same time as they are entering the enrollment information, the Disbursing Office selects a Temporary Navy Cash Card for the new crewmember that can be used until the Permanent Navy / Marine Cash Card arrives in the mail. Before the Temporary Navy Cash Card can be issued and used, however, it must be properly registered within the Navy / Marine Cash database ashore, and this registration must be replicated within the Navy / Marine Cash database on board ship. This registration process is normally completed within 24 hours. In the interim, the Disbursing Office can issue the new crewmember a chip-only Visitor Navy Cash Card if necessary. The new crewmember can load this card immediately at the Disbursing Office by cashing a personal check or converting cash, and the card can then be used for purchases on the ship until the Temporary Navy Cash Card is properly registered within the system. Any value remaining on the Visitor Navy Cash Card can be transferred to the Temporary Navy Cash Card.

The new or replacement Permanent Navy / Marine Cash Card will be mailed to the Disbursing Officer using the bulk mailing address for the ship. When the new card is received, the Sailor or Marine will be asked to report to the Disbursing Office. He or she will cash out any remaining balance on the Temporary Card and put those funds on the Permanent Card. The Temporary Card will be turned in and destroyed, and he or she will be given the new or replacement Permanent Card.

In summary, there are three types of Navy / Marine Cash cards.

- Permanent Navy / Marine Cash Cards provide access to all Navy / Marine Cash capabilities. They are embossed at the card manufacturing facility with the individual account holder's name and account number and mailed to the individual.
- Temporary Navy Cash Cards also provide access to all Navy / Marine Cash capabilities. However, they are embossed with 'NAVY CARDHOLDER' and an account number. These Navy Cardholder cards are pre-embossed at the card manufacturing facility and are held by the Disbursing Officer. They are issued to newly reporting personnel and as replacements for lost, stolen, or damaged cards until a permanent Navy / Marine Cash card can be embossed at the card manufacturing facility and mailed to the individual.
- Visitor Navy Cash Cards are chip-only cards intended only for purchases on the ship. They do not have a Navy / Marine Cash account associated with them. They do not have a magnetic stripe. They cannot be used for purchases or to access commercial ATMs off the ship. They are issued primarily to visitors as required and can be cashed out and turned in when the visitor departs and be reissued to another visitor.

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5. Is Navy / Marine Cash compatible with the Split Pay Option?

The Navy / Marine Cash back end is set up to accept Split Pay amounts and plus up individual Navy / Marine Cash accounts. We worked with Headquarters Marine Corps, 1st FSSG, and DFAS Kansas City and with DFAS Cleveland to implement this capability.

6. Will Navy / Marine Cash increase the workload on board ship?

At the end of each business day, reports generated by Navy / Marine Cash will be compared to reports generated by the existing system in each merchant location. For example, in Ship's Store, the total for Navy / Marine Cash sales in the ROM II report will be compared to the total sales for Ship's Store in the Navy / Marine Cash reports. Similarly, at the end of each month, summary reports generated by Navy / Marine Cash will be compared to the monthly reporting from each merchant.

In the Disbursing Office, which has overall management responsibility for Navy / Marine Cash, workload will probably increase, at least initially. Ultimately, the workload associated with Navy / Marine Cash should balance out the workload associated with tasks that Navy / Marine Cash replaces and no longer need to be done. The net effect of Navy / Marine Cash should be a reduction in the overall workload on board ship. Navy / Marine Cash automates personal payment transactions; and the daily counting of bills, coins, and personal checks at each merchant location and at Disbursing should be greatly reduced if not eliminated.

Under the current scheme, the workload associated with refunds from any retail location (merchant) is being shifted to Disbursing. We are also investigating the extent of the system changes and the cost of adding refund capability to other merchant locations on the ship, e.g., Ship's Store Office, MWR, etc.

7. How does Navy / Marine Cash handle transactions returned for Not Sufficient Funds (NSF)

Essentially, the ability to do balance inquiries to a sailor's bank or credit union account requires an online system, like CBA. Navy / Marine Cash, in that sense, is like personal check cashing. Individuals should be recording Navy / Marine Cash transactions in their check books just as if they had written a check. If a Navy / Marine Cash transaction is "returned" for Not Sufficient Funds (NSF), the transaction will be "reversed" by taking the money out of the Navy / Marine Cash account. If some of the money has been moved to the chip on the Navy / Marine Cash card, the Navy / Marine Cash account will go to a negative balance. The cash on the chip will be good for purchases on the ship. There will be a report from the Navy / Marine Cash application that notifies the Disbursing Officer of individuals with NSF transactions. A detailed outline of these procedures follows.

Under Phase 1 Navy / Marine Cash Software Release — before about 22 October 2001

NSF Occurrence:

	Tran Amount	Navy / Marine Cash Account
Starting Balance		20.00
ACH debit presented	100.00	
Navy / Marine Cash Account credited		120.00
Navy / Marine Cash -> Chip transfer	40.00	80.00
ACH debit returned (NSF)	-100.00	-20.00
(ATM withdrawals and POS transactions not authorized ashore)		
Balance on Chip	40.00	

Remedy:

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- \$100.00 return appears on Returned Items Detail Report.
- Disbursing Officer/Deputy counsels sailor.
- If repeats,
 - Disbursing Officer confiscates Navy / Marine Cash Card
 - Replaces with Visitor Card
 - Accepts cash-to-chip only

Under Phase 2 Navy / Marine Cash Software Release — after about 22 October 2001

NSF Occurrence:

	Tran Amount	Navy / Marine Cash Account
Starting Balance		20.00
ACH debit presented	100.00	
Navy / Marine Cash Account credited		120.00
Navy / Marine Cash -> Chip transfer	40.00	80.00
ACH debit returned (NSF)	-100.00	-20.00
(ATM withdrawals and POS transactions not authorized ashore)		
Balance on Chip	40.00	

Remedy:

- \$100.00 return appears on Returned Items Detail Report.
- Disbursing Officer/Deputy counsels sailor
- J.P. Morgan Chase 'locks' account on shore then ship database — Following transfers prohibited on ship:
 - DDA -> NC
 - NC -> DDA
- J.P. Morgan Chase schedules representment for next pay period for \$100.00
- Payday, ACH debit represented
- 'Lock' removed from account (shore then ship)

'Lock' also removed if:

- Credit card funding done with Customer Service Center (CSC)
 - Cash-to-chip payment made at Disbursing Officer
- If repeats,
 - Disbursing Officer 'locks' account — Following transfers prohibited on ship:
 - DDA -> NC
 - NC -> DDA

8. *How will Navy / Marine Cash handle guests who are on board for a few hours or overnight?*

Guests on the ship for only a few hours can buy souvenirs and emblematics in the Ship's Store using cash. But, cash handling should be the exception. Guests that are going to be on the ship for longer periods can be given a Navy Cash visitor card when they check on board. Just as they must stop by the Wardroom Office to receive a room assignment and a room key, they can stop at the Cashiers Cage at the Disbursing Officer to cash a personal check or provide cash to convert into electronic cash on their Navy Cash visitor cards. At the end of their stay, they can return to Disbursing to cash in the remaining value on the cards and either keep the cards as souvenirs of their stay on board or turn the cards in. The cards can then be reused.

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The tech reps that make repeated trips to ships can enroll in the Navy / Marine Cash program and receive permanent Navy / Marine Cash cards.

9. Will Navy / Marine Cash allow for some cash handling on board ship?

Yes. But, cash handling should be the exception. The Sailor or Marine assigned to the ship should be able to spend the \$5 in his pocket on the ship. He has a Navy / Marine Cash card and can go to Cashier's Cage at Disbursing to transfer that \$5 onto the chip on his Navy / Marine Cash card and then spend it wherever he wants on the ship. Guests on the ship for only a few hours can buy souvenirs and emblematics in the Ship's Store using cash. The assumption is that the additional revenue and profit are worth the additional workload for Ship's Store and Disbursing personnel to handle cash in what would otherwise be a cashless environment.

10. How does Navy / Marine Cash address information security concerns?

The Navy / Marine Cash application uses Windows NT system security levels. The Navy / Marine Cash system was certified at the C2 level of trust during the SPAWAR lab tests. Personal Identification Numbers (PINs) and transactions are encrypted. There are system administration access levels for both the Disbursing Office and IT personnel. The Navy / Marine Cash database is encrypted, and no one on the ship has access to database elements, e.g., SSNs and individual transactions are all encrypted and secure.

11. How is the Disbursing Officer protected from liability?

The DODFMR Volume 5 addresses the issue of accountability for cash management of public funds within the Navy. Since the electronic funds moving from Chip to retail operator are not considered part of the Disbursing Officer's accountability, he would not have a pecuniary responsibility for those funds. However, certain Navy / Marine Cash transactions, e.g., Cash and Check to Chip transactions, occur at the Disbursing Office, and the funds do become part of the Disbursing Officer's accountability. In this instance, if a shortage or overage occurs, it should be handled in the same manner as prescribed in Chapter 6 of the DODFMR Volume 5. If it can be proved that the system, not the Disbursing Officer, made the mistake, the Disbursing Officer could not be held financially responsible for the loss.

12. What type of training will be provided with the Navy / Marine Cash project?

SOPs have been written, and electronic copies are available on request. The SOPs were reviewed by subject matter experts from the Type Commanders and Fleet CINCs as they were developed. The SOPs are best viewed as living documents that will be changed as needed. New versions will be distributed as necessary.

The Navy Cash SOPs will be formalized as NAVSUP Publication 727, Navy Cash Operating Procedures, and will be available on the Navy Logistics Library (NLL) web site.

The Navy / Marine Cash system is very robust as a standalone system. The Systems Administration SOP was reviewed with IT personnel, and they were relatively comfortable with the Navy / Marine Cash system as it stands. Hands-on training will be provided. There is a definite line between what system administration tasks the Disbursing Officer can accomplish and what the IT personnel will be required to accomplish. Again, the Navy / Marine Cash system is pretty much standalone. The only time an IT person will be needed is when one of the more serious system error messages shows up on the screen.

The plan is to have tech reps ride the ship through the initial underway period, ideally working through end of month reports and watching over the more intense withdrawals expected on a payday.

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Draft maintenance procedures are in place. COMPAQ will provide diagnostics assistance via telephone and decide whether Oracle needs to be involved or someone needs to be deployed to the ship. Fleet representatives have said that both primary and backup maintenance personnel that may be deploying to ship overseas need to apply for working visas for the United Arab Emirates (UAE); Bahrain; and Oman. Since these visas take about six weeks to obtain, they will need to apply well ahead of time and will probably need visas for all these countries because ships' schedules change rapidly in this area of operations.

13. What type of parts support will be provided with the Navy / Marine Cash project?

For the prototype, there will be a spare server on board, as well as spares for all the other equipment associated with the Navy / Marine Cash application. As spares are used, the failed item will be returned to shore for repair, and a replacement spare will be sent to the ship.

14. How will Navy / Marine Cash provide for the availability of cash for port visits?

Cash will be available through a series of options.

- Local ATMs Ashore. Crewmembers will be able to obtain the cash they need during port visits from ATMs that are available in the local area by using their bank or credit union ATM debit cards or their Navy / Marine Cash cards. Navy / Marine Cash cardholders can access their Navy / Marine Cash accounts at over 600,000 ATMs worldwide using the magnetic stripe on the back of their Navy / Marine Cash cards. Overseas, these local ATM transactions generally provide the best exchange rate for foreign currency. Crewmembers who use their Navy / Marine Cash cards will pay any local ATM surcharge fees but will not have to pay the ATM fee normally charged by their bank or credit union. Although ATMs convenient to port facilities may run out of money during a busy port visit, J.P. Morgan Chase will coordinate with correspondent banks in each country so that ATMs can be reloaded periodically during the port visit.
- Navy / Marine Cash Card Debit Feature. Crewmembers can purchase gifts and souvenirs and pay for meals in restaurants using the Navy / Marine Cash card directly. This debit feature is available at over 18 million merchants worldwide and at any retail locations that allow point of sale debit or PIN-based purchases. Crewmembers must remember to transfer funds to their Navy / Marine Cash accounts 24 to 48 hours prior to going ashore.
- Cash Personal Checks. Disbursing Office will continue to cash personal checks and provide for additional check cashing lines as necessary prior to and during port visits.
- Cash Out Navy / Marine Cash Card. Crewmembers can also cash out the value on their Navy / Marine Cash cards at the Disbursing Office.
- Currency Exchange on Board. Requested as a part of the LOGREQ prior to a port visit, currency exchange can be provided on board ship through the local husbanding agent. Navy / Marine Cash hand-held Point of Sale (POS) devices will be available to the husbanding agent so that Navy / Marine Cash cardholders can use their Navy / Marine Cash cards to "purchase" currency. J.P. Morgan Chase will coordinate with their correspondent bank in each country and / or the husbanding agent in each port.
- Mobile ATM Vans. In some port facilities, mobile ATM vans can be provided near small boat landing areas or pier side. As with local ATMs, crewmembers can obtain cash using either their bank or credit union ATM debit cards or their Navy / Marine

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Cash cards. J.P. Morgan Chase will coordinate with correspondent banks in each country and / or the husbanding agent in each port. Force protection issues and the additional security required in the vicinity of port facilities must be considered on an individual basis.

15. How does the \$25 vending counter on the Navy Cash card work?

For vending machine purchases, your Navy Cash PIN is not required. So, to limit the amount of money you could lose if your Navy Cash card were lost or stolen, vending machine purchases are limited to a total of \$25 on your electronic purse before your PIN would be required to reset the counter and allow you to continue spending. The table below lays out how the \$25 counter works. Note that the vending machine readout displays the balance remaining on the \$25 counter not the balance remaining on the chip on the Navy Cash card itself.

Action	Machine Used	PIN Entry Required?	Chip Balance	Vending Machine Readout
You move \$100.00 from your home bank account to your chip account.	CATM	Yes	\$100.00	
You go to a vending machine to buy a soda.	CAD	No	\$100.00	\$25.00
You buy your soda. After you buy your soda, your ending balance is:	CAD	No	\$99.50	\$24.50
You buy LOTS of sodas and ONLY sodas, never going to another machine other than a CAD, to the point where your vending readout is \$0.00.	CAD	No	\$75.00	\$0.00
Now you need to go to a machine where you can enter your PIN (a Cashless ATM or K22 Point of Sale Device). So you go to a CATM just to enter your PIN. You do not perform any transfers.	CATM	Yes	\$75.00	
You go to a vending machine to buy a soda.	CAD	No	\$75.00	\$25.00
You buy your soda.	CAD	No	\$74.50	\$24.50
You go to Ship's Store to buy a \$10.00 ball cap.	K22	Yes	\$64.50	
Then you go back to the vending machine... and so on.	CAD	No	\$64.50	\$25.00

16. Why does Navy Cash use an off-line process for all transactions?

Within Navy Cash, we have been using the term “off-line” predominately to refer to the transactions aboard ship that require interface with financial institutions ashore, for example value-load transactions. Off-line, in this sense, distinguishes these transactions from the “on-line” switched-network ATM transactions that were tested during the Commercial Banking Afloat (CBA) prototypes. ATM transactions require on-line, full-time communications connectivity to a financial network ashore. Only the 28 large-deck ships have the communications capabilities necessary to support on-line ATM transactions, leaving the remaining 140 or so ships in the Fleet with a Disbursing Office without this service. We pursued off-line Automated Clearing House (ACH) transactions because they can be processed in the store-and-forward mode that can be supported by the more limited communications capabilities available on the other “small-deck” ships. Other uses of the Navy Cash card on board ship, e.g., at the point-of-sale terminals, are on-line to the Navy Cash server unless shipboard local area network (LAN) communications are down. When the network is down, sales transactions can be accepted off-line. ACH is by far the least expensive method of processing transactions initiated from a ship—cheaper than cash, checks, wire, and on-line, switched-network ATM transactions .

17. Does use of the Navy Cash card actually extend credit to the sailor?

It is a misnomer to suggest that “credit” is being made available to the sailor. The Navy Cash system was not designed or intended to extend credit to sailors. What some may refer to as credit is merely the clearing and settlement float associated with a direct debit to the sailor’s personal bank or credit union account. This clearing and settlement is no different in nature than the float associated with a check clearing against the sailor’s bank or credit union account when the Disbursing Officer on a ship cashes his or her check. In this regard, the Navy Cash system actually reduces, not increases, clearing and settlement float (or “credit” as some may refer to it), since the ACH debit which Navy Cash initiates against the sailor’s bank or credit union account will be processed electronically in 24 to 48 hours, much faster than a check can be cleared from a ship at sea. The off-line value-load transactions in Navy Cash are intended to eventually take the place of cashing personal checks. Title 31 of the U.S. Code and the Code of Federal Regulations and Chapter 4 Volume 5 of the DoD Financial Management Regulation authorize Disbursing Officers to cash checks. When ships are deployed overseas, Disbursing Officers must depend on the U.S. Mail to get their deposits back to their servicing bank, and it may take as many as four to six weeks for checks returned for NSF to get back to the ship. With Navy Cash, transactions returned for NSF are generally back to the ship within 48 to 72 hours, and this allows us to respond to an NSF transaction in a much more timely manner.

18. Don’t on-line ATM transactions have the advantage of immediate verification of available funds, thus reducing the user’s risk of overdrawing their direct deposit account?

The advantages of on-line transactions are acknowledged. The fundamental problem, however, remains that only 28 large-deck ships have the communications connectivity that can support the full-time communications necessary for on-line transactions. And, even on board the large-deck ships, communications are at a premium and also experience down time, occasionally for extended periods. For the remaining 140 or so ships with a Disbursing Office, the necessary full-time communications are not routinely available. A store-and-forward, off-line solution was required for these small-deck ships, and ACH is by far the most effective and least expensive method for settling transactions on a store-and-forward basis.

19. What is the benefit of the Navy Cash magnetic stripe over a card from a financial institution with like capabilities?

The Navy Cash magnetic stripe:

- ❑ Provides a link to multiple sources of funds, including the e-purse, home bank or credit union account, and Split Pay.
- ❑ Provides flexibility to Naval personnel to use these funds either on or off the ship.
- ❑ With the addition of the MasterCard logo, allows the card to be used at over 600,000 ATMs and 22,000,000 merchants worldwide.

A magnetic stripe from a financial institution with like capabilities does not have the linkages to all sources of funds, including split pay, home bank or credit union account, and e-purse.

Although the numbers may be small, the Navy Cash MasterCard debit card provides a debit card to Sailors and Marines who might not otherwise receive such a card from their financial institutions. Sailors and Marines who elect the Split Pay Option (SPO) can have a portion of their pay sent directly to their Navy Cash accounts. The Navy Cash card allows them to access these SPO funds, and a debit card issued by a financial institution would not. Use of an ATM ashore that does not belong to the card-issuing financial institution generally results in an ATM transaction fee being assessed. In addition, surcharges are often charged by the owner of the ATM. When a Sailor or Marine uses the debit card issued by their financial institution, they generally pay both the transaction fee assessed by their financial institution and the surcharge assessed by the owner of the ATM. When a Sailor or Marine uses the Navy Cash card, they only pay the surcharge. At ATMs that do not charge a surcharge, there is no fee when using the Navy Cash card. Although not everyone has their Direct Deposit funds in an interest bearing account, it is emphasized in training that Sailors and Marines should only move the amount of money they need to their Navy Cash accounts so that they can take advantage of any interest earned. Since there is no fee charged for Navy Cash transactions on the ship, Sailors and Marines can move money to the Navy Cash accounts in small increments to take maximum advantage of any interest earned.

20. What is meant by “pre-paid debit access?”

Sailors and Marines must plus-up their Navy Cash accounts before they can access these funds at ATMs and merchants ashore and retail locations on the ship.

21. The Navy Cash funds transfer process seems to be unique. Does that leave the interpretation of fees to be charged up to the sailor’s financial institution?

The Navy Cash funds transfer process is a normal ACH electronic funds transfer (EFT) transaction. There is nothing unique about our use of the ACH, which is a bedrock of the U.S. payments system, supported by all depository institutions in the country, the Federal Reserve, and other regional clearing houses. To date, sailors and Marines have only been charged NSF fees and ATM surcharges, but these fees are independent of the ACH system and the manner in which we use it. No Navy Cash cardholder has ever claimed that they were charged an ACH or EFT transaction fee.

22. The Navy Cash system requires equipment, communications, and resources, which incur costs for the Government. How is this funded?

The Navy Cash prototype was funded through a partnership with industry and the U.S. Department of the Treasury, Financial Management Service (FMS). Industry team members and FMS shared in the funding of software development and equipment costs. FMS funded

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reconciliation and settlement support. Navy provided communications support using existing TCP/IP communications paths and funding for Navy requirements, like SPAWAR lab testing, system security accreditation, and installation drawings. If the decision is made to roll the Navy Cash system out fleet-wide, Navy will pay for everything associated with the installations on board Navy ships and for maintenance and communications support, and FMS will pay for backend reconciliation and settlement services.

23. Does the Navy Cash funds pool earn interest? If so, which party earns the interest, and is it considered income?

The Navy Cash funds pool is owned by and earns interest for Treasury. Treasury and Navy have signed a Memorandum of Agreement ensuring all earnings are used only for Navy Cash program purposes, to the extent permitted by law and regulation.

24. Does the term “backed by the funds pool” mean that the funds pool is serving as collateral?

The funds pool is not a collateral account and does not represent pledged collateral for some other deposit. The phrase “backed by the funds pool” means that each dollar in electronic value loaded onto a Navy Cash e-purse represents a claim against a dollar of legal tender value in the funds pools. In a stored value card system, the electronic files representing money on the e-purse are not legal tender, and so a pool account at a depository institution is created and funded at 100 percent of the stored value in circulation. For many reasons, creating one funds pool to hold the legal tender value for an e-purse is the standard means of operating such systems and has been implemented in dozens of e-purse systems around the world. If Sailors or Marines lose their stored value cards, they are not losing money in the same way they would with actual cash from their pockets. The funds pool still holds their “money,” and the remaining balance is transferred to a new stored value card.

25. How are the Navy and the Treasury measuring the workload reduction? Do the Navy Cash prototype ships concur with the reduction projections?

Navy Cash is being presented primarily as a Quality of Life, Quality of Work, and Quality of Service initiative. Navy has arranged for and funded a Business Case Analysis. Various metrics have been developed, and data is being collected by the prototype ships. The prototype ships will be involved in the review of the analysis before it is distributed.

26. A sailor’s direct deposit account may provide access to additional networks other than MasterCard. If so, will Navy Cash reduce the sailor’s financial capabilities? If a sailor wants to make a purchase where MasterCard is not accepted, the Navy Cash card will not work and sailor must present either cash or a card issued by a financial institution that is acceptable to the merchant.

The same could be said in reverse. The Navy Cash card may provide access where a Sailor’s direct deposit account does not. Rather than reducing the financial capabilities that a Sailor or Marine already has, Navy Cash simply provides an additional capability off the ship that an individual may or may not choose to use.

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27. Will sailors or Marines who use the Navy Cash card at ATMs be charged an ATM access fee by the Treasury Agent Bank?

No. Surcharges may still be assessed by the owner of the ATM. These surcharges have become customary, particularly in the U.S., and are charged to any debit card that is not issued by that institution.

28. Does the sailor, his Navy Cash account, his direct deposit account, or any Navy Cash participant incur any fees for the Navy Cash debit transactions? Does any party of the Navy Cash project team earn fee income for the Navy Cash transactions either onboard ship or ashore?

In processing ACH debits against a Sailor's home bank or credit union account, for example, when a sailor loads value into the Navy Cash system, Navy Cash will not charge the sailor a fee for this service. The only "fee" or cost associated with the ACH debit is the originating bank's (in this case the Treasury Agent Bank's) cost of sending the ACH entry through an ACH processor. For example, the Federal Reserve, one of the largest ACH processors, charges depository institutions approximately 4 cents for such an entry. These costs incurred by the Treasury Agent Bank to initiate ACH entries will be bundled into their compensation for operating the Navy Cash system. No fees will be charged to Sailors.

In processing on-line debits against the sailor's Navy Cash account, for example, when a sailor uses the magnetic stripe to make a point-of-sale (POS) purchase from a merchant on shore, no fees are incurred by the sailor. The merchant must pay a transaction fee. The nature of this fee depends on the type of POS transaction the sailor makes (merchants pay a different fee for signature-based transactions than for PIN-based transactions). These merchant fees are distributed to the organization that maintains POS terminals for the merchant (the "merchant acquirer"), to the ATM network or card association that routes the transaction, and to the issuing bank that authorizes the transaction and updates the sailor's account balances to reflect the transaction. In effect, these merchant fees help defray the costs of operating the Navy Cash service. To reiterate, the sailor does not pay a fee for POS purchases.

Use of an ATM ashore that does not belong to the card-issuing financial institution generally results in an ATM transaction fee being assessed. In addition, surcharges are often charged by the owner of the ATM. When a Sailor or Marine uses the debit card issued by their financial institution, they generally pay both the transaction fee assessed by their financial institution and the surcharge assessed by the owner of the ATM. When a Sailor or Marine uses the Navy Cash card, they only pay the surcharge. At ATMs that do not charge a surcharge, there is no fee to the Sailor or Marine when using the Navy Cash card.

Overall, there are no fees or fee income related to transactions on board ship or related to the e-purse. Off the ship, the debit card networks and card associations impose certain costs on the merchants, card issuing banks, and merchant acquiring banks under standard global rules. To the extent that the Treasury Agent Bank incurs such costs, they will be factored into the bank's overall compensation for operating the Navy Cash system. However, no fees will be charged to sailors, and, as such, the business model for Navy Cash is not driven by transaction fees.

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29. Define “incoming receipts to the Federal Government” and provide examples. Are there any costs the Navy for this project? How are they funded?

Receipts from sales in the Ship’s Store are an example of “incoming receipts to the Federal Government.” There are costs to the Navy for this project, and the funding for these costs are explained in general terms above.

30. How does the funds pool protect the sailor’s funds and who is liable for misappropriated funds?

The funds pool is federally insured. Funds held in excess of federally insured amounts are guaranteed by the Treasury Agent Bank.

31. Who owns the debit card and are they responsible for the funds and transactions under EFT regulations?

The Navy Cash cards are issued and “owned” by JP Morgan Chase. For Navy Cash, they are the Treasury Agent Bank that is responsible for the funds and transactions under NACHA regulations.

32. How does a sailor request a transaction refund for a disputed transaction?

Refunds from any retail location on the ship can be handled in the Disbursing Office using the Navy Cash Disbursing Application. Refunds from any Ship’s Store operation are normally handled in the Sales Office. Disputed transactions ashore can be handled by the Navy Cash Customer Service Center.

33. Does the sailor receive a monthly or quarterly statement that lists transactions performed?

A sailor has the capability to request statements on demand from the Navy Cash customer service web site. In the case where communications on board ship limit access to the web, the sailor can either request statements from the disbursing office or call the Navy Cash customer service line.

34. Do the sailors and Marines receive interest on the funds they deposit in their Navy Cash account located at the Treasury Agent?

No. The funds pool is just that, a funds pool. There are no individual accounts into which funds are deposited. Funds are transferred into the pool and held there until they are spent. As stated previously, Sailors and Marines can move money to Navy Cash in small increments to take maximum advantage of any interest earned in home accounts. This is not much different than the current program, ATMs-at-Sea, where funds “deposited” by Sailors and Marines in safekeeping accounts do not receive interest.

35. Do all levels of the Navy concur with this information and are they comfortable with turning over the management of the sailor’s private funds and DoD allocated funds to a Treasury Agent?

The Department of the Treasury was approached by the Navy to provide a financial solution. FMS has provided the solution via one of its Treasury Agent Banks. The Navy Cash program

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has been briefed through the appropriate Chain of Command, e.g., ASN(FM&C), OPNAV N41, DON eBusiness Operations Office, DON CIO, Fleet CINCs, Type Commanders. To date, there has been no objection to Treasury managing either the Sailors private funds or DoD allocated funds.

36. *Does the Navy understand that the interest earned could be kept by the Treasury Agent or directed to other projects?*

The interest earned belongs to the Treasury and not the Treasury Agent Bank. Treasury and Navy have signed a Memorandum of Agreement ensuring all earnings are used only for Navy Cash program purposes, to the extent permitted by law and regulation.

37. *What is the feedback from the prototype ships on the program?*

Customer surveys are planned for both USS Rentz (FFG 46) and USS Bonhomme Richard (LHD 6) approximately one month prior to their return from their overseas deployments.