FTC MOBILE CRAMMING ROUNDTABLE
TRANSCRIPT
SEGMENT 3
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MALINI MITHAL: Good afternoon. Welcome to the afternoon of our Mobile Cramming workshop. We are here to discuss the last topic of the day, which is other possible strategies to address mobile cramming. And we'll be speaking from 1:30 to 2:45. We have seven panelists, as you can see. So we're going to try to move quickly through the introductions. I'm Malini Mithal, and I'm at the FTC.

JIM TRILLING: And I'm Jim Trilling, also at the FTC.

MIKE ALTSCHUL: Mike Altschul, with CTIA.

MALINI MITHAL: And let me-- I'm sorry before the next person speaks-- Mike, you can speak for a little longer than that. You can describe a little bit-- I know you were on an earlier panel.

MIKE ALTSCHUL: Yeah, I'm a bit of a recidivist today so-- but CTIA both represents the wireless industry and has a key role in this area of short codes and in premium messaging, both by administering the short code program, and by doing monitoring on behalf of industry and it's 300 million plus consumers.

DAVE ASHEIM: My name is Dave Asheim. I'm the CEO and founder of a company in San Francisco called Give by Cell. And we are one of the application service providers that Jim Mann has talked about in the first session. We work with thousands of organizations providing mobile services around the world and have probably 500 to 1,000 different charities here in the US using the premium billing for raising funds. And this is such an important topic to us because every day we receive 20 to 30 phone calls from nonprofits who are really struggling in today's economy to try to survive, and this whole mobile giving premium short code has really been tremendous for them. So we expect that to really be just growing by tenfold over the next four or five years.

DELARA DERAKHSHANI: My name is Delara Derakhshani. I serve as policy counsel for Consumers Union, the policy and advocay of Consumer Reports. Our organization has been involved in the issue of cramming since it first emerged as a problem. For years, our subscribers have told us of mystery fees appearing on their landline and wireless bills. And for years we've alerted readers to the practice of cramming and have advised them to be extra vigilant in reviewing their landline and mobile phone bills for unexplained fees.

We were glad that the FCC moved forward in its landline cramming proceeding last year. However, we believe more proactive measures are necessary in order to prevent these charges from ending up on consumers wireless bells. To that end, we'd like to think the FCC for its leadership on this issue, and for actively participating in last year's proceeding before the FCC, and for bringing its first enforcement action against mobile crammers. Thank you.

LYNN FOLLANSBEE: Hi. I'm Lynn Follansbee and I'm an attorney adviser in the policy division of the Consumer and Governmental Affairs Bureau of the FCC. The Consumer and Governmental Affairs Bureau is really the branch of the FCC that handles most of the cramming issues. The Commission handles cramming under its truth in billing rules which, since 2005, have required landline and wireless carriers to proved the name of the service provider associated with the bill clearly and conspicuously, identify any change in service provider on the bill clearly and conspicuously, provide brief, clear, non misleading plain language description on the bill, and for wireline carriers, separate charges have to be separated by service provider and identify amounts that need to be paid to avoid disconnection.

Last year we adopted some new rules that essentially required non carrier third party charges to be in a separate and distinct section on the bill. And for there to be a separate subtotal. At the time the Commission decided not to require that of wireless carriers because we didn't see cramming as big a problem, but we did note a trend and adapted a further notice. And that proceeding is still ongoing.

Also at the time that we adopted the order, in 2012, we had a lot of carriers that actually-- telephone companies that came to us and voluntarily agreed to stop third party billing for non telecommunications services by the end of 2012. So we've seen a lot of that curbed by the industry on its own. We are still currently handling each cramming complaint individually. They are mediated if appropriate, and the degree of the Commission's involvement essentially depends on whether or not we have jurisdiction over the complaintive company. If the complaintive company is the carrier, then we address the alleged violator and ask them to respond to the FCC, and directly to the consumer.

We are pleased to be participating in this workshop. We had our own cramming and bill shock workshop a couple of weeks ago, and we heard from a lot of folks that they thought that wireless cramming was under reported. So we're happy to continue to look at this issue and see what we can do from here. Thank you

MARTINE NIEJADLIK: Hi. I'm-- oh my God. I'm Martine Niejadlik with Boku mobile billing. I'm the compliance officer for our company, and I also am the VP of customer support. I come today representing the commercial space, and we are an aggregator of sorts, but a little different from a sort of historical aggregators as you might think about them. And I think one of things that's really important about our service and the way we operate, is we not only do merchant vetting, but we work with merchants who are the likes of Facebook, Sony, EA, Electronic Arts-- these are folks who have existing payment methods on their site today. They accept credit cards, they accept checks, they accept those sorts of things, and they want to accept mobile billing as an option. We provide that service to them.

Why do they want to accept mobile billing as an option? Because consumers want to use it. We have done some surveys ourselves, and about 50% of the people who use our service don't have other good ways to pay. And about 50% of the people who use our service use it because they want to. It is private, it is secure, they like it, and we offer that option to them. So our transactions are always consumer initiated. These are people looking to buy something. We're not marketing people, were not putting ourselves in Google search or anything of that sort of stuff. They are coming to a website, they want to make a purchase, they're choosing mobile billing as the choice method for making that purchase, and then we are hosting the payment panel and the opt-in.

So merchants who-- the Texas case was very enlightening to me this morning. That seems like a clear case of UDAAP violations in my mind, but we do that on the merchant's behalf. So merchants can't decide to they're going to put a bunch of blank space in the text messages, because we're in control of that. So that's a little bit about our service. I think this morning we heard a lot about charities and commercial cramming. And I want to sort of get everybody to think about the commercial business really having different flavors to it as well. There are the folks out there who are doing the types of billing that are getting classified into cramming. We don't like cramming, we don't condone cramming, we feel like we're getting mixed up a little bit in some of that because our service is quite different, as I described.

So just a little bit about my history quickly too. My prior three jobs, before joining this mobile billing start-up thing, is I managed the fraud detection function at Paypal. And prior to that, eBay, and prior to that, Amazon. So I am all about protecting consumers and preventing fraud. It's not an easy job, but I think we need to all work at it. So we'll talk more about that today. So thanks very much.

MELANIE TIANO: I'd like to start by thanking the FTC for hosting this workshop, and for continuing to focus attention on this issue. Chairman Rockefeller remains very focused on this issue and I know that he is appreciative of all of your efforts. My name is Melanie Tiano, I'm investigative counsel to the Senate Commerce Committee, and in 2009, when Senator Rockefeller took over as chairman of the Commerce Committee, he created an office of oversight and investigations, which is where I work. And he wanted to create an office with a team that was dedicated to identifying and investigating instances of waste, fraud and abuse in the public sector, and also of consumer harm in the private sector. And I think that we can all agree that cramming falls squarely within this mandate.

After years of consumers frequently complaining about unauthorized charges on their telephone bills, and state and federal law enforcement agencies, especially the FTC, for years had been bringing cases against companies engaged in cramming, but the problem didn't seem to be going way. So in 2010, Chairman Rockefeller opened an investigation into cramming on wireline telephone bills. And through that investigation we found that third party billing on the wireline telephone bills was a multi-billion dollar industry, and a large percentage of the third party charges that were being placed on consumers telephone bills were, in fact, unauthorized.

Further, we saw that the majority of the companies that were providing these so-called services to consumers, and the services I think we all know, consisted of enhanced voicemail, email accounts that also sent you weekly emails with fashion tips and celebrity gossip updates, were illegitimate, and appeared to be created solely to exploit the third party billing system. In response to our findings, the major wireline providers did take positive steps to attempt to curtail cramming on the wireline bills. At the time of our investigation it made sense for us to focus on wireline cramming as opposed to wireline and wireless, because there was such an extensive history of cramming on the wireline side. And there were distinct differences between the technologies of wireline and wireless.

However, throughout and following our investigation, our office saw increasing indications that cramming was affecting wireless consumers as well. So to examine this issue more closely, Chairman Rockefeller sent letters to the four major wireless carriers-- AT&T, Verizon, Sprint and T-Mobile-- asking them for information about who they allow to place charges on their customers telephone bills, and also any processes and steps that they had in place to curtail cramming on wireless bills. Following continued reports that instances of wireless cramming were increasing, this year the chairman sent follow-up letters to the carriers, this time asking for information related to consumer complaints, and also for the information that they submit to the California Public Utilities Commission concerning charges and also refunds. And he also set letters to five billing aggregators asking them questions related to their role in the industry and any consumer complaints that they received. This investigation is currently ongoing.

Also last congress, Chairman Rockefeller introduced the Fair Telephone Billing Act of 2012. And this bill would have prohibited most third party charges from being placed on wireline telephone bills, and would also require the FCC to impose rules protecting wireless consumers. As I said, the investigation into wireless cramming and wireless telephone bills is currently ongoing so I won't be able to comment on the specific information that we're receiving, but I do look forward to contributing what I can to the questions that will be posed on this panel. And I thank the FTC again for inviting us to participate in this very important discussion.

ALAN SEGE: My name is Alan Sege. I'm with a company called m-Qube Incorporated, and we're one of the predominant messaging and carrier billing aggregators the United States, with direct connections to every single mobile operator, most of whom do enable one form or another of carrier billing for third party charges. I'm here today-- first of all I'd like to thank the FTC for inviting us, we're very honored to be here. Consumer protection is most of what we do. We are vendors to the carriers, and enforcing the regimen of two factor authentication and the marketing rules are really the core part of our jobs to them.

At the same time, we also serve the merchants. So we actually are the ones who administer and supervise the system on a day to day basis. So we do have quite a bit of information about how it works, and we're quite proud of the strengths of it. If there's any way in which consumer protection can be increased we definitely always are at the forefront of those ideas.

Over the years we have tried to assume a leadership position, in addition to our role as vendors to the carriers, to come up with new ideas and new ways to enforce consumer protection throughout our industry. So we participated in the formation of the very detailed, and also very comprehensive, consumer best practices rules. They've been characterized a little bit today, but I think what we need to actually read and familiarize oneself with the rules before opening critiques.

The question is, how are they implemented? And the question is, how are they monitored and enforced? So another thing that we've introduced to the industry, we've performed for many years, is the vetting of merchants. Which is something that we've done for many years, we continue to do today, and that's become an industry standard. We also have always performed in market monitoring. Not only of the marketing, but also of the actual messaging and opt-in logs to detect trends that could be of concern.

We act against when we see the merchants whose patterns seem to be of concern. Sometimes it's at the initiation of the carriers, and more often it's at our own initiative. Its also-- consumer protection is a big part of what we do, and also a big part of our agenda if we have one, is to advance the use of this channel in our society for all kinds of ways that improve our experiences as citizens. So from early 2010 we were called upon in an emergency basis to process the charitable contributions to the Haiti campaign. We had to unroll high capacity binds and funding for major charities in a period of a couple of days, including nationwide telethon telecasts on every single major network. And we did succeed in processing over $40 million in charitable contributions during the 10 days following the Haiti earthquake.

Last year we introduced a concept at the Federal Election Commission to permit citizens, for the first time, to support the candidates of their choice by texting a keyword to the candidates short code. It's a program that permits federal political committees to take all of their marketing and turn it into mass fundraising. The program was very successful. Again, we had very broad support from the carriers who had to act quickly in a regulatory environment that was new for them. And that program was a great success, and we continue to have great interest from the political community in that program.

In addition, now, we've added in our messaging side, the capability-- and this is a brand new thing at the carriers as well-- for using short codes and commercial messaging to send not just 164 character text messages, but to send video, audio, long text, so that now advocacy groups, consumer groups, grassroots organizations, will be able to mobilize using a very effective and very prevalent means for all consumers, which is messaging to their cellphones.

On the billing side, in addition to the premium SMS billing, we also offer to the newer form of carrier billing called direct carrier billing for major organizations for whom carrier billing is critical. So we offer carrier billing for Skype. So that when you use Skype you can now have it applied onto your phone bill. We offer carrier billing for major news publications whose industry is struggling to remain alive, professional journalism industry, by providing consumers an easy and private way to make quick transactions to make their purchases also through carrier billing.

So this is an exciting new transaction channel for merchants and consumers. For merchants it provides convenient, verified and quick transactions. For consumers it provides strong authentication. And premium SMS also is strong authentication because it's two factor authentication verifying, not just that someone knows their account information, but that someone has an authenticated object present at the time of the transaction, which is their handset.

I also come equipped to make an announcement about an improvement in policy that we've now decided to publicize today with respect to premium SMS especially. I will touch upon a couple of things from the previous sessions. There was a lot of discussion of refund rates. To us, refund rates are not indicative of cramming necessarily. So I don't know that much about the Wise Media case but, for example, a refund rate of 30% to 40% percent indicates to us that consumers were receiving messages telling them that they've been billed, causing them to call up for refunds. So I'm sure that Wise Media is a horrible case. On the other hand, in a sense, it's a success case that the refund rates were that high. Our channel was used and billing was married to messaging, and consumers were aware and demanded refunds.

There are other reasons why refund rates are not necessarily a best indication to us, in our experience on a day-to-day basis. First of all, when a consumer-- as I mentioned, when a consumer actually receives their premium SMS pin message and their welcome messages, those are times when they ask for refunds. So those are supported by high refund rates. Whereas if they were not to see those, or if those were not properly configured, one could see lower refund rates.

Most of these programs come, like many internet programs, with a money back guarantee, in which people are encouraged to essentially try before they buy. Also, other channels for mobile media just do not permit refunds. So purchasing on the various operating system stores, there's no way to get a refund. Whereas, in our channel, refunds are liberally granted. And all of the rules and mechanisms that we have are premised on our concept that we offer a payment means, which is much more authentic than other payments like credit card. Either credit card not present or credit card present transactions. Our channel is much more authentic.

But the issue that we must address, and which we always try to address, is the fact that consumers may not be familiar with the fact that their cellphone bills can be charged for these kinds of purchases. So that puts us into a position where we always favor much higher, much greater degree of disclosure than a normal online or credit card transaction.

MALINI MITHAL: And actually, Alan, you're bringing up a topic that I think some other panelists want to discuss. That's the topic of refund rates. So I'm actually going to dive right into that. So we are, as we know, talking that general additional strategies that could be used to reduce mobile cramming. And a topic that earlier panelists touched on is the idea of using refund rates to see if it's appropriate to suspend or terminate certain content providers with high refund rates. Does anyone have any comments about that? Mike.

MIKE ALTSCHUL: I can report the carriers are doing exactly that. They do monitor the consumer complaints and refunds, and use it as a trigger. Different carriers, I understand, have different thresholds, but in talking about refund rates we also have to remember this is a metric that's uniquely within the carrier's control. Carrier can be very, very generous in providing customers with refunds, and extending those refunds over very large numbers of months if charges have been on a bill for some time. Increasingly, refund rate being consumer friendly, having a larger number, a larger refund number than a carrier that is not as generous in providing refunds.

Probably the most significant real data that I've seen is contained in a ex parte letter that the California Public Utilities Commission filed with the FCC earlier this year, comparing the refund levels from wireless carriers reported to them under their state rules between 2011 and 2012 calendar years. In 2012, the refund rates had dropped in half.

MALINI MITHAL: And another question, just to add to this topic, is should there be some kind of national requirement of reporting regarding refund rates? I know that California has that registry that you're talking about. So if anyone wants to answer either of these questions about whether refund rates are meaningful, and whether they should be reported nationally.

MARTINE NIEJADLIK: I have a few comments actually. And I'm going to use a little bit of experience from sort of the credit card space to talk about this a little bit. First of all, one of the things that is pretty clear from what we see in our data is that, as Mike alluded to, there are not consistent policies that are being implemented at the carrier level, nor at the aggregator level today. And so, I mean, this is like real, real discrepancies to the extent of one being 4x the other one. Very huge numbers.

And so if you-- I think one of the first things we have to do is we have to sort of figure out what an appropriate refund policy looks like. And that doesn't mean every time the customer calls they're going to refund either. I think it really does need to balance potential abuse of the system with giving the consumer refund when it's warranted. They absolutely should be projected when it's warranted and shouldn't be getting refunds when it's not warranted.

So that would be first thing. I think the policies are inconsistent. Secondly, one of the things that works really well in the credit card space, that I don't see as much of in the mobile billing space today is clear reason codes as to why the consumer is being refunded. That's something that is always categorized and goes through a very different process. If you call up your credit card company and you tell them that fraud's been committed, you will have a different process than if a merchant didn't deliver you some good that you purchased. I think we need to get there here as well.

And then the third thing I'm seeing is an inconsistency also, and perhaps an incorrect, I would argue, measurement of refunds. And what I mean by that is that I'm seeing providers who are looking at refunds in a particular month as the numerator of the equation, and dividing that by the activity in that month. And the reason that's problematic is because a lot of the people who are using the system to conduct the billing have changes in volumes from month to month. And so if my volume is going up, and I'm using volume from-- I'll just argue-- March and I'm comparing it against refunds for March, which are arguably, many of which from transactions that are in January, I now have an understated refund rate.

And vice versa. If my business is going down I have an overstated refund rate which could cause red flags to go off when it's not warranted. And so I think the calculation there also needs a bit of work. Once we fix all that stuff, and also really educate consumers properly to call, where to call, and how to get a refund and all that sort of stuff, and they get it when it's appropriate, that might be the point at which we consider what's an inappropriate refund rate. I don't think we're there yet, frankly, to be able to come up with that number.

ALAN SEGE: I would also say that, in terms of refund rate, it definitely is a metric that an operator-- someone who actually conducts the business-- can use in conjunction with other data to reach conclusions. There's no doubt about it. However, it's really unregulable because businesses will make their own decisions based on any number of factors about their refund policies. So that what it means for one business, one carrier, means something entirely different for another business or another carrier.

If it were regulable I don't believe it's something that could be done by government regulation. I think it's the kind of thing that, maybe, could be done with cross-carrier industry regulation. But even there, I wonder whether there will be unfair trade concerns about the companies collaborating on an economic metric like refund rates. So, yes, we do use it in data in our analysis and our investigations, and in our decisions about suspending and terminating and imposing liquidated damages on a commercial level, but it doesn't seem to be useful either for government regulation or for industry self regulation too much.

DELARA DERAKHSHANI: So we actually do think that refund rates do inform the discussion of just how widespread the problem of mobile cramming is. We do think that more needs to be done. But one thing that I will note is that the refund rate mechanism really only identifies the problem after it has occurred, and we really strongly believe that more proactive measures need to be taken to address the issue before it happens, before consumers are hit with those charges. So I will note that.

MALINI MITHAL: Dave?

DAVE ASHEIM: In the nonprofit space, I think Jim mentioned earlier this morning, that refund rates are 1% 1.5%, and there are many reasons for that. But one or two reasons that come up, the charities, of course, are trying to maintain a strong relationship with their prospective donors. So they are really going out of their way to make sure everybody knows what this is about. They will put the terms and decisions on their website, on all printed material, and even many life events where they're raising money they'll actually read this long four or five sentences of terms and conditions to make sure that when you get your bill, you'll see this on the charge. So I think one thing that's made them so successful then this is their full disclosure.

MALINI MITHAL: And I'm actually going to move on to the next question. Jim, did you want--

JIM TRILLING: We want to continue to talk about refund rates that may be with a little bit of a different angle. The-- Mike you've mentioned that the carriers-- and Martine alluded to this-- different carriers and different aggregators may have different refund rate thresholds before they take action against a content provider. Once an aggregator or a content provider does terminate billing-- I'm sorry, once a carrier or an aggregator terminates billing for a content provider, do the carriers reach out to the consumers who have been charged in the past to let them know that's happened? And in doing so, do they offer them a refund for all the months they've been charged? And if not, is that something that they should be doing?

MIKE ALTSCHUL: Well I can't give you an authoritative answer across all the carriers and all the customers but carriers have reported that when they do detect out and out fraudulent cramming, and they can identify the pattern, yes, they do go back, they look at the premium SMS charges on consumers bills who have not come forward, and do proactively, in appropriate cases, act to remove the reverse those charges. Not in every case, but in proactive cases.

Just one quick word, though, about different carriers and different thresholds. Much as in the retail space, there's competition on refund friendliness. Everybody knows that Nordstrom's and LL Bean, in particular, are very proud of a no questions asked refund policy. You hear this, maybe, apocryphal story they even take goods that they've never sold, with a smile to keep customers happy.

Different carriers use this is a method of competition as well. And a carrier with a very generous refunded, a very good consumer facing policy is going to have a higher refund rate than a carrier that may hold consumers in a higher standard in granting refunds. You certainly wouldn't want the unintended consequence of making this a key metric in dampening those carriers and those business practices which actually are consumer friendly, but lead to higher refund rates, such as what you were suggesting, Jim.

JIM TRILLING: Melanie, did you have something to add?

MELANIE TIANO: Yeah. I would just like to quickly go back to the original refund rate discussion that we were having. I know that there's a lot of talk, has been a lot of talk about percentages. And I know in the last panel, someone mentioned that credit cards, once you've exceeded a 1% refund rate, that they start to suspect fraud. And we examine the California data and we saw that around 13% of all third party charges that were being placed were being refunded.

Everyone argues that they can't say for sure that each one of those is a cramming instance but when you look at it as percentages, even 13% may not sound that high, but when you look at the actual numbers, hundreds of thousands of refunds are being made each month in one state. And so even if you don't think that 13% is an alarming percentage, that's a lot refunds that are being made. And if you look at $10 per charge, which is the average, that's a lot of money that is being refunded to consumers each month.

JIM TRILLING: Alan, did you have something to add?

ALAN SEGE: Oh, yeah. We should bear in mind that quite a number these programs, in their actual terms and summary charges, very blatantly disclose to consumers is that this is a 30 day or 60 day money back guarantee kind of situation. And this is part of how they market. Maybe that marketing could be criticized, but it does give rise to people taking advantage of those offers and availing themselves of the money back guarantee.

Also, I'm not sure about the credit card analogy, and there's different kinds of refunds and charge backs on credit card bills. But I wonder whether anyone has looked, even at the 13% number, and compared it to credit card world purchases of software or content or soft goods, to determine is 13% unusually high in a similar situation through other billing mechanisms? I don't know the answer, but I'm willing to bet that it wouldn't be so very different.

MALINI MITHAL: And does anyone have any thoughts about whether the credit card industry is a good comparison? I mean, is there a reason that consumers are more or less aware of charges on their credit card bills versus phone bills? Mike?

MIKE ALTSCHUL: Well one big difference is there aren't many teenagers with credit cards that their parents have given them, but they are on family plans, authorized users of a family plan account, who are in their teens, and may not have the same judgment that their parents, upon receiving a bill, may have in second guessing their children's judgment. That doesn't happen in the credit card world.

MALINI MITHAL: And Martine?

MARTINE NIEJADLIK: I don't think you can compare the-- people get credit cards because they want to use them as a billing device. That's not necessarily the reason why people get their mobile phones. Now, many people may want to use them as a billing device, but it doesn't necessarily equate. And so there's no doubt that consumers are not as aware, certainly today, that their mobile phone as a billing device. I think there's a lot more consumer education that needs to happen.

I also think there's a lot more analysis that needs to happen, as I was sort of alluding to before. Another thing that the credit card companies do is they classify merchants into codes. And they look at rates via codes, and there's different expectations. If you are an internet merchant selling books, then if you are a physical goods merchant and you have a storefront. It's just very different, and I don't think we've really segmented our industry enough.

We don't even have enough experience, frankly, yet. Certainly we haven't segmented it enough to really understand that problem well as I sort of alluded to before. I think the types of commercial merchants that we work with-- we're not shutting down Facebook, for example, because they have too many refunds because they're cramming on people's bills, like, that that's just not happening.

And so even if they have refunds that are occurring-- which, by the way, to Alan's point, may be a good thing. It would be worse if there were no refunds occurring and people were unhappy with the charges that were on their bills, but I don't think that's necessarily-- I do agree completely. It's a great indicator and people should be watching it, anybody in this space should be watching it and should be taking action, and at least looking at, as an indicator, to whether an investigation needs to be conducted further than that. But I don't think an automatic 8% or 13% or whatever the numbers are we're throwing out there right now would be appropriate at this time.

MALINI MITHAL: So is there a better way to calculate the refund rate? Should content providers be providing this information to carriers? Should carriers be providing this information to law enforcement?

MARTINE NIEJADLIK: Let me address that quickly, actually, because-- by the way, Boku operates in 68 countries on over 260 something, I think, carriers now. One of the things that we've done in the US over the past few years is we've established these direct connections to carriers, and so we bill via the direct connect as opposed to billing via premium SMS. And one of the features that offers us is the access to a refund API. And so instead of having to go out of band and issue refunds via a check and you give me your bank account, all those types of things, we can actually issue refunds directly back to the carrier bill now. I've just got a little tool, I can push a button and a refund shows up on the consumers carrier bill.

And what that does is it gives the carrier also visibility into the fact that these refunds are occurring. Now whether they should be reported outside of that, potentially. But I think at least now the carrier's got a full picture when those types of tools are being used. We're seeing a lot of advances like that in the space. I mean, we're just still-- we believe-- Jeff Bezos used to say to us, it's still day one, it's still day one. And we're always like, please, can it be day two one day. But we actually still believe that this industries is in its infancy, and those types of things are, over time, just getting better and better and better.

MALINI MITHAL: And Delara.

DELARA DERAKHSHANI: While I won't get into the specifics of exactly which entity should be responsible to whom, and for what purpose, I will say that we strongly believe that all entities in the marketing and billing chain do have a role to play in ensuring the integrity of the third party marketing and billing process. Nobody should be let off the hook, especially when all of these entities are deriving money from the process.

MIKE ALTSCHUL: I just wanted to answer the portion of your question that went to carriers and everybody in the system here providing information to law enforcement. We're talking about-- many of the instances that you've heard today is just out and out fraud. These are crimes. And carriers and aggregators have been cooperating with both federal and state consumer protection authorities who do have the resources to bring and prosecute these fraudsters. And continue to support those investigations wherever they identify them and can be of help.

MALINI MITHAL: Next topic.

JIM TRILLING: Alan, maybe we can weed your comment into a sort of adding this to the conversation. Martine you indicated that there may be better metrics that can be used than the metrics that are currently being used. You alluded to comparing refunds in a particular month to the charges in that particular month. What other types of measures should be used and where should those measures be reported in order to help control cramming?

MARTINE NIEJADLIK: Again, I just would reiterate, I think it's important to segment the population. That's an important aspect of looking at the actual rate. Should there be other vehicles for consumers to report? We, for example, will look at contact ratios. So these are just instances of consumers contacting us with any sort of complaint. It may end up in a refund case, it may not.

I would say, one other thing in the credit card space that I find to be very misleading, is that what tends to get reported, particularly from public companies, is their charge back rate or their loss rate. And so what's not getting reported is all of the fraud that's attempted on their platform that's being prevented, which is what my previous three teams used to literally spend our entire lives doing. And so the fraud rate on credit cards is actually significantly higher than what you'll see in the actual charge back rate. And that's because much of the fraud is being prevented.

I think in mobile billing, and one of the reasons I joined Boku is because-- Alan's talked about this a couple of times-- the type of authentication that's occurring in mobile billing is a step function better than in other, at least online payment methods, I'm not going to speak to proximity payments where people are standing in front of a merchant. But certainly online.

When you use your credit card or let's say, somebody uses your credit card today to buy something, your credit card doesn't light up in your wallet and start beeping and require you to push a button. It doesn't do that. But when mobile billing is occurring, your phone is lighting up and it is requiring you to do something. And that is a very unique aspect of this system that really does make it more secure. And I think consumers actually really like that as well. I mean, security is definitely something that we hear from them also.

So nothing is bulletproof. I mean, we should never strive to have a 0% fraud rate in anything. We know there's counterfeit cash out there, and counterfeit checks, and there is any payment method you have there's going to be some level of fraud occurring. But certainly we should figure out exactly where the problems are occurring and target rules to address those problems, while allowing the legitimate business to go through. I think that really should be everybody's goal.

JIM TRILLING: Alan, did you have a comment before we switch topics?

ALAN SEGE: Yeah. There was one question about reporting suspicious activity to law enforcement. That is something that we do and we've had a good degree of success with that. In terms of other metrics besides refund, really, we have two kinds of security techniques like, I guess, any company whose a payment processor like us. We have security techniques that-- oh, sorry-- we have security techniques whose strength comes from the fact that they're well known. And double opt-in is really that.

And then we have security techniques whose strength comes from the fact that they arise out of our rich data and our ability to analyze it, detect trends. Now that second one is really, like all of these other things, like refund rates, like monitoring, like auditing, it's post facto. It's after bad activity has taken place. Then we're very good at identifying it and stopping it. So I was kind of hoping for this panel to also be able to discuss any way of improving our security techniques before transactions initiate. And to us that's valuable. That's valuable turf. And we have techniques that are available to us in this industry that we believe are not exploited right now, which we're prepared to announce a new policy on.

JIM TRILLING: Perhaps we can work that into talking a little bit more specifically about the double opt-in process. We talked this morning about the different modes of handling the double opt-in process. Are they all equally effective, and what can be done to improve any of them?

MIKE ALTSCHUL: From some of the examples we saw, we're constantly learning how to be a better and more effective in inner vetting, media monitoring, because obviously, to opt-in you have to be knowledgeable and informed. And the information, particularly, on the web disclosures needs to be clearer and conspicuous as the best standards require.

Just as an aside, where there little snickering in the audience-- in the last panel about the 125 pixel requirement which was a technical requirement, we saw how easy it was to evade or deceive-- that came from a state attorneys general consent decree with the industry as the floor. So the industry has done, through learning the vulnerabilities and going back and improving our protections for consumers, is to go beyond and actually not just measure pixels but look to make sure it really is a clear an conspicuous thing. It's this constant improvement of our knowledge and in tailoring our processes that will best protect consumers in this space.

JIM TRILLING: Melanie, did you have a comment?

MELANIE TIANO: Yeah. I just wanted to-- there's been a lot of talk on this panel so far that the double opt-in process is a far more secure process than using your credit card online. And what we saw in the wireline investigation, and that point still holds true in the wireless, is that people don't protect their telephone numbers. And so even though there are policies in place that require these companies to use the double opt-in process, we've seen plenty of complaints and the chairman highlighted some of them in the letters that he sent out, where this process isn't being followed.

And so since there are actors out there that aren't going to follow the process, your phone number is so widely available. And credit card numbers just aren't. And if you buy something online with your credit card, you need credit card number, you also need that little three digit number that's on the back. With your phone number, your phone number is everywhere.

JIM TRILLING: Did you have a comment, Dave?

DAVE ASHEIM: Yes. In the nonprofit space, the double opt-in has been in existence since that started. But also one of the things that has made it I think less subject to fraud is the set of documents and the requirements that a nonprofit has to go through. There's something like nine or 10 different documents that have to be submitted to the mobile giving foundation, there are carrier rules on who can play and who can't play, so that does keep a lot of the bad actors out of the whole game.

DELARA DERAKHSHANI: I was going to reiterate that we agree with Melanie said. Oftentimes all a crammer needs is an active cell phone number. And so tech spamming really-- this is a big problem that's unique to the wireless context. The issue of tech spamming and the fact that crammers, all they need is a phone number.

MARTINE NIEJADLIK: Sorry. Can I comment on that just quickly?

JIM TRILLING: Yes.

MARTINE NIEJADLIK: Yep. I think if the rules are implemented properly then, obviously, that you can have a phone number it's not going to work, because you have to have that second opt-in. I was not pleased to hear about the negative opt-in sort of practices that were being used, and I don't imagine anybody in the room would condone that. I think it would be important to figure out how to get any biller to comply with the rules that do exist today. Part of my role in compliance is to not only deal with regulatory compliance-- a variety of rules out there that we have to comply with-- but also all the CTIA and MMA rules as well.

And, as I mentioned before, I think for folks like us-- hopefully we're the good guys-- who are on-boarding merchants, you would not be able to come through our platform and do negative opt-in. It wouldn't work that way. And so maybe it behooves us to spend a little bit of time and figure out how to enforce making sure that the rules that have been established-- which, I think, by the way, are a very great set of rules-- are actually being utilized.

MIKE ALTSCHUL: And just to be clear, negative opt-in is not compliant with the industry best practices, and the monitoring of every premium SMS code, and the message flows, has, again, been set up and now looks at each of these premium subscription codes for the message flow on a monthly basis to make sure that the opt-in is an affirmative option, not an opt-out. Or negative opt-in.

JIM TRILLING: We want to go back to Alan to expand on what you alluded to in terms of changes that industry can take to make the double opt-in process even more secure.

ALAN SEGE: Well, actually, I think that this also-- a jumping off point is a comment by Jim Wiedeman from the CPUC earlier today where he said that one thing that frustrates in their own investigation is the concept of diffused responsibility for verifying transactions through a channel. Actually it's a criticism. If true, it'd be a fair criticism. And one thing that we've been advocating for, for quite some time, is that when it comes to carrier billed transactions, our strength is this handset authentication. And that operational responsibility for that handset authentication should be very well protected, and it should be in a single attributable source-- the carrier and its vendor.

In our case, we feel that we are responsible for that. We feel that we are responsible for that consumer protection. And for quite some time we've rejected merchants who refused to permit us, and only us, to host the authentication itself. And today, and throughout most of the carrier ecosystem by now, over the course of the past year, year and a half, have come into agreement on this principle that aggregators should host the authentication.

There is a marginal phenomenon left, and not so much in our system at all, but in other systems where aggregator does not host the authentication. And it can very often be for very reputable merchants. And there are good reasons why aggregator would not host. But from this day forward we've made the decision that we will not be offering transactions through our system where we do not host the opt-in.

JIM TRILLING: OK. Thank you. So we've talked about the double opt-in process and industry's role in enforcing the double opt-in rules. Is there anything about the double opt-in process that should be enshrined into a rule on a national basis, or into law?

MIKE ALTSCHUL: Well, once again, the problem with rules is they become an inflexible rule. The 125 pixel requirement from the Florida State AG consent decree is a good example of a rule or a requirement that was imposed through government regulation that was very well intentioned at the time, but just was a springboard to the next level of deceptive practices by those who affirmably want to go out and deceive consumers. So the industry, at all levels, to protect consumers and make this a trusted environment, has to go beyond those rules and constantly evolve it's monitoring and the ways it protects consumers to make sure that the protections are state of the art as the threats evolve accordingly.

DELARA DERAKHSHANI: So we actually disagree that rules would be inappropriate. Our experience in the landline context taught us that self-regulatory measures are not enough. And while we recognize that there are very many valuable uses for these third party services, we at Consumer Reports and Consumer's Union believe that a regulatory mechanism is necessary to help distinguish between these services that consumers actually want versus unauthorized charges that consumers did not ask for, and may not even be aware of.

MALINI MITHAL: And, Alan, if you just want to make one last comment and then we're going to move to the next topic.

ALAN SEGE: I did want to comment that the advantage that we have in industry self-regulation is most of what we do is prior restraints on speech. Most of what we do is requiring vendors to market things in certain ways and not market things in other ways. And we do that preemptively before they engage this thief. So it's a form of regulation which is swifter, but also it is a tool that a government cannot wield that we can.

MALINI MITHAL: So we actually have an audience question that is a nice segue into our next topic, and that's about blocking third party charges. An audience member has asked, why not change the default for commercial third party charges over PSMS so that there is a default block? Mike?

MIKE ALTSCHUL: Well there is a default block, and that's what this double opt-in is all about. No premium charge can be placed on a customer's bill until they have affirmatively opted in at the time they are purchasing or seeking that service. So the default is, no charge can be placed on a consumer's bill until the consumer has affirmatively responded by texting, not just reading and opening an email, but by affirmatively responding with an opt-in text.

MALINI MITHAL: And Martine? Did you have something to add?

MARTINE NIEJADLIK: We are-- we don't believe blocks is the answer. I think, generally, by the way, when you're managing risk, blocks is something that is a pretty extreme action to take. The beauty of mobile billing, in addition to the double opt-in, particularly with the type of implementation that we use, which is the proper type of authentication, is that consumers also have other controls in their hand. One of the things that's unique about mobile billing is the Stop command. So in between an auth and a settlement on my credit card, I don't get the opportunity to stop the charge from occurring.

In the mobile billing space I can send the Stop command to a short code at any point in time, I don't even have to be in the middle of a transaction, and it will automatically cancel anything that's in progress. This is something that's completely in the consumer's hands today, and we think, by the way, probably, if we educated more, consumers may leverage more. But, no, I don't think blocks would be the appropriate answer.

We're trying to really create a competitive environment where consumers have choices and options for payments, and we believe that the alternatives to mobile billing, particularly for those folks who don't have access to other payment vehicles, are things such as go to the store and buy a prepaid card and use that prepaid card online. Which then, by the way, has a bunch of fees associated with it and your funds are going to expire after a certain amount of time and all sorts of other negative implications. And so, let's think about the alternatives for those folks before we decide what their default option should be.

MIKE ALTSCHUL: And just to be clear--

MALINI MITHAL: Melanie--

MIKE ALTSCHUL: --carriers do offer blocks as an option for those customers who want to block either all charges on a family account, or block charges on a specific device. And many carriers-- you need to check with your own carrier-- also provide the ability to block specific shortcode premium SMS codes and campaigns.

MALINI MITHAL: And, Melanie, I think you had your card up.

MELANIE TIANO: Yes. So I would wholeheartedly like to disagree with the suggestion that the double opt-in process is a default block system. I think that there have been enough examples of the double opt-in process not working, that that can't be considered a reliable blocking mechanism when there are this many ways to work around that system. As far as whether or not the default should be a block, I'm not a place where I can say what the chairman feels is the appropriate measure for that, but I will say that throughout the wireline investigation, we saw repeatedly that one, even if customers requested that a block be put in place after the fact, it often didn't happen. And there were lots of problems with consumers repeatedly getting charged for things that they had requested being blocked.

And two, the purpose of the whole idea of blocking after the fact depends on the consumer to check their bills and to notice that they've been charged, and to call and request the block. And what I think we've heard a lot of today is that consumers aren't noticing these charges on their bills and they're not recognizing that they can call the carrier and request a block. So that, the process is that's being set up as it is set up right now is not working.

MALINI MITHAL: I'm going to add a part to this question and then I'll call on the people who have their cards up. Just to make it complicated for you. So I think Mike was mentioning that blocks are already offered as an optional block. Is this option clearly disclosed to consumers, and if not, should it be? So I think Alan had his card up. Why don't we start with you.

ALAN SEGE: I can easily imagine a different panel in which we're talking about, card not present transactions online or some type of topic, and then one of the discussion questions would be something like, what about encouraging two factor authenticated transactions using mobile phones. The concept of putting a block on this industry over a payment method which, in its conception, is much more authenticated than any other payment needs-- a payment mechanism which is widely deployed throughout the world as a major payment mechanism for banked and unbanked in many developed an undeveloped countries-- to actually eliminate it in this country, it really is throwing away something which is very beneficial for industry, for innovation, and most of all to consumers-- like me, by the way-- who would prefer to have an authenticated transaction as opposed to an inauthentic transaction.

MALINI MITHAL: Delara?

DELARA DERAKHSHANI: We do, as a general policy, believe that consumers should be given the option to either block or not block. We're generally in favor of giving consumers choice depending on their unique needs. But I was going to mention, to your Stop command control point, you mentioned that this is something great that's in the wireless industry that isn't present in the credit card industry. We've actually heard stories where actively responding Stop to a text message has been interpreted by, perhaps a bad actor, but has been interpreted by a crammer as affirmative consent. Or has confirmed to the crammer that that phone number exists. And as I said before, all you need, in order for cramming, is to know that an active phone number exists. So I wouldn't say that this is like a foolproof measure. OK. Go ahead.

MARTINE NIEJADLIK: Again, the industry's in its infancy. There are rules. I think if people are following the rules, those things don't happen. The Stop command is a requirement from the CTIA that when you get a Stop command, there's certain actions as a biller that you have to take, and canceling the transactions is one of them. If there are people out there who are not following those rules, then we should go after those people and I'm completely supportive of every case that I've heard about today. And please go get those people and shut them down, because they are creating a bad name for the industry and they're not following the rules and as anybody who's-- be it law or not, if you're not following the rules you should be getting in trouble for that.

So the rules that we have in place today, and Mike maybe you want to speak to it more, but the CTIA just recently took over this set of rules from the MMA and, I think, has done a lot of work to simplify them and make them easier to understand and easier to comply with. And that's a relatively recent change that that occurred.

MALINI MITHAL: So just to clarify then, do the CTIA guidelines require all carriers to offer the option of a block?

MIKE ALTSCHUL: Do our rules require it? I don't believe our rules to do. Maybe that the FCC's truth in billing rules do. It is enshrined in industry practices.

MALINI MITHAL: So, Lynn-- oh, sorry.

LYNN FOLLANSBEE: No, blocks are not required. But if they do, if a customer inquires and they're available, then the, for landline presently, the carriers are obligated to notify a customer in their point of sale and website and their bills. In the current further notice, that one of the questions is whether that should be expanded to wireless.

MARTINE NIEJADLIK: I just wanted to distinguish between Stop and block for a minute, because they actually are two very different functions. So a block means I call up my carrier-- or, by the way, you can call up Boku, we're happy to put a block on your account as well. And we, by the way, do instruct people to call their carrier if they do call us just to make sure if there's other providers out there that they have a complete block. But that would mean nobody's texting you at all, you're not getting any transactions, you can't do any transactions.

A Stop command is canceling anything that's in progress, or negatively sort of responding to a charge that somebody is attempting. So they are-- I believe the Stop command is one of the CTIA rules. The block is different.

MALINI MITHAL: I think--

MIKE ALTSCHUL: And that's why I had raised my card. Just to make clear, our monitoring every month, the message flows are checked, so that our monitoring sends Stop to premium SMS programs that they have opted into, and looks for the appropriate responses. A subscription get's stopped. They text Help and look for a response that, what are your questions, can I answer them? So the crammer who goes out of their way to ignore Stop will be picked up by the monthly touch point that we monitor for.

MALINI MITHAL: And going back to blocks, you mentioned that certain carriers are offering blocks. Are they disclosing that option to consumers?

MIKE ALTSCHUL: Well all the carriers we're familiar with offer blocks. The offer, as I said, a total block on third party charges. They also offer blocks by individual devices or phone numbers within the family plan. And many, if not all, the carriers have additional services where individual programs themselves can be blocked. I was thinking-- Alan talked about contrasting this to some other debates that you have, but there's been a national debate in the communications field about net neutrality, and we've been defining premium SMS's third party charges.

One of the larger policy issues associated with considering a default block on third party charges is that those advocates for net neutrality would find that carriers would be discriminating against third party content that is billed through third party charges, while carrier sponsored content would come in because it wouldn't be a third party charge. So this gets complicated. It's a little bit like that movie title.

MALINI MITHAL: OK. We're actually going to move on to another topic, but Alan gets to respond first if he wants on the next topic. Jim, did you want to ask your question?

JIM TRILLING: Did you want to respond, Alan?

ALAN SEGE: I just want to say part of our hosting authentication means when the word stop comes through on any merchant in our system, it's just stopped. A Stop confirmation message goes out and billing is stopped.

DELARA DERAKHSHANI: Assuming you're good actor. But not for bad actors. Thank you.

JIM TRILLING: OK. Apparently we have a malfunctioning card that's doing acrobats.

ALAN SEGE: Whether we're good or we're bad, I mean, it is what we do. I mean, we're willing to stand up behind it and-- I don't know how to respond to that. I didn't say that we're good or bad. I just said that this is what we do.

MARTINE NIEJADLIK: I do think it's one of the benefits of having aggregators, though, very similar to a payment service provider in the credit card space. You don't go to Visa and get yourself an account. You go to a processor who has to on-board you and do vetting and get you an account. And I think that m-Qube and Boku and services like ours are providing that service and helping to ensure that the rules are being complied with.

MALINI MITHAL: And this a good point for us to ask the audience question that will help us with the next topic. How do you protect the huge and growing prepaid wireless market who never see a wireless bill?

MIKE ALTSCHUL: I think the media marketing and the monitoring of the message flows is the best way of protecting the prepaid market. Because that detects any problems before consumers can experience it. And gives the industry an opportunity to cut off abuses.

ALAN SEGE: Generally speaking, the prepaid operators do not have premium SMS. There could be exceptions, and I don't want to be completely quoted, but I do know that predominately to be true.

JIM TRILLING: In the Wise Media case, many consumers complain that the charges were buried in their phone bills. For example, one consumer complained that the charge appeared on page 18 of a lengthy phone bill. And, on a related note, this morning we heard from Paul Singer that billing descriptors, if consumers actually located the charge on their bill, in the eye level holdings matter, may have been as opaque as standard rate plan. Is self-regulation working when it comes to the way that charges are disclosed on bills, and if not, what should we be doing differently?

MIKE ALTSCHUL: This is another lesson learned that the industry has proactively gone back and protected consumers against misleading descriptors. So that when a premium SMS program applies for short code, the bill descriptor is included in the information they provide the registry, which is provided to the carriers for their review to make sure that the descriptor is clear, conspicuous and not misleading to consumers in how it describes the actual services. So it's not something that the industry originally had done. When it was clear that people were abusing the system, it's something the industry went back and did.

But there's-- back to the billing-- again, this is the unintended consequences of people with all the best intentions. I think all of us as consumers and regulators and lawyers who practice in this space, are aware of the lengthy history of billing and bill displays. Turns out to be a very highly regulated part of how carriers present their bills to consumers. And already charges are separated from government mandated fees, which are separated from non-government regulated fees, such as 911 charges and the like, which are separated from premium content charges. So that when consumers complain that they have a lot of bills and a lot of sections on their bills, and their bills run many, many pages, that's true.

And that's true because there are regulations that require separating and breaking out each of these charges. Carriers do compete. They do have-- they spent a fair amount of time with focus groups and designing bills with cover pages that try to display information in a clear and conspicuous way. And then there are all the pages that follow. The better carriers are with a cover page, maybe the less likely consumers are to go back and look at page by page. And we all know, again, as consumers, there are very many of us who no longer opt to get a paper bill, and will use the convenience of getting billed online.

And what all this means is that the information is provided to consumers, but there's a responsibility for consumers to monitor their bill, just as we've all learned with credit cards that that's something that we need to do.

JIM TRILLING: Martine?

MARTINE NIEJADLIK: I just want to add, I sort of alluded before to the fact that the industry is making headway and improvements. One of the things that we've seen also get better over the past few years is the opportunity to put what we call a dynamic billing descriptor out there. And so we want to describe the charge as best as we can. Right? Again, we're managing customer support. Our phone number is on the bill, our phone number is in the SMS messages, it's in our best interest to make sure that the consumer recognizes the charge when they see it, and they're not calling up just because it says whatever that thing is you said it said before.

So that's something that we follow and, as an aggregator, if you will, we will always pass through specific descriptions of exactly what they bought from the merchant, and have it show up on the bill. And that's, again, relatively new functionality that's come out in the past couple years.

MALINI MITHAL: We're actually running out of time, but I want to ask a quick question about the complaint process. So do carriers have, or does a particular carrier have a refund policy that all its employees are expected to follow so that, for example, if a consumer calls they're not at the mercy of one sales representative versus another? Marine, do you have your card up or?

MARTINE NIEJADLIK: No.

MALINI MITHAL: And I'll broaden this question in case someone might be able to answer this also. If a consumer disputes a charge, should the consumer be allowed to delay payment without cutting off phone service or negatively affecting the consumer's credit? OK. Why don't we start with Delara and then we'll go to Martine.

DELARA DERAKHSHANI: I win. OK. So two points. First, we will note that many consumers are still confused about who to contact them in order to resolve a billing dispute. So we believe that straightforward standard dispute resolution practices are necessary to clearly spell out refund policies and explain to consumers who to contact in the event of an unauthorized charge. Second-- was that the point of your question?

MALINI MITHAL: The other point was the credit. The point was whether they should be allowed to delay a charge and it not affect their credit.

DELARA DERAKHSHANI: Yes. I think the obvious answer is that service should not be cut off if there's-- in the midst of a billing dispute.

MALINI MITHAL: I think Martine is next.

MARTINE NIEJADLIK: The one point I want to add to that is, as I mentioned before, the types of merchants that we work with, we're seeing a lot of interest from various types of verticals, as we call them, to use this type of billing. And when you think about other types of verticals, and these are things such as video streaming, movie streaming, parking, there's pizza companies who want to be able to sell a pizza and put the charge on your mobile bill, if you don't pay for the pizza, you've consumed the pizza, and so that probably shouldn't be allowed that you just get to not pay for your pizza.

I think, obviously, with respect to cram type charges, you would not want the consumer to have to pay. But, again, there's got to be a reasonable approach to figuring out what do you do in that situation. I wouldn't want to sort of condone allowing consumers to actually go initiate charges, authorize charges, buy things and consume a pizza, and then not pay for it and have no consequences for that.

MALINI MITHAL: Right. And should that cut off their phone service? That's just the other-- yeah.

MARTINE NIEJADLIK: I don't know, actually. I mean, perhaps not, perhaps. I would say it is probably somewhat separate, but there should be some consequences, I guess, to not paying. Maybe cutting off your phone service is not the answer, but certainly something.

MALINI MITHAL: OK. And then we'll just let Mike, Melanie and Alan give quick responses, and then we'll wrap up.

MIKE ALTSCHUL: Well carriers want to be perfectly clear. If there is a charge on their bill to their customer, customers should call them, call their toll free or free customer care number. And carriers will be responsible for addressing whatever charges are placed on the carrier bill. That's number one.

Number two, all the major carriers have adopted a policy known in the industry as one and done. So this is not like credit card companies that need 30, 60, 90 days to investigate a charge. One call to the carrier, the customer service representative is empowered, and is trained to be empowered, to address the customer's concern. Obviously, not every customer will be pleased with every answer.

There then are vehicles to complain through either the Better Business Bureaus or the various federal and state Consumer Protection Agency's. We talked earlier about the number of complaints and whether they're valid or not. One number that I think is valid, the Better Business Bureau reports the for wireless complaints, more than 98% are successfully resolved to the satisfaction of the consumer. So there isn't a need for a lengthy process while these charges are investigated. The customer service representative has the information needed consistent with the company's policy to address the consumer right there on the spot.

MALINI MITHAL: And then, Melanie.

MELANIE TIANO: I would just like to say that, through the course of the wireline investigation, I have spent a great deal of time talking to hundreds of consumers just on my own, and regardless of what policies are on paper for the carriers, consumers complain that they don't all get treated the same. So the policy may be one and done, but what we're hearing is that that isn't necessarily what the consumers are experiencing.

MALINI MITHAL: OK. And Alan.

ALAN SEGE: I can say that, especially for the newer billing interface like what Boku operates, it is our number that goes on to the bill. We're required to handle customer care and things like this. And that there's a liberal refund policy is pushed out to the merchants. And it doesn't affect too- as much as I understand our contracts-- it doesn't affect the status of the person's account at the wireless carrier.

I also want to mention one thing which is the topic of this panel was future measures, and we've described how premium SMS, when there's a singular point of responsibility and you know that the double opt-in policy is being done, is very strong. One potential threat to that has come up in 2011, and we believed that we solved it technologically, is that certain of the smartphone operating systems have calls in them which create a vulnerability. And Look Up Mobile! described them. Publishing the phone number to developer, giving ability to send SMS, receive SMS, edit SMS and delete SMS.

One major operating system does not have any of these calls. One major operating systems does. I know that things have been done on that side of things to contain this threat, but I believe that scrutiny should be paid to the smartphone system to make sure that if developers have any kind of capability of simulating a human user, effectively, that should really be a subject of very, very strict scrutiny.

JIM TRILLING: All right. Great. Well we, unfortunately, are out of time. We had a large panel and a lot of ground to cover. So we're going to have to let some of the topics we would have liked to cover go. Alan's comments are a nice segway to mention that the FTC will be having a separate workshop on mobile security threats in June. Information's available on our website. And, with that, I want to thank everybody who participated on panel three.