

WRITTEN COMMENTS
OF
VERIZON WIRELESS

for

FEDERAL TRADE COMMISSION
MOBILE “CRAMMING” ROUNDTABLE
PROJECT NO. P134803

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INTRODUCTION

Verizon Wireless appreciates the opportunity to submit the following comments in connection with the May 8, 2013 Federal Trade Commission (“FTC”) Mobile “Cramming” Roundtable. This submission focuses on Verizon Wireless’s practices to protect its customers from cramming with respect to premium short message service (“PSMS” or “premium messaging”).

Third-party billing is a convenient, widely used, and valuable service. In recent years, the range and variety of services and content available via wireless devices have grown dramatically. This trend will continue and likely accelerate.

Third-party billing enables consumers to purchase services and products from their handsets and to have the charges for those purchases included as distinct line items on their mobile telephone bills. Examples of instances when consumers use third-party billing are to donate funds to worthy causes, to purchase scoring updates on sports events, and to purchase music. Third-party billing offers consumers the ease of purchasing products or services without entering a sixteen-digit credit or debit card number, the security of dealing with one trusted party rather than sharing confidential credit and billing information with multiple parties, and the convenience of having purchases reflected in a single bill rather than in multiple bills.

Because “cramming” – the placement of a charge on a customer’s wireless bill without the customer’s authorization – puts at risk the valuable relationship Verizon Wireless has with its customers, the company has every incentive to act to prevent cramming as well as to address other sources of customer dissatisfaction.¹ Verizon Wireless is committed to retaining its

¹ There are other reasons a customer may express dissatisfaction with a product or service, such as not liking the product or service that was purchased, not recalling having made a purchase and authorized a charge, or discovering a purchase made by a young person without the account owner’s permission.

customers rather than losing them over disputed charges. As such, the company has taken extensive measures to prevent cramming and to address other potential causes of customer dissatisfaction. Through these efforts, Verizon Wireless has blocked potential crammers from accessing its network and terminated content providers that violate the company's customer-protective rules and policies.

VERIZON WIRELESS'S PRACTICES TO PREVENT MOBILE CRAMMING

Verizon Wireless's practices to prevent cramming fall into three broad categories: (1) adherence to the Mobile Marketing Association's Best Practices Guidelines and the Verizon Wireless-specific guidelines contained therein ("Best Practices Guidelines"); (2) company-specific content standards; and (3) a robust, multi-layered compliance monitoring process to ensure that third parties comply with the company's policies to prevent unauthorized charges from being placed on customers' mobile telephone bills. Moreover, Verizon Wireless's policies are dynamic and evolving. As the marketplace develops, so do the means and methods of the unscrupulous persons who seek to take advantage of the system. In response, the company's practices are reviewed and updated.

With respect to premium messaging,² Verizon Wireless contracts with a billing aggregator, and the aggregator, in turn, contracts with and processes transactions and messages for participating content providers. Aggregators collect charges for specific content and services and are obligated to ensure that only properly authorized and identified third-party charges are placed on the customer's Verizon Wireless bill in accordance with the customer's directions. Aggregators are also required to ensure that all PSMS programs comply with the Best Practices Guidelines. In addition, Verizon Wireless has its own extensive review, auditing, and enforcement program to make sure these requirements are followed.

² PSMS content or information is delivered using a four-, five-, or six-digit number known as a "short code" that appears in the "from" box for the message (and to which subscribers can also send text messages to the third party involved). A "short code" is a specially assigned multi-digit number leased by the third-party content providers from the Cellular Telecommunications & Internet Association ("CTIA"), whose Common Short Code Administration ("CSCA") acts as a clearinghouse so that each provider can have a designated short code that can be used on multiple wireless networks.

Verizon Wireless sets a cap on PSMS charges. Charges are capped at \$9.99 for commercial charges and \$10 for charity, but charges can be less than \$1.

A. Pre-Approval: Vetting and Onboarding

Before any content provider can place charges on Verizon Wireless customers' bills, the content provider is subject to a detailed audit by an independent third-party compliance monitoring service ("third-party monitor") that Verizon Wireless employs. The third-party monitor confirms the identity and checks the background of each content provider to ensure that it is a legitimate business and is not connected to a previously banned content provider. After a content provider passes this initial vetting, Verizon Wireless reviews each proposed program for, among other things, its content and compliance with general legal requirements. The third-party monitor also independently evaluates each new program to ensure its elements, including content and marketing materials, comply with the Best Practices Guidelines.

Once a program has received preliminary approval, prior to launch, the third-party monitor conducts extensive testing to make sure the double opt-in, opt-out, and other functional requirements set forth in the Best Practices Guidelines are followed. A program is approved only if this testing determines that its functional elements work properly.

B. Obtaining Customer Authorization Through Double Opt-in Authorization

Verizon Wireless requires aggregators to use a double opt-in authorization process before a customer can be billed for third-party products or services. Verizon Wireless also contractually requires aggregators and third parties to maintain records of customers' authorizations to opt-in to a program.

A customer must affirmatively indicate through a two-step process that he or she wants to acquire content and incur PSMS charges, whether the opt-in occurs by handset, website, or interactive voice response. Content providers must comply with various requirements during this authorization process, such as disclosing the price for the PSMS content clearly and conspicuously at each step of the double opt-in process and following specific requirements for

the font size and color contrast to be used in these disclosures. In addition, content providers must abide by Verizon Wireless's opt-out policies. Content delivery must stop immediately when customers send "STOP" (or approved alternate words) to short codes.

Verizon Wireless also requires that content providers offering recurring subscriptions send a reminder message informing the subscriber of pending charges a certain number of days prior to the date of renewal. Following the renewal, a confirmation message containing program details, pricing, and date of renewal is also required.

Verizon Wireless is in the process of internalizing the process for managing customer consents in the double opt-in authorization process for PSMS charges. The company will control the content and delivery of text messages and webpages for customer opt-ins to further ensure customer authorization of purchases. Verizon Wireless will also send opt-in confirmations, pre-renewal reminders, and post-renewal confirmations directly to PSMS customers. Verizon Wireless will maintain these records.

C. Auditing

Verizon Wireless does not solely rely on the efforts taken by aggregators to ensure that all PSMS programs comply with the Best Practices Guidelines, as they are contractually required to do. Verizon Wireless has also developed monitoring and enforcement processes and coordinates these efforts extensively with the third-party monitor. The third-party monitor conducts testing of every commercial PSMS program every month. The testing continues through the lifecycle of every PSMS program and ceases only when the program is ended or terminated. The third-party monitor also reviews advertising every month to check how programs are being marketed to ensure that the rules governing marketing in the Best Practices Guidelines are being followed and that actual customer experience matches the approved programs. If a PSMS program fails on any of the test cases, a notice of audit violation is sent to

the aggregator that supports the program.

D. Enforcing the Best Practices Guidelines

Verizon Wireless polices and deters content providers and programs that do not comply with the Best Practices Guidelines. The company notifies content providers of compliance issues that are identified during monitoring, immediately terminates content providers with high-severity violations (such as deceptive marketing), and requires that other violations be resolved. Verizon Wireless suspends or terminates content providers with repeated rules violations or when Verizon Wireless refunds to customers exceed established thresholds. The company also takes legal action against content providers where necessary.

E. Blocking

Verizon Wireless offers customers the ability to block services for each device on a customer's account. Customers can block purchases, preventing a device from being able to download certain apps and services or from making purchases within certain Verizon Wireless apps.³ Customers can block all messaging, and separately they can block just premium messaging. The PSMS block, offered at no cost, prevents anyone from using a device that has the block in place to subscribe to new PSMS programs or from incurring premium charges and automatically deregisters current PSMS subscriptions when the block is invoked. Customers can invoke the block online or through calls to customer service. Additionally, customers can utilize usage controls to set a maximum purchase amount.

If an account owner has multiple lines, she has the ability to implement blocks on the lines of other subscribers on her account. By way of example, a parent can block a child's line from making PSMS purchases.

³ See <http://support.verizonwireless.com/myverizon/HowToBlockService.html>.

F. Educating Customers About Third-Party Billing

In the Customer Agreement and “Your Guide” that are made available to customers when the account is established, Verizon Wireless informs customers about third-party billing, particularly PSMS; the ability to block or restrict this functionality; and how to opt-out of these programs.⁴ The same information is continuously available to customers on the Verizon Wireless website.⁵

G. Billing

The summary portion of Verizon Wireless bills displays each PSMS purchase in a separate and distinct line item with details on the purchase, and with directions to call Verizon Wireless (at a provided phone number) for billing-related inquiries. The PSMS charge includes the short code, a description of the service, and the charges. Verizon Wireless’s recent update to its bills moved information about third-party billing previously provided in the details section to the summary portion of the bill.

H. Customer Service

Verizon Wireless takes pride in its customer service and maintains a policy to resolve billing disputes without referring the customer to content providers or aggregators. Its customer service policies, especially its policies to resolve disputes during the first call and offer refunds or credits to consumers with good faith charge disputes, are designed to ensure that customer disputes concerning third-party charges are resolved by customer service teams in a timely fashion. Customers are directed to call Verizon Wireless with billing issues, and all requests for refunds are handled by Verizon Wireless. Refunds are liberally granted.

⁴ See

http://www.verizonwireless.com/b2c/globalText?textName=CUSTOMER_AGREEMENT&jspName=footer/customerAgreement.jsp; <http://support.verizonwireless.com/pdf/collateral/CON80210EN.pdf>.

⁵ See http://support.verizonwireless.com/faqs/Premium_TXT_and_MMS/faq_premium_txt_and_mms.html.

CONCLUSION

Verizon Wireless appreciates the opportunity to provide its comments in connection with the FTC's Mobile Cramming Roundtable. Verizon Wireless welcomes the opportunity to address any follow-up questions that may arise in connection with this submission.