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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

October 4, 1994

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, NW, Room 222
Washington, DC 20054

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Re: CC Docket 93-292

Today, Nancy Woolf, Patsy Ramos and Frank Burguiss and I met with Linda Dubroff and Pamela Gerr of the Domestic Facilities Division of the Common Carrier Bureau to discuss matters in the above referenced proceeding. A copy of the written material provided during the meeting is attached.

Two copies of this notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require addition information concerning this matter.

Sincerely

Jo A. Goddard

Enclosure

cc: Linda Dubroff
Pamela Gerr

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Toll Fraud
CC DOCKET 93-292

Pacific Bell

October 4, 1994

LIDB performs specialized call handling functions

- LIDB is not a credit validation instrument
  - Database different than credit card database
  - Call value not known
  - Credit history not tracked
- IECs provide RBOCs with insufficient information to take full advantage of RBOC fraud detection systems
  - LIDB queries must be complete
- Our own calling card gives strong incentive to deter fraud

Don't shift liability and create subsidies for those who cannot or will not accept responsibility for their part of their telecommunications business

- Control
- Risk vs. reward
- Florida plan goes too far - LECs should be liable only when blocking or screening fails
- Mandating specific notification periods would encourage wrong behavior at high cost
- Pacific Bell has stepped up to this responsibility

The marketplace is creating responsive actions

- Pacific:
  - Developed Pacific Bell SLEUTH, a state-of-the-art fraud detection system. This system is available to others.
  - Aggressively assisted local police and prosecutors in pursuing criminals.
  - Implemented provisional tariff: permits service termination in some cases of suspected fraud.
  - Responds to individual carrier ability to detect fraud by negotiating company-specific fraud sharing agreements.
  - Established a Centralized Fraud Bureau.
  - Enhanced our ability to detect remote access fraud with Fast.db.
  - Developed Lock-On fraud protection services for business customers at no charge..
  - Adopted new customer warranty policy to explicitly back certain products and services for resulting toll fraud losses.
- Insurance programs are now available
- IECs are limiting liability of large business customers

Proposed technical solutions will not eliminate toll fraud and are not worth the investment.

- Proposed ANI information digits won't stop fraud nor change call routing
  - Pacific Bell is controlling fraud successfully using
    - FAST.db detection system
    - Pacific Bell SLEUTH ABS/LIDB fraud monitoring program
  - ANI II deployment is costly and has significant limitations
    - Only one ANI digit per telephone number
    - Many CPE customers already use existing ANI digits
- International Direct Dialing blocking will not stop CPE fraud
  - NPA 809 and other North American Numbering Plan designations
  - Dial around methods
  - Legitimate CPE customers often cannot implement global international blocking

Customer education is an essential element of an effective fraud control program.

- FCC should direct TFPC to develop approach to minimum customer education and notification standards
- Only when customers consistently hear the same message from all industry segments will they understand the fraud threat and take appropriate preventative steps
- All customers are <u>not</u> subject to the same forms of fraud
  - Education must be targeted by fraud type and market segment
  - Methods and written material must be tailored to meet customer needs
- Pacific Bell is developing and implementing end user education.

In summary...

- Industry does not maximize existing LIDB and other detection capabilities
  - LIDB needs complete query information
  - Do not change LIDB into a credit verification system
- Each party should be expected to accept liability based upon ability to deter fraud and upon reward potential -- don't allocate liability by a formula
- RBOCs have strong incentives to deter fraud
- The market is responding to the need for fraud control
- Proposed technical fixes don't meet the need and are very costly
- Customer education is essential -- but needs to be tailored to audience