

# MERCHANT OPERATING GUIDE

## For Electronic Terminal and Touch Tone Phone Merchants

ATTACHED PLEASE FIND IMPORTANT GUIDELINES FOR OPERATING AS A MERCHANT ACCEPTING VISA AND MASTERCARD TRANSACTIONS. **FOLLOWING THESE GUIDELINES CAN HELP IN PREVENTING DOLLARS BEING CHARGED BACK TO YOU.**

### REGULATIONS:

In addition to following all policies outlined in the Merchant Operating Guide and Merchant Agreement, all merchants must abide by the following regulations:

- Visa and MasterCard must be honored. Unless your financial institution contracts only with Visa (contact your merchant bank representative for verification).
- Minimum/maximum transaction amounts. No minimum or maximum transaction amounts can be set by a Merchant as a condition for honoring credit cards.
- Transaction surcharges are not to be set.
- Do not issue credit vouchers in exchange for cash or check payments from Cardholder.
- Refund only through a credit voucher. If a sale was made with a credit card, refund must be made through a credit voucher, not a cash disbursement to the Cardholder from the Merchant.
- Applies only to merchants that process through an electronic terminal with electronic printer:
  - If a merchant practices a "no return", "no refund", "all sales final", or "exchange only" etc. policy, the policy must be printed near (within ¼ inch) where the cardholder signs on sales ticket and must appear on cardholder, merchant, and bank copy of sales ticket.
- Purchases of goods or services are the only items allowed for Deposit. Merchant may not deposit a sales draft to recover any other uncollected debts or previous transaction.
- Chargebacks cannot be redeposited.
- Supplementary information, such as address and phone number of cardholder, cannot be required for completing a transaction.
- Include tax in the total transaction amount. Do not collect tax separately in cash.
- Multiple location and traveling business merchant requirements. Merchants with multiple locations or a traveling business must request a merchant account with additional plates and merchant identification plastic for each location.

**IMPORTANT VISA/MASTERCARD RULE:** Even though authorization is received on a transaction; if you cannot prove the card was physically present at the point of sale to be imprinted or swiped AND you cannot additionally prove the authorized signer cardholder was physically present at the point of sale to sign the receipt, then that item can be charged back to you, even if authorized previously. All authorization does is indicate the credit line is available at the time of sale to be "set aside". To be protected by authorization, other specific criteria as partially noted above must be met.

Every contact you have with your customers, from the first hello to how the payment process is handled, is an opportunity to build your business and improve customer satisfaction. To help you make the payment process easier and more efficient, this guide presents an overview of accepting credit cards as payment. It gives you easy access to information on these important topics:

- I. Important Customer Service Tips
  - II. General Guidelines for Accepting Credit Cards
  - III. Protecting Against Credit Card Fraud
  - IV. Authorizing and Completing an Electronic Credit Card Sale
  - V. Preparing Your Electronic Credit Card Deposit
  - VI. General Guidelines for Card Not Present Transactions
  - VII. What You Need to Know About Chargebacks
  - VIII. General Guidelines for Accepting ATM/Debit Cards
  - IX. Glossary
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## **SECTION I IMPORTANT CUSTOMER SERVICE TIPS**

- Explain any delay. If there is a delay in processing the sale, let the customer know what is happening. You might say, "Our system is a little slow today, so your transaction may take a little longer than usual."
- Never embarrass the customer. If the transaction is declined, explain to the cardholder that you cannot process the transaction and he/she will need to call the card issuing bank for more details.
- Don't put yourself in danger. Don't jeopardize your safety by confronting anyone you suspect is using a stolen or counterfeit credit card.
- Refer problems to card issuing bank. Refer customers who have problems using their bankcards to the bank that issued the card. The telephone number should be on the back of their card or on their bankcard statement.
- Always thank the customer.
- State your return policy. Applies only to merchants that process through an electronic terminal with electronic printer: Your return policy should be clearly printed on the sales ticket within ¼ inch of where the cardholder signs.
- Avoid confusion over merchant names. The merchant description your credit card processor uses to identify you appears (along with other transaction information) on your customer's monthly credit card statement. Make sure your merchant description is one your customer will recognize.

## **SECTION II GENERAL GUIDELINES FOR ACCEPTING CREDIT CARDS**

Some bankcards charge transactions to a line of credit (credit cards), while others deduct funds directly from a customer's bank account (debit cards). Credit or debit cards with a Visa or MasterCard logo can be accepted according to the following guidelines:

When accepting a bankcard a merchant cannot:

- Assign a minimum or maximum purchase amount.
- Add a surcharge or fee.

- Use a bankcard account number to guarantee a check.
- List a cardholders personal information on the bankcard sales ticket, unless an authorization operator specifically requests it.
- Deny a purchase because a cardholder refuses to provide additional identification, such as telephone number, home address, Social Security number, etc.

You may ask for personal information if:

- You request it for all payment methods, such as cash or checks; however, subject to local laws, you cannot make providing this information a condition of the sale.
- You need an address or telephone number to deliver merchandise for a mail or telephone order.
- The authorization operator specifically requests additional information.
- The card is not signed. To complete such a transaction, the cardholder must sign the back of the card, show identification, and you must obtain a transaction authorization.

You should not honor a bankcard when:

- The purchaser does not have the actual bankcard at the point of sale.
- The card appears to have been tampered with or altered.
- Authorization is declined or card pickup is requested.
- The signature on the back of the card does not reasonably match the one on the sales ticket.

**\*\*IF YOU SUSPECT FRAUD, CALL 1-800-228-1122 AND SAY "CODE 10".\*\*** The authorization operator may instruct you to ask for additional information.

### SECTION III PROTECTING AGAINST CREDIT CARD FRAUD

These simple steps will help protect you against credit card fraud when card is present.

Step I-Inspect the Embossing:

- The embossed account number on a MasterCard should begin with a "5" and have 16 digits. A Visa account number will begin with a "4" and have 16 digits
- The entire account number should be aligned and of the same size, height, and style. Embossed numbers and characters should not have been altered or re-embossed. Look for "ghost" images of others numbers behind the embossing on either the front or back of the card.
- The "valid from" and "expiration" dates should not have been altered to add time to the card.
- All MasterCard cards will have a specially embossed "MC" security character next to the expiration date after May 1997. Visa cards have a letter and a "flying V" embossed next to the expiration date.
- All Visa cards will have the first four digits of the account number printed above the embossed account number. MasterCard will also begin to use similar procedure.

Step II-Check the Signature Panel:

- The signature panel should be printed with a repetitive, multi-colored diagonal background pattern of the word “MasterCard”, be smooth to the touch, and show no evidence of tampering. Visa cards will have a similar diagonal background printing of the word “Visa”, in one color. Again, Visa card signature panels should be smooth to the touch, and show no evidence of tampering.
- The signature, in ink, must reasonably match the one on your sales ticket.
- A 16-digit MasterCard account number (matching the one embossed on the card front) may be indent printed in reverse italics on the tamper-evident signature panel. The account number may be followed by a three-digit indent-printed code. These features will appear on all MasterCard cards after May 1997. Visa will also begin to use a similar code.

#### Step III-What To Do If You Suspect Fraud:

- Call your authorization center (1-800-228-1122) and say “**Code 10**”.
- The operator will ask a series of questions. Hold the bankcard while the authorization operator gives you further instructions. If the operator says the card has been reported stolen, follow the operator’s instructions. Don’t put yourself in any danger. Never directly challenge the card user or physically confront anyone you suspect is using a stolen bankcard.

### SECTION IV AUTHORIZING AND COMPLETING AN ELECTRONIC CREDIT CARD SALE

Any merchant using electronic method of processing WILL NEVER deposit sales or refunds ticket at bank.

Once you have taken adequate measures to guard against fraud, you must obtain authorization. If you do not have an electronic printer you will need to prepare a sales ticket. \*\*If you process with an electronic terminal or through the touch tone phone, you will NEVER deposit paper tickets at your bank for credit. ALL transactions will be transmitted through your terminal or touch tone phone for credit and you will keep your paper receipts for two years.

- Do not alter the sales ticket after the sale is completed and has been signed by the cardholder, unless your agreement with the cardholder allows for additional ancillary charges (e.g. hotels and car or equipment rentals).
- All merchandise purchased and/or all services rendered must be included in a single sales ticket unless it meets the criteria of multiple sales or the transaction represents a deposit or delayed delivery of goods.
- Do not circle the expiration date on the imprinted sales ticket.

When you swipe the bankcard through the electronic point-of-sale device, you will get one of four messages:

APPROVED: If you do not have an electronic printer, write the authorization code on the sales receipt.

DECLINED: Don't process the transaction!!! Quietly inform the cardholder that the transaction has been declined and return the card. If the cardholder requests an explanation, refer him/her to the phone number on the back of the card or on the cardholders monthly credit card statement.

PICK UP: Try to retain the card by peaceful means. (You may be entitled to a cash reward. Contact card issuing bank for instructions.)

CALL CENTER: Call the authorization center immediately at 1-800-228-1122. Have your merchant number and cardholder number ready and follow the operators instructions.

#### WHAT TO DO IF THE ELECTRONIC POINT-OF-SALE SYSTEM ISN'T WORKING:

If the electronic authorization network or your terminal is not working, you must follow the procedures for authorizing and completing a manual credit card sale using imprinter and sales ticket. In addition, if the card cannot be swiped through the electronic point-of-sale device (e.g., if your terminal is down or the magnetic stripe on the card back is worn or damaged and will not read), you must manually imprint the card as proof that the card was present. Unless the electronic point-of-sale device prompts you to try again, DO NOT continue to swipe the card. You MUST press “clear” before swiping another card.

When you have received an authorization code:

- Have the cardholder sign the ticket.
- Compare the cardholder’s signature to the signature on the back of the bankcard.

- Return the bankcard back to cardholder with the customer copy of sales ticket.
- Retain a copy of the sales ticket for three years for your records to protect against possible disputes.

When the terminal is working again TO GET CREDIT FOR SALE you must enter the transaction in the terminal as a TICKET ONLY transaction.

## SECTION V PREPARING YOUR ELECTRONIC\*\* CREDIT CARD DEPOSIT

Applies only to merchants that process through an electronic terminal with electronic printer:

\*\*An electronic merchant will NEVER deposit sales tickets at their bank. ALL items will be transmitted electronically.

Step 1: Total all sales tickets and credit vouchers.

Step 2: Follow your terminal procedures for balancing terminals and generating reports.

Step 3: If out of balance, compare the sales tickets and credit vouchers to individual entries in your terminal.

Step 4: Make the necessary adjustments prior to closing and transmitting the batch.

Verify your deposits from terminal to bank statement on a regular basis, at the very least, weekly to be sure you have received proper credit for all deposits.

Keep your copies of sales tickets or credit vouchers for two years minimum.

## SECTION VI GENERAL GUIDELINES FOR CARD NOT PRESENT TRANSACTIONS

While following these guidelines will help you to be in compliance with Visa/MasterCard regulations to protect cardholder data, this will in no way reduce your risk in accepting a "card not present" transaction. The following rules set by Visa/MasterCard regarding "card not present" transactions still apply:

If you cannot prove that the card is physically present at the point of sale (with an imprint or a swipe on an electronic terminal) and you cannot additionally prove that the authorized signer cardholder is physically present to sign the receipt at the point of sale, then the item may be charged back to you even if authorization is obtained.

Authorization simply validate that the credit line is available and will be tied up for your sale. Additional criteria must be met, (card present, signer present) to help protect your sale.

## SECTION VII WHAT YOU NEED TO KNOW ABOUT CHARGEBACKS

Occasionally, a cardholder will dispute a charge that appears on his/her monthly credit card statement and/or it may be discovered that the proper credit card acceptance and authorization procedures were not followed at the point-of-sale. If this happens, your Bank or Card Services will notify you of the dispute and debit the amount from your settlement/deposit account. This is called a "chargeback". A "retrieval request" is a request for a copy of a sales or credit ticket.

To respond to a retrieval request which could result in a chargeback made against your account, follow these steps:

Step 1: Promptly submit to Card Services all retrieval request copies, a letter of rebuttal, (must be in writing), and any documentation to support your case. AN EXPEDIENT REPLY IS ESSENTIAL (TIME FRAMES MUST BE MET) IN PROTECTING YOUR RIGHT TO REBUTTAL. It is suggested you send copies Certified w/date and signature delivered as proof you responded within specified time frames.

Step 2: Keep a copy of the letter and documentation you sent to Card Services for your records along with certified receipt to prove time frames were met.

Step 3: If Card Issuing Bank accepts your documentation, the issue may be dropped.

NOTE: Any credit is conditional. If the cardholder or card-issuing bank disputes the reversal, a second chargeback may be initiated. In addition, if your bank or Card Services has information to contradict your claim, or if your documentation does not support your case, the chargeback debit to your account will stand. If a dispute goes to arbitration, Visa/MasterCard will have the final ruling on the matter and additional fees/penalties may be assessed.

THE FOLLOWING ARE THE MOST COMMON REASON MERCHANTS RECEIVE CHARGEBACKS. MOST CAN BE AVOIDED IF YOU FOLLOW PROPER PROCEDURES FOR ACCEPTING AND AUTHORIZING CREDIT CARD TRANSACTIONS.

The merchant did not provide a copy of the sales ticket within the retrieval request time frame. NOTE: A chargeback resulting from a merchant's failure to provide a copy of the sales ticket within the retrieval request time frame CANNOT BE REVERSED.

- The legitimate cardholder was not the one who made the mail or telephone order transaction.
- A single transaction was processed more than once (duplicate transaction).
- An authorization was not obtained for the transaction.
- A credit voucher/refund was never processed or was not processed in a timely manner.
- A card imprint was not obtained manually or electronically for a face-to-face transaction.
- The signature on the sales draft did not match the signature on the card or on file for the cardholder.
- The merchandise ordered or the services promised were never provided or never lived up to expectations of the cardholder.
- Sales tickets were settled past the allowable time frame. Applies only to merchants that process through an electronic terminal.
- The merchant accepted and "expired" card or a card used before it's "effective date" without obtaining proper authorization.
- The sales ticket was altered or it was not signed by the cardholder (authorized cardholder).

## SECTION VIII GENERAL GUIDELINES FOR ACCEPTING ATM/DEBIT CARDS

ATM/Debit cards are cards that access a customer's checking account. These cards can be used at automated teller machines (ATM's) for withdrawals, deposits, balance inquiries, and account transfers; many of them can now be used to make purchases at such merchant locations as supermarkets, gas stations, general retailers, and restaurants. When a purchase involving this kind of card is authorized, the amount is automatically deducted from the customer's checking account.

There are two types of ATM/debit cards currently in use:

- 1) DEBIT CARDS WITH CREDIT CARD LOGOS (Visa or MasterCard products and logos). One type of ATM/debit card has credit card logos on it (e.g., a Visa or MasterCard logo and looks almost like a Visa or MasterCard). Merchants accept these according to standard credit card procedures, which include having the cardholder sign a sales ticket. See "General Guidelines for Accepting Credit Cards" for complete information. These ATM/debit cards that have Visa or MasterCard logos on them can be accepted anywhere Visa or MasterCard is taken by any Visa/MasterCard merchant and needs no special equipment to be accepted
- 2) PIN/DEBIT CARDS. Other ATM/debit cards do not have a credit card logo and can only be accepted in businesses that are specifically equipped for the customer to use his/her personal identification number (PIN). Instead of signing a sales ticket, the customer enters his/her PIN into the electronic terminal device (PIN PAD) that processes the transaction. A merchant must have a special terminal with a special program with the capability to add pin pad in order to process the regular ATM/debit cards. Bankers Bank Card Center cannot set up PIN/DEBIT card acceptance at this time.

**REMEMBER:** If the debit card is a Visa/MasterCard product with a Visa/MasterCard logo on it, it can be accepted anywhere Visa/MasterCard credit cards are accepted without special equipment or programming .

## SECTION IX GLOSSARY

**ATM/DEBIT CARD:** A card issued by a bank that can be used at an automated teller machine (ATM) for withdrawals, deposits, balance inquiries, and account transfers. Many can also be used at the point-of-sale to make purchases with funds from a customer's checking account. ATM/Debit Cards with a credit card logo (Visa or MasterCard) are accepted according to standard credit card procedures (which include having a cardholder sign a sales ticket). Those without a credit card logo use acceptance procedures that require the cardholder to use a personal identification number instead of signing a sales ticket (if merchant is specifically set up to accept regular ATM/debit cards).

**AUTHORIZATION:** The process used by Card Services to approve or decline a transaction request. (Authorization confirms credit line is available at the time of sale; but, in order to be protected merchant must be able to additionally prove card was physically present at point-of-sale and authorized signer cardholder was physically present at point-of-sale to sign receipt).

**CHARGEBACK:** A procedure in which a disputed transaction is returned to the merchant by card-issuing bank (via Card Services) for possible resolution. Merchant is charged back the amount of sale plus fees.

**CODE 10:** The phrase a merchant uses to inform the authorization center of a possible fraudulent transaction.

**CREDIT VOUCHER:** A record of a return or refund of a transaction presented by the merchant to the cardholder and Card Services.

**DEPOSIT ACCOUNT/SETTLEMENT ACCOUNT:** The merchant's business checking account through which all credit card transactions and adjustments are processed by the bank.

**MAGNETIC STRIPE CARD READER:** A device that "reads" the information contained on the magnetized stripe on the back of the card. This stripe contains coded data such as the cardholder's name and account number.

**PERSONAL IDENTIFICATION NUMBER (PIN):** A secret number used by cardholder as a secure means of personal identification when using debit cards at ATM or point-of-sale locations with pin pad.

**PIN PAD:** A numbered keyboard used by ATM/debit cardholders to enter a PIN or other data at a terminal.

**RETRIEVAL REQUEST:** A request made by a card issuer to a merchant (via Card Services) for a copy of a sales ticket when there is a question about a transaction.

**SALES TICKET:** A record of a sale, rental, or service transaction completed by the merchant.

**VOICE AUTHORIZATION:** Authorization obtained from the authorization center by telephone.