

## **Hosting - E-Commerce (Merchant Account) - Operating Procedures**

Paymentech is a full service financial transaction processor dedicated to facilitating the passage of your sales transactions back to the thousands of institutions who issue the MasterCard and Visa cards as well as to the independent card issuers of American Express/Optima, Diners Club/Carte Blanche, NOVUS/Discover, and JCB. The following Operating Procedures focus primarily on the MasterCard and Visa Associations' (the "Associations") operating rules and regulations, and seek to provide you with the principles for a sound card program. They are designed to help you decrease your chargeback liability and train your employees. In the event Paymentech provides authorization, processing, or settlement of transactions involving cards other than MasterCard and Visa, you should also consult those independent card issuers' proprietary rules and regulations.

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### **Honoring Cards**

The following rules are requirements established and strictly enforced by Visa and MasterCard:

- You cannot establish minimum or maximum amounts

- as a condition for accepting a card.
- You cannot impose a surcharge or fee for accepting a card.
  - You may require the cardmember supply personal information (e.g. home or business phone number, delivery address) for the purposes of delivery only.
  - Any tax or shipping and handling must be included in the total transaction amount.
  - You may not submit any transaction representing refinance or transfer of existing cardholder obligation deemed uncollectable.

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### **Authorizations/Verifying Expiration Dates/Users Other than Cardmembers**

All transactions must be authorized. Failure to authorize a sales transaction may result in a Chargeback and/or the termination of your sales agreement by Paymentech. An authorization only indicates the availability of the cardmember's credit at the time the authorization is requested. It does not warrant that the person presenting the card is the rightful cardmember, nor is it an unconditional promise or guarantee that you will not be subject to a Chargeback or debit. For cards other than MasterCard and Visa (e.g., AMEX, Novus/Discover, JCB, etc.), you must follow the procedures for authorization and acceptance for each. At the point of sale, the expiration date should be requested from the cardmember. Do not accept a card after the expiration date. Otherwise, you are subject to a Chargeback and could be debited for the transaction. A cardmember may not authorize another individual to use his/her card for purchases.

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### **Refunds and Exchanges**

If you establish special refund/exchange terms or other specific conditions for credit card sales, the words "No Exchange, No Refund," etc. must be clearly displayed.

Note: A qualifying statement does not completely eliminate your liability for a Chargeback because consumer protection laws frequently allow the cardmember to return disputed items.

#### *Refunds*

- You must promptly complete and submit a credit

transaction (with your name, city, state, and merchant account number) for the total amount of the refund due a cardmember.

- Full refunds must be for the exact dollar amount of the original transaction including tax, handling charges, etc. (You must identify the shipping and handling charges incurred).
- A description of the goods or services is required.
- The transaction date of the credit must appear on the voucher. Failure to process a credit within five (5) calendar days may result in a Chargeback.
- Authorization is not required for refunds.
- You cannot intentionally submit a sale and an off setting credit later solely for the purpose of debiting and crediting your own or a customer's account.

### *Exchanges*

No additional paperwork is necessary for an even exchange. Just follow your standard company policy.

For an uneven exchange, complete a credit record for the total amount of only the merchandise returned. The cardmember's account will be credit for that amount. Then, complete a new sales record for any new merchandise purchased.

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### **Timeliness and Delayed Delivery or Deposit Balance**

Do not process (submit) a transaction until the merchandise has been shipped. In order to qualify for the lower interchange discount rate, all sales and credit transactions must be properly completed and submitted the day of shipment.

Late submission of sales/credit transactions may result in a Chargeback to you. If you have not received payment for submitted sales records after one (1) week from your normal payment date, contact Customer Service at 1-888-807-5874.

In a delayed delivery transaction whereby a cardmember makes a deposit toward the full amount of the sale, you should execute two separate sales records, the first for a deposit and the second for payment of the balance upon delivery of the merchandise or the performance of the services.

For Visa transactions, you must obtain separate authorizations for each of the two sales records. You must assign the separate authorization number to each sales order, respectively. You must note on such records the words "delayed delivery," "deposit" or "balance," as appropriate, and

the authorization dates and approval codes.

For MasterCard transactions, you must obtain one authorization. You must note on both sales records the words "delayed delivery," "deposit" or "balance," as appropriate, and the authorization date and approval code.

Note: If delivery is more than twenty-five (25) days after the original transaction date (and the initial authorization request), we recommend you re-authorize the unprocessed portion of the transaction prior to delivery. If the transaction is declined, contact the cardmember and request another form of payment. For example: on January 1, a cardmember orders \$2,200 worth of furniture and you receive an authorization for the full amount; however, only a \$200 deposit is processed. The above procedures are followed, with a \$2,000 balance remaining in March. Prior to delivering the remaining furniture, the \$2,000 transaction balance should be reauthorized.

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### **Visa Recurring Transaction Regulation**

If you process recurring transactions and charge a cardmember's account periodically for recurring goods or services (e.g. subscriptions, membership fees, etc.), the cardmember shall complete and deliver to you a written request for such goods or services to be charged to his account. The written request must at least specify the:

- Transaction amounts
- Frequency of recurring charges
- Duration of time for which the cardmember's permission is granted.

You must retain the written request for the duration of the recurring services.

If the recurring transaction is renewed, the cardmember shall complete and deliver to you a subsequent written request for the continuation of such goods or services to be charged to the cardmember's account.

You must not complete a recurring transaction after receiving a cancellation notice from the cardmember or a response to an authorization request that the card is not to be honored.

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## **Deposits of Principals**

Owners, partners or officers of your business establishment are prohibited from depositing with Paymentech sales transacted on their own personal bankcards, other than transactions for valid purchases of goods or services (e.g., cash advances are prohibited).

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## **Sales and Credit Record Data and Retention**

You are prohibited from engaging in mail/telephone/Internet order transactions unless you indicated on your original Client Application/Sales Agreement that you accepted or planned to accept such transactions or you have received subsequent written approval to do so from Paymentech and your clearing bank. Failure to adhere may result in cancellation.

Since you will not have an imprinted or magnetically swiped transaction and you will not have the cardmember's signature as part of the sales record as you would in a face to face transaction, you will assume all risk associated with accepting a mail/telephone/Internet order transaction. It is with this in mind that we recommend that you retain the following on the sales record:

- The cardmember's account number
- The cardmember's E-mail address
- The expiration date
- Date of transaction
- A description of the goods and services
- The amount of the transaction (including shipping, handling, insurance, etc.)
- The cardmember's name, billing address and ship to address
- Authorization code Merchant's name and address (city and state required)
- Itemized charges
- AVS response code

For mail/telephone/Internet order authorization inquiries, you must obtain the expiration date of the card.

If a cardmember's account is invalid, the sale will result in a summary adjustment, electronic reject, or a Chargeback.

On the sales record information, denote that the transaction was via Internet.

Utilization of Address Verification Service (AVS) is necessary

for Internet transactions.

You may not submit a transaction for processing until after the merchandise has been shipped or the service has been provided to the customer. (Visa will permit the immediate billing of merchandise manufactured to the customer's specifications, [i.e., special/custom orders] provided the cardmember has been advised of the billing details).

Notify the cardmember of delivery timeframes, special handling or of a cancellation policy. If, after the order has been taken, additional delays will be incurred (e.g., out of stock), notify the cardmember.

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### **Submission of Sales for Merchants Other Than Your Business**

You may present to Paymentech for payment only valid debts that arise from a transaction between a bonafide cardmember and your establishment. If you deposit or attempt to deposit sales between cardmembers and any business other than your business, you will be subject not only to a Chargeback, but also to immediate termination of your Sales Agreement and/or legal action.

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### **Media Retention and Retrieval Request Elements**

If you deposit via magnetic tape, electronic transmission, or electronic data capture terminal, and hold your sales records (media), it is your responsibility to respond to all media retrieval request within sixteen (16) calendar days. You are responsible for retaining and providing copies of transactions for a minimum of eighteen (18) months (seven years required for Visa International transactions, i.e., Visa transactions outside the United States or Visa cards issued by foreign banks).

When we fax you a Media Request List, you have sixteen (16) calendar days from the date of request to fax us a clear and legible copy of the sales record along with the CCN numbers from the Media Request List. If you are unable to respond to the request within sixteen (16) calendar days you will be subject to a Chargeback.

If you have received a Media Request and credit has already been issued, you have sixteen (16) calendar days from the

date of request to fax us a notification that credit has already been issued. Also include a clear, legible copy of the credit record along with the CCN numbers from the Media Request List. If you are unable to respond to the request within sixteen (16) calendar days, you will be subject to a chargeback.

Please fax copies of the transactions with the appropriate Media Request List CCN number to: (301) 745-7075 (Available 24 hours a day)

If you do not own a fax machine, we will mail you the request. Immediately, send us a clear and legible copy of the sales record, along with a copy of the Media Request List to:

Merchant Services Media Retrieval  
Attn: RTV-N PO Box 6700  
Hagerstown, MD 21742-6700

If possible, arrange to fax the information back to us at the telephone fax number provided above. The required elements to fulfill a retrieval request are:

#### *Visa*

- Cardholder Account Number
- Cardholder's E-mail Address
- Card Expiration Date
- Cardholder Name
- Transaction Date
- Transaction Amount
- Authorization Code
- Merchant Name
- Merchant Location
- Description of service/merchandise - itemized charges
- Ship to Address (if applicable)
- AVS response code (if used and the response code is available)

If the retrieval request comes in for "Request for copy bearing signature," the merchant must provide a copy of the order form with the cardholder's signature

#### *MasterCard*

- Cardholder Account Number
- Cardholder's E-mail Address
- Cardholder Name
- Card Expiration Date
- Merchant Name
- Merchant Location

- Transaction Date
- Authorization Code
- Description of merchandise or service Ship to Address (if applicable)
- Transaction Amount AVS response code (if available)

If a retrieval request results from a difference in the following information on the sales record and transmitted record: merchant name or an incorrect city, state, foreign country and/or transaction date, a \$25.00 handling fee may be charged by the issuing bank and may be debited from your account.

If you do not respond or respond late to a media retrieval request, there is no recourse for a nonreceipt of requested item (sales record). Effective October 1, 1994, chargebacks for "nonreceipt of requested item" can no longer be reversed unless the request draft was provided when initially requested.

Association rules and regulations require that a merchant must make a good faith attempt and be willing and able to resolve any disputes directly with the cardmember. It is a violation of Association rules and regulations to rebill a customer for a transaction that was charged back.

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## **Chargebacks**

The term "Chargeback" refers to a returned transaction resulting from the lack of adherence to the conditions of the Sales Agreement, Association regulations, or these Operation Procedures, and result in the debiting of your merchant account.

Your merchant account may also be debited in the event Paymentech or its clearing bank is required to pay bankcard Association fees, charges, fines, penalties or other assessments as a consequence of your sales activities. Such debits shall not be subject to the limitation of time specified elsewhere in the Sales Agreement or these Operating Procedures.

In the event you maintain a bank account with Paymentech clearing bank we may cause your bank account to be debited for the actual or contingent Chargeback amount owed to Paymentech pursuant to the Sales Agreement between you, Paymentech and the clearing bank. If an account is not maintained with Paymentech clearing bank, we may actual or contingent Chargeback amount from your bankcard settlement, or from any other account accessible to

Paymentech by virtue of an ACH Agreement between you and Paymentech.

### *Chargeback Process/Dispute*

A cardmember, or the card-issuing bank, has the right to question or dispute a transaction. In most cases, before a Chargeback is initiated, the card issuing bank request a copy of the sales record, via a "Media Request" or "Retrieval".

Once a Media Request or Retrieval is received from the card issuer, we will respond by sending a copy of the transaction, if available.

If the information provided is sufficient to warrant a reversal of the Chargeback, and within the applicable timeframe, we will do so on your behalf, but reversal is contingent upon acceptance by your customer's card issuing bank under Visa and MasterCard guidelines. If the Chargeback is reversed, the card issuing bank does have the right to re-present the Chargeback a second time.

If the charge is not disputed within the applicable time limit set forth by MasterCard and Visa regulations, reversal rights are lost. Our only alternative, on your behalf, is to attempt a "good faith collection" to the card-issuing bank. You will receive only the amount, if any, recovered from the cardmember's bank. Association rules and regulations require that a merchant must make a good faith attempt and be willing and able to resolve any disputes directly with the cardmember. It is a violation of Association rules and regulations to rebill a customer for a transaction that was charged back.

### *Chargeback Reasons*

Following are the top Chargeback reason codes for which we receive Chargebacks, and how to avoid and dispute them:

1. Cardmember or card issuer requests a copy of the sales record.

To Avoid: Prepare and maintain legible sales records with complete sale and authorization information and/or respond to media retrieval request within the required timeframe.

To Dispute: Within twelve (12) days of the date you were debited we must receive via fax or mail a copy of the sales record.

2. Cardholder did not authorize the transaction (primarily

for mail/telephone/Internet orders; recurring transaction [repetitive billing]; pre-authorized health card transactions).

To Avoid: Mail/telephone orders - follow recommended procedures defined in this Operating Procedures Guide. Recurring transaction - ensure your customers are fully aware of the condition of the type of transaction. Use Address Verification Service.

To Dispute: Within twelve (12) days of the date you were debited we must receive via fax or mail a copy of the sales record.

Provide a copy of sales record, invoice, or order form. Provide a signed delivery receipt (UPS, Fed Ex, etc.) showing name and address the merchandise was delivered to. Provide a signed form and/or invoice acknowledging cardmember's participation in a recurring transaction. If possible, contact the cardmember directly to resolve the inquiry/dispute. Submit a letter in writing to Paymentech with supporting documentation stating why you believe the Chargeback may be improper or invalid.

3. Non-matching account number (transaction was processed on an account not found on an issuer's master file).

To Avoid: Mail/Telephone/Internet Orders - If possible, contact the cardholder to verify the account number or request another form of payment. In an incorrect number was used, re-authorize and redeposit the transaction using the correct number.

To Dispute: Within twelve (12) days of the date you were debited we must receive via fax or mail a copy of the sales record. Provide a copy of sales record. If you use a third party for authorization, immediately request their authorization logs and submit to us. Submit a letter in writing to Paymentech with supporting documentation stating why you believe the Chargeback may be improper or invalid. If possible, contact the cardmember to verify the account number or request another form of payment. If an incorrect number was used, authorize and redeposit the transaction using the correct number.

4. Transaction was processed more than once to the same cardmember.

To Avoid: Settle and reconcile your batches daily.

Ensure that the total amount settled and submitted balances with the credit card records of the transactions.

To Dispute: Within twelve (12) days of the date you were debited we must receive via fax or mail a copy of the sales record. Provide two different sales records. Submit a letter in writing to Paymentech with supporting documentation stating why you believe the Chargeback may be improper or invalid.

5. Credit not processed - the cardmember is claiming that a credit voucher or refund acknowledgment issued by you was not processed.

To Avoid: Process credits daily All credits must be applied to the account to which the debit originally posted Do not issue in-store or merchandise credit.

To Dispute: Within twelve (12) days of the date you were debited we must receive via fax or mail a copy of the sales record. Provide a copy of the credit record, date credit was processed, and the deposit total that included the credit. Submit a letter in writing to Paymentech with supporting documentation stating why you believe the Chargeback may be improper or invalid.

6. No authorization.

To Avoid: Authorize all transactions.

To Dispute: Within twelve (12) days of the date you were debited we must receive via fax or mail a copy of the sales record. Submit a letter in writing to Paymentech with supporting documentation stating why you believe the Chargeback may be improper or invalid and include any authorization data that you may have. If you used a third party (i.e., American Express) to authorize, you must contact them immediately for proof of authorization (e.g., authorization log) and submit to us.

7. Nonreceipt of merchandise - cardmember is claiming they did not receive the merchandise or merchandise was paid for by other means.

To Avoid: Do not process a transaction until merchandise is shipped. If a customer has paid for merchandise by another method, do not process the transaction.

To Dispute: Within twelve (12) days of the date you

were debited we must receive proof that the merchandise was received (i.e., UPS, Fed Ex, etc. tracer and delivery receipt; signed invoice, customer name and delivery address). If possible, contact the cardmember directly to resolve the inquiry/dispute. Submit a letter in writing to Paymentech with supporting documentation stating why you believe the Chargeback may be improper or invalid.

8. Card used before effective date or after expiration date.

To Avoid: Do not process a transaction prior to the effective date. Do not process a transaction after the expiration date.

To Dispute: Provide a printed sales record, invoice, or order form showing that the transaction was processed after the effective date or before the date of expiration. Submit a letter in writing to Paymentech with supporting documentation stating why you believe the Chargeback may be improper or invalid. If possible, contact the cardmember for another form of payment.

#### *Other Chargeback Reasons*

The following is a list of reasons for other Chargebacks. Paymentech may add or delete to this list as changes occur in the Association rules or operational requirements:

1. Services not rendered: Merchant did not provide services Services were paid by another method (i.e., cash, check, or another card).
2. Error in addition was made when calculating transaction amount.
3. Incorrect or invalid account number.
4. A valid authorization was not obtained for a transaction and cardmember neither authorized nor participated in transaction.
5. Cardmember credit was posted/processed as a debit or a debit was posted/processed as a credit.
6. Transaction was processed for an incorrect amount.
7. Not as described: goods or services received by the cardmember did not match merchant's written, mail/phone/Internet order or merchant's verbal description.
8. Claim or defense: local, state and/or federal law required the card issuer to credit a cardmember's account and no other Chargeback right was available (cardmember tried to resolve dispute with the merchant and was still dissatisfied).
9. Defective merchandise: shipped merchandise was

- received in defective condition or otherwise unsuitable for purpose sold.
10. Several drafts (sales records) were imprinted at same merchant location but cardmember acknowledged participation in only one transaction.
  11. Counterfeit transactions.
  12. Account number was listed on the exception file.
  13. Transaction was completed after authorization was declined.
  14. Transaction was not processed within MasterCard or Visa timeframes.
  15. No (card member) signature was obtained and cardmember neither authorized nor participated in transaction, or no outstanding valid card exists.
  16. Cardmember claims merchant changed amount of transaction (sales draft) without permission.
  17. Fraudulent transaction occurred with a merchant who has a prior history of fraudulent transactions.
  18. Limited amount terminal (terminal is specifically programmed for specific type of merchants) transaction exceeded limited amount.
  19. Authorization code invalid.
  20. Suspicious transaction, e.g., knowingly participating in a fraudulent transaction.
  21. Invalid sale: lost/stolen, counterfeit/altered or other invalid transaction which although correctly authorized, may be charged back in full or in part in accordance with MasterCard International or Visa, USA regulations.
  22. Cardmember was denied right to return item.
  23. Cardmember canceled order, cancellation number received.

#### *Chargeback Reversals/Collections*

Note: Do not issue a credit after a chargeback has been applied to your account. If you issue a credit after the chargeback has been applied this will cause the amount to be deducted from your account twice.

If your dispute and documentation supports a reversal of the Chargeback to the card issuer, and is received within the MasterCard and Visa reversal timeframes, we will reverse the item back to the card issuer and your account will be credited. It is important to note that the reversal is contingent upon the acceptance by the card issuer and/or the cardmember. The item may be represented a second time and your account will be debited accordingly. A reversal is not a guarantee that the Chargeback has been resolved in your favor.

If the Chargeback is presented by the card issuer a second time, it cannot be reversed and you may be debited. If you

feel strongly that it is an invalid Chargeback, you may request us to have MasterCard or Visa review and arbitrate the item to determine the validity. Both MasterCard and Visa have a \$150 filing fee and a \$250 review fee; both fees may be nonrefundable and may be debited to your account. In addition, if the decision is ruled in favor of the cardmember and/or card issuing bank, an additional penalty may be assessed and debited to your account.

If your dispute and documentation supports your case, but is received after the MasterCard and Visa timeframes, our only alternative is to attempt a 'good faith' collection with the card-issuing bank. This process can take from 30 to 180 days, the transaction must meet the card issuer's collection criteria (e.g., above a set dollar amount; within a specified time limit; etc.), and the card issuer may assess a collection fee (e.g., \$25 to \$100). A 'good faith' collection is not a guarantee that any funds will be collected on your behalf. You will be credited, when and if, the card issuer accepts the collection and makes payment (less any fees charged by the card issuer).

Due to the short time frames and the supporting documentation necessary to successfully (and permanently) reverse a Chargeback in your favor, we strongly recommend the following:

- Avoid Chargebacks by adhering to the guidelines and procedures outlined in this guide.
- If you do receive a Chargeback, investigate, and if you dispute the Chargeback, contact us immediately. Whenever possible, contact the cardmember directly to resolve the inquiry/dispute.
- If you have any questions, call Client Services and they will assist you (or they will refer you to someone who can).

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### **Other Debits**

The following is a list of reasons for other debits. Paymentech may add or delete to this list as changes occur in the bankcard Association rules or Paymentech operational requirements:

- Bankcard Association fees, charges, fines, penalties, or other assessments because of client's sales activities
- Currency conversion was incorrectly calculated
- Discount not previously charged
- Reversal of deposit was posted to your account in error
- Debit for summary adjustment not previously posted
- Reversal of credit for deposit previously posted

- Debit for Chargeback never posted to your account
- Debit for Association ruling against your account relating to Arbitration/Compliance
- Incoming collections you have agreed to accept
- Debit for EDC batch error fee
- Association Merchant Chargeback Monitoring Fee  
Excessive Chargeback Handling Fee
- Failure of transaction to meet Member Controller Authorization Service ("MCAS") - cardmember account number on exception file
- Original transaction currency (foreign) not provided
- Travel Voucher exceeds maximum value
- Debit and/or fee for investigation and/or Chargeback costs related to Paymentech termination of Sales Agreement for cause, or for costs related to Paymentech collection activities including reasonable attorney fees
- Shipping and handling fees
- Incorrect merchant descriptor (name and/or city, state) submitted
- Incorrect transaction date submitted
- Interchange fees

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### **Summary (Deposit) Adjustments/Electronic Rejects**

Occasionally, it is necessary for Paymentech to adjust the dollar amount of your summaries/submissions (deposits) and facilitate the crediting or debiting of your account accordingly. The following is a list of the most frequent reasons for Summary (Deposit) Adjustments/ Electronic Rejects:

- Your summary reflected an arithmetic error.
- Submitted sales not included in your Sales Agreement (i.e., Diners Club, American Express, and Discover).
- The dollar amount is unreadable/illegible.
- The cardmember's account number is unreadable/illegible.
- Duplicate sales record submitted.
- Credit card number is incorrect/incomplete.
- Summary indicated credits, but no credits were submitted.

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### **Disputing Chargebacks, Debits and Summary Adjustments**

In order to quickly resolve disputed Chargebacks, debits, and summary adjustments, it is extremely important that these

issues/items be sent to the address below. (If the Summary Adjustment is for unreadable or incorrect cardmember number, resubmit the corrected sales record with your next deposit. Also, if the transaction is over thirty (30) days, you must reauthorize.)

The following information should be obtained from your files:

1. Clear and legible copy of the sales record showing:  
Date of sale/credit.
2. Cardmember's account number, Cardholder's name  
Total amount of the sale Description of goods and services, Date and authorization approval code.

A dated cover letter detailing the reasons for requesting a review of the Chargeback, debit, or summary adjustment and documentation to support your dispute should accompany your sales record. (You should retain a copy of the correspondence and all documentation for your files.) If the inquiry is related to prior correspondence, be sure to include the control number we used previously.

Immediately submit the sales/credit records, all documentation, and your letter to:

Merchant Services Chargeback Department  
Attn: RTV-N  
P.O. Box 6700  
Hagerstown, MD 21742-6700

If you have any questions, please call Customer Services. If you are informed by a Customer Service Representative that additional documentation is required in order to fully review the item; please submit it immediately to the above address.

It is strongly recommended that, whenever possible, contact the cardmember directly to resolve a Chargeback.

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## **Change of Information**

### *Change of DDA Number (Checking Account)*

If you change your DDA number, you must call your Relationship Manager or Customer Services immediately for an Electronic Funding Agreement that must be completed before a change can be made.

### *Change in Legal Name or Structure*

You must call Relationship Management or Customer Services and request a new Sales Agreement.  
Change in Company DBA Name, Address, Telephone or Fax Number Contact Customer Services.

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## **Compliance Programs - Visa and MasterCard**

In an effort to combat credit card fraud and reduce Chargebacks which ultimately lead to higher costs and risk for all parties within our industry, the MasterCard and Visa Associations have developed several programs designed to mitigate fraud risk and control Chargebacks. Guidelines have been established and merchant monitoring programs and reports have been developed to track merchant sales transaction deposit activity.

In the event you exceed the guidelines outlined in each program below and/or submit suspicious transactions as identified on Paymentech deposit exception reports, you may be subject to:

- Operating procedure requirement modifications
- Incremental Chargebacks and/or fees
- Settlement delay or withholding subject to a Paymentech investigation to validate transactions
- Termination of your sales agreement

Paymentech will make every effort to work on your behalf and support you in defense of Association concerns where we believe you are not at fault or where Association enforcement of unreasonable guidelines is evident.

### ***Visa Compliance Programs***

#### *Merchant Chargeback Monitoring Program*

This program identifies merchants who demonstrate excessive Chargeback activity. Any merchant with a ratio of Chargebacks to Visa sales volume of 2.5% or more in a 30 day period will be considered excessive if the merchant has at least 50 Visa sales transactions and 30 Chargebacks in a given calendar month, or, at least 100 Chargebacks, regardless of the number of Visa sales transactions.

Visa will assess Chargeback handling fees and other penalties for continued demonstration of excessive Chargebacks. If a merchant demonstrates a critical level of Chargebacks to Visa sales volume during any 30-day period, Visa reserves the right

to require Paymentech to terminate the merchant agreement.

#### *Merchant Review Program*

This program monitors all merchant locations for a high occurrence of "Consumer Dispute" Chargebacks, i.e., service or merchandise not received, defective merchandise, credit not received or unauthorized purchaser. Consumer dispute Chargeback ratios which exceed 1% of a merchant's monthly sales volume with at least twenty (20) Chargebacks are considered "high occurrence". Merchant locations generating ratios exceeding 1% for four out of five consecutive months will be subject to restrictions, fines, and possible revocation of Visa card acceptance privileges.

#### *Highly Suspect Potential Fraud*

The Risk Identification Service (RIS) is a service provided by Visa U.S.A, to identify merchants generating a disproportionately high percentage of suspect transactions. Suspect transactions are defined as transactions which took place on the day a credit card was reported lost or stolen and may be potential fraud activity. Visa distributes information pertaining to abnormal levels of suspect transactions to Paymentech on a daily, weekly, and monthly basis. Upon identification of a merchant as highly suspect, the merchant may be required to adhere to special procedures, install fraud-reducing equipment, and may suffer fines.

Visa Confirmed Fraud/Questionable Merchant Activity (QMA) Program As part of Visa's risk management program, all merchants participating in the acceptance of Visa cards are monitored for confirmed fraud transactions. This program tracks fraud transactions by merchant location. Any merchant location meeting or exceeding the program criteria three (3) consecutive months will be considered a QMA (questionable merchant activity) location and will be subject to Chargeback liability (confirmed fraud transactions only) for a minimum of a 90 day period.

#### ***MasterCard Compliance Programs***

##### *MasterCard Violator Program*

A merchant may be identified as part of the violator program when the percent of fraudulent sales exceeds 8% of total sales for two consecutive months. The merchant location may either be terminated from the MasterCard Acceptance Program or accept Chargeback liability for fraudulent transactions for a minimum of one year, beginning the first day after the two consecutive months violation. At the end of the year,

MasterCard staff will review the merchant's fraud activity and determine whether to continue Chargeback liability. The Merchant Violation Program is conducted on a monthly basis, with reports sent Paymentech each month Paymentech will notify clients accordingly.

#### *Excessive Counterfeit Program*

A merchant identified as having excessive counterfeit activity will be subject to Chargeback liability for counterfeit transactions for a minimum of one year. Any merchant location having in a one-month period 5% of its total transaction volume identified as counterfeit and whether (i) the counterfeit dollar volume is a minimum of US\$1,000, or (ii) there is a minimum of two counterfeit transactions totaling US\$2,500, be required to utilize fraud-reducing equipment. Counterfeit activity is reported to Paymentech Payment on a monthly basis and clients are notified accordingly.

#### *Excessive Chargeback Special Merchant*

Merchant locations having a minimum of 15 Chargebacks and a 10% or more ratio of Chargebacks to sales volume for a period of two consecutive months, will be identified as an Excessive Chargeback Special Merchant. Should a merchant location be declared as having excessive chargebacks, issuing banks will be permitted to collect a \$25.00 recovery cost for each individual transaction charged back for at least one year beginning with the first day following the two consecutive months that the standards have been exceeded.

#### *MasterCard Audit*

MasterCard Security and Risk Management staff reserves the right to monitor and audit member's files and records of a merchant for fraudulent activity. MasterCard's staff will use available sources, including internal studies, analysis, member input and complaints, and information from compliance actions regarding activities which would raise serious concerns as to whether the merchant processed sales transactions which merchant knew or should have known were fraudulent or resulted in excessive cost to the industry.

If, during the course of monitoring the merchant, it is concluded that the merchant is collusive or otherwise fraudulent, the merchant will be declared fraudulent and corrective action will be taken. If a special audit of a merchant is necessary by MasterCard's staff, an assessment up to \$10,000.00 for audit expense recovery may be levied by MasterCard and the merchant's account will be debited

accordingly.

Upon the conclusion of a special audit, MasterCard's staff will report their findings to senior management with recommendations for appropriate action, which may include financial and other penalties, including request for cancellation of the merchant agreement and/or expulsion of the merchant from the MasterCard Acceptance Program. Any action may be appealed on behalf of the merchant.

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### **Moneta/My Merchant View Information**

When your online merchant bankcard application was approved, we sent an e-mail to you that included a Personal Identification Number (PIN), and step-by-step instructions to enroll for Moneta/My Merchant View Services. This service is provided to you at no additional charge!

Moneta/My Merchant View is a secure, easy-to-use, Internet-based service that provides your monthly bankcard statements online. In addition to monthly statements, Moneta/My Merchant View offers a wide array of services designed to save you time and make you more productive. Using simple point-and-click commands you can see the information you want when you want. By using Moneta/My Merchant View, you can perform many reconciliation and research functions:

- Sales Audit - Reconcile the amount submitted with the amount processed.
- Check Account Reconciliation - Reconcile the amount processed with the amount funded to your checking account.
- Chargeback Investigation and Resolution - Identify and resolve chargebacks.
- Media Retrieval Processing - Retrieve and submit sales records upon request.
- Historical Trend Analysis - Measure financial and operation performance.
- Moneta/My Merchant View provides 18 months of sales history.
- Cardholder/Customer Inquiries - Access cardholder information to respond to customer inquiries.
- Moneta/My Merchant View provides a 6-month cardholder history.
- Secure, encrypted access to account data.

Though a combination of encryption, personal certificates, and password protection, Moneta/My Merchant View controls access to your proprietary information. Multiple password

protected access levels provide different degrees of protection for various types of information. With Moneta/My Merchant View, you can be sure your information is secure.

For additional information or a Moneta/My Merchant View guided tour, visit: <http://www.mymerchantview.net>. If you have any questions regarding your Moneta/My Merchant View account, or financial transactions, please contact Customer Services at 1-888-807-5874.

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## **How to Read Your Statement**

Your bankcard statement is provided free of charge through Moneta/My Merchant View. HELP screens guide you through reviewing and reconciling your statement. If you have elected to receive a paper statement, the following guide reviews important features of the statement:

1. Your statement mailing address
2. Key information including your merchant number, the statement period, and the bank accounts into which we deposit you money and deduct your fees.
3. The customer service phone number for any questions you may have.
4. The address of the store location for this statement.
5. The Outlet Funding Summary is the core of the statement and brings your deposited batches, deductions, and checking account deposits into one consolidated report.
6. The Deposit Summary columns provide summary information on your deposit activity by day.
7. The Financial Summary columns provide the fees and adjustments to your account due to Chargebacks, Chargeback Reversals, Interchange and Assessment Fees, Discount, Other Fees and Financial Adjustments.
8. The Fund Date is the date your deposit was processed for funding.
9. The Total \$ Submitted is the net dollar amount of your batch deposits for the day.
10. The Total \$ Funded indicates your bankcard deposits that were funded.
11. The \$ Paid by 3rd Party indicates your non-bankcard deposits you were funded for in a separate deposit to your DDA (for example, American Express and Discover).
12. The Net \$ Funded is the net amount that was deposited into or deducted from your account on the Fund Date.