



**CHASE**  <sup>TM</sup>  
Paymentech

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# Introduction

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To effectively manage interchange, you need a basic understanding of what interchange is and how it impacts the way you do business, whether that be in the card-present or the card-not present environment. This document provides background information and explores the best practices for interchange management.

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# Interchange

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## What is interchange?

Interchange is the amount paid to issuers for processing your transactions through the payment brand system. It represents the largest component of your total transaction processing costs and is based on a number of factors including the level of risk associated with funding the transactions submitted.

Interchange is priced at the transaction level and is categorized by a number of parameters:

- Merchant category code (MCC)
- Method of card acceptance (swiped vs. keyed face-to-face or card-not-present)
- Type of card accepted for payment (consumer, business, purchasing, etc)
- Transaction amount
- Additional industry data such as Level II or Level III for Commercial cards

Special rates are afforded merchants classified by industry, as indicated by their MCC, and acceptance method, or both, for example:

- Mail Order
- Retail
- Emerging Markets
- Utilities
- Hotel
- Travel
- Restaurant/Fast Food
- Automated Fuel Dispenser

The environment in which a payment card is accepted is part of determining the qualifying interchange rate, for example:

- Card-present environment
  - Swiped vs. keyed transaction
  - Contactless
- Card-not-present (CNP) environment
  - Mail order/telephone order
  - E-commerce

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## Interchange, Continued

### What is Interchange?, (continued)

The type of card or product accepted for payment and the amount of data submitted with the transaction will impact the interchange rate qualification.

Card Type	Description
Consumer	Issued to individuals including rewards-based and signature cards
Signature Debit	Debit /check card transaction that is processed through the payment brand network and requires a cardholder signature
Commercial	<ul style="list-style-type: none"> <li>• <b>Business</b> – credit cards used by businesses to cover expenses such as travel, entertainment and purchasing (&lt; 15 participants)</li> <li>• <b>Corporate</b> – credit cards used by businesses to cover expenses such as travel, entertainment and purchasing (&gt; 15 participants)</li> <li>• <b>Purchasing</b> – credit cards used by businesses to cover purchasing expenses               <ul style="list-style-type: none"> <li>○ To qualify for Level I, II and III rates, differing degrees of transaction data must be submitted</li> </ul> </li> <li>• <b>Fleet</b> – purchasing cards used to collect petroleum-specific data, such as numbers uniquely assigned to a driver or vehicle, in addition to being used in non-fuel locations</li> </ul>

In some instances, the interchange rate is dictated by the amount of the transaction:

- Small Ticket
- Commercial Large Ticket
- Convenience Purchase

### What is the purpose of Interchange?

The payment processing system involves (four) 4 separate entities – cardholders, issuers, merchants and acquirers. The interactions of these four parties can number in the hundreds of millions each and every day. Interchange helps to balance costs within the system and to promote a strong payments industry from which all participants benefit.

## Interchange, Continued

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**Who benefits from Interchange?**

Benefits are afforded both issuers and merchants. Interchange paid to issuers provides them with an incentive to research, develop and offer more programs and payment options for cardholders. It also gives issuers the means to provide greater security and more effective fraud protection measures.

Merchants benefit from Interchange by being able to offer more payment options for their customers which result in higher sales. Settlement of transactions through the interchange network is fast, eliminating the costs involved in billing and collecting amounts due. This in turn reduces the overall impact on your processing expenses while streamlining payments.

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**Dues and Assessments**

In addition to Interchange, card companies also charge merchants Dues and Assessments. These fees represent a flat percentage of the total dollar amount of transactions processed and are retained by the card companies for use in maintaining the components of the network infrastructure:

- Rules and regulation setting and review
  - Price setting and review
  - Research and development of new technologies
  - Marketing and branding
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# Interchange Rate-Setting Guidelines

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## Rate-setting goal

The primary goal in setting interchange rates is to maximize network volume. That is, to balance the participation by merchants and cardholders and at the same time to motivate issuers to provide cards and programs that will realize benefits for merchants when they accept cards or participate in programs.

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## Guidelines for rate-setting

To maintain this balance, the card companies use a number of guidelines in determining interchange rates

- Type of industry as categorized by MCC
- Acceptance of both credit and debit cards
- New acceptance categories (contactless)
- Incentives for best practices (use of Address Verification Service (AVS), swiped vs. keyed transactions as well as MasterCard SecureCode and Verified by Visa)
- Competition with other payment options (cash, check, and other credit cards)
- Transaction processing costs for both issuers and acquirers
- Financial impact of new programs and technologies to provide additional payment opportunities

External factors also impact rate setting:

- Historical growth in numbers of cardholders and merchants
- Federally dictated security measures – Homeland Security Act, Patriot's Act, Payment Card Industry (PCI) and level of compliance
- Legal and settlement costs of card company litigation
- Research and development costs of new payment types geared to reducing or eliminating cash and check transactions

### Notes:

- Rates are usually updated twice yearly (April and October) through card company releases
  - Card companies maintain separate interchange rules and requirements by region
  - International transactions have a full set of rules determined by currency and country
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# Interchange Downgrades

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## What is a downgrade?

Card companies determine the interchange rate to be charged for each transaction based on the established requirements for the category. If a transaction does not fulfill one or more of the classification requirements, the transaction will downgrade to another classification often with a higher rate, resulting in increased cost.

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## Types of downgrades

There are two types of downgrades, classified as front-end or back-end, indicating when the downgrade occurs during the transaction processing.

- When the transaction is originally processed on our front end, we identify the optimum interchange rate based on the requirements of the card companies and the data present in the transaction.
  - The card companies also go through the transaction and identify its proper classification and rate. If the data does not match, the transaction will be reclassified.
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## Card-Not-Present (CNP) common downgrade situations

Specifically, downgrades on **CNP transactions**, which include mail order/telephone order and e-commerce, occur when there are differences between authorization and deposit information, when transactions are submitted with missing data or after the allowed time frames, or when there are issues with account setup. Below are the most common downgrade reasons for CNP transactions.

1. The **transaction type** for the authorization and the deposit are not in the same “family”. Recurring and card-present transactions are not in the same family. MOTO (mail order/telephone order) and Internet are.
  2. The **transaction identifier** is not the same for both the authorization and deposit transactions.
  3. The **authorization date** submitted on the deposit differs from the actual authorization date.
  4. The 6-digit **authorization code** is missing from the submitted transaction.
  5. **AVS** (minimum information of billing address zip code) is not performed on a Visa CNP transaction. (MasterCard does not require AVS on CNP transactions).
  6. A **voice authorization** was performed so electronic authorization data is not captured for submission.
  7. The transaction is missing required data for a specific industry or program.
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## Interchange Downgrades, Continued

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### **CNP common downgrade situations, (continued)**

8. For Visa CNP, the amount of the authorization must equal the amount of the deposit. For MC CNP, the authorized amount must be within a set percentage of the deposited amount.
  9. The deposit transaction is not submitted within the required **time frames** for the optimum interchange rate.
  10. The **authorization is obtained from another front-end source** and the information submitted is incomplete or inaccurate.
  11. Proper system closeout procedures are not followed.
  12. The **deposit was submitted too soon after an online authorization**. Wait at least 2 hours between the online authorization and the deposit. This wait period is extended during the peak processing season of November and December
  13. **Data is different from authorization to deposit** or does not match the transaction type being processed. Submitting a cardholder ID method of signature obtained is inconsistent with the MCC and transaction type that identify the transaction as MOTO
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### **Card-Present common downgrade situations**

For card-present transactions, downgrades will generally occur when the transaction is keyed rather than swiped, when the required authorization is missing or the timeframes for deposit are not met. Below is a list of the most common downgrade reasons for card-present transactions:

1. The card cannot be swiped and the information is manually keyed in. This means important information is not captured from the magnetic stripe and passed on with the transaction as it is processed.
  2. The required authorization is either not obtained, or, if obtained, is missing from the transaction data when it is submitted.
  3. A voice authorization is performed so the required extended data information is not captured to be submitted with the transaction.
  4. The transactions are not batched and submitted within the proper timeframe.
  5. The customer is not present to sign the sales slip if required.
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## Interchange Downgrades, Continued

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**Card-Present  
common  
downgrade  
situations,  
(continued)**

6. The submitted transaction is missing required data for a specific industry or program.
7. An authorization can only be used once regardless if the deposit amount is for less than the authorized amount.
8. The application is not current with industry specifications.
9. The merchant's response to a terminal prompt is inappropriate.
10. The merchant is setup with an inappropriate pricing plan.

To prevent downgrades, merchants must not only know the requirements for the types of cards they accept and the environment in which they accept them, but must also make sure all interchange qualification requirements are met.

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# Monitoring Interchange

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**Introduction** To successfully manage the impact of interchange, diligence in monitoring rates and downgrades is all important. Our monitoring programs provide you the information needed to insure your transactions are processing properly to receive optimum rates.

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**Online Monitoring Tools** Tracking can easily be done with the online tools provided by Chase Paymentech. The tools available to merchants are dependent upon the processing platform utilized.

## Resource Online (ROL) Tools

Resource Online (ROL) includes three different applications for merchant to use in tracking interchange rates and downgraded transactions:

Tool	...provides
<b>Reconciliation Solution</b>	<p>Access to payment processing information, consolidated transaction reporting and reconciliation data. Reports specific to interchange qualifications and downgrades are:</p> <ul style="list-style-type: none"> <li>• <i>Settlement Fees Detail</i> – provides Interchange and Assessment fees assessed during the reporting period</li> <li>• <i>Qualification Summary Report</i> – summarizes activity by qualification level. This report can be used to pinpoint card-present locations that have excessive downgrades due perhaps to equipment failure or lack of sufficient staff training</li> <li>• <i>Non-Qualified Transactions</i> – shows the levels to which transactions were downgraded and the reason for the downgrade</li> <li>• <i>Qualified Transactions</i> – lists those transactions that met the interchange qualification requirements</li> <li>• <i>Bankcard Interchange</i> – identifies the locations with the lowest percent of transactions qualifying for the optimum rate</li> </ul>
<b>Virtual Transaction Manager</b>	<p>24X7 access to front-end point-of-sale transaction data. Both detail and summary reports are available as well as a transaction search feature.</p> <ul style="list-style-type: none"> <li>• <i>Interchange Exception Report</i> lists host-captured batches still open after two (2) days and terminal captures with invalid or aged dates that may cause downgrades</li> </ul>

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# Monitoring Interchange, Continued

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Online monitoring tools, (continued)

## Resource Online (ROL) Tools, continued

Tool	...provides
<b>Instant Alerts</b>	Instant notification via email of potential risk situations and exception conditions when set thresholds for a number of data elements are exceeded for a merchant location: <ul style="list-style-type: none"><li>• Percentage of non-qualifying transactions</li><li>• Number of downgraded transactions</li><li>• Number of manually-keyed transactions in an open batch</li><li>• Number of offline sale transactions in an open batch</li><li>• Number of days a batch has been open</li></ul>

### Additional Reporting Tools:

MyMerchantView and CustomiView are reporting tools available for card-present merchants who do not have access to Resource Online. Merchants using MyMerchantView are being transitioned to ClientLine during 2008.

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# Monitoring Interchange, Continued

Online monitoring tools, (continued)

## Paymentech Online (PTI) Tools

Transaction History and the Report Center on Paymentech Online provide information to use in tracking interchange rates and downgrades.

Tool	...provides
<b>Transaction History</b>	A search tool to look at the history of transactions including detailed information on the interchange rate assessed for both qualifying and downgraded transactions. Authorization, deposit and product information is also available.
<b>Report Center</b>	<p>Access to daily and monthly reporting that details the interchange rates assessed for submitted transactions. By reviewing the report data, you can see if your transactions are qualifying for the lowest rates possible or if they are downgrading to higher than expected rates.</p> <ul style="list-style-type: none"> <li>• <i>Service Charge Detail (FIN-0011)</i> – displays the interchange categories and rates transactions qualified for and the associated fees assessed during the reporting period</li> <li>• <i>Interchange Qualification Detail (ANS-0013)</i> – provides the reason codes and description for both front-end and back-end downgraded transactions during the reporting period</li> <li>• <i>Interchange Qualification Summary (ANS-0016)</i> – provides summary information for all qualification levels</li> <li>• <i>Interchange Downgrade Summary (ANS-0017)</i> – summarizes downgraded transactions and matches to the ANS-0013 report</li> </ul>

# Interchange Management Best Practices for Card-Present Transactions

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**Introduction** Managing interchange is all important. Each step merchants take to validate the card and user at the time of the transaction reduces the risk associated with that transaction and insures the optimum available interchange rate will be charged.

The following best practices will help you achieve the optimum rate available on the variety of transactions you submit for processing.

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Action	Description
<p><b>Swipe cards – minimize key-entered transactions</b></p>	<p>Always swipe cards to capture all the information on the magnetic stripe to obtain the best interchange rate. Keying transactions may result in information errors and poses greater risk by bypassing fraud security measures that are captured by the card swipe. Less convenient and more time-consuming for your sales staff, keyed transactions may also result in a higher decline rate.</p> <p>All keyed transactions should capture the bill-to address of the cardholder so that Address Verification (AVS) can be utilized. Performing AVS in keyed scenarios does not guarantee the optimum available interchange rate, but it may reduce the impact of downgrading.</p>
<p><b>Obtain valid authorization</b></p>	<p>The authorization process captures information that allows the card companies to identify the transaction when it is submitted for deposit. This information is used to determine the interchange rate for each specific transaction.</p> <p>The amount of the authorization must match the amount of the deposit transaction according to card company rules and regulations. For card-present transactions, only a single authorization is possible. Lack of the required authorization, and subsequent authorization detail, may result in a decline or an interchange downgrade.</p> <p>Certain merchant categories are allowed a tolerance between the authorization and deposit amounts due to the nature of their business. Restaurants, taxicabs and limousines, bars, taverns, cocktail lounges, beauty salons, barber shops and health and beauty spas all qualify, as they operate in a “tipping” environment. The tip is often added after the authorization. Make sure you are set up with the correct MCC to receive an exemption status; without the exemption, mis-matched transactions will likely downgrade.</p>

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## Interchange Management Best Practices for Card Present Transactions, Continued

Action	Description
<p><b>Include all required industry data</b></p>	<p>To qualify for the optimum interchange rate, capture and submit all the required information needed to qualify for a particular level of interchange. For example, if you are accepting a Purchasing card, the amount of data captured will qualify the transaction as a Level I, II or III. If required information is not included in the deposit record, a downgrade may occur resulting in a higher than expected rate.</p> <p>The investment in the application and development of tools needed to capture the additional necessary details may impact your return. It may be wise to investigate if the impact is justified.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>Note: Capturing and sending Level III data is dependent on the processing system and the type of POS terminal used.</b></p> </div>
<p><b>Avoid late presentment</b></p>	<p>To qualify for the optimum interchange rate, deposit transactions must be presented within the qualification requirement timeframes. These timeframes vary and are dependent upon such factors as the merchant industry category, the transaction type, and the environment in which the card is accepted.</p> <p>Settling batches daily and submitting them before the expiration of the timeframes will help to prevent downgrades.</p>
<p><b>Reconcile daily</b></p>	<p>Insure all transactions are submitted and terminals are in balance on a daily basis. Use proper procedures for terminal balancing to alleviate reconciliation issues.</p>
<p><b>Review statements and reporting</b></p>	<p>You receive monthly statements that detail the types of payments processed and the fees associated with these transactions. Understanding the data on your statements and reports is crucial to your awareness of issues or inconsistencies. If something appears out of the ordinary or does not make sense, contact Chase Paymentech for an explanation and assistance with a solution.</p>
<p><b>Examine your payment options</b></p>	<p>Fees, including interchange, will vary according to the types of payments you accept in the course of daily business. Offer your customers a variety of payment options that will afford you optimum interchange rates and processing costs. For example, PIN-based debit may be a more secure and less costly option than signature credit or debit transactions. Branded gift cards do not carry interchange costs and thus could prove to be a lower cost option. Offering alternate payment options is worthy of investigation when considering your processing costs.</p>

## Interchange Management Best Practices for Card-Present Transactions, Continued

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<b>Action</b>	<b>Description</b>
<b>Review business patterns</b>	Be aware of your unique business patterns such as how transactions are entered, your average ticket amount, and when during the day sales tend to spike. Your constant awareness will let you know if something is amiss with your hardware, if your software needs tweaking for maximum efficiency, or if additional training on terminal use is needed.
<b>Work with Chase Paymentech</b>	As your processing partner, Chase Paymentech can assist you in managing your processing costs. Ask for a consultation or technical assistance by contacting your account executive. A review of your account setup, the hardware and software you are using, and how you are accepting payments could result in significant savings.

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# Interchange Management Best Practices for Card-Not-Present Transactions

## Introduction

Card-Not-Present transactions generally have greater fraud risk associated with them than card-present transactions. This elevated risk translates into higher Interchange rates assessed by the card companies. There are a number of steps a CNP merchant should take to minimize the impact of interchange on your bottom line.

Action	Description
<b>Review your account setup</b>	<p>Your account executive can provide information on your account to insure that you are properly set up</p> <ul style="list-style-type: none"> <li>• With the MCC code for your type of business. Visa and MasterCard provide incentive rates for select industries due to their growth potential or to promote card acceptance</li> <li>• With the CNP indicator flag turned on. If the flag is not active, a CNP transaction will be processed incorrectly as a card-present transaction with implications for interchange</li> <li>• So that your business phone number prints on customers statements. This provides a method of contact for your customers should they have questions about the transaction and may possibly avoid a chargeback situation</li> </ul>
<b>Obtain valid authorizations</b>	<p>In general, the amount deposited must match the amount authorized. If there is a difference due to a backorder situation where only a portion of the order is shipped, authorization reversal is allowed. The new authorization is for only those items that are shipped so that the two amounts – authorization and deposit – match, thus avoiding a downgrade situation.</p> <p>Be aware that voice authorizations for transactions can result in downgrades to higher interchange rates since they do not capture electronic data required for the optimum rate.</p>
<b>Use Address Verification Service (AVS)</b>	<p>Use of AVS will verify the cardholder's billing address and zip code. Make sure the bill-to address is obtained for all phone, mail and internet orders. Failure to capture and submit this information may result in a downgrade to a higher rate. Even though only Visa currently requires AVS be performed, it is a sound practice to perform it on all CNP transactions.</p>
<b>Submit all required data for the card type</b>	<p>Business, corporate and purchasing cards qualify for optimum interchange rates based on the features that are offered to merchant who accept them. These features include more detailed reporting for each transaction and consolidated billing for multiple cards. By capturing and submitting more detailed transaction information (Levels II and III) during processing, merchants can realize lower interchange rates. Capturing the additional details correctly may be costly, so it is wise to make sure your sales volume justifies the added expense.</p>

## Interchange Management Best Practices for Card-Not-Present Transactions, Continued

Action	Description
<b>Take advantage of interchange incentive programs</b>	<p>Incentive programs offered by the card companies carry reduced interchange rates while providing greater protection against fraud for e-commerce transactions. In both cases, the consumer registers with their issuer who provides them a code to use when ordering online</p> <ul style="list-style-type: none"> <li>• Verified by Visa enables participating issuers to authenticate that a cardholder is the owner of the Visa card used in the transaction</li> <li>• MasterCard SecureCode uses the Universal Card Authentication Field (UCAF) in the transaction record to communicate between issuers, acquirers and merchants. There are two levels of UCAF rates:               <ul style="list-style-type: none"> <li>- Merchant UCAF – applies when an authentication is attempted by a UCAF-enabled merchant</li> <li>- Full UCAF – applies to fully authenticated transactions and provides chargeback protection on these transactions when the merchant of the issuer both participate</li> </ul> </li> </ul>
<b>Settle transactions within timeframes</b>	<p>A good rule of thumb for CNP transactions is they must be deposited within 7 days of the authorization to avoid interchange downgrades. Late presentment can be avoided by submitting transactions on a daily basis.</p>
<b>Reconcile settlements daily</b>	<p>By reconciling on a daily basis, you are immediately aware of any issues or trends that impact your bottom line. Use the online tools provided by Chase Paymentech for your research. If there is a reconciliation problem that you cannot resolve quickly and easily, contact Chase Paymentech for assistance.</p>
<b>Work with Chase Paymentech</b>	<p>As your processing partner, Chase Paymentech can assist you in managing your processing costs. Ask for a consultation or technical assistance by contacting your account executive. A review of your account setup, the hardware and software you are using, and how you are accepting payments could result in significant savings.</p>

## Other Cost-Saving Methods of Payment

**Introduction** There are a variety of payment options available that merchants can offer their customers in addition to credit and signature debit cards. Many of the alternate payment types described below may result in lower processing costs. Availability of these payment types is based on industry and processing platform.

<b>Gift Card</b>	Gift Card is Chase Paymentech's proprietary, full-service stored value card program that combines card creation, packaging, transaction processing, database management, reporting and help desk support to merchants. A stored value card is used by a merchant to issue spending credit to their customers. The merchant's customers are given a magnetic stripe card in exchange for money received, merchandise returned, or other considerations. The card represents a dollar value that the consumer can either use or give to another individual. There is no security associated with the card itself. The actual record of the balance on the card is maintained on a centralized stored value card database.
<b>PIN-based debit</b>	Interchange rates for PIN-based debit transactions are set by the Debit Networks and are generally lower than for credit transactions. Transactions are routed through debit networks including STAR, PULSE and NYCE. Card-present merchants must provide a PIN pad for the customer to enter their unique PIN representing an additional cost for card acceptance. However, this cost is generally offset by the lower interchange rates assessed for PIN-based debit transactions. With PIN-based debit transactions, no signature is required.
<b>ACH – eCheck, Check Conversion</b>	<p>The Automated Clearing House (ACH) is used for the exchange of paperless entries. The ACH system routes transactions to the appropriate endpoint based on the route and transit number assigned to financial institutions by the Federal Reserve System.</p> <p>eCheck Processing (ECP) is the electronic payment process that directly debits consumer or business accounts for payment of goods and/or services. Chase Paymentech offers the following e-check payment options</p> <ul style="list-style-type: none"> <li>• WEB (Internet)</li> <li>• TEL (Mail Order/Telephone Order)</li> <li>• POP (Point of Purchase Conversion)</li> <li>• ARC (Accounts Receivable Conversion)</li> <li>• PPD (Recurring Debit)</li> <li>• BOC (Back Office Conversion)</li> </ul> <p>By converting checks to ACH debit transactions, merchants can enhance security and eliminate manual handling, thereby improving cash flow, reducing errors and lowering administrative expenses. Merchants that deploy a check conversion solution can significantly reduce the cost of transaction processing.</p>

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## Other Cost-Saving Methods of Payment, Continued

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<b>PayPal</b>	<p>PayPal enables any individual or business with an email address to send and receive payments online securely, easily and quickly. PayPal's service builds on the existing financial infrastructure of bank accounts and credit cards and uses one of the worlds most advanced proprietary fraud prevention systems to create a safe, global, real-time payment solution.</p> <p>PayPal automatically encrypts confidential information in transit from your business systems to theirs using the Secure Sockets Layer protocol (SSL). Before you or a customer even registers or logs in to the PayPal site, their servers check that you're using an approved browser - one that uses SSL 3.0 or higher. PayPal's servers sit behind an electronic firewall and are not directly connected to the Internet, so your private information is available only to authorized computers.</p> <p>PayPal's proprietary risk models help detect and predict fraudulent transactions – before they affect your business. PayPal uses industry-recognized AVS and CVV2 checks to thwart identity theft and employs patent-pending bank account verification as an additional level of authentication</p>
<b>Bill Me Later (BML)</b>	<p>Bill Me Later is a simple, secure, comfortable payment option that card-not-present (CNP) merchants can offer. With BML, merchants offer their customers a convenient buying experience and enjoy increased sales, a higher average order value and repeat usage, while lowering transaction costs. Chase Paymentech has partnered with BML, Inc. to provide this service to merchants in the direct response and e-commerce markets.</p> <p>Unlike other payment options, with Bill Me Later the customer does not need to provide a 16-digit credit card number when making a purchase, nor do they need to set up an account in advance. Using minimal information provided by the customer at the point of sale (last 4 digits of their Social Security Number and their date of birth), a real-time credit decision is made against the value of the consumer's purchase amount. Once the purchase is authorized and settled, Bill Me Later sends the customer a bill with flexible payment terms similar to those of a credit card.</p>

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## Other Cost-Saving Methods of Payment, Continued

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<b>PINless Debit</b>	<p>Debit Bill Payment processing is available to selected industries that have been traditionally viewed as 'recurring billers'. It is limited to those industries that are highly regulated and include: utilities, telecom, cable/satellite, government, education and financial services.</p> <p>Debit Bill Payment transactions are always initiated by the consumer via the merchant's automated IVR (Interactive Voice Response) system, through a live agent at a call center or a payment page on the merchant's web site. The consumer may also authenticate a recurring payment for future bills. Since no PIN is captured during a debit bill payment transaction, the merchant must exercise an authentication routine to verify the identity of the cardholder. This is generally accomplished through the use of 'shared secrets' between the merchant and consumer. The merchant assumes 100% liability for the transaction, and any subsequent adjustments to it. Interchange rates for PINless debit transactions are set by the Debit Networks and are generally lower than for credit transactions.</p> <p>The three debit networks that Chase Paymentech currently supports for PINless debit transactions are NYCE, STAR and PULSE.</p>
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## Appendix A – Card-Present Interchange Management Best Practices Checklist

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Managing interchange is all important. Each step taken to validate the card and the user at the time of the transaction reduces the risk associated with that transaction and insures the optimum interchange rate will be charged.

✓	Keep your card-reader equipment clean and functioning properly
✓	Upgrade your terminal hardware to support multiple payment types
✓	Ensure your software and applications are compliant for both your industry and level of compliance
✓	Train employees on the proper use of equipment to minimize key-entered transactions
✓	If a transaction must be key-entered, perform Address Verification (AVS) on the Bill-To address and obtain the customer's signature on the sales slip
✓	Always obtain a valid authorization for each transaction
✓	Capture the appropriate information for the type of card being accepted and submit the captured information with the deposit record
✓	Know the required presentment timeframes for card types you are accepting
✓	Batch and submit transactions on a daily basis within the timeframes required for the various card types
✓	Review statements and reports; research inconsistencies
✓	Know your business patterns and recognize any out of the norm situations
✓	Provide a variety of payment choices to take advantage of lower processing options
✓	Consult with Chase Paymentech to insure your account is setup properly

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## Appendix B – Card-Not-Present Interchange Management Best Practices Checklist

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Managing interchange is all important. Card-Not-Present transactions generally have greater fraud risk associated with them than card-present transactions. Each step taken to validate the card and the user at the time of the transaction reduces the risk associated with that transaction and minimizes the impact of interchange on processing costs.

✓	Insure that your account is properly setup and coded for Card-Not-Present (CNP) transactions – mail order/telephone order and e-commerce
✓	Always obtain a valid authorization for each transaction
✓	Ensure your software and applications are compliant for both your industry and level of compliance
✓	In a backorder situation, reauthorize only for the amount of shipped goods
✓	Use Address Verification on the Bill-To address
✓	Capture the appropriate information for the type of card being accepted and submit the captured information with the deposit record
✓	Submit transactions on a daily basis within the time-frames required for the various card types
✓	Review statements and reports daily; research any inconsistencies
✓	Take advantage of Interchange incentives offered by the card companies

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