

PayPal®

GENERAL INFORMATION

What is PayPal?

PayPal is the safer, easier way to pay and get paid online. The service allows anyone to pay in any way they prefer, including through credit cards, bank accounts, buyer credit or account balances, without sharing financial information. In the U.S., PayPal is the most preferred payment service on the Web after Visa*.

* (source: PayPal BrandTracker Q2 08)

Who uses PayPal?

PayPal has a user base of more than 63 million active account holders worldwide. In the U.S., 85 percent of PayPal customers say they would recommend the PayPal service, while 18 percent of U.S. online shoppers who used PayPal to make a purchase on certain large merchant sites said they would not have made a purchase if PayPal had not been a payment option. PayPal accounts contain almost \$3 billion in stored value that is spent every two weeks.

How will offering PayPal increase my overall sales?

- **Higher Sales** – When PayPal is added to a small or medium sized merchant Web site, merchants experience an average sales increase of 14 percent, with large merchants receiving a sales increase of between 1-5 percent. (Source: Survey of PayPal shoppers conducted by Northstar Research, Q4 2007 and PayPal internal data on Express Checkout transactions, Q4 2007).
- **Higher Conversion- *Small-to-medium sized merchants***: Among small and medium sized merchants, PayPal Express Checkout delivers conversion rates of 72 percent. This is 41 percent higher than the than average credit card conversion rates of 51 percent. (Source: MarketLive Performance Index, Q1 2007 and PayPal internal data on Express Checkout transactions, March 2007).
When it comes to the *Internet's largest U.S. merchants*, PayPal Express Checkout delivers conversion rates of 80 percent. This is 23 percent higher than average credit card conversion rates of 65 percent. (Source: ComScore study of large online retailers offering Express Checkout, Q3 2007).

In what currencies can my company process PayPal transactions through Chase Paymentech?

Chase Paymentech supports PayPal processing in U.S. dollars for consumers with U.S. PayPal accounts.

Can I offer PayPal to my customers who make recurring payments?

Yes, you can process automatic recurring payments through the PayPal Reference Transaction functionality. PayPal will establish a billing agreement between the consumer and the merchant that contains a billing agreement ID. This ID is then stored in the consumer record and PayPal withdraws future transactions from the consumer PayPal account, using this ID, for the lifetime of the billing agreement.

What happens when customers without a PayPal account choose PayPal as a payment method at my company's Web site?

Customers who do not currently have a PayPal account will be required to login to PayPal and establish one. Once the account is established with at least one funding mechanism attached to it, consumers can then conduct transactions using PayPal as their preferred payment method.

What are PayPal's security features?

PayPal's industry-leading loss rate is 0.25 percent. This is largely due to the fact that PayPal uses a variety of fraud management tools including address verification, card value verification (CVV2), fraud scoring, encryption and patent-pending bank account verification techniques. Not to mention, PayPal's fraud prevention team uses proprietary risk models that help detect and prevent fraudulent transactions. These security features translate into the lowest chargeback rate in the industry – around 0.10 percent.



Are there any restrictions or reasons why a merchant would not be permitted to use PayPal through Chase Paymentech?

PayPal processing is available for merchants in most industries – excluding adult content and gambling. Any merchant approved for processing by Chase Paymentech can add PayPal to their existing Chase Paymentech partnership.

Does PayPal offer merchants any marketing or promotional opportunities?

Marketing opportunities may be available. Please contact your PayPal representative for more information.

How does utilizing Chase Paymentech's connection to PayPal differ from a direct connection to PayPal?

By incorporating PayPal functionality into your payments processing relationship with Chase Paymentech, you benefit from:

- **Streamlined processing** – you can submit your PayPal transactions to Chase Paymentech within the same file as all your other payments transactions. Your chargeback processing is likewise streamlined with one solution that manages all your chargebacks for all payment methods.
- **Integrated reporting and research** – your PayPal transaction data is included in your standard financial reporting from Chase Paymentech alongside your other payment methods. PayPal transactions can also be researched through our online Transaction History module of Paymentech Online.
- **Consolidated settlement** – All your payments transactions, including PayPal, can be settled directly to your bank account with a single funds transfer.
- **Simplified management** – Chase Paymentech acts as the central administrator of the PayPal account, giving you one relationship to manage all your payments needs.
- **Support for all PayPal transaction types** – you can submit Express Checkout transactions, recurring payments (Reference Transactions), pre-approved payments, and more.

INTEGRATION AND IMPLEMENTATION

What version of the Chase Paymentech technical specifications and integration solutions include PayPal formats?

PayPal is supported through the Chase Paymentech 120-byte Batch and Online 7.4 technical specifications, as well as the Spectrum SDK V. 2.0.0. Merchants must connect via frame relay, Virtual Private Network (VPN), Secure File Transfer Protocol (SFTP), Spectrum, or a certified third-party vendor.

Do I need any other software or tools to process PayPal transactions?

In addition to coding to Chase Paymentech's technical specifications, you will need to develop a front-end redirect to PayPal in order to facilitate the consumer authentication from your Web site to PayPal. Development estimates for this redirect range from four to six hours. Alternatively, you may choose to purchase the Cardinal Commerce Centinel software solution which includes redirect functionality.

Do I have to sign a PayPal contract addendum with Chase Paymentech?

Existing merchants may need to sign a contract addendum relevant to the version of their existing Chase Paymentech contract. New merchants are not required to sign an addendum, as this is addressed in the latest version of our merchant processing contract.

Do I have to sign a contract with PayPal?

PayPal requires a contract for all merchants processing transactions through the PayPal system. Please contact a PayPal sales representative for a copy of the PayPal contract.

What paperwork do I need to complete to add PayPal to my merchant account?

Chase Paymentech will need to collect some basic information to add PayPal processing to your merchant account. You may need to complete a brief setup form.

What is the set-up time frame to add PayPal to my merchant account?

Typical time frames for development and set-up run approximately 30-45 business days.

What software vendors and submitters are certified to support PayPal processing through Chase Paymentech?

Cardinal Commerce is certified to process PayPal transactions through Chase Paymentech and has developed adaptors for Escalate Retail and CommercialWare software. Auric's Trevance software also supports PayPal processing through Chase Paymentech. Please contact your vendors if you would like them to consider adding this functionality.

Can I submit PayPal transactions via the Orbital Gateway?

At this time, the Orbital Gateway does not support PayPal processing.

Is training available to help me understand PayPal reporting?

Chase Paymentech's merchant training specialists can provide training to help you understand PayPal reporting in your financial reports.

PRICING, SETTLEMENT, REPORTING AND CHARGEBACKS

What is the pricing structure for PayPal transaction processing through Chase Paymentech?

- **Chase Paymentech** – deposit, chargeback and representment fees apply.
- **PayPal** – contact your PayPal sales representative to discuss the applicable PayPal discount rate.

Are PayPal deposits grouped with my other deposits?

Yes, your PayPal deposits are grouped with deposits of your other payment methods through Chase Paymentech.

What are the funding timeframes?

You will receive funding for your transactions on a daily basis, provided it is a business day and you submitted any PayPal transactions prior to midnight the previous day. Merchants who have selected wire transfer as their funding mechanism receive payment two days after the transaction date, while merchants who have selected Automated Clearing House (ACH) as their funding mechanism receive payment three days after the transaction date.

Where will I find PayPal information on my financial reports?

PayPal will be listed as another Method of Payment (MOP) on your financial reports. They are included in all financial reporting in the same way as other transactions processed by Chase Paymentech.

Will I be able to research PayPal transactions?

Yes. PayPal transactions are posted to the Paymentech Online transaction history database. You can research them through an online interface, the same way you research all other transactions processed by Chase Paymentech.

How are chargebacks managed?

PayPal chargebacks are integrated into your normal chargeback processing. You must respond to PayPal chargebacks within three days, as PayPal does not provide any supporting documentation. In addition, your Chargeback Summary Report (PDE-0017) will list your PayPal chargebacks.

What happens if a customer charges back part of a sale?

Your company will be debited for and required to respond to the portion that is being charged back.

To learn more, please contact your Chase Paymentech representative, visit us at www.chasepaymentech.com or call 1.800.788.6010.