




First Data[™]

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: U`&\$%%Release and Other Industry Changes

The enclosed information is a compilation of information from documents received from Visa, MasterCard, American Express, Discover and PIN Debit Networks.

This Presentation is provided as a courtesy and is to be used for general information purposes only and as an overview of announced changes, high level system impacts and business impacts. First Data shall not be responsible for any inaccurate or incomplete information. The matters contained herein are subject to change. Individual circumstances may vary and procedures may be amended or supplemented as appropriate. It should not be used as a substitute for reference to the actual card brand/network release technical documents, rules, FDC Business Requirements Document (BRD) and other official documents. This is not intended to be a complete listing of all applicable procedures. No information contained herein alters any existing contractual obligations between First Data and its clients.



Durbin Provision of the Dodd-Frank Wall Street Reform Act Amendment 1075

Regulatory Update

Federal Reserve Board Releases Final Regulations to Implement the Durbin Provision of the Dodd-Frank Wall Street Reform Act

On June 29, 2011, the Federal Reserve Board (FRB) released the final regulations implementing Section 1075 (the Durbin amendment) of the Dodd-Frank Wall Street Reform Act.

Within the Act, the FRB was directed to establish regulation on several key components:

- **Debit Interchange Rates:** debit card interchange rates must be reasonable and proportional to the cost of each debit transaction
- **Circumvention of the Debit Interchange Rate:** payment card networks may not use network fees to directly compensate debit card issuers and circumvent the interchange rate restrictions
- **Fraud Standards:** the FRB may adjust the debit interchange rate based on certain fraud prevention activities undertaken by a debit card issuer
- **Network Exclusivity:** debit card issuers may not enter into exclusive processing arrangements with one payment card network or two affiliated networks
- **Merchant Routing:** merchants will be allowed to direct the routing of debit card transactions

Regulatory Update

Executive Summary of the Final Regulations

Provision	Final Regulation	Effective Date
Debit Interchange Rate	The FRB adopted a modified version of proposed Alternative 2; a stand-alone cap of \$.21 per transaction with an ad valorem component of 5 basis points (to reflect each issuer's portion of fraud losses).	October 1, 2011
Circumvention of Debit Interchange	The FRB will review circumvention/evasion of debit interchange regulations on a case-by-case basis. Net compensation from a network to an issuer (excluding interchange fee revenue + other specific types of revenue) is prohibited, although that may not be the only determining factor in a finding of circumvention/evasion.	October 1, 2011
Fraud Standards	The FRB issued an interim final rule for public comment that allows a fraud prevention adjustment to the debit interchange cap of \$.01 per transaction, provided an issuer meets general fraud prevention standards.	October 1, 2011
Network Exclusivity	The FRB adopted Alternative 1, which requires each debit card issuer to participate in two unaffiliated networks without regard to the authentication method.	Networks may not have exclusive arrangements beginning October 1, 2011 . Issuers must participate in 2 unaffiliated networks beginning April 1, 2012 .
Merchant Routing	The FRB adopted the merchant routing provisions as outlined in the proposed rule. Merchants will be allowed to control the routing of debit card transactions, but routing is limited to the payment card networks enabled on the debit card.	October 1, 2011

The full text of the regulations can be accessed through the below URL:
<http://www.federalreserve.gov/newsevents/press/bcreg/20110629a.htm>



Visa

New Card Acceptance Process for Magnetic-Stripe Failures at the Point of Sale



- Regulatory Change

- Effective for new transactions processed on or after October 15, 2011, merchants may optionally include Card Verification Value 2 (CVV2) in the authorization request for Visa U.S. Domestic key-entered face-to-face transactions when the magnetic strip cannot be read by the terminal
- Participating merchants that enter the CVV2 and receive an authorization approval will qualify for chargeback protection against reason code 81 “Fraud-Card Present” if the transaction met the following criteria:
 - U.S. Domestic Transaction
 - Card Present with magnetic strip failure only
 - Transaction was key-entered
 - CVV2 was included in the authorization request
 - Authorization Approval
 - Signature obtained on the sales draft and retrieval request properly fulfilled

*See notes on the next slide for exclusions to the process

New Card Acceptance Process for Magnetic-Stripe Failures at the Point of Sale



- Regulatory Change

Notes:

- Quasi Cash, Cash Back, Manual Cash Disbursements as well as merchants assigned MCC Code of 7995 “Betting, including Lottery Tickets, Casino Gaming Chips, Off-Track Betting and Wagers at Race Tracks” **do not** qualify for chargeback protection under the new process. These merchants must continue to obtain an imprint for these transactions when the mag-stripe cannot be read by the terminal to meet current chargeback requirements.
- Visa International transactions that take place at a U.S. merchant location are not eligible for the new process. These merchants must continue to obtain an imprint for these transactions when the mag-stripe cannot be read by the terminal to meet current chargeback requirements.
- This new rule will replace the current “CVV2 in Lieu of Imprint” program. As a result the merchant will not be required to register and no special handling of retrievals and/or chargebacks will be required.

New Card Acceptance Process for Magnetic-Stripe Failures at the Point of Sale



- Front Ends and Authorization Specifications that Currently Support Card Security Code Validation for all Card Brands

Front End	Authorization Specification
North/Nashville	ISO 8583 Global DL Host VP Term EDC Term EDC Plus PTS ISO Dial Terminal ISO Dual Var
South	RM3, NB, BA2000
BuyPass	ATL105-AFP, POS and Terminals ISO 8583-Host to Host and Gateway
Compass	Compass Online Technical Spec V.2.7 Compass Batch Technical Spec V.2.7 XML Spec
Omaha	ETC Spec
Note: All First Data Front End specifications listed above support CP and CNP Card Security Code Validation	

Changes for Unattended Cardholder Activated Terminals



BRD
Section(s)

- Mandatory**
 - Elective**
 - US**
 - International**
-
- Authorization**
 - Clearing**
 - Back Office**
 - Other**

Visa is announcing changes for Unattended Cardholder Activated Terminals (UCATs)

- Identify transactions with a redefined terminal type

System	Field Name	Value	Description
Authorization	Terminal Type	3	Unattended cardholder activated terminal
Settlement	Unattended Acceptance Terminal (UAT) Indicator	1	Unattended cardholder activated, no authorization, below floor limit transaction
		2	Unattended chip and PIN transactions (used by Visa Europe only)
		3	Unattended cardholder activated, authorized transaction

- North PTS and South FESS will ensure that a value of 3 is sent in the UAT indicator field in settlement for U.S. merchants submitting unattended cardholder activated transaction
- Specifications will be updated to reflect the redefined terminal type/UAT indicator

Changes for Unattended Cardholder Activated Terminals



Floor Limit Change

- Visa will remove transaction limits and set floor limits for UCATs with the following MCCs
 - 4111 Local and suburban commuter passenger transportation
 - 4112 Passenger railways
 - 4131 Bus lines
 - 4784 Tolls and bridge fees
 - 7523 Parking lots and garages
- Outside of the U.S., UCAT floor limits for these five MCCs = \$25.00 USD¹
- U.S. continues with a \$0 floor limit, which eliminates limited amount terminals

¹This floor limit amount does not include Europe or Hong Kong. Europe floor limit = € 40 or the applicable country floor limit (whichever is lower) and Hong Kong floor limit = \$65.00 USD for MCC 7523

Changes for Unattended Cardholder Activated Terminals



Impacts

- Merchants are reminded that there is a zero floor limit set in the U.S. and they are responsible for communicating this update to any merchant currently utilizing a limited amount terminal
- U.S. merchants who are currently passing the value of a 1 for a limited amount terminal in their authorization messages will need to update their systems/POS devices to pass a value of a 3 for unattended cardholder activated transactions. Merchants may also need to modify their systems/POS devices to pass the appropriate value in their settlement file as well. Merchants may work with the certification department on testing these changes.
- Merchants may need to adjust the transaction amount limits within their systems/POS devices



MASTERCARD

Authorization Data Accuracy Initiative



BRD Section(s)
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<input checked="" type="checkbox"/> Authorization
<input checked="" type="checkbox"/> Clearing
<input type="checkbox"/> Back Office
<input type="checkbox"/> Other

MasterCard announced the new authorization data accuracy initiative in the Global Operations Bulletin, No. 12, dated December 1, 2010.

- MasterCard is addressing the data integrity of 5 fields important to this evaluation and announcing compliance mandates
- MasterCard will monitor and provide acquirer reporting beginning October 14, 2011
- Enforcement will begin on October 12, 2012 and mandatory compliance levels for all regions will align with the thresholds as of April 19, 2013

Authorization Data Accuracy Initiative



Authorization Fields to be monitored:

Field	Description	Reason for monitoring	Mandatory Date
Transmission date and time (CIS DE 7)	Mandatory field that contains the date and time that the authorization message is processed by the MasterCard network.	When used in conjunction with the merchant location, it is important in understanding the cardholder's location at the time of purchase.	October 12, 2012 (Monitoring to begin on October 14, 2011)
Postal code (CIS DE 61, s14)	The postal code should be supplied for each authorization in countries that have a postal code and reflect the merchant's geographic location; the format and content must be consistent between the authorization and clearing messages.	The field is important in card present transactions because it identifies the location at which the transaction occurs.	October 12, 2012 (Monitoring to begin on October 14, 2011)
Card Acceptor Terminal ID (CIS DE 41)	The MasterCard Authorization manual states that terminals must be uniquely identified when a card acceptor location has multiple terminals	Issuers have stated that this field is useful in fraud investigations. Currently acquirers omit this information or provide only default information.	April 19, 2013 (Monitoring to begin on October 14, 2011)

Authorization Data Accuracy Initiative



Clearing Fields to be monitored:

Field	Description	Reason for monitoring	Mandatory Date
Transaction Life Cycle ID (Trace ID) (IPM DE 63, s2)	Trace ID contains two fields from the authorization message, Network Data (DE 63) and Settlement Data (DE15) that are populated by MasterCard when the authorization response is returned. These fields must match between authorization and clearing.	All clearing records for online authorized transactions will be required to contain the Trace ID from the original authorization.	October 12, 2012 (Monitoring to begin on October 14, 2011)
Approval code (IPM DE 38)	MasterCard is aligning this mandate with the Trace ID mandate so Members can streamline the process to make systematic changes concurrently	Compliance levels will not be monitored at this time.	_____

- MasterCard will utilize the existing Data Integrity monitoring program to monitor Compliance and provide reporting by ICA
- Payments Compliance will closely monitor the Data Integrity reporting to identify impacted Acquirers as a result of this mandate

MasterCard announced in the Global Operations Bulletin dated August 1, 2011:

- MasterCard will not enforce compliance of the requirement for DE 38 at this time
- MasterCard will no longer enforce DE 41 Terminal ID through Data Integrity as previously announced. Enforcement of this standard will commence May 2013. This field will be monitored and enforced through methods other than the Data Integrity and will be announced at a future time

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AMERICAN EXPRESS

Merchant Policy/Servicing Changes



BRD Section(s)
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<input checked="" type="checkbox"/> International
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American Express announced the following changes on the Merchant Policy:

- American Express issued a notification that starting October 1, 2011 American Express will begin to approve low risk charges for Merchants who currently receive a Decline when the CID value does not match, giving Merchants greater flexibility to assess the risk level of a particular charge and potentially increasing sales
- American Express also announced that effective October 31, 2011, the Authorization Code is only good for 7 Days. The Authorization Code was previously good for 30 days. The T&E Merchants' authorization code will remain valid for 30 days.

11.2



DISCOVER

AVS Only – Response Code Update



BRD Section(s)
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<input type="checkbox"/> International
<input checked="" type="checkbox"/> Authorization
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<input type="checkbox"/> Back Office
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Effective 11.2, Issuers must return a Response Code value of 85 – No Reason to Decline to all AVS Only Authorization Request messages when Address Verification information has been provided in Field 63 of the 0100 Authorization Request and the Card Account is in good standing. Merchants and Acquirers supporting AVS Only transactions must use Field 44, Position 1 (AVS Response) in the Authorization Response message to determine the results of the Issuer’s Address Verification processing.

Note – Response Code 85 is not a new code. It was originally introduced in 2009 for International Issuers who do not support AVS.

- ***Discover will not provide an approval code for an AVS only transaction that receives a response code of 85- “No Reason to Decline.”***

Discover Suite of Products - Reminder



BRD
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Discover entered into a joint alliance with China Union Pay (CUP) and JCB in December 2006 and with Diners Club International in July 2008.

In 2010, Discover entered in alliances with Korea's BC card and Serbia's Dina Card. Merchants currently accepting any one of these must process all cards as Discover.

- If Diners or JCB are accepted, Discover must be accepted and vice versa
- The addition of Discover entitlement on the Merchant Masterfile will systemically enable acceptance of all three brands
- Removal of Discover entitlement will disable all three mentioned products
- BC, CUP and Dina cards are all treated as a traditional Discover card and do not require a unique entitlement

JCB and Diners transactions are processed, qualified, funded, and reflected on merchant statements as Discover. Discover disputes rules and processes are applied to JCB and Diners chargebacks

Discover Suite of Products - Reminder



To ensure proper processing at Discover, the following must occur for all Discover suite of products:

- Merchant must be in US or included US territory (Puerto Rico, Guam, United States Virgin Islands and Northern Mariana Islands)
 - Considerations will be made at a later time concerning inclusiveness of Palau
- Merchants must be entitled appropriately for all cards
 - Discover SE must be present on all First Data platforms and appropriate systems
 - North- JCB and Diners acceptance are routed based on the presence of the Discover SE and Service Type (Full acquiring or Pass thru)
 - North Platform: Cardnet and Nashville require the Discover entitlement to be set and the entitlement for JCB and DCI must be set up with zeros in the SE# field and the Service Type field must match that of the Discover entitlement.
 - South/Memphis/Buypass/Omaha - only require presence of Discover SE to route all cards
- Merchants who send in First Data merchant details must:
 - Ensure that they adhere to the Merchant specifications and provide First Data with the Discover SE (rules are defined in specification)
 - Failure to adhere results in authorization referrals to Discover and possible disruption to both authorization and settlement processes and loss of sale may occur