

SURCHARGE COMPLIANCE AND COST REDUCTION IN 2022



worldpay

TODAY'S PRESENTERS

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Worldpay & UTA have been partners for over 20 Years!

#1

Ranked Nation's Largest Check Guarantee Provider (Nilson Report)



Automated Surcharge Solution

97%

Customer Retention



Surcharging at the Point of Sale

30

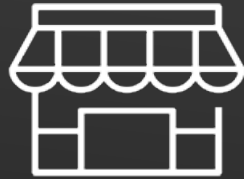
Servicing merchants nationwide since 1991



Surcharging through our Online Payment Acceptance Solution

CREDIT CARD PROCESSING

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Merchants

Networks

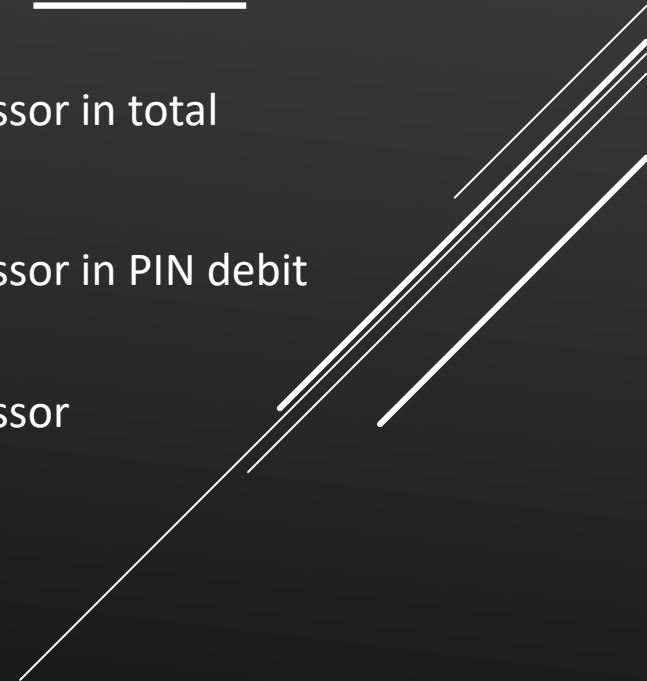
Issuers




800,000+
merchant locations
40+ Billion
purchase transactions
\$1.7+ Trillion
sales volume



- #1** Ranked U.S. merchant processor in total purchase transactions
- #1** Ranked U.S. merchant processor in PIN debit transactions
- #2** Ranked U.S. merchant processor in transaction growth



Agenda

- HOW TO IMPLEMENT A COMPLIANT SURCHARGE PROGRAM
 - WHAT IS PERMITTED AND WHAT IS REQUIRED BY THE CARD NETWORKS
 - WHAT ARE THE LATEST STATE LAWS REGARDING SURCHARGING
 - HOW DO I REDUCE MY COSTS WHETHER I DECIDE TO SURCHARGE OR NOT
- 

WHAT IS A SURCHARGE?

A surcharge is an additional fee that a merchant adds on to a transaction when a customer uses a credit card for payment.



Surcharging Operating Rules



Merchants who surcharge credit card transactions are subject to the following requirements:

- ▶ Visa and MasterCard permit surcharging of credit card transactions only
- ▶ The settlement does NOT change current restrictions on the surcharging of debit transactions (signature or PIN)
- ▶ Merchants are able to surcharge credit card transactions at the brand level or product level
 - ▶ Brand Level = Merchant charges same % on all Visa and/or MC credit cards
 - ▶ Product Level = Merchant charges a % on particular card types, such as Rewards Cards, Signature, World Cards, etc.

Surcharging Operating Rules



Merchants are only allowed to assess a surcharge that does not exceed their effective rate for the applicable credit card surcharged

Merchants can surcharge up to their cost, capped at 4%

0.0%



4.0%

Surcharging Operating Rules



Calculating the effective rate/surcharge amount:

- ▶ The average effective Interchange Reimbursement Fee rate plus the average of all fees imposed by Visa/MC on the Acquirer or Merchant, expressed as a percentage of the Transaction amount, applicable to Credit Card Transactions at the Merchant for the **preceding twelve months or most recent month**

Merchants that elect to surcharge must provide advance written notice to Visa and MasterCard 30 days prior to surcharging.

Surcharging Operating Rules



Merchants will be required to disclose their surcharge policy at the point of store entry...

...and the point of sale prior to the purchase transaction being completed.

We impose a surcharge on credit cards that is not greater than our cost of acceptance.

We impose a surcharge of ____% on the transaction amount on Visa and MC payments.
We do not surcharge Visa & MC debit cards.

Surcharging Operating Rules



- ▶ The **transaction receipt** must show the surcharge amount separately on the front of the receipt in the same type font and size as the other items, after the subtotal (allowing for any discounts) and before the final transaction amount.
- ▶ *The surcharge amount must be included in both the **Network Authorization Request** and in **Settlement**.*

Surcharging Operating Rules



American Express - A merchant must not impose a fee when the card is presented unless that fee is imposed equally on all other payment products, except for electronic funds transfer, cash, or check. No registration required, no separate surcharge field/amount required in authorization or settlement.

Discover - A merchant may assess a surcharge on a card sale provided that (a) the amount of the surcharge does not exceed the merchant fee paid to Discover for the card sale and (b) the merchant also assesses surcharges on card sales conducted using other cards accepted by the merchant. Same authorization/settlement requirements as Visa/MC.

Convenience Fees vs. Surcharges

The Convenience fee rules listed below are based on Visa's rules, as they are the strictest. Other rules apply if accepting only MC and AMEX.

Convenience Fees

- Allowed only on CNP transactions
- Through an alternative channel from merchant's normal payment channel
- Fee is a flat or fixed amount
- Applicable to all forms of payment
- Disclosed prior to the completion of the transaction and the cardholder is given the opportunity to cancel. Included as part of the total sale
- Allowed on credit and signature debit
- Special programs for government and higher education

Surcharges

- Allowed on CNP and CP transactions
- Fee is a percentage of the sale
- Applies only to credit cards, not debit
- Competing brands should be surcharged, if contract allows
- Disclosure surcharge policy
- Merchant must provide prior notice before implementation
- Be mindful of state laws

Technology & Surcharging

If a merchant does not have the technology to help remain in compliance with the Card Networks' Surcharging Rules, the merchant may be subject to monthly fines from \$5,000 (Visa) to \$25,000 (MasterCard).

The UTA-Worldpay solution answers YES to the following questions.

- ✓ Does the solution pass the surcharge amount as a separate field within the transaction authorization and settlement?
- ✓ Is the surcharge amount added in automatically?
- ✓ Does the solution recognize the card type?
- ✓ Does the solution only surcharge credit cards and not debit cards?
- ✓ Does the receipt reflect the surcharge amount in the same font size and font style as the rest of the receipt?
- ✓ Is the surcharge amount reflected after the subtotal (allowing for any discounts) and before the final transaction amount?
- ✓ Does the solution pass Level 3 data? (doesn't impact surcharging, but impacts the fees)

THE UTA – WORLDPAY AUTOMATED SURCHARGE SOLUTION



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[Print](#)

[Notice Center](#)



UTA Live Chat



User: cccsuper



Merchant



6/6/2017 1:02:22 PM ET

RDC/ACH (EFT)

Credit Card Gateway

Reports

Customers

Credit Card Payment

Transaction Report

Transaction Summary Report

Reconciliation Report

Credit Card Payment Entry

Input as: CCC STEEL, INC. (EFT) - 311560000 - 9: v

Customer #: 15611

Auto Load Memorize Customer

Invoice/SO #: A165165

Address: 123 elm street

Zipcode: 33185

City: Miami

State: FL v

Phone #: 3055551212

Name on Card: ABC Concerte Company

Card Number: 4847*****6329



Exp Date: 06 v / 2017

CVV:

Action: Sale

Amount: 0.00

Address Verification Service: Yes No

Remittance File:

Automatically
Pass Level 3

Purchase Level: Standard Level II Level III

Multiple Invoice: Yes No

Memo:

Card Number: 4847*****6329 *



Exp Date: 06 v / 2025 v

CVV: 123

Action: Sale v

Subtotal: 33,985.41 *

Surcharge (2.13%) 723.89 *

Amount: 34,709.30 *

* Bin File Validation

UTA/WORLDPAY SURCHARGE RECEIPT EXAMPLE

From: ccschedulepayments@unitedtranzactions.com [mailto:ccschedulepayments@unitedtranzactions.com]

Sent: Friday, August 01, 2014 2:40 PM

Subject: Payment Confirmation



PAYMENT DETAILS

Dear Valued Customer,

This email confirms that ABC Company Inc. has successfully processed the following Credit Card payment.

Please find the payment details below and retain this receipt for your records.

Transaction #: 460325

Customer #: 104820166799

Transaction Date: 3/30/2017

Invoice #:

Name: RONALD TERRELL JR

Card Type: MasterCard

Card #: *****3182

Payment Amount: \$150.00

Surcharge Amount: \$3.75

Total Payment Amount: \$153.75

Status: Sale-Pending

Memo: [ARTIVA 57935]

Surcharge Amount →

ABC Company Inc. imposes a surcharge of 2.50 % on the transaction amount on credit card products, which is not greater than their cost of acceptance. ABC Company Inc. does not surcharge debit card transactions.

Thank you,
United TranzActions

STATE LAWS AND CREDIT CARD SURCHARGING



STATES' LAWS AND SURCHARGING

- ▶ Several states have (**had**) laws prohibiting or restrict surcharging: ~~CA~~, ~~CO~~, CT, ~~FL~~, ~~KS~~, ~~ME~~, MA, ~~NY~~, ~~OK~~, ~~TX~~
- ▶ Legal experts indicate that these states' laws (except CT) apply only to consumer purchases (purchases for individual/household use) and the laws do not apply to B2B purchases.
- ▶ ~~CA, CO, FL, KS, NY, & TX's laws have been ruled upon thereby allowing merchants to surcharge in those states.~~
- ▶ **Opinions from the Maine Dept. of Professional and Financial Regulations and the Oklahoma Attorney General have provided clarifications and opinions on their statutes, which give merchants the ability to surcharge in these states as well.**
- ▶ Consult legal counsel regarding any state laws that may be applicable to where or how you are doing business.

SUMMARY OF THE FOUR CHALLENGED STATES

California:

1. In the commercial business-to-business context, there is no prohibition on surcharging.
2. In the consumer context, a merchant may pass the surcharge on to its customers as long as merchant make the surcharge – and thus the total cost to a consumer – clearly visible, in conspicuous and plain language before the consumer pays or seeks to pay for an item.

Florida:

It is completely permissible for a merchant to pass surcharges on to any customer (consumer and commercial business-to-business). The anti-surcharge law is unconstitutional and unenforceable.


SUMMARY OF THE FOUR CHALLENGED STATES

New York:

It is permissible for a merchant to pass surcharges on to any customer (consumer and commercial business-to-business) provided the merchant posts the **total dollars-and-cents price charged to credit card users.**

Texas:

It is completely permissible for a merchant to pass surcharges on to any customer (consumer and commercial business-to-business). **The anti-surcharge law is unenforceable.**



THE EFFECT OF MAINE AND OKLAHOMA OPINIONS

Neither state has actually overturned its statute; but the Opinions issued effectively serve the same purpose.

1. Maine still wants the higher price shown to be the credit card price and then a “discount” is offered for payments by cash
2. Oklahoma’s Attorney General has banned the surcharge ban

RECOMMENDATION: As long as the price differences are shown clearly and conspicuously and it is clear that the cash price is the lower price, surcharging will be permitted in Maine and Oklahoma.

Keep in Mind, in any event that both of these state statutes fall under the Consumer Credit Code.

SURCHARGE BAN DECLARED UNCONSTITUTIONAL BY KANSAS DISTRICT COURT

- ▶ The U.S. District Court, District of Kansas held that Kansas's no-surcharge statute regulated speech and violated a credit card processing company's commercial speech rights, and thus was unconstitutional. The district court declined to consider the issue of vagueness.
- ▶ *CardX, LLC v. Schmidt*, No. 2:20-cv-02274, 2021 WL 736322 (D. Kan. Feb. 25, 2021).

COLORADO PASSES LAW ALLOWING SURCHARGING

- ▶ The Colorado Bill—SB21-091—passed overwhelmingly with bipartisan support in the state house and senate on June 9th, and was signed by the governor on July 7th. The legislation sets forth required disclosures, maximum surcharge amounts and prohibitions on surcharging debit card transactions.

Borges



CONTRACTING AROUND THE ANTI-SURCHARGE STATUTES

Contractual agreement as to place of transaction

- ▶ It is agreed that all credit card transactions between *[Merchant/Trade Credit Grantor]* and *[Customer]* shall be deemed to take place in the State of *[]* and shall be governed by the statutes of the State of *[]*.
- ▶ *The above Forum Selection verbiage is provided by Borges & Associates, LLC for the purpose of this educational program and is not intended to be legal advice. Trade credit grantors are advised to consult with their own legal counsel.*

**THAT LEAVES JUST TWO STATES,
CONNECTICUT AND MASSACHUSETTS,
WHERE CREDIT CARD SURCHARGING
REMAINS BANNED.**

A decorative graphic consisting of several parallel white lines of varying lengths, slanted diagonally from the bottom right towards the top right, located in the lower right quadrant of the image.

WHETHER YOU CHOOSE TO IMPOSE A SURCHARGE OR NOT, MERCHANTS ARE LOOKING TO REDUCE THE COST OF CARD ACCEPTANCE.

HOW CAN THIS BE DONE?



PAYMENTS SYSTEM

Three key entities manage the payment system:

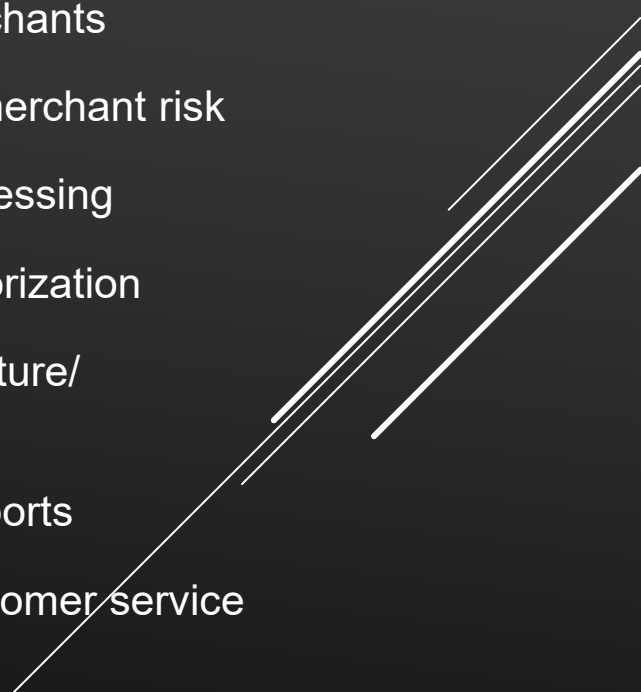
1 Issuers:

- Issue cards
- Assume buyer's credit risk
- Generate reports
- Provide customer service

2 Networks:

- Provide systems/operations
- Develop products
- Provide risk management
- Offer advertising and promotions
- Set standards and rules

3 Acquirers:

- Sign up merchants
 - Underwrite merchant risk
 - Provide processing
 - Handle authorization
 - Manage Capture/Settlement
 - Generate reports
 - Provider customer service
- 

FEE BREAKDOWN

Interchange

= **Issuer**

Network Assessments
& Other Access Fees

= **Networks**

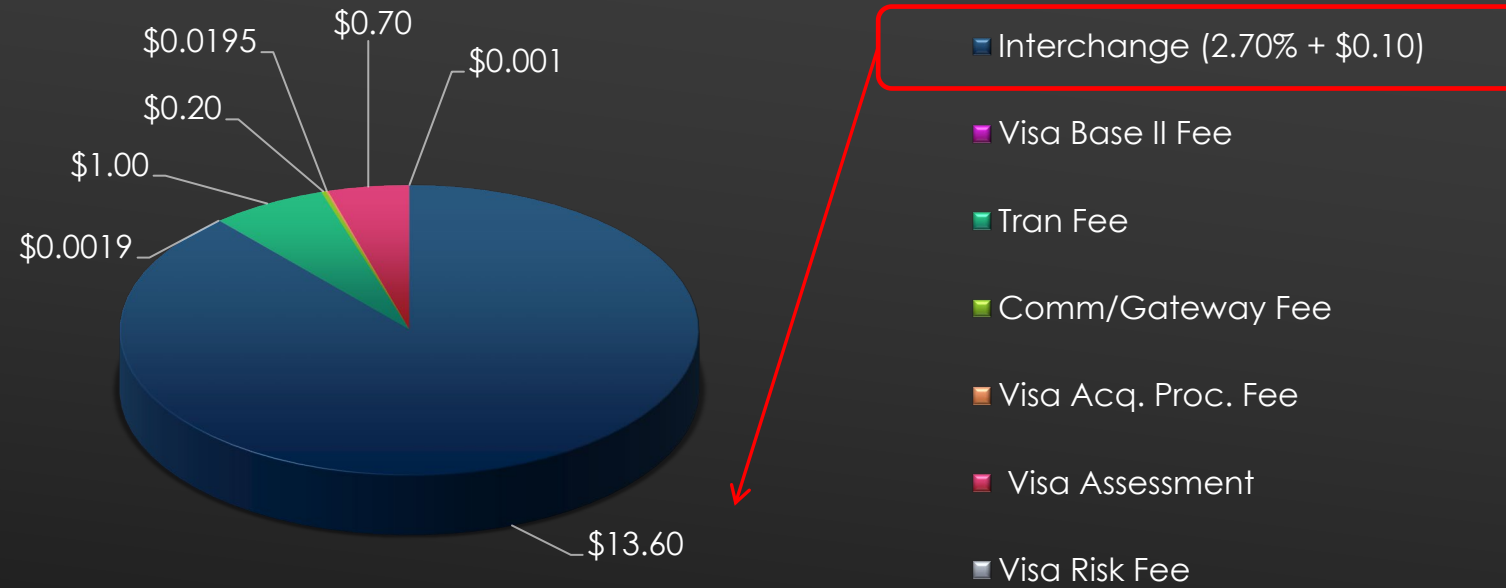
Processing Fee

= **Acquirer/Processor**

A series of white diagonal lines of varying thicknesses, starting from the bottom right and extending towards the top right, crossing the text area.

FEE BREAKDOWN

\$500 Visa Purchasing Card Transaction



Total Cost = \$15.52

Interchange represents about 88% of the cost of this transaction.

**Based on Average Ticket currently qualifying for the Visa Commercial B2B Business Card rate*

INTERCHANGE MANAGEMENT

Fees are influenced by 3 key considerations

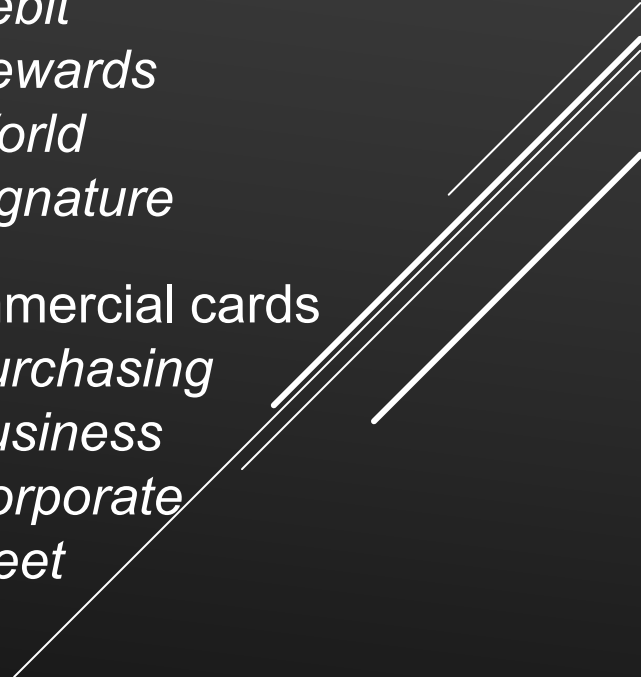
Market Segment

- B2B
- Travel & entertainment
- Fuel
- Grocery
- Other retail
- Recurring payments
- eCommerce
- Restaurants
- Emerging market

Processing Technology

- Card terminal
- POS software systems
- Virtual terminal
- Automated Fuel Dispenser (AFD)
- Key entry
- Emerging technology

Card Products

- Consumer cards
 - *Credit*
 - *Debit*
 - *Rewards*
 - *World*
 - *Signature*
 - Commercial cards
 - *Purchasing*
 - *Business*
 - *Corporate*
 - *Fleet*
- 

VISA REWARDS CARD-NOT-PRESENT TRANSACTION:

With AVS (Address Verification) = Rewards CNP

1.95% + \$0.10

Without AVS = Non Qualified

2.70% + \$0.10 (effective July 2020)

0.75% Downgrade



INTERCHANGE MANAGEMENT

Incentive program

- Commercial cards – level II/III
- Commercial cards – large ticket



Savings opportunity

- Decreased expense
- Increased profit



COMMERCIAL CARDS – DATA LEVELS

Level 1

- ▶ Card number, expiration date, location information, Tax ID, AVS

Level 2

- ▶ Sales Tax Amount
- ▶ Customer Code
- ▶ Sales Tax Indicator
- ▶ Tax exempt transactions cannot qualify for Level 2, but they can qualify for Level 3

Level 3

- ▶ Line Item Detail – invoice data such as quantity, description, dollar amount
- ▶ **The greater amount of data provided, the lower the interchange rate**

PROCESSING LEVEL QUALIFICATION CHART

Good

Better

Best!

Data Type	Level 1	Level 2	Level 3
Merchant Name	X	X	X
Transaction Amount	X	X	X
Data	X	X	X
Tax Amount		X	X
Customer Code (16 Char)		X	X
Merchant Postal Code		X	X
Tax Identification		X	X
Merchant Minority Code		X	X
Merchant State Code		X	X
Item Product Code			X
Item Description			X
Item Quantity			X
Item Unit of Measure			X
Item Extended Amount			X
Item Net / Gross Indicator			X
Item Tax Amount			X
Item Tax Rate			X
Item Tax Identifier			X
Item Discount Indicator			X

Credit Card Payment Entry

Input as: CCC STEEL, INC. (EFT) - 311560000 - 9: v

Customer #: 15611

Auto Load Memorize Customer

Invoice/SO #: A165165

Address: 123 elm street

Zipcode: 33185

City: Miami

State: FL v

Phone #: 3055551212

Name on Card: ABC Concerte Company

Card Number: 4847*****6329



Exp Date: 06 v / 2017

CVV:

Action: Sale

Amount: 0.00

Address Verification Service: Yes No

Remittance File:

Automatically
Pass Level 3

Purchase Level: Standard Level II Level III

Multiple Invoice: Yes No

Memo:

Card Number: 4847*****6329 *



Exp Date: 06 v / 2025 v

CVV: 123

Action: Sale v

Subtotal: 33,985.41 *

Surcharge (2.13%) 723.89 *

Amount: 34,709.30 *

* Bin File Validation

INTERCHANGE RATE EXAMPLES



Purchasing card:

Purchasing Non Qualified	2.95% + \$0.10
Purchasing Card-Not-Present (tax exempt).....	2.70% + \$0.10
Purchasing Card-Present (tax exempt).....	2.50% + \$0.10
Purchasing Level II Rate (taxable).....	2.50% + \$0.10
Purchasing Level III Rate.....	1.90% + \$0.10
Purchasing Large Ticket Rate:.....	1.45% + \$35.00



Corporate card:

Corporate Standard.....	2.95% + \$0.10
Corporate Data Rate I (tax exempt w/ no L3).....	2.70% + \$0.10
Corporate Data Rate II (taxable).....	2.50% + \$0.10
Corporate Data Rate III	1.90% + \$0.10
Corporate Large Ticket Rate:.....	1.45% + \$35.00

SAMPLE TRANSACTION COSTS: INTERCHANGE EXPENSE



Purchasing card:
\$500 transaction

Purchasing Non Qualified (minimal data).....	\$14.85
Purchasing CNP (tax exempt, w/out Level 3).....	\$13.60
Purchasing Level II Rate (taxable).....	\$12.60
Purchasing Level III Rate.....	\$9.60

30% - 35% cost reduction by processing Level III data vs. minimal data



Corporate card:
\$500 transaction

Corporate Standard (minimal data).....	\$14.85
Corporate Data Rate I (Level I).....	\$13.60
Corporate Data Rate II (Level II, taxable).....	\$12.60
Corporate Data Rate III (Level III).....	\$9.60

30 – 35% cost reduction by processing Level III data versus minimal data

SAMPLE TRANSACTION COSTS: INTERCHANGE EXPENSE



Purchasing card:
\$50,000 transaction

Purchasing Non Qualified (minimal data).....	\$1,475.10
Purchasing CNP (tax exempt, w/out Level 3).....	\$1,350.10
Purchasing Level II Rate.....	\$1,250.10
Purchasing Large Ticket Rate.....	\$760.00

44% - 48% cost reduction by processing Level
III data vs. minimal data



Corporate card:
\$50,000 transaction

Corporate Standard (minimal data).....	\$1,475.10
Corporate Data Rate I (Level I).....	\$1,350.10
Corporate Data Rate II (Level II).....	\$1,250.10
Corporate Large Ticket	\$760.00

44% - 48% reduction in cost by processing
Level III versus Level I data

VISA PURCHASING CARD TRANSACTIONS

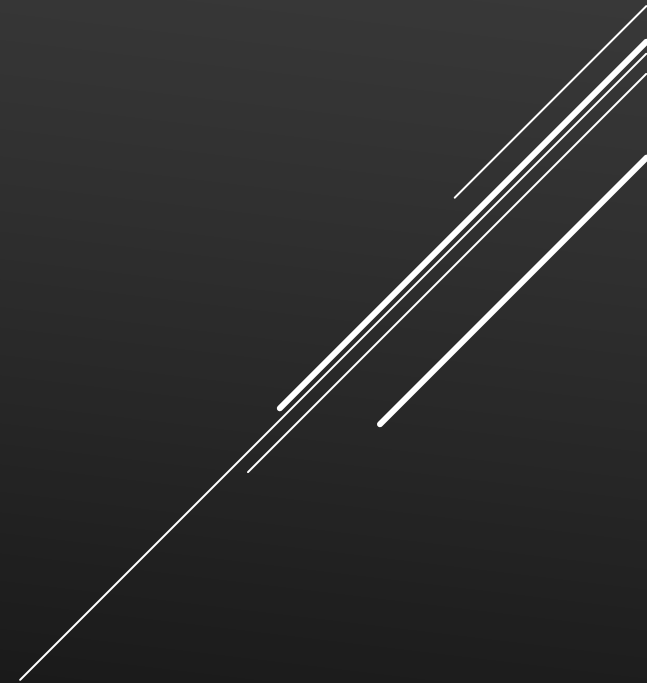
10 transactions for \$200,142.05 in February



Current costs 2.70% + \$0.10
 \$5,404.84

Costs with UTA program & Worldpay 1.45% + \$35.00
 \$3,252.06

Savings = **\$2,152.78**



MC FLEET CARD TRANSACTIONS

4 transactions for \$125,109.01 in February



Current costs 2.70% + \$0.10
 \$3,378.34

Costs with UTA program & Worldpay 1.45% + \$35.00
 \$1,954.08

Savings = **\$1,423.86**



B2B COMPANY – PROCESSING FEE SUMMARY

	<u>CURRENT FEES</u>	<u>UTA PROGRAM FEES</u>	<u>SAVINGS</u>
Account 1 - Sept.	\$87,508.20	\$61,768.62	\$25,739.58
Account 1 - Oct.	\$63,681.35	\$45,615.82	\$18,065.53
Account 2 - Sept.	\$3,642.60	\$2,856.15	\$786.44
Account 2 - Oct.	\$2,866.23	\$2,266.81	\$599.41
Account 3 - Sept.	\$3,389.50	\$1,367.25	\$2,022.24
Account 3 - Oct.	\$6,761.06	\$2,305.80	\$4,455.27
TOTALS	\$167,848.94	\$116,180.46	\$51,668.48
* EFFECTIVE RATE	3.14%	2.17%	\$5,347,307.72 Visa/MC/Disc Sales Volume
Effective rate = fees divided by Visa/MC/Discover Sales			
AVG. MONTHLY SAVINGS		\$25,834.24	30.78%
TOTAL ANNUAL SAVINGS		\$310,010.91	SAVE

LEVEL 3 IMPACT

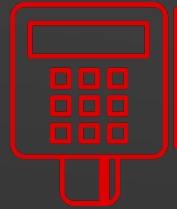
Without level 3 data on tax exempt payments, merchants are paying on average 0.60% to 0.80% more than they could be on every level 3 capable commercial card transaction.



UNITED TRANZACTIONS' COMPLETE SUITE OF SERVICES



Check Guarantee



Credit Card Processing



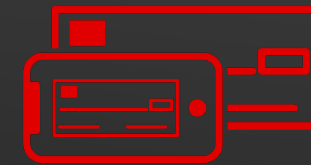
ACH / Virtual Terminal



Remote Deposit Capture



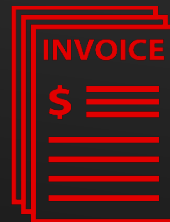
Canadian ACH



Mobile Deposit



**Online Payments
with Guarantee**



**Electronic Bill Payment
and Presentment**

QUESTIONS AND SAVINGS ANALYSIS

Interested in a FREE
interchange qualification
analysis for attending
today's presentation?

Contact Us

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