

COLORADO STATE UNIVERSITY-PUEBLO
Financial Procedure Instructions
FPI 6-3

1. **Procedure Title:** Credit Card Merchant Accounts
2. **Procedure Purpose and Effect:** A merchant account is required in order to accept credit and debit card payments as a form of payment.
3. **Application of Procedure:** Departments interested in accepting credit/debit cards for the sale of goods and services should start by reviewing and completing the Merchant Application.
4. **Exemptions:** All University departments interested in accepting credit/debit cards must follow the outlined procedures below.
5. **Definitions:**
 - A. **Acquirer** - A financial institution which is a bankcard association member that initiates and maintains relationships with merchants that accept payment cards. CSU-Pueblo's Acquirer is TSYS Merchant Solutions (TSYS), which was formerly First National Merchant Solutions.
 - B. **Assessment** - Is a fee assessed to both acquirers and issuers based on processed volume. Unlike interchange, assessment fees are retained by the associations (Visa, MasterCard, etc.). Assessments are the associations' primary source of revenue to finance their own marketing and operations.
 - C. **Association(s)** - Card issuers such as Visa, MasterCard, Discover, and American Express.
 - D. **Authorize fee** - Also called a transaction fee, is the amount charged to a merchant account each time a communication happens between the software or point-of-sale terminal and the authorization network. The communication can occur either over a dial-up telephone line, or an internet IP line.
 - E. **Cardholder Data** - Includes four primary components: Primary Account Number (PAN), Security Code (3 to 4 digit code found on the back of the credit card next to the signature block), cardholder name, and expiration date.
 - F. **Cardholder Data Environment** - The people, processes, and technology that store, process or transmit cardholder data or sensitive authentication data, including any connected system components.
 - G. **Cardholder Verification Value (CVV2)** - Also known as Card Validation Code or Value, or Card Security Code. Refers to either: (1) magnetic-stripe data, or (2) printed security features like the 3 or 4 digit code number printed on the back of the card.
 - H. **Chargeback** - Also known as a "Debit Memo," a reversal of a sales transaction which is initiated by the card holder's dispute of the charge. For example, if you deposited a \$50 transaction in

your merchant bank account, a chargeback for that transaction indicates that the \$50 has been debited from your merchant account.

- I. E-Commerce** - A transaction that is initiated on a business website.
- J. Interchange** - The card-issuing bank in a payment transaction deducts the interchange fee from the amount it pays the acquiring bank that handles a credit or debit card transaction for a merchant. The acquiring bank then pays the merchant the amount of the transaction in a batch payment. The merchant interchange fees are collected usually at the beginning of the new month for the previous month's volume and activity. These fees are set by the credit card networks, and are the largest component of the various fees that most merchants pay for the privilege of accepting credit cards, representing 70% to 90% of these fees by some estimates, although larger merchants typically pay less as a percentage. Interchange fees have a complex pricing structure, which is based on the card brand, regions or jurisdictions, the type of credit or debit card, the type and size of the accepting merchant, and the type of transaction (e.g. online, in- store, phone order, whether the card is present for the transaction, etc.). Further complicating the rate schedules, interchange fees are typically a flat fee plus a percentage of the total purchase price (including taxes). In the United States, the fee averages approximately 2% of transaction value.
- K. Merchant account** - Is a type of bank account that allows businesses to accept payments by payment cards, typically debit or credit cards. The account is established under a merchant agreement between the business and the merchant acquiring bank for the settlement of payment card transactions.
- L. MOTO** - Stands for Mail Order / Telephone Order. This is a card not present in merchant environment. Merchants accept payments via payment forms that can be accepted by phone, fax, and mail.
- M. NFC** - Stands for near field communication, which is a form of contactless communication between devices like smartphones or tablets. Contactless communication allows a user to wave the smartphone over a NFC compatible device to send information without needing to touch the devices together or go through multiple steps setting up a connection.
- N. Payment cards** - Branded cards used to pay for goods or services such as a Visa or MasterCard.
- O. Payment gateway** - A payment gateway is an e-commerce service that authorizes payments for e-businesses and online retailers. It is the equivalent of a physical POS (point-of-sale) terminal located in most retail outlets. Typical payment gateways include: Authorize.net, PayPal, etc.
- P. PCI DSS** - Payment Card Industry Data Security Standards.
- Q. Point-of-Sale (POS)** - Generally a card present (retail) transaction that is swiped through a credit card terminal or manually entered into the same device.

R. Retail - The sale of goods and services that happens in person.

S. Surcharge - Also known as a convenience or transaction fee, is any additional amount imposed at the time of the sales transaction by the merchant that increases the charge to the purchaser for the privilege of using a credit or charge card and includes those cards pursuant to which unpaid balances are payable on demand.

T. Terminal - a stand-alone piece of electronic equipment that allows a merchant to swipe or key-enter a credit card's information as well as additional information required to process a credit card transaction.

6. Procedure Statement:

To establish a merchant account, or make changes to an existing merchant account, the first step is to contact Office of Financial Management (OFM). A OFM representative will meet with the department to assist in the determination of its needs, including but not limited to: hardware, software, system requirements, business practices, and accounting support. Once the request has been approved and all appropriate forms completed (merchant application is required for all merchant accounts and the payment gateway authorization form is for web merchant only), OFM will notify and work with the department and TSYS Merchant Solutions (TSYS) to begin the set up procedures to obtain a merchant number. Estimated time is about three to four weeks to be up and processing credit cards. Once OFM has received your equipment, a training session will be set up to review terminal operations, or payment gateway training and best practices. As mentioned above, all interested departments in accepting credit cards must complete the merchant application. The merchant application requests the following information:

- Merchant information including: departmental & contact information, desired merchant name
- Business profile
- Web merchant information
- KFS account information including credit card clearing account (6684 as the object code) and credit card processing fees account (6683 as the object code).

Distribution of credit card fees:

Departments that accept credit cards as a form of payment are responsible for all applicable merchant processing fees. Departments may not impose a surcharge on a customer paying via credit card/debit card. Merchant fees include the following:

- Interchange and assessment
- Authorization
- Other and Miscellaneous fees (terminal purchase or rental fees, monthly access fee for web reporting tool, etc.)

Processing fees will be assessed within the first two weeks of the current month for the past months activity (example – the month of May's fees will be assessed in June). Banking Services distributes credit card fees using object code 6683. A breakdown of individual merchant fees can be found on your department's monthly merchant statement. Merchant statements are saved in PDF format.

Merchant payments are distributed by OFM on a daily basis and will credit the KFS account with object code 6684. Please see ACH timeframe table below:

24 Hour ACH Schedule

Day of transaction	Bank processing	Deposit into KFS account
Monday	Tuesday	Wednesday
Tuesday	Wednesday	Thursday
Wednesday	Thursday	Friday
Thursday	Friday	Monday
Friday	Saturday	Monday
Saturday	Monday	Tuesday
Sunday	Monday	Tuesday

*Federal holidays will delay payments

Please consult with your OFM representative on account reconciliation questions.

All CSU-Pueblo merchants will comply with PCI DSS rules and regulations along with IT Security Policies. All web merchants will have a yearly PCI DSS meeting with a representative from Office of Financial Management. OFM reserves the right to suspend merchant accounts if guidelines are not followed. Please refer to FPI 6-6 for information on guidelines.

Merchants accepting retail/card present transactions and card not present transactions will need a credit card terminal. Credit card processing terminals can either be purchased or rented from our processor. Please contact OFM for terminal pricing and additional information.

7. Reference and Cross-References:

- FPI 6-6: PCI Compliance

8. Forms and Tools:

- Attorney General's website for Credit & Lending:
http://www.coloradoattorneygeneral.gov/initiatives/consumer_resource_guide/credit_lending
- http://www.coloradoattorneygeneral.gov/initiatives/consumer_resource_guide/credit_lending#surc_harges
- C.R.S. § 24-19.5-103: <https://law.justia.com/codes/colorado/2016/title-24/administration/article-19.5/section-24-19.5-103/>
- Discover – Merchant Operating Regulations: <http://www.discovernetwork.com/card-network/acceptance.html>
- MasterCard – Information on surcharging:
<http://www.mastercard.us/merchants/support/surcharge-rules.html> • TSYS Merchant Solutions: www.tsys.com/tms/
- Uniform Consumer Credit Code:
http://www.coloradoattorneygeneral.gov/departments/consumer_protection/uccc_car/uccc
- Visa – Information on surcharging: www.visa.com/merchantsurcharging

