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RECURRING TRANSACTIONS ENQUIRY SERVICE

MERCHANT IMPLEMENTATION GUIDE

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CONTENTS

INTRODUCTION

Many different merchant sectors process recurring transactions, such as subscription type payments for insurance premiums, mobile phone contracts, movie rental, magazine subscriptions, membership clubs and utilities suppliers. The cardholder will have a Recurring Transaction Agreement with the merchant to be billed for goods or services on a regular basis.

We're aware of the traditional issues relating to recurring transactions. In particular, the account details that you have on file inevitably become outdated and, with no way of updating them, transactions are frequently processed using expired or outdated data. This in turn has led to an unacceptably high proportion of authorisation declines and chargebacks.

With the Card Schemes having initiatives like the Excessive Chargeback Program (ECP), where you can be fined for high levels of chargebacks, the need for correct data has never been so important. In addition, under the Visa Europe Payment Service Directive, merchants must provide the correct expiry date for all recurring transactions, wherever possible. Card issuers may decline authorisation requests for a recurring transaction if the expiry date's incorrect, invalid or missing.

There are a number of issues with the recurring transaction process:
- the nature of the recurring transaction market means that you traditionally need to retain card details for long periods of time. This retention of card details means that the card could expire, be reported lost or stolen, be upgraded or the cardholder could even close and transfer their bank account. Any of these reasons could lead to transactions being declined during authorisation meaning you're unable to debit the cardholder
- cardholders don't have an easy way to cancel the recurring transaction that they've set-up leading to unnecessary chargebacks
- recurring transactions received on closed or transferred cardholder accounts result in a high level of declines. This creates additional manual work for you in contacting the cardholder to ask for their correct card details. This could have an impact on your staff resource.

In conjunction with both Visa (VAU – Visa Account Updater) and MasterCard (ABU - Automated Billing Updater), Global Payments have a service, which will provide you with up to date card details for recurring transactions. The Global Payments solution being offered is called the Recurring Transaction Enquiry Service (RTES).

The objective of the RTES is to create a process that:
- makes it easier for cardholders to set-up and cancel recurring transactions
- allows you to track any Primary Account Number (PAN), changes on cards used for recurring transactions
- improves recurring transaction processing and by doing so, lowers chargebacks and authorisation declines.

BENEFITS OF USING THE RTES

- Reduces customer contact demands in your back office
- provides seamless changes in card account information
- may increase approved card transactions by reducing authorisation declines resulting from outdated card account data on file, meaning less authorisation attempts for declined cards
- reduces costs associated with manual account updating, such as mailing and calling customers to obtain current account information

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- may reduce the number of unnecessary chargebacks, as the service introduces a way for cardholders to stop transactions
- improves confidence to accept recurring transactions on credit cards
- improves the cardholders and your process to accept and stop recurring transactions
- improves the cardholder's willingness to enter into a continuous agreement using their credit card.

REQUIREMENTS OF USING THE RTES

- To utilise the service your business must be compliant with the Payment Card Industry Data Security Standards (PCI DSS) mandate. All third party providers you use must also be fully compliant with the PCI DSS mandate.
- You must accept the *Recurring Transaction Enquiry Service Supplemental Terms* to your Card Processing Agreement and we must have provided our written agreement to you using the service.
- You must be registered with the Visa and MasterCard to use the service (see below).
- The first transaction in the series must be taken in the most secure way using one of the following verification methods:
  - chip and PIN for card present (CP) transactions,
  - Address Verification Service (AVS) and Card Security Code (CVV2) for mail order or telephone order (MOTO) transactions,
  - Verified by Visa or MasterCard SecureCode for ecommerce transactions.
- All recurring transactions must be authorised using a zero floor limit.
- Only the Primary Account Number (PAN), expiry date and issue number should be stored, along with the customer's reference number. Additional security (CVV2) or authentication data should never be stored for future use.

MERCHANT REGISTRATION

Once your RTES solution has been tested and accredited, you must be registered with Visa and MasterCard to enable you to successfully enquire on the service.

Global Payments will register your merchant number on your behalf. Any enquiries made using a merchant number that isn't registered will be rejected by the system.

OVERVIEW OF THE RTES

- The Visa Account Updater (VAU) provides a service for making enquiries on Visa credit and Visa debit cards issued in the UK, Republic of Ireland, Italy and Greece.
- MasterCard's Account Billing Updater (ABU) provides a service for making enquiries on MasterCard credit and MasterCard debit cards issued in the UK, USA and Republic of Ireland.

VAU and ABU provide a platform for card issuers to communicate changes in cardholder account information through your card processing provider, this includes updated card numbers, expiry dates and stop advices. Participating card issuers will provide a history of account detail changes to a central database and subsequently update the records on at least a monthly basis.

When you subscribe to the program you'll submit requests to the VAU and ABU databases (via Global Payments) to obtain the latest information held. This'll enable you to update your billing records, Which may significantly reduce the number of authorisation declines received due to card re-issuance and expirations.
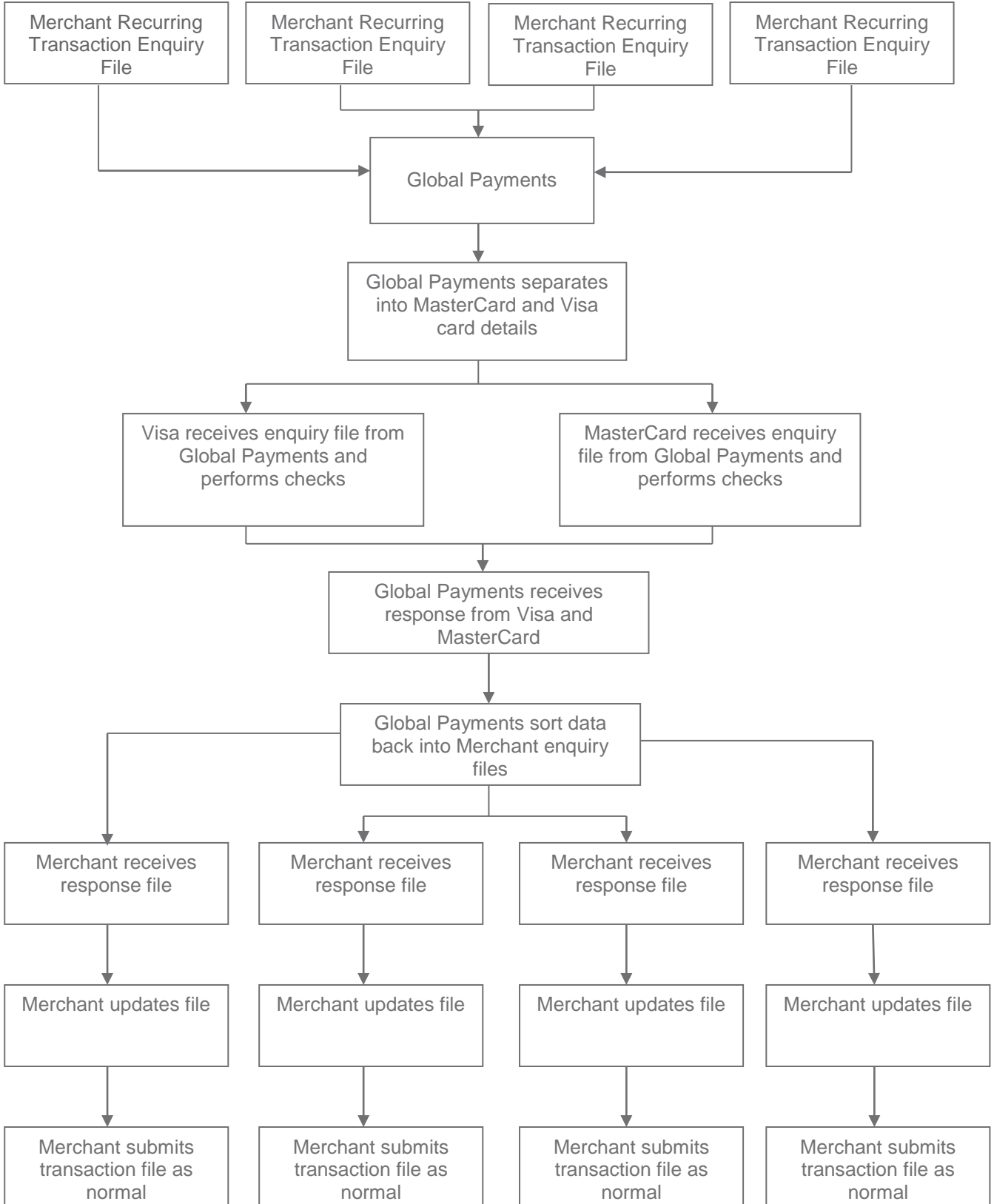
This service will be available to any business that can support electronic file submission and acceptance of customer account data.

THE PROCESS

See Process Flow on .

- You'll send in an enquiry file into Global Payments for the recurring transactions you need to process
- the card details contained within the enquiry file will be split and sent to Visa and MasterCard
- Visa and MasterCard will check the card details on their databases and send the file back to Global Payments with a response on the status of all cards enquired on (see Response Codes Table on)
- this information will be sent back to you and you must then update the card details on your systems prior to you submitting the transactions for authorisation and processing
- the response file will also contain information on cards that have been stopped by the card issuer (for example, account closed).

PROCESS FLOW

```
┌──────────────────┐  ┌──────────────────┐  ┌──────────────────┐  ┌──────────────────┐
│ Merchant         │  │ Merchant         │  │ Merchant         │  │ Merchant         │
│ Recurring        │  │ Recurring        │  │ Recurring        │  │ Recurring        │
│ Transaction      │  │ Transaction      │  │ Transaction      │  │ Transaction      │
│ Enquiry File     │  │ Enquiry File     │  │ Enquiry File     │  │ Enquiry File     │
└──────────────────┘  └──────────────────┘  └──────────────────┘  └──────────────────┘
```

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Global Payments separates into MasterCard and Visa card details

Visa receives enquiry file from Global Payments and performs checks

MasterCard receives enquiry file from Global Payments and performs checks

Global Payments receives response from Visa and MasterCard

Global Payments sort data back into Merchant enquiry files

| Merchant receives response file | Merchant receives response file | Merchant receives response file | Merchant receives response file |

| Merchant updates file | Merchant updates file | Merchant updates file | Merchant updates file |

| Merchant submits transaction file as normal | Merchant submits transaction file as normal | Merchant submits transaction file as normal | Merchant submits transaction file as normal |

RESPONSE CODES TABLE

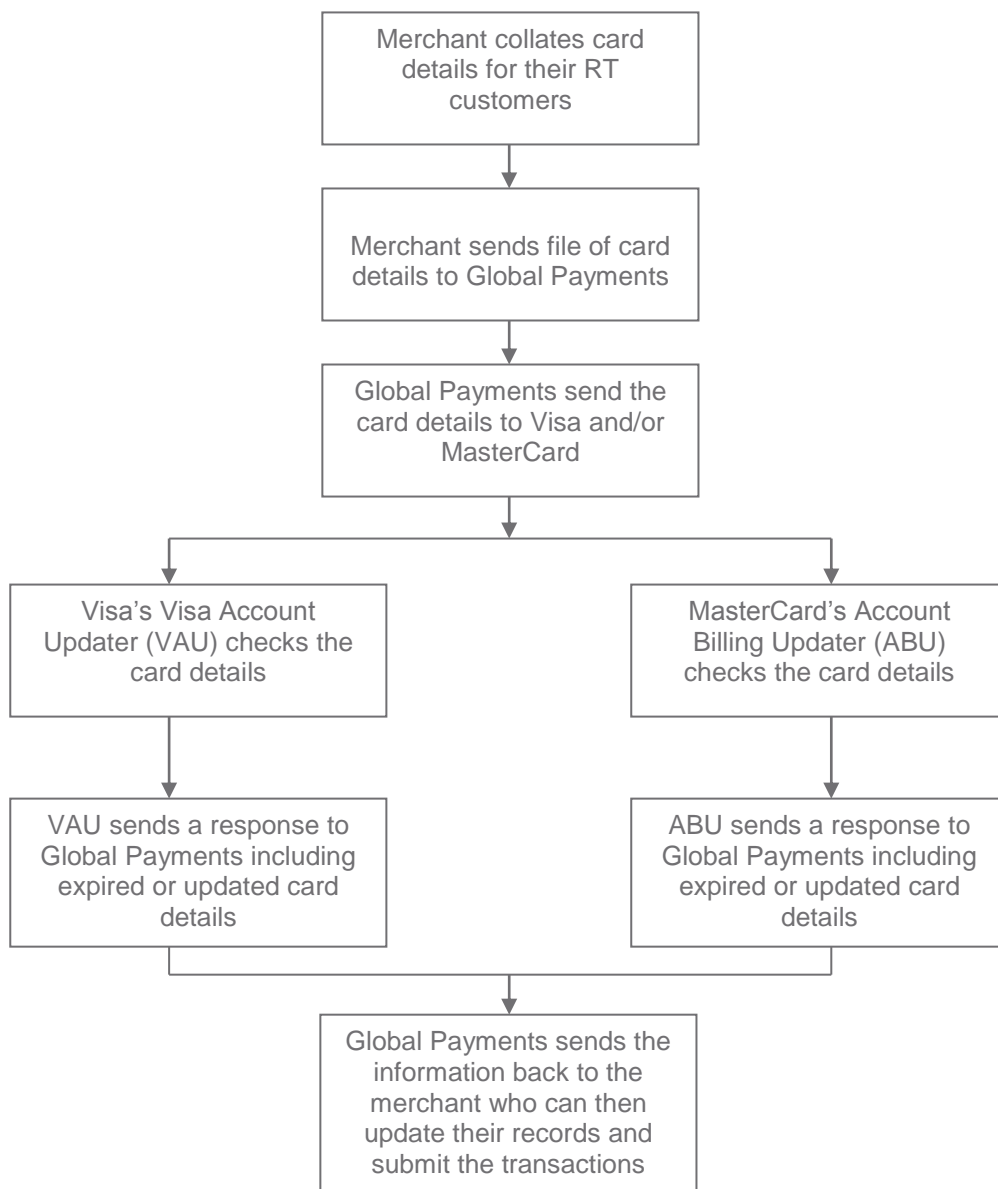| Response Code	Description
02	PAN was found and is no longer valid due to an account switch to another scheme (Visa only)
03	PAN was found and an account switch is currently being processed (Visa only).
30	New card number
31	No change (Visa only)
32	Valid but no update available (MasterCard only)
33	New expiration date found
34	All recurring transactions should be stopped for this merchant
35	Issuer not subscribed (Visa only)
36	Card number not found (Visa only)
37	No match - BIN not participating
38	Invalid record sequence number – reserved for future use
39	All recurring transactions should be stopped for this card number (Visa only)
40	All recurring transactions with this merchant policy reference number should be stopped (Visa only)
41	Error – resubmit
42	No match - participating BIN/issuer
43	Non UK issued card – reserved for future use
44	Account closed

FREQUENTLY ASKED QUESTIONS

What's a recurring transaction?
Recurring transactions are where the cardholder has given you written authority to periodically charge their card account. These charges are for recurring purchases of products or services, for example, mobile telephone, insurance premiums, cable or digital TV subscriptions or internet providers. The transactions can be for fixed or varying amounts and at specified or unspecified intervals.

What's the Recurring Transactions Enquiry Service? How does the process work?
The Recurring Transactions Enquiry Service is used to check whether the card details that are held for a cardholder are still valid and up to date. The service provides up to date details for the cards that have expired, which can then be updated on your records before authorising and submitting the transactions. The process is detailed on the flowchart below:

```
┌─────────────────────────────┐
│ Merchant collates card       │
│ details for their RT         │
│ customers                    │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│ Merchant sends file of card  │
│ details to Global Payments   │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│ Global Payments send the     │
│ card details to Visa and/or  │
│ MasterCard                   │
└─────────────────────────────┘
         │              │
         ▼              ▼
┌──────────────────┐  ┌──────────────────┐
│ Visa's Visa      │  │ MasterCard's     │
│ Account Updater  │  │ Account Billing  │
│ (VAU) checks the │  │ Updater (ABU)    │
│ card details     │  │ checks the card  │
│                  │  │ details          │
└──────────────────┘  └──────────────────┘
         │              │
         ▼              ▼
┌──────────────────┐  ┌──────────────────┐
│ VAU sends a      │  │ ABU sends a      │
│ response to      │  │ response to      │
│ Global Payments  │  │ Global Payments  │
│ including expired│  │ including expired│
│ or updated card  │  │ or updated card  │
│ details          │  │ details          │
└──────────────────┘  └──────────────────┘
         │              │
         └──────┬───────┘
                ▼
      ┌─────────────────────────┐
      │ Global Payments sends the│
      │ information back to the   │
      │ merchant who can then     │
      │ update their records and  │
      │ submit the transactions   │
      └─────────────────────────┘
```

What's the difference between recurring transactions and the Recurring Transactions Enquiry Service?
A recurring transaction is a financial transaction as detailed in the first question.

The Recurring Transaction Enquiry Service is an enquiry service as detailed in the second question. Merchants must be enabled to take recurring transactions as a pre-requisite for the enquiry service.
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What's VAU?
VAU stands for Visa Account Updater and is the name of Visa's system for confirming cardholder data with card issuers, which works in conjunction with our Recurring Transaction Enquiry Service.

What's ABU?
ABU stands for Automatic Billing Updater and is the name of MasterCard's system for confirming cardholder data with card issuers, which works in conjunction with our Recurring Transaction Enquiry Service.

Do I need to use the service?
If you process in excess of 100 recurring transactions per month, or exceed 1200 a year, you need to use the service (whichever is applicable). However, you can still use the service if you process less than these volumes. You must, be able to submit an encrypted enquiry file and receive a response file back.

If I have a Global Payments' terminal, can I use the service?
No, terminals can't use the service. You can only use this service if you have the ability to submit files direct to Global Payments.

What are the benefits of using this service?
- **Fewer rejections due to expired cards.** You'll be able to check/update card details for recurring transactions prior to authorisation requests. This may reduce the number of authorisation declines received for recurring transactions, which in turn means you may have fewer customers to contact to obtain updated account details.
- **Fewer multiple authorisation attempts.** Some merchants who process a high volume of recurring transactions have been known to attempt to repeatedly authorise declined cards, rather than contacting the cardholder. Because you obtain up-to-date card details from the enquiry service, you won't need to put through multiple authorisation attempts.
- **Less chargebacks.** You may also receive less chargebacks for recurring transactions as the service introduces a way for cardholders to stop recurring transactions.
- Possible reduction in back office-processing costs.
- Fewer customers will need to be contacted for updated card details.
- Increased confidence for taking recurring transactions.

What card details should the enquiry file contain?
The enquiry file should contain details of all Visa credit and Visa debit cards issued in the UK, Republic of Ireland, Italy and Greece and all MasterCard credit and MasterCard debit cards, issued in the UK, USA and Republic of Ireland that you would like checking. The file should contain the information specified in the latest Global Payments file specifications document.

How often do I need to send in enquiry files?
The service should be used at least once a month; the files can be submitted daily. You should submit the enquiry file within **5 days** before the submission of the transaction file, this should allow sufficient time for you to process the response file and update your records.

How will I know that the file has been received?
A confirmation report will be produced by Global Payments for you to pick up from the mailbox. This will mirror the existing process for producing confirmation reports for transaction file submissions.

How long will I need to wait for a response file once the file has been submitted?
Global Payments should send a response within 48 working hours.

What information will the response file contain?
It'll contain the details that you submitted, and the responses from Visa and MasterCard. Full details can be found in the Global Payments technical specifications.

When the file's sent back from Global Payments, how do I know which cardholder each transaction relates to?
When the enquiry file's submitted to Global Payments, you must include the reference number (sometimes referred to as the Merchant Policy Reference Number or MPRN) that you hold for each cardholder. This'll help you to cross reference the information received from Visa and MasterCard.

What is a Stop Instruction?
Cardholders can stop payment of recurring transactions via their card issuer. The Recurring Transaction Enquiry Service provides an early warning of a cardholder's intention to stop a recurring transaction authority and therefore enables you to contact the cardholder to discuss the arrangement. When you enquire on the card you'll receive a response to say that the cardholder has withdrawn their consent, and you mustn't process the transaction.

What should I do if I get a Stop Instruction Response Code?
Any instruction received to stop a recurring transaction authority must be actioned, otherwise the transactions can be charged back. It's recommended that you contact the cardholder immediately to find out if they still want the service and/or goods that you're providing.

What should I do with the updated card details?
You should update your records by replacing the old cardholder details with the updated information received prior to obtaining an authorisation.

What should I do if I am trying to submit an enquiry file, but it won't go through?
Call the Bulk Data Transfer Team Helpdesk on 0116 252 4989. Or if your implementation of the VAU/ABU service is still in test, call 0345 600 0391.

Will I still receive chargebacks if I use this service?
Yes, this service can't eliminate all chargebacks. However, the number of chargebacks you receive for recurring transactions may reduce significantly.

If I use the Recurring Transactions Enquiry Service, do I still need to obtain an authorisation code?
Yes. The Recurring Transactions Enquiry Service only checks that the card details are up to date and are still valid. An authorisation request checks if the funds are available and if the card

has been reported lost or stolen. The authorisation system isn't linked to the VAU and ABU services.

If I use the Recurring Transactions Enquiry Service, is payment guaranteed?
No, no card transaction's guaranteed.

Can the Recurring Transactions Enquiry Service be used to check card details over the telephone?
No, Visa and MasterCard only provide this service for electronic file submissions.

Can the Recurring Transactions Enquiry Service be used to check non-UK issued cards?
Yes, the VAU supports cards that are issued by Visa Europe in the UK, Ireland, Italy, and Greece. VAU doesn't currently support cards issued by Visa Inc. in USA. ABU supports cards issued by MasterCard in the UK, USA and Ireland.

What should I do if I've used the service and one of my customers says that they've been charged when they shouldn't have?
You should follow your normal refund procedures. The card should've been on the enquiry response file as a stop request. Please remember that you shouldn't process transactions with a stop request response.

Are there any pre-requisites for accepting recurring transactions?
The first transaction should be taken in a secure way, using one of the following verification methods:
- chip and PIN,
- CVV2 (Card Verification Value also known as Card Security Code (CSC)),
- Verified by Visa,
- SecureCode.

You must be compliant with Payment Card Industry Data Security Standard (PCI DSS). If you don't currently support these security features you may wish to implement them prior to the Recurring Transaction Enquiry Service being available.

How do I get set up for this service?
Please speak to your Global Payments' Relationship Manager. As part of the set-up process, your systems will need to be accredited by Global Payments to ensure that you can submit and receive Recurring Transaction Enquiry and Response Files. If you wish to use the Recurring Transactions Enquiry Service, you must also be compliant with the Payment Card Industry Data Security Standard (PCI DSS) programme.

How long does the accreditation process take?
There isn't a standard time scale that can be applied as this depends on the availability of IT resource at both your offices and Global Payments.

Is there any cost involved?
There's an initial accreditation and testing fee payable prior to submission testing being undertaken. The cost of this accreditation will be advised by your Global Payments' Relationship Manager. There's also a one-off registration fee per merchant number registered with Visa and MasterCard. This'll also be advised by your Relationship Manager.