

Merchant Cards 101



North Carolina Office of the State Controller

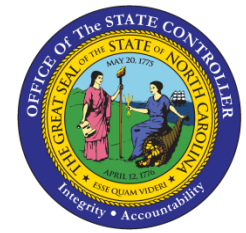
Fall 2015

Merchant Cards 101

Types of Cards

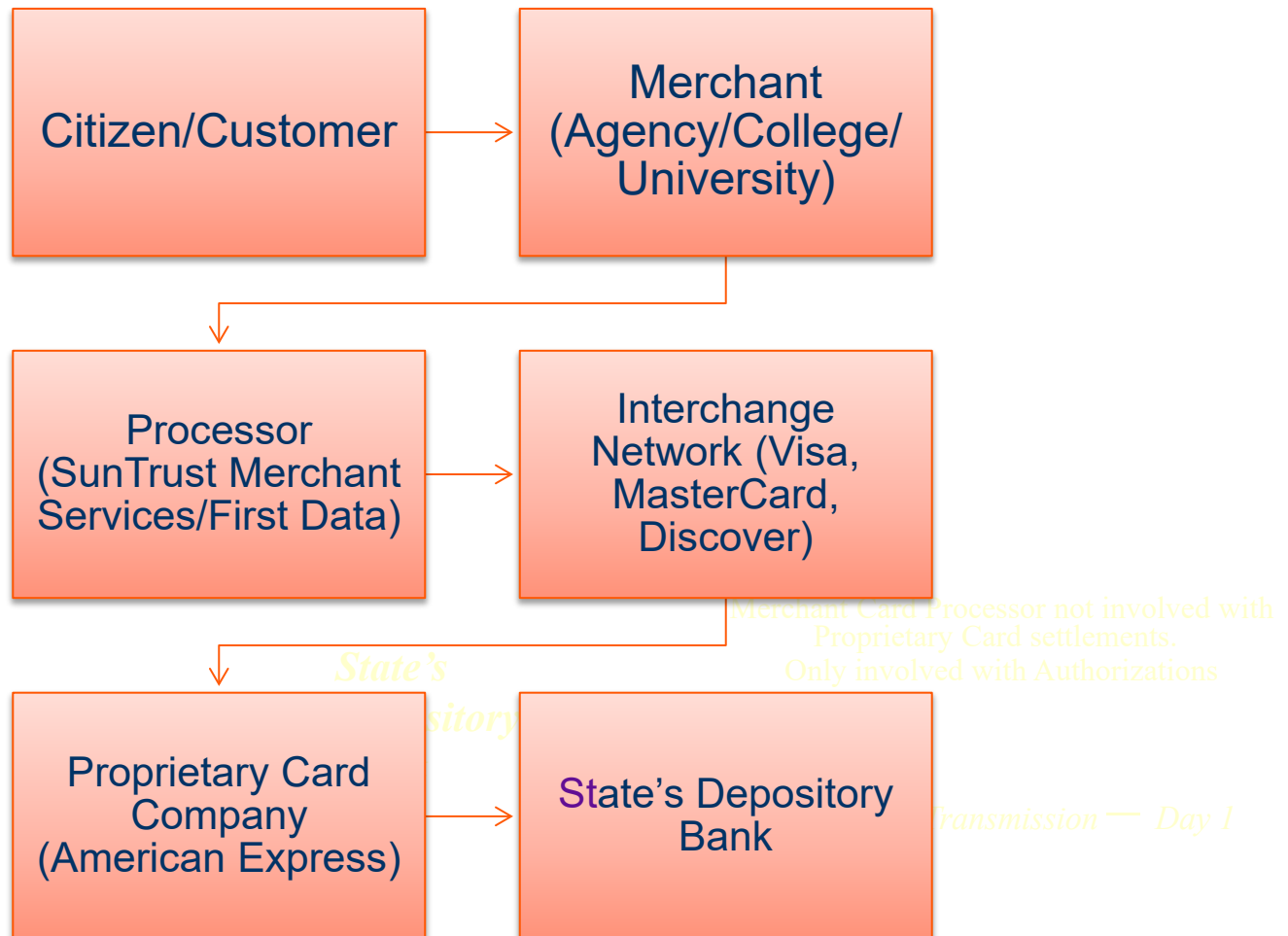
- Credit Cards (pay later)
 - Bank Cards - e.g., Visa and MasterCard
 - T&E Cards – e.g., Discover, Amex, and Diner's Club
- Debit Cards (pay now against checking account)
- Smart Cards (Prepay) Stored Value-Embedded Chip
- EBT Card - (Electronic Benefits Transfer) (Gov-Issued debit card)
 - Food Stamps (Funded directly by USDA)
 - Cash Benefits (not utilized in NC)





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Merchant Card Players



Merchant Cards 101

Card Capture

- Card Present
 - Cards Accepted
 - Credit Cards
 - Debit with Pin
 - Capture Method
 - Point of Sale (POS)
 - Card with swipe, card inserted to end of POS terminal (chip based cards), or keyed
- Card Not Present
 - Cards Accepted
 - Credit Cards
 - Debit with Visa/MasterCard Logo
 - Capture Method
 - Mail or Telephone Order (MOTO)
 - Internet (Online)





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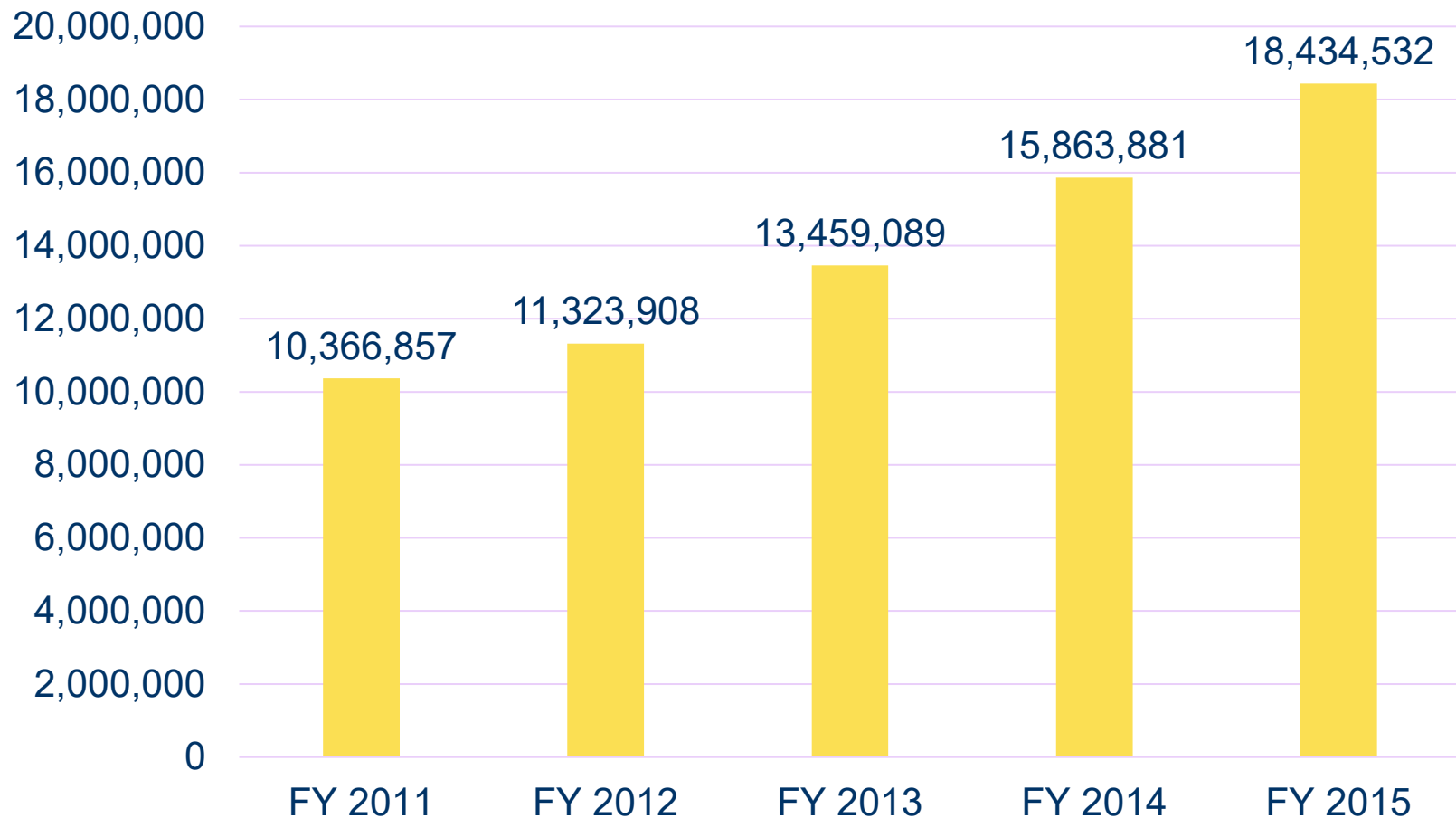
Statewide Master Service Agreement (MSA) – SunTrust Merchant Services

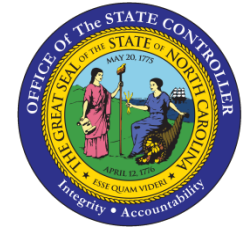
- Participants can be state agencies or non-state agencies
 - State Agencies (state agencies and universities)
 - Required to use the MSA unless an exemption is approved from State Controller
 - Must provide written business case for approval
 - Non State Agencies - Local units of government, community colleges, Local Education Agencies (LEA's), and Clerk of Courts
 - Participate on a voluntary basis
 - No approval required
- Volume for 2014-15
 - 18.4 million transactions, totaling 1.5 billion dollars in sales
 - 100 participants and 1000 plus merchant locations



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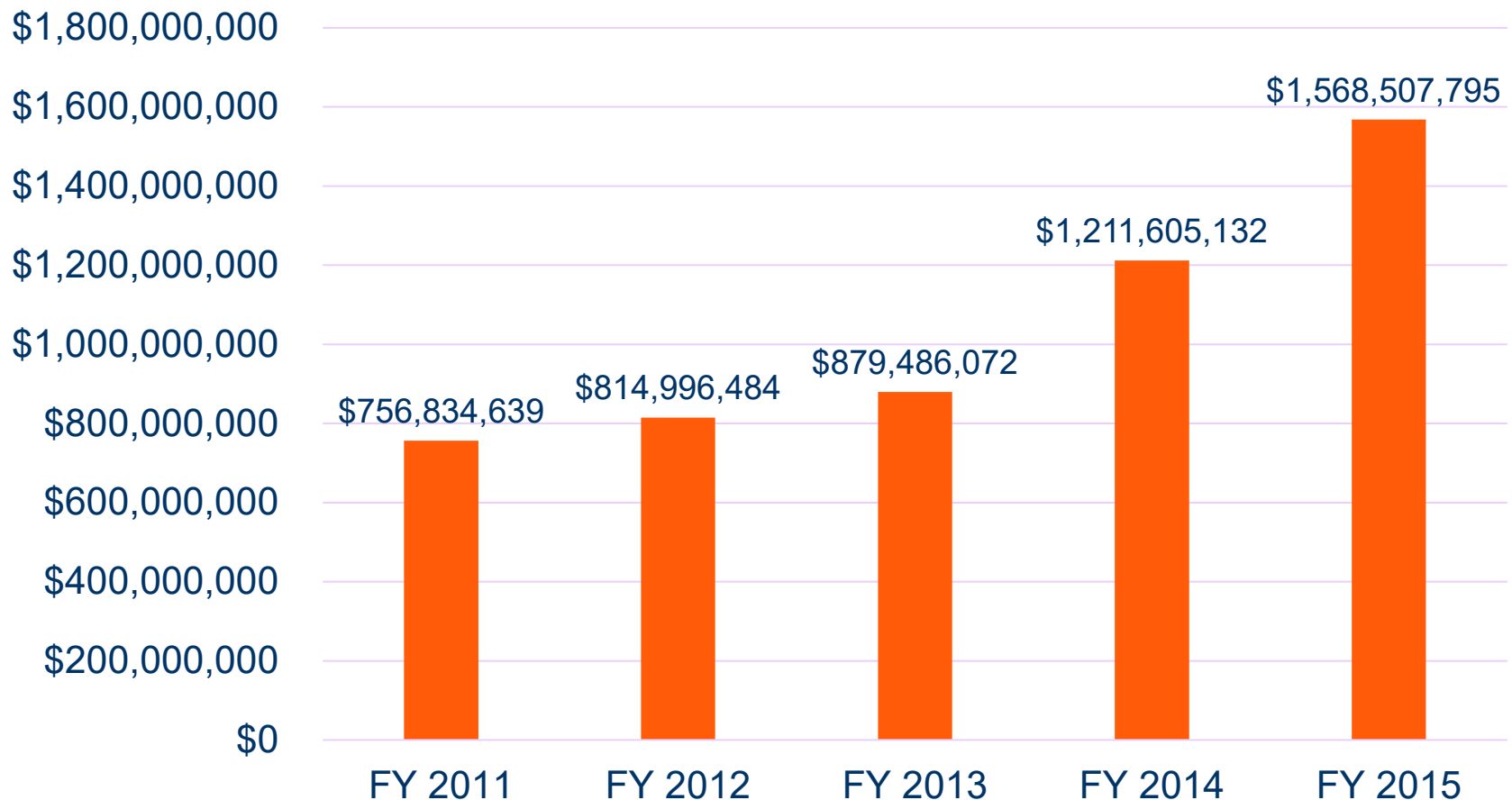
State of NC Merchant Card Transactions





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State of NC Merchant Card Sales

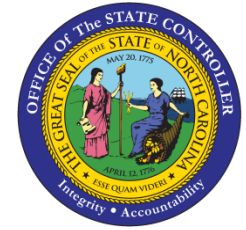


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Merchant Card Fees

- Types of Fees
 - Vendor Levied Fees
 - Per transaction processing fee
 - Address Verification (if used)
 - Payment Gateway fee
 - Chargeback (per occurrence)
 - Pass-Thru Fees
 - Interchange Fees
 - Schedules produced twice a year (October and April) that include a set fee and percentage fee
 - Rates set by Card Brands (not negotiated)
 - Based on Merchant Card Code (MCC) and type of card presented (e.g. rewards)
 - Assessment Fees (per transaction fee)
 - Switch Fees (pin based debit cards)

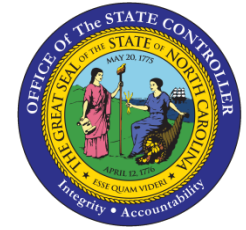




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Other Fees

- Point of Sale Equipment (if used)
 - Option to purchase, rent or lease
 - Ordered through OSC, supplied by First Data
- Third Party Capture Solutions – MSA certified
 - Negotiated between participant and vendor
 - Examples are TouchNet, PayPal, Cybersource
 - Must have existing partnership with First Data for settlement
- Third Party Capture Solutions – MSA negotiated
 - Negotiated and included in MSA
 - Examples are PayPoint and Global Gateway e4



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Transaction Fees

- HB 1854 2000 session (G.S. 66-58.12)
 - Allows for recouping of fees initiated electronically (Via Internet)
 - Must be pre-approved by OSC and Office of State Budget & Management
 - Flat or percentage – per transaction (See Rules caution on page 11)
 - Fee collected must be credited to a non-reverting agency reserve budget code, only for use for e-commerce initiative and projects
 - Accounts Receivable Law (G.S. 147-86.22) also applies

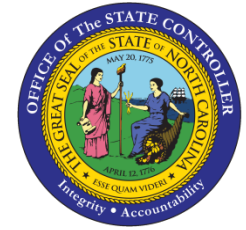


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Rules Caution

- While G.S. 66.58-12 indicates fee “may” be percentage-based, Visa Rules only allows a “fixed” fee unless enrolled in one of two special programs
 - MasterCard, Discover, and American Express may be fixed or percentage
- Visa rules require the fee to be levied against all alternative payment channels (e.g., ACH debits)
- MSA requires all participants to adhere to all card associations rules – Violations could result in fines and/or termination of services





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Bank Depository Account

- For State agency participants, Wells Fargo Bank has been designated by State Treasurer for settlement of funds
- Funds provided by STMS one banking day after card transaction
- Sub-Zero Balance Account (ZBA) opened for each State agency participant
- Funds are swept from Sub-ZBA to State Treasurer's Statewide ZBA at Wells Fargo account at end of day, which agency certifies on CMCS
- Wells Fargo Bank fees paid by agency
- Agencies access four systems to report and reconcile transactions
 - ClientLine – To view card activity (Provided by STMS)
 - Wells Fargo CEO– To view ZBA account activity
 - CMCS – To report deposits (Provided by OSC)
 - Core Banking System – To view CIT bank deposit and CMCS certification



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