

American Express Cards Overview

Is there a policy regarding the acceptance of American Express cards?

On December 15, 2006, OSC issued a policy entitled, “Types of Merchant Cards Accepted.” The policy addresses the types of cards that may be accepted, to include proprietary cards. American Express is considered a proprietary card under the policy. The policy can be viewed at: http://www.ncosc.net/SECP/SECP_Policies.html

Does the State have a master agreement with American Express?

On December 15, 2006, OSC entered into a master agreement with American Express, allowing electing participants to accept American Express.

Does an entity desiring to accept American Express cards have to execute an Agency Participation Agreement?

Yes, participants desiring to accept American Express cards must execute a separate Agency Participation Agreement with American Express (Schedule C). Note that the Master Service Agreement (MSA) the State has with SunTrust Merchant Servants (STMS) allows for participants to accept cards issued by Visa and MasterCard, without the participant having to execute any additional agreements, other than the Agency Participation Agreement with STMS.

What is the effect of the master agreement with American Express on participants already accepting American Express cards?

Participants that currently have a direct agreement with American Express can convert to the OSC master agreement, thereby taking advantage of the enhance pricing and the negotiated terms. All state participants that are subject to the State Cash Management Law that elects to accept American Express are not permitted to contract directly with American Express, unless an exemption is granted by the State Controller. Local units of government participants can contract directly with American Express if desired.

Are there any additional forms needed to be completed to enroll with American Express?

In addition to the Agency Participation Agreement, an entity should complete:

- Amex Participation Setup Form
- Amex Outlet Setup Form

What is the primary difference between American Express and Visa/MasterCard?

The primary difference is when settlement of the transaction will occur. In the case of Visa and MasterCard, if either Wachovia Bank or SunTrust Bank is the depository, the funds are received the next banking day after the transaction is authorized. In the case of American Express, regardless of the depository bank used, the funds are received two banking days after the transaction is authorized.

How does the delay in the receipt of funds for American Express affect reconciliation?

In most cases, each participant has a settlement bank account, for which the net of all transactions that post to the account on a given day are swept to a main bank account. Transactions that post to the account on a given day would therefore be from two sources:

- 1) Visa and MasterCard settlement from STMS – for transactions authorized the previous day
- 2) American Express settlement – for transactions authorized two banking days prior

This would be in addition to any chargebacks that may post that day. In the case of State agencies, the net amount transferred from the ZBA settlement account, as viewed on Wachovia Connection, is the amount that should be certified on CMCS.

What involvement does SunTrust Merchant Services play?

All authorizations are routed through STMS. However, STMS is not involved in the settlement of the funds, as the funds are received directly from American Express via ACH credit. The authorizations and batch transactions appear on STMS's MyMerchantView.

Does American Express provide an online reporting system?

Various reporting is available through Amex's Online Merchant Services. This online reporting can be used in addition to the reporting available through STMS's MyMerchantView. See the following link for enrollment information.

https://www209.americanexpress.com/merchant/singlevoice/USEng/FrontServlet?request_type=navigate&page=yourAccount

What is the cutoff time to transmit batch transactions to American Express in order to receive funds on the second banking day?

Batched transactions containing American Express transactions must be received by STMS by 6:00 p.m. Eastern Time in order to be routed to American Express. If this deadline is missed, settlement would be three days instead of two days. It is possible for a participant to by-pass STMS and transmit both authorizations and batches directly to Amex. However, this requires POS terminals with split-dialing capabilities. For transactions sent directly to Amex, the cutoff time is 11:00 p.m. Eastern Time. These transactions would not appear on STMS's MyMerchantView, but could be viewed through Amex's Online Merchant Services.

Does American Express assign a chain number and outlet numbers?

American Express will assign each participant a unique chain number, as well as assigning an outlet (establishment) number to each outlet. These Amex-assigned numbers are different than the chain and merchant numbers assigned by STMS. STMS will associate the Amex assigned outlet number to the outlet number assigned by STMS. OSC will convey the Amex outlet number to STMS as each outlet is enrolled with Amex.

What are the fees charged by American Express?

The discount fee is 2.15% for most transactions, and 1.80% for prepaid cards. This fee is in addition to the \$.0015 per transaction charged by STMS.

What are the effective fee rates of the various cards?

American Express charges a discount fee, while Visa and MasterCard charges both an interchange and an assessment fee. STMS levies a \$.0015 fee for each transaction, regardless of the type card. Assuming a transaction qualifies for the best government rate from Visa or MasterCard, on a typical \$100 transaction the "effective fee rate" for each would be as follows: Visa – \$1.61; MasterCard – \$1.79; American Express – \$2.19. The effective rate for Visa and MasterCard would be higher if the transaction does not qualify for the best interchange rate (e.g., corporate credit card). The effective rate would be lower if the transaction was for a debit card.

Who determines if an entity will accept American Express?

Each participant makes its own determination as to which cards it will accept (e.g., Visa, MasterCard, and American Express). Guidelines contained in the OSC Policy entitled, "Types of Merchant Cards Accepted" should be used in making the determination.

Can a participant be selective as to what types of receipts it will accept American Express?

Yes, the participant may accept American Express for only certain types of receipts, taking into consideration the nature of the receipt, including:

- Beneficiary of the receipts
- Requirement of the funds to be settled within one banking day
- Ability to fund the cost of the fees

Can any one card brand be preferred over another card brand?

No. If a particular card is accepted for a particular type of receipt, the entity must not promote any one card over the other, or do anything that discriminates against either card.

What is the retention requirement for American Express transactions?

While each card company has different retention requirements, OSC policy requires the transactions for all types of cards to be kept for 18 months.

Does American Express have a guide for authorization procedures?

Yes. Exhibit 1 of the master agreement should be referenced.

Does American Express have a guide for chargeback procedures?

Yes. Exhibit 2 of the master agreement should be referenced.

Does the PCI Data Security Standard apply to American Express?

Yes. OSC's policy entitled, "Security and Privacy of Data Applies." Additionally, Exhibit 3 of the master agreement entitled, "American Express Data Security Operating Policy" should be referenced. The Amex policy is to be construed in conjunction with Term 8 (Limitation of Liability and Indemnification) of the "Agreement for American Express Card Acceptance."

Does American Express have a convenience fee policy?

Yes, Exhibit 4 of the master contract should be referenced. American Express's policy is similar to that of MasterCard, in that a convenience fee can be based as a percentage of the transaction amount, and not limited to being a flat fee, as required by Visa.

What is the Amex Card Identification Number Fraud Reduction Program?

The Card Identification Number (CID/4DBC) Fraud Reduction Program is designed to target fraud on keyed and swiped transactions. The program requires a merchant to request the 4-digit CID/4DBC number printed on all American Express cards from the customer at the time of purchase. The CID/4DBC ties the account number to the plastic that is currently issued to the Card member. Participation in the program is optional. Exhibit 5 of the master agreement should be referenced for details and enrollment information.

Can governmental entities not participating in the State Controller's MSA with SunTrust Merchant Services participate in the master agreement with American Express?

No. In order to participate in the master agreement with American Express, the governmental entity must be a participant in the MSA with STMS. American Express may elect to offer the same pricing structure to local units of government, but under agreements directly with the government.