



Merchant Cards 101



North Carolina Office of the State Controller

Fall 2015



Merchant Cards 101

Types of Cards

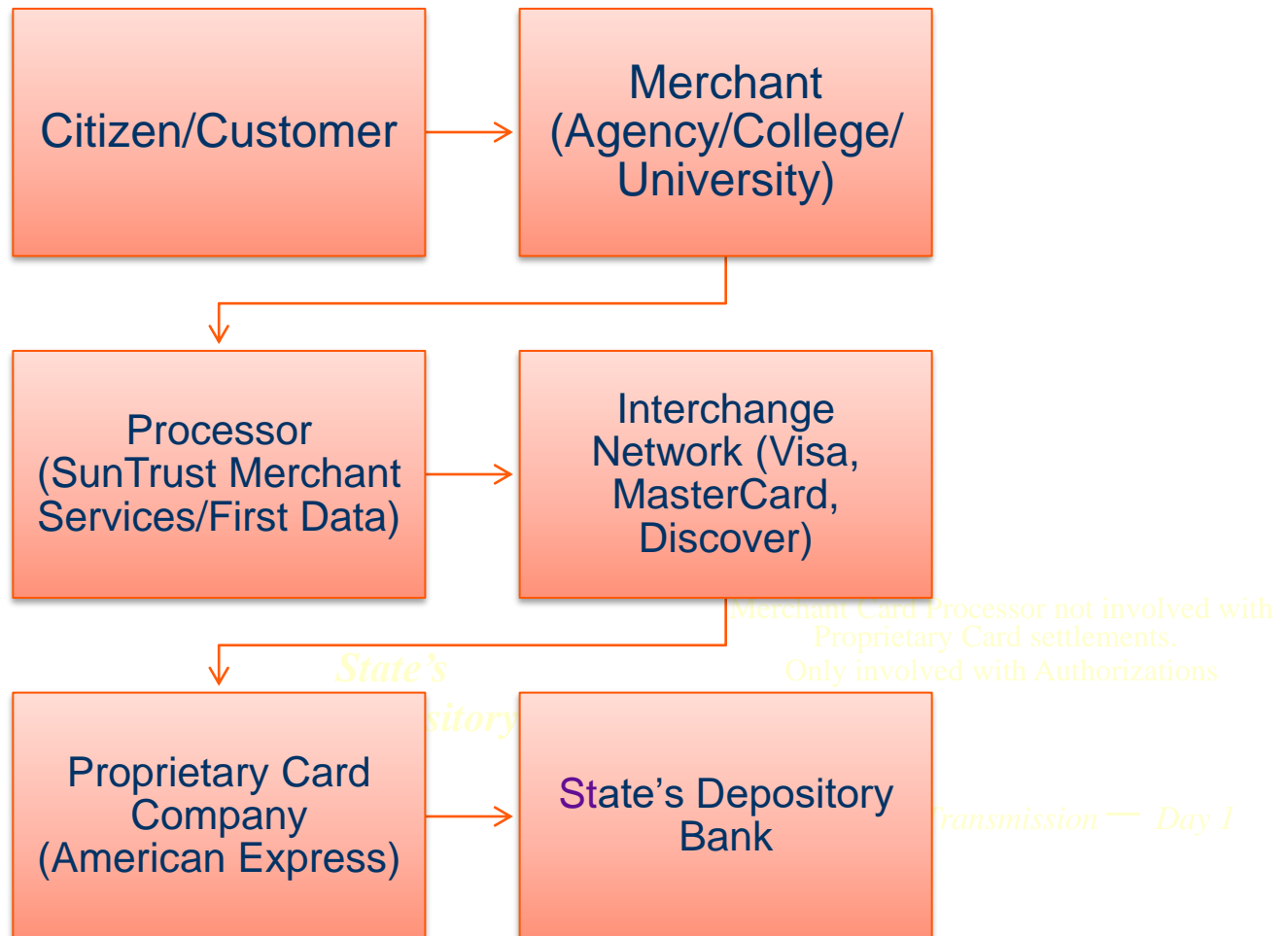
- Credit Cards (pay later)
 - Bank Cards - e.g., Visa and MasterCard
 - T&E Cards – e.g., Discover, Amex, and Diner's Club
- Debit Cards (pay now against checking account)
- Smart Cards (Prepay) Stored Value-Embedded Chip
- EBT Card - (Electronic Benefits Transfer) (Gov-Issued debit card)
 - Food Stamps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





Merchant Cards 101

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)





Merchant Cards 101

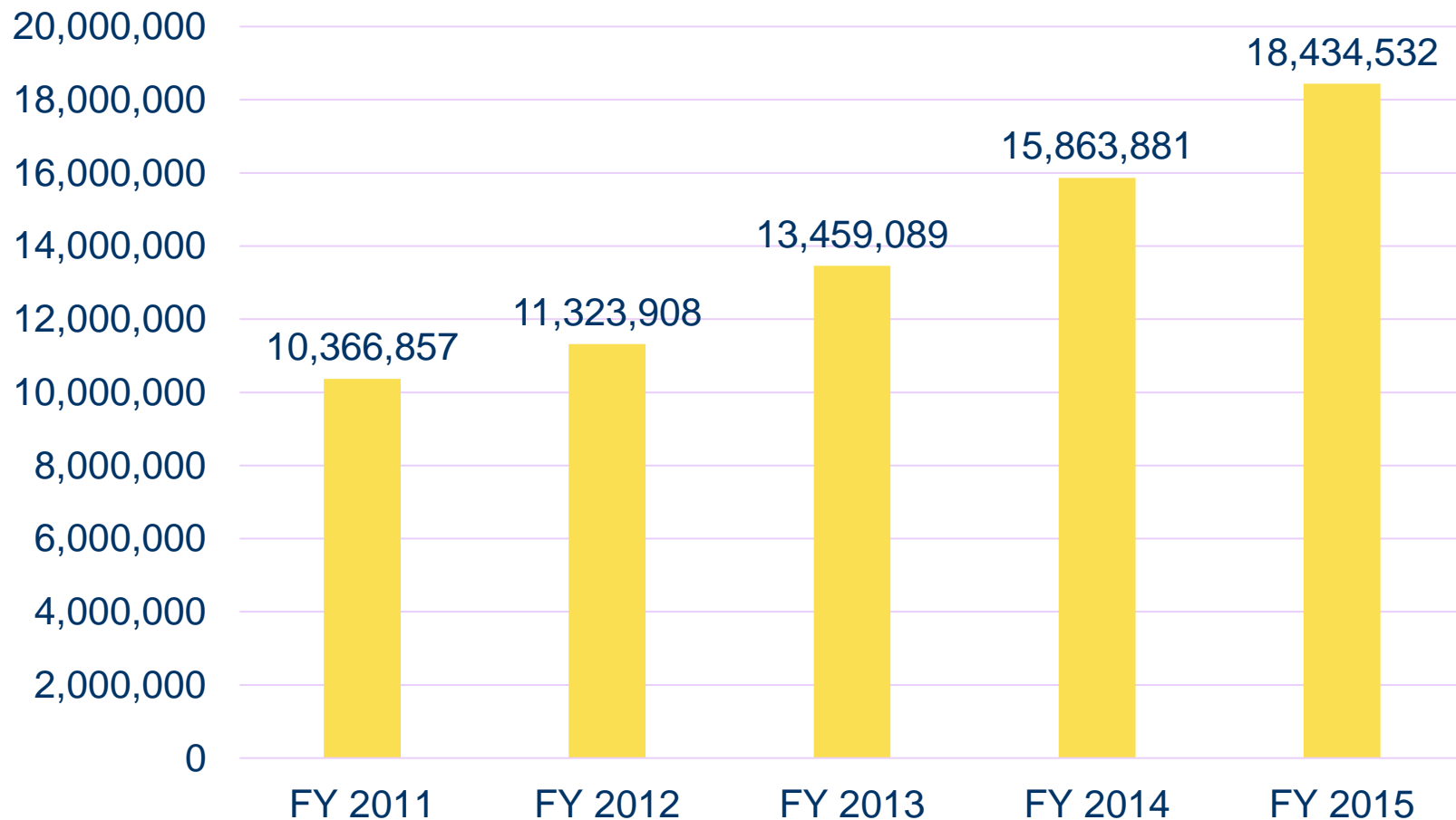
Statewide Master Service Agreement (MSA) – SunTrust Merchant Services

- 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



Merchant Cards 101

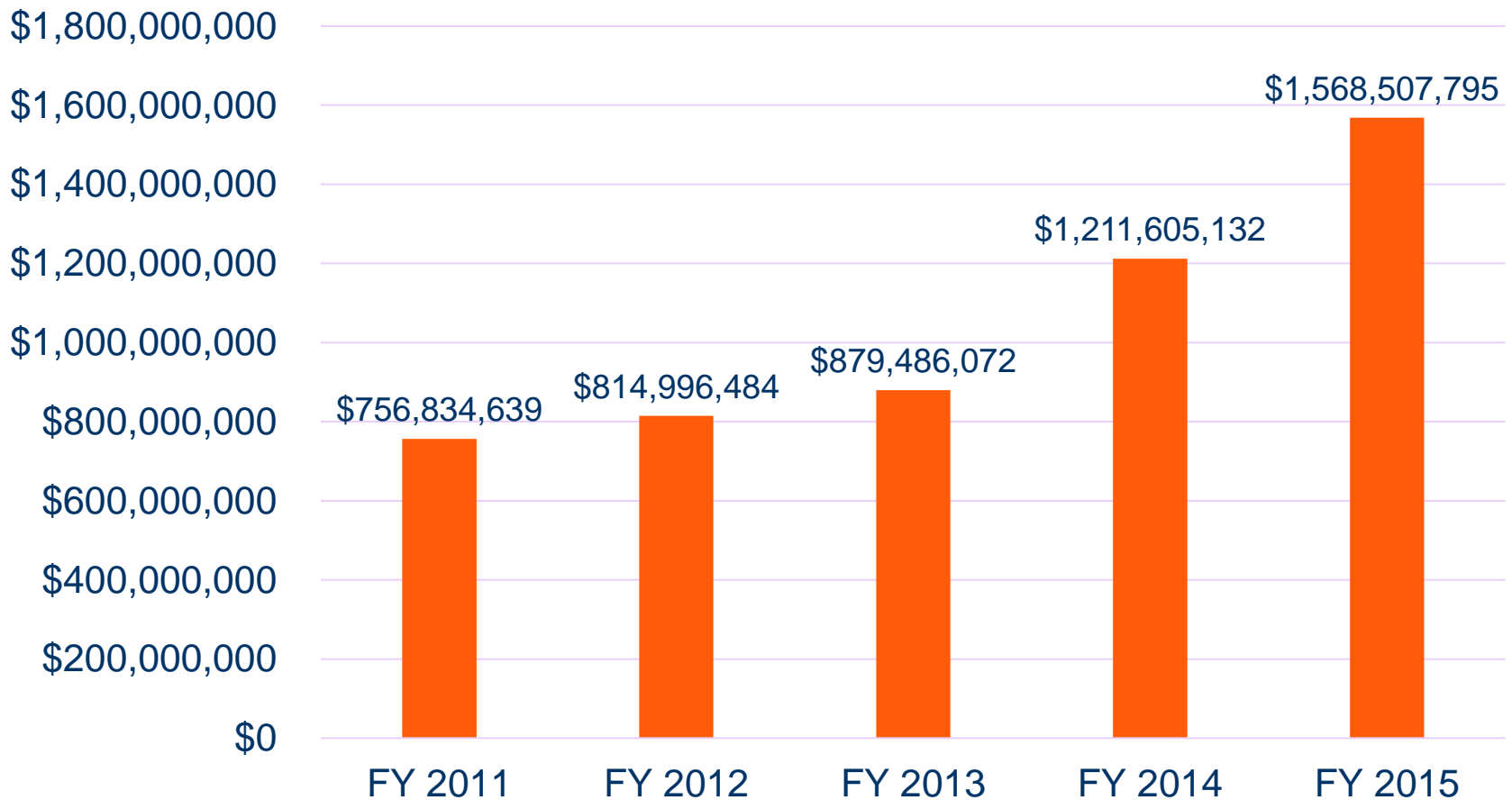
State of NC Merchant Card Transactions





Merchant Cards 101

State of NC Merchant Card Sales





Merchant Cards 101

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)





Merchant Cards 101

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



Merchant Cards 101

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



Merchant Cards 101

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**





Merchant Cards 101

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



Merchant Cards 101

Contact Information:

Amber Young

Central Compliance Manager

Statewide Accounting

North Carolina Office of the State Controller

1410 Mail Service Center

Raleigh, NC 27699-1410

Phone: 919-707-0619

Email: amber.young@osc.nc.gov

Taylor Brumeloe

eCommerce Financial Specialist

Statewide Accounting

North Carolina Office of the State Controller

1410 Mail Service Center

Raleigh, NC 27699-1410

Phone: 919-707-0667

Email: taylor.brumbeloe@osc.nc.gov