MERCHANT BEST PRACTICES FOR
RECURRING TRANSACTIONS

VISA

Visa Tools in Brief

Visa Account Updater

The *Visa Account Updater (VAU)* service allows Visa merchants, acquirers, and issuers to electronically exchange the most current cardholder information, card expiration dates, account status, and more. This safety net helps merchants retain customers by reducing declined card transactions that can interrupt the payment process.

Address Verification Service (AVS)[1]

Address Verification Service (AVS) allows card-not-present merchants to check a Visa cardholder's billing address with the issuer. AVS provides merchants with a key indicator that helps verify the validity of a transaction.

Card Verification Value 2 (CVV2)

Card Verification Value 2 (CVV2) is a three-digit number imprinted on or to the side of the signature panel of all Visa® cards to help card-not-present merchants verify that the customer has a genuine card in his/her possession and that the card account is legitimate.

Verified by Visa

Verified by Visa allows e-commerce merchants to validate a cardholder's ownership of an account in real time during an online Visa card transaction. The merchant server recognizes the registered Visa card and the cardholder is prompted to enter a password. The issuer then confirms the cardholder's identity.

Payment Card Industry Data Security Standard

The Payment Card Industry Data Security Standard (PCI DSS) is a comprehensive set of international security requirements for protecting cardholder data. The PCI DSS was developed by Visa and the founding payment brands of the PCI Security Standards Council to help facilitate the broad adoption of consistent data security measures on a global basis. These 12 requirements are the foundation of Visa's data security compliance programs including the Cardholder Information Security Program (CISP) and Account Information Security (AIS) Program.

Setting Up A Recurring Transaction

- To set-up a recurring charge, obtain consent from the cardholder and include the following:
  - Transaction amount or minimum or maximum transaction amounts, if the transaction may vary
  - Frequency of the recurring charges
  - Duration of time that cardholder permission is granted
- Retain a copy of the cardholder's consent for the duration of the recurring services and provide a copy if requested by the issuer.
- Obtain all relevant card payment details to complete the transaction:
  - Cardholder name and billing address
  - Card type/Account number
  - Card expiration date
  - Card Verification Value 2 (CVV2)
- Obtain an authorization and a valid approval:
  - Include the expiration date in the authorization request
  - Use Visa detection tools to verify the legitimacy and accuracy of the Visa cardholder and card

> Interchange rates are set based on the authorization and processing methods used, whether or not additional information is provided in the transaction record, and the type of card used at the point of sale.
>
> For security purposes, *Visa International Operating Regulations* prohibit merchants from storing CVV2 data.

TO VERIFY:	THEN:
Card information	Use Visa Account Updater
Cardholder billing address	Use the Visa Address Verification Service (AVS)[1]
Card authenticity	Submit CVV2 as part of the authorization request
Cardholder's authenticity online	Implement Verified by Visa

- Check the authorization response and take the appropriate action. Based on your response, if you receive a decline response for any reason other than "lost", "stolen", or "pick-up", you may retry the authorization if it is cost-effective for your business to do so. **Note:** An authorization may be retried up to up to a maximum of four times within 16 calendar days of the original request. If an approval response is not received, the transaction is exposed to authorization related disputes and you may want to consider asking for a different Visa card.

> In determining the number and frequency of authorization attempts, merchants should take into account, among other factors, the incremental cost of retrying the authorization and the transaction amount. The *Visa International Operating Regulations* prohibit depositing a declined transaction. To view a copy of the *Visa International Operating Regulations*, visit www.visa.com.

- Voice plus is often used by merchants to capture the cardholder's voice or key tones as confirmation.
- Ensure that all applicable state or federal laws are followed when establishing this agreement with the cardholder. Visa recommends the merchant consult with their own legal counsel.

> *For more information about the PCI DSS, including Visa's validation requirements and a suite of security tools and resources to support compliance, visit* www.visa.com/CISP.

[1] AVS is available in the U.S. and Canada only.

Ensuring Customer Satisfaction

- Provide your customers with a toll-free phone number, an e-mail address, and/or easy to find (and use) online procedures for cancelling recurring transactions.

- Train your sales and customer service staff on the proper procedures for processing recurring transactions, as these transactions are particularly customer service sensitive.

- Fully disclose all necessary transaction terms and conditions.

Best Practices for Recurring Transactions

- Include the recurring payment indicator in the initial and subsequent authorization requests. This will help you identify if the account is not suitable for recurring transactions, such as non-reloadable prepaid cards.

- Utilize the Visa Account Updater (VAU) service to verify that the cardholder's on-file information, account number, and/or expiration date, are correct.

- Keep the expiration date on file and include the expiration date in all authorization requests.

- To reduce possible fraud, use the Visa Address Verification Service (AVS)[1] on every transaction.

To minimize chargebacks and transaction processing costs, submit transaction payment information to your processor in a timely manner.

- Ensure that all recurring transactions are identified with a unique processing code ("50"), market-specific authorization data indicator ("B") and electronic commerce indicator ("2" or "R" for recurring or "3" for installment).

- Notify the customer of the transaction before or at the time of billing.

- Put proper controls in place to protect account and transaction information. All merchants must meet the Visa Cardholder Information Security Program (CISP) basic requirements.

- Do not store CVV2 data.

How to Cancel Recurring Transactions

- Check customer logs daily for cancellation or non-renewal requests related to recurring transactions. Take the appropriate action and comply in a timely manner. Notify the customer that his/her recurring payment account has been closed.

- Process all credits promptly. If a cancellation request is received too late to prevent the most recent recurring charge from posting to the customer's account, process the credit and notify the cardholder.

- Flag transactions that exceed preauthorized amount ranges. Notify customers at least ten days in advance of submitting a recurring transaction billing.

- Check customer logs daily for customer complaints, especially those relating to transaction amounts or failure to notify customers in advance of a recurring transaction that exceeds the preauthorized amount range. Follow up with customer.

- Provide the cardholder with the recurring transaction cancellation number.

How to Handle Recurring Transaction Customer Dispute Chargebacks

IF:	THEN:
The cardholder claims to have cancelled the recurring transaction.	Send your acquirer evidence that a credit was issued to the cardholder for the disputed amount or provide information regarding the credit issued (e.g., the date the credit was issued, the amount of the credit, the credit transaction number).
A credit has not yet been processed to correct the error.	Accept the chargeback but do not process a credit as the chargeback has already performed this function.
You have no record that the cardholder cancelled the transaction.	Resubmit the chargeback to your acquirer.
The customer claims he was billed for the service after he cancelled.	You may need to supply proof to your acquirer that the bill in question (i.e. the "final billing") covered services used by the customer between the date of the customer's prior billing statement and the date the customer requested cancellation.
The customer has cancelled the recurring payment transaction and there is a final payment still to be charged.	Notify the cardholder directly to discuss final payment.
The cardholder claims that the recurring transaction amount exceeded the preauthorized dollar range. You notified the cardholder at least 10 calendar days prior to the transaction date; the cardholder did not dispute the transaction that was posted to his/her Visa account.[2]	Send evidence of your customer notification to your acquirer.

[2] Applicable to U.S. Rules, refer to the *Visa International Operating Regulations* for any regional variances.
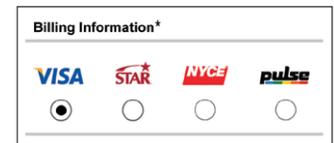
Ensure the Proper Payment Choice

Merchants who implement a PIN-less payment choice for alternative debit brands must work closely with their acquirers and third party agents to implement and adopt the following best practices[3] prior to system implementation.

Offer the Customer a Clear Payment Choice

Confusion can often arise when customers believe that they are paying with one payment brand, but the transaction is processed using another payment brand. For example, a customer who selects payment by Visa should always have that choice honored. Options such as "debit" and "credit" may be misleading and may have different meanings depending upon the customer's understanding. Selection of a payment brand Visa debit and non-debit transaction provides a clear choice to the consumer.

- ■ **Card-present Merchants**—Providing the Visa Brand Mark as a selection at the point of sale allows the customer to make an informed choice.

- ■ **Internet Merchants**—Providing a menu or radio button that presents all of the payment brand options allows the customer to make an informed choice (as shown in the example to the right).

- ■ **Telephone Merchants**—Instructing customers to select their preferred payment method through a Voice Response Unit (VRU) or customer service agent means identifying specific payment brand options (rather than using generic terms such as credit, debit, and ATM) and allowing the customer to make an informed choice.

Billing Information*

VISA   STAR   NYCE   pulse

Network names may vary based on the transaction processing capabilities merchants chose to enable.

Honor the Choice

If the customer indicates that he or she wants to pay with a Visa card, the merchant must make sure that choice is honored. A merchant is allowed to steer the customer to other forms of payment, but cannot confuse or mislead the customer or omit important information in the process. In other words, the choice is ultimately the customer's. A transaction can only be processed as something other than Visa if the customer has selected another form of payment. However, if a customer chooses Visa, it must be processed as a Visa transaction.

Confirm the Choice

To avoid any misunderstanding about the customer's choice of payment for Internet or telephone orders, merchants also should consider including a confirmation page or voice confirmation that specifies the payment option selected (e.g., Visa, MasterCard, Star, etc.).

Visa Resources

To order Visa materials for internet, direct marketing, and mail/telephone order merchants, visit www.visa.com/merchant or call Visa Fulfillment at 800-847-2311.

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[3] Except where this document uses the term "must," the best practices set out in this document are neither the minimum required for compliance with *Visa International Operating Regulations* nor the most complete disclosure that may be feasible or appropriate in all circumstances.