



The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

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The Wonders of Women's Networking

Have you ever thought, "If only I knew then what I know now"? We gain wisdom in our profession through experience, and part of the joy of having this wisdom is sharing it with others.

On the other side of the coin, if you are someone just beginning a career, think how wonderful it would be to have access to a room full of people eager to share the knowledge and experience you seek.

A new women's networking and mentoring organization, called W.net, offers just these chances. The group's mission is "to provide a networking forum for women in our industry to share ideas, inspiration and career-building opportunities."

Behind W.net are four accomplished payments industry executives:

- **Mary Gerdts**, Founder and President/Chief Executive Officer, POST Integrations Inc.
- **Diane Vogt**, President of Enterprise Customer Development, First Data Corp.
- **Linda Perry**, Senior Vice President, Visa U.S.A.
- **Holli Targan**, Partner, Jaffe, Raitt, Heuer & Weiss PC

The four had discussed how, when they first began their careers, it would have been nice to have had more time devoted specifically to networking and mentoring with other women, and how the payments industry still lacked this.

They decided to try to create an organization for women that offered such a possibility, one that "allows you to meet other people, understand what they've been through, understand the challenges they may face, and how they got to where they are," Vogt said.

She said they formed W.net to help the future and the rising of women in payments as well as provide opportunities to network with and learn from other great women who have had success in it.

Before the Electronic Transactions Association's (ETA) Annual Meeting

Education

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Ending Confusion About QSR/Small Ticket Interchange Categories

By **Michael Nardy**

National Association of Payment Professionals

Interchange is one of the more confusing aspects of this business, and I hope to clear up some of that confusion in this article. Especially perplexing are the Quick Service Restaurant (QSR)/Small Ticket interchange categories and various programs available from Visa U.S.A. and MasterCard International.

Many ISOs/merchant level salespeople often mix up QSR with the Small Ticket categories. Although they both have similar elements, pricing and usage, they are different. First I will describe the Small Ticket categories for Visa and MasterCard.

(Please note: All interchange rates quoted in this article include dues and assessments rounded to the nearest whole percent. Network and/or authorization costs are not included.)

Visa's Small Ticket rate for credit cards is 1.74% plus \$0.04; for check/debit cards, it is 1.69% plus \$0.04. MasterCard's Small Ticket rate for debit is 1.60% plus \$0.04. MasterCard does not have a Small Ticket category for credit cards.

MasterCard's alternative to the Small Ticket category for credit is the Convenience Purchase category, and the rate is 2% with no transaction fee. MasterCard used to have a Convenience Purchase debit category but retired it in April 2004.

Visa Small Ticket Rates/Qualifications

Visa restricts Small Ticket transactions to the following standard industry codes (SIC)/merchant category codes (MCC):

- 4111 – Local Commuter Transportation
- 4121 – Taxis and Limos
- 5812 – Restaurants
- 5814 – Fast Food Restaurants (Quick Serve)
- 7523 – Parking Lots and Parking Garages
- 7841 – Video/DVD Rental Stores

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Only the above categories appearing on the merchant and terminal records and inputted in the terminal software will qualify for the rate. Once the transaction hits interchange and contains the proper SIC code, the qualification will take place.

Further qualifications have to do with the type of card, dollar amount and signature requirements:

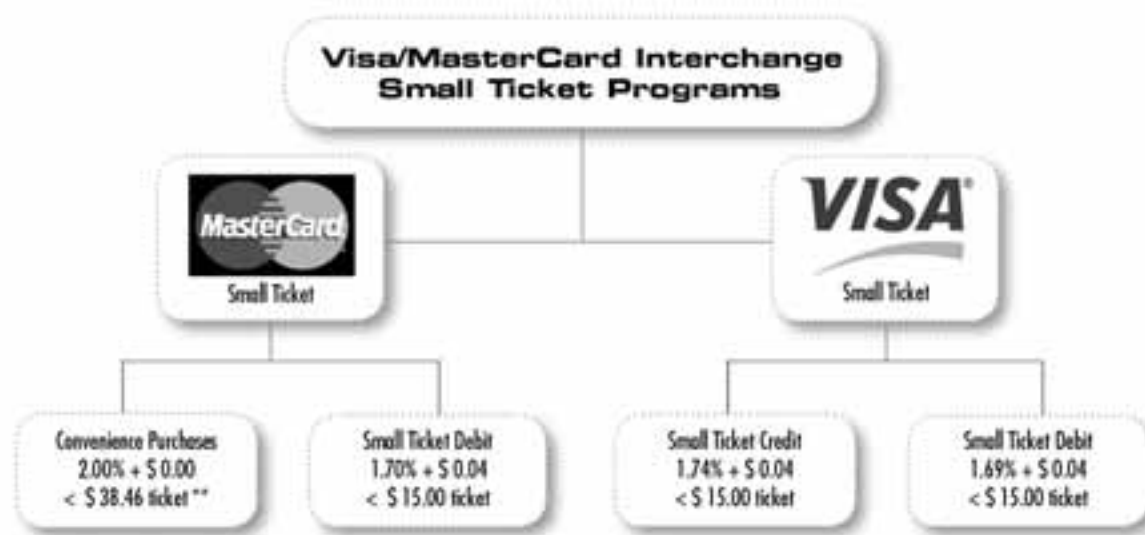
- The transaction is also restricted to Consumer, Signature and Infinite brand cards only
- The transaction must also be less than \$15
- No signature is required
- Chargeback protection is provided against missing signature

Finally, any transaction must first meet the following CPS/Retail requirements:

- Cardholder is present
- Authorization is obtained electronically, and there is only one authorization per transaction
- Full contents of magnetic strip have been passed
- Merchant and terminal are present at the POS
- The transaction must be settled within 24 hours

Visa has special rules concerning restaurants. Restaurants are allowed to authorize for up to 20% above the amount of the transaction. If you have a sale for \$100, the system can authorize for up to \$120. If your tip adjustment is below that amount, then you will qualify for the CPS/Restaurant category (or the Small Ticket category if your sale is less than \$15 and the above qualifications are met).

Interchange Breakdown - Where does everything come in?



**As of April 2005, MasterCard initiated a maximum for MCC codes 5814, 5499 and 7832. These codes must have a transaction amount of \$10 or less, or the transaction amount must be \$10 with no more than a 10% variance between what was authorized and what ultimately settled and cleared.

MasterCard Convenience Purchase and Small Ticket Rates/Qualifications

MasterCard's qualifications are a bit different. The MasterCard Convenience Purchase program qualifies with the following SIC codes:

- 5814 – Fast Food (QSR)
- 5499 – Convenience Stores
- 5541 – Gas Stations
- 5542 – Automated Fuel Dispensers
- 7832 – Movie Theatres

Note that restaurants (5812) are not part of MasterCard's Convenience Purchase category, and Convenience Stores (5499) are not part of Visa's Small Ticket category. Also note that MasterCard does not include parking garages, taxis/limos or video stores in this category.

MasterCard's qualification requirements for this category are similar to Visa's: The magnetic stripe data must be transmitted with the swiped transaction (using a transponder at an AFD will qualify as transmitting the magnetic stripe data); transactions must be settled within 24 hours; and the CAT Level 2 terminal indicator is required in the authorization message.

The important difference here is in the amount that will qualify. While Visa qualifies transactions less than \$15, MasterCard has a "break-even" point of \$38.46.

Transactions in the amount of \$38.46 or less will qualify for the Convenience Purchase category. Transactions for more than \$38.46 will qualify at the Merit III rate.

MasterCard once had a Convenience Purchase Debit category, which it retired. Now MasterCard offers the AFD Debit, Service Station Debit, Merit III Debit or Small Ticket Debit categories.

Because I am discussing Small Ticket, I will outline the Small Ticket rate, which comes in at 1.70% plus \$0.04.

In this category, the transaction will qualify under additional SIC/MCC codes. The transactions will qualify for Small Ticket Debit under the following SIC codes:

- 4111 – Transportation-Commuter Passenger (including ferries)
- 4121 – Limos and Taxis
- 5499 – Convenience Stores
- 5812 – Restaurants
- 5814 – Fast Food Restaurants (QSR)
- 7523 – Movie Theatres
- 7841 – Video/DVD Rental stores

Interestingly, under the Small Ticket Debit category, only sales of \$15 or less will qualify. Similar to Visa's program, the transaction must be swiped, and the card, cardholder, merchant and terminal must be present at the POS.

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The differences for MasterCard are:

- Signature is required
- For restaurants, beauty shops and fast food locations, the final amount must be within 25% of the authorization amount
- All other transactions must be within a 10% variance

Note that the signature is required for a sale, and charge-back protection is not offered on unsigned transactions. The way this is provided is through registration in MasterCard's Quick Pay program.

To sum up, MasterCard has a different threshold to qualify, \$38.46 for credit card transactions and only \$15 for debit. While Visa keeps both credit and debit rates virtually the same, it also keeps the amount that qualifies the same.

If you break down the rate on a \$38.46 average ticket, $1.90\% \times \$38.46 = \0.73 . For a debit transaction at the same amount, the cost would be \$0.69, which is a \$0.04 difference in favor of the debit transaction when considering portfolio profitability.

MasterCard Quick Pay Program

MasterCard's Quick Pay program is actually not an interchange rate category but rather a special addendum to a merchant agreement.

Merchants sign the addendum in order to receive certain value-added features with their merchant program.

Following is the program outline:

- The merchant must be registered with MasterCard with a Chargeback Addendum
- It is again restricted in the SIC/MCC codes allowed to: 5814 – Fast Food (QSR); 7532 – Parking Garages; and 7832 – Movie Theatres
- It is applicable for transactions \$25 and less (for parking garages, the amount is \$75 and less)

You might have first encountered this program as a paying customer at either a movie theatre or fast food restaurant. When you bought movie tickets with your credit card, for example, the theater might not have required you to sign a receipt.

Keep in mind, however, that nothing would prevent a regular merchant from not having the customer sign a receipt under normal conditions.

What is important is that proper acknowledgement from MasterCard allows merchants to implement this program.

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Any transaction that is processed must also follow these guidelines:

- Transaction must be settled within three days
- The merchant is not required to obtain a cardholder signature or provide a receipt unless the cardholder requests one
- No interchange category is associated with this category, so a transaction will qualify at whatever rate based on the interchange category into which it falls (e.g., Merit III, Merit III Debit, Small Ticket).

Visa Express Pay Program

The Visa Express Pay program is very interesting. It has a rate of 2.09% plus \$0.02 for credit and 2.04% plus \$0.02 for debit. The biggest difference from MasterCard's program is that Visa requires no authorization. It is restricted to certain SIC/MCC codes like in MasterCard's Quick Pay program. The codes are:

- 5812 – Restaurants
- 5814 – Fast Food (QSR)
- 7532 – Parking Garages
- 7832 – Movie Theatres

The following qualification levels must also be met:

- An Express Pay Service merchant must hold a valid Express Pay Service contract with an acquirer, in addition to a merchant agreement
- Transactions must be settled within three days
- Transaction maximum is \$25 (for parking garages, it is \$75)
- The merchant does not need to obtain a cardholder signature or provide a receipt unless the cardholder requests one

Limited chargeback protection exists under this program. While Visa requires no authorizations, the merchant will be exposed to authorization-related chargebacks if they occur. Like the MasterCard program, the Express Pay program also requires special registration. For more information, contact your member bank or ISO.

Given the requirements of Visa's Small Ticket category, and the differences in pricing in its Express Pay program, a difference of \$0.02 is quite small, especially considering the increased costs of the discount rate over the Small Ticket categories. The confusion over interchange really never ends, but if you know the rules, you can navigate through it. If you have any questions, please send me an e-mail.

Michael Nardy is Chief Executive Officer of Electronic Payments Inc., a private transaction and payment processing company. He is also founding sponsor of NAOPP. For more information, e-mail him at mike@elecpayments.com or visit www.epiprogram.com .