

Important Notice of Changes
Bank of Hawaii Merchant Services – Fall 2020

Please read this notice carefully and keep it with your Merchant Services documents.

This summarizes significant rule and fee changes that affect the way Bank of Hawaii Merchant Services clients accept and process card payments. Individual circumstances may vary, and procedures may be amended or supplemented as appropriate in the future. Please refer to the detailed explanations of these and other changes available on the card brands' websites and through Bank of Hawaii Merchant Services before making any changes to your procedures or point-of-sale systems. Bank of Hawaii cannot be responsible for any errors that occur if merchants only rely on these summaries.

1. Changes Affecting Multiple Card Brands

a. Transition to 8-digit VISA® and MASTERCARD® Bank Identification Numbers (BINs) and 11-digit Primary Account Number Processing

POS Systems acquired from Bank of Hawaii will be automatically updated to meet this requirement.¹ Merchants using other POS Systems are advised to work with their systems' providers to assure proper acceptance of the longer numbers, including truncation of account numbers displayed by terminals, which is required for PCI-DSS compliance.

VISA - Effective April 2022

Visa began implementing changes in April 2019 to support migration from six-digit to eight-digit BINs. Visa payment systems will be updated to allow merchants to begin migrating to the new standard ahead of the April 2022 Visa compliance deadline. Information will be provided as it becomes available.

MASTERCARD - Effective April 2022

Mastercard will also require merchant POS Systems to support an 8-digit BIN standard and transaction processing using the first 11 digits of the primary account number (PAN) by April 2022. Additional information will be provided as it becomes available.

b. Dispute Processing and Chargeback Rules

Failure to respond--or late responses--to chargeback notifications and draft fulfillment requests may cause loss of the right to dispute a chargeback, resulting in fines, penalties, additional fees, and losses. To reduce the risk of loss in a chargeback situation, a response to ALL dispute notifications must be completed within the 10 calendar day period, which became effective in April 2018.

¹Merchants using Clover® Go must keep the Clover applications on their devices up-to-date to take advantage of this updating process

*If you are not already using **Dispute ManagerSM**, a web-accessible chargeback management tool available through Bank of Hawaii, call us at 808-694-7300 for more information.*

MASTERCARD - Effective October 2020

Mastercard will transition from a paper appeal filing process to an email process only. Paper filing will no longer be permissible.

DISCOVER[®] - Effective April 2021

Discover will introduce a new Ticket Retrieval Fee of **\$1.00**. A Ticket Retrieval Request is a request by an Issuer, on behalf of the Cardholder or on its own behalf, for a copy of Transaction Documentation or other documentation of a Card Transaction.

STAR[®] - Effective October 2020

STAR will modify their exception processing rules to be consistent with all STAR Networks.

Reason codes will be as follows:

- 2000 Authorization
- 3000 Processing Error
- 4000 Cardholder Dispute
- 5000 Cancellations and Returns
- 6000 Unauthorized / Fraud Dispute
- 6500 Counterfeit Chip Card Fraud

The First Chargeback dispute cycle will be reduced from 45 to 30 calendar days while the merchant response timeframes will remain at 15 calendar days.

2. VISA Changes

a. Visa Business-to-Business (B2B) Virtual Payment Enhancements

- Effective October 2020

Visa will expand Business-to-Business (B2B) Virtual Payments to include **prepaid** and **deferred debit**. The Visa B2B Virtual Payments program enables online travel agencies, travel service providers, and other travel payment providers to use virtual accounts to pay travel suppliers for inventory.

Account Funding Source Description
P = Prepaid
R = Deferred Debit

REFER TO APPENDIX A FOR ADDITIONAL CHANGES TO THE VISA B2B VIRTUAL PAYMENTS PROGRAM.

3. MASTERCARD Changes

a. Mastercard Small Ticket Interchange Rates for Consumer Credit

- Effective April 2021 for U.S. Region

Mastercard will introduce 10 new consumer credit, small-ticket interchange rate designators (IRDs) for transactions equal to or less than \$5.00. These new IRDs will lower interchange costs for small-ticket purchases and support acceptance of small-ticket purchases.

b. Mastercard Revised Electric Vehicle Charging Transaction Processing Procedures

- Effective October 2020

Mastercard currently supports Merchant Category Code (MCC) 5552 (Electric Vehicle Charging) for electric vehicle charging (EVC) transactions. Merchants whose primary business is operating an automobile parking lot or garage may now identify EVC transactions occurring at the merchant's parking lot or garage locations, MCC 7523 (Automobile Parking Lots and Garages).

The revised transaction processing procedure requirements are:

- Merchant must inform the cardholder of any estimated authorization request amount (for example, on a screen display or sticker at the terminal) and must obtain the cardholder's consent to the amount **before** requesting authorization.
- The initial authorization request must be identified as a preauthorization.
- If the transaction is finalized for an amount that **exceeds the authorization amount**, then an additional authorization for the unauthorized amount must be submitted within 24-hours of finalization.

- If the transaction is finalized for an amount that is **less than the authorized amount**, then a partial reversal for the excess amount must be submitted within 24-hours of finalization.
- If the cardholder cancels the transaction, a full reversal must be submitted within 24-hours of cancellation.

4. DISCOVER Changes

a. Discover Additional Card Number Ranges

-Effective October 2020

Discover will expand the Issuer Identification Number (IIN) ranges (i.e., card account number ranges) as shown below. Merchants who do not rent their equipment through Bank of Hawaii are advised to work with their systems' providers to ensure compliance.

Card Type	IIN Start Number	IIN End Number
Consumer Credit Core	65026800	65027099
	65027100	65027199
	65027200	65029999

b. Discover E-Commerce Acquirer Interchange Program (AIP) Enhancements

-Effective October 2020

Discover will revise the E-Commerce AIP validation for Transaction Amount Tolerance Levels. This revision will require that the difference between the card sale authorization amount and the sales data record be within the tolerance range for the Merchant Category Code (MCC).

MCC	Tolerance Level
4121 – Taxicabs / Limousines 7230 – Beauty / Barber Shops	+ / - 20%
3000-3350, 4111, 4112, 4131, 4411, 4511 – Passenger Transport 3351-3441, 7512, 7513, 7519 – Card Rentals 3501-3999, 7011, 7012 - Hotels 5541 – Service Stations 5542 – Automated Fuel Dispensers 5812 – Eating Places and Restaurants 5813 – Drinking Places (Alcoholic Beverages) 5814 – Fast Food Restaurants 5815-5818 – Digital Goods	Not Subject to Transaction Amount Validation
MCC's other than those listed above	+ / - 10%

5. Value Added Reseller (VAR) Notifications

Merchants not directly processing their transactions through Bank of Hawaii are advised to work with their systems' providers to implement the changes as shown below. Please reach out to your Value Added Reseller (VAR).

DISCOVER

a. Merchant-Initiated Transactions

- Effective October 2020

Discover will add several new types of Merchant-Initiated Transactions (MIT). A MIT is an addendum to a Card Sale in which pre-agreed and documented consent from the Cardholder is given to the Merchant. As part of this enhancement, Discover will revise the value of "10 – Stored Card Account" to include Recurring, Installment, and Unscheduled Payments. Please contact Bank of Hawaii for additional details, if needed.

AMERICAN EXPRESS®

a. Merchant- and Customer-Initiated Enhancements

- Effective October 2020

American Express will expand DF60 with a new subfield to assist in identifying Merchant-Initiated Transactions (MIT) and act as a link to the initial Customer-Initiated Transaction (CIT).

DF113 will also be enabled to support this expansion.

DF	Value	Description
DF113	0	Customer Initiated
DF113	1	Merchant Initiated

PIN / Debit

a. Point-of-Service (POS) Entry Mode

Effective October 2020 for **U.S. Region**

Pulse will accept a value of "10" to identify Card-on-File (COF) in DE22 POS Entry Mode.

6. Reminders about Previous Changes

a. Authorizations Required for Purchase Returns

Obtaining a purchase return authorization enhances customer satisfaction, and may reduce the cost and effort needed to handle chargebacks. By having the card issuer generate an authorization code, your customer's account should reflect the credit you are providing more quickly, resulting in a higher level of customer satisfaction.

Merchants using point-of-sale software or equipment (a "POS System") provided by a third party should ensure that the original sale transaction is identified on credit/refund transaction receipts. Bank of Hawaii advises these merchants to work with their POS System providers to add this functionality.

VISA -

Visa requires all **U.S. and Asia Pacific Region** merchants to submit an authorization request when providing credits and refunds to cardholders - for example, for a customer returned item.

Reason Code/Description	Chargeback Rule
1120 / Decline Authorization 1130 / No Authorization	Issuers may initiate chargebacks when proper authorization has not been obtained for credit returns

MASTERCARD

Mastercard allows (but not requires) merchants to submit an authorization request when providing credits and refunds to cardholders--for example, for a customer returned item.

Reason Code /Description	Chargeback Rule
Reason Code 4808 Authorization Related Chargeback	Proper authorization has not been obtained for credit returns

DISCOVER

Merchants are required to obtain a positive Authorization Response and corresponding Authorization Code when providing Discover cardholders with credits and refunds, to reduce the risk and expense of chargebacks.

Reason Code / Description	Chargeback Rule
Reason Code 4863 AT – No Authorization	Issuer may initiate a dispute when a Merchant did not obtain a positive Authorization Response on a Credit Transaction for a return

b. EMV® Fraud Liability

The EMV chip embedded on credit and debit cards encrypts information, making this technology significantly more secure; whereas, a traditional magnetic stripe card can be duplicated more easily.

*The EMV Fraud Liability Shift states, in the event of a **fraud dispute**, the card issuer is responsible if an effort is made to first read the EMV chip to create the transaction at an EMV-enabled POS terminal (this process is called “dipping”). The merchant is responsible if the magnetic stripe on an EMV chip card is “swiped” without first dipping the EMV chip when an EMV reader is available, and for all transactions conducted at a non-EMV-capable terminal.*

If you are not currently using an EMV-capable device and are considering this option to reduce your risk of card fraud losses, please call Bank of Hawaii at 808-694-7300.

c. Visa EMV Contactless Acceptance Requirements

All merchants who choose to accept contactless card payments must support EMV contactless card acceptance. Magnetic stripe contactless card acceptance is being phased out. Visa may assess fines and penalties if your contactless transactions do not meet Visa’s technology standards.²

If you rent terminals or PIN Pad devices from Bank of Hawaii, that equipment is capable of being upgraded to EMV contactless card acceptance. If you are considering EMV contactless card acceptance, please contact us at 808-694-7300 to determine what, if anything, needs to be done to activate your equipment.

Merchants that use third-party Service Providers for maintaining their POS Systems should contact that provider to ask what is required to allow acceptance of EMV contactless payments and discontinue legacy magnetic stripe contactless card acceptance.

d. Requiring Cardholder Identification as a Condition of Card Use is Restricted

Visa and Mastercard rules generally do not allow merchants to require cardholder identification to use a payment card for purchases. Should a merchant suspect fraud in a card-present transaction environment, however, the merchant may request cardholder identification. If the cardholder does not provide identification or the identification provided is expired, the merchant may elect not to accept the card.

Mastercard enables consumers to use the True Name feature which reflects who they truly are, displayed on their Mastercard cards. This feature enables the transgender and non-binary communities, among others, the ability to have their chosen name on the front of their Mastercard. This feature may result in the name on the Mastercard card differing from the name on identification provided by the cardholder. Merchants **must not** refuse to accept a Mastercard card on the sole basis that the name displayed on the Mastercard card does not match the name on the cardholder identification.

² All equipment that accepts contactless payments must comply with the Visa Contactless Payment Specification (VCPS) Version 2.1.3 or higher and must have actively enabled the Quick Visa Smart Debit/Credit (qVSDC) transaction path by April 13, 2019.

e. Data Security Requirement when using POS Integrators and Resellers

If you want to use a vendor that sells, installs, and/or services point-of-sale software applications, you must use a Qualified Integrator and Reseller (QIR). A list of qualified companies is available at: https://www.pcisecuritystandards.org/assessors_and_solutions/qualified_integrators_and_resellers.

f. Use of Firewalls for your Payment System’s Security

Proper configuration and maintenance of your organization’s firewall is important to its computer network security. If your organization does not know how to properly configure a firewall to protect its payment systems, you should seek the advice of a computer network professional with PCI DSS accreditations and experience, or consider PCI DSS compliant managed firewall service programs.

7. For more information

For information about Rates, Fees, Rules and Regulations, please visit the Card Brand’s website or call us at (808) 694-7300.

Visa Rates & Rules: <https://usa.visa.com/support/small-business/regulations-fees.html>

Mastercard Rates & Rules: <https://www.mastercard.us/en-us/merchants.html>

APPENDIX A

VISA Business-to-Business (B2B) Virtual Payments Changes

-Effective October 2020

Visa's new global interchange fee program, including fee edits, fee descriptor, fee program indicator (FPI), and rates are defined below.

New Fee Program for Visa B2B Virtual Payments Products		
Fee Program	Fee Descriptor	Fee Program Indicator (FPI)
B2B Virtual Product Registered Program	B2B RGSTRD PRGM	B2R

New B2B Program Identification (ID) Values		
B2B Program Identification (ID) Value	B2B Program Identification (ID) Description	Rates
A1	B2B Program 1	0.80% + \$0.00
A2	B2B Program 2	1.00% + \$0.00
A3	B2B Program 3	1.20% + \$0.00
A4	B2B Program 4	1.40% + \$0.00
A5	B2B Program 5	1.60% + \$0.00
A6	B2B Program 6	1.80% + \$0.00

Fee Descriptor	Rates
VI-ACQ B2B VIRTUAL SVC FEE DOM	0.60%
VI-ACQ B2B VIRTUAL SVC FEE INTL	1.55%
VI-ACQ B2B VIRTUAL SVC FEE INTRA	1.00%

Fee Program Indicator(FPI)	Fee Program	Rates
BR2	VI-US Commercial B2B Program 1	0.80% + 0.00
BR2	VI-US Commercial B2B Program 2	1.00% + 0.00
BR2	VI-US Commercial B2B Program 3	1.20% + 0.00
BR2	VI-US Commercial B2B Program 4	1.40% + 0.00
BR2	VI-US Commercial B2B Program 5	1.60% + 0.00
BR2	VI-US Commercial B2B Program 6	1.80% + 0.00
BR2	VI-Inter Comm B2B Program 1	0.80% + 0.00
BR2	VI-Inter Comm B2B Program 2	1.00% + 0.00
BR2	VI-Inter Comm B2B Program 3	1.20% + 0.00
BR2	VI-Inter Comm B2B Program 4	1.40% + 0.00
BR2	VI-Inter Comm B2B Program 5	1.60% + 0.00
BR2	VI-Inter Comm B2B Program 6	1.80% + 0.00
BR2	VI-AP Intra Comm B2B Program 1	0.80% + 0.00
BR2	VI-AP Intra Comm B2B Program 2	1.00% + 0.00
BR2	VI-AP Intra Comm B2B Program 3	1.20% + 0.00
BR2	VI-AP Intra Comm B2B Program 4	1.40% + 0.00
BR2	VI-AP Intra Comm B2B Program 5	1.60% + 0.00
BR2	VI-AP Intra Comm B2B Program 6	1.80% + 0.00