Merchant Account Guide for CyberSource Gateways

September 2008

CyberSource®

the power of payment

CyberSource Contact Information

For general information about our company, products, and services, go to
http://www.cybersource.com.

For Customer Support, contact CyberSource as follows:

- Call 1-888-390-5853 (Pacific Time), Monday through Friday between 6 A.M. – 5 P.M.
  (excluding holidays).

  or

- Use the Knowledgebase: To send a ticket with your request, click **Submit a Question**.
  You will receive a response by email.

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Documentation Changes and Enhancements

The following table lists changes made recently to this document:

Release	Changes
September 2008	• Added the Merchant Account Reports to the Reports section.
December 2007	• Initial release.

Merchant Account Guide for CyberSource Gateways

This document provides an overview of the features available with your new CyberSource merchant account, including how to start accepting credit card payments quickly and safely.

Welcome

Dear Merchant:

Welcome to the CyberSource family! We have created this guide to provide an overview of the features available with your new CyberSource merchant account.

If you have questions regarding your CyberSource merchant account, please call 1-888-390-5853 (Pacific Time), Monday through Friday between 6 A.M. – 5 P.M. (excluding holidays). You can also use our Knowledgebase: To send a ticket with your request, click **Submit a Question**. You will receive a response by email.

We look forward to serving your needs for years to come.

Sincerely,

The CyberSource Merchant Account Team
A Registered ISO of Harris Trust and Savings Bank
Buffalo Grove, Illinois

Introduction

With your merchant account, you can accept Visa and MasterCard credit and debit card payments from customers and set up a banking relationship to transfers funds from your customers' accounts to your business checking account.

Your new CyberSource merchant account is designed to function with your CyberSource payment gateway services. The CyberSource payment gateway captures credit card details (such as card number and expiration date) and purchase amounts and transmits that data to the cardholder's card issuer to obtain a purchase authorization and initiate funds collection. CyberSource offers two payment gateway packages to suit your business needs depending on your sales volume and technical ability: the Essentials Package and the Advanced Package.

This figure shows a sale transaction. Steps 1 – 8 occur in seconds; step 9 (funding) occurs in 2 to 4 days.

The basic transaction types are as follows:

- Authorization: Reserves funds on your customer's credit card for the purchase.
- Capture: Capture the transaction so that money is transferred to your account. Credit card associations require that you ship the goods before you capture the funds.

- Sale: Combines authorization and capture in the same request.

For an in-depth description of credit card services, see the Business Center User's Guide (Essentials Package) Credit Card Services Implementation Guide (Advanced Package).

Processing American Express and Discover Cards

Your merchant account enables you to accept Visa and MasterCard. American Express and Discover require additional registration and have different processing procedures than Visa and MasterCard. This section describes how to obtain an account with these companies. If you need to submit a knowledgebase ticket, go to the Knowledgebase and click **Submit a Question**. Enter the information requested and check the box next to *This question contains sensitive banking information*. You will receive a response by email that will appear as a knowledgebase answer.

American Express

Do you already have a merchant account established with American Express?

- **Yes: I**f you already have an account with American Express, submit a ticket to CyberSource with your Service Establishment # (your American Express account number).
- **No:** To obtain an American Express account, choose one of these options:
  - **Option 1:** Sign up for an account with American Express directly, and submit a ticket with the SE# number to CyberSource.

  or

  - **Option 2:** Submit a ticket requesting that CyberSource registers you for an American Express account.

Discover

Do you already have a merchant account established with Discover?

- **Yes:** If you already have an account with Discover, submit a ticket with your account number to CyberSource Support.
- **No:** If you do not have an account with Discover, submit a ticket requesting that CyberSource registers you for a Discover account.

Connection Methods

You can process transactions with CyberSource in several ways. In the Business Center, you can perform many actions:

- Manually process orders by using the Virtual Terminal

- Search for orders
- View and download reports

If your order volume is low and you will be entering payment data yourself, you need only the Virtual Terminal to send your orders to CyberSource. If your order volume is high, you may need to consider other ways of connecting to CyberSource. The manner that you choose depends on what works best for your business and your technical ability.

Our Technical Resources Web site provides details on each connection method, including a Wizard and side-by-side Comparison to help you choose the best option for sending your customers' payment information to CyberSource.

Essentials Package Users

If your order volume is low, the Essentials Package describes the tools that are appropriate for your business.

- The Getting Started Guide provides an overview of how to get started and points you to tools that can help you start processing quickly.
- The Business Center Basics tutorial shows you the basics of this useful tool.
- The CyberSource Business Center User's Guide details Business Center features and how to accomplish most tasks in your Business Center.

Advanced Package Users

If your order volume is high, the Advanced Package describes the tools that are appropriate for your business.

- The Advanced Getting Started Guide describes how to connect to CyberSource.
- The Enterprise Business Center Overview introduces you to the Business Center.
- The Technical Resources Web site helps you to identify the right connection method for your skills and needs and provides links to the appropriate documentation and tools, such as SDKs and implementation guides.

Batching and Funding

After you capture orders with a capture or sale transaction, all your captured transactions are grouped together in a batch that is sent to your payment processor. This process results in funds moved from the customer's to your bank account. If you do not capture any transactions, no money will be deposited in your bank account. Make sure to capture authorized transactions after you ship the items, or process a sale (authorization and capture) if you are shipping the items immediately.

Batches are processed as follows:

- No minimum number of orders is required in each batch.

- To optimize funding and reporting, the standard batch cut-off time is 9:00 P.M. Pacific Time. In this case, one batch comprises all orders processed from 9:00 P.M. to 8:59 P.M. The alternate cut-off time is midnight Pacific Time, but funding and reporting may take an additional day.

- The batch report provides a list of all of the transactions batched on the previous day. The report contains important information such as the order number and amount captured for each transaction. For Essentials Package users, this report is called the Capture Detail Report; for Advanced Package users, the report name is Payment Batch Detail Report.

  This report is available on the Business Center the morning after the transactions are batched. For example, the report for transactions batched on Monday is available to view and download at about 7:00 A.M. PT on Tuesday. However, if your batch cut-off time is midnight, the report will not be available until the following day. For example, transactions captured on Monday and batched at or just after midnight will not appear in the reports until Wednesday morning. For additional information, see the Reports section below.

Funding means that money is transferred to your bank account. The process occurs as follows:

- Funding generally takes 2 to 4 business days (delayed for bank holidays) after the orders are batched. If you believe that you should have received funds but they are not in your bank account, confirm that the authorization was successfully captured, that funds were not held as part of an agreed-upon reserve, and that the transaction does not appear on your Transaction Exception Detail Report.

- The money deposited to your bank account is a lump sum, not per transaction. You will receive one amount from CyberSource regardless of the number of transactions captured or the number of batches sent before your batch cut-off time. If you accept American Express or Discover, those funds will be deposited separately.

- American Express and Discover: Although these orders are batched at the same time as other orders, you need to be aware of different processing times. Funding may take longer than 2 to 4 business days because these card associations handle their own funding. Their deposits to your account will be separate from the deposit for Visa and MasterCard transactions.

See Table 1 for a batch and funding example.

Table 1 Sample Funding and Reporting Time Frame for a 9:00 P.M. PT Batch Cut-off

Time & Day Transaction Captured (Pacific time)	Time & Day Transaction Batched	Date Range for Funding (Money transferred to your bank account)	Date Transaction Appears in Detail Report
3:29 P.M. PT Monday	9:00 P.M. PT Monday	Wednesday through Friday	Tuesday
8:57 P.M. PT Monday	9:00 P.M. PT Monday	Wednesday through Friday	Tuesday
9:57 P.M. PT Monday	9:00 P.M. PT Tuesday	Thursday through Monday	Wednesday
7:01 A.M. PT Tuesday	9:00 P.M. PT Tuesday	Thursday through Monday	Wednesday

To understand how to reconcile your bank deposits and determine discount fees, see Reconciliation on page 9.

Reports

Reports provide a great resource for reconciliation and record your account activities. CyberSource offers a selection of report types available to suit your business needs.

Setting up Reports

Essentials Package users are automatically subscribed to the necessary reports.

Advanced Package users need to subscribe to the necessary reports in the Business Center as follows:

1   Log in to the Business Center.

2   In the navigation pane, select **Account Management** > **Report Subscriptions**.

3   Click **Edit**.

4   For the reports that you want, select the report format (CSV or XML) you would like. If you do not wish to subscribe to a specific report, select **None**.

The Business Center will show only the reports for which you are subscribed. Most reports are available free of charge, including those listed in Table 2. You can view each page of the report, print the report, and export it as a CSV file.

Helpful Reports

Important reports are listed in Table 2.

Table 2 Helpful Reports

Name of Report		Primary Report Function
Essentials Package	**Advanced Package**	
Capture Detail Report	Payment Batch Detail Report	Shows information about credit card and electronic check transactions. Used to reconcile with a bank statement.
Payment Events Report	Payment Events Report	Shows payment notifications received from the processor for the following types of transactions that you submitted to CyberSource: bank transfers, direct debits, credit card transactions (CyberSource Global Payment Services), electronic check debits and credits, and PayPal payments.
Transaction Exception Detail Report	Transaction Exception Detail Report	Shows detailed information about transactions that were flagged by CyberSource or by the processor because of errors. Because these transactions were rejected from the batch, funding will not occur.

Table 2 Helpful Reports

Name of Report		Primary Report Function
Essentials Package	**Advanced Package**	
Payment Activity Summary Report	Payment Activity Summary Report	Shows a statement and lists all purchases and refunds, fees, and adjustments processed for a merchant entity during a particular date range. This results in the expected funding amount that will be posted to your merchant bank account. Fees appear on this report when they are assessed (daily or monthly).
Purchase & Refund Details Report	Purchase & Refund Details Report	Lists transaction data for all purchases and refunds processed by a merchant entity for one specific date and shows transaction fees that will result in an adjustment to the funding amount.
Chargeback & Representation Details Report	Chargeback & Representation Details Report	Lists all chargeback and representment events that occurred for a merchant entity for one specific date. This report supports your chargeback collection and recovery processes by notifying you of new chargebacks and providing the status of chargebacks in process. It also provides the necessary details to support the chargeback activity shown on other reconciliation reports such as the Payment Activity Summary.
Transfer Log Report	Transfer Log Report	Provides a a list of all funds transfers posted to the bank account of a merchant entity for a particular date range. This report enables you to see what funds have actually been posted to your bank account, in order to quickly and easily reconcile your bank statement or perform other cash management activities.
Summary of Fees Report	Summary of Fees Report	Provides a record of fees assessed for a merchant entity for a particular date range. This report only includes fees that impact funding during the reporting period. Fees displayed on this report are either net from proceeds or collected through a direct debit. Some fees may be included in a monthly statement for invoiced or remittance.

We recommend that you periodically download and save your reports for future reference. Your reports remain available for approximately one year in the Business Center. For more information on using these reports, see the following documentation:

- Essentials Package users can refer to the Business Center Reporting User's Guide.
- Advanced Package users can refer to the Reporting Developer's Guide.
- CyberSource merchant account users can refer to the CyberSource Merchant Account Reports User's Guide and the CyberSource Merchant Account Reports Developer's Guide.

Monthly Statement and Fees

The monthly merchant account statement includes information on all batched transactions and deposits (see a sample statement), and an itemization of fees incurred. The fee types and amounts may vary, depending on the sales contract associated with your merchant account.

Fees

The following fees may be assessed with your merchant account maintenance:

- **Monthly Fee:** Assessed to your account for statement production, customer support, and other services.

- **Minimum Discount:** If your sales volume does not generate the minimum amount of discount rate fees agreed to in your contract, the difference may be assessed to your account, for example:

     In your contract, the minimum required discount amount is $75.

     You processed 29 transactions this month, resulting in $67.83 in discount rate fees.

     Your minimum discount rate fee is the difference between the two:
     $75 - $67.83 = $7.17

     If your sales volume results in more than $75 worth of discount fees, the minimum has been met and you will not be assessed an additional fee.

The following fees are associated with credit card processing:

- **Authorization Fee:** This is a per-transaction fee charged for all authorization requests. This fee is assessed regardless of whether the authorization request is approved or declined. Authorization fees are assessed daily.

- **Batch Fee:** This fee is assessed for each collection of card transactions and credits submitted to the banking system for settlement. If you use the CyberSource Payment Gateway, you will be charged a single batch fee for each day that you process transactions or per batch if you are set up to batch more than once per day.

- **Discount Rate:** Visa and MasterCard assess a fee on each Visa and MasterCard sale. The fee is a percentage of the sale and is the main component of the discount rate fee. This fee counts toward your monthly minimum discount fee described above. The discount rate percentage that you are charged depends on whether the sale is considered qualified, mid-qualified, or non-qualified:

     - Qualified (or qual): This is your basic rate that will be assessed on all transactions according to your contract.

     - Mid-qualified surcharge (or mid-qual): Approximately 0.5% surcharge on the qual rate. This is usually applicable when customers use reward cards, which are more expensive to administer.

     - Non-qualified surcharge (or non-qual): Approximately 1% surcharge on the basic qual rate. Sales that are made with higher-cost, non-consumer cards or those that do not meet Visa and MasterCard's conditions for lower risk, incur this surcharge.

For more information, see the Discount Rate FAQ.

- **Chargeback Fee:** This fee is assessed each time a cardholder processes a chargeback against your account.

Best Practices

The best way to avoid surcharge fees is to comply with Visa and MasterCard conditions for lower-risk sales. CyberSource automatically helps you comply with most of these conditions, but some conditions are solely within your control, for example:

- Ship in a timely manner so that you may capture MasterCard orders within 3 days of the original authorization and Visa orders within 7 days of the original authorization. Visa and MasterCard regulations do not allow you to capture the cardholder's funds until you have shipped their merchandise.
- Calculate the amount of the order, including tax and shipping, at authorization time so that the authorization amount matches the final amount you expect to capture.

Reconciliation

Reconciliation describes the process of accounting for transactions processed and money deposited in your bank account. Depending on your sales volume and business needs, you may want to consider how frequently you would like to reconcile: daily, weekly, or monthly. We recommend reconciling your account at least once a month.

Tools

Here are some of the tools we recommend using in order to reconcile your account:

- **Your bank statement:** Provides a record of how much money you receive from the transactions that have been processed. Visa and MasterCard transactions batched the same day are funded in one deposit to your bank account. American Express and Discover transactions are funded separately.
- **Monthly merchant account statement:** You receive this statement in the mail. The statement details daily deposits to your merchant account from the previous month and any associated fees. To learn about the different components of the merchant statement, see Figure 1 on page 11.
- **Daily batch reports:** Reports display detailed information about all transactions included in the previous day's batches. CyberSource daily batch reports help you identify exactly which transactions are included in each deposit.
- **Transaction Search:** In the CyberSource Business Center, you can search the previous six months for specific groups of transactions.
- **Merchant Account Reports:** With a CyberSource merchant account, you have access to a comprehensive suite of reconciliation tools that complement the Transaction

Reports by adding the funding, fee, and chargeback perspectives that your business needs. Visit the CyberSouce Business Center to access the Merchant Account Reports.

Reconciliation

By reconciling your accounts, you compare the deposits you receive in your bank account to the transactions that you captured. Although most transactions are processed correctly, occasionally some transactions fail batching or funding. To ensure that you receive the correct amount in your bank account, minus applicable fees, use the tools to account for all customer transactions.

When reconciling,take into consideration the discount rate. The discount rate is a percentage fee assessed on your sales transaction. For example, if your sale is $100 and your discount rate is 2.49%, a discount fee of $2.49 ($100 x 2.49%) is deducted before you receive your deposit in your bank account.

If a mid-qual or non-qual surcharge applies, as outlined in the previous section on fees, the discount rate plus surcharge is deducted. For example, if the above sale is assessed a non-qual surcharge of 1%, the discount fee is be $3.49 ($100 x 3.49%). Discount rate fees are typically assessed and deducted immediately as transactions are captured, but timing depends on your original sales contract and volume.

Note As already mentioned, Discover and American Express transactions are settled and deposited separately from Visa and MasterCard transactions. The Non-Settled column of your Merchant Statement refers to Discover and American Express transactions that were batched by CyberSource but were settled and deposited separately.

CyberSource recommends reconciling the sales you shipped and captured each day with your daily batch detail report. At the beginning of each month when you receive your merchant statement in the mail, reconcile your statement to your bank account as follows:

1 Using your bank statement, add all of deposits you received from CyberSource. Referring to your monthly merchant account statement, compare your total deposits to the total you derived from your bank statement.

2 If you also accept Discover and/or American Express, add those deposits separately. Compare the deposit total at the end of the Non-Settled column to the deposit total from your bank account statement.

Sample Monthly Merchant Account Statement

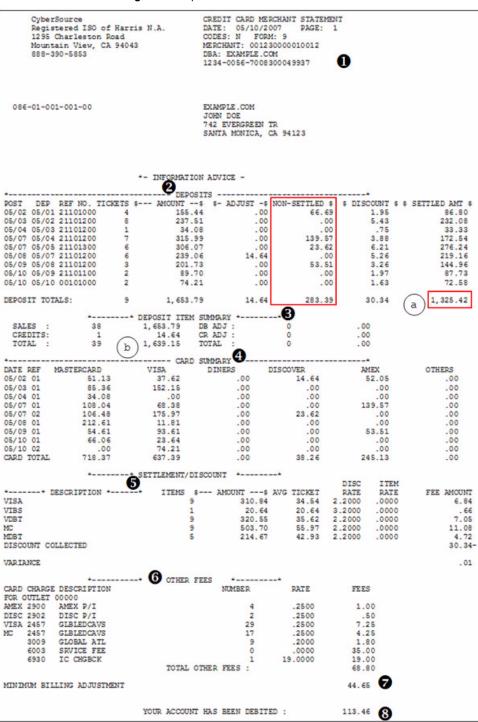The figure below shows a sample statement.

Figure 1 Sample Merchant Account Statement

Chargeback & Disputes

A chargeback occurs when a cardholder disputes a charge with the credit card issuer, which can occur for many reasons, for example:

- Dissatisfaction with the merchandise or service
- Merchandise or service never received
- Return and exchange policies not clearly stated
- Charge to account never authorized due to identify card theft or forgotten purchase
- Duplicate or recurring charge not stopped

Occasionally, a chargeback might be preceeded by a *retrieval request*, which occurs when a cardholder or the cardholder's bank questions the validity of a transaction but has not disputed the transaction. To clarify the situation, either party may request information from you regarding the transaction. If you receive a retrieval request by mail, you should respond promptly within the time allotted and provide all the requested documentation. Failure to do so may lead to a chargeback.

Each time a chargeback is initiated, you are assessed a non-refundable processing fee. One of the primary reasons for chargeback costs in non-fraud scenarios is that merchants do not respond to requests for information.

When a chargeback is initiated, you receive by mail a Debit Advice Notice, which outlines the transaction being disputed. Transactional information such as a signed delivery notice is favorable evidence to present your case. Regardless, prompt attention and responsiveness to the matter can help you tremendously.

To avoid chargebacks, we recommend that you follow these best practices:

- Obtain as much information as possible about the customer, such as the billing and shipping addresses and the corresponding phone numbers.
- Obtain the card verification number, which ensures that the person placing the order has the card on hand and knows all of the information pertaining to the authorized cardholder.
- Ensure that your business name will appear clearly on your customers' credit card statement so that your customers will recognize the purchase and that the phone number is for your customer support.
- On your Web site, clearly disclose all return, warranty, and guarantee policies, and shipping and processing fees. You may also require your customers to acknowledge the cancellation and refund policies before completing the purchase.
- Respond promptly and completely when you receive a retrieval request.

For additional information on chargebacks and combating fraud, see the Chargeback Quick Reference. Advanced Package merchants may also read the Decision Manager tutorial on understanding fraud and fraud-fighting tools, which provides an overview of fraud and fraud-fighting tools provided by CyberSource.

Fraud Prevention

While the Internet can be a wonderful new sales channel, it also provides criminals with wonderful new opportunities to defraud customers and merchants. You should take significant measures to ensure that customers presenting card information are indeed the rightful owners of those cards.

CyberSource provides you with a variety of valuable tools to help you validate the identity of your customer and thereby control fraud losses. You should consider the tools listed below. For information on payer authentication (not discussed below), see the Payer Authentication Implementation Guide.

Address Verification Service

The Address Verification Service verifies the card's billing address provided by your customer during the sale. This service is available throughout the United States and in selected other countries. It is required by Visa and MasterCard for Internet processing. Possible results include *full match*, *no match*, and various *partial match* conditions. Based on the result, you decide whether to accept or decline the order.

Card Verification Number

The card verification number is a code printed on the card. This number may be submitted with the transaction to verify that the customer is the legitimate owner of the card and actually has the card in hand. For Visa, MasterCard, and Discover cards, these codes are printed on the back in the signature panel. American Express has a four-digit number printed on the front of the card above the embossed account number. Card association rules do not allow you to store this number.

Decision Management Solutions

For Advanced Package merchants with high sales volume and a desire to minimize fraudulent transactions with an automated process, CyberSource recommends Decision Manager, which does not IT coding. For more information, see the Decision Management Solutions page.

Smart Authorization

This basic fraud detection tool, available to Essentials Package users, automatically places questionable orders under review. You select the criteria that trigger a review, such as *No address match*, *Cost of the order exceeds* a dollar value that you specify, and *Order contains obscenities*. For information on this feature, see the Business Center User's Guide.

Fraud Control Helps Prevent Losses

Not all merchants will be the target of criminals that wish to misuse cardholder data to obtain goods and services. Criminals' interests vary dramatically based on the type of goods or services that you provide. If, however, you are a merchant who is likely to be the target of criminal activity, be sure to implement the proper controls to guard against fraud.

In addition to fraud losses, you may incur additional costs including chargeback fees, fines from the card organizations, and loss of customer goodwill. In extreme cases, you could even lose the right to accept cards for payment. With caution and with the tools that CyberSource provides, we will help you combat fraud while minimizing fees and maximizing profits.

Support

For Customer Support, contact CyberSource as follows:

- Call 1-888-390-5853 (Pacific Time), Monday through Friday between 6 A.M. – 5 P.M. (excluding holidays).

  or

- Submit a Knowledgebase ticket: To send a ticket, click **Submit a Question** and enter the necessary information. You will receive a response by email.

Use this additional information:

Business Center	Production: Business Center
	Test: Business Center
CyberSource Merchant Account	GAA
	GAA Login
	Merchant Account Documentation
Essentials Package	Essentials Getting Started Guide
	Business Center User's Guide
Advanced Package	Advanced Getting Started Guide
	Business Center Overview