1. **2 Alignment of Merchant-Initiated Transactions and**

**Authorization Enhancements**

Visa will introduce new authorization processing requirements for merchant-initiated transactions implementing authorization enhancements to enable greater visibility into transactions that support

Primary account number (PAN) and token processing.

All transactions are initiated based on the instruction of the consumer. With the evolution of the payment system, consumer instructions have evolved, making it possible for merchant to initiate transaction based on the prior instruction of the card holder. As a result there are two types of transactions –

1. Consumer Initiated Transactions

* A consumer initiated transaction where the consumer is present and provides their payment credentials.
* Contains proof that card holder was involved because either CVV2/VBV Password/ Track data/CHIP Data/ ARQC etc.
* The consumer-initiated transaction is the proof that the consumer and merchant entered into a relationship and that the payment credential presented was in fact a validly presented payment instrument.

1. Merchant Initiated Transaction

* A merchant-initiated transaction is any transaction that relates to a previous consumer-initiated transaction.
* Conducted without the consumer present.
* Conducted without any cardholder validation performed.
* A merchant-initiated transaction must refer to a consumer’s original interaction.

Merchant-initiated transactions are organized by:

* Industry-specific business practices
* Standing instructions provided by the consumer in the initial consumer-initiated Transaction

**Technical Changes**

For Merchant Initiated transaction, we will not receive any authentication data like CVV2/TRACK Data/ARQC etc. But we will receive reference of Original Transaction ID or previous transaction ID,

In Field 125 – Usage- 2 Data Set 3 TAG 3.

So on this basis we will check whether original transaction was successful or not – (Successful mean whether it was forwarded to issuer or not). If it was successful then Processing system will mark the transaction as VALID and forward the details to Issuer (Prepaid/Close loop)

Acquirer will also send F22 with value 10 in case of Credential on File or F126.13 with value ‘C’ when credentials are stored on file at merchant location.

**Processing System Change**

In Authorization system processing system will search Original Transaction from F125 for 100 message. If Original Transaction not found then processing system will treat the transaction as normal.

In Clearing, processing system match clearing with authorization, based on transaction id received in clearing data. Processing system will match the last authorization of given transaction id and set it against clearing record.

Processing system will pass following details to issuer (prepaid and close loop)

* EnumMessageReasonCode in Authorization and Clearing
* Original Authorization Log ID in Authorization

**Industry-specific business practices**

1. **Reauthorization Transaction**

A reauthorization is a purchase made after the original purchase and can reflect a number of specific conditions. Split shipment is the most common type of reauthorization.

A split shipment occurs when the goods are not available for shipment at the time of consumer purchase. A separate Authorization is conducted to ensure the funds are available at the time of shipment.

**Our understanding**

We assumed that amount will be same in both authorization, and we need to hold only once.

**Processing Change**

**F63.3** will have value 3903, in second authorization to identify the Reauthorization. Processing system will receive Original transaction ID, and find the original message. If Original authorization was approved (Response code = 0) then processing system will forward message to issuer system – Prepaid and close loop.

**Prepaid Change**

There are two scenario in re-authorization

* Second Authorization before auto release of hold amount
  + Release the amount hold in first authorization
  + Hold the amount mentioned in second authorization if balance available
  + Decline with Insufficient Fund if no balance
* Second Authorization after auto release of hold amount
  + As holding amount of first transaction is already released, Prepaid system will treat this transaction as new and hold the amount if balance available
  + Decline with insufficient Fund if no balance

1. **Resubmission Transaction**

This is an event that occurs when the original purchase occurred, but the merchant was unable to obtain authorization at the time the goods or services were provided. A resubmission is only valid when the original authorization presented was declined for insufficient funds.

**Processing System**

**F63.3** will have value 3901, in second authorization to identify the Resubmission. Processing system will receive Original transaction ID, and find the original message. If Original authorization was declined because of In-sufficient Fund (Response code = 51) then only processing system will forward message to issuer system – Prepaid and close loop.

If response code is other than 51 then processing system will treat the transaction is as normal and decline with reason code “No Authentication data provided”.

Processing system will decline the transaction if card status is not normal.

**Prepaid Change**

There is no change in prepaid system, as original transaction was declined because of in-sufficient balance.

1. **Delayed Charges Transaction**

A delayed charge is an account charge associated with an agreement between a card holder and a merchant for services rendered. Delayed charges are typical in hotel and car rental industries.

**Processing Change**

**F63.3** will have value 3902, in second authorization to identify Delayed Charges. Processing system will receive original transaction id in second transaction, to find the original transaction. If Original transaction has response code = 0, then only system will forward the second transaction to prepaid system.

Processing system will decline the transaction if card status is not normal.

**Prepaid Change**

Prepaid system will treat all transaction as separate transaction.

Based on answers of following question, we will decide how to release holding amount.

**Visa Q1. In Delayed Charges Transaction,** can we have more than one such authorizations (having same original transaction ID F125))?

**Answer:** Technically yes there is nothing to stop this and it may be reasonable that the merchant may have cause to send more than one. Current rules allow 90 days in which to submit such charges.

**Visa Q2. In Delayed Charges transaction**, will we receive single clearing or separate for each authorization (one for original and one for delayed)?

**Answer:** Delayed charges differ from incremental transactions in that it should be a separate clearing record from the original auth

**From** Answers provided by VISA, as each authorization has its own clearing system will work as it is for Delayed charges, no change is required to release the holding amount.

1. **Incremental Authorization Transaction**

This is a continuation of the consumer’s purchase where the originally approved amount can be modified to reflect the scope of the consumer and merchant agreement. An incremental authorization is typically found in hotel and rental environments, where the consumer has agreed to pay for any service incurred during the duration of the contract, typically a hotel stay or car rental.

**As mentioned in document Incremental authorization will be received within 14 days – No check Performed n this**

**Processing Changes**

**F63.3** will have value 3900, in second authorization to identify Incremental Authorization. Processing system will receive original transaction id of second transaction, to find the original transaction. If Original transaction has response code = 0, then only system will forward the second transaction to prepaid system.

Processing system will decline the transaction if card status is not normal.

**Prepaid Changes**

Prepaid system will treat each authorization as separate transaction and hold amount.

For reversal transaction, we have asked question to VISA, based on answer of following questions we will decide the logic.

Transaction ID will be same in all incremental Authorization, so prepaid system will make sure that it will not mark the second authorization as duplicate in case of Incremental Authorization.

We asked following questions to VISA

Scenario – We will receive

1.       Original Authorization of 100 GBP as first authorization

2.       Incremental Authorization of 50 GBP (Cumulative 150 GBP) as second authorization

3.       Incremental Authorization of 20 GBP (Cumulative 170 GBP) as third authorization

 In above case

1.       Reversal request of 20 GBP is possible (of last Authorization)

2.       Reversal request of 170 GBP is possible (of full Authorization)

3.       Reversal request of 12 GBP is not possible (less than last authorization)

4.       Reversal request of 50 GBP is not possible (of second authorization)

**Visa Q3** We assume we will receive Full Reversal or reversal of last authorization only, please confirm?

**Answer:** Any amount up to the last cumulative total may be sent in a reversal.

If amount is lower that the incremental total, then it should be sent as a partial reversal with a revised amount included.

If it is the full cumulative total, then it is a full reversal.

**Visa Q4.** Will we receive single clearing or multiple (in above case 3 clearing)

**Answer:** You will receive single clearing for multiple incremental Auths.

**Based on answer provided by VISA**

In first authorization (10 GBP) system will first check the account balance, if balance is there then system hold the transaction Amount

In second authorization (20 GBP) system will check account balance, if balance is not there then system will decline second authorization with insufficient balance. If balance is there then it will release the pending transaction and add new pending transaction with Amount of first transaction + Amount of second transaction (10 + 20 = 30 GBP will be hold in second authorization).

If we receive reversal (5 GBP) system will release the previous pending authorization. And add new pending transaction of First transaction – Amount of reversal (10-5 = 5GBP will be hold in second authorization)

1. **No Show Transaction**

**Visa Q5.** **No show and Account Top up Transactions**, we do not understand the difference between the two as your test script of both are mostly same.

Do we need to consider both original and next transaction separate, or we need to release holding amount of original transaction when we receive next transaction and hold the amount specified in newer transaction? How we will receive clearing of these transactions

**Answer:** For Account Top Up and Delayed Transactions you would expect the original auth to have a separate clearing record to the subsequent merchant initiated transaction. So, the original auth comes in and you hold the amount for a period of time whilst you await the clearing record (currently we recommend holding funds no longer than 14 days but there are changes planned for 2017 to give more direction in this regard)

**Standing instructions provided by the consumer in the initial consumer-initiated Transaction**

1. **Instalment Payment Transaction**
2. **Recurring Payment Transaction**

In instalment transaction amount will be same for all instalment where as in recurring transaction amount is variable.

We are currently receiving both types of transaction.

**Jill Question** Do we need to verify whether amount of previous authorization and current authorization is same or not, for instalment payment? No, I think we should just treat them all as possibly having variable amounts, there seems to be very little difference between the two types of transactions and I don’t think it is an issue for us. You don’t need to verify if it is the same amount.

**Visa Q6:** Will we receive Original Transaction ID for existing recurring transaction?

**Processing Changes:**

For Recurring we will add one flag, whether to go with new logic or old logic.

If flag is ON then new logic –

Based on Original Transaction ID, processing system will fetch the original authorization and if original transaction was forwarded to prepaid system, then processing system will forward the authorization to prepaid system. (Response code IN (0/51/ etc. need to check others)

**Prepaid Changes:**

No change prepaid system

1. **Account Top Up Transaction**

Query covered along with NOSHOW Transaction

1. **Unscheduled Stored Credential Transaction**

An unscheduled stored credential transaction is the result of standing instructions governed by a contract between the consumer and the merchant to charge on an as-needed basis. Such as, in the case of a snow plow service, charging for service after a storm.

**Technical Changes**

**Processing Changes**

Processing system will treat such transaction as Credential On File Transaction. And if Original transaction was approved (Response code = 0/51 or etc.) then processing system will forward the transaction to prepaid system.

**Prepaid Changes**

No change in prepaid system

1. **Other Credential on File Transactions**

Growth in digital commerce and the emergence of new business models have led to an increase in consumer transactions where customers’ payment credentials, such as accounts, are on file with the merchant. Visa is introducing new identifiers in the authorization message, which will enable issuers to uniquely identify such transactions and provide differentiated treatment.

**Processing Changes**

In this case we do not have any identity of previous authorization. So if we receive indicator for Credential on File then we will forward authorization to prepaid system without performing any validation in case validation data does not exist.

**Prepaid Changes**

There is no change in prepaid system.

1. **Estimated Authorizations**

**Field 60.10—Additional Authorization Indicators**

With the October 2016 release, acquirers must be able to send the new value of 2 (Estimated amount) or 3 (Estimated amount and terminal accepts partial authorization responses) in consumer-initiated transactions that may be the initial transaction in a series of merchant-initiated transactions.

The changes are

* Optional for payment token transactions
* Optional for cardholder PAN transactions

**Jill Question:** Can you please let us know – whether we should go with Estimated or Estimated Partial transaction because in case of Estimated Transaction there may be chances of negative balance because we may receive clearing more than authorized amount. Given the tight timescales I don’t think we should go with estimated partial transaction now, I cannot think of any situation where it would be used and is low risk. We can evaluate for future development if we see a need.

**Processing Changes**

Processing system will introduce two features

1. Estimated Transaction
2. Estimated Transaction with Partial Approval

**Prepaid Changes**

**There will only single authorization**- prepaid will hold the estimated amount.

In case of reversal, prepaid system will release the first transaction and if any difference then it will add new pending authorization of difference amount.

**Q4. Estimated Transaction,** will we receive clearing more than estimated authorized amount? If yes then what % of variation will be there? Right now it can be within 15% for Hotels and Car Rentals, 20% for Restaurant (gratuities)  
   
**Q5. Estimated Partial Transaction,** If we receive 100 GBP transaction having Estimated Partial indicator (F60.10 = 3), and we approve 20 GBP. In that case which amount we will receive in clearing?  Will it be near to 20 GBP or 100 GBP?  
You can chargeback with reason code 72 if the clearing record comes in in excess of 15% (20% for restaurants) of the authorised amount – the authorized amount here being £20