



30 September 2004

To: Principal and Associate Members
Center Managers

Subject: **Revisions to the 15 November 2004 Visa International Operating Regulations**

In Brief:	<p>In October 2003 and March 2004, the Visa International Board of Directors approved Operating Principles for revisions to the <i>Visa International Operating Regulations</i>. Major areas affected include:-</p> <ul style="list-style-type: none">• Commercial Virtual Accounts• Mini Card and Other Non-Standard Cards• Premium Product Platform• Unembossed Visa Cards with Standard Authorization Service Code• Chip Interoperability Compliance Program• Verified by Visa Non-Recognition Disputes• Electronic Case Filing• Global Implementation of Card Verification Value 2 (CVV2)• International Service Assessment Fee• Primary Account Number Truncation <p>Detailed information about new and amended sections will be provided in the "Summary of Changes" in the 15 November 2004 edition of the <i>Visa International Operating Regulations</i>. Unless otherwise specified, these revisions will be effective upon publication.</p>
Action:	<p>Please circulate this information to all appropriate personnel within your organization.</p>

Board Topics

Commercial Virtual Accounts

Board Approval: March 2004

Effective: March 2004

See IML #11/04

Businesses currently use Virtual Accounts for a variety of business applications, including centrally billed travel accounts and procurement, by embedding Visa Commercial Card information in corporate procurement software. Visa expects this trend to accelerate as businesses continue to invest in information technology systems.

To govern the use of Virtual Accounts in the commercial environment, in March 2004 the International Board of Directors approved Operating Principles supporting the issuance of Visa Commercial Virtual Accounts.

The *VIOR* has been amended to include the following requirements:

- A Virtual Account may be issued as a consumer or commercial account;
- An issuer may issue Virtual Accounts with the same BIN used to issue Visa Commercial Cards; and
- An issuer of Visa Commercial Card Virtual Accounts must provide the Account Number and expiration date to the Virtual Account Holder prior to account activation.

Mini Card and Other Non-Standard Cards

Board Approval: March 2004

Effective: March 2004

In October 2003, the International Board of Directors approved Companion Card Operating Principles that permit issuance of a different-sized Visa or Visa Electron card along with the standard-sized Visa or Visa Electron card. The Visa Mini card was the first companion card issued.

To meet member demand for innovative card designs, in March 2004, the Board approved Operating Principles allowing stand-alone Mini cards and stand-alone Non-Standard cards that do not comply with Visa card design requirements. Regulations have been added to the *VIOR* to govern the issuance of these cards.

For additional information on these and other changes to Visa card and marks specifications, see the *Visa International Card and Marks Specifications Summary of Updates to the 15 May 2004 Edition, Supplement, 15 November 2004*, which will be distributed with the 15 November 2004 *VIOR* publication.

Premium Product Platform

Board Approval: March 2004

Effective: March 2004

See IML #12/04

To meet member needs for flexibility while maintaining customer segmentation opportunities, Visa has amended international requirements for the Visa Classic and Visa Gold/Premier product platforms. The *VIOR* has been revised as follows:

- The Visa Gold/Premier Emergency Replacement Card spending limit for Stand-In Processing is now US\$500, equal to the Visa Classic standard;
- The Visa Classic monthly referral rate is now 0.5 percent, equal to the Visa Gold/Premier Card rate;
- Travel-related emergency features for Visa Gold/Premier Cards are no longer mandatory at the international level. This feature may be offered at the discretion of the Region or an Issuer;
- The monthly maximum Retrieval Request rate of 0.5 percent for Visa Gold/Premier Issuers is eliminated; and
- Authorization services for Visa Classic cards are now required to be available 24 hours a day, seven days a week to match Visa Gold/Premier card standards.

Unembossed Visa Cards with Standard Authorization Service Code

Board Approval: March 2004

Effective: March 2004

See IML #06/04

To meet member and business demand for new Visa product offerings, in October 2003, the Visa Boards of Directors approved the issuance of embossed or unembossed Visa cards, in qualifying countries, with an Online Authorization Service Code on the Magnetic Stripe. To provide members with additional product design flexibility, in March 2004, the International Board approved the extension of all valid Visa Flag Service Codes to unembossed Visa Flag cards.

Issuance of unembossed Visa cards with a standard Authorization Service Code is limited to countries where at least 95 percent of Card-present Transactions originate from Online-capable terminals. All current requirements for unembossed Visa cards with an Online Authorization Service Code apply to cards with a standard Authorization Service Code. However, unembossed Visa cards with the standard Authorization Service Code option are not required to use a separate BIN or separate BIN range.

The *VIOR* has been revised to allow unembossed Visa Cards to be issued with any valid Service Code, as specified in the Payment Technology Standards Manual.

Chip Interoperability Compliance Program

Board Approval: March 2004

Effective: March 2004

See IML #10/04

Global Chip migration continues to grow, with more countries, vendors, and Members successfully entering the EMV arena each month. Interoperability issues have occasionally occurred but these incidences are being addressed with continued refinement of testing procedures and increased vendor and Member expertise. In addition, the ongoing replacement and upgrade of expired Cards and Chip-Reading Devices will reduce occurrences of new and existing interoperability problems.

In March 2004, the International Board of Directors approved the implementation of the Chip Interoperability Compliance Program to provide a framework for ensuring that high-severity Chip interoperability issues are addressed. The program is required when a member or member's agent has failed to either establish and commit to an agreed-upon resolution plan, or make satisfactory progress toward an agreed-upon resolution plan. The *VIOR* has been revised to include regulations and penalties for non-compliance with the program.

Verified by Visa Non-Recognition Disputes

Board Approval: March 2004

Effective: October 2004

See IML #08/04

At its October 2003 meeting, the International Board of Directors approved the introduction of Chargeback Reason Code 75, "Transaction Not Recognized," as part of the Re-engineering Disputes (RED) project, effective 2 October 2004. This Chargeback permits issuers to obtain additional information about a transaction that a cardholder does not recognize.

Current Verified by Visa rules prohibit issuers from charging back a transaction using Reason Code 83, "Fraud—Card-Absent Environment," if the merchant obtained or attempted to obtain cardholder authentication using 3-D Secure. To protect the objectives of the Verified by Visa program and to ensure that acquirers supply issuers with requested information on Electronic Commerce Transactions, the Board of Directors approved in March 2004, revisions that prohibit Issuers from exercising Chargeback Reason Code 75, "Transaction Not Recognized," for an authenticated and "attempted" authentication Electronic Commerce Transaction coded with ECI value "5" or "6".

The Board also approved a new compliance right that may be exercised when an Acquirer fails to respond to a Retrieval Request for an Electronic Commerce Transaction where an "attempts authentication" message was sent and the cardholder requires additional information about the transaction. The *VIOR* has been revised to add this Chargeback limitation to Chargeback Reason Code 75, "Transaction Not Recognized," as well as to add a compliance right for "attempts authentication" transactions.

Electronic Case Filing

Board Approval: March 2004

Effective: April 2005

See IML #09/04

Key objectives of the International Re-engineering Disputes (IRED) project are to automate documentation processing, reduce back-office expenses, and shorten the dispute resolution process. In March 2003, the International Board of Directors approved Operating Principles mandating the use of an electronic Visa-approved document transfer system to exchange Chargeback and Representment documentation effective in October 2004.

In March 2004, the Board of Directors approved Operating Principles for electronic case filing (ECF), as well as reducing the filing timeframes for all international Arbitration and Compliance cases. Some Visa Regions have already implemented domestic ECF solutions. The VIOR has been revised to mandate electronic case filing effective 2 April 2005.

Global Implementation of Card Verification Value 2 (CVV2)

Board Approval: October 2003

Effective: April 2005

See IML #01/04

Card Verification Value 2 (CVV2) was introduced as a global program in 1997 to reduce fraud on Transactions conducted in Card-Absent Environments. The VIOR currently stipulates that all Visa cards must include a CVV2 value. Rollout of CVV2 in the US and UK has demonstrated that the service effectively reduces fraud and chargeback rates.

To support increased risk control and increased acceptance for transactions in the Card-Absent Environment, effective 2 April 2005, issuers that do not support CVV2 will be prohibited from exercising Chargeback Reason Code 83, "Fraud—Card-Absent Environment," when the merchant sends CVV2 data or the Authorization Request indicated that the CVV2 was not on the card or was illegible. The VIOR has been revised to include this requirement.

International Service Assessment Fee

Board Approval: March 2004

Effective: April 2005

Currently, a currency conversion fee is collected from Issuers through an adjustment to the conversion rate used in all cross-currency transactions. Effective 2 April 2005, this currency conversion fee will be replaced by an International Service Assessment (ISA) fee that is 1 percent of the transaction amount on all International transactions.

The existing 1 percent currency conversion fee will no longer be assessed on members (i.e., Visa will no longer include a 1 percent mark-up in the currency conversion rate used in clearing or settling cross-currency transactions). The new ISA fee will be assessed to the issuer daily and collected through the VisaNet Settlement system. Visa Commerce Transactions and original credit transactions are excluded from the ISA fee. The VIOR has been revised to reflect the ISA fee, effective April 2005.

Primary Account Number Truncation

Board Approval: October 2003

Effective: April 2007

See IML #14/04

The primary Account Number (PAN) appears on electronically generated transaction Receipts. Under current international regulations, the Account Number may be printed in full or may be truncated, except for the last four digits. Members and merchants have expressed preference for a common PAN truncation approach to simplify point-of-sale (POS) terminal development and avoid merchant confusion. In addition, PAN truncation will prevent theft of full Account Number data printed on the cardholder copy of transaction receipts.

To address member and merchant concerns, in October 2003 the International Board of Directors approved the requirement that **effective 1 April 2007**, at least four positions of the Account Number must be disguised or suppressed on the cardholder copy of the transaction receipt at all POS terminals. Visa strongly recommends disguising or suppressing all but the last four positions of the Account Number. The Account Number truncation requirement has been added to the *VIOR*.

Miscellaneous Topics

Merchant Category Codes

Changes to Appendix C, "Merchant Data Standards," are effective **2 October 2004 or 2 April 2005**. These changes will also be referenced in the *VisaNet Business Enhancements Technical Letter*.

Floor Limits

Changes to Appendix D, "*Floor Limits*," are **effective for transactions with a transaction date on or after 2 October 2004 or 2 April 2005**. These changes will also be referenced in the *VisaNet Business Enhancements Technical Letter*.

Service Code Acceptance

The *VIOR* has been revised to clarify regulations governing the acceptance of Service Codes at Point-of-Transaction Terminals.

Unattended Acceptance Terminals

Unattended Acceptance Terminal requirements in Chapter 4, "*Acquirer Requirements & Information*," have been revised to clarify that ATMs are excluded from the prohibition to dispense cash, and are not required to read track 1 of the Magnetic Stripe.

Cardholder Verification Methods (CVM)

Miscellaneous revisions have been made to Table 5-1 in Chapter 5, "*Payment Acceptance*," to clarify card and cardholder verification requirements.

Dynamic Currency Conversion (DCC)

The *VIOR* has been revised to strengthen disclosure requirements for Merchants that offer Dynamic Currency Conversion (DCC), and to prohibit DCC for Cash Disbursement Transactions.

Electronic Commerce Merchant Monitoring Program

References in the *VIOR* to the “Brand Protection Program” have been updated to “Electronic Commerce Merchant Monitoring Program.”

Verified by Visa Mark

Language in the *VIOR* has been revised to clarify use of the Verified by Visa Mark.

Trademark Language

Trademark language in Chapter 1, “*General Regulations*,” has been revised to remove redundancies.

Risk Manuals

References to *Security Standards for Vendors* in the *VIOR* have been replaced with either *Security Validation Requirements for Card Vendors* or *Logical Security Validation Requirements for Card Personalization Vendors*. Card shipment requirements in Chapter 3, “*Issuer Requirements & Information*,” have also been revised.

Dispute Resolution Clarifications

Miscellaneous revisions have been made to clarify the following dispute resolution regulations:

- Direct Arbitration has been removed and its provisions moved to various sections in *Volume II—Dispute Resolution Rules*, Chapter 2, “*Compliance*,” and Chapter 3, “*Arbitration*”;
- The 15-calendar-day waiting requirement prior to filing arbitration for “documentation not received” has been added;
- Chargeback Reason Code 70, “*Card Recovery Bulletin, Exception File, or Visa Horizon Negative File*,” has been revised to remove a non-applicable Representment condition;
- Chargeback Reason Code 75, “*Transaction Not Recognized*,” has been revised to include additional information on what Acquirers should provide in response to a Retrieval Request; and
- *Summary of Arbitration Documentation (Exhibit 2J)* has been revised to accurately reflect timeframe calculation from the Processing Date.

Other Minor Revisions

To ensure that the International Operating Regulations remain easy to read and understand, Visa continues to improve the *VIOR* by:

- Deleting unnecessary language that are not regulations;
- Moving rules into more appropriate locations within the *VIOR*; and
- Moving non-regulatory, general information into informational call-out boxes.

For more information, please contact your Visa Member Services Representative.