



## **CHAPTER FOUR – MERCHANT AGREEMENT REQUIREMENTS**

### **SECTION 4.1 General**

- a. Each Merchant that wishes to display, or allow its Affiliated Retailers to display, the QUEST Mark and to honor Cards must enter a Merchant Agreement with an Acquirer. Each Merchant Agreement, to the extent permitted under Applicable Law, must contain the substance of the provisions relating to Merchants in these Rules and shall obligate the Merchant to comply with all applicable policies of these Rules, as such Rules may be amended from time to time. If a Merchant acts as a POS Terminal Operator, the Merchant Agreement shall provide that the Merchant will comply with each provision of these Rules applicable to a POS Terminal Operator. Since these Rules may be amended from time to time, the Acquirer shall be responsible for effecting any necessary and appropriate amendments to its Merchant Agreement. The Merchant Agreement may, in addition, contain such other terms and conditions as may be mutually agreed upon between the Merchant and the Acquirer; provided, however, that such additional terms and conditions may not conflict with any provisions contained in these Rules. In the event of any such inconsistency or conflict, these Rules shall govern.
- b. Each Acquirer that enters a Merchant Agreement shall be jointly and severally liable with the Merchant for each of the Merchant's obligations set forth in these Rules, including any Rules applicable to the Merchant acting as a POS Terminal Operator.
- c. All Merchant forms (including Merchant applications and Merchant Agreements) must clearly state the Acquirer's name and location in letter size consistent with the rest of the Merchant Agreement printing and in such a manner that the Acquirer's name can be readily discerned by the Merchant.
- d. Each Merchant Agreement must be signed by both the Acquirer and the Merchant and kept on file by the Acquirer and the Merchant at their respective headquarters.

### **SECTION 4.2 Acceptance of Cards**

Each Full Service Merchant and Cash Account Merchant shall promptly honor each valid Card when such Card is presented by a Cardholder with a valid PIN for the purpose of engaging in a Cash Account Transaction. Each Full Service Merchant and SNAP Only Merchant shall promptly honor each valid Card when such Card is presented by a Cardholder with a valid PIN for the purpose of engaging in a SNAP Transaction.

### **SECTION 4.3 Requirement of PIN/Cardholder Signature**

Each Merchant shall require that the Cardholder enter his or her PIN at, or in proximity to, the Point of Sale when initiating a POS Transaction, except as provided in these Rules. Whenever the PIN can be validated by either the CAS or a third party performing Stand-In Processing on behalf of the CAS, the Merchant shall ensure that the Cardholder is not required to present a signature or any other form of identification unless the Merchant has grounds to suspect fraud. Each Merchant must obtain the Cardholder's signature if technical problems prevent the Cardholder from entering his or her PIN and the Merchant elects to use a Sales and Credit Draft. The Merchant may also request additional identification if it has grounds to suspect fraud.



#### **SECTION 4.4 Return of Cards**

Each Merchant may return to a Cardholder a Card inadvertently left at a Merchant location only if the Cardholder provides positive identification. If the Cardholder does not pick up the Card within forty-eight (48) hours of its discovery by the Merchant or does not provide positive identification, the Merchant must notify the Issuer and then destroy the Card.

#### **SECTION 4.5 Confiscation of Cards**

No Merchant shall be required to confiscate a Card at the Point of Sale for any reason.

#### **SECTION 4.6 Display of QUEST Mark**

On behalf of its Acquirer, each Merchant shall display the QUEST Mark in accordance with the provisions of Section 11, Chapter 11, and the Quest Graphic Standards Manual.

#### **SECTION 4.7 Manual Only Merchants**

Each Manual Only Merchant may accept Manual SNAP Transactions in accordance with the provisions governing such Transactions only under agreement with an Acquirer that processes or arranges for the processing of the Sales and Credit Drafts of such Manual Only Merchant.

#### **SECTION 4.8 Manual SNAP Transactions**

Each SNAP Only Merchant or Full Service Merchant may support Manual SNAP Transactions in accordance with these Rules, and the Merchant Agreement. *(Amended January 30, 1997)*

- a. **Conditions.** If, at any time, a Merchant or its POS Terminal Operator is unable to electronically communicate with a CAS or any entity providing Stand-In Processing for the CAS, because of a technical malfunction, the Merchant may process a Manual SNAP Transaction.
- b. **Telephone Authorization.** If the conditions in the preceding paragraph for a Manual SNAP Transaction have been met, the Merchant shall attempt to obtain a Telephone Authorization for the Transaction. For each Sales and Credit Draft, the Merchant must make a telephone call to the CAS and receive from the CAS a Telephone Authorization for the amount of the Transaction and a SNAP Authorization Code, which the Merchant must record on the Sales and Credit Draft. If the Merchant does not receive Telephone Authorization for a Manual SNAP Transaction, the Transaction is conducted at the Merchant's risk and liability, and the Acquirer will not receive payment if there are insufficient funds in the Cardholder's Account. The Merchant must call within twenty-four (24) hours of accepting the Transaction to attempt to obtain Telephone Authorization. If the CAS provides Telephone Authorization within such twenty-four (24) hour period, the Transaction shall be treated as Authorized.
- c. **Manual Sales and Credit Drafts.** Each Merchant processing Manual SNAP Transactions must ensure that a Sales and Credit Draft is completed for each such Transaction containing the following information:
  - (i) an imprint of the Card or a manually entered PAN;
  - (ii) Transaction date;
  - (iii) time;
  - (iv) dollar amount;
  - (v) voucher number;
  - (vi) Telephone Authorization Code;
  - (vii) Transaction type;



- (viii) Terminal number (if any);
- (ix) street address; and
- (x) one of the following: FSMC, Merchant ID, or Merchant trade name, city and State.

When such Sales and Credit Draft is converted to an electronic message for transmission to the CAS, the electronic message for each Transaction must comply with ANSI X9, Draft Standards for Trial Use - Financial Services EBT Processor Interface Technical Specifications or any successor or modified standard acceptable to the CAS and must contain:

- (i) the PAN;
- (ii) Transaction date;
- (iii) dollar amount;
- (iv) voucher number;
- (v) Telephone Authorization Code;
- (vi) Transaction type;
- (vii) Terminal number if any;
- (viii) FSMC;
- (ix) Acquirer ID; and
- (x) Merchant trade name, street address, city and State.

- d. **Cardholder Signature.** The Cardholder must sign the Sales and Credit Draft, and the Merchant must compare the signature on the Card to the signature on the Sales and Credit Draft and may submit the Sales and Credit Draft only if the signatures appear to be the same.

#### **SECTION 4.9 Confidentiality**

No Merchant shall reveal to any third party any information regarding a specific Transaction or series of Transactions involving any one Cardholder without such Cardholder's prior written consent, except:

- a. to each Participant involved in or necessary to effect the Transaction or resolve any alleged error regarding a Transaction;
- b. to any other person who is a party to the Transaction or is necessary to effect the Transaction;
- c. to its auditors;
- d. as required by these Rules; or
- e. as required by Applicable Law.

#### **SECTION 4.10 Customer Service**

Each Merchant shall respond to requests for customer assistance from Cardholders in the same manner that such Merchant would respond to any other commercial customer. For matters other than general information, a Merchant shall direct the Cardholder to the Issuer for that Card.



#### **SECTION 4.11 Merchant Qualification Standards**

- a. **Minimum Requirements.** Prior to entering into a Merchant Agreement, each Acquirer must ascertain that the prospective Merchant is financially responsible from available records, independent reports and other appropriate means. Such information may also be obtained by credit reports, personal and/or business financial statements, income tax returns, or such other information as is available to, and deemed appropriate by, the Acquirer. The Depository Institution that agrees with a Government Entity or Prime Contractor to act as Acquirer of last resort with respect to SNAP Only Merchants is not subject to this paragraph (a) with respect to such Merchants.
- b. **Inspection.** To the extent possible the Acquirer shall conduct an investigation of the Merchant including, whenever feasible, an inspection of the Merchant's premises.
- c. **Documentation of Investigation.** Any investigation must be well documented and all documents related to the investigation must be kept on file at the Acquirer's place of business for a minimum of two (2) years following termination of the Merchant Agreement.

#### **SECTION 4.12 Merchant Participation**

Each Merchant Agreement shall provide the Acquirer with the authority to terminate the Merchant Agreement or suspend processing for the Merchant if properly directed to do so by a Government Entity. Each Merchant Agreement for a SNAP Only Merchant or a Full Service Merchant shall provide that the Merchant will be liable to the Issuer for the amount of any transaction that the Issuer authorizes as a SNAP Transaction at a time when the Merchant is not eligible to accept SNAP Transactions under FCS regulations. Each Merchant Agreement shall require the Merchant to provide prompt notice to the Acquirer if FCS revokes, rescinds or otherwise eliminates the Merchant's authority to accept SNAP Transactions.

#### **SECTION 4.13 Third Party Service Provider Registration Program**

Each Merchant using the services of a Third Party Service Provider (a) must enter into a Third Party Provider Agreement with such Third Party Service Provider pursuant to which the Third Party Service Provider agrees to be bound by and comply with these Rules, as such Rules may be amended from time to time, and (b) must comply with the provisions of Chapter 7.

#### **SECTION 4.14 Security Compliance Review**

Merchants which drive Terminals, perform encryption support services or process Transactions for their own store locations only are not required to register as Third Party Service Providers; however, they must complete a Security Compliance Review.

#### **SECTION 4.15 Authorization of Transactions**

Each Merchant must request Authorization of a Transaction even if the Card used to initiate the Transaction is past its expiration date, except with respect to Manual SNAP Transactions for which a Telephone Authorization cannot be obtained and Store and Forward Transactions. *(Amended September 26, 2014)*

#### **SECTION 4.16 Affiliated Retailer Performance**

Except where otherwise specifically provided in these Rules, each Merchant shall ensure that each of its Affiliated Retailers complies with these Rules to the same extent as if such Affiliated Retailer were a Merchant.



**SECTION 4.17 Mandatory Transactions**

A Merchant that accepts Cards for POS Cash Transactions must support Purchase Only from Cash Account Transactions and any related Correction Requests and Correction Responses. A Merchant that accepts Cards for SNAP Transactions must support SNAP Purchase and SNAP Merchandise Refund Transactions and any related Correction Requests and Correction Responses. Other Transactions are at the Merchant's option. *(Amended December 1, 2000)*