



QUEST® OPERATING RULES

September 2014
Version 2.2

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INTRODUCTION

(Amended April 14, 1999, December 16, 2008, April 11, 2014)

The following Operating Rules set forth the requirements for the distribution of government benefits under the Quest service mark. Government entities may utilize these Rules by incorporating them in their contracts with private sector entities utilized to distribute benefits. There is no fee for use of the QUEST Mark. Of course, government entities may also choose to distribute benefits under other operating rules. The Quest Operating Rules do not address electronic distribution of government benefits under service marks other than the QUEST Mark.

1. NACHA encourages the addition of new benefit programs to the QUEST System.
2. Any unrestricted cash benefits, i.e., benefits that can be fully redeemed for currency without regard to state borders, can be added to the Cash Account without limitation.
3. NACHA will work with interested parties to develop additional standards for programs that have characteristics that distinguish them from Cash and the Supplemental Nutrition Assistance Program but are nonetheless susceptible to universal standards and interoperable distribution without regard to state borders. Such programs would be identified by additional icons, which would be associated with the QUEST Mark at the retail level.
4. Even if benefit programs cannot be made interoperable at this time but still have common elements nationwide, standardization of programs can benefit all participants in EBT. NACHA will work with interested parties to attempt to standardize policies, procedures and standards for such programs nationwide outside of the QUEST System.



DEFINITIONS

(Amended April 11, 2014)

As used in these Rules, the capitalized terms below shall have the following meanings:

Account: A SNAP Account or a Cash Account.

ACH (Automated Clearing House): A funds transfer system governed by the rules of NACHA which provides for the interbank clearing of electronic entries for participating Depository Institutions.

Acquirer: An ATM Acquirer or POS Acquirer.

Acquirer Agreement: A written agreement between an Acquirer and an Issuer or its Designated Agent pursuant to which the Acquirer confirms its agreement to be bound by and comply with these Rules, as such Rules may be amended from time to time.

Acquirer System: The telecommunications and processing system (including software and hardware) operated by or on behalf of an Acquirer through which Transactions originating at ATMs, POS or POB Terminals of that Acquirer are processed and routed to the Issuer. *(Amended August 28, 2006)*

Affiliated Retailer: Any natural person or organization (including a corporation, partnership, proprietorship, association, or cooperative) which is franchised by, or which is controlled by or under common control with, a Merchant and that has agreed with the Merchant to honor Cards. For purposes of this definition, the terms "controlled by" and "under common control with," as used with respect to any person or organization, shall mean the possession of the power to direct or cause the direction of the management and policies of such person or organization, whether through the ownership of assets or voting securities.

ANSI (American National Standards Institute): The U.S. standards group responsible for issuing U.S. standards and maintaining consistency with similar international standards.

Applicable Law: Any federal, State or local law, regulation, rule or ordinance in effect and applicable to the subject matter referenced.

ATM (Automated Teller Machine): An electronic hardware device designated by an Acquirer to accept Cards that, when activated by a Cardholder through use of a Magnetic Stripe on a Card, are capable of automatically dispensing U.S. currency directly from such device and responding to Balance Inquiries.

ATM Acquirer: A Depository Institution which owns, operates or controls ATMs, or sponsors ATMs owned, operated or controlled by a third party, at which ATMs the QUEST Mark is displayed and Cards are accepted for cash withdrawals from and Balance Inquiries to Cash Accounts. A wholly-owned operating subsidiary of a Depository Institution may act as an ATM Acquirer, provided that such Depository Institution (i) agrees to be responsible and liable for the acts and omissions of such operating subsidiary in connection herewith, and (ii) represents and warrants that it has full right, power and authority to undertake such responsibility and liability. *(Amended March 12, 2003)*

ATM Operator: An Acquirer, or Processor on behalf of an Acquirer, that operates a telecommunications and processing system (including software and hardware) through which Transactions initiated at ATMs are processed and routed, directly or indirectly, to the appropriate Issuer.

ATM Transaction: A Withdrawal from a Cash Account or Balance Inquiry that is initiated with a Card at an ATM pursuant to these Rules.



Authorization (or Authorized): The approval of a request for a Transaction by a CAS or by a third party providing Stand-In Processing for the CAS. A Transaction that is approved in accordance with these Rules is "Authorized." If a Transaction has received "Preauthorization," it is considered Authorized only in the amount of the Preauthorization.

Authorization Code: A code provided by a CAS to a Merchant as part of a Telephone Authorization indicating that a Manual SNAP Transaction has been approved.

Available Balance: The amount of funds that may be accessed by a Cardholder for a Transaction from a Cash Account or SNAP Account, respectively.

Balance Inquiry: A transaction whereby the Cardholder obtains his or her Available Balance through use of a Card at an ATM, POS or POB Terminal, including a Stand-Alone Balance Inquiry Terminal. *(Amended August 28, 2006)*

Business Day: All weekdays excluding those days on which the Federal Reserve Bank of New York is closed.

Cancellation: The termination of a Transaction prior to Authorization of the Transaction Request from the Terminal Operator to the CAS.

Card: A plastic card, issued in accordance with these Rules, which bears the QUEST Mark and which can be used to effect Transactions.

Cardholder: An individual who has been issued or authorized to use a Card.

CAS (Cardholder Authorization System): The telecommunications and processing system (including software and hardware) operated by or on behalf of an Issuer which authorizes or declines Transaction Requests.

Cash Account: An account or authorization file maintained by an Issuer that represents pre-funded or day-of-draw benefits, or both, administered by one or more Government Entities, and for which the Issuer has agreed to provide access through an EBT system under these Rules. Multiple benefits may be combined in a single Cash Account. *(Amended September 26, 2014)*

Cash Account Merchant: A person or entity that has agreed to accept Cards for purchases of goods or services from Cash Accounts and not from SNAP Accounts.

Cashback Transaction: A Transaction initiated with a Card at a POS Terminal and authorized from a Cash Account, in which the transaction amount debited against the Cardholder's Account is given to the Cardholder by the Merchant in whole or in part in cash.

Cash Only From Cash Account: A Transaction initiated with a Card at a POS or POB Terminal whereby only cash is provided to the Cardholder from a Cash Account. *(Amended August 28, 2006)*

Cash Merchandise Refund: A Transaction initiated with a Card at a POS Terminal to credit a Cardholder's Cash Account for a return of merchandise originally purchased from the Cardholder's Cash Account with the same Card. *(Amended September 26, 2014)*

Cash Transaction: A Transaction involving a Cash Account. *(Amended December 1, 2000)*

CAV (Card Authentication Value): A cryptographic value encoded on Track 2 used to validate its contents.

Chained Transactions: Multiple Transactions that occur without the reentry of the Card and/or PIN.



Completion: An electronic message from a POS Terminal to a CAS following the Preauthorization of a Transaction that indicates the actual amount of the Transaction.

Correction Request: A message from an Issuer or Acquirer identifying a System Error or Settlement Error and requesting, or providing notice of, payment of the amount of the error. *(Amended December 1, 2000)*

Correction Response: A message from an Issuer or Acquirer accepting or rejecting a Correction Request. *(Amended December 1, 2000)*

Depository Institution: An insured depository institution, as that term is defined in Section 3 of the Federal Deposit Insurance Act, as amended, or a federally insured credit union pursuant to the Federal Credit Union Act, as amended.

DES (Data Encryption Standard): The cryptographic algorithm adopted by ANSI that utilizes data encryption algorithm (DEA) as specified in ANSI X3.92-1981.

Designated Agent: A Depository Institution, Prime Contractor or Network, or affiliate controlled by or under common control with any of the foregoing that, pursuant to an agreement with an Issuer, enters into Acquirer Agreements, Processor Agreements or additional Designated Agent Agreements on behalf of such Issuer. *(Amended June 13, 1997)*

Designated Agent Agreement: A written agreement between a Depository Institution, Prime Contractor or Network, or affiliate controlled by or under common control with any of the foregoing, and an Issuer, or a Designated Agent and a Network, pursuant to which the Depository Institution, Prime Contractor or Network, or affiliate thereof agrees to act as a Designated Agent. *(Amended June 13, 1997)*

Dispute Resolution: The process used to (i) respond to Cardholder inquiries, (ii) correct errors and (iii) resolve disagreements between Participants.

EBT or Electronic Benefits Transfer: The electronic transfer of government benefit funds to individuals through the use of card technology and ATMs and POS Terminals.

EBT Program: A program implemented by one or more Government Entities to provide government benefit funds to individuals through the use of card technology and ATMs and POS Terminals.

ESSP (Encryption Support Service Provider): An entity, other than an Acquirer that, on behalf of an Acquirer: (i) loads software into a Terminal that will accept Cards, (ii) loads or injects encryption keys into Terminals or PIN Pads, or (iii) provides Merchant help desk support which includes re-programming of Terminal software, as defined in Chapter 7 of these Rules.

Fair Hearing: An administrative hearing held pursuant to Applicable Law to determine the permissibility a charge to a Cardholder's Account. *(Amended November 15, 2001)*

Fair Hearing Correction Request: A message from an Issuer identifying a correction of a System Error required as the result of a Fair Hearing or as the result of a late request for a Fair Hearing that had been delayed for good cause, as defined by Applicable Law, and requesting, or providing notice of, payment of the amount of the error. A Fair Hearing Correction Request shall be identified as such. *(Amended November 15, 2001)*

FNS: The Food and Nutrition Service of the United States Department of Agriculture. *(Amended December 1, 2000)*

FSMC (Food Stamp Merchant Code): A number assigned by FCS identifying a Merchant that has been authorized by FCS to accept SNAP. The FSMC table is a database of all FSMCs and does not distinguish between merchants who are authorized to accept electronic SNAP Transactions under these Rules from those authorized to participate solely in existing paper-based systems.



Full Service Merchant: A person or entity that has agreed to accept Cards for purchases of goods or services from Cash Accounts and SNAP Accounts and that has been specifically authorized by FCS to accept SNAP Transactions under these Rules.

Government Entity: An agency, department or other instrumentality of federal, State or local government that is responsible for the distribution of SNAP and/or cash government benefits on an EBT Card pursuant to these Rules. *(Amended September 26, 2014)*

IIN (Issuer Identification Number): A number assigned by the American Bankers Association that identifies an Issuer for purposes of interchange of Transactions.

including: The word "including" shall have its generally accepted meaning in these Rules and its use shall not be deemed, by implication or otherwise, to exclude any items or matters not specifically referenced.

Independent Sales Organization: An organization or individual, which is not an Acquirer, that engages in Merchant solicitation, sales or service, as defined in Chapter 7, with respect to Transactions.

Initial Issuer Response Cut-Off: The close of the tenth (10th) Business Day following the original Transaction Date or, if the Correction Request is to reverse or adjust a prior Correction Request, close of the tenth (10th) Business Day following the date of such earlier Correction Request. *(Amended November 15, 2001)*

Interchange: The exchange of Authorization requests, Transaction records, funds, or information between an Acquirer and CAS through an intermediate Network or other facility.

Interoperable Transaction: A Transaction initiated with a Card issued by one Issuer at a Terminal of an Acquirer that has an Acquirer Agreement with an Issuer other than that of the Issuer that issued the Card.

ISO: International Organization for Standards.

Issuer: A Government Entity that has agreed to, or an entity that has entered into an agreement with a Government Entity or Prime contractor to, undertake the responsibilities of an Issuer under these Rules. *(Amended November 15, 2001)*

Issuer Agreement: The agreement between an Issuer and a Government Entity or Prime Contractor evidencing the Issuer's agreement to abide by these Rules and setting forth the terms and conditions of the Issuer's services on behalf of the Government Entity or Prime Contractor.

Magnetic Stripe: A stripe of magnetic tape that is affixed on the reverse side of Cards and that meets all applicable standards contained in Chapter 1.

Magnetic Stripe Reader: A device at a Terminal that is capable of reading the entire Track 2 of the Magnetic Stripe on a Card and that meets all applicable standards contained in Chapter 3.

Manual SNAP Transaction: An off-line SNAP Transaction.

Manual Only Merchant: A Merchant that has been approved specifically authorized by the FCS to accept only Manual SNAP Transactions under these Rules.

Merchant: A Full Service Merchant, Cash Account Merchant or SNAP Only Merchant, including a Manual Only Merchant. *(Amended January 30, 1997)*



Merchant Agreement: A written agreement between an Acquirer and a Merchant setting forth the respective rights and duties of the parties with respect to Transactions and obligating the Merchant to abide by these Rules, as such may be amended from time to time.

NACHA: The National Automated Clearing House Association.

Network: An organization which: (i) manages and operates a payment system that supports authentication, authorization, clearing and settlement of retail point of sale, ATM and other transactions among Network Participants bound by the Network's Operating Rules; and (ii) has entered into a Processor Agreement with an Issuer or its Designated Agent. Participants in a Network include Financial Institutions, Merchants, and organizations that provide transaction processing services to the Network. Depending on the context, the term Network may be used to apply to the payment system manager/operator, the hardware, software and telecommunication links used to interchange transactions among Network Participants, and/or all Network Participants. *(Amended May 30, 2002)*

Non-Quest Mark: Service marks separate from the QUEST Mark that relate to transactions and agreements not governed by the Rules; a single card may display both the QUEST Mark and Non-Quest marks.

PAN (Primary Account Number): The Account number that identifies the Issuer and the Cardholder and that is fully displayed and encoded on the Card.

Partially Authorized Transaction: A Store and Forward Transaction that is Authorized by the CAS in an amount that is less than the amount requested. *(Amended September 26, 2014)*

Participant: An Issuer, Designated Agent, Acquirer, Processor, Third Party Service Provider, Network or Merchant that has entered into an agreement to participate in the routing and processing of Transactions and servicing of Cardholders or NACHA.

PIN (Personal Identification Number): A four to six character alphanumeric code issued to or selected by a Cardholder, which must be utilized by the Cardholder in conjunction with a Card to initiate a Transaction.

PIN Pad: A device through which a Cardholder may enter his or her PIN at a Terminal.

POB (Point of Banking) Terminal: An electronic hardware device used at a merchant or service provider location and designated by an Acquirer to accept Cards, that, when activated through use of a Magnetic Stripe on the Card, is capable of initiating a request for authorization for a Cash Disbursement or Balance Inquiry from a Cash Account. *(Amended August 28, 2006)*

POB Transaction: A Cash Disbursement or Balance Inquiry transaction authorized from a Cash Account that is initiated with a Card at a POB Terminal pursuant to these Rules. *(Amended August 28, 2006)*

POS (Point of Sale): The location where a Cardholder initiates a Transaction with a Merchant. *(Amended November 16, 2001)*

POS Acquirer: A Depository Institution that enters into Merchant Agreements or owns, operates or controls POS or POB Terminals which accept Cards for purchases and cash disbursements from, and Balance Inquiries to Cash Accounts and which display the QUEST Mark. A wholly-owned operating subsidiary of a Depository Institution may act as a POS Acquirer, provided that such Depository Institution (i) agrees to be responsible and liable for the acts and omissions of such operating subsidiary in connection herewith, and (ii) represents and warrants that it has full right, power and authority to undertake such responsibility and liability. *(Amended March 12, 2003 and August 28, 2006)*

POS Cash Transaction: A Purchase Only from Cash Account, Purchase with Cashback from Cash Account, Cash Only from Cash Account, Preauthorized Transaction or Balance Inquiry to a Cash Account initiated at a POS Terminal.



POS Terminal: An electronic hardware device used at the Point of Sale and designated by an Acquirer to accept Cards, including a Scrip Terminal or Stand-alone Balance Inquiry Terminal, that, when activated by a Cardholder through use of a Magnetic Stripe on a Card, is capable of initiating a request for Authorization of a purchase from an Account or initiating a Balance Inquiry.

POS Terminal Operator: An Acquirer, or Processor or Merchant on behalf of an Acquirer, that operates a telecommunications and processing system (including software and hardware) through which Transactions initiated at POS and POB Terminals are processed and routed, directly or indirectly, to the appropriate Issuer.

POS Transaction: A Transaction Authorized from either a Cash Account or a SNAP Account that is initiated with a Card at a POS Terminal pursuant to these Rules, including a Cash Merchandise Refund or a SNAP Merchandise Refund. *(Amended September 26, 2014)*

Preauthorization: The approval, in advance, of a POS Transaction up to a specified dollar amount by a CAS to guarantee funds for a purchase of goods or services to be completed at a later time within the terms of these Rules.

Preauthorized Transaction: A POS Transaction for which a Preauthorization has been provided by a CAS.

Prime Contractor: The entity with which a Government Entity contracts for the implementation, maintenance and operation of an EBT Program.

Processor: Any company processing Transactions on behalf of an Issuer, Acquirer or Merchant, including any Terminal Operator that is not also an Acquirer or a Network.

Purchase Only from Cash Account: A Transaction initiated with a Card at a POS Terminal whereby only the exact amount of a purchase of goods or services is debited from a Cash Account.

Purchase with Cashback from Cash Account: A Transaction initiated with a Card at a POS Terminal whereby the total amount debited from a Cash Account includes the amount of a purchase of goods or services plus an amount designated by the Cardholder to be received in cash.

Quest Graphic Standards Manual: A document, as amended from time to time that contains the graphic standards for use of the QUEST Mark.

QUEST Mark: The Quest design mark and such other service marks as may be adopted from time to time in accordance with these Rules.

Registered State Representative: A representative of a Government Entity for a State who registers on behalf of such State pursuant to procedures promulgated by NACHA. *(Amended December 16, 2008)*

Restrictive Cash Access: The prohibiting of certain types of retailers from participating in EBT and displaying the QUEST Mark for purposes of accepting Cash Transactions. *(Amended April 11, 2014)*

Resubmission: The submission for Authorization of a Manual SNAP Transaction or a Store and Forward Transaction following the denial of such Transaction by the CAS. *(Amended September 26, 2014)*

Reversal: The electronic reversal of the full amount of a prior Transaction. A partial Reversal can take place at an ATM due to an incomplete dispense.

Rules: These EBT Operating Rules, adopted on April 25, 1996, as amended thereafter from time to time.



Sales and Credit Draft: A paper draft used to initiate a Manual SNAP Transaction.

Scrip: A paper or token issued by an electronic hardware device located on the premises of a Merchant that is redeemable at Point of Sale locations on such Merchant's premises for U.S. currency or for goods or services.

Scrip Terminal: An electronic hardware device designated by an Acquirer to accept Cards that, when activated by a Cardholder through use of a Magnetic Stripe on a Card, is capable of automatically dispensing Scrip.

Security Compliance Review: A compliance review of security procedures performed pursuant to these Rules by each entity that handles encryption keys for Transactions.

Settlement: The movement of funds between an Issuer and an Acquirer in satisfaction of Transactions in accordance with these Rules.

Settlement Day: The calendar date on which funds are transferred for Settlement. The period between cut-off times established by an Issuer for Settlement.

Settlement Error: An auditable out-of-balance condition between any two Settlement endpoints that does not affect any Account. *(Amended December 1, 2000)*

SNAP Account: An authorization file maintained by an Issuer that represents benefits administered by a Government Entity under the federal Supplemental Nutrition Assistance Program.

SNAP Authorization Code: A code provided by a CAS indicating the Telephone Authorization of a Manual SNAP Transaction by the CAS.

SNAP Merchandise Refund: A Transaction initiated with a Card at a POS Terminal to credit a Cardholder's SNAP Account for a return of merchandise originally purchased under the Supplemental Nutrition Assistance Program with the same Card.

SNAP Only Merchant: A person or entity that has agreed to accept Cards for purchases of goods or services from SNAP Accounts, but not from Cash Accounts, and that has been specifically authorized by FCS to accept SNAP Transactions under these Rules, including a Manual Only Merchant. *(Amended January 30, 1997)*

Supplemental Nutrition Assistance Program: The government benefits program operated under the authority of the Food Stamp Act of 1964, as amended.

SNAP Purchase: A transaction initiated with a Card at a POS Terminal located at a SNAP Only Merchant or Full Service Merchant that is Authorized from a SNAP Account and the entire Transaction amount of which is for the purchase of products or services permitted under the Supplemental Nutrition Assistance Program.

SNAP Transaction: A SNAP Purchase, Balance Inquiry to a SNAP Account, or SNAP Merchandise Refund, including a Manual SNAP Transaction or a Store and Forward SNAP Transaction. *(Amended September 26, 2014)*

Stand-Alone Balance Inquiry Terminal: A POS or POB Terminal that is not part of the checkout lane and which permits the Cardholder to check the balance in his or her SNAP Account and Cash Account. *(Amended August 28, 2006)*

Stand-In Processing: The process whereby a third party approves or denies Transactions in place of a CAS at times when the CAS is unable to process such Transactions.



State: Any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands, and the Northern Mariana Islands. *(Amended May 21, 1998)*

Store and Forward Cash Transaction: A Cash Transaction that is electronically stored with an encrypted PIN by a POS Terminal Operator when the POS Terminal Operator is unable to communicate with a CAS, and that is later forwarded to the CAS. *(Amended September 26, 2014)*

Store and Forward SNAP Transaction: A SNAP Transaction that is electronically stored with an encrypted PIN by a POS Terminal Operator when the POS Terminal Operator is unable to communicate with a CAS, and that is later forwarded to the CAS.

Store and Forward Transaction: A Store and forward Cash Transaction or a Store and Forward SNAP Transaction. *(Amended September 26, 2014)*

Surcharge: A fee added to a Transaction by an Acquirer, Terminal Operator or Merchant for a Transaction initiated at a Terminal.

Switch: The computer hardware and software operated by or on behalf of a Network for the purpose of routing Transactions among Participants.

System Error: An auditable processing failure that results in the improper crediting or debiting of an Account or in the failure to credit or debit an Account. Human error in Transaction data entry at the POS does not constitute a System Error, but may be addressed under the relevant EBT Program if provided for by the Governmental Entity responsible for such EBT Program. *(Amended December 1, 2000)*

Telephone Authorization: The oral approval by a CAS over the telephone of a request for a Manual SNAP Transaction.

Telephone Authorization Code: A number or code provided by a CAS to a Merchant indicating the CAS's Telephone Authorization of a SNAP Transaction.

Temporary Assistance to Needy Families (TANF): TANF is a government program that provides various benefits and cash assistance to needy families with children. As part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Congress created the TANF program (P.L.104-193, 110 Stat. 2015) to replace the Aid to Families with Dependent Children (AFDC) program.

Terminal: An ATM, POS or POB Terminal.

Terminal Operator: An ATM Operator or POS Terminal Operator.

Third Party Provider Agreement: A written agreement between an Issuer, Designated Agent or Acquirer and a Third Party Service Provider pursuant to which the Third Party Service Provider confirms its agreement to be bound by and comply with these Rules, as such Rules may be amended from time to time.

Third Party Service Provider: An organization entity or individual, other than an Issuer or an Acquirer, that provides EBT services as an Independent Sales Organization, Encryption Support Service Provider, Network and/or Processor as described in Chapter 7 of these Rules.

Track 2: The magnetic medium on Cards as defined by ISO 7813 which contains the data to be transmitted to the CAS.

Transaction: An ATM, POS or POB Transaction initiated through the use of a Card or a Terminal pursuant to these Rules. *(Amended June 13, 1997 and August 28, 2006)*



Transaction Date: The calendar date on which a request for a funds transfer pursuant to a Transaction or a Balance Inquiry was initiated.

Transaction Record: An electronic record or hard copy report of each Transaction, including ATM Transactions, POS Transactions, POB Transactions, Correction Requests and Correction Responses and Reversals sent by an Acquirer or CAS. *(Amended November 15, 2001 and August 28, 2006)*

Transaction Request: An electronic message sent by an Acquirer to a CAS requesting that the CAS authorize a Transaction.

Transaction Response: An electronic message sent to the Acquirer by the CAS in response to a Transaction Request authorizing or denying a Transaction.

Transaction Time: The local time at which the Transaction is initiated at a Terminal.

TRSM (Tamper Resistant Security Module): A tamper resistant security module as referenced in ANSI X9.24-1992.

Withdrawal from Cash Account: A transaction initiated with a Card at an ATM whereby only U.S. currency is dispensed to a Cardholder from a Cash Account.

Throughout these Rules, where such meanings would be appropriate, the singular will be deemed to include the plural and vice versa.



CHAPTER ONE – ISSUER REQUIREMENTS

SECTION 1.1 Issuer

Each Issuer shall have primary responsibility and liability for performance of the obligations of an Issuer under these Rules, regardless of whether any such obligations, including the operation of a CAS, are performed by the Issuer or by a third party on behalf of the Issuer. No delegation of duties by an Issuer to a third party shall relieve such Issuer of its liability for performance of such duties hereunder. Each Issuer shall ensure that any activity performed by a third party on its behalf is performed in compliance with these Rules and hereby warrants such compliance to each other Participant. The obligations of each Issuer shall include the following:

- a. **Issuer Agreement.** Each Issuer shall enter into an Issuer Agreement with one or more Government Entities or Prime Contractors pursuant to which the Issuer shall agree to be bound by and comply with these Rules. These Rules do not restrict any other terms or conditions of the Issuer Agreement, provided that such terms and conditions do not conflict with these Rules.
- b. **Issuer Participation Agreement.** Each Issuer shall execute and deliver to NACHA a copy of the form of agreement attached as Appendix II.
- c. **Card Issuance.** Each Issuer shall ensure that its Cards and PINs are issued in accordance with these Rules, regardless of whether the distribution of Cards is performed directly by the Issuer or by a Government Entity, Prime Contractor or other third party.
- d. **Transaction Processing.** Each Issuer shall ensure that its CAS operates in accordance with these Rules.
- e. **Settlement.** Each Issuer is liable for and shall settle all Authorized Transactions in accordance with these Rules, notwithstanding any negligent, wrongful or fraudulent conduct of any Cardholder. *(Amended September 27, 1996)*
- f. **Financial Responsibility.** In order to promote the acceptance of Transactions by Merchants and Acquirers, each Issuer that is not a government entity shall:
 - (i) Provide to the appropriate Government Entities such evidence of the Issuer's ability to fulfill its settlement obligations under these Rules as is required under the Issuer Agreements between the Issuer and Government Entities and Prime Contractors. This evidence may be in the form of financial statements, bonds, guarantees or other assurances; and
 - (ii) Upon request, provide to relevant Acquirers such evidence of the responsibility of a Government Entity for the amount of Authorized Transactions as is provided for in the applicable Issuer or Prime Contractor contract with that Government Entity. This evidence may be in the form of the relevant contract, or commitments, statements or other assurances from the Government Entity. *(Amended November 15, 2001)*
- g. **Acquirer Agreements.** Each Issuer shall enter into Acquirer Agreements or cause its Designated Agent(s) to enter into Acquirer Agreements pursuant to which the Acquirer shall agree to be bound by and comply with these Rules, as such Rules may be amended from time to time. Each Acquirer Agreement shall acknowledge the ownership of the QUEST Mark by NACHA and NACHA's exclusive right to license the use of the QUEST Mark under these Rules. These Rules do not restrict any other terms or conditions of the Acquirer Agreement, provided that such terms and conditions do not conflict with these Rules. Each Issuer and Designated Agent must keep a copy of each of its Acquirer Agreements at its headquarters.



- h. Issuer as Acquirer.** Each Issuer may act as an Acquirer, including as Acquirer of last resort if required under an Issuer Agreement or Applicable Law, and in such capacity shall be subject to the Rules governing the activities of Acquirers. As an Acquirer for a Full Service Merchant or SNAP Only Merchant, the Issuer shall be responsible for converting to an electronic format each Sales and Credit Draft initiated with a Card issued by another Issuer at such Merchant.
- i. Designated Agent Agreement.** Each Issuer may enter into one or more Designated Agent Agreements, provided that such Issuer shall be liable for the acts and omissions of its Designated Agents pursuant to such Designated Agent Agreements. A Designated Agent may act on behalf of the Issuer to enter into Acquirer Agreements or Merchant Agreements or to enter into Designated Agent Agreements with other Networks. Each Designated Agent Agreement shall require the Designated Agent to comply with these Rules, as such Rules may be amended from time to time. These Rules do not restrict any other terms or conditions of the Designated Agent Agreement, provided that such terms and conditions do not conflict with these Rules. Each Issuer and Designated Agent must keep a copy of each of its Designated Agent Agreements at its headquarters. *(Amended June 13, 1997 and March 12, 2003)*
- j. Processor Agreements.** The Issuer, or a Designated Agent on its behalf, shall enter into an agreement with each Processor directly connected to the CAS or to a Network that is directly connected to the CAS, pursuant to which agreement such Processor shall agree to be bound by and comply with these Rules, as such Rules may be amended from time to time. These Rules do not restrict any other terms or conditions of such agreement, provided that such terms and conditions do not conflict with these Rules. Each Issuer and Designated Agent must keep a copy of each of its Processor Agreements at its headquarters.
- k. Interoperable Transactions.** Each Issuer is responsible for establishing telecommunications links, Transaction switching facilities and any other arrangements with other Issuers necessary for the routing of Interoperable Transactions to such other Issuers, for facilitating the Settlement of such Interoperable Transactions and for facilitating the handling of Correction Requests and Correction Responses. Each Issuer shall use good faith efforts to establish agreements with other Issuers on mutually agreeable terms and conditions for the exchange of Interoperable Transactions under the Rules. If Issuers are unable to reach such agreement through their own good faith efforts, the matter shall be submitted to mediation before a neutral mediator agreed between the parties or appointed by NACHA if the parties are unable to agree. Each Issuer shall absorb all of its own expenses in connection with the mediation and shall pay one half of the fees or costs related to the services of a neutral mediator. One of the more senior executives from each Issuer shall participate in such mediation, which shall take place in such neutral location and shall be of such duration as the parties shall agree in good faith. *(Amended January 30, 1997 and December 1, 2000)*
- l. IIN Files.** Each Issuer shall be responsible for generating, updating and distributing IIN files of all Issuers to each Processor that is directly connected to the CAS.
- m. Surcharge Notification.** Each Issuer that receives a notification from an Acquirer that such Acquirer or its Merchant or Terminal Operator intends to impose a Surcharge shall notify each other Issuer of such fact.
- n. Applicable Law.** Each Issuer shall comply with all Applicable Laws with respect to its activities hereunder.



SECTION 1.2 Minimum CAS Performance Standards

- a. **Availability of a CAS.** Each CAS shall be available 99.9% of the CAS's scheduled up-time under the Issuer Agreement, twenty-four (24) hours per day, seven (7) days per week.
- b. **CAS Processing Time.** Each CAS must process and respond to a Transaction Request within two (2) seconds from the time such request is received by the CAS, 98% of the time, on a monthly average basis. These calculations do not include data transmission time between the CAS and the Acquirer.
- c. **Accuracy Standard.** No more than two (2) in every 10,000 Transactions processed by a CAS may lead to a Correction Request resulting from CAS error. *(Amended December 1, 2000)*
- d. **Interface.** Each CAS shall maintain the necessary computer hardware and software to interface directly with data processing facilities required to accommodate Transaction processing.

SECTION 1.3 Message Format

Each CAS shall use the ISO 8583 message format, modified for EBT, in a version mutually agreed to between the CAS and the party connected, for all Transactions. Each CAS shall process each Transaction as a single message financial Transaction, except for Preauthorized Transactions.

SECTION 1.4 Transaction Support

Each Issuer shall be liable for each Transaction Authorized by it or by a CAS on its behalf and shall settle for the full amount of the Transaction, if the Transaction was initiated in accordance with these Rules, regardless of whether the Issuer receives funding for the Transaction. The Issuer's liability to settle a Preauthorized Transaction is addressed in Section 1.6(e). Each CAS must verify the PIN for each Transaction for which a PIN is required under these Rules. Each Issuer may, if directed by its Government Entity in accordance with its Issuer Agreement, deny all Transaction Requests originating from a specific Acquirer or Merchant, and shall have no liability for such denials.

SECTION 1.5 ATM Transactions

Each CAS must support the following ATM Transactions that are initiated and transmitted to the CAS in accordance with these Rules:

- a. **Withdrawal from Cash Account.**
- b. **Balance Inquiry from Cash Account.**

SECTION 1.6 POS Cash Transactions

Each CAS that provides access to Cash Accounts under the QUEST Mark must support the following POS Cash Transactions that are initiated and transmitted to the CAS in accordance with these Rules:

- a. **Purchase Only from Cash Account.**
- b. **Purchase with Cashback from Cash Account.**
- c. **Balance Inquiry from Cash Account.**



d. Cash Only from Cash Account.

- e. Preauthorized Transaction from Cash Account.** Each CAS must support Preauthorization requests in an amount of \$40 or less. Each CAS must decline any request for Preauthorization on a SNAP Account; Preauthorized Transactions are not permitted on SNAP Accounts.

Each Issuer shall be liable for and must settle each properly Preauthorized Transaction in the amount of the Completion when the amount of the Completion, including any Surcharge otherwise permitted under these Rules, is less than or equal to the amount of the Preauthorization and the Completion is received by the Issuer's CAS within two hours of the CAS's response to the Preauthorization request. If the amount of the Completion is greater than the amount of the Preauthorization, then the Issuer is liable for and must settle only the amount of the Preauthorization. An Issuer is not liable for and is not required to settle any Transaction for which the Completion is not received in a timely manner. Notwithstanding the foregoing, each Issuer may, at its sole option and as permitted under its Issuer Agreement and Applicable Law, determine to pay a Transaction even if the Completion is received later than two hours after receipt of the Preauthorization request or for an amount greater than the amount of the Preauthorization if funds are available in the Cardholder's Account. The payment of one or more such Completion messages shall not create any obligation in the Issuer to pay any other such Completion that is not communicated in accordance with the requirements of these Rules.

- f. Key entry of PAN Transactions.** Except as otherwise provided by these Rules, each CAS shall treat POS Cash Transactions for which the PAN is key-entered at the POS Terminal the same as other POS Cash Transactions. *(Amended January 9, 1998)*
- g. Cash Merchandise Refunds.** A CAS must support Cash Merchandise Refunds only if support for such Transaction is required by the Issuer Agreement for a Government Entity's specific EBT Program. Upon Authorization of a Cash Merchandise Refund request, each CAS shall transmit a response communicating the Available Balance in the Cardholder's Cash Account including the credit for the amount of the Cash Merchandise Refund. A CAS may credit a Cash Merchandise Refund only to the Cardholder's Cash Account. *(Amended September 26, 2014)*
- h. Store and Forward Cash Transactions.** A CAS must support Store and Forward Cash Transactions that are initiated and transmitted to the CAS in accordance with these Rules. If support for Partially Authorized Transactions is required by the Issuer Agreement for a Government Entity's specific EBT Program and a Cash Account has a positive balance but does not have sufficient funds to satisfy a Store and Forward Cash Transaction, the CAS shall Authorize the Transaction in the amount of the available balance in the Account. *(Amended September 26, 2014)*
- i. Resubmission of Denied Store and Forward Cash Transactions.** If the CAS denies a Store and Forward Cash Transaction due to an error in message format, the CAS shall support the Resubmission of such Transaction during the same calendar month in which the Transaction was originally initiated. The CAS shall not accept the Resubmission of a Transaction denied for any other reason. The CAS shall not accept Resubmission of a Partially Authorized Transaction. *(Amended September 26, 2014)*

SECTION 1.7 SNAP Transactions

Each CAS that provides access to SNAP Accounts under the QUEST Mark must support the following SNAP Transactions that are initiated and transmitted to the CAS in accordance with these Rules:

- a. SNAP Purchase.** If a CAS denies a SNAP Purchase because there are insufficient funds available in the Cardholder's Account, the CAS must indicate that the Transaction was denied due to insufficient funds.
- b. Balance Inquiry from SNAP Account.**



- c. **SNAP Merchandise Refunds.** Upon Authorization of a SNAP Merchandise Refund request, each CAS shall transmit a response communicating the Available Balance in the Cardholder's SNAP Account including the credit for the amount of the SNAP Merchandise Refund. A CAS may credit a SNAP Merchandise Refund only to the Cardholder's SNAP Account.
- d. **Manual SNAP Transactions.**
- (i) **Voice Authorization System.** Each CAS must provide a telephone authorization system available to SNAP Merchants and Full Service Merchants twenty-four (24) hours per day, seven (7) days per week for the receipt of requests for Telephone Authorizations. If a Manual SNAP Transaction is Authorized pursuant to such system, the CAS shall provide to the Merchant a Telephone Authorization Code to place on the Sales or Credit Draft. If Telephone Authorization is provided within twenty-four (24) hours after a Merchant accepts a Manual SNAP Transaction without such Authorization, the Issuer shall treat such Transaction as Authorized. Notwithstanding the Authorization of a Manual SNAP Transaction, the CAS may return such Transaction when it is received if the Sales and Credit Draft or electronically converted message is not properly completed.
 - (ii) **Manual Sales and Credit Drafts.** If a CAS acts as the Acquirer with respect to a Manual Only Merchant, the CAS must support the processing and Settlement of Sales and Credit Drafts that are initiated and transmitted to the CAS in paper form by such Merchant in accordance with these Rules. *(Amended January 30, 1997)*
 - (iii) **Electronically Converted Sales and Credit Drafts.** Each CAS must support the processing and Settlement of Sales and Credit Drafts that have been converted to an electronic format acceptable to the CAS and that are initiated and transmitted to the CAS in accordance with these Rules. These Transactions are also known as “voucher clear” transactions. *(Amended September 26, 2014)*
 - (iv) **Manual Transactions without Authorization.** Each CAS must support Sales and Credit Drafts that are initiated and transmitted to the CAS in accordance with these Rules and for which a Telephone Authorization was not obtained by the SNAP Only Merchant or Full Service Merchant due to the Merchant's inability to contact the CAS. Each CAS shall communicate to the Merchant its Authorization or denial of the Transaction, and if the Transaction is Authorized, the Issuer shall settle the Transaction in accordance with these Rules.
- e. **Store and Forward SNAP Transactions.** Each CAS must support Store and Forward SNAP Transactions that are initiated and transmitted to the CAS in accordance with these Rules. If support for Partially Authorized Transactions is required by the Issuer Agreement for a Government Entity's specific EBT Program and a SNAP Account has a positive balance but does not have sufficient funds to satisfy a Store and Forward SNAP Transaction, the CAS shall Authorize the Transaction in the amount of the available balance in the Account. *(Amended September 26, 2014)*
- f. **Resubmission of Denied Manual SNAP Transactions and Store and Forward SNAP Transactions.** If the CAS denies a Manual SNAP Transaction or a Store and Forward SNAP Transaction due to an error in message format, the CAS shall support the Resubmission of such Transaction during the same calendar month in which the Transaction was originally initiated. The CAS shall not accept the Resubmission of a Transaction denied for any other reason. The CAS shall not accept Resubmission of a Partially Authorized Transaction. *(Amended September 26, 2014)*
- g. **Key Entry of PAN Transactions.** Except as otherwise provided in these Rules, each CAS shall treat SNAP Transactions for which the PAN is key-entered at the POS Terminal the same as other SNAP Transactions.
- h. **SNAP and Full Service Merchants.** Each CAS shall authorize a SNAP Purchase only if it originated from a Merchant whose FSMC appears on the FSMC table provided by FCS. The CAS shall retain documentation evidencing its compliance with this provision. Each Issuer shall have no duty or obligation to determine the eligibility of items purchased by the Cardholder under the SNAP Program.



SECTION 1.8 Available Balance Return

Each CAS must include in its Transaction Response the Available Balance in the Cardholder's Account for each of the following:

- a. ***Authorized Withdrawal from Cash Account;***
- b. ***Cash Merchandise Refund (Amended September 26, 2014)***
- c. ***Authorized SNAP Purchase;***
- d. ***SNAP Merchandise Refund; and***
- e. ***Denial of a SNAP Purchase due to insufficient funds.***

Each CAS may, at its option, also include the Available Balance in the Transaction Response for other Transactions. If a Transaction is Authorized, the remaining Available Balance communicated shall include the effect of the debit or credit to the Cardholder's Account from the Transaction, including any Transaction fee to be charged to the Cardholder's Account.

SECTION 1.9 Error Correction

Each CAS shall support Correction Requests and Correction Responses in accordance with these Rules. *(Amended December 1, 2000)*

SECTION 1.10 Reversal

Each CAS shall support full Reversals from an ATM or POS Terminal and partial Reversals from an ATM that are initiated and transmitted in accordance with these Rules.

SECTION 1.11 Stand-In Authorization

Each Issuer, at its option, may arrange for a third party to provide Stand-In Processing for the Issuer's CAS during periods that the CAS is not operating. Each Issuer shall be liable for and shall settle each Transaction Authorized through Stand-In Processing to the same extent as if the Transaction had been directly Authorized by the CAS.

SECTION 1.12 Maintenance of Records

Each CAS shall maintain a record of all information communicated to it pertaining to its Cardholders' Transactions for a period of at least two (2) years or longer if required by Applicable Law or the Issuer Agreement. Each CAS must maintain records of SNAP Transactions for at least (3) three years or any longer period required by Applicable Law. These Rules do not require any specific mode or format for record keeping.

SECTION 1.13 Third Party Service Provider Registration Program

Each Issuer 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 1.14 Investigation and Audit

If NACHA has reasonable cause to question the accuracy, timeliness, completeness or reliability of any activities undertaken by or on behalf of an Issuer under these Rules, or the compliance of the Issuer with these Rules, such Issuer shall provide to NACHA full and free access to all records and systems related to the issuance of Cards and the authorization, routing, processing and Settlement of Transactions, including records and systems of the Issuer's Third Party Service Providers, for the purpose of examination or auditing such performance and compliance. At NACHA's discretion, such examination or audit may be conducted, at the Issuer's expense, by (a) an outside auditor of the Issuer's choosing, (b) NACHA or (c) a third party retained by NACHA. If such examination or audit reveals any exception to the Issuer's compliance with these Rules, the Issuer shall promptly remedy such exception. To the extent feasible, NACHA shall coordinate any such examination or audit with and rely upon any comparable examination or audit performed by a Network. These Rules shall not limit the authority of a Government Entity to audit a Participant under any agreement or Applicable Law. The agreements between Participants that are required by these Rules may provide for additional audit requirements between such Participants.

SECTION 1.15 Disaster Contingency Information

Upon request, each CAS shall release to each Participant information reasonably necessary to allow such Participant to develop a disaster contingency plan which will work in concert with the disaster contingency plan of the CAS.

SECTION 1.16 PIN Issuance and Management

- a. ***PIN Issuance.*** Each Issuer shall ensure that a PIN is issued to each of its Cardholders for use in connection with his or her Card in accordance with the requirements of Chapter 9. Each PIN shall be made up of alphanumeric characters from four (4) to six (6) digits. The Issuer shall ensure that appropriate procedures are utilized to preserve the security and integrity of Cards and PINs during the process of physical issuance.
- b. ***DES.*** Each CAS shall use DES encryption for data communication purposes to protect a Cardholder's PIN.
- c. ***Implementation of Cryptography.*** Each CAS must implement cryptography for its PIN management operations so as to render the PIN unintelligible during transmission to anyone not possessing the encryption keys. The CAS shall translate and decrypt PINs for Transactions within a physically secure TRSM.

The CAS must ensure that all keys by which PINs are encrypted are generated in a secure manner. The management of encryption keys must meet the standards set by the ANSI X9.8-1982; X9.24-1992; X3.92-1987. At a minimum, all encryption keys must be subject to dual control, i.e., no single person shall have control over all parts of an encryption key.

If there is a known or suspected compromise of an encryption key, internal escalation procedures must be followed and the encryption key must immediately be changed.



CHAPTER TWO – CARD SPECIFICATIONS *(Amended October 8, 2002)*

SECTION 2.1 General

Each Issuer shall ensure that each of its Cards conforms to the standards and specifications prescribed in these Rules. Each Card must be usable in all Magnetic Stripe Readers. A single Card may provide a Cardholder with access to either a SNAP Account or a Cash Account, or to both types of Accounts. These Rules do not limit the number of Cards that can be issued to a single household or the number of Cardholders per Card, to the extent otherwise permissible under Applicable Law and any Issuer Agreement.

These Rules also do not restrict the issuance and use of a Card in part to access accounts that are not SNAP Accounts or Cash Accounts, provided that any such additional account access (a) shall not impair or interfere with the use of the Card to initiate Transactions under these Rules, (b) shall not detract from, incorporate or obscure through use of another service mark, directly or by association, the QUEST Mark, (c) shall be distinguished by and clearly attributable to a separate service mark or other identifier associated with such accounts and access services, and (d) shall be clearly explained to the Cardholder, including any ability to use the Card for other purposes when no Quest accessible benefits are available [(d) effective January 1, 2000]. An Issuer shall not assign the same personal identification number for such additional account access as the PIN used to initiate Transactions, unless security procedures comparable to those set forth in Chapter 9 are utilized for purposes of such additional account access. If such security procedures are not utilized and the Issuer provides for Cardholder selection of the personal identification number for such additional account access, the Issuer shall instruct each Cardholder to select a number other than his or her PIN. *(Amended April 14, 1999)*

These Rules also do not restrict the use of an alternative Government Entity (non-network) service mark to identify transactions on Accounts solely involving Cards issued by that Issuer at Terminals supported by Acquirers that have entered into direct agreements with that Issuer or one of its Designated Agents; such transactions shall not be subject to these Rules. Such use of an alternative Government Entity (non-network) service mark (a) shall not impair or interfere with the use of the Card to initiate Transactions under these Rules, (b) shall not detract from, incorporate or obscure, directly or by association, the QUEST Mark, (c) shall clearly distinguish for Cardholders transactions that are not subject to these Rules, and (d) effective January 1, 2000, shall be clearly explained to the Cardholder, including any ability to use the Card for other purposes when no Quest accessible benefits are available [(d) effective January 1, 2000]. The use of Network service marks on Cards is governed by Rule 12.3. *(Amended June 13, 1997 and [d] Amended April 14, 1999)*

If an Issuer issues cards bearing both the QUEST Mark and another service mark identifying one or more non-QUEST benefit programs pursuant to this Section, the Issuer may issue such QUEST Cards to individual recipients even if such individuals qualify only for non-QUEST benefit programs at the time of issuance. Such cards will be considered QUEST Cards for purposes of these Rules, but transactions initiated with such Cards shall be considered Transactions only when they access an Account associated with the QUEST program. *(Amended April 14, 1999)*

All benefits redeemable without restriction for physical currency must be included in the Cash Account. *(Amended April 14, 1999)*

SECTION 2.2 Card Standards

Each Card must comply with ANSI/ISO 7813-1990, Identification Cards - Financial Transaction Cards.

- a. **QUEST Mark.** Each Issuer shall ensure that the QUEST Mark is placed on all of its Cards in conformity with the Card design illustrated in the Quest Graphic Standards Manual.



- b. **PAN.** The PAN must be fully displayed on the face of the Card. The PAN may be embossed, laser engraved, indent printed or hot stamped on the Card.
- c. **Signature Panel or Signature Image.** Each Card must either have a signature panel that the Cardholder must sign upon receipt of the Card or display a photographic or digitally printed image of the Cardholder's signature. This signature panel or signature image may be on either the front or the back of the Card, unless otherwise restricted under the Issuer Agreement. These Rules do not require that the Cardholder's name be displayed on the face of the Card.

SECTION 2.3 Magnetic Stripe Encoding

- a. **Standards Compliance.** Each Card must comply with ISO, ANSI approved standards for Track 2 encoding. Each Card must be encoded according to ISO 7813, Identification Cards - Financial Transaction Cards. The maximum character count in Track 2 shall not exceed 40, including all control characters.
- b. **PAN.** Track 2 on each Card shall contain the PAN. Each Issuer, or Government Entity on behalf of an Issuer, shall obtain an IIN from the ABA. Each Issuer shall include the IIN as the first six digits of the PAN. The PAN must comply with ISO 7812, Identification Cards - Numbering System and Registration Procedures for Issuer Identifiers. (Amended September 27, 1996)
- c. **Expiration Date.** Each non-expiring Card shall use the "4912" convention encoded on Track 2. Each Card with a specific expiration date shall use a YYMM format on Track 2. Any such expiration date shall be later than the date of issuance of the Card, and shall not be later than twenty (20) years from the date of issuance.
- d. **Service Code Field.** The Service Code Field, as that term is used in ISO 7813, on Track 2 of each Card must be encoded with the designated numeric value of "120."
- e. **CAV Field/PIN Offset.** Each Card must have either or both of:
 - (i) a cryptographic value encoded on Track 2 in the discretionary data field to validate the Track 2 data contents; (Amended September 27, 1996) or
 - (ii) a PIN offset used to validate a PIN on Track 2.

SECTION 2.4 Card Conformity (AMENDED APRIL 14, 1999)

- a. All Cards must comply with Section 2.4(a) in order to initiate Transactions. For an EBT Program utilizing existing card stock, no later than six (6) months following the date an Issuer processes its first Transaction with respect to such EBT Program, all new and replacement Cards then issued with respect to such EBT Program shall bear the QUEST Mark and comply with the Card standards set forth in Sections 2.2, 2.3, and 2.4(b), (c), (d) and (e). No such grace period shall apply to an EBT Program that does not utilize existing card stock. No later than thirty-six (36) months following such date, the QUEST Mark shall appear on all of the Issuer's outstanding Cards and all such Cards shall comply with the Card standards set forth in Sections 2.2, 2.3, and 2.4(b), (c), (d) and (e). If Cards are issued on behalf of more than one Government Entity, the foregoing phase-in periods shall apply separately with respect to Cards issued on behalf of each such Government Entity.
- b. Notwithstanding the foregoing, if during such phase-in period the Cards do not conform to the ISO standards for PANs, and such Cards have identifying information that conflicts with that of another Card base that conforms to such ISO standards, the Issuer for the non-conforming Card base may be required to immediately reissue its Cards or may be suspended from processing Transactions.



- c. An Issuer for a Governmental Entity that has determined to participate in QUEST may issue Cards bearing the QUEST Mark without the ability to initiate Transactions for a period of one year from the first issuance of such Cards to the beginning of implementation of Transactions.

SECTION 2.5 Adhesive Material on Cards

No Issuer shall affix adhesive material to a Card that would interfere with the recognition of the QUEST Mark or interfere with the normal operation of any ATM or POS Terminal.



CHAPTER THREE – ACQUIRER AND TERMINAL OPERATOR REQUIREMENTS

SECTION 3.1 General Acquirer Requirements

Each Acquirer shall have primary responsibility and liability for performance of the obligations of an Acquirer under these Rules, regardless of whether any such obligations, including acting as Terminal Operator, are performed by the Acquirer or by a third party on behalf of the Acquirer. No delegation of duties by an Acquirer to a third party shall relieve such Acquirer of its liability for performance of such duties hereunder, and each Acquirer shall ensure that any activity performed by a third party on its behalf is performed in compliance with these Rules and hereby warrants such compliance to each other Participant. The duties of each Acquirer shall include the following:

- a. **Acquirer Agreement.** Each Acquirer shall enter into an Acquirer Agreement with an Issuer or its Designated Agent stating its agreement to comply with and be bound by these Rules, as such may be amended from time to time. Each Acquirer Agreement shall acknowledge the ownership of the QUEST Mark by NACHA and NACHA's exclusive right to license the use of the QUEST Mark under these Rules. These Rules do not restrict any other terms or conditions of the Acquirer Agreement, provided that such terms and conditions do not conflict with these Rules. Each Acquirer must keep a copy of each of its Acquirer Agreements at its headquarters. An Acquirer may, at its option, enter into Acquirer Agreements with more than one Issuer.
- b. **Transaction Processing.** Each Acquirer shall ensure that Terminals it owns, operates, controls, or for which it has signed an agreement to accept Transactions, shall operate and support Transactions in accordance with these Rules.
- c. **Settlement.** Each Acquirer shall settle all Authorized Transactions in accordance with these Rules.
- d. **ATM Acquirer.** Each ATM Acquirer shall have primary responsibility and liability for operating the telecommunications and processing system (including software and hardware) through which Transactions initiated at its ATMs, including sponsored ATMs, are processed and routed, directly or indirectly, to the appropriate Issuer.
- e. **POS Acquirer.** Each POS Acquirer shall have primary responsibility and liability for operating the telecommunications and processing system (including software and hardware) through which Transactions initiated at POS Terminals it owns, operates, controls or for which it has signed an Agreement to accept EBT Transactions, are processed and routed, directly or indirectly, to the appropriate Issuer. Each POS Acquirer also shall enter into Merchant Agreements in accordance with Chapter 4 and shall be jointly and severally liable with its Merchants for the compliance of such Merchants with these Rules.
- f. **Notice and Approval of Merchants.** Each Acquirer shall provide written notice to its Issuer of the identity of each Merchant with which it has entered into an agreement under these Rules, not less than three (3) Business Days prior to the initiation of the first Transaction by such Merchant. Each Issuer shall notify a Merchant or Acquirer if the Issuer determines at any time that the incidence of Cardholder complaints regarding a Merchant or an Affiliated Retailer is unsatisfactory. In assessing the performance of the Merchant or Affiliated Retailer, the Issuer may consider Cardholder allegations including, but not limited to, those:
 - (i) Transactions that were not made as indicated on the records furnished by the Merchant or Affiliated Retailer to the Issuer; or
 - (ii) Transactions that were in amounts that differed from those indicated on such records; or
 - (iii) Transactions that were fraudulent.



If any of these allegations are determined by the Issuer to be in excess of a level satisfactory to the Issuer, the Issuer may pursue any available remedies.

- g. Authorized Merchants for SNAP Transactions.** Only a Merchant that has received authorization from FCS to participate in the SNAP EBT Program may accept Cards for SNAP Transactions. Each Acquirer for a Merchant that seeks such participation shall confirm with FCS or a Government Entity designated by FCS that the Merchant is authorized to accept Cards for SNAP Transactions, and shall be liable for the amount of any transaction completed at a Merchant for which it has not obtained such confirmation of FCS authorization as FCS may require from time to time. Each Acquirer shall ensure that it or its Terminal Operator does not process SNAP Transactions for a Merchant promptly following receipt of notice that the FCS authorization of such Merchant has been revoked, rescinded or otherwise eliminated.
- h. Third Party Service Provider Registration Program.** Each Acquirer using the services of a Third Party Service Provider, including one acting as a Terminal Operator, must (a) 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) comply with the provisions of Chapter 7.
- i. Investigation and Audit.** If NACHA has reasonable cause to question the accuracy, timeliness, completeness or reliability of any activities undertaken by or on behalf of an Acquirer under these Rules, or the compliance of the Acquirer with these Rules, such Acquirer shall provide to NACHA full and free access to all records and systems related to the routing, processing and Settlement of Transactions, including records and systems of the Acquirer's Merchants and Third Party Service Providers, for the purpose of examination of or auditing such performance and compliance. At NACHA's discretion, such examination or audit may be conducted, at the Acquirer's expense, by (a) an outside auditor of the Acquirer's choosing, (b) NACHA or (c) a third party retained by NACHA at the Acquirer's expense. If such examination or audit reveals any exception to the Acquirer's compliance with these Rules, the Acquirer shall promptly remedy such exception. To the extent feasible, NACHA shall coordinate any such examination or audit with and rely upon any comparable examination or audit performed by a Network. These Rules shall not limit the authority of a Government Entity to audit a Participant under any agreement or Applicable Law. The agreements between Participants that are required by these Rules may provide for additional audit requirements between such Participants.
- j. Applicable Law.** Each Acquirer shall comply with all Applicable Laws with respect to its activities hereunder.
- k. Notice of Termination.** If an Acquirer terminates a Merchant Agreement other than upon the expiration of the term of that agreement, the Acquirer shall notify its Issuer.
- l. Terminal Participation.** These Rules do not require that any minimum number or percentage of an Acquirer's ATMs participate under the QUEST Mark.
- m. Limits on Cash Transaction Locations.** No Terminal located on the premises of a business that is prohibited from disbursing cash benefits under the Temporary Assistance for Needy Families program may complete Cash Transactions. Without limiting the foregoing, and unless modified by statute or regulation, Terminals located on the premises of any of the following are prohibited from completing Cash Transactions: (i) liquor stores, (ii) casinos, (iii) gambling casinos, (iv) gaming establishments, and (v) retail establishments which provide adult-oriented entertainment in which performers disrobe or perform in an unclothed state for entertainment. Each of the terms used in clauses (i) – (v) shall have the meanings assigned in Section 4004 of the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) and the regulations promulgated thereunder, as the same may be amended from time to time. *(Amended April 11, 2014)*



SECTION 3.2 Display of QUEST Mark

- a. **Display.** Each Acquirer shall ensure that the QUEST Mark is displayed on each of its designated ATMs and POS Terminals in accordance with these Rules and the Quest Graphic Standards Manual wherever any other payment system acceptance mark is displayed, no later than forty-five (45) days after the Acquirer first processes a Transaction from that Terminal. As set forth in the Definitions Chapter of these Rules, references to ATMs and POS Terminals or Terminals generally include only terminals that are designated to accept Cards. *(Amended May 23, 2001)*
- (i) **Merchant.** On behalf of its Acquirer, each Merchant shall display the QUEST Mark on all signs or decals at the Merchant's POS Terminals and storefront entrance door(s) and/or window(s) wherever any other payment system acceptance mark is displayed. A QUEST Mark does not have to be displayed on designated POS Terminals or storefront entrance door(s) and/or window(s) if no other payment system accept mark is displayed at these locations. Each Merchant may use the QUEST Mark solely to inform the public that Cards will be honored at the Merchant's place of business. Each Merchant shall display the QUEST Mark in conjunction with the appropriate icon designating the type of benefits accepted in accordance with the Quest Graphic Standards Manual. Each merchant that changes status between Cash Account Merchant, SNAP Only Merchant or Full Service Merchant categories shall promptly modify its use of the QUEST Mark to comply with these Rules and the Quest Graphic Standards Manual. *(Amended September 27, 1996 and May 23, 2001)*
- (ii) **ATMs.** Each Acquirer shall display the QUEST Mark on or near each ATM solely to inform the public that Cards will be honored at the ATM.
- b. **Compliance.** All displays of the QUEST Mark by Acquirers, including by Merchants on behalf of Acquirers, by way of decals, signs, printed and broadcast materials or otherwise, must comply with these Rules and the Quest Graphic Standards Manual and must be used solely to indicate that Cards are accepted for payment and not to indicate endorsement of any goods or services other than the Transactions governed by these Rules.
- c. **Termination.** Upon termination of a Merchant Agreement for any reason, the Merchant shall cease to display the QUEST Mark, shall not in any way use the QUEST Mark, and shall promptly either return to the Acquirer or destroy any materials displaying the QUEST Mark, unless the Merchant shall have entered into a new Merchant Agreement. Upon termination of its Acquirer Agreement for any reason, an Acquirer shall cease to display the QUEST Mark, shall not in any way use the QUEST Mark, and shall promptly either return to NACHA or destroy any materials displaying the QUEST Mark, unless the Acquirer shall have entered into a new Acquirer Agreement.

SECTION 3.3 Rules for Surcharges

An Acquirer may impose a Surcharge only with respect to an authorized and completed Transaction of the following type: Withdrawal from Cash Account, Purchase Only from Cash Account or Purchase with Cashback from Cash Account. No other fee may be imposed on a Cardholder by an Acquirer, Terminal Operator or Merchant as a condition to accepting a card. *(Amended January 25, 2000)*

Each Acquirer must ensure that the following requirements are met prior to permitting a Surcharge to be imposed at any of its Terminals:

- a. **Notice.** Each Acquirer must notify its Issuer of any Surcharge that it, or its Terminal Operator(s) or Merchant(s), intends to impose with respect to Transactions.
- b. **Terminal Requirements for Surcharges.** No Surcharge may be imposed with respect to an ATM Transaction unless the Cardholder is given prior on-screen notice:



- (i) that such Surcharge will be applied;
 - (ii) of the amount or percentage of such Surcharge;
 - (iii) that the Cardholder has the option to continue or cancel the Transaction; and
 - (iv) of the name of the entity imposing the Surcharge, if the Terminal is capable of doing so.
- c. **Fee Notice Requirement for Surcharges.** Each Acquirer must ensure that a notice of any permitted Surcharge is posted on or near each Terminal to which such Surcharge applies in a location that is clearly visible and conspicuous to the Cardholder while using the Terminal. The notice must be approved by NACHA after consultation with the Acquirer and its Issuer, and shall bear the heading "Fee Notice" and meet the following minimum requirements or comparable requirements of a Network in which such Terminal participates:
 - (i) The size of the notice must be a minimum of (A) 4" x 4" at an ATM or (B) 1 2" x 4" at a POS Terminal unless incompatible with the size of the PIN Pad;
 - (ii) At a POS Terminal, the notice shall be attached to the PIN Pad unless the size of the PIN Pad makes this infeasible, in which case:
 - A. The heading "Fee Notice" must be set in a minimum of 14 point type; and
 - B. The text must be set in a minimum of 10-point type.
 - (iii) At an ATM, the heading "Fee Notice" must be set in a minimum of 18 point type and the text must be a minimum of 14 point type.
- d. **Fee Notice Text.** The text of the notice must identify the entity imposing the Surcharge and must contain the specific amount or percentage of the Surcharge. The Notice should read as follows unless alternative language identifying the entity imposing the Surcharge and the amount of the Surcharge is required by a Network in which the Terminal participants:

(Full name of the entity that imposed the Surcharge, or, if the Terminal is located on a Merchant's premises and the Merchant so elects, the phrase "This Merchant") charges a fee of \$x.xx (X%) for performing this Transaction. This fee is added to the amount of your Transaction and is in addition to any fees that may be charged by the entity that issued your Card.
- e. **Reserved.** (Amended January 25, 2000)
- f. **Surcharges on a Partial Dispense.** If a Surcharge is based on a percentage of the Transaction amount, but only a portion of the funds for the Transaction are actually dispensed, the Terminal Operator must process a Correction Request to make the Surcharge proportionate to the amount actually dispensed. (Amended December 1, 2000)
- g. **Surcharge on a Reversal.** Any on-line Reversal of a complete Transaction must include as a part of the on-line Reversal a Reversal of any Surcharge associated with such Transaction.
- h. **Surcharge Receipt Requirement.** The amount of any Surcharge levied on the Cardholder must be listed as a separate item and identified either by the word "Fee" preceded by an acronym or other word or symbol identifying the entity levying the Surcharge or, if a Merchant's name appears on the receipt and the Merchant so elects, by the phrase "Merchant Fee," or if the ATM Acquirer's or owner's name appears on the receipt and that entity so elects, by the phrase "Terminal Fee."



- i. **Audit Record.** Each Terminal Operator for a Terminal where Surcharges are imposed shall maintain a separate reference in the audit record of each Surcharge imposed at such Terminal.

SECTION 3.4 Chained Transactions

No Acquirer shall permit a Chained Transaction at its Terminals unless the Transaction takes place at a Terminal that retains the Card in the Terminal for the duration of the Transaction session.

SECTION 3.5 Transaction Restrictions

Each ATM Acquirer shall not impose minimum Transaction amount limitations at its ATMs greater than \$20.00 per Transaction or maximum Transaction amount limitations less than \$200.00 per Transaction.

SECTION 3.6 SNAP Merchandise Refunds and Cash Merchandise Refunds

Each Acquirer shall be liable to the Issuer for each SNAP Merchandise Refund and each Cash Merchandise Refund submitted by or on behalf of such Acquirer and authorized by or on behalf of the Issuer. The Acquirer shall settle for the full amount of such Transaction. *(Amended September 26, 2014)*

SECTION 3.7 Exception Processing

Each Acquirer and its respective Merchants shall bear the risk of denial, for any reason, of a Store and Forward Transaction or Manual SNAP Transaction for which Telephone Authorization was not received. *(Amended September 26, 2014)*

SECTION 3.8 Maintenance of Records

Each Acquirer or Terminal Operator on behalf of the Acquirer, shall maintain a record of each Transaction communicated to or by it for a period of two (2) years or such longer period of time as may be required under Applicable Law.

GENERAL TERMINAL OPERATOR REQUIREMENTS FOR ATMs AND POS TERMINALS

SECTION 3.9 Agreements

Each Terminal Operator that is not an Acquirer shall enter into a Third Party Provider Agreement with an Acquirer pursuant to which such Terminal Operator agrees to be bound by and comply with these Rules, as such Rules may be amended from time to time.

SECTION 3.10 Interface

Each Terminal Operator shall maintain the necessary computer hardware and software to interface either directly with a CAS or with a Third Party Service Provider to obtain access to one or more CASs.

SECTION 3.11 General Operating Standards

- a. **Required Data Transmission.** Terminals must transmit all information electronically as specified in these Rules.
- b. **Track 2 Transmission.** The entire unaltered contents of Track 2 must be transmitted to the CAS.



- c. **Message Format.** Each Terminal Operator shall use the ISO 8583 message format, modified for EBT in a version mutually agreed to between the Terminal Operator and its CAS, for all Transactions. Each Terminal Operator shall process each Transaction as a single message financial Transaction, except for Preauthorized Transactions.
- d. **Modification of Transactions.** No Terminal Operator may modify or alter a Transaction message except to correct a technical error in message format.

SECTION 3.12 Terminal Standards

Each Terminal Operator shall ensure that its Terminals have the following physical characteristics:

- a. **Magnetic Stripe Reader.** Each Terminal must have a Magnetic Stripe Reader that is used to initiate Transactions, except as otherwise provided in these Rules for certain POS Transactions. For a POS Terminal the Magnetic Stripe Reader must be at, or in immediate proximity to, the Point of Sale where a Card is accepted.
- b. **Keyboard.** Each Terminal must have an alphanumeric keyboard necessary for the completion of Transactions. Each Terminal keyboard must be capable of performing actions, functions, and data entry according to ANSI standards. Each Terminal must lock the keyboard and prevent additional Transactions, other than a Cancellation, from being initiated while a Transaction is being processed. The keyboard conversion from letters to numbers shall be as follows:

<u>Alphabetic Character</u>	<u>Numeric Equivalent</u>
QZ	1
ABC	2
DEF	3
GHI	4
JKL	5
MNO	6
PRS	7
TUV	8
WXY	9
(Not applicable)	0

- c. **Data Entry Keypad.** Each Terminal Operator shall provide a data entry keypad or appropriate alternative to enable the entry of alphanumeric data necessary for Transactions, including entry of PINs having from 4 to 6 characters. The alphabetic characters and their corresponding numeric equivalent shall be consistent with the keyboard format specified in these Rules.
- d. **Cancel Key.** Each Terminal must have a cancel function to enable a Cardholder to cancel a Transaction when an error has been made or when the Cardholder wishes to stop the Transaction prior to Authorization, and must otherwise support Cancellations.
- e. **Printed Documentation.** Each Terminal must have a journal printer or other capability to print records of Transactions, including, at a minimum, the information, other than Available Balance, provided on the Transaction receipt and, for Transactions that are denied, the denial reason communicated by the CAS.



- f. **Receipt Printer.** Upon completion of an Authorized Transaction, other than a Balance Inquiry, each ATM and POS Terminal must make available to the Cardholder a receipt that complies with Applicable Law and contains the following information: *(Amended October 8, 1998)*
- (i) the final four digits only of the Card number or, solely at an ATM that allows the Cardholder the option of not receiving a receipt for each Transaction, either the final four digits of, or the entire, Card number; *(Amended October 8, 1998)*
 - (ii) information that would satisfy the receipt requirements of Regulation E, 12 C.F.R. Section 205.9, if such regulation were otherwise applicable to the Transaction; and
 - (iii) the amount of any Surcharge levied on the Cardholder in accordance with these Rules and Applicable Law, listed as a separate item in accordance with Section 3.3(h).
- g. **Time-Out Requirements.** Each Terminal Operator shall ensure that its Terminals wait a reasonable time from the sending of a Transaction Request for a response before terminating the Transaction due to the failure to receive a timely response. This period of time must account for reasonable time for the CAS to process the request, Switch timers and reasonable telecommunications time for the transmission of the Transaction Request and Transaction Response.

SECTION 3.13 Routing of Transactions

Each Terminal Operator shall establish a direct or indirect telecommunications connection for the routing of Transactions to the CAS for its Acquirer's Issuer, or to a Network or Processor directly or indirectly connected to the CAS.

SECTION 3.14 Transactions at Scrip Terminals

Scrip Terminals are considered to be POS Terminals for purposes of these Rules, except with respect to the following special conditions on the use of Scrip Terminals to effectuate Transactions:

- a. No Terminal Operator may utilize a Scrip Terminal to initiate a SNAP Transaction.
- b. Each Terminal Operator shall clearly and conspicuously post the following information at or near each of its Scrip Terminals:
 - (i) The location(s) or place(s) of redemption for the Scrip.
 - (ii) The days and hours of operation of such location(s).
 - (iii) Any time limit within which the Scrip must be redeemed.
 - (iv) Any policy regarding lost or stolen Scrip and refunds for unused Scrip.
 - (v) Any restrictions, including daily Transaction limits, imposed by the Terminal Operator or Merchant on the number or value of Transactions for the purchase or redemption of the Scrip.
 - (vi) Notification that the Cardholder's account will be debited when the Transaction is completed, regardless of whether the Scrip is redeemed.
 - (vii) Any other restrictions on the issuance or redemption of the Scrip.



- c. Each Terminal Operator shall clearly and conspicuously print on the Cardholder's receipt or Scrip voucher any expiration date for redemption of the Scrip issued.

SECTION 3.15 Key Entry of PAN Transactions

If a POS Terminal is unable to read the Magnetic Stripe of a Card, a POS Terminal Operator, on behalf of one or more Acquirers and Merchants, may permit the manual entry of the PAN into the Terminal in order to process a POS Transaction; provided, however, that the Cardholder must be present and must enter the PIN himself or herself. Provided, further, that the Card must be present to initiate a Transaction. The POS Terminal Operator must identify each such Transaction as key-entered in the Transaction message. Key entry of the PAN is not permitted at ATMs. *(Amended January 9, 1998 and February 2, 2001)*

SECTION 3.16 Use of PIN and Magnetic Stripe Reader

Each original Transaction must be initiated by swiping, dipping or inserting a Card through a Magnetic Stripe Reader and by the Cardholder keying in the PIN at the ATM or at the PIN Pad located at or in proximity to the POS Terminal; except as otherwise expressly provided herein. The Card must be present to initiate a Transaction. *(Amended February 2, 2001)*

SECTION 3.17 IIN Files

Each Terminal Operator that uses a routing table for routing acquired Transactions shall, within seven (7) calendar days of receiving an IIN routing table update, modify its routing tables to reflect the updated routing information.

SECTION 3.18 PIN Confidentiality and Security

Each Terminal Operator shall ensure the following with respect to each Transaction it processes:

- a. upon entry into a PIN Pad, each PIN must be encrypted using DES;
- b. initial PIN encryption must be performed within either a "Physically Secure" or a "Logically Protected" TRSM and must utilize a corresponding key management technique, as specified in Section 4.1 of ANSI X9.24-1992, and as listed below:

Physically Secure TRSM

1. Fixed Transaction Keys
2. Master Keys/Transaction Keys Unique Key per Transaction
3. Non-Reversibly Transformed
4. Derived Unique Key per Transaction

Logically Protected TRSM

1. Non-Reversibly Transformed
 2. Derived Unique Key per Unique Key per Transaction
- c. the PIN must remain encrypted until it reaches the CAS;
 - d. any translation of the PIN by a Terminal Operator, including any translation at the Acquirer's central processing computer, must be performed within a Physically Secure TRSM, without the use of software; and



- e. all keys by which PINs are encrypted must be generated in a secure manner and management of encryption keys must meet the standards as set by the ANSI X98.8-1982; X9.24-1992; and X3.92-1987. At a minimum, all encryption keys must be subject to dual control, i.e. no single person shall have control over all parts of any encryption key. If there is a known or suspected compromise of an encryption key, internal escalation procedures must be followed and the encryption key must immediately be changed.

SECTION 3.19 Confidentiality

No Terminal Operator 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 3.20 [Reserved]

SECTION 3.21 Transaction Record Retention

Each Terminal Operator shall retain prompt access to records for all Transaction activity for a minimum period of seven (7) calendar days. Such records shall be in a retrievable form on a media and format as required by the Acquirer's Issuer. Each Terminal Operator shall deliver such records to any Issuer or CAS involved in the Transaction requesting them within seven (7) Business Days' receipt of an electronic or telefacsimile transmission of a request for such records. Each Terminal Operator shall certify as to its ability to comply with the requirements of this Rule at the time it qualifies to process Transactions.

Each Terminal Operator shall participate in periodic tests of its ability to comply with the requirements of this Rule no more frequently than annually and shall correct any noncompliance identified by such test or by audit as soon as reasonably possible. Each Issuer or Acquirer may conduct an annual audit of each of its Terminal Operators' ability to retain and deliver the foregoing information on magnetic tape or other agreed to medium and shall provide at least six (6) weeks written notice of such test to each Terminal Operator required to participate therein.

ATM OPERATOR REQUIREMENTS

In addition to the general obligations of all Terminal Operators, each ATM Operator shall comply with the provisions of Sections 3.22, 3.23, 3.24, 3.25 and 3.26.

SECTION 3.22 ATM Transactions

Each ATM Operator must support each of the following ATM Transactions:



- a. **Withdrawal from Cash Account.** This Transaction may be supported by the existing checking account withdrawal function and key. The Terminal Operator must print the remaining Available Balance communicated by the CAS on the ATM receipt if the ATM is physically capable of printing such Available Balance.
- b. **Balance Inquiry from Cash Account.** This Transaction can be supported by the existing checking account balance inquiry function and key.
- c. **Correction Requests and Correction Responses.** (Amended December 1, 2000)
- d. **Reversal.** Each ATM Operator must be able to initiate Reversals and partial Reversals at the ATMs it drives.

SECTION 3.23 ATM Terminal Operating Standards

In addition to the standards identified for all Terminals, ATMs must have the following physical characteristics:

- a. **Display.** Each ATM must enable the Cardholder to view data entered into the Terminal or received in response to a Transaction. The PIN keyed in by the Cardholder must not be displayed.
- b. **Action Key.** Each ATM must have an action key to enable a Cardholder to select the function shown on the display or printed on the key.
- c. **Denial Message Content.** Each ATM must have the capability of printing or displaying for the Cardholder the following (or similar) responses or corresponding codes in connection with the associated Transaction denial message:
 - (i) invalid PIN;
 - (ii) invalid Transaction;
 - (iii) NSF (non-sufficient funds);
 - (iv) invalid Account;
 - (v) failure to receive a timely response; and
 - (vi) system malfunction.

The ATM Operator must provide an appropriate message to the Cardholder in any instance where the attempted Transaction is denied. If a specific reason cannot be provided for the rejection, the message shall refer the Cardholder to the Issuer.

SECTION 3.24 Authorization of Transactions

No ATM Operator may dispense cash at an ATM without receiving an on-line Authorization from a CAS. Each ATM Operator must request Authorization of a Transaction notwithstanding the fact that the Card used to initiate the Transaction is past its expiration date.



SECTION 3.25 Cameras

These Rules do not require cameras at ATM locations. If an ATM Acquirer does have cameras at such locations, pictures obtained with such cameras with respect to a disputed Transaction shall be provided to a requesting Issuer within seven (7) Business Days of the Acquirer's receipt of a request from the Issuer. Such pictures shall be provided and used at the sole expense of the Issuer at rates generally applicable with respect to comparable requests in commercial systems.

SECTION 3.26 Customer Service

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

REQUIREMENTS FOR ALL POS TERMINAL OPERATORS

In addition to the general obligations of all Terminal Operators, each POS Terminal Operator shall comply with the provisions of Sections 3.27, 3.28, 3.29 and 3.30.

SECTION 3.27 Correction Requests

Each POS Terminal Operator must support the following:

- a. **Correction Requests.**
- b. **Correction Responses.**
- c. **Reversals.** Each POS Terminal Operator must support Reversals, including a Reversal due to a Cardholder's attempted cancellation of a POS Transaction following the release of the Transaction Request by the POS Terminal Operator. If the POS Terminal Operator permits a Cardholder to void the immediately preceding Transaction due to mis-keyed information, the void shall be transmitted to the CAS as a Reversal. *(Amended November 15, 2001 and September 26, 2014)*

SECTION 3.28 Transaction Restrictions

A POS Terminal Operator may not impose either minimum or maximum POS Transaction limitations on any Cardholder. Notwithstanding the foregoing, limitations on the amount of the cash portion of a Cashback Transaction are not prohibited.

SECTION 3.29 Authorization of Transactions

Each POS Terminal Operator 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 3.30 POS Terminal Operating Standards

In addition to ensuring compliance with the requirements for all Terminals, each POS Terminal Operator must ensure that each POS Terminal it operates has:



- a. **Connectivity.** An on-line connection to the system for Transaction processing and routing, whether operated by the Acquirer or the POS Terminal Operator, or an immediate dial-up connection to that system.
- b. **PIN Pad.** At, or in immediate proximity to, any Point of Sale where a Card is accepted, an operating PIN Pad with an alphanumeric keyboard that meets the standards set forth in these Rules. The PIN Pad must be positioned in such a way as to afford the Cardholder reasonable privacy while entering his or her PIN and conducting a POS Transaction. Each PIN must be encrypted at the POS Terminal or in the PIN Pad if it is separate from the POS Terminal.
- b. **Denial Message Content.** Each POS Terminal must have the capability of printing or displaying for the cardholder the following (or similar) responses or corresponding codes in connection with the associated Transaction denial message:
 - (i) invalid PIN; or
 - (ii) other denial.

POS TERMINAL OPERATOR REQUIREMENTS FOR POS CASH TRANSACTIONS

In addition to the general obligations of all Terminal Operators and of all POS Terminal Operators, each POS Terminal Operator for a Cash Account Merchant or Full Service Merchant shall comply with the provisions of Sections 3.3 1, 3.3 2, 3.3 3, 3.3 4 and 3.3 5.

SECTION 3.31 POS Transactions

Each POS Terminal Operator for a Cash Account Merchant or a Full Service Merchant must support Purchase Only from Cash Account Transactions. This Transaction may be supported by the standard debit function at a POS Terminal.

SECTION 3.32 Optional POS Transactions

At its option, each POS Terminal Operator for a Cash Account Merchant or a Full Service Merchant may support the following Transactions:

- a. **Purchase with Cashback from Cash Account.** This Transaction may be supported by the existing debit function at a POS Terminal. These Rules do not place any limit on the amount of the cashback portion of a POS Transaction.
- b. **Balance Inquiry from Cash Account.** This Transaction may be supported by the existing checking account Balance Inquiry function and key.
- c. **Cash Only from Cash Account.** This Transaction may be supported by the existing debit function at the POS Terminal. These Rules do not place any limit on the amount of a Cash Only from Cash Account Transaction.
- d. **Preauthorized Transaction from Cash Account.** A Preauthorized Transaction is a two-part Transaction which consists of a Preauthorization request and a Completion. Each POS Terminal Operator supporting Preauthorized Transactions shall comply with the following requirements:
 - (i) **Request** - Each Preauthorization request transmitted to the CAS must be initiated through the use of a Magnetic Stripe Reader and a PIN entered by the Cardholder and must be for \$40.00 or less.



- (ii) **Completion** - Each POS Terminal Operator must transmit a Completion to the CAS when the Cardholder completes the purchase and the final Transaction amount is entered. Each Completion must be sent within two hours after the Preauthorization request is sent. The Completion must be in an amount less than or equal to the amount of the Preauthorization response provided by the CAS.
 - (iii) **Exceeded Time Limit/Exceeds Amount** - If the POS Terminal Operator sends a Completion more than two hours after it sent the corresponding Preauthorization request, the Issuer shall have no liability for such Transaction. The Issuer, in its sole discretion, may accept a Completion in accordance with the provisions of Chapter I notwithstanding that it was not timely presented. The Issuer also shall have no liability for a Transaction if the amount of the Completion is in excess of the amount of the Preauthorization. The Issuer, in its sole discretion, may accept a Completion in accordance with the provisions of Chapter I notwithstanding that the amount of the Completion exceeds the amount of the Preauthorization.
- e. **Refunds on Cash Account Transactions. (Amended September 26, 2014)**
- (i) **Option to Process Cash Merchandise Refunds** - A POS Terminal Operator may process an electronic refund to a Cash Account with respect to a previously Authorized Transaction if that Transaction type is supported for the relevant EBT Program. In all other cases, a refund associated with a POS Cash Transaction must be handled by the Merchant in the same manner as the Merchant would handle a refund with respect to a cash purchase.
 - (ii) **Standards for Cash Merchandise Refunds** - Each Cash Merchandise Refund may be processed only with the Card that initiated the original Transaction and to the Cash Account from which funds were debited. Each Cash Merchandise Refund request must be initiated through the use of a PIN and Magnetic Stripe Reader. No POS Terminal Operator may process a Cash Merchandise Refund request in an amount that exceeds the original Transaction amount. The POS Terminal Operator must print on the receipt for a Cash Merchandise Refund the Available Balance communicated by the CAS.

SECTION 3.33 Reserved (Amended September 26, 2014)

SECTION 3.34 Optional Store and Forward Cash Transactions and Resubmissions (Amended September 26, 2014)

- a. **Submission of Store and Forward Cash Transactions.** If at any time, a POS Terminal Operator is unable electronically to communicate with a CAS or any entity providing Stand-In Authorization for the CAS because of a technical malfunction, the POS Terminal Operator may electronically store and forward a Cash Transaction, provided that the Cardholder's PIN is stored only in an encrypted format. The Transaction must be forwarded within twenty-four (24) hours after communication with the CAS is reestablished. Each Store and Forward Cash Transaction is conducted at the risk and liability of the Acquirer and the Merchant. Any allocation of liability between the Acquirer and the Merchant shall be governed by the Merchant Agreement.
- b. **Resubmission of Denied Store and Forward Cash Transactions.** A POS Terminal Operator may not resubmit any Transaction for which a denial has been received due to any reason other than for an error in message format. If a Store and Forward Cash Transaction is denied by the CAS due to an error in message format, the Terminal Operator may correct the problem that led to denial of the Transaction and resubmit such corrected Transaction for Authorization and payment by the CAS. Such Resubmission shall be made as promptly as possible following the receipt of such denial message. The POS Terminal Operator may not resubmit a Partially Authorized Transaction.



SECTION 3.35 Cashback Reporting

Effective January 1, 1998, each POS Terminal Operator that processes Cashback Transactions shall transmit, for each such Cashback Transaction, the amount of cash given to a Cardholder in the Transaction message to the CAS. Following January 1, 1998, no POS Terminal Operator may initiate a Cashback Transaction without complying with this Rule.

REQUIREMENTS FOR POS TERMINAL OPERATORS PROCESSING SNAP TRANSACTIONS

In addition to the general obligations of all Terminal Operators and of all POS Terminal Operators, each POS Terminal Operator for a SNAP Only Merchant or a Full Service Merchant shall comply with the provisions of Sections 3.36, 3.37 and 3.38.

SECTION 3.36 SNAP Transactions

Each POS Terminal Operator for a SNAP Only Merchant or Full Service Merchant must support the following SNAP Transactions:

- a. **SNAP Purchase.** A SNAP Purchase may be initiated only at a POS Terminal located on the premises of a SNAP Only Merchant or Full Service Merchant and may not include any return of cash to the Cardholder. Upon completion of an Authorized SNAP Purchase or a SNAP Transaction declined for insufficient funds, the POS Terminal Operator must print the Available Balance communicated by the CAS on the receipt.
- b. **SNAP Merchandise Refund Transaction.** Each SNAP Merchandise Refund may be processed only with the Card that initiated the original Transaction and to the SNAP Account from which funds were debited. Each SNAP Merchandise Refund request must be initiated through the use of a PIN and a Magnetic Stripe Reader or as a Manual SNAP Transaction. No POS Terminal Operator may process a SNAP Merchandise Refund request in an amount that exceeds the original Transaction amount. No Merchant may provide a SNAP Merchandise Refund in cash. The POS Terminal Operator must print on the receipt for a SNAP Merchandise Refund Transaction the Available Balance communicated by the CAS. *(Amended September 26, 2014)*

SECTION 3.37 Optional SNAP Transactions

(Amended January 9, 1998)

Each POS Terminal Operator that supports SNAP Transactions may, at its option, also support the following Transactions:

- a. **Balance Inquiry from SNAP Account.**
- b. **Manual SNAP Transactions.** Each POS Terminal Operator for a SNAP Only Merchant or Full Service Merchant that accepts Manual SNAP Transactions must accept Sales and Credit Drafts and convert these drafts to electronic messages for submission to the CAS. Each converted Sales and Credit Draft must be received by the CAS in an electronic format acceptable to the CAS no later than fifteen (15) calendar days from the date of the Transaction Authorization.



- c. *Store and Forward SNAP Transactions.*** If at any time, a POS Terminal Operator is unable electronically to communicate with a CAS or any entity providing Stand-In Authorization for the CAS because of a technical malfunction, the POS Terminal Operator may electronically store forward a SNAP Transaction, provided that the Cardholder's PIN is stored only in an encrypted format. The Transaction must be forwarded within twenty-four (24) hours after communication with the CAS is reestablished. Each Store and Forward SNAP Transaction is conducted at the risk and liability of the Acquirer and the Merchant. Any allocation of liability between the Acquirer and the Merchant shall be governed by the Merchant Agreement. *(Amended September 26, 2014)*
- d. *Resubmission of Denied Manual SNAP Transactions and Store and Forward SNAP Transactions.*** A POS Terminal Operator may not resubmit any Transaction for which a denial has been received due to any reason other than for an error in message format.

If a Manual SNAP Transaction or Store and Forward SNAP Transaction is denied by the CAS due to an error in message format, the Terminal Operator may correct the problem that led to denial of the Transaction and resubmit such corrected Transaction for Authorization and payment by the CAS. Such Resubmission shall be made as promptly as possible following the receipt of such denial message. The POS Terminal Operator may not resubmit a Partially Authorized Transaction. *(Amended September 26, 2014)*

SECTION 3.38 Food Stamp Merchant Code

For each SNAP Transaction, the POS Terminal Operator must transmit the FSMC as part of the Transaction Message.



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)*



CHAPTER FIVE – ERROR RESOLUTION *(Amended November 15, 2001)*

SECTION 5.1 General

- a. **Cooperation.** Each Participant involved in a Transaction error, whether a System Error, Settlement Error or otherwise, shall cooperate in good faith in attempts to resolve such error, regardless of whether the error resolution procedures of this Chapter apply. If an Acquirer initiates a System Error Correction Request in good faith outside of the time lines provided by this Chapter, nothing in this Chapter shall preclude such claim from being addressed under the relevant EBT Program if provided for by the Governmental Entity responsible for such EBT Program. *(Amended June 17, 2005)*
- c. **Consistency with FNS Regulations.** No provision of this Chapter 5 should be read to require any Participant to take any action inconsistent with FNS Regulations. *(Amended June 17, 2005)*
- d. **Issuer Obligations.** An Issuer may not reject an Acquirer's Correction Request because of limitations on Account access under Applicable Law or the Issuer Agreement, except as expressly provided herein.
- d. **No Modifications at POS.** A Merchant may not modify an amount originally entered at the point of sale. The preceding sentence does not preclude a Merchant from modifying an erroneous amount entered on a Sales and Credit Draft if the Cardholder is present and specifically approves the modification.
- e. **Notice of Correction Requests and Responses.** Notice of a Correction Request or Correction Response shall be deemed to have been given:
 - (i) With respect to an entry into an automated adjustment system or other form of electronic communication, such as email, on the day the Correction Request or Correction Response is sent
 - (ii) With respect to a faxed communication, on the day Correction Request or Correction Response is sent
 - (iii) With respect to a communication sent by overnight delivery service, on the Business Day following the day that the Correction Request or Correction Response is sent
 - (iv) With respect to a communication sent by U.S. mail, on Business Day such communication is received
- f. **Holds on Accounts.** Nothing in these Rules shall affect the right, authority or obligation of an Issuer under any Issuer Agreement or Applicable Law to place a hold on an Account pending payment of a Correction Request.

SECTION 5.2 Acquirer-Initiated Corrections for Cash Transactions

Each Acquirer must promptly balance and reconcile its Terminals and accounts, and must initiate a Correction Request for Cash Transactions promptly upon discovery of a System Error or Settlement Error.

- a. **Credit to Issuer (Cash Transactions).** Examples of errors for which Correction Requests should be issued to credit an Issuer include: duplicate Transactions and ATM under-dispense.
 - (i) **Time Lines**



- A. **Acquirer Request.** Each Acquirer must provide notice of a System Error Correction Request for Cash Transactions within six (6) Business Days of discovery of a System Error requiring credit to a Cash Account, or as promptly as possible thereafter if the Acquirer in good faith, is unable to provide notice within such time frame. Each Acquirer must provide notice of a Settlement Error Correction Request to credit an Issuer within twenty (20) Business Days of the original Transaction Date, or as promptly as possible thereafter if the Acquirer, in good faith, is unable to provide notice within such time frame.
- B. **Issuer Response.** No response is required other than settlement of the Correction Request as provided below.

(ii) Documentation

- A. **Acquirer Request.** Each Correction Request by an Acquirer to credit an Issuer in respect of a Cash Transaction must contain at least the following information:
 - I. Transaction identification or trace number
 - II. Transaction amount
 - III. Transaction Date and Transaction Time
 - IV. Terminal identification number
 - V. Cardholder PAN
 - VI. Explanation of the alleged error sufficient to allow the Cardholder of the Correction Request to evaluate the claim
 - VII. Contact information for communications regarding the Correction Request
 - VIII. Listing of any accompanying documentation
 - IX. If the Correction Request relates to an earlier erroneous Correction Request, the date of the earlier Correction Request and any other information reasonably necessary to identify the earlier Correction Request.
- B. **Issuer Response.** No response is required other than settlement of the Correction Request as provided below. However, if the Issuer rejects the Correction Request, the Correction Response must contain a reasonable explanation of the basis for rejection (e.g., duplicate Correction Request). No additional documentation is required.

(iii) Follow-up

- A. **Approval/No Response.** The amount of the Correction Request must be included in the Settlement for correction items and credited to the Cardholder's Cash Account within four (4) Business Days following notice of a System Error Correction Request. The amount of the Correction Request must be included in the Settlement for correction items within ten (10) Business Days following notice of a Settlement Error Correction Request. In each case, the Acquirer must pay such amount.
- B. **Denial.** If the Issuer issues a Correction Response rejecting a credit (e.g., on the basis of a prior or duplicate correction), no further action is required of the Issuer or Acquirer.



- b. **Debit to Issuer (Cash Transactions).** Examples of errors for which Correction Requests should be issued to debit an Issuer include: erroneous reversal, ATM over-dispense and prior correction credit provided to Issuer in error.

(i) **Time Lines**

- A. **Acquirer Request.** Each Acquirer must provide notice of a System Error Correction Request to debit an Issuer for a Cash Transaction (a) within six (6) Business Days of the original Transaction Date, or (b) if the Correction Request is to reverse or adjust a prior correction credit to the Issuer, within six (6) Business Days of the date of such earlier Correction Request. Correction Requests for System Errors initiated after that period may be automatically rejected. Each Acquirer must provide notice of a Settlement Error Correction Request to debit an Issuer for a Cash Transaction within twenty (20) Business Days of the original Transaction Date, or as promptly as possible thereafter if the Acquirer, in good faith, is unable to provide notice within such time frame. Each Issuer must make a good faith effort to process late Correction Requests for Settlement Errors.
- B. **Issuer Response for Transactions NOT Subject to Fair Hearing Requirements.** The procedures in this Subsection (B) apply if an Acquirer's Correction Request relates to a Cash Transaction that is NOT subject to State Fair Hearing procedures prior to the charging of a Correction Request to a Cardholder's Cash Account. Each Issuer must issue its Correction Response for System Errors promptly upon determining that either (i) that it rejects the Correction Request or (ii) that it accepts the Correction Request and there are sufficient funds available to satisfy such Correction Request. The Issuer shall accept or reject a Correction Request for a System Error by the Initial Issuer Response Cut-Off unless it determines that the Correction Request is valid but there are insufficient funds in the Cardholder's Cash Account with which to satisfy such Correction Request. If there are insufficient funds to pay an otherwise valid System Error Correction Request, the Issuer thereafter shall daily review whether sufficient funds have become available in the Cardholder's Cash Account, giving first priority to payment of the Correction Request out of any funds in or added to the Cardholder's Cash Account, and shall issue its System Error Correction Response the next Business Day following the availability of sufficient funds in the Cardholder's Cash Account. If sufficient funds do not become available in the Cardholder's Cash Account by the close of business on the last calendar day of the month following the Correction Request, the Issuer shall notify the Acquirer of its Correction Response rejecting the Correction Request for insufficient funds within two (2) Business Days. If information comes to the attention of the Issuer after the Initial Issuer Response Cut-Off that justifies rejection of a Correction Request, the Issuer may, notwithstanding the foregoing, issue a Correction Response rejecting the Correction Request at any time prior to settlement of the Correction Request. Each Issuer must issue its Correction Response to Settlement Error Correction Requests within ten (10) Business Days of notice of the Correction Request, and may not reject such Correction Request for insufficient funds.
- C. **Issuer Response for Transactions Subject to Fair Hearing Requirements.** The procedures in this Subsection (C) apply if an Acquirer's Correction Request relates to a Cash Transaction that IS subject to State Fair Hearing procedures prior to the charging of a Correction Request to a Cardholder's Cash Account. Each Issuer shall make a preliminary determination whether to accept or reject a System Error Correction Request by the Initial Issuer Response Cut-Off.
- I. **Rejection.** If the Issuer determines to reject a System Error Correction Request, it shall notify the Acquirer by the Initial Issuer Response Cut-Off. If information comes to the attention of the Issuer after the Initial Issuer Response Cut-Off that justifies rejection of a Correction Request, the Issuer may, notwithstanding the preceding sentence, issue a Correction Response rejecting the Correction Request at any time prior to settlement of the Correction Request.



II. **Acceptance.** If the Issuer makes a preliminary determination to accept a System Error Correction Request, it shall provide such notice to the Cardholder as may be required by Applicable Law.

- (a) **No Hearing Request.** If the Cardholder does not request a Fair Hearing within the period applicable to SNAP Transactions and there are sufficient funds available in the Cash Account to fully satisfy the System Error Correction Request, the Issuer shall issue its Correction Response the next Business Day. If the Cardholder does not request a Fair Hearing within the period applicable to SNAP Transactions and there are insufficient funds available in the Cash Account to fully satisfy the Correction Request, the Issuer thereafter shall daily review whether sufficient funds have become available in the Cardholder's Cash Account, giving first priority to payment of the Correction Request out of any funds in or added to the Cardholder's Cash Account, and shall issue its System Error Correction Response the next Business Day following the availability of sufficient funds in the Cardholder's Cash Account. If sufficient funds do not become available in the Cardholder's Cash Account by the close of business on the last calendar day of the month following the Correction Request, the Issuer shall notify the Acquirer of its Correction Response rejecting the Correction Request for insufficient funds within two (2) Business Days. If information comes to the attention of the Issuer after the Initial Issuer Response Cut-Off that justifies rejection of a Correction Request, the Issuer may, notwithstanding the foregoing, issue a Correction Response rejecting the Correction Request at any time prior to settlement of the Correction Request.
- (b) **Hearing Request.** If the Cardholder requests a Fair Hearing within the period applicable to SNAP Transactions, the Issuer shall provide a Correction Response that rejects the Correction Request on the basis of the Fair Hearing request.

(ii) **Documentation**

A. **Acquirer Request.** Each Correction Request by an Acquirer to debit an Issuer in respect of a Cash Transaction must contain at least the following information:

- I. Transaction identification or trace number
- II. Transaction amount
- III. Transaction Date and Transaction Time
- IV. Terminal identification number
- V. Cardholder PAN
- VI. Explanation of the alleged error sufficient to allow the Cardholder of the Correction Request to evaluate the claim
- VII. Contact information for communications regarding the Correction Request
- VIII. Listing of any accompanying documentation
- IX. A copy of the audit tape or Terminal journal and ATM balancing sheets, upon request only



- X. If the Correction Request relates to an earlier erroneous Correction Request, the date of the earlier Correction Request and any other information reasonably necessary to identify the earlier Correction Request, and, upon request only, a copy of such earlier Correction Request.

B. Issuer Response. If the Issuer rejects the Correction Request, the Correction Response must contain:

- I. a reasonable explanation of the basis for rejection (e.g., failure by Acquirer to provide all required information, duplicate Correction Request, or unverifiable PAN)
- II. documents (including electronic records) reasonably supporting such rejection, such as a Transaction record of a reversal of the underlying Transaction, upon request only.

(iii) Follow-up

A. Timely Correction Response Received

- I. **Approval.** If the Issuer accepts the Correction Request and (i) there are sufficient funds in the Cardholder's Cash Account to satisfy such Correction Request by the Initial Issuer Response Cut-Off, (ii) sufficient funds become available before the close of business on the last calendar day of the month following the Correction Request or (iii) the Correction Request relates to a Settlement Error, the Issuer shall include the correction in the Settlement of correction items within the next three (3) Business Days.
- II. **Denial.** If the Issuer rejects the Correction Request, it must notify the Acquirer in accordance with the time limits and documentation requirements above. If there is a dispute regarding the validity of the Issuer's rejection of a Correction Request, the parties to any such dispute shall take all steps reasonably practicable to resolve such dispute by mutual agreement within thirty (30) calendar days of notice of the Issuer's Correction Response.

B. No Timely Correction Response Received. If the Issuer fails to provide a timely Correction Response or payment of a Correction Request in accordance with the procedures above, the Issuer shall be responsible for settling the Correction Request regardless of the availability of funds in the Cardholder's Cash Account.

SECTION 5.3 Acquirer-Initiated Corrections for SNAP

Each Acquirer must promptly balance and reconcile its POS Terminals and accounts, and must initiate a Correction Request for SNAP Transactions promptly upon discovery of a System Error or Settlement Error.

- a. **Credit to Issuer (SNAP Transactions).** Examples of errors for which Correction Requests should be issued to credit an Issuer include: duplicate Transactions.

(i) Time Lines

- A. **Acquirer Request.** Each Acquirer must provide notice of a System Error Correction Request for SNAP Transactions within six (6) Business Days of discovery of a System Error requiring credit to a SNAP Account, or as promptly as possible thereafter if the Acquirer in good faith, is unable to provide notice within such time frame. Each Acquirer must provide notice of a Settlement Error Correction Request to credit an Issuer within twenty (20) Business Days of the original Transaction Date, or as promptly as possible thereafter if the Acquirer, in good faith, is unable to provide notice within such time frame.



- B. **Issuer Response.** No response is required other than settlement of the Correction Request as provided below.

(ii) Documentation

- A. **Acquirer Request.** Each Correction Request to credit an Issuer in respect of a SNAP Transaction must contain at least the following information:

- I. Transaction identification or trace number
- II. Transaction amount
- III. Transaction Date and Transaction Time
- IV. Terminal identification number
- V. Merchant FNS number
- VI. Cardholder PAN
- VII. Explanation of the alleged error sufficient to allow the Cardholder of the Correction Request to evaluate the claim
- VIII. Contact information for communications regarding the Correction Request
- IX. Listing of any accompanying documentation
- X. If the Correction Request relates to an earlier erroneous Correction Request, the date of the earlier Correction Request and any other information reasonably necessary to identify the earlier Correction Request.

- B. **Issuer Response.** No response is required other than settlement of the Correction Request as provided below. However, if the Issuer rejects the Correction Request, the Correction Response must contain a reasonable explanation of the basis for rejection (e.g., duplicate Correction Request). No additional documentation is required.

(iii) Follow-up

- A. **Approval/No Response.** The amount of the Correction Request must be included in the Settlement for correction items and credited to the Cardholder's SNAP Account within four (4) Business Days following notice of a System Error Correction Request. The amount of the Correction Request must be included in the Settlement for correction items within ten (10) Business Days following notice of a Settlement Error Correction Request. In each case, the Acquirer must pay such amount.
- B. **Denial.** If the Issuer issues a Correction Response rejecting a credit (e.g., on the basis of a prior or duplicate correction), no further action is required of the Issuer or Acquirer.

- b. **Debit to Issuer (SNAP Transactions).** Examples of errors for which Correction Requests should be issued to debit an Issuer include: erroneous reversal or prior correction credit provided to Issuer in error.

(i) Time Lines



- A. Acquirer Request.** Each Acquirer must provide notice of a System Error Correction Request to debit an Issuer for a SNAP Transaction (a) within six (6) Business Days of the original Transaction Date or (b) if the Correction Request is to reverse or adjust a prior correction credit to the Issuer, within six (6) Business Days of date of such earlier Correction Request. Correction Requests for System Errors initiated after that period may be automatically rejected. Each Acquirer must provide notice of a Settlement Error Correction Request to debit an Issuer within twenty (20) Business Days of the original Transaction Date, or as promptly as possible thereafter if the Acquirer, in good faith, is unable to provide notice within such time frame. Each Issuer must make a good faith effort to process late Correction Requests for Settlement Errors.
- B. Issuer Response.** Each Issuer shall make a preliminary determination whether to accept or reject a System Error Correction Request by the Initial Issuer Response Cut-Off. Each Issuer must issue its Correction Response to Settlement Error Correction Requests within ten (10) Business Days of notice of the Correction Request, and may not reject such Correction Request for insufficient funds.
- I. **Rejection.** If the Issuer determines to reject a System Error Correction Request, it shall notify the Acquirer by the Initial Issuer Response Cut-Off. If information comes to the attention of the Issuer after the Initial Issuer Response Cut-Off that justifies rejection of a Correction Request, the Issuer may, notwithstanding the preceding sentence, issue a Correction Response rejecting the Correction Request at any time prior to settlement of the Correction Request. Correction Requests for Settlement Errors may not be rejected for insufficient funds.
- II. **Acceptance.** If the Issuer makes a preliminary determination to accept a System Error Correction Request, it shall provide such notice to the Cardholder as may be required by Applicable Law.
- (a) **No Hearing Request.** If the Cardholder does not request a Fair Hearing within the period required by Applicable Law and there are sufficient funds available in the SNAP Account to fully satisfy the System Error Correction Request, the Issuer shall issue its Correction Response the next Business Day. If the Cardholder does not request a Fair Hearing within the period required by Applicable Law and there are insufficient funds available in the SNAP Account to fully satisfy the Correction Request, the Issuer thereafter shall daily review whether sufficient funds have become available in the Cardholder's SNAP Account, giving first priority to payment of the Correction Request out of any funds in or added to the Cardholder's SNAP Account, and shall issue its System Error Correction Response the next Business Day following the availability of sufficient funds in the Cardholder's SNAP Account. If sufficient funds do not become available in the Cardholder's SNAP Account by the close of business on the last calendar day of the month following the Correction Request, the Issuer shall notify the Acquirer of its Correction Response rejecting the Correction Request for insufficient funds within two (2) Business Days. If information comes to the attention of the Issuer after the Initial Issuer Response Cut-Off that justifies rejection of a Correction Request, the Issuer may, notwithstanding the foregoing, issue a Correction Response rejecting the Correction Request at any time prior to settlement of the Correction Request.
- (b) **Hearing Request.** If the Cardholder requests a Fair Hearing within the period required by Applicable Law, the Issuer shall provide a Correction Response that rejects the Correction Request on the basis of the Fair Hearing request.



(ii) Documentation

- A. Acquirer Request.** Each Acquirer Correction Request to debit an Issuer in respect of a SNAP Transaction must contain at least the following information:
- I. Transaction identification or trace number
 - II. Transaction amount
 - III. Transaction Date and Transaction Time
 - IV. Terminal identification number
 - V. Merchant FNS number
 - VI. Cardholder PAN
 - VII. Explanation of the alleged error sufficient to allow the Cardholder of the Correction Request to evaluate the claim
 - VIII. Contact information for communications regarding the Correction Request
 - IX. Listing of any accompanying documentation
 - X. A copy of the audit tape or Terminal journal, upon request only
 - XI. For a Manual SNAP Transaction B upon request only, a copy of the Sales and Credit Draft
 - XII. If the Correction Request relates to an earlier erroneous Correction Request, the date of the earlier Correction Request and any other information reasonably necessary to identify the earlier Correction Request, and, upon request only, a copy of such earlier Correction Request
- B. Issuer Response.** If the Issuer rejects the Correction Request, the Correction Response must contain:
- I. a reasonable explanation of the basis for rejection (e.g., failure by Acquirer to provide all required information, duplicate Correction Request, or unverifiable PAN)
 - II. documents (including electronic records) reasonably supporting such rejection, such as a Transaction record of a reversal of the underlying Transaction, upon request only.

(iii) Follow-up

- A. Timely Correction Response Received**
- I. **Approval.** If the Issuer issues a Correction Response accepting the Correction Request, the Issuer shall include the correction in the Settlement of correction items within the next three (3) Business Days following notice of such Correction Response.



- II. **Denial.** If the Issuer rejects the Correction Request, it must notify the Acquirer in accordance with the time limits and documentation requirements above. If there is a dispute regarding the validity of the Issuer's rejection of a Correction Request, the parties to any such dispute shall take all steps reasonably practicable to resolve such dispute by mutual agreement within thirty (30) calendar days of notice of the Issuer's Correction Response.
- B. **No Timely Correction Response Received.** If the Issuer fails to provide a timely Correction Response or payment of a Correction Request in accordance with the procedures above, the Issuer shall be responsible for settling the Correction Request regardless of the availability of funds in the Cardholder's SNAP Account.

SECTION 5.4 Issuer-Initiated Corrections for Cash Transactions

Each Issuer must promptly balance and reconcile its accounts, and must initiate Correction Requests for Cash Transactions promptly upon discovery of a System Error or Settlement Error.

- a. **Debit to Acquirer (Cash Transactions).** Examples of errors for which Correction Requests should be issued to debit an Acquirer include: duplicate Transaction and ATM misdispense.

(i) Time Lines

- A. **Issuer Request.** Each Issuer must make a good faith effort to initiate System Error Correction Requests for debit to an Acquirer in respect of a Cash Transaction (a) within ten (10) Business Days of the original Transaction Date, or (b) if the Correction Request is to reverse or adjust a prior correction credit to the Acquirer, within ten (10) Business Days of date of such earlier Correction Request, unless the Correction Request is in response to a Cardholder dispute. Each Issuer must initiate a Correction Request promptly in response to a Cardholder dispute received up to ninety (90) calendar days after the Transaction Date or, if the Correction Request is to reverse or adjust a prior correction credit to the Acquirer, up to ninety (90) calendar days from the date of such earlier Correction Request. Each Issuer must provide notice of a Settlement Error Correction Request to debit an Acquirer within twenty (20) Business Days of the original Transaction Date, or as promptly as possible thereafter if the Issuer, in good faith, is unable to provide notice within such time frame. Acquirers must make a good faith effort to process late Correction Requests for Settlement Errors.
- B. **Acquirer Response.** Each Acquirer must issue a Correction Response within twenty (20) calendar days of notice of a System Error Correction Request for a Cash Transaction. Each Acquirer must issue its Correction Response to Settlement Error Correction Requests within ten (10) Business Days of notice of the Correction Request, and may not reject such Correction Request for insufficient funds.

(ii) Documentation Requirements

- A. **Issuer Request.** Each Issuer Correction Request to debit an Acquirer in respect of a Cash Transaction must contain at least the following information:
 - I. Transaction identification or trace number
 - II. Transaction amount
 - III. Transaction Date and Transaction Time



- IV. Terminal identification number
- V. Cardholder PAN
- VI. Explanation of the alleged error sufficient to allow the Cardholder of the Correction Request to evaluate the claim
- VII. Contact information for communications regarding the Correction Request
- VIII. Listing of any accompanying documentation
- IX. For a Correction Request involving a Cardholder dispute -- any documentation provided by the Cardholder, upon request only
- X. If the Correction Request relates to an earlier erroneous Correction Request, the date of the earlier Correction Request and any other information reasonably necessary to identify the earlier Correction Request, and, upon request only, a copy of such earlier Correction Request.

B. Acquirer Response. No documentation is required for approval of a Correction Request. If the Acquirer rejects the Correction Request, the Correction Response must contain:

- I. a reasonable explanation of the basis for rejection (e.g., failure of Issuer to provide required information or Transaction verified by Terminal records)
- II. documents (including electronic records) supporting such rejection, such as a Terminal journal record or audit tape showing the completed Transaction and, upon request, the ATM balancing sheet. (*Amended May 30, 2002*)

(iii) Follow-up

A. No Timely Correction Response Received. If the Acquirer does not respond within the foregoing timeframes, the Issuer may include the amount of the Correction Request in the Settlement for correction items for any of the next three (3) Business Days and the Acquirer must pay such amount.

B. Timely Correction Response Received

- I. **Approval.** If the Acquirer's Correction Response confirms that a debit should be issued, the Issuer may include the agreed amount in the Settlement for correction items within the three (3) Business Days next following notice of the Correction Response and the Acquirer must pay such amount.
- II. **Denial.** If the Acquirer rejects the Correction Request, it must notify the Issuer in accordance with the time limits and documentation requirements above. If there is a dispute regarding the validity of the Acquirer's rejection of a Correction Request, the parties to any such dispute shall take all steps reasonably practicable to resolve such dispute by mutual agreement within thirty (30) calendar days of notice of the Acquirer's Correction Response.

b. Credit to Acquirer (Cash Transactions). Examples of errors for which Correction Requests should be issued to credit an Acquirer include: erroneous reversal.



(i) **Time Lines**

- A. **Issuer Request for Transactions NOT Subject to Fair Hearing Requirements.** The procedures in this Subsection (A) apply if an Issuer's Correction Request relates to a Cash Transaction that is NOT subject to State Fair Hearing procedures prior to the charging of a Correction Request to a Cardholder's Cash Account. Each Issuer must initiate System Error Correction Requests for credit to an Acquirer in respect of a Cash Transaction within ten (10) Business Days of the original Transaction Date, unless (a) a later credit is authorized by the Cardholder, or (b) there are not sufficient funds available in the Cardholder's Cash Account to satisfy the Correction Request. If there are not sufficient funds available in the Cardholder's Cash Account to satisfy the System Error Correction Request during such ten (10) Business Day period, the Issuer thereafter shall daily review whether sufficient funds have become available in the Cardholder's Cash Account, giving first priority to payment of the Correction Request out of any funds in or added to the Cardholder's Cash Account, and shall issue its System Error Correction Request the next Business Day following the availability of sufficient funds in the Cardholder's Cash Account. If sufficient funds do not become available, the Issuer is not required to initiate a System Error Correction Request. Each Issuer must provide notice of a Settlement Error Correction Request to credit an Acquirer within twenty (20) Business Days of the original Transaction Date, or as promptly as possible thereafter if the Issuer, in good faith, is unable to provide notice within such time frame.
- B. **Issuer Request for Transactions Subject to Fair Hearing Requirements.** The procedures in this Subsection (B) apply if an Issuer's Correction Request relates to a Cash Transaction that IS subject to State Fair Hearing procedures prior to the charging of a Correction Request to a Cardholder's Cash Account. If an Issuer discovers a System Error that requires a debit to the Cardholder's Cash Account, the Issuer shall provide such notice to the Cardholder as may be required by Applicable Law.
- I. **No Hearing Request.** If the Cardholder does not request a Fair Hearing within the period applicable to SNAP Transactions and there are sufficient funds available in the Cash Account to fully satisfy the hold, the Issuer shall issue its System Error Correction Request the next Business Day. If the Cardholder does not request a Fair Hearing within such period and there are insufficient funds available in the Cash Account to fully satisfy the Correction Request, the Issuer thereafter shall daily review whether sufficient funds have become available in the Cardholder's Cash Account, giving first priority to payment of the Correction Request out of any funds in or added to the Cardholder's Cash Account, and shall issue its System Error Correction Request the next Business Day following the availability of sufficient funds in the Cardholder's Cash Account. If sufficient funds do not become available, the Issuer shall not initiate a Correction Request.
- II. **Hearing Request.** If the Cardholder requests a Fair Hearing within the period applicable to SNAP Transactions, the Issuer shall not initiate a Correction Request.
- C. **Acquirer Response.** No response is required other than settlement of the Correction Request as provided below.

(ii) **Documentation Requirements**

- A. **Issuer Request.** Each Issuer Correction Request to credit an Acquirer in respect of a Cash Transaction must contain at least the following information:
- I. Transaction identification or trace number
- II. Transaction amount



- III. Transaction Date and Transaction Time
 - IV. Terminal identification number
 - V. Cardholder PAN
 - VI. Explanation of the alleged error sufficient to allow the Cardholder of the Correction Request to evaluate the claim
 - VII. Contact information for communications regarding the Correction Request
 - VIII. Listing of any accompanying documentation
 - IX. If the Correction Request relates to an earlier erroneous Correction Request, the date of the earlier Correction Request and any other information reasonably necessary to identify the earlier Correction Request.
- B. Acquirer Response.** No documentation is required for approval of a Correction Request. If the Acquirer rejects the Correction Request, the Correction Response must contain a reasonable explanation of the basis for rejection (e.g., duplicate correction). No additional documentation is required.

(iii) Follow-up

- A. Approval.** The Issuer must credit the amount of the Correction Request to the Acquirer in the Settlement for correction items within the next three (3) Business Days following notice of the Correction Request.
- B. Denial.** If the Acquirer rejects the Correction Request, no further action is necessary.

SECTION 5.5 Issuer-Initiated Corrections for SNAP Transactions

Each Issuer must promptly balance and reconcile its accounts, and must initiate Correction Requests for SNAP Transactions promptly upon discovery of a System Error or Settlement Error.

- a. Debit to Acquirer (SNAP Transactions).** Examples of errors for which Correction Requests should be issued to debit an Acquirer include: unauthorized Manual SNAP Transaction or duplicate Transaction.

(i) Time Lines

- A. Issuer Initiation.** Each Issuer must initiate Correction Requests within four (4) Business Days of discovery, or receipt of notice of a Cardholder claim with the timeframe required by Applicable law, of a System Error that requires a credit to a SNAP Account. Issuers must provide notice of a Settlement Error Correction Request to debit an Acquirer within twenty (20) Business Days of the original Transaction Date, or as promptly as possible thereafter if the Issuer, in good faith, is unable to provide notice within such time frame. Acquirers must make a good faith effort to process late Correction Requests for Settlement Errors.



- B. *Acquirer Response.*** Each Acquirer must issue a Correction Response to a System Error Correction Request for a SNAP Transaction within five (5) Business Days. Each Acquirer must issue its Correction Response to Settlement Error Correction Requests within ten (10) Business Days of notice of the Correction Request, and may not reject such Correction Request for insufficient funds.

(ii) *Documentation Requirements*

- A. *Issuer Request.*** Each Issuer Correction Request to debit an Acquirer in respect of a SNAP Transaction must contain at least the following information:

- I. Transaction identification or trace number
- II. Transaction amount
- III. Transaction Date and Transaction Time
- IV. Terminal identification number
- V. Cardholder PAN
- VI. Explanation of the alleged error sufficient to allow the Cardholder of the Correction Request to evaluate the claim
- VII. Contact information for communications regarding the Correction Request
- VIII. Listing of any accompanying documentation
- IX. If pursuant to a Cardholder dispute, the date the dispute was received
- X. For duplicate Transactions - the Transaction number or trace number for both transactions
- XI. For a failed SNAP Merchandise Refund B a copy of the receipt evidencing return of merchandise for SNAP credit, Transaction Date, Transaction Time and Transaction identification or trace number for both the original SNAP Transaction and the SNAP Merchandise Refund
- XII. If the Correction Request relates to an earlier erroneous Correction Request, the date of the earlier Correction Request and any other information reasonably necessary to identify the earlier Correction Request, and, upon request only, a copy of such earlier Correction Request.

- B. *Acquirer Response.*** No documentation is required for approval of a Correction Request. If the Acquirer rejects the Correction Request, the Correction Response must contain:

- I. a reasonable explanation of the basis for rejection (e.g., Correction Request directed to incorrect Acquirer, duplicate Correction Request, Correction Request does not contain required information, SNAP Merchandise Refund already issued, or miskeyed Telephone Authorization Code); and
- II. upon request only, documents (including electronic records) supporting such rejection, such as (i) Terminal journal record of showing completed Transaction, or (ii) copy of the Sales and Credit Draft for a Manual SNAP Transaction.



(iii) **Follow-up**

A. **No Timely Correction Response Received.** If the Acquirer does not respond within the foregoing timeframes, the Issuer may include the amount of the Correction Request in the Settlement for correction items within the three (3) Business Days next following the expiration of the Acquirer's time to respond and the Acquirer must pay such amount.

B. **Timely Correction Response Received**

- I. **Approval.** If the Acquirer's Correction Response confirms that a debit should be issued, the Issuer may include the agreed amount in the Settlement for correction items within the next three (3) Business Days following notice of the Correction Response and the Acquirer must pay such amount.
- II. **Denial.** If the Acquirer rejects the Correction Request, it must notify the Issuer in accordance with the time limits and documentation requirements above. If there is a dispute regarding the validity of the Acquirer's rejection of a Correction Request, the parties to any such dispute shall take all steps reasonably practicable to resolve such dispute by mutual agreement within thirty (30) calendar days of notice of the Acquirer's Correction Response.

b. **Credit to Acquirer (SNAP Transactions).** Examples of errors for which Correction Requests should be issued to credit an Acquirer include: erroneous reversal.

(i) **Time Lines**

A. **Issuer Initiation.** Each Issuer must provide notice of a Settlement Error Correction Request to credit an Acquirer within twenty (20) Business Days of the original Transaction Date, or as promptly as possible thereafter if the Issuer, in good faith, is unable to provide notice within such time frame. If an Issuer discovers a System Error that requires a debit to the Cardholder's SNAP Account, the Issuer shall provide such notice to the Cardholder as may be required by Applicable Law.

I. **No Hearing Request.** If the Cardholder does not request a Fair Hearing within the period required by Applicable Law and there are sufficient funds available in the SNAP Account to fully satisfy the hold, the Issuer shall issue its System Error Correction Request the next Business Day. If the Cardholder does not request a Fair Hearing within the period required by Applicable Law and there are insufficient funds available in the SNAP Account to fully satisfy the Correction Request, the Issuer thereafter shall daily review whether sufficient funds have become available in the Cardholder's SNAP Account, giving first priority to payment of the Correction Request out of any funds in or added to the Cardholder's SNAP Account, and shall issue its System Error Correction Request the next Business Day following the availability of sufficient funds in the Cardholder's SNAP Account. If sufficient funds do not become available, the Issuer shall not initiate a Correction Request.

II. **Hearing Request.** If the Cardholder requests a Fair Hearing within the period required by Applicable Law, the Issuer shall not initiate a Correction Request.

B. **Acquirer Response.** No response is required other than settlement of the Correction Request as provided below.



(ii) Documentation Requirements

- A. Issuer Request.** Each Issuer Correction Request to credit an Acquirer in respect of a SNAP Transaction must contain at least the following information:
- I. Transaction identification or trace number
 - II. Transaction amount
 - III. Transaction Date and Transaction Time
 - IV. Terminal identification number
 - V. Cardholder PAN
 - VI. Explanation of the alleged error sufficient to allow the Cardholder of the Correction Request to evaluate the claim
 - VII. Contact information for communications regarding the Correction Request
 - VIII. Listing of any accompanying documentation
 - IX. If the Correction Request relates to an earlier erroneous Correction Request, the date of the earlier Correction Request and any other information reasonably necessary to identify the earlier Correction Request.
- B. Acquirer Response.** No documentation is required for approval of the Correction Request. If the Acquirer rejects the Correction Request, the Correction Response must contain a reasonable explanation of the basis for rejection (e.g., duplicate correction). No additional documentation is required.

(iii) Follow-up

- A. Approval.** The Issuer must credit the amount of the Correction Request to the Acquirer in the Settlement for correction items within the three (3) Business Days next following notice of the Correction Request.
- B. Denial.** If the Acquirer rejects the Correction Request, no further action is necessary.

SECTION 5.6 Fair Hearing Corrections

All Fair Hearing Correction Requests shall be handled in accordance with this Section 5.6 rather than Section 5.3 or 5.5. Each Issuer shall initiate a Fair Hearing Correction Request when instructed by the appropriate Government Entity as the result of (i) a Fair Hearing held pursuant to Applicable Law or (ii) of late notice of a Fair Hearing request that was delayed by the Cardholder for good cause, as defined by Applicable Law. Before initiating such Fair Hearing Correction Request, the Issuer shall confirm the accuracy and validity of such request. All references to the Cardholder's Account in this Section mean the Cash Account or SNAP Account that was the subject of the Fair Hearing.



- a. **Debit to Acquirer (Fair Hearing Correction Request).** If an Issuer had previously paid the amount of a Transaction or Correction Request to an Acquirer and the Issuer is required to credit such amount in whole or in part to the Cardholder's Account, the Issuer may initiate a Correction Request to debit the Acquirer in accordance with instructions from the appropriate Government Entity.

(i) **Time Lines**

- A. **Issuer Initiation.** Each Issuer must issue Fair Hearing Correction Requests within the timeframe permitted under Applicable Law.
- B. **Acquirer Response.** Each Acquirer must issue a Correction Response within five (5) Business Days of receipt of the Correction Request.

(ii) **Documentation Requirements**

- A. **Issuer Request.** The Issuer shall include at least the following information when initiating a Fair Hearing Correction Request.
- I. Original transaction identification or trace number
 - II. Original transaction amount
 - III. Original transaction Date and Transaction Time
 - IV. Original terminal identification number
 - V. Cardholder PAN
 - VI. Amount of the Fair Hearing Correction Request
 - VII. Copy of the administrative or judicial order relating to the Fair Hearing Correction Request, upon request only
 - VIII. Contact information for communications regarding the Fair Hearing Correction Request
 - IX. Listing of any accompanying documentation
- B. **Acquirer Response.** No documentation is required for approval of a Correction Request. The Acquirer may reject the Fair Hearing Correction Request only for the reason of an error in identification of either the Acquirer or the Merchant. The Acquirer must provide sufficient documentation to support its rejection by reason of an error in identification.

(iii) **Follow-up**

- A. **Timely Correction Response by Acquirer**
- I. **Approval.** If the Acquirer issues a Correction Response accepting the Correction Request, the Issuer shall settle the Correction Request within the next three (3) Business Days and the Acquirer must pay such amount.



- II. **Denial.** If the Acquirer issues a Correction Response rejecting the Correction Request, it must do so in accordance within the time limits and documentation requirements above. If there is a dispute regarding the validity of the Acquirer's rejection of a Correction Request, the parties to any such dispute shall take all steps reasonably practicable to resolve such dispute by mutual agreement within thirty (30) calendar days of notice of the Acquirer's Correction Response.
 - B. **No Timely Correction Response by Acquirer.** If the Acquirer does not respond within the foregoing timeframes, the Issuer shall settle the Correction Request within the next three (3) Business Days and the Acquirer must pay such amount.
- b. **Credit to Acquirer (Fair Hearing Correction Request).** If the Issuer had not previously paid the amount of the Correction Request to the Acquirer and the Fair Hearing determines that the Correction Request was correct, in whole or in part, the Issuer shall initiate a Correction Request to credit the Acquirer in accordance with instructions from the appropriate Government Entity.
- (i) **Time Lines**
- A. **Issuer Initiation.** Each Issuer must issue Fair Hearing Correction Requests within the three (3) Business Days after funds become available in the appropriate Account to satisfy the Fair Hearing Correction Request in accordance with Applicable Law. If sufficient funds are not available at the time of notice from the appropriate Government Entity, the Issuer thereafter shall daily review whether sufficient funds have become available in the Cardholder's appropriate Account, giving first priority to payment of the Correction Request out of any funds in or added to the Cardholder's Account, and shall issue its Fair Hearing Correction Request the next Business Day following the availability of sufficient funds in the Cardholder's Account. If sufficient funds do not become available, the Issuer shall not initiate a Fair Hearing Correction Request and shall notify the Acquirer and Government Entity that the Fair Hearing Correction Request cannot be satisfied due to insufficient funds.
 - B. **Acquirer Response.** No response is required other than settlement of the Correction Request as provided below.
- (ii) **Documentation Requirements**
- A. **Issuer Request.** The Issuer shall include at least the following information when initiating a Fair Hearing Correction Request.
 - I. Original transaction identification or trace number
 - II. Original transaction amount
 - III. Original transaction Date and Transaction Time
 - IV. Original terminal identification number
 - V. Cardholder PAN
 - VI. The amount of the Fair Hearing Correction Request
 - VII. Copy of the administrative or judicial order relating to the Fair Hearing Correction Request, upon request only



VIII. Contact information for communications regarding the Correction Request

IX. Listing of any accompanying documentation

- B. *Acquirer Response.*** No documentation is required for approval of the Fair Hearing Correction Request. If the Acquirer rejects the Fair Hearing Correction Request, the Correction Response must contain a reasonable explanation of the basis for rejection.

(iii) *Follow-up*

- A. *Approval or Failure to Respond.*** The Issuer shall settle the Fair Hearing Correction Request within three (3) Business Days of initiating such Correction Request, unless the Correction Request is denied.
- B. *Denial.*** If the Acquirer rejects the Correction Request, no further action is necessary.

SECTION 5.7 Availability of Records

Sections 5.2, 5.3, 5.4, 5.5 and 5.6 govern the provision of Transaction-related records in connection with Correction Requests and Correction Responses. All requests for documentation in connection with Sections 5.2, 5.3, 5.4, 5.5 and 5.6 should be honored as promptly as possible to facilitate the ability of requesting party to respond within the time frames provided under those Sections. This Section 5.7 governs the provision of Transaction-related records in the event such records are required outside of such processes.

- a.** Acquirers shall provide Transaction-related records within 20 calendar days of receipt of a request, if the request is received within 30 calendar days of the Transaction Date.
- b.** Acquirers shall provide Transaction-related records within 45 calendar days of receipt of a request if the request is received between 31 and 180 calendar days of the Transaction Date.
- c.** Issuers must promptly respond to requests for Transaction-related records received up to 180 calendar days from the Transaction Date.
- d.** Notwithstanding the foregoing, Issuers and Acquirers shall provide Transaction-related records as may be required for any Fair Hearings held pursuant to Applicable Law.



CHAPTER SIX – SETTLEMENT

SECTION 6.1 End of Day Cut-off and Processing

Each Issuer must designate a standard daily cut-off time for Transaction processing by Acquirers that have entered into Acquirer Agreements with that Issuer or its Designated Agent(s); provided, however, that such cut-off time may not be earlier than 12:00 noon local time at any Terminal accepting Transactions for such an Acquirer. Transactions performed during a Business Day prior to the standard cut-off time shall be settled by the Issuer to the Acquirer on the next Business Day. (Example 1: Transactions performed after Wednesday Business Day cut-off time and before Thursday Business Day cut-off time shall be settled to Acquirers on Friday Business Day; Example 2: Transactions performed after Thursday Business Day cut-off time and before Sunday cut-off time shall be settled to Acquirers on Monday Business Day). Merchants and Acquirers that establish their own cut-off times which are different from their Issuer's cut-off time must maintain appropriate suspense accounts for such purposes. *(Amended December 29, 2000)*

SECTION 6.2 Settlement Payments

Settlement shall be on a net basis among Issuers and Acquirers. Each Issuer must initiate Settlement payments to its Acquirers in a net credit position through ACH transfers or Federal Reserve Wire Transfers each Settlement Day in a timely manner to ensure receipt of Settlement payments by the Acquirers on the next Business Day.

- a. **Network Settlement.** Transactions routed by Acquirers through a Network shall be settled in accordance with such Network's normal Settlement procedures.
- b. **Settlement of Interoperable Transactions.** Each Issuer shall arrange with each other Issuer for the net Settlement of Interoperable Transactions each Business Day.
- c. **Processors as Endpoints.** These Rules do not prohibit Processors from acting as agents of Acquirers for purposes of Settlement and reconciliation.
- d. **Partially Authorized Transactions.** Each Issuer shall be obligated to settle its Partially Authorized Transactions only in the amount actually Authorized. *(Amended September 26, 2014)*

SECTION 6.3 Government Reimbursement

Each Issuer shall be liable for Settlement of Transactions it authorizes each Settlement Day regardless of when or whether the Issuer receives payment in respect of such Transactions from a Government Entity.



SECTION 6.4 Beneficial Ownership of Funds

Each Issuer that is not a Government Entity that receives funds directly or indirectly from a Government Entity for the purpose of settling for Authorized Transactions under these Rules shall have no equitable or beneficial interest in such funds and holds such funds in trust so that such funds shall not be considered to be property of the Issuer, assets of the Issuer or property of the estate of the Issuer or used to satisfy the creditors of the Issuer in the event that the Issuer becomes insolvent. Any such funds that are due and payable to Acquirers or their Agents under these Rules shall be paid to Acquirers or their agents. Any such funds that are not due and payable to Acquirers or their agents under these Rules shall be due and payable to the Government Entity from which they were received and shall be returned to that Government Entity. For the purpose of this section, an agent shall be defined as a Processor, Designated Agent or Network that acts on behalf of Acquirer for settlement and reconciliation purposes. *(Amended October 8, 2002 and November 10, 2004)*

SECTION 6.5 Settlement Reports

Promptly following the cut-off time each Settlement Day, each Issuer shall make available to each Acquirer, directly or through a Processor for such Acquirer, such settlement reports and/or data files as shall be reasonably required for such Acquirer's reconciliation of the day's Settlement.



CHAPTER SEVEN – THIRD PARTY SERVICE PROVIDER REQUIREMENTS

SECTION 7.1 Third Party Service Provider Agreements

Each Third Party Service Provider shall enter into a Third Party Provider Agreement stating its agreement to comply with and be bound by these Rules, as such may be amended from time to time. These Rules do not restrict any other terms or conditions of the Third Party Provider Agreement, provided that such terms and conditions do not conflict with these Rules, and do not relieve the Third Party Service Provider from any registration, certification or other requirement imposed by a Network in which such Third Party Service Provider participates. Each Issuer, Designated Agent or Acquirer entering into a Third Party Provider Agreement must keep a copy of each of its Third Party Provider Agreements at its headquarters. Each Issuer and Acquirer entering, directly or through a Designated Agent, into a Third Party Provider Agreement shall be jointly and severally liable for the performance or failure to perform by the Third Party Service Provider of any of the duties of such Issuer or Acquirer hereunder.

SECTION 7.2 Registration

Each Issuer, Designated Agent or Acquirer shall provide to NACHA a list of the Third Party Service Providers with which it has entered into a Third Party Provider Agreement.

SECTION 7.3 Requirements for All Third Party Service Providers

Each Third Party Service Provider Agreement shall be executed by an officer of an Issuer, Designated Agent or Acquirer and shall contain the substance of the following provisions.

- a. **Capacity.** Each Third Party Service Provider acting on behalf of any Issuer, Designated Agent or Acquirer, shall comply with the Rules applicable to such Issuer, Designated Agent or Acquirer, in the provision of its services.
- b. **Security Requirements.** Each Third Party Service Provider must meet all applicable security requirements under Chapter 9.
- c. **Subcontracting.** A Third Party Service Provider may not subcontract its services, except that a Designated Agent of an Issuer may enter into an agreement with a Network for such Network to also act as Designated Agent of the Issuer. *(Amended September 27, 1996)*
- d. **Acquirer-Controlled Functions.** If the Third Party Provider Agreement is with an Acquirer, the following functions are to be controlled by the Acquirer:
 - (i) approval and review of Merchants and execution of Merchant Agreements
 - (ii) establishment of Terminal encryption and placement procedures
 - (iii) Settlement with Merchants
- e. **Agreement Termination.** Each Third Party Provider Agreement shall be terminable for a violation of these Rules.



- f. **Audits.** If NACHA or the Issuer or Acquirer for a Third Party Service Provider has reasonable cause to question the accuracy, timeliness, completeness or reliability of any activities undertaken by the Third Party Service Provider under these rules or the compliance of the Third Party Service Provider with these Rules, such Third Party Service Provider shall provide to the Acquirer, NACHA and its Issuer or Acquirer full and free access to all records and systems related to its performance under its Third Party Provider Agreement for the purpose of examination or auditing such performance and compliance. At NACHA's discretion, such examination or audit may be conducted, at the Third Party Service Provider's expense by (a) an outside auditor of the Third Party Service Provider's choosing, (b) NACHA or (c) a third party retained by NACHA. If such examination or audit reveals any exception to the Third Party Service Provider's compliance with these Rules, the Third Party Service Provider shall promptly remedy such exception. To the extent feasible, NACHA shall coordinate any such examination or audit with and rely upon any comparable examination or audit performed by a Network. These Rules shall not limit the authority of a Government Entity to audit a Participant under any agreement or Applicable law. The agreements between Participants that are required by these Rules may provide for additional audit requirements between such Participants.
- g. **Settlement Funds.** No Third Party Service Provider, other than a Network, may be a party to Settlement or receive Settlement funds other than through an Issuer or Acquirer, provided that a Processor may act as an agent of one or more Acquirers for purposes of Settlement and reconciliation.
- h. **Protection of the QUEST Mark.** Only Issuers and Acquirers are licensed to use the Quest Mark pursuant to Chapter 11 of these Rules. A Third Party Service Provider may utilize the QUEST Mark on behalf of an Issuer or Acquirer solely in accordance with the standards regarding the use of the QUEST Mark in Chapter 11 and may not misrepresent any aspect of the handling of Transactions hereunder, including the pricing of such Transactions. No Third Party Provider may represent or imply that NACHA endorses its products or services or that it is other than a contractor or representative of its Issuer or Acquirer for purposes of its activities under these Rules. *(Amended December 16, 2008)*

SECTION 7.4 Government Entities as Third Party Service Providers

If a Government Entity engages in Merchant solicitation, sales or servicing, other than approval of Merchants to participate in an EBT Program, or acts as an ESSP, such Government Entity shall enter into a Third Party Provider Agreement that contains the substance of Subsections 7.3(b) and 7.3(h).

SECTION 7.5 ISO Agreements

Each Acquirer and Processor that enters into an agreement with an independent sales organization for the purpose of merchant sales and servicing shall include the substance of the following provisions in each such agreement:

- a. Employees, agents or other representatives of the independent sales organization must clearly and accurately identify themselves and the independent sales organization in any oral or written communication with retailers and merchants. Such individuals and entities may not state, suggest or imply that they are representatives of QUEST®, NACHA, any governmental entity or any Issuer. *(Amended December 16, 2008)*
- b. Employees, agents or other representatives of the independent sales organization may not state, suggest or imply that they are or represent the only authorized company able to provide any EBT-related services, that any merchant or retailer will be foreclosed from accepting EBT transactions if such merchant or retailer does not enter into an agreement or arrangement with the independent sales organization or that there is any time limit within which such merchant or retailer must arrange to be able to accept EBT transactions.



- c. Employees, agents or other representatives of the independent sales organization must clearly, completely and accurately describe in writing to each merchant or retailer such independent sales organization's plans for installation of terminals, training of the merchant or retailer's employees, maintenance options, terminal lease or purchase costs and transaction fees.
- d. Each independent sales organization shall provide to each retailer, prior to entering into an agreement with such retailer, a written disclosure of official contact information for the EBT Program for the State in which the retailer is located as provided by the Issuer for that State.
- e. Each independent sales organization shall provide the following written statement in a clear and conspicuous manner to each merchant or retailer prior to the merchant or retailer entering into an agreement with such independent sales organization for EBT related products or services: "I am a representative of [insert company name]. I am NOT a representative of Quest®, NACHA, any governmental entity or any Issuer. You have a right to receive, review and keep a written description of the services that we offer and the prices for those services. You have a right to compare that information to the products and services that can be provided by other companies." *(Amended December 16, 2008)*

This amendment shall apply to all agreements between Acquirers or Processors and ISOs that are entered or renewed more than 60 days after approval of this amendment by NACHA. With respect to all other agreements between Acquirers and Processors and ISOs, this amendment shall take effect 12 months after approval by NACHA and shall require amendment of the pre-existing agreements. *(Amended May 9, 2000 and December 16, 2008)*



CHAPTER EIGHT – ARBITRATION AND GRIEVANCE PROCEDURES, ASSESSMENTS

SECTION 8.1 Filing a Complaint

Each Participant shall cooperate with each other Participant in attempting to resolve complaints or disputes regarding Transactions or compliance with these Rules. If such efforts are unsuccessful a Participant that is party to a complaint or dispute (the "complainant") may initiate an arbitration proceeding by filing a complaint with NACHA stating that all reasonable attempts to reconcile the difference have failed and requesting arbitration under these Rules. NACHA may itself initiate a complaint on its own behalf or on behalf of other Participants. A complaint shall contain the following:

- a. **Identification of Parties.** The names, addresses and telephone numbers of the complainant and the other party or parties involved in the dispute (each, a "respondent").
- b. **Summary of Facts.** A summary of the facts of the dispute as well as the Section(s) of the Rules violated. The summary shall also include information permitting identification of the particular Transaction(s) and the sequence of events involved, and the precise nature of the violation(s).
- c. **Statement of Damages.** A statement of the dollar amount of damages claimed by the complainant and an explanation of how damages in the amount claimed resulted from the violation(s) asserted. An arbitration claim under this Chapter shall be processed only if the amount of the damages claimed is \$100 or more.
- d. **Additional Documents and Fees.** The complaint shall be accompanied by the following:
 - (i) copies of the documents available to the complainant necessary to resolve the dispute, and of any written communications by the complainant and the respondent relating to the violations asserted; and
 - (ii) a \$250 non-refundable application fee to be used for administrative expenses.
- e. **Authorization for Submitting a Claim.** The complaint shall be signed by an officer of the complainant and be submitted to NACHA within one (1) year of the violations asserted.
- f. **Complaints Involving Multiple Participants.** If the complainant is involved in related disputes with more than one Participant, a separate complaint shall be filed with respect to each such Participant.

NACHA may reject any complaint which does not meet the requirements of this Section 8.1.

SECTION 8.2 Classification of Disputes

- a. **Complaints with Damages of Less than \$10,000 (Arbitration Procedure A).** All complaints in which the amount of damages claimed is \$100 or more but less than \$10,000 shall be processed under Arbitration Procedure A set forth in these Rules. Under Arbitration Procedure A:
 - (i) Arbitration is not mandatory. Before the complaint is filed, both parties must agree to submit the dispute to binding arbitration. If both parties so agree, one of them shall submit a complaint to NACHA, as set forth in Section 8.1, which complies with the requirements of that Section;
 - (ii) A hearing shall not be held;
 - (iii) One arbitrator shall decide the case; and



(iv) The arbitrator's stipend shall be 3% of the arbitrator's decision with a \$100 minimum stipend.

b. **Complaints with Damages of \$10,000 or More (Arbitration Procedure B).** All complaints in which the amount of damages claimed is \$10,000 and above shall be processed under Arbitration Procedure B set forth in these Rules. Under Arbitration Procedure B:

(i) Arbitration is not mandatory. Before the complaint is filed, both parties must agree to submit the dispute to binding arbitration. If both parties so agree, one of them shall submit a complaint to NACHA, as set forth in Section 8.1, which complies with the requirements of that Section;

(ii) A hearing shall be held unless the parties otherwise agree and so notify NACHA at the time the complaint is filed. If the parties do so otherwise agree, the procedures set forth in Section 8.2(a) (Arbitration Procedure A) rather than as provided for in this Section 8.2(b) (Arbitration Procedure B) shall be followed;

(iii) At its discretion, a party may be represented at the hearing by legal counsel;

(iv) Three arbitrators shall decide the case; and

(v) The stipend for each arbitrator shall be set according to the following scale:

Amount of Claim	Stipend per Arbitrator
\$10,000 to \$40,000	\$300 plus 2% of excess over \$10,000
\$40,001 and up	\$900 plus 1/2% of excess over \$40,001

SECTION 8.3 Selection of Arbitrators

NACHA shall maintain a list of arbitrators to serve as the pool from which arbitrators will be selected in accordance with the procedures set forth below. Each such arbitrator must have at least five (5) years of experience in a position with responsibility for electronic payments processing. (Amended December 16, 2008)

a. **Arbitration Procedure A.** For claims subject to Arbitration Procedure A, arbitrators will be selected by the following method:

(i) NACHA shall mail each party the same list of five (5) arbitrators from among those nominated as provided herein who are not affiliated with either party to the dispute;

(ii) Each party shall be given ten (10) days from the date the list is mailed to review the list, delete two (2) names, and mail or deliver the remaining names to NACHA;

(iii) NACHA shall then compare the two lists and select one (1) arbitrator not deleted from either list to decide the case; and

(iv) If either list is not returned within the time limit specified above, NACHA shall then select the arbitrator to decide the case from among the names not deleted on the list returned, or, if neither list is returned within the time limit, from among the names on the lists as mailed to each party.

b. **Arbitration Procedure B.** For claims subject to Arbitration Procedure B, arbitrators will be selected by the following method:



- (i) NACHA shall mail each party the same list of ten (10) arbitrators from among those nominated as provided herein who are not affiliated with either party to the dispute;
- (ii) Each party will have ten (10) days from the date the list is mailed to review the list, delete three (3) names, and mail or deliver the remaining names to NACHA;
- (iii) NACHA shall then compare the two lists and select three (3) arbitrators not deleted from either list to decide the case; and
- (iv) If either list is not returned within the time limit specified above, NACHA shall then select the arbitrators to decide the case from among the names not deleted on the list returned, or, if neither list is returned within that time limit, from among the names on the list as mailed to each party.

SECTION 8.4 Presentation of the Case and the Decision

- a. **Arbitration Procedure A.** Cases subject to Arbitration Procedure A will be presented and the decisions reached according to the following requirements:
 - (i) After a party has received notification of the selection of the arbitrator, it will have fourteen (14) days to submit to the arbitrator in writing, with a copy to the other party, for consideration in such proceeding any matter it deems appropriate;
 - (ii) In the event the respondent, in the judgment of the arbitrator, fails to cooperate in the proceeding within fourteen (14) days of a request for information by the arbitrator, the facts as stated in the complaint shall be assumed to be true for purposes of the arbitration;
 - (iii) Once the arbitrator has received all information he or she deems relevant or necessary, the arbitrator shall have thirty (30) days to render his or her decision. The amount of the award of damages may not exceed the amount of damages claimed in the complaint;
 - (iv) The arbitrator may adopt such rules and procedures with respect to evidence and other procedural and substantive matters as he or she may deem appropriate; provided, however, such rules and procedures shall not be inconsistent with these Rules;
 - (v) The decision of the arbitrator shall be based upon these Rules insofar as they are applicable;
 - (vi) Neither party shall initiate contact with the arbitrator concerning the subject matter of the dispute unless the other party is present;
 - (vii) The arbitrator shall be entitled to recover all of the arbitrator's stipend from the party determined by the arbitrator to have been at fault in the dispute; and
 - (viii) The arbitrator shall pay his or her expenses and each party shall pay its own expenses, including attorneys' fees, in connection with the arbitration.
- b. **Arbitration Procedure B.** Cases subject to Arbitration Procedure B will be presented and the decisions reached according to the following requirements:
 - (i) If a hearing is to be held, the arbitrators shall set a hearing date which shall not be less than ninety (90) days after each party has received notification of the selection of the arbitrators;



- (ii) NACHA shall provide both parties with at least thirty (30) days prior notice of the hearing;
- (iii) Following the hearing, the arbitrators shall have thirty (30) days to render their decision to the parties to the dispute. The amount of the award of damages may not exceed the amount of damages claimed in the complaint;
- (iv) The arbitrators may adopt such rules and procedures with respect to evidence and other procedural and substantive matters as they may deem appropriate; provided, however, such rules and procedures shall not be inconsistent with these Rules;
- (v) The decision of the arbitrators shall be based upon these Rules insofar as they are applicable;
- (vi) Neither party shall initiate contact with any arbitrator concerning the subject matter of the dispute unless the other party is present;
- (vii) Each party shall pay its own expenses, including attorneys' fees, in connection with the arbitration; and
- (viii) The arbitrators shall be entitled to recover all of their travel and other expenses in connection with the arbitration and the arbitrators' stipend from the party determined by the arbitrators to be a fault in the dispute.

SECTION 8.5 Payment and Appeal

- a. **Arbitration Procedure A.** Payments of awards and appeals of decisions will be subject to the following requirements:
 - (i) The party against which such amount has been assessed shall have fourteen (14) days after receiving notice of the decision in which to pay the damage award or other amount assessed against it as provided in these Rules;
 - (ii) The arbitrator's decision shall be final and binding on the parties to the dispute, and judgment thereon may be entered in any court having jurisdiction. Except to the extent such a prohibition is unlawful under the laws of the State in which the party against which damages have been awarded by the arbitrator is domiciled, such decision shall not be appealable to the courts.
- b. **Arbitration Procedure B.** Payments of awards and appeals of decisions will be subject to the following requirements:
 - (i) In the absence of an appeal to the courts, the party against which such amount has been assessed shall have fourteen (14) days after receiving notice of the decision in which to pay the damage award or other amount assessed against it as provided in these Rules;
 - (ii) The arbitrators' decision shall be binding on the parties to the dispute, and judgment thereon may be entered by any court having jurisdiction. Except to the extent the parties have entered into an enforceable agreement to the contrary, either party may appeal the arbitrators' decision to the courts. In the absence of such an appeal, the arbitrators' decision shall be final.



CHAPTER NINE – SECURITY

SECTION 9.1 Compliance

Each Issuer and Acquirer is responsible for ensuring that it and each entity acting on its behalf complies with the requirements in this Chapter.

SECTION 9.2 General Issuer Requirements

Each Issuer shall comply with the following requirements for PIN management and security and shall ensure that each entity acting on its behalf complies with such requirements:

- a. **PIN Issuance.** Each Issuer may designate the PIN for each Card or may permit Cardholder selection, as permitted under the Issuer Agreement, in either case in a secure and confidential manner. Each Issuer may reissue a Card with the same PIN only if it has reason to believe that the PIN has not been compromised. The Issuer shall not put any data on a Card from which it is possible to deduct the PIN without further knowledge of any cryptographic keys.
- b. **PIN Confidentiality.** Each Issuer must ensure the confidentiality and security of the PIN during generation, issuance, storage, and verification.
- c. **PIN Verification.** Each CAS must verify the authenticity of each PIN communicated to it.
- d. **PIN Mailing.** Each Issuer shall not mail a Card and PIN advice in the same envelope, nor shall it mail a Card and PIN so that both would likely be received on the same day.
- e. **Cardholder Education.** Each Issuer must advise Cardholders about the importance of the PIN, PIN security and Card security.

SECTION 9.3 General Acquirer and Merchant Requirements

Each Acquirer shall comply with the following requirements for PIN management and security and shall ensure that each entity acting on its behalf, including any Terminal Operator, complies with such requirements:

- a. **PIN Security.** Each Acquirer shall ensure that ATMs and POS Terminals it owns, operates, controls or that accepts EBT Transactions by virtue of an agreement with such Acquirers, accept and securely encrypt PINs of 4 to 6 characters in length.
- b. **PIN Disclosure.** Each Acquirer and Merchant must instruct its employees that they are prohibited from requesting the Cardholder to disclose their PIN.
- c. **PIN Encryption Translation and Key Management.** Each Acquirer must accept and translate encrypted PINs for interchange of Transactions. Each Acquirer must perform key management as described within this Chapter.
- d. **PIN Storage Requirements.** PIN storage procedures must comply with Section 3.3 of ANSI Standard X9.8-1993. PINs may never be stored, except with respect to Store and Forward Transactions for the time necessary to submit such Transactions for Authorization. If stored, PINs must be encrypted under a unique PIN encryption key not used for any other purpose. Access to stored, encrypted PINs must be strictly controlled. (*Amended September 26, 2014*)



SECTION 9.4 PIN Entry

Each Acquirer must ensure compliance with the following security requirements for PIN entry at Terminals owned, operated or controlled by the Acquirer or for which the Acquirer is otherwise responsible under these Rules:

- a. **PIN Entry Order.** The first digit entered to the PIN Pad shall be the high-order digit (far left). The last digit to be entered shall be low-order (far right). Each PIN Pad must accept PINs with a variable length of four (4) to six (6) digits.
- b. **Completion Function.** Each ATM and POS Terminal must have both an enter key function in order to indicate the completion of a variable length PIN and a clear key or other function to allow the Cardholder to clear the PIN entry when an error has been made.
- c. **Non-Display of PIN.** The value of the entered PIN must not be displayed in plain text or be disclosed by audible feedback. The clear text value of the entered PIN must never be printed, electronically recorded or written to software.

SECTION 9.5 Secure Cryptographic Devices

Each Acquirer must ensure that its systems and equipment, including systems and equipment owned or operated by a third party on behalf of the Acquirer, comply with each of the following security measures regarding secure cryptographic devices. All cryptographic functions must be performed in secure cryptographic devices in which all clear text keys and PINs are physically protected against disclosure and modification. In order for an ATM, POS Terminal, or PIN Pad to qualify as a secure cryptographic device, it must meet the criteria of Section 3.18. For a Host Security Module to qualify as a secure cryptographic device, it must meet the following criteria:

- a. **Encryption.** The PIN must be encrypted using DES within the device.
- b. **Erasure.** Penetration of the device must cause immediate erasure of all PINs, cryptographic keys and all useful residue of PINs and keys contained within the device.

SECTION 9.6 PIN Transmission Requirements

Each Issuer and Acquirer shall ensure that it and each entity acting on its behalf complies with the following security requirements for PIN transmission whenever the PIN is electronically transmitted outside of a secure cryptographic device:

- a. **Reversible Encryption.** The PIN must be reversible encrypted using DEA.
- b. **Security Module.** A hardware security module must be used to perform all PIN translations.
- c. **Unique Cryptographic Keys.** All cryptographic keys relating to PIN security must be unique between each pair of communication zones of such keys; in their clear text form, these keys must reside solely within security modules and it must be impossible for any person to determine any such keys.
- d. **PIN in Unenciphered Mode.** If the PIN is to occur in the unenciphered form in any node, it shall be in a secure cryptographic device. Each secure cryptographic device shall be uniquely identifiable at the interface with connected network zones up to the authorization system of the Issuer.



- e. **Recipherment.** The Transaction PIN shall never be visible in the clear in the Acquirer central computing facility. In the event recipherment is necessary at this level, this function must be performed in a separate secure cryptographic device.
- f. **Dynamic Key Exchange.** Dynamic exchange of keys is required between the first level connection and the Switch.

SECTION 9.7 Encrypted PIN Block Format

Each Issuer and Acquirer shall ensure compliance with the following security requirements for encrypted PIN block format.

- a. **Formation of PIN Block.** The clear text PIN block and the PAN must be X'ORed together to form the standard ANSI PIN block as specified in ANSI Standard X9.8-1995. The ANSI PIN block format specifies the number, position, and function of bits within a 64-bit block used as input to the DEA algorithm operating in electronic code book (ECB) mode (i.e., 64 bits in, 64 bits out). The 64-bit output of the DEA algorithm is transmitted in its entirety.
- b. **Double-Length Key.** It is recommended that a double-length (112 bits plus parity) key be used for PIN encryption, as follows:
 - (i) Encrypt the PIN block with the left half of the double-length key;
 - (ii) Decrypt this result with the right half of the double-length key; and
 - (iii) Encrypt this result using the left half of the double-length key.
- c. **Rejection of PIN Block.** Any interchange node having access to the clear text PIN block must reject the encrypted PIN block if, during encryption, reformatting, re-encryption or PIN verification, any of the following conditions are found:
 - (i) control field is not 0000 (binary);
 - (ii) PIN length entered field value is less than 4 or greater than 12; or
 - (iii) a PIN digit has a value greater than 9.
- d. **PIN Block Key Change.** The PIN block key must be changed between the first level connection and the CAS at least every 24 hours.

SECTION 9.8 Key Management

To ensure the highest level of key security, controls must exist to minimize the risk of cryptographic keys being compromised during creation, transmission, loading, storage, administration and destruction.

- a. **Key Creation Requirements.** Each key and each key component must be generated by a random or pseudo-random process.
- b. **Zone Encryption.** Where two organizations share a key to encrypt PINs communicated between them, that key must be unique to those two organizations and must not be given to any other organization. This technique of using keys unique for communication between organizations is referred to as zone encryption and is required under these Rules.



- (i) **Zones.** A zone must start and terminate at a physically secure device. A zone begins at a device that encrypts the PIN in the zone's DES key(s) and continues through the communications facilities used to transmit the Transaction. A zone ends when the encrypted PIN is decrypted using the same DES key(s). The security of zone encryption, and the ability to change keys used within a zone without affecting other zones, is dependent upon using unique DES keys for each zone.
- (ii) **Unique ZCMK.** Each pair of communicating organizations must have a unique zone control master key (ZCMK). All keys transmitted between the two organizations must be encrypted under this ZCMK. Such keys include unique PIN encryption keys, which are used to encrypt and decrypt PINs transmitted between the two organizations.
- (iii) **One Cryptographic Function.** Each encryption key may be used for only one cryptographic function; however, a variant of a PIN encryption key may be used for a different cryptographic function from that of the original key.
- (iv) **Physically Secure Device.** Each Participant which processes Transactions must use a physically secure device to translate encrypted PIN blocks and other encrypted data from one zone encryption key to another.
- c. **Protection of Keys from Disclosure.** Any cryptographic key must only exist in the following forms:

 - (i) **Encryption.** Encrypted using a key-encrypting key.
 - (ii) **Security of Devices.** In a physically secure device.
 - (iii) **Separation of Components.** In clear form, in at least two (2) separate components, where each component must be protected under the techniques of split knowledge and dual control. The resulting key shall be a function of all key components. Key components shall be stored in such a way that unauthorized access has a high probability of being detected. Key components must never be in the physical possession of a person when that person is or ever has been similarly entrusted with any other component of the same key.
- d. **Access.** No one person shall have the capability to access or ascertain any clear text secret key.
- e. **Detection of Secret Keys.** The system shall prevent and detect:

 - (i) attempted disclosure of any secret key;
 - (ii) attempted use of a secret key for anything other than its intended purpose; and
 - (iii) unauthorized modification, substitution, deletion or insertion of any secret key.
- f. **Protection Against Key Substitution.**

 - (i) **Substitution.** Each Issuer and Acquirer must prevent the unauthorized substitution of one stored key for another, whether encrypted or unencrypted.
 - (ii) **Alternative Measures.** When it is not feasible to physically or cryptographically prevent the substitution of one encrypted stored key for another, (1) it should not be feasible to ascertain clear text and corresponding cipher text encrypted under the key-encryption key, and (2) if the compromise of any key is known or suspected, both the key in question and its key encryption key must be changed.



- g. Limiting the Effects of a Key Compromise.** The following are required to prevent the compromise of the key or keys in one cryptographic device from compromising any other cryptographic device:
- (i) Location of Keys.** Any key-encrypting key, and any key used to encrypt a Transaction PIN in other than a PIN Pad, must be known only at two locations: the location where the key or PIN is encrypted and the location where it is decrypted.
 - (ii) Knowledge of Keys.** Any key used to encrypt a Transaction PIN in a PIN Pad must be known only in that device and in security modules at the minimum number of facilities consistent with effective system operations. (This is to allow, for example, a POS Terminal to interface with more than one Acquirer.)
 - (iii) Key Value.** No cryptographic keys other than those cryptographic keys used in conjunction with the operation of a Terminal by a Terminal Operator shall, except by chance, be equal to any other cryptographic key. Except by chance, the variant of a key, the irreversible transformation of a key, or keys encrypted under a key, knowledge of one cryptographic key must provide no information about any other cryptographic key.
 - (iv) Irreversible Transformation.** The irreversible transformation of a key must be used only at the same level in a key hierarchy as the original key or the level immediately below that of the original key.
 - (v) Key Variant.** A key shall be used for only one function. The variant of a key may be used only in those devices that possessed the original key. In a unique key per Transaction scheme, a single key may be used for different security functions in the same Transaction, provided it can be shown that no misuse is possible in a given implementation.
- h. Key Replacement.** A cryptographic key must be replaced with a new key whenever the compromise of the original key is known or suspected. The replacement key must not be a variant of the original key, nor an irreversible transformation of the original key. A compromised cryptographic key must be replaced with a new key within a reasonable time.

SECTION 9.9 Key Management Between Issuers, Acquirers and Merchants

Issuers, Acquirers and Merchants must use one of the following methods for changing keys and for establishing keys that are not encrypted under any other key:

- a. Separation of Functions.** Two or more trusted employees may each enter a key component into the ATM, POS Terminal or PIN Pad. The ATM, POS Terminal or PIN Pad generates the key, e.g., XORing the components. No one person shall have knowledge of more than one component. The key may be similarly entered into the Issuer's, Acquirer's or Merchant's security module or may be generated by the device and printed, as with a secure PIN mailer, for use by trusted employees.
- b. Key Conveyance.** A physical secure key-transfer device may be used to convey keys from the Acquirer's or Merchant's security module to the receiving security module, ATM, POS Terminal or PIN Pad. The device is first electronically loaded with keys by connection to the generating security module. The device is then connected to the receiving security module, ATM, POS Terminal or PIN Pad and will electronically transfer one or more keys into the security module, ATM, POS Terminal or PIN Pad. No key may be displayed or otherwise disclosed during a transfer process. The key must be erased from the conveyance device immediately after transfer to a security module, ATM, POS Terminal or PIN Pad. Such a device must be loaded and unloaded under dual control to ensure that the device input or output is not tapped to disclose a transferred key.



- c. **Key Transfers.** The Issuer's Acquirer's or Merchant's security module, or the security module of a Third Party Service Provider, may be used to directly and electronically transfer keys into ATMs, POS Terminals or PIN Pads. The above security requirements for key transfers to and from a key-transfer device apply to this "direct connect" technique as well. When a Third Party Service Provider's security module is used, information concerning the keys thus loaded must be conveyed to the receiving security module in such a way that this information cannot be compromised.

SECTION 9.10 Procedures

Each Participant, as applicable, shall implement appropriate procedures to prevent unauthorized personalization of security equipment, replacement of hardware or software, key generation and initial key loading. Each Issuer and Acquirer is responsible for maintaining up-to-date records regarding any Third Party Service Providers that manufacture or install secure cryptographic devices or load secure cryptographic devices with the initial keys.

SECTION 9.11 Separation

The security of processing Cards shall not be influenced or affected by the simultaneous processing of cards pertaining to other card schemes. In particular it shall be ensured that messages cannot be misrouted to any destination other than the intended one. To this end it is strongly recommended that only one party establishes a cryptographic key relationship with the PIN Pad so that when leaving a PIN Pad, an enciphered PIN is always routed to the same secure cryptographic device under control of the acquiring Network.

SECTION 9.12 Clearing and Reconciliation Data

If a Terminal has a removable storage medium and the data is not protected by encipherment, then only the minimum data necessary for clearing and reconciliation shall be stored. With the exception of the Card sequence number, sensitive data elements residing in the discretionary data field in Track 2, such as the CAV, shall not be recorded in the clearing and reconciliation data.

SECTION 9.13 Data Site Security

Each Issuer and Acquirer shall ensure that all data sites incorporate the following items into security procedures:

- a. data sites shall be secured 24 hours, 365 days a year;
- b. employee access to the data site shall be controlled by an electronic access system;
- c. employee access to departments within the data site shall be controlled by the electronic access system;
- d. guests, including vendors, shall be required to sign in and shall be assigned a temporary guest badge for identification;
- e. guests, including vendor service personnel, shall be escorted at all times;
- f. tapes, disks, and other storage media shall be kept in a secure access controlled environment when not being utilized by computer operations;
- g. no storage media shall leave the data site without prior management authorization;
- h. programming personnel, including contractors, shall be restricted from sensitive storage media unless prior management approval is obtained; and



- i. sensitive output shall be shredded prior to disposal.

SECTION 9.14 System Access Control Software

Each Issuer and Acquirer shall ensure that system access control software is utilized and has the following capabilities:

- a. all personnel requiring access to the system must be established within the system;
- b. access to files, data bases, Transactions, programs and executable code shall be restricted to personnel with a job description need for access;
- c. the system shall identify and verify individual access by the input of both a logon ID and password;
- d. the system must support a "blind password" display to ensure password information is not obtained from a Terminal display screen;
- e. data site procedures must be in place to ensure passwords are changed, at a minimum, every thirty (30) calendar days;
- f. data site procedures must be in place to ensure old passwords are not reissued within three (3) password change cycles;
- g. the system shall support a lock-out threshold if excessive invalid access attempts are input;
- h. production personnel shall be restricted from accessing both the development systems and the test systems and associated data;
- i. development personnel shall be restricted from accessing both the production systems and test systems and associated data; and
- j. test personnel shall be restricted from accessing the development systems and the productions systems and associated data.

SECTION 9.15 Security Compliance Review

- a. ***Participants Subject to a Security Compliance Review.*** Each Issuer, Acquirer, Processor, Network, or Third Party Service Provider that handles Transactions, PINs, encryption keys, or encryption hardware or software used for encryption must perform, at its own expense, a Security Compliance Review that is verified by a qualified internal or external auditor to ensure that such Participant is in compliance with the security provisions of these Rules. If a Security Compliance Review is being conducted by an internal auditor, the auditor must not have general responsibility for electronic funds transfers for the Participant. Each Issuer is responsible for conducting its own Security Compliance Review and ensuring that any Processor, Third Party Service Provider or Network with which it has an agreement under these Rules conducts a Security Compliance Review. Each Acquirer is responsible for conducting its own Security Compliance Review and for ensuring that any Processor or Third Party Service Provider (including ESSPs and Independent Sales Organizations) that handles Transactions, Cards, PINs, encryption keys, or encryption hardware or software and with which it has an agreement under these Rules conducts a Security Compliance Review. For purposes of the provisions in this Section, a Processor shall include a Merchant that drives its own Terminals.



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- b. **Forms.** For each Participant that completes a Security Compliance Review, an officer of the Participant who does not have operational responsibility related to the subjects covered in the Security Compliance Review shall complete and execute a Security Compliance Review either on the American Banker's Association (ABA) form "PIN Security Compliance Guideline or TG-3 or on a comparable security review form provided to a Network as a requirement for participation in such Network. For purposes of designation of eligible security review forms only, a "Network" includes one that has not entered an agreement to process Transactions. *(Amended January 9, 1998)*
- c. **Timing of Security Compliance Review.** Each new Participant described in paragraph (a) above shall complete a Security Compliance Review at least forty-five (45) calendar days prior to processing Transactions or handling PINs, encryption keys or encryption hardware or software. Thereafter, each such Participant shall complete a Security Compliance Review at least every third calendar year. An Issuer or NACHA may request that an Acquirer, Processor, Network or Third Party Service Provider complete a Security Compliance Review at an earlier date if there is cause to believe that such Participant is not in compliance with the security standards set forth in these Rules. NACHA or another Issuer may request that an Issuer complete a Security Compliance Review at an earlier date if there is cause to believe that such Issuer is not in compliance with the security standards set forth in these Rules. Any Security Compliance Review initiated in response to an identified security concern must be completed as soon as reasonably possible. At any time that a Participant subject to this Section makes a substantive change in its operations that affects security procedures, it must complete a new Security Compliance Review within forty-five (45) days of the change.
- d. **Security Compliance Certification Statements.** Each Participant described in paragraph (a) above must complete a Security Compliance Review certification statement, as attached hereto in Appendix III or on a comparable form filed with a Network, each calendar year in which it does not complete a Security Compliance Review. A Security Compliance Review certification statement is a certification by an officer of the Participant that there has been no substantive change in the operations that are the subject of the Security Compliance Review since the last Security Compliance Review. *(Amended January 9, 1998)*
- e. **Security Exceptions and Record Retention.** If the answer to any question on the Security Compliance Review form is other than "yes" (or otherwise indicates the Participant's inability to perform the security procedures pursuant to these Rules), the Participant shall, at its own expense, complete the Security Compliance Review Statement and Exception Form(s), as attached hereto in Appendix III (or comparable forms filed with a Network), which must be certified by its internal auditor or an outside auditor. Each Participant that is obligated to complete a Security Compliance Review Statement and Exception Form (or comparable form filed with a Network) must also indicate the date by which any security exception noted will be remedied, and shall file with the entity that received its original Security Compliance Review Statement and Exception Form (or comparable form filed with a Network) a certification of the removal of such exception promptly upon the completion of any corrective action. The work papers, files and other information compiled during the completion of the Security Compliance Review shall be maintained by each Participant, or its outside auditor, for a period of three (3) years from the submission date of the Security Compliance Review. *(Amended January 9, 1998)*
- f. **Filing of Forms.** Each Security Compliance Review form, Security Compliance Review certification statement and Security Compliance Review Statement and Exception Form (or comparable Network forms) completed by a Participant other than an Issuer or CAS shall be delivered to the Participant's choice of the Issuer for that Participant or a Network acting as Designated Agent for the Issuer. Each Issuer shall deliver to NACHA, or cause any Network acting as Designated Agent to deliver (i) the Security Compliance Review form, Security Compliance Review certification statement and Security Compliance Review Statement and Exception Form (or comparable Network forms) for itself and its CAS, and (ii) a listing of all Participants that have filed the above forms with it or its Designated Agents, including a separate listing of each Participant that has filed a Security Compliance Review Statement and Exception Form (or comparable Network form) and the dates by which the Participant has indicated that any security exceptions will be remedied.



- g. Confidentiality of Forms.** NACHA and each Issuer and Network receiving Security Compliance Review forms, Security Compliance Review certification statements or Security Compliance Review Statement and Exception Forms (or comparable Network forms) shall treat such materials as strictly confidential and shall disclose such materials only to such persons as are reasonably required to evaluate such materials and address any security issues raised by such materials.
- h. Network Security Procedures.** These Rules are intended to accommodate and supplement Network security compliance review procedures, and do not in any way supersede such procedures. NACHA and each Network shall cooperate in utilizing such procedures to address security issues. A Network Security Compliance Review that is comparable to the Security Compliance Review under these Rules may be used to satisfy the requirements of this Section.



CHAPTER TEN – LIABILITIES AND INDEMNIFICATION

SECTION 10.1 Indemnification and Hold Harmless by Issuers

Each Issuer shall indemnify and hold harmless each other Participant against any and all claims, losses, costs, damages, liabilities or expenses (including reasonable attorneys' fees) that are incurred as a result of a Transaction, attempted Transaction or other transaction initiated with a card purporting to be a Card but which was not properly issued by or on behalf of the Issuer and that arise out of:

- a. The Authorization or denial of Authorization of a Transaction whether done by the Issuer's CAS or by a third party providing Stand-In Processing;
- b. Malfunction of or failure to operate the CAS (unless such malfunction was caused by the party claiming indemnification);
- c. Unauthorized access being obtained to the systems utilized to process, route and authorize Transactions from any point under the ownership or control of the Issuer or the CAS;
- d. The failure of the Issuer or the CAS to comply, as to any Transaction, with any Applicable Law;
- e. The negligence or fraudulent conduct of the Issuer; (*Amended September 27, 1996*) and
- f. The failure of the Issuer to comply with these Rules.

SECTION 10.2 Indemnification and Hold Harmless by Acquirers

Each Acquirer shall indemnify and hold harmless each other Participant against any and all claims, losses, costs, damages, liabilities or expenses (including reasonable attorneys' fees) that are incurred as a result of a Transaction or attempted Transaction and that arise out of:

- a. Personal injury or tangible property damage suffered or incurred by any person and caused, directly or indirectly, in whole or in part, by the placement, location, operation, condition, servicing or use of a Terminal owned, operated or controlled by an Acquirer or for which an Acquirer is otherwise responsible under these Rules or located on the premises of a Merchant with which the indemnifying Acquirer has a Merchant Agreement;
- b. Malfunction of or failure to operate the Acquirer's system for processing and routing Transactions, whether such system is operated by the Acquirer or a third party on its behalf (unless such malfunction was caused by the party claiming indemnification);
- c. Unauthorized access being obtained to the systems utilized to process, route and authorize Transactions from any point between and including the Terminal or Point of Sale through the Acquirer's system for processing and routing Transactions, whether such system is operated by the Acquirer or a third party on its behalf;
- d. The failure of the Acquirer or any Third Party Service Provider (including Terminal Operators) or Merchant with which the Acquirer has a Third Party Provider Agreement or Merchant Agreement, respectively, to comply, as to any Transaction, with any Applicable Law;
- e. The negligence or fraudulent conduct of the Acquirer, or any Third Party Service Provider (including Terminal Operators) or Merchant with which the Acquirer has a Third Party Provider Agreement or Merchant Agreement, respectively;



- f. The failure of the Acquirer or any Third Party Service Provider (including Terminal Operators) or Merchants with which the Acquirer has a Third Party Provider Agreement or Merchant Agreement to comply with these Rules;
- g. The completion by the Acquirer, its Terminal Operator or its Merchants of any Transaction denied by, or on behalf of, an Issuer; and
- h. Any agreement by a Merchant of the Acquirer with, or obligation of such Merchant to, a Cardholder with respect to the sale or lease of goods or services by means of a Transaction.

SECTION 10.3 Indemnification and Hold Harmless by Processors

Each Processor other than a Network, including each CAS and Terminal Operator, shall indemnify and hold harmless each other Participant against any and all claims, losses, costs, damages, liabilities or expenses (including reasonable attorneys' fees) that are incurred as a result of a Transaction or attempted Transaction and that arise out of:

- a. The Authorization or denial of Authorization of a Transaction by such Processor operating a CAS;
- b. Malfunction of or failure to operate the CAS, Acquirer's or Network's system for processing and routing Transactions (unless such malfunction was caused by the party claiming indemnification);
- c. Unauthorized access being obtained to the systems utilized to process, route and authorize Transactions from any point in such system that is under the ownership or control of such Processor;
- d. The failure of the Processor to comply, as to any Transaction, with any Applicable Law;
- e. The negligence or fraudulent conduct of the Processor;
- f. The failure of the Processor to comply with these Rules; and
- g. The Completion by the Processor of any Transaction denied by, or on behalf of, an Issuer.

SECTION 10.4 Liability of Networks

The liability of each Network acting in its capacity as such and not as a CAS or Terminal Operator shall be governed by such Network's rules and regulations governing the processing and routing of transactions through such Network, regardless of whether such Rules specifically reference Transactions under these Rules. If a Network operates as a CAS or Terminal Operator, it shall be treated as a Processor for purposes of Section 10.3 above.

SECTION 10.5 Liability of NACHA (Amended December 16, 2008)

NACHA, and each of their members when acting in such capacity, shall have no liability or duty of indemnity for their respective participation in drafting, updating and enforcing these Rules and otherwise performing the functions allocated to each of them hereunder.



CHAPTER ELEVEN – LICENSING OF THE QUEST MARK

SECTION 11.1 The QUEST Mark *(Amended December 16, 2008)*

NACHA is the owner of the QUEST Mark, consisting of the "Quest" word mark and the Design Mark as illustrated in the Quest Graphic Standards Manual, and such other marks as may be adopted by NACHA for use in connection with EBT Programs from time to time. The protection of the QUEST Mark is vital to all Participants to identify the nature and quality of EBT services being supplied. It is an essential responsibility of all Participants to maintain the nature and quality of services identified by the QUEST Mark, consistent with the standards established by these Rules and the Quest Graphic Standards Manual.

SECTION 11.2 License to Use the QUEST Mark

- a. NACHA hereby grants to each Issuer and Acquirer a nonexclusive, nontransferable license to use the QUEST Mark solely within the States, solely in connection with the promotion and rendering of services by each Issuer and Acquirer in connection with designated EBT Programs with the right to enter into sublicense only with Merchants with which they have entered into Merchant Agreements and for the sole purpose of facilitating the participation of such Merchants in such EBT Programs. Any other use of the QUEST Mark is prohibited without the prior express written approval of NACHA. *(Amended May 21, 1998)*
- b. Each Issuer and Acquirer acknowledges NACHA's sole ownership of the QUEST Mark, agrees that it will do nothing inconsistent with such ownership and that all use of the QUEST Mark by such Issuer or Acquirer shall inure to the benefit of and be on behalf of NACHA. No Issuer or Acquirer may use any of the QUEST Mark in its corporate name, trade name, fictitious name or trade address.
- c. Each Issuer and Acquirer agrees that all use of the QUEST Mark, as well as the nature and quality of all goods produced, services rendered and printed materials published by such Issuer or Acquirer in connection with the QUEST Mark shall conform to the standards set by and be under the control of NACHA, which standards are established and maintained by these Rules and the Quest Graphic Standards Manual; both as amended from time to time.
- d. Each Issuer and Acquirer agrees to cooperate with NACHA in maintaining NACHA's control of such nature and quality, to permit reasonable inspection of such Issuer or Acquirer's operations, and to supply NACHA with specimens of such Issuer's or Acquirer's use of the QUEST Mark upon request.
- e. Each Issuer and Acquirer shall cooperate with NACHA in executing any and all documents or in doing or refraining from doing such acts as may be reasonably necessary to enable NACHA to protect the QUEST Mark.
- f. Each Issuer and Acquirer agrees to notify NACHA promptly of any infringement, potential infringement or improper use of the QUEST Mark that shall come to such Issuer's or Acquirer's notice. NACHA shall have the sole right to engage in infringement, opposition, cancellation or unfair competition proceedings involving the QUEST Mark.
- g. Each Issuer and Acquirer agrees that it shall not state or imply that any service offered under the QUEST Mark is exclusively offered by such Issuer or Acquirer.
- h. Each Issuer and Acquirer agrees to indemnify NACHA against all claims, liabilities, losses and expenses arising from such Issuer's or Acquirer's use of the QUEST Mark.



- i. The license granted to each Issuer and Acquirer under this Section shall become effective as of the date of each Issuer's or Acquirer's first use of the QUEST Mark as an Issuer or Acquirer under these Rules, and the term shall be unlimited so long as such Issuer or Acquirer is an Issuer or Acquirer in good standing and will terminate automatically upon expiration or termination of such Issuer's Issuer Participation Agreement or such Acquirer's Acquirer Agreement, unless such party shall have in effect another such agreement at the time of such termination.
- j. Upon termination of the license granted under Section 11.2(a), each Issuer and Acquirer agrees to cease all use of the QUEST Mark as provided in Chapter 12 of these Rules.
- k. The right to use the QUEST Mark in any form or manner will be granted only to Issuers and Acquirers, and the QUEST Mark may not be used in any form or manner until an Issuer has executed and delivered an Issuer Participation Agreement as provided in Section 1.1(b) and an Acquirer has executed an Acquirer Agreement and certified to its Issuer its ability to properly process Transactions.
- l. Each Merchant which has entered into a Merchant Agreement with an Acquirer pursuant to these Rules shall, on behalf of such Acquirer, have the right to display the QUEST Mark on decals, signs, printed and broadcast materials solely to indicate acceptance of Cards for payment. Any such display shall be in accordance with the Quest Graphic Standards Manual.
- m. No material displaying the QUEST Mark shall contain any matter that would tend to denigrate the QUEST Mark.
- n. Any use and/or display of the QUEST Mark by any Issuer or Acquirer or any of an Acquirer's Merchants not in compliance with the requirements of this Chapter and the Quest Graphic Standards Manual is actionable by NACHA under these Rules and may lead to termination or suspension of the Issuer's or Acquirer's right to process Transactions or other appropriate action if such use is not terminated and satisfactory evidence of such termination is not given to NACHA promptly after notice to cease any such use.
- o. The right to use the QUEST Mark cannot be sublicensed, other than as specified in Section 11.2(a), or assigned, whether by sale, consolidation, merger, amalgamation, operation of law, or otherwise, except with the express prior written consent of NACHA. Any attempted sublicense beyond that expressly permitted above, or assignment without the express written consent of NACHA, shall be void and of no effect. No sublicense permitted under these Rules shall extend beyond the time limitations of the license to the Issuer or Acquirer under these Rules.

SECTION 11.3 Use of QUEST Mark on Cards

The QUEST Mark shall be placed on all Cards in conformity with the design illustrated in the Quest Graphic Standards Manual.

SECTION 11.4 Responsibility for Use of the QUEST Mark

Any Issuer and Acquirer or Merchant permitted by NACHA to use the QUEST Mark shall obtain no interest in the QUEST Mark, except the right to use it in accordance with the requirements of this Chapter and the Quest Graphic Standards Manual. In addition, with respect to the QUEST Mark, each Issuer, Acquirer and Merchant shall:

- a. Whenever and however incurred, bear all costs and expense of, and full responsibility with respect to, and all liability for, its own use and, for Acquirers, its Merchants' use and any removal from use of the QUEST Mark;
- b. Comply strictly with all specifications, directives and requirements concerning copyright, patent, trademark or service mark use, as from time to time an Issuer or Acquirer may be advised of by NACHA; and



- c. At any time required by NACHA, at such Issuer and Acquirer's sole expense, remove from use the QUEST Mark and, where applicable, surrender to NACHA any depiction of the QUEST Mark in any signs, decals, advertisements, promotional material and any other written materials.

SECTION 11.5 License to Use and Reproduce Written Materials

NACHA hereby grants to each Issuer and Acquirer a personal, nontransferable, nonexclusive right and license to reproduce, on the conditions set out hereinafter, written materials, advertisements and other like promotional materials as may be hereafter from time to time created by or for NACHA for use in conjunction with the EBT Programs under the QUEST Mark. NACHA hereby further grants to each Issuer and Acquirer a similar right and license to utilize and distribute such materials in connection with such Issuer or Acquirer's participation and promotion of the EBT Programs using the QUEST Mark.

Each Issuer and Acquirer agrees that it will conform all of its use of such materials to the quality and content of the specimens which may from time to time be submitted to Issuer and Acquirer by NACHA; in that connection each Issuer and Acquirer agrees to always use the QUEST Mark in the authorized form set out in these Rules and the Quest Graphic Standards Manual. Each Issuer and Acquirer further agrees to use a proper copyright notice on all such materials in the precise form and content as such copyright notice is set out in any such materials submitted to Issuer and Acquirer by NACHA.

Should any Issuer and Acquirer fail to include in any such reproduced material a copyright notice, in conformance with such notice appearing on any specimens of such materials submitted by NACHA, or should any Issuer and Acquirer fail to include a copyright notice on other material to be disseminated by such Issuer or Acquirer upon receipt of instructions from NACHA to do so, and should any such failure result in loss of copyright or other damage to NACHA, such Issuer or Acquirer hereby agrees to compensate NACHA fully for any loss or damage occasioned by its failure to include an appropriate copyright notice on any such materials.

SECTION 11.6 Nonmember Guidelines for the Usage of the QUEST Mark

- a. It is the responsibility of each Issuer and Acquirer to ensure that any use of the QUEST Mark by its registered Third Party Service Providers and Merchants complies with the specifications described in this Chapter of the Rules and the Quest Graphic Standards Manual.
- b. Each Acquirer must ensure that all solicitation materials distributed by its registered Third Party Service Providers comply with the following guidelines:
 - (i) The Third Party Service Provider must be clearly identified as a representative of the Acquirer.
 - (ii) All solicitation materials must clearly disclose that any Merchant Agreement resulting from the solicitation will be between the Acquirer and the individual Merchant.
- c. All Third Party Service Providers are prohibited from using the QUEST Mark on their letterhead, stationery or business cards.



CHAPTER TWELVE – MISCELLANEOUS

SECTION 12.1 Termination

- a. **General.** Each Issuer or Acquirer that voluntarily terminates its processing of Transactions shall provide advance written notice to NACHA and shall continue to be bound by these Rules with respect to matters occurring prior to such termination, and shall continue to be liable with respect to Transactions initiated prior to such termination, including Correction Requests and Correction Responses of such Transactions. *(Amended December 1, 2000)*
- b. **Issuers.**
- (i) **New Issuer.** Upon termination of an Issuer Participation Agreement, each terminated Issuer shall promptly cease use of the QUEST Mark, except as necessary to facilitate the transition to a successor Issuer.
 - (ii) **Withdrawal from Quest.** If a Government Entity determines that Cards issued on its behalf should cease participation under the QUEST Mark, the Issuer of such Cards shall cease issuing Cards or documentation bearing the QUEST Mark immediately upon its cessation of Transaction processing for such Government Entity, and, within twenty-four (24) months of such cessation, shall issue replacement cards that do not bear the QUEST Mark for all its outstanding Cards for such Government Entity.
- c. **Acquirers.** If an Acquirer's Acquirer Agreement is terminated, voluntarily or involuntarily, and such Acquirer does not have in effect another Acquirer Agreement, the terminated Acquirer shall promptly take all necessary action to cease all use of the QUEST Mark and shall promptly take all necessary action to cause its Merchants to cease all use of the QUEST Mark, unless such Merchants have entered into Merchant Agreements with other Acquirers. If a terminated Acquirer fails to take such action, NACHA may take such action itself at the expense of the Acquirer, after providing at least three (3) calendar days' notice of its intention to do so to the Acquirer.

SECTION 12.2 Amendment of the Rules

These Rules may be amended from time to time by a vote of the Board of Directors of NACHA in accordance with the NACHA by-laws. NACHA shall distribute notice of any proposed amendment of these Rules to the Registered State Representatives. If at the time of such notice there are at least 20 Registered State Representatives and sixty percent (60%) or more of such Registered State Representatives object to the adoption of such amendment in a writing delivered to the designated NACHA contact within thirty (30) days of the date of such notice, the proposed amendment shall not become effective. *(Amended December 16, 2008)*

SECTION 12.3 Placement of a Non-Quest Mark on a Card with a QUEST Mark

The use of the Quest Card at a Quest Terminal to access an Account shall be treated as a Quest Transaction subject to these Rules unless both the Quest Card and the Quest Terminal also bear the service mark of a Network and each of the following apply: (i) The Issuer has entered into an agreement with such Network for the Network to process transactions involving Accounts as transactions subject to Network Rules, (ii) the Issuer is authorized pursuant to its Issuer Agreement to enter into such agreement, and (iii) the Terminal Operator routes such transaction to the Network switch. *(Amended June 13, 1997)*

If a Government Entity determines that Cards issued on its behalf shall bear both the QUEST Mark and a Non-Quest Mark, prior notice to and coordination with NACHA shall be performed, to assure satisfaction of the requirements of the Rules as they relate to the QUEST Mark. *(Amended December 16, 2008)*



SECTION 12.4 Variances

Any Participant may seek a variance from compliance with one or more provisions of these Rules by written application to NACHA. A variance should be requested only when special circumstances warrant exemption of the specific Participant that would not otherwise be applicable to other Participants. A variance of these Rules may be granted only by a vote of the Board of Directors of NACHA in accordance with the NACHA by-laws. NACHA shall distribute notice of any proposed variance from these Rules to the Registered State Representatives. If at the time of such notice there are at least 20 Registered State Representatives and sixty percent (60%) or more of such Registered State Representatives object to the adoption of such variance in a writing delivered to the designated NACHA contact within thirty (30) days of the date of such notice, the proposed variance shall not become effective. *(Amended December 16, 2008)*

SECTION 12.5 Fees

The Rules do not address and shall not address any transaction, processing, interchange, gateway or other fee of any kind related to Quest Transactions. *(Amended January 30, 1997 and October 8, 2002)*

SECTION 12.6 Registered State Representative *(Amended December 16, 2008)*

If a State Government Entity agrees to adopt the Quest® Operating Rules for its EBT Program, such Government Entity may appoint a Registered State Representative by providing written notice to the designated NACHA contact, provided that only one Registered State Representative may be appointed for any such participating Quest® State. Such Registered State Representative may be replaced or removed by such Government Entity at any time upon provision of written notice to the designated NACHA contact.



(Amended January 30, 1997 and March 12, 2003)

**APPENDIX II
FORM OF
ISSUER PARTICIPATION AGREEMENT**

This **Issuer Participation Agreement** (this "Agreement") is entered into as of _____, 199__, by and between _____, a _____ ("Issuer"), and the National Automated Clearing House Association ("NACHA"), a Delaware non-profit corporation, to permit Issuer to participate in an interstate system for the electronic distribution of electronic benefits under the "QUEST®" service mark, as set forth in the Quest Graphic Standards Manual (the "Mark"). Accordingly, the parties agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meanings assigned in the Quest Operating Rules attached hereto, as such rules may be amended from time to time in accordance with their terms (the "Rules").
2. Issuer shall be bound by and comply with each provision of the Rules applicable to an Issuer. If Issuer acts in any capacity in addition to acting as Issuer, including acting as an Acquirer under these Rules, Issuer shall be bound by and comply with each provision of the Rules applicable to an entity acting in such capacity. Issuer may use an alternative service mark on the Cards pursuant to the Rules governing such use.
3. Issuer acknowledges that NACHA is the sole owner of the Mark and such other marks as may be adopted for use under the Rules from time to time. Issuer acknowledges that NACHA has the exclusive right to license the use of the Mark and that all use of the Mark shall inure to the benefit of NACHA. Issuer's promotion of the Mark shall be on a best efforts basis, including the marketing of Quest and signage of the QUEST Mark in accordance with the Rules and as may be required by the Issuer Agreements. Issuer agrees to abide by the terms of the nonexclusive, nontransferable license for use of the Mark contained in the Rules. Issuer shall notify NACHA of any potentially infringing use, and shall cooperate with NACHA in protecting the Mark and the quality of services provided under the Mark, at no expense to Issuer, except to the extent arising out of Issuer's improper use of the Mark or violation of the Rules or this Agreement. There shall be no fee payable to NACHA for the use of the Mark.
4. Issuer hereby represents and warrants that it has established, or will establish prior to issuing Cards bearing the QUEST Mark, telecommunications connections and computer switching facilities that will enable Interoperable Transactions to be exchanged between Issuer and its Acquirers and each other Issuer that has entered into an Issuer Participation Agreement with NACHA as of the date hereof and the Acquirers of such Issuers. Issuer's responsibility to establish arrangements with future Issuers is separately addressed in the Rules.
5. Subject to Issuer's obligations under its Issuer Agreement, Issuer may terminate this Agreement, in accordance with the Rules, upon written notice to NACHA.

IN WITNESS OF THE FOREGOING, each of the parties has caused this Agreement to be executed and delivered by its duly authorized officers.

ISSUER

**NATIONAL AUTOMATED CLEARING
HOUSE ASSOCIATION**

By: _____

By: _____

Title: _____

Title: _____



APPENDIX III

EBT SECURITY COMPLIANCE REVIEW

3.1 SECURITY COMPLIANCE CERTIFICATION FORM *(Amended October 8, 1998)*

EBT SECURITY COMPLIANCE CERTIFICATION FOR:

(Name of EBT Participant)

I, _____, do hereby certify that:

(1) (Check One)

_____ I am an internal auditor for _____ (the "Participant") and I have no operational responsibility for matters referenced in the Security Compliance Review.

_____ I am an independent auditor, employed by _____ and hired by _____ (the "Participant") to complete the Security Compliance Review Form on its behalf.

(2) Pursuant to the Quest® Operating Rules Section 9.15, I have conducted my audit of the Participant in accordance with generally accepted auditing standards and have examined such records, documents, procedures, facilities and operations as I have deemed reasonably necessary to form the basis for this certification.

(3) Based on my review of the foregoing, I have completed on _____, 19____ a Security Compliance Review for the Participant and I have answered "Yes" to all questions contained therein except those questions specifically referenced in the Compliance Exception Forms attached hereto. I hereby certify that the Participant is in compliance with the requirements described in each respective section of the Security Compliance Review referenced in Section 9.15(b), except those sections of the Security Compliance Review specifically referenced in the Compliance Exception Forms attached hereto.

(4) I will maintain in my records the Security Compliance Review and all working papers related thereto for a period of three (3) years from the date of this Compliance Certification.

(5) Participant uses the following processors for the handling of EBT Transactions:

By: _____
(Auditor)



APPENDIX III

3.2 AUDIT EXCEPTION FORM *(Amended January 9, 1998)*

QUESTION # _____

Standard # _____

Explanation of why you cannot answer "true" to this question:

Describe action plan implemented to correct this situation:

Date expected to be in compliance: _____



3.3 ISSUER/ DESIGNATED AGENT RESPONSE FORM *(Amended January 9, 1998)*

To: _____

Organization: _____

Date: _____

Re: _____

We have reviewed the exception form, the action expected to be implemented and the date expected to be in compliance, and:

_____ Agree with the expected action and completion date.

_____ Disagree with the expected action and have attached an alternative action to be completed by _____ the expected completion date.

_____ Disagree with the expected action and expected completion date and have attached an alternative action and date.

_____ Disagree with the expected completion date and suggest the following:

At the expected completion date, we will be performing the following procedures:

Issuer/Designated Agent

Date



3.4 Obtaining ANSI Standards *(Amended January 9, 1998)*

If your organization does not have copies of the ANSI Standards, referenced in the Compliance Review, these may be obtained by contacting the appropriate Secretariat.

To obtain copies of X9.8 and X9.24, contact:

X9 Secretariat
American Bankers Association
1120 Connecticut Avenue, NW
Washington, D.C. 20036
Phone 202/663-5284

To obtain a copy of X3.92, contact:

X3 Secretariat
Computer & Business Equipment Manufacturers Association
1250 Eye Street, NW
Suite 200
Washington, D.C. 20005
Phone 202/737-8888



QUEST® OPERATING GUIDELINES

PREFACE (*Amended December 16, 2008*)

The *Quest Operating Guidelines (Guidelines)* were prepared to provide additional information and detail relative to the *Quest Operating Rules (Rules)*. The *Guidelines* are intended to be used as a reference with the *Rules*. In case of any inconsistency or conflict between the *Rules* and the *Guidelines*, the *Rules* shall govern.



Guidelines for Including Programs Under the Quest Operating Rules Adopted January 25, 2000

The purpose of this paper is to provide information to states and other EBT stakeholders on programs that are covered under the Quest® Operating Rules (Rules). Since the Rules clearly state that the QUEST Mark (Mark) may appear on a card with another mark, the paper is intended to provide guidance on which programs can be covered by the QUEST Mark and which should be covered by a separate mark. Based on various factors, including technology and business relationships, states can determine which benefits and which marks they wish to have on a card.

With regard to the QUEST Mark, government programs can fall into one of the following categories:

- Covered under the QUEST Mark with no Icon
- Covered under the QUEST Mark with an Icon
- Covered under a Separate Mark

Detail on each category is provided in the sections that follow.

The Fundamental Principle: Interoperability

The most basic principle governing use of the QUEST Mark is that the Mark can only be used for programs that are interoperable. That is, benefits can be accessed in an EBT project other than the project that issued the EBT card. Beyond this principle, one must examine whether the benefit is restricted. If a benefit is provided as unrestricted cash, it may be covered by a QUEST Mark without an icon. If the program is governed by a universal restriction that applies in all jurisdictions, it may be covered by the QUEST Mark and an Icon that is adopted to signify the restriction.

A. Programs Covered under the QUEST Mark with No Icon

Criteria: Unrestricted Cash Benefits

Discussion: Unrestricted means there is no limitation on: a) interoperability or b) what can be purchased at a Quest retailer. Program benefits that could only be accessed in the state where they were issued could not be made available under the QUEST Mark, nor could a benefit that can only be used to buy a specific good or service. If a retailer/service provider is authorized to accept Quest Transactions, a cardholder should have access to the entire balance in his/her cash account to make purchases at that retailer/service provider, or to get cash back, if offered by the retailer. Placing restrictions on use of the benefit to buy fuel or pay rent, for instance, could confuse the merchant and cardholder as to the available balance on a card. For instance, a \$200 balance might only be \$100, if half of it were restricted to rent payments. A state may however, prohibit certain types of retailers within its jurisdiction - such as liquor stores or massage parlors - from participating in EBT and displaying the QUEST Mark.

This category is limited to cash benefits because any non-cash program is, by its very nature, restricted. SNAP, for instance, can only be used to purchase approved items at FCS-authorized retailers. SNAP cannot be used to buy napkins, nor can they be used at all merchants that display the QUEST Mark.

Table A lists programs that should be eligible for coverage under the QUEST Mark without an icon. This list, and all lists contained in this paper, may not include all programs that fall into each category. The lists are intended to be instructive rather than definitive.

B. Programs Covered under the QUEST Mark with an Icon

Criteria: Benefits with a Universal Restriction



Discussion: If a cash or non-cash program is interoperable and has a universal restriction that is adopted by all states offering the program, the program can be covered by Quest with an icon signifying the restriction. The icon would be displayed at the terminal accepting the card, not on the card itself. The Supplemental Nutrition Assistance Program is the only current example. The grocery bag icon on the lower left corner of the QUEST Mark indicates that a merchant accepts SNAP transactions. Another possible example for the future would be a cash program that was limited to purchase transactions (cash could not be obtained from an ATM or a POS). To accommodate such new programs NACHA will have to conduct a careful review of the Rules and program requirements. *(Amended December 16, 2008)*

To be included under Quest with an icon, a program should be national or almost national in scope, otherwise icons signifying restrictions by individual states would confuse merchants. It would be impractical and costly for merchants to monitor icons approved for use by one state or by just a few states.

Table B lists programs that should be eligible for coverage under the QUEST Mark **with an icon**.

C. Covered under a Separate Mark

Criteria: Not interoperable

Discussion: If a program is not interoperable, it cannot be covered under the QUEST Mark. In general, a program is not interoperable if benefits cannot be accessed out of the state that issued the card. The inability to access benefits out of state could be due to the programmatic restrictions. If child care dollars can only be spent at a facility licensed by the issuing state, interoperability would not be possible across state lines and the QUEST Mark could not be used. If it were not for this restriction, childcare dollars could be deposited into a cardholder's pooled cash account and covered by a QUEST Mark. Table C lists programs that must be covered under a separate mark.



TABLE A
PROGRAMS THAT MAY BE INCLUDED UNDER QUEST
WITH NO ICON*
(Amended April 11, 2014)

Child Care
Child Health Insurance Program
Child Support
Federal Direct Payment
Federal Emergency Assistance
Foster Care
In-Home and Family Support Services
Low-Income Energy Assistance
Petty Cash
Provider Payments (non-direct deposit)
Refugee Cash Assistance
Restricted Cash Benefits – TANF Cash Restrictions
State Payroll (non-direct deposit)
TANF
TANF One-Time
Unemployment Insurance

*Note: These programs may be included under the QUEST Mark with no icon if a state has not placed restrictions on the program that would limit interoperability or cash access. This list is provided to give the reader examples of programs that may be covered under the Quest Mark without an icon. It is intended to be instructive, but not definitive. Definitive categorization is not possible due to program differences between states and modifications that may be made to programs in the future.



TABLE B
PROGRAMS THAT MAY BE COVERED UNDER
THE QUEST MARK WITH AN ICON*

Employment Service Program
Supplemental Nutrition Assistance Program SNAP Employment and Training Program
Housing
Primary Health Care

* Note: This list is provided to give the reader examples of programs that may be covered under the Quest Mark with an icon. The icon would be displayed at the terminal or provider site accepting the card, not on the card itself. This list is intended to be instructive, but not definitive. Definitive categorization is not possible due to program differences between states and modifications that may be made to programs in the future.



TABLE C
PROGRAMS THAT MUST BE COVERED UNDER A SEPARATE MARK*

Child Care with Restrictions
Chronically Ill and Disabled Children's Program
Community Care for Aged and Disabled
Family Violence
Immunizations
Job Training Partnership Act (JTPA)
Medicaid
 Long Term Care
 Transportation
 Prescription Drugs
 Medicaid ID Form
 Primary Home Care
School Lunch Program
Special Nutrition Program
State Health Program
Women, Infants, and Children (WIC)

* Note: This list is provided to give the reader examples of programs that must be covered under a separate mark. The separate mark would be governed by separate operating rules and would likely be displayed on the card and at the terminal or provider site accepting the card. Display of the QUEST Mark at the terminal would be determined by whether the terminal also accepted Quest Transactions. This list is intended to be instructive, but not definitive. Definitive categorization is not possible due to program differences between states and modifications that may be made to programs in the future.