COLORADO STATE UNIVERSITY
Financial Procedure Instructions
FPI 6-3

1. **Procedure Title:** Credit Card Merchant Accounts.

2. **Procedure Purpose and Effect:** A merchant account is required to accept credit and debit card payments as a form of payment.

3. **Application of Procedure:** Departments interested in accepting credit/debit cards for the sale of goods and services should start by reviewing and completing the Merchant Application.

4. **Exemptions:** All University departments interested in accepting credit/debit cards must follow the outlined procedures below.

5. **Definitions:**

   A. **Acquirer** - A financial institution which is a bankcard association member that initiates and maintains relationships with merchants that accept payment cards.

   B. **Assessment –** Is a fee assessed to both acquirers and issuers based on processed volume. Unlike interchange, assessment fees are retained by the associations. Assessments are the associations' primary source of revenue to finance their own marketing and operations.

   C. **Association(s)** - Card issuers such as Visa, MasterCard, Discover, and American Express.

   D. **Authorize fee** – Also called a transaction fee, is the amount charged to a merchant account each time a communication happens between the software or point-of-sale terminal and the authorization network.

   E. **Cardholder Data –** Includes four primary components: Primary Account Number (PAN), Security Code – 3 to 4 digit code found on the back of the credit card next to the signature block, cardholder name, and expiration date.

   F. **Cardholder Data Environment -** The people, processes and technology that store, process or transmit cardholder data or sensitive authentication data, including any connected system components.

   G. **Cardholder Verification Value (CVV2)** - Also known as Card Validation Code or Value, or Card Security Code. Security features like the 3 or 4 digit code number printed on the back of the card which aids with verifying the credit card's authenticity to minimize fraudulent transactions.

   H. **Chargeback** - Also known as a "Debit Memo", a reversal of a sales transaction which is initiated by the card holder's dispute of the charge. For example, if you deposited a $50 transaction in your merchant bank account, a chargeback for that transaction indicates that the $50 has been debited from your merchant account.

   I. **E-Commerce –** A transaction that is initiated on a business website.

J. **Interchange -** The card-issuing bank in a payment transaction deducts the interchange fee from the amount it pays the acquiring bank that handles a credit or debit card transaction for a merchant. The acquiring bank then pays the merchant the amount of the transaction in a batch payment. The merchant interchange fees are collected at the beginning of the new month for the previous month's volume and activity. These fees are set by the credit card networks and are the largest component of the various fees that most merchants pay for the privilege of accepting credit cards. Interchange fees have a complex pricing structure, which is based on the card brand, regions or jurisdictions, the type of credit or debit card, the type and size of the accepting merchant, and the type of transaction (e.g. online, in-store, phone order, whether the card is present for the transaction, etc.). Further complicating the rate schedules, interchange fees are typically a flat fee plus a percentage of the total purchase price (including taxes). In the United States, the fee averages approximately 1.5%-3.5% of the transaction value.

K. **Merchant account –** Is a type of bank account that allows businesses to accept payments debit or credit cards. The account is established under a merchant agreement between the business and the merchant acquiring bank for the settlement of payment card transactions.

L. **MOTO –** Stands for Mail Order / Telephone Order. This is a card not present merchant environment. Merchants accept payments via payment forms that can be accepted by phone, fax, and mail.

M. **NFC –** Stands for Near Field Communication which is a form of contactless communication between devices like smartphones or tablets. Contactless communication allows a user to wave the smartphone over a NFC compatible device to send information without needing to touch the devices together or go through multiple steps setting up a connection.

N. **Payment cards –** Branded cards used to pay for goods or services such as a Visa or MasterCard.

O. **Payment gateway** - A payment gateway is an e-commerce service that authorizes payments for online retailers. It is the equivalent of a physical POS (point-of-sale) terminal located in most retail outlets. A couple of CSU's payment gateways are Nelnet and Authorize.net.

P. **PCI DSS –** Payment Card Industry Data Security Standards.

Q. **Point-of-Sale (POS) –** Generally a card present (retail) transaction is dipped, NFC, or swiped through a credit card terminal, or manually keyed into the same device.

R. **Retail -** The sale of goods and services that happens in person.

S. **Surcharge** - Also known as a convenience or transaction fee, is any additional amount imposed at the time of the sales transaction by the merchant, that increases the charge to the purchaser for the privilege of using a credit or charge card and includes those cards pursuant to which unpaid balances are payable on demand.

T. **Terminal** – a stand-alone piece of electronic equipment that allows a customer/merchant to dip, swipe, or key-enter a credit card's information as well as additional information required to process a credit card transaction.

6. Procedure Statement:

A. To establish a merchant account the first step is to contact Division of IT (DoIT) Security Analyst. The Analyst will meet with the department to assist in the determination of its needs, including but not limited to: hardware, software, and system requirements. A merchant application is required to set up a merchant account. This form is located on the Business and Financial Services website. Once the request has been approved Banking Services will notify and work with the department and the acquirer to begin the set up procedures to obtain a merchant number. The estimated time is three to four weeks to be up and processing credit cards. Once the IT Security Analyst has received your equipment a training session will be set up to review terminal operations, or payment gateway training and best practices.

B. **Merchant Application**

As mentioned above, all departments interested in accepting credit cards must complete the merchant application in its entirety. The ”Credit Card Merchant Application” can be found at https://busfin.colostate.edu/Resources/Forms.aspx?heading=5 and can be emailed to bfs_merchantservices@colostate.edu.

C. **Distribution of Credit Card (Processing) Fees**

Departments that accept credit cards as a form of payment are responsible for all applicable merchant processing fees. Merchant fees include the following:

1. Interchange and assessment
2. Authorization
3. Other and Miscellaneous fees (terminal purchase or rental fees, monthly access fee for web reporting tool, annual association fees etc.)

Processing fees will generally be assessed within the first two weeks of the current month for the previous month’s activity (example – the month of May’s fees will be assessed in June). Banking Services distributes credit card fees using OC6683. A breakdown of individual merchant fees can be found on your department’s monthly merchant statement.

D. **Merchant Revenue Payments**

Merchant revenue payments are distributed by Banking Services daily and will credit the KFS account with OC6684. Refunds and chargebacks will be deducted from payments received. Federal holidays will delay payments.

E. Please consult with your Campus Services representative on account reconciliation questions for OC6684. OC6684 must be zeroed out at fiscal yearend.

F. All CSU merchants will comply with PCI DSS rules and regulations along with DoIT security policies. All web merchants will have a yearly PCI DSS meeting with a representative from DoIT. Banking Services reserves the right to suspend merchant accounts if guidelines are not followed. Please refer to FPI 6-6 for information on guidelines.

G. Merchants accepting retail card present transactions and card not present transactions will need a credit card terminal. Credit card processing terminals can either be purchased or rented from our acquirer. Please contact the DoIT Security Analyst for terminal pricing and additional information.

H. Departments may not impose a surcharge for customers paying with a debit or credit card based on CSU Financial Rules 6.8.1.

I. Departments may not impose minimum or maximum transaction limits on debit or credit cards.

7. Reference and Cross-References:

A. FPI 6-6: PCI Compliance http://busfin.colostate.edu/Forms/FRP/Cash_Credit/FPI_6-6_PCI_Compliance_Program.pdf#zoom=100

B. Information Technology (IT) Security Policy: https://policylibrary.colostate.edu/policy.aspx?id=492

8. Forms and Tools:

A. Change in Credit Card Clearing or Settlement Charge Account (under Merchant Services): http://busfin.colostate.edu/Resources/Forms.aspx

B. Credit Card Merchant Application (under Merchant Services): http://busfin.colostate.edu/Resources/Forms.aspx

C. C.R.S. § 5-2-212 May not surcharge on cash, check, debit cards, gift card: https://leg.colorado.gov/sites/default/files/documents/2021A/bills/2021a_091_rev.pdf

D. Uniform Consumer Credit Code: https://coag.gov/office-sections/consumer-protection/consumer-credit-unit/uniform-consumer-credit-code/

E. Campus Services Credit Card Clearing Tips: http://busfin.colostate.edu/Forms/CampusSvcs/Tip_Credit_Card_Clearing.pdf#zoom=100

F. BFS Merchant Services website: http://busfin.colostate.edu/Depts/Treasury.aspx

G. SharePoint for older merchant statements and all regulatory updates: https://colostate-my.sharepoint.com/personal/arops_colostate_edu/_layouts/15/onedrive.aspx?id=%2Fpersonal%2Farops%5Fcolostate%5Fedu%2FDocuments%2FMerchant%20Statements&FolderCTID=0x012000C14EA8EED94333499A97F8D609CFA773

H. Merlink for chargeback disputes: https://merlinkresponse.com/

I. Global Payments for TSYS statements and daily merchant activity: https://myaccount.globalpayments.com