



# Third Party Agent Program Updates

April 13, 2010



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# Agenda



- Third Party Agent Overview
- Agent Types
- Due Diligence Requirements
- Sub-ISOs
- ISO – Solicitation vs. Referral
- Marketing Materials
- Recent ISO Issues

# Third Party Agent Program



## Third Party Agent\* (“TPA”)

An entity that provides payment related services, directly to a Visa client bank or indirectly to a client banks merchant or Service Provider

- Independent Sales Organization (ISO)
- Encryption Support Organization (ESO)
- Third Party Servicer (TPS)
- Merchant Servicer (MS)
- ISPS (E-commerce)
- High-Risk Internet Payment Service Provider (HRIPSP)

## Program Objective

Ensure the stability of the payment system by:

- Identifying and registering TPAs
- Minimizing client and cardholder exposure arising from compromises
- Ensuring that consistent financial, operational, security and reputational due diligence is performed

\* The terms Third Party Agent and Service Provider are used interchangeably.

# Third Party Agent Program



## How to Comply

Client banks must:

- Register their TPAs
- Complete the Third Party Agent Due Diligence Requirements

Registered and compliant TPAs may be listed on one of Visa's public lists

Registration is enforced by Visa Operating Regulations

## Benefits

Global List of PCI DSS Validated Service Providers ([www.visa.com/splisting](http://www.visa.com/splisting))

U.S. Registered Independent Sales Organizations and Encryption Support Organizations ([www.visa.com/agentlisting](http://www.visa.com/agentlisting))

# Third Party Agent Types



## ISO

- Credit and debit merchant / cardholder solicitation
- Sales
- Customer service
- Merchant training on behalf of the financial institution
- Card application processing services
- Deploy / service / maintain qualified ATMs
- Solicits other entities to sell, activate or load prepaid cards

## IPSP (E-commerce)

- Accepts transactions on behalf of a sponsored merchant classified with any Merchant Category Code (MCC), except 5967 (Direct Marketing—Inbound Teleservice Merchant)

## ESO

- Cryptographic key management services
- Deploy point-of-sale PIN Entry Devices (POS PEDs) or PIN pads

## TPS – Client Contracted

- Stores, processes, or transmits Visa account numbers or Visa PIN transactions

## MS – Merchant Contracted

- Stores, processes, or transmits Visa account numbers

## High-Risk Internet Payment Service Provider (HRIPSP)

- An IPSP that enters into a contract with an acquirer to provide payment services to sponsored merchants and signs one or more sponsored merchants required to be classified with MCC 5967 in its sponsored merchant portfolio

# Third Party Agent Due Diligence Requirements

## To be completed by the registering bank prior to completing TPA registration

- Review of the TPA
- Due Diligence review of the principal(s)
- On-Site inspection
- Compliance with Visa Operating Regulations and PCI Standards (as applicable)
- Contract between the registering bank and its TPA

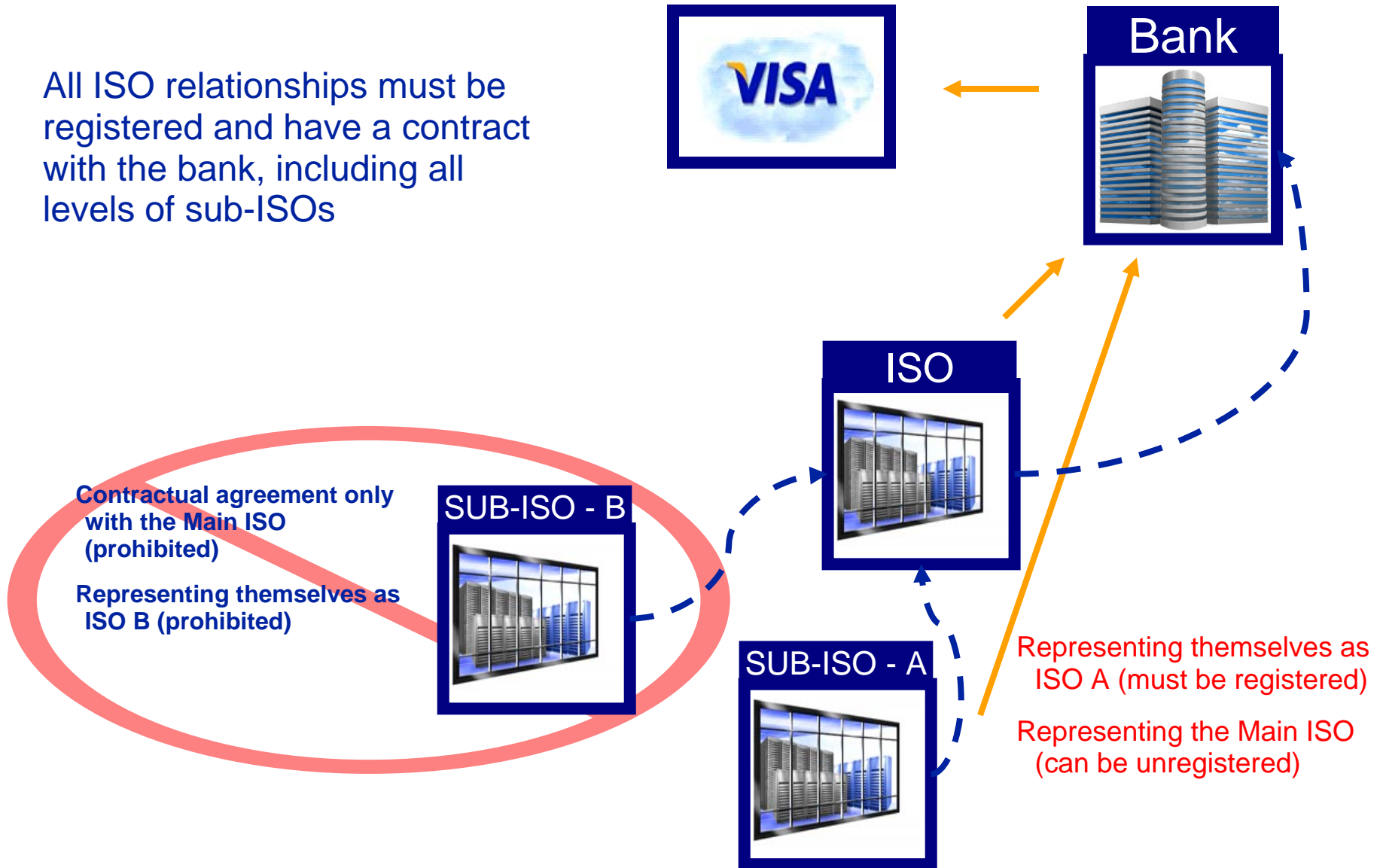
## To be completed by the registering bank annually

- Quarterly performance reporting to Visa for each ISO including:
  - Transaction count / volume
  - Chargeback count / volume / ratio
  - Number of merchants (existing and new)
- Perform review of the TPA on at least an annual basis

# Sub-ISO's



All ISO relationships must be registered and have a contract with the bank, including all levels of sub-ISOs



# ISO – Solicitation vs. Referral



## **Solicitation (registration required)**

- Provide information on fees and pricing
- Provide specific details on terms and agreements
- Cardholder solicitation or card application processing services

## **Referral (registration not required)**

- Provide merchant with general information about the acquirer
- Forwarding merchant information to client bank for further processing and solicitation
- May provide web link to client bank web page

# Marketing Materials



## Banks must ensure that TPAs act in accordance with all rules in regards to the Proper Use of Visa Marks

- **Solicitation materials must be approved by the Client**
- **Materials, including websites, must identify the Visa client bank name and city adjacent to the Visa Marks**
- **Materials may not identify the TPA unless they are prominently identified as a TPA of the Visa client bank**
- **Must clearly disclose that any subsequent merchant agreement is between the merchant and the Visa client bank**
- **Complies with the substance of *Visa U.S.A. Operating Regulations***
- **A TPA must present itself to all Cardholders and Merchants under their registered name**

# Recent ISO Issues



## Deceptive Marketing Practices

- Improper disclosure of fees, terms and conditions
- False representation

## Use of downstream entities

- Improper use of contracting companies

## Harassment

- Unwanted solicitation
- Aggressive merchant boarding
- Holding merchant funds in reserve

## Failure to update registration

# Recent ISO Case Study - 1



## ISSUE:

An ISO was expanding their portfolio by acquiring other ISOs without updating their registration. Additionally, they were engaged in several other questionable business practices, including:

- Charging an annual fee, without any prior notice or consent
- Not paying the residuals until / unless a new exclusive agreement was signed including minimum volume commitments
  - If the ISO contractors did not comply, their merchants would be charged a \$1000 termination fee and be MATCH listed

## RULE:

- All fees must be clearly disclosed
- ISOs can not force agreements upon entities

# Recent ISO Case Study - 2



## ISSUE:

An ISO, acting as an unregistered TPS, was holding merchant funds in reserve. Upon merchant termination the ISO refused to release the funds until a designated period of time after termination of the contract. Subsequent to the designated period of time the ISO still refused to release funds claiming that Visa's policies were holding them liable for the transactions.

## RULE:

TPAs are not allowed to hold merchant funds

Pure ISOs can not process transactions

# Questions



For questions contact Visa via email at [agentregistration@visa.com](mailto:agentregistration@visa.com)

Or via phone at 650-432-2933

