



Visa Expands Payment Service Provider Model

AP, Canada, CEMEA, LAC, U.S. | Acquirers, Issuers, Processors, Merchants

Effective 1 July 2011, the Internet Payment Service Provider (IPSP) model has been extended to cover all commerce types, including face-to-face environments. This new Payment Service Provider (PSP) model enables merchant aggregation beyond the e-commerce channel, helping to increase card acceptance for merchants that do not have a traditional acquiring relationship.

Benefits of the Expanded PSP Model

Building on the existing IPSP merchant aggregation framework, the new PSP model is intended to enable the following benefits.

For acquirers:

- Reduce the cost of signing and supporting merchants with low sales volume and/or specialized needs
- Address acquirers' desire to include merchant aggregators in their business models

For merchants:

- Minimize the startup costs associated with providing e-commerce as an additional channel for traditional brick-and-mortar merchants
- Facilitate cost-effective merchant processing solutions for traditional cash / check merchants
- Provide increased payment acceptance-related service and support

For cardholders:

- Increase convenience by providing more merchant locations at which Visa cards can be used, and more channels to make purchases

PSPs and Sponsored Merchants

The new PSP rules clearly spell out the roles and responsibilities of all parties:

- A PSP is an entity that contracts with an acquirer to provide payment services to a sponsored merchant.
- A sponsored merchant is a merchant (seller) that contracts with a PSP to obtain payment services.

Acquirers are responsible for the actions of their PSPs and the PSPs' sponsored merchants. They are required to register each PSP with Visa, and thoroughly vet and monitor the activity and performance of each PSP and sponsored merchant. Acquirers are also responsible for ensuring that their PSPs and their PSPs' sponsored merchants are in compliance with the Payment Card Industry Data Security Standard (PCI DSS). The PSP initiative extends existing IPSP controls¹ to the expanded PSP model and includes, but is not limited to, the following requirements:

- A merchant agreement must be in place between the acquirer and the PSP, and must contain their respective rights, duties and obligations for participation in the acquirer's Visa program.

- The PSP must not deposit transactions on behalf of another PSP.
- The PSP must provide comprehensive lists of its sponsored merchants (including names of principals, countries of domicile, etc.) to Visa upon request.
- Certain specified merchant types must not be processed by PSPs.
- The name of the PSP (or an abbreviation) must appear with the name of the sponsored merchant in the merchant name field of all clearing records and billing statements.

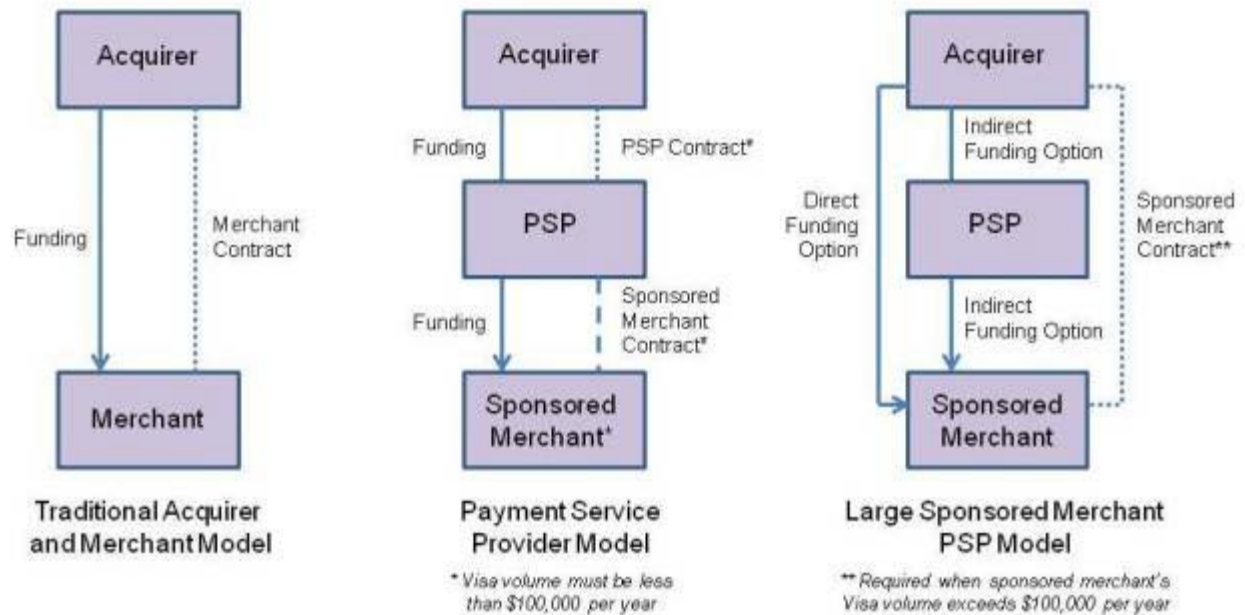
New and Updated Rules

As part of the new PSP model, Visa has introduced standardized rules and registration requirements across Visa Inc. regions to manage risk for those operating under the PSP model:

- An acquirer of a PSP must be in good standing in all Visa risk management programs.
- An acquirer of a PSP must be rated above-standard (a Visa member risk rating of "A" or "B") and must meet a minimum equity requirement of US \$100 million. If a PSP exceeds US \$50 million in annual Visa transaction volume, the acquirer must meet a minimum equity requirement of US \$500 million or manage all sponsored merchant funding directly.
- A sponsored merchant must enter into a direct merchant agreement with an acquirer when its annual Visa sales exceed US \$100,000.
- An acquirer may settle with a PSP on behalf of its merchant, regardless of sales volume.
- A PSP must adhere to all PSP risk controls, which will apply to all commerce types in all Visa Inc. countries.¹
- A merchant, sponsored merchant and PSP must all be located within the acquirer's jurisdiction.
- As announced in the article "[Merchant Data Reporting Requirements Revised and Expanded to Include All Visa Regions](#)," published in the 30 June 2011 edition of the *Visa Business News*,² merchant data reporting requirements have recently been revised and expanded to include all Visa regions. **Effective immediately**, all PSPs and all PSPs' sponsored merchants are covered under these requirements. Acquirers should, therefore, build capability to capture unique identification information for sponsored merchants and their PSPs.

Note: Supplying merchant data to Visa is mandatory in the Visa Canada and Visa U.S. regions, and is optional until further notice in the Visa Asia Pacific (AP); Visa Central and Eastern Europe, Middle East and Africa (CEMEA); and Visa Latin America and Caribbean (LAC) regions.

Traditional Acquiring Model vs. PSP Model



Compliance With New Rules

Effective 1 July 2011, any entity acting as a PSP, or desiring to act as a PSP, must register with Visa and comply with the new Visa Operating Regulations. Existing aggregators will be given until 1 February 2012 to meet requirements that are new to their region, and new compliance actions will be withheld. However, Visa will continue to monitor registered and unregistered PSPs during this period and will work with acquirers to ensure compliance and the safety of the Visa system.

¹ Some of these controls may be new in countries outside of the U.S.

² This *Visa Business News* article was published on 30 June 2011 in Canada and the U.S., and on 7 July 2011 in AP, CEMEA and LAC.

Related Documents

[Visa International Operating Regulations: Payment Service Provider Expansion \(Advance Copy\)](#)

"Merchant Data Reporting Requirements Revised and Expanded to Include All Visa Regions," *Visa Business News*, 30 June 2011

For More Information

AP, CEMEA and LAC: Contact your Visa representative.

Canada and U.S.: Contact your Visa Account Executive or call (416) 860-8600 (in Canada) or (888) 847-2242 (in the U.S.) to speak with a Visa subject matter expert.

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