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Merchant On-line

Winter 2006

Exclusively for Commerce Bank Merchants

Remember: "Apples to Apples"

Be Ready for Post-Holiday Returns with this Quick Refresher Course

This is the time of year when you will be faced with lots of returns and exchanges. There will be customers who don't have gift receipts, people who want to exchange for a different item, and those who just want their money back.
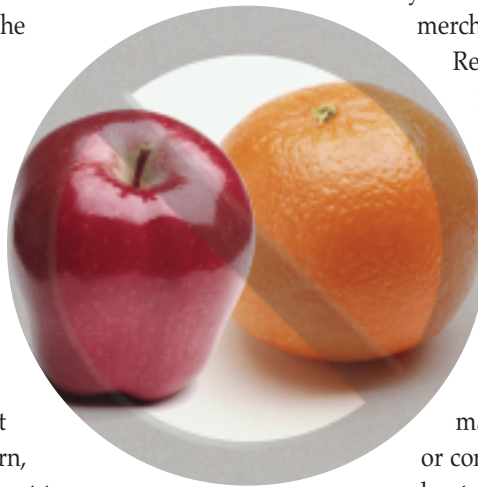
MasterCard® and Visa® Regulations

The major card associations have strict policies regarding returns and exchanges on debit and credit card transactions. Here are the basics:

1. A return transaction must be processed using the same payment method as that of the original purchase. An example of this would be, if the original transaction was processed using a Visa Debit card, a return on that transaction cannot be processed as a Visa Credit return.

2. Never refund cash on a credit card purchase. If it's simply a return, you must issue a credit to the account to which the original sale was charged.

3. Exchanges are handled in several ways. If the customer wants something more expensive than the original item, you should complete a transaction for the difference in price. When the new item costs less than the original item, you need to credit the price difference to the card that was used for the original sale.

Post your Return and Exchange Policy

If you're a "brick-and-mortar" merchant, display your Return and Exchange policy at the point of sale. Have your terminal set up so that your policy is printed on your receipts. Mail order merchants are required to disclose their policy on the mail order form, invoice or contract. E-commerce merchants must communicate their refund policy during the ordering process, and require customers to accept it. When customers understand your policy, they tend to be more agreeable if they need to return something.

If you handle returns and exchanges smoothly and courteously, you create opportunities for future business. Even if a customer can't find what they're looking for today, they will likely remember your good customer service, and may return at another time.

Inside

Time to Upgrade?

The Right Equipment Makes a Big Difference in Your Profitability

Like an old pair of shoes, you've become accustomed to your processing equipment. But look closer and you may find that your terminal has become outdated. Could you be processing transactions faster? Would new equipment save you money in processing fees? Are you struggling to get into compliance with security mandates that are being enforced?

If you answered "yes" to any of those questions, it's probably time to look at some new equipment. Upgrading is easy, and the benefits can make you more profitable.

Security for You and Your Customers

New terminals offer the latest encryption technology to ensure that your data and your cardholders' account information remain secure. Tamper-resistant features are designed to prevent unauthorized use.

Security requirements that currently apply only to internet merchants will be applied to terminal-based merchants in the near future.

We still hear from consumers who send us receipts with the entire account number displayed. A single incident of identity theft that is traced to your business can be very costly. Truncation is required by law in many

PIN pads offer greater security for your customers.

states. By updating your processing equipment you can be in compliance with this law.

Your customers will also appreciate the option of keeping their card in-hand by using a PIN pad. Updated PIN pads are ergonomically designed to fit comfortably in customers' hands, minimizing data-entry errors.

Process More Transactions

A new terminal can accommodate services such as PIN-based debit, gift card programs and electronic check acceptance. If you offer your customers more payment options you'll see increased profits. Process transactions faster and your customers will remember how easy it is to do business with you.

Cut Costs and Reduce Chargebacks

By adding a terminal that can take advantage of the latest fraud protectors (i.e. Address Verification Services, CVV2 and CVC2 verification), you can reduce chargebacks. As the major card associations require increasingly more data with your transactions, you will find that your discount rate may be reduced when you use newer equipment.

Our Merchant Support Center can recommend the best solution for the needs of your unique business.

Updates to IC*VERIFY*® Software

IC*VERIFY* is an Electronic Draft Capture software that performs all the functions of a terminal. It is an easy-to-use solution for a variety of merchant types including small to mid-size retail outlets, professional practices with multiple users, and merchants who process recurring payments. The book-and-ship feature of IC*VERIFY* makes it a powerful tool for mail, phone and Internet merchants.

Patch Required to Ensure Data Security

The IC*VERIFY* team has identified an issue in the software as it interacts with other software applications, potentially leaving your customer information vulnerable to theft. To resolve this issue, IC*VERIFY* is issuing a patch to all Versions from 3.1.0.14 through Version 3.1 Release 5.

*This patch is **free of charge** and is available by contacting our Merchant Support Center.*

The patch will be built into all future versions of IC*VERIFY*. To determine if you need the patch, look at the physical CD you used to install your software. If the CD label says

"3.1 Release 6 Revised 06/05" or reflects a higher version number than 3.1 Release 6, your software is already patched. If you do not have access to the physical CD, contact our Merchant Support Center to help you determine which version you currently have.

If you are using a version of IC*VERIFY* software prior to Version 3.1, please be aware that your software version is no longer support-ed and you need to upgrade to the most current version. Contact our Merchant Support Center today to get your **free** patch.

New Visa Card Security Features

As new Visa cards make their way into the marketplace you will see a variety of different designs. Here are some features to look for.

▲ Holographic magnetic stripe
▲ Removal of the "V" security character
▲ Three-digit CVV2 printed in a white box to the right of the signature panel

Approved design variations

▲ Signature panel may have a custom design. Remember, all cards must be signed.

▲ The Visa Brand Mark will normally appear in the lower right corner, but may be in the upper right or upper left in some cases.
▲ Unembossed cards and vertically oriented cards, while less common, are acceptable.

Call us if you have any questions, and don't hesitate to call for a Code 10 if you're ever suspicious of a card.

Revised Visa Interchange Regulations

Business Card and Purchasing Card Transactions Require Additional Data

Interchange is a fixed expense from the major card associations. Visa has recently announced new interchange regulations that will become effective April 3, 2006. As part of these changes, Visa will not require merchants to qualify for Level II processing in order to qualify for Level III processing.

Different types of transactions can qualify for higher or lower interchange rates, based on the type of card presented and the data that is provided at the time of the transaction. Your interchange qualification can have a significant

effect on your profits. There are procedures you can put in place to help you get the best rate.

Different types of transactions can qualify for higher or lower interchange rates.

For example, in order to qualify for the Level II Interchange rate when you process transactions using Business Cards or Purchasing Cards, you will need to provide additional data, including card number, expiration date, and sales amount. Sales Tax in particular is a field that is required. To qualify for Level II processing, a sales tax amount greater than "$0" must be entered.

Here are some tips to make all your transactions more secure, and help you qualify for a better interchange rate.

▲ Authorize every transaction using your electronic terminal. If a card's magnetic stripe can't be read by your terminal, be sure to follow proper procedures for a hand-keyed transaction, which should include obtaining an imprint of the card.

▲ Accept only signed cards. Many consumers take card protection in their own hands by writing "See ID" on the signature panel. It is a violation of MasterCard and Visa regulations to accept unsigned cards.

Contact our Merchant Support Center if you have any questions about procedures.

Merchant Support Center

We're here to assist you with all your merchant needs. Commerce Bank Customer Service Representatives are available to help you with:

- **Processing**
- **Service Questions**
- **Supplies**
- **Statement Questions**

We offer personalized service through our in-house Support Center at: 1-800-828-1629 Monday-Friday: 8 a.m. to 6 p.m. and Saturday 9 a.m. to 1 p.m. (CST). Fax us at: 1-816-234-2181.

For faster service, have your merchant number ready when you call the Merchant Support Center.

Telephone authorizations: 1-800-228-1122. Call 24 hours a day, seven days a week.

Write us at:

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Merchant Department
825 Main Street, KCBC-1
Kansas City, MO 64105

We're always at your service.

Commercebank.com

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