



# Visa International Operating Regulations Core Principles

Effective 15 October 2011







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## Overview

Visa Inc. has developed a set of Core Principles that describe the expectations and requirements for participating in the Visa system. These Core Principles are intended to:

- Serve as fundamental policy statements that describe the rules and processes designed to ensure the long-term value and reliability of Visa's products, system and brand
- Be presented in general terms as broad guidelines or statements of intent to guide business discussions, dealings and decisions, absent a specific rule
- Provide global consistency for the integrity of the Visa brand and system

The Core Principles cover the following categories of Visa's Operating Regulations and processes:

1. Visa Operating Regulations – Governance
2. Visa System Participation
3. The Visa License
4. The Visa Brand
5. Visa Products and Services
6. Payment Acceptance
7. Transaction Processing
8. Risk Management
9. Dispute Resolution
10. Pricing, Fees and Interchange

These Core Principles also form the basic chapter structure of the *Visa International Operating Regulations*, applicable to all Visa participants.

## Introduction

Visa<sup>1</sup> is the world's leading payment brand, providing a safe, secure network for processing financial transactions around the globe. In this role, Visa facilitates commerce among the world's businesses, governments and individuals, providing value through its global network, innovative product platforms and a trusted, world-class brand. The success of Visa relies on the company's ability to deliver tangible value to all of its stakeholders and conduct its business in a responsible manner.

Visa's ability to maintain its leadership position as the best way to pay and be paid depends on delivering a reliable, safe and secure experience for all stakeholders. To accomplish this, Visa relies on participants in the system to follow a consistent framework for processing transactions, as set forth in the Visa Operating Regulations (Refer to Core Principle 2.2 for more information on participants). By following these Operating Regulations, participants provide customers and merchants with a vast array of payment options and features, which can help grow their business and increase consumer and merchant satisfaction.

Visa has always maintained high standards for responsible, fair and honest business practices. These high standards serve as the foundation for our business relationships and for our reputation.

## 1.0 Visa Operating Regulations Governance

Consumers, businesses and merchants rely on the Visa system to conduct commerce. Therefore, Visa has established rules that are designed to minimize risks and provide a common, convenient, safe, and reliable global payment experience to all.

- 1.1 The Visa Operating Regulations represent a binding contract between Visa and participants in the system.
- 1.2 Visa Operating Regulations are set and modified by Visa management to support the use of Visa products and services for all participants in the electronic payments chain. To protect the Visa system and brand, maintain its leadership position, and deliver competitive value to all system participants, Visa constantly evaluates marketplace trends, technological developments, and opportunities for greater efficiency or innovation, and modifies its rules to respond to business and technology trends.
- 1.3 Visa actively and reactively monitors compliance with Visa Operating Regulations, for product, brand and technical requirements, merchant acceptance procedures, and industry-wide standards.
- 1.4 Visa Operating Regulations are based on consistent principles around the globe to ensure a common experience, while supporting region-specific and domestic rules that allow for variations and unique marketplace needs.
- 1.5 In the event of any conflict between the Visa Operating Regulations and any applicable laws or regulations, the requirements of such law or regulation will govern.
- 1.6 Visa management may grant variances or temporary waivers to Visa Operating Regulations for unique marketplace conditions and customer needs, including emergency variances that may be granted in the event of a natural disaster.

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<sup>1</sup> Visa: Refers to Visa Inc., a publicly traded company, and its subsidiaries.

## 2.0 Visa System Participation

The Visa system includes technology, products, services and marketing programs that facilitate global commerce through the electronic transfer of value and information among financial institutions, merchants, consumers, businesses and government entities. Visa defines business requirements, including functional and technical specifications, to enable financial transactions to be completed in a consistent, safe and reliable manner.

- 2.1 Financial institutions, payment data processors, and other qualified business entities may participate in the Visa system by meeting the conditions outlined in the applicable Visa Bylaws and Operating Regulations. Key information from the Visa Bylaws and Operating Regulations are outlined in these Core Principles.
- 2.2 Visa participants are generally financial institutions or other eligible businesses that issue Visa products to consumers or enroll merchants to accept Visa products for payment of goods and services. Participants may also contract with third-parties to facilitate issuing and acquiring activities, including VisaNet processors who have a direct connection to VisaNet. Participants in the Visa system agree to register VisaNet processors and third-parties that facilitate Visa activity. Participants are responsible for all errors, acts and omissions of such third-parties, including their agents and vendors.

*Appendix A provides a high-level description of the various roles of Visa Payment System Participation*

- 2.3 Visa participants are solely responsible for their issuance of Visa products and acquiring of merchants to accept Visa products, including responsibility for settlement of transactions, compliance with Visa Bylaws and Operating Regulations, and ensuring that their Visa programs comply with all applicable legal and regulatory requirements. Participants indemnify Visa for claims or liabilities that arise out of their issuance of Visa products and acquiring of merchants, and broadly disclaim liability against Visa for such activities.

## 3.0 The Visa License

The Visa system is designed to balance the business needs of all stakeholders, providing a wealth of value-added products, services and support. The value of Visa can be maintained only when all participants agree to follow the Visa Operating Regulations, including the license between Visa and system participants.

- 3.1 All participants in the Visa system recognize Visa's ownership of valuable intellectual property, including the Visa name, Visa marks, and Visa technology, and agree to protect these ownership rights and the integrity of the marks by following Visa's applicable rules in all activities, including issuing, acquiring and processing. These rules and the Visa license address appropriate use of the licensed marks, technology, software, hardware, and other valuable intellectual property in conjunction with Visa systems, products and services.
- 3.2 Participants in the Visa system may use the Visa brand and licensed technology to provide payment and other financial services, under the Visa brand, to customers within the geographic locations defined by Visa and as permitted by local banking regulation.
- 3.3 Visa participants may obtain one or more Bank Identification Numbers (BINs) from Visa for use in all Visa activities. As a BIN licensee, the participant is responsible for all activities associated with any BIN that it licenses.

## 4.0 The Visa Brand

Visa is one of the most recognized brands in the world. The Visa brand transcends language, cultures and geography under a name and mark that represents acceptance, security, convenience, reliability and empowerment to hundreds of millions of consumers across the globe. As the Visa brand mark is used by multiple stakeholders across the Visa system, all parties have a stake in upholding its reputation, integrity, and equity. As such, all participants have responsibility for maintaining, protecting and enhancing its value.

- 4.1 Usage of the Visa-owned marks must be consistent with the *Visa Product Brand Standards*, and such marks must **never** be obscured, distorted, defaced, altered in any way, or appear less prominently than any other payment marks<sup>2</sup>.
- 4.2 No activities or materials may infringe, dilute, denigrate, or impair the goodwill and/or reputation of the brand or Visa-owned marks.
- 4.3 The Visa brand mark must always appear on the front of the payment device (e.g., Card), and no marks deemed competitive by Visa may appear on a Visa payment device, among other reasons so as to avoid causing consumer confusion<sup>3</sup>.
- 4.4 Visa participants and third-parties may **not** use the Visa name, a Visa-owned mark, or a derivative of a Visa-owned mark as part of its corporate name or identity.
- 4.5 A Visa-owned mark, including associated elements, may only be used to denote or promote Visa products, offers, sponsorships, services, processing and/or acceptance.
- 4.6 Only the Visa brand mark may be used on cards or payment devices to denote card acceptance outside of the country of issuance, and must appear clearly more prominent than country-specific marks.
- 4.7 A card or payment device design **may** not be used at the point-of-sale to denote acceptance. Only the Visa brand mark may be used to denote acceptance at the point-of-sale.

## 5.0 Visa Products and Services

Visa provides product platforms encompassing consumer credit, debit, prepaid and commercial payments. Visa rules regarding product and service technologies are designed to ensure continued convenience, security and worldwide acceptance of Visa products.

- 5.1 Participants in the Visa system agree to follow the card issuing and technology standards established by Visa to ensure systems work together to provide seamless transaction and data processing. For example, the magnetic stripe and chip used on Visa cards must follow compatible standards and specifications to guarantee global interoperability and payment acceptance.
- 5.2 To preserve the security, integrity and consistency of experience of the Visa system and meet the diverse needs of participants in the Visa system, participants agree to follow Visa's policies, requirements and standards for issuing and using Visa products and services.

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<sup>2</sup> **Effective 20 July 2011**, there are certain exceptions to this requirement for the display of Visa marks at the point of sale by a U.S. Merchant or a Merchant located in a U.S. Territory.

<sup>3</sup> **Effective 1 October 2011**, there are certain exceptions to this requirement of U.S. covered Visa debit cards.

- 5.3 Visa specifies card design requirements and standards for use of its marks to ensure the integrity, safety, and security of the Visa brand and products, and to ensure the common, immediate recognition of Visa products and services around the world. Participating issuers agree to use only Visa-authorized card manufacturers and card personalizers to produce Visa cards. Participants agree to submit card designs for Visa approval to ensure adherence to the *Visa Product Brand Standards*.

## 6.0 Payment Acceptance

The Visa rules and systems are designed to provide consumers with a common experience of convenience and security whenever they use Visa products and services.

- 6.1 Visa merchants displaying Visa acceptance marks at payment locations agree to accept corresponding Visa-branded products for payment. If the customer indicates that he or she wants to pay with a Visa product, a merchant must complete and process the Visa transaction as defined in the Visa Operating Regulations.
- 6.2 Visa merchants may not refuse to accept a Visa product that is properly presented for payment, for example, on the basis that the card is foreign-issued<sup>4</sup>, or co-branded with the merchant's competitor's mark. Merchants may steer customers who initially present a Visa card to an alternative method of payment, such as providing discounts for cash, but may not do so in a confusing manner that denies consumer choice. Merchants may also consider whether present circumstances create undue risk, for example if the sale involves high-value electronics, but the card signature panel is not signed, and the cardholder does not have any other identification.
- 6.3 Visa merchants agree to accept Visa cards for payment of goods or services without charging any amount over the advertised or normal price as a condition of Visa card acceptance, unless local law requires that merchants be permitted to engage in such practice.
- 6.4 Participants in the Visa system agree to follow the standards established by Visa for technologies that are used at the point of transaction to ensure systems work together to provide seamless transaction and data processing. For example, magnetic-stripe and chip-reading terminals must follow compatible standards and specifications to guarantee global interoperability and payment acceptance.

## 7.0 Transaction Processing

To ensure reliability and accuracy within the Visa system, Visa has defined requirements, conditions and exceptions to ensure the successful completion of Visa transaction authorization, clearing and settlement. A core component of the Visa system is VisaNet, a secure, centralized, global processing platform. VisaNet enables Visa to provide financial institutions and merchants with a wide range of product platforms, transaction processing and related value-added services.

- 7.1 Participants in the Visa system agree to provide transaction authorization and settlement services to their customers to ensure seamless payment processing.

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<sup>4</sup> In the US, Canada, and Australia, merchants may decline to accept certain categories of Visa products for domestically-issued cards.

- 7.2 Visa defines financial responsibility between issuers and acquirers, which may vary in different merchant acceptance environments. For example, acquirers bear more responsibility for transactions completed in card-absent environments.
- 7.3 Issuers are financially responsible for transactions that are accepted by the merchant as defined in the Visa Operating Regulations, and properly processed by the acquirer. Financial responsibility for transactions that are not processed as required by Visa may be returned from the issuer to the acquirer.
- 7.4 Visa participants must authorize, clear, and settle messages for international Visa transactions through VisaNet, and report to Visa all domestic Visa transactions processed outside of VisaNet. In some jurisdictions, participants must authorize, clear and settle all Visa transactions through VisaNet, which enhances Visa's ability to manage risks, meet consumer expectations, and provide leading fraud-protection solutions.

## 8.0 Risk Management

The integrity of the payment industry is built on trust, a trust Visa is determined to keep. To that end, Visa has aligned security efforts to remove weaknesses that can be exploited and has defined requirements for fraud prevention and risk controls for all payment operations, payment processing devices and card acceptance environments.

- 8.1 To protect against inappropriate or unauthorized activity that may damage the payment system or brand, participants in the Visa system agree to follow Visa-specified risk and fraud requirements & controls.
- 8.2 To allow Visa to analyze and respond to new and evolving risks and security threats, Visa requires participants in the Visa system to report all fraudulent transaction or other criminal risk activity to Visa without delay.
- 8.3 To protect all parties to the Visa system, participants with access to personal Visa account information or Visa transaction information are responsible for following rigorous standards for data protection set by Visa. These standards may be consistent with or exceed industry standards. For example, the storage of magnetic-stripe data is strictly prohibited.
- 8.4 Participants in the Visa system agree to take appropriate measures to prevent the Visa system from being used for or associated with illegal activities. These include, but are not limited to, child pornography, money laundering or financing terrorist activities. Because Visa payments can be subject to a variety of anti-money laundering laws in many countries, participants in the Visa system are also responsible for complying with these laws, including, for participants in the U.S. Region, the Bank Secrecy Act and the USA PATRIOT Act.

## 9.0 Dispute Resolution

Most transactions move smoothly through the Visa system and are processed, posted and paid without issue. There are times, however, when transactions may be disputed, either by the cardholder or issuer for improperly processed transactions. Visa has established rules and processes for issuers and acquirers for efficient dispute resolution that balances the interests of all affected parties, including their respective customers; a benefit not readily available with cash and check purchases.

- 9.1 Participating issuers are responsible for accepting and attempting to honor all transactions, but they may have rights to return transactions for reasons specified by Visa. These reasons can include events such as inadvertent processing errors, some types of fraud and certain cardholder disputes.
- 9.2 Participants in the Visa system agree to attempt to offer mutual assistance to other participants to resolve transaction disputes prior to escalating the dispute to Visa for final resolution.
- 9.3 Visa participants agree to take appropriate action to prevent unjust enrichment to themselves or their customers by failing to credit a customer for a transaction that is charged back, or by taking multiple credits for a single transaction.
- 9.4 For unresolved transaction disputes, Visa acts essentially as an arbitrator between participants.

## 10.0 Pricing, Fees and Interchange

There are costs to all participants in the Visa payments model to ensure the efficient and secure functioning of the Visa payments network and the maintenance and promotion of the Visa brand, just as there is a cost to issuing and accepting cards. Visa sets pricing & fees for its products and services based on dynamic and competitive market forces.

- 10.1 Visa system participants pay fees to Visa for access to and use of Visa products and services. Visa establishes certain fees between issuers and acquirers for specific participant actions such as rewards paid to store clerks for card recovery or the fulfillment of sales receipt copies.
- 10.2 Participating acquirers and issuers pay or receive interchange every time a Visa product is used. For example, acquirers pay interchange to issuers for purchase transactions and issuers pay interchange to acquirers for cash transactions and credit vouchers. In the case of a credit or a chargeback, interchange flows in reverse.
- 10.3 Interchange reimbursement fees are determined by Visa and provided on Visa's published fee schedule, or may be customized where members have set their own financial terms for the Interchange of a Visa transaction or Visa has entered into business agreements to promote acceptance and card usage.

## What is Interchange?

Interchange reimbursement fees help to make electronic payments possible by enabling Visa to expand card holding and use, increasing the places consumers can use their cards and providing a financial incentive for all parties to pursue system-wide improvements, such as rewards, innovation and security. An interchange reimbursement fee is a default transfer price between acquirers and issuers within the Visa system. Merchants pay what is known as a merchant discount fee or merchant service fee negotiated with their acquirer which may take into account the interchange fee, processing costs, fees for terminal rental, customer services, and other financial services. The merchant discount fee or merchant service fee is negotiated individually with the merchant's acquirer; each acquirer sets its fees independently, in competition with other acquirers, competing payment systems, and other forms of payment.

Interchange is consistently monitored and adjusted – sometimes increased and sometimes decreased – in order to ensure that the economics present a competitive value proposition for all parties. Interchange reimbursement fees must encourage card holding and use, as well as expansion in the number and types of businesses that accept cards. If rates are too high, retailers won't accept cards; if rates are too low, issuers won't issue cards. Visa may establish different interchange reimbursement fees in order to promote a variety of system objectives, such as enhancing the value proposition for Visa products, providing incentives to grow merchant acceptance and usage, and reinforcing strong system security and transaction authorization practices.

*Appendix B provides a high-level description of the Visa Payment System Process.*

## Appendix A

### Visa Payment System Participation

- A *merchant* is any business entity that is authorized to accept Visa products for the payment of goods and services.
- An *acquirer* – also known as the merchant acquirer or merchant bank – is a financial institution or other business entity that contracts with merchants to accept Visa products for payment of goods and services.
- A *cardholder* is an authorized user of Visa payment cards or other Visa payment products.
- An *issuer* is a financial institution or other business entity that issues Visa cards and contracts with its cardholders for billing and payment of transactions.

The following illustrates the basic roles of Visa system participation:



1. The cardholder presents the merchant with a Visa card for payment. The merchant point-of-sale terminal reads the account number and other data encoded on the card's magnetic stripe or chip.
2. The merchant terminal transmits the card information and transaction amount to the acquirer.
3. The acquirer combines the transaction information into an authorization request message and transmits it to Visa.
4. Visa routes the authorization request to the issuer for review. In certain circumstances, such as when the issuer's systems are unavailable, Visa may perform stand-in processing and review and authorize or deny the transaction.
5. The issuer sends to Visa an authorization response message either approving or denying the transaction.
6. Visa routes the authorization response to the acquirer.
7. The acquirer transmits the result of the authorization request to the merchant terminal.

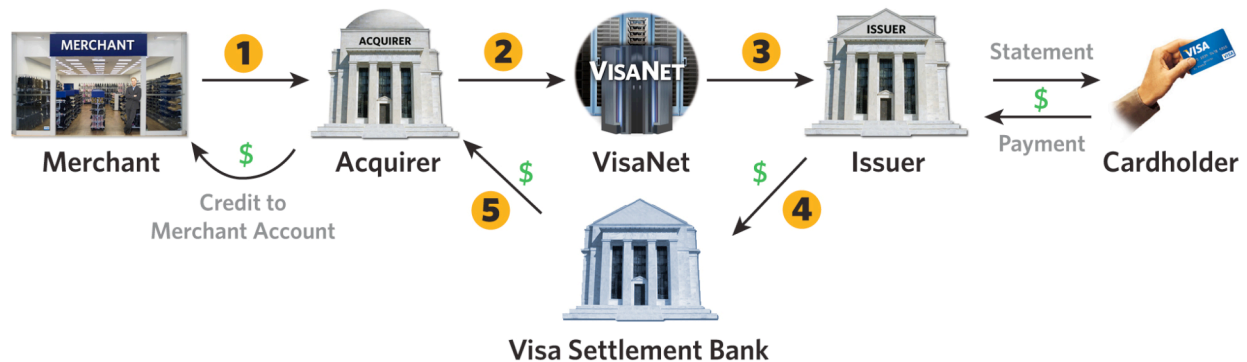
## Appendix B

### Visa Payment System Process

A typical Visa transaction that flows through VisaNet – the Visa system – involves two stages: authorization, and clearing and settlement.

- *Authorization* is the process of approving or declining a transaction before a purchase is finalized or cash is disbursed.
- *Clearing* is the process of delivering final transaction data from Visa acquirers to Visa issuers for posting to the cardholder’s account. Clearing also includes the calculation of certain fees and charges that apply to the issuer and acquirer involved in the transaction, as well as the conversion of transaction amounts to the appropriate settlement currencies.
- *Settlement* is the process of calculating, determining and reporting the net financial position of Visa’s issuers and acquirers for all transactions that are cleared.

The following diagram illustrates the clearing and settlement process between the issuer and acquirer for a typical transaction processed through Visa’s system.



#### Clearing

1. The merchant transmits sales draft information for the transaction, including account numbers and transaction amounts, to the acquirer.
2. The acquirer formats this information into a clearing message, which it transmits to Visa.
3. Visa routes the clearing message to the issuer and calculates the settlement obligation of the issuer and the amount due to the acquirer, net of certain applicable fees and charges.

#### Settlement

4. The issuer sends funds to Visa’s designated settlement bank in the amount of its settlement obligation.
5. The settlement bank, at the direction of Visa, transfers funds due to the acquirer.