

**Bilateral and Multilateral Processing of Card
Transactions in Europe
Clearing and Settlement
Rules**

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1 Introduction

The Berlin Group standard is a standard for the European area for bilateral/multilateral processing of card transactions.

The Berlin Group standard considers for this processing an exchange of authorisation and clearing data between gateways, where the role of an acquirer gateway and the role of an issuer gateway are distinguished. The acquirer gateway receives clearing data from acquirers that process card based transactions originating from ATMs, POS terminals, MoTo or the internet. The acquirer gateway communicates with the issuer gateway sending and receiving batch files containing transaction messages like presentments, reversals and charge backs for defining the reconciliation amount to be settled between issuer and acquirer for a fixed clearing period.

An overview on this infrastructure is given in the following diagram.

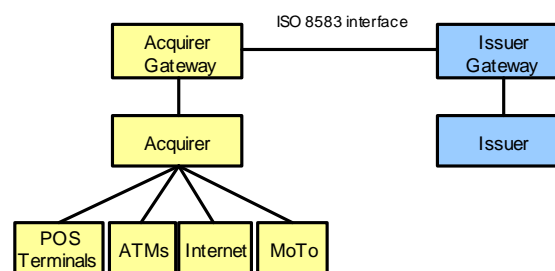


Figure 1: Infrastructure for bilateral and multilateral processing of card transactions

This document of the Berlin Group standard describes the general data flow and the rules for the clearing and settlement of international card transactions. The data flow today is based on ISO 8583 messages. A more detailed interface specification for this processing, basing on the ISO 8583:1993 norm, is contained in the document [BG CSIF].

The relevant currency for clearing and settlement as defined in this document always is euro. Nevertheless, the transaction can locally be processed in other currencies.

2 Services Definition and Support

The services defined in [EPC CDFD] are supported by this specification as described in the following table. The messages used to support the services are specified in [BG CSI].

Service Name and Description	Support
<p>ATM Cash Withdrawal: A service which allows the cardholder to withdraw cash at an unattended cash dispensing Also called "ATM Cash Disbursement"</p>	<p>Presentment with a specific Processing Code and Card Acceptor Business Code. This transaction shall always be authorised on-line.</p>
<p>Balance Inquiry: A service which allows the cardholder to request information about their account balance.</p>	<p>There is no presentment for this service. Instead a fee collection method is defined, if applicable within the relevant card payment scheme. A surcharging is not supported in this service.</p>
<p>Cancellation: A service which allows the card acceptor to cancel a previously approved transaction. Cancellation should only occur before the transaction is cleared to the issuer. It is sometimes called "Manual Reversal".</p>	<p>No impact on clearing.</p>
<p>Card Validity Check: A service that allows the validity of the card to be checked. This transaction is only for information and has no financial impact on the card account. It is sometimes called "Information request"</p>	<p>There is no presentment for this service. Instead a fee collection method is defined, if applicable within the relevant card payment scheme. A surcharging is not supported in this service.</p>
<p>Cash Advance (attended): A service that allows the cardholder to withdraw cash in an attended environment, e.g. at a POS terminal or a bank counter. Also called Cash Disbursement.</p>	<p>Presentment with a specific Processing Code and Card Acceptor Business Code. This transaction shall always be authorised on-line.</p>
<p>Deferred Payment: A combined service which enables the card acceptor to perform an authorisation for a temporary amount and a completion for the final amount within a limited time frame. Deferred Payment is only available in the unattended environment. Examples where this service is widely used are unattended petrol pumps and phone booths. This is also called "Outdoor Petrol" when used in the specific petrol sector.</p>	<p>A first presentment will be submitted based on either the online completion advice or partial reversal used within the authorisation process.</p>

Service Name and Description	Support
<p>Issuer initiated referral: A referral occurs when the initial authorisation request is first responded to with an appropriate Referral. Authorisation Response Code and the transaction is completed with a voice conversation (out of scope) to seek an approval for the transaction to proceed.</p>	<p>After a referral, the authorisation code given by the issuer is to be used as Approval Code.</p>
<p>No Show: A service which allows the card acceptor to charge the cardholder's account due to the fact that the cardholder has not arrived within the specified time and has not cancelled the guaranteed reservation within the specified period. It is used e.g. for hotel trade.</p>	<p>For clearing a presentment transaction will be submitted. This transaction may have been preceded with a pre-authorisation and a subsequent completion or partial reversal. If not pre-authorised, the presentment shall contain the local date and time of the date on which the cardholder failed to use the reserved service.</p>
<p>Original Credit: A service which allows the card acceptor to effect a credit to a cardholder' account. Unlike Refund, an Original Credit is not preceded by a card payment. This service is used for example for crediting winnings from gaming. Same kinematics as Refund.</p>	<p>An original credit can be submitted by using a First Presentment Refund transaction, which might have been authorised online.</p>
<p>Payment: The basic service which allows the cardholder to pay for the purchase of goods and services from a card acceptor using their card.</p>	<p>Clearing of an accurate amount using a presentment</p>
<p>Payment with Cashback: A service which allows the cardholder to obtain cash from the card acceptor in conjunction with a payment. Also called a Cashback transaction. The cardholder customer receives the extra amount in cash along with the goods/services.</p>	<p>Clearing of an accurate amount with a specific Processing Code and an additional amount field using a presentment</p>
<p>Payment with deferred Clearing: A feature where the acquirer postpones the clearing of the transaction. It is used for example for the payment of health expenses.</p>	<p>Presentment after a Pre-Authorisation indicating an extended validity period and a Completion Advice.</p>

Service Name and Description	Support
<p>Payment with Increased Amount: A feature which allows the cardholder to increase the amount to pay by adding an extra amount, for example where a gratuity (tip) is added. There are two different cases:</p> <ul style="list-style-type: none"> • The customer increases the amount of a payment prior to authorisation • The authorisation is processed prior to increasing the payment amount, e.g. adding a gratuity on the receipt. 	<p>The presentment shall contain the gratuity amount in BMP54, whether or not the gratuity was authorised.</p>
<p>Payment with purchasing or corporate card data: A feature to include data related to a specific activity. This is often in support of the use of a company purchasing or corporate card. The additional data can be for example: VAT, reference numbers, e-invoicing or sector specific data.</p>	<p>This service is not currently supported.</p>
<p>Remote Payments: e-Payment: A Remote Payment where goods, services, etc. are purchased over electronic systems such as the Internet and other computer networks. The cardholder may be authenticated by the issuer. MOTO: A Remote Payment following a mail order or telephone order</p>	<p>A Presentment with specific attributes in BMP22. BMP 62 of the authorisation message is <i>not</i> transported in clearing.</p>

Service Name and Description	Support
<p>Pre-Authorisation Services (also called Multi Step Payment): A service composed of the 3 steps</p> <ul style="list-style-type: none"> • Pre-Authorisation, • Update Pre-Authorisation (optional and potentially with several occurrences), and • Payment Completion <p>A Pre-Authorisation allows the card acceptor to reserve an amount for a specified period of time to ensure that sufficient funds are available to complete a subsequent payment.</p> <p>The pre-authorization is used only to reserve the amount since neither the final amount nor the final date and time of the actual payment are known (e.g. car rental, hotel, video rental, etc.).</p> <p>Pre-Authorisation is also called "Reservation".</p> <p>The Update Pre-Authorisation is used to update the estimated amount and/or the validity period of the previous Pre-Authorisation or the previous Update Pre-Authorisation.</p> <p>The Payment Completion is used to complete a transaction following a Pre-Authorisation or Update Pre-Authorisation Request.</p>	<p>A first presentment will be submitted based on either the online completion advice or partial reversal used within the authorisation process.</p>
<p>Quasi Cash Payment: A service which allows the cardholder to obtain items which are directly convertible to cash. For example these can be gaming chips.</p>	<p>Presentment with a specific Processing Code.</p>
<p>Recurring Payment: A service where the cardholder authorises an acceptor to charge the cardholder's account on a recurring basis.</p>	<p>Presentment with a specific flag indicating recurring payments.</p>
<p>Refund: A service which allows the card acceptor to reimburse the cardholder partially or totally. Refund is not necessarily linked to any previous transaction.</p>	<p>A refund can be submitted by using a First Presentment Refund transaction, which might have been authorised online.</p>
<p>Unsolicited Balance Information (Unsolicited Available Funds): A feature which allows the card issuer to provide account balance information in the authorisation response message.</p>	<p>No impact.</p>

The following services and additional features defined in [EPC CDFD] are not supported by this specification:

- Card Funds Transfer,
- Cash Deposit,
- e-purse - Loading/Unloading,
- Installment Payment,
- Payment or cash withdrawal with dynamic currency conversion,
- Payment with cumulative amount,
- Payment with Loyalty information
- Payment with Purchase/Corporate Card.

3 Clearing Data Model

In this section the abstract data model for Berlin Group clearing processes are defined. The clearing data of every transaction is transported in a so called clearing message.

3.1 Product Type

The product type is an ID of the card product which is accepted at the POS or ATM in processing the transaction. The product ID can be given in the messages implicitly by the definition of clearing partners.

3.2 Message Types

The message type defines the function of the message. The following functions with financial impact are supported.

- First Presentments

The normal message for the acquirer gateway to present a transaction to the issuer gateway. The issuer gateway is asked hereby to transfer the reconciliation amount named in the message to the acquiring gateway.

- First Presentment Refunds

Refunds can be used at a POS if the customer returns the goods of a transaction, even if the transaction data is no longer in the system. For this function the use of an authorisation request is optional. This message type can also be used for crediting amounts to the cardholder, which is called original credit.

- Charge Back

The issuer can initiate a charge back message for a transaction, for example if the customer denies a transaction. The amount of the transactions then will be resettled, including the interchange fees. The reasons admissible for charge backs are clearly defined in this document. For certain reasons, the gateway itself can also generate charge backs in behalf of the issuer, for instance if the transaction was not authorised.

- Second Presentments

Under certain circumstances, the acquirer is allowed to re-present the transaction after a charge back of a transaction within a second presentment message.

- First and Second Presentments Reversals

The reversal of a presentment is performed by the acquiring gateway to reverse a transaction, since e.g. the acquiring gateway received a late reversal from the acquiring system for a transaction already settled.

- Rejections

These messages are used for rejecting clearing files or single clearing messages.

- Fee Collections

Fee collections are used

- to manage the financial flow of rejected clearing messages and
- to collect specific service fees.

All other messages used in the system are for administrative use only and have no direct financial impact.

3.3 Amounts

- Transaction Amount

- Amount used at the terminal. This amount is confirmed by the customer and printed on receipts. The amount includes additional amounts if applicable.
- The currency of the amount is defined by the transaction currency code.
- If the transaction currency code is not euro, the authorisation conversion rate defines the conversion rate used for on-line authorisation. This implicitly defines the amount authorised online given in euro. This data is needed by banks in reclamation procedures to match transactions. This conversion rate is not used for clearing, cp. reconciliation amount.

- Original Amount

- The clearing amount can differ from the transaction amount. If this is the case, the original amount must be contained in the clearing message, too. Reasons for differences in the amounts are for example partial reversals in the authorisation process like for using petrol pumps.
- The currency of the original amounts equal the currency codes of the transaction amounts. The original amount is given in transaction currency only.

- Additional Amounts

- If the message type is a presentment with cashback, then the additional amounts define the cash amount which is delivered to the customer.
- If the message carries a gratuity, then the additional amounts contains the gratuity amount (Payment with Increased Amount).

- If the message carries a surcharge, then the additional amounts may contain the surcharge amount.
- Reconciliation Amount
 - The reconciliation amount is the amount which is settled for the corresponding transaction, excluding fees.
 - If the transaction is processed in euro at the terminal, then reconciliation amount and transaction amount shall be equal. If the transaction was not processed in euro at the terminal, then the reconciliation amount can differ from the transaction amount transformed in euro with the conversion rate available of the authorisation date.
 - The conversion rate of the reconciliation amount is defined in the message. This conversion rate is defined by scheme rules of payment schemes using this interface.

3.4 Fees

Presentments, reversals and charge back messages as defined in Section 3.2 can contain fees. All fees are interbank fees paid to or paid by the issuer, not including processing fees.

The fees of reversals equal the fees of the corresponding reversed messages.

The fees of the charge back equal the fee of the corresponding first presentment.

Service fees related to a service other than any Payment or Cash Withdrawal are collected by specific fee collection messages.

The fees are always given or converted in euro currency. The definition of the fees is out of scope of this specification.

3.5 Card and Issuer Data

The card data is divided in static and dynamic data. The dynamic data is applicable only for chip based transactions processed via the EMV standard.

The card used at the ATM or POS is characterised by

- Primary Account Number (PAN)¹

¹ The PAN here is a Card Account Number.

- The PAN consists of a BIN identifying the issuer and of an account information, identifying the account of the customer, to which the card is linked.
- Expiration Date of the Card
 - Date till when the card is valid for transactions. Nevertheless, the decision on the validity of the card for on-line authorised transactions is up to the issuer.
- Card Sequence Number
 - Several cards can be related to one customer account. These cards then are characterised via the card sequence number.

For EMV based transactions:

- Dynamical Card Data (EMV cryptogram data)

3.6 Card Acceptor and Acquirer Data

The Acquirer ID is used by the gateways for reclamation processes. It also might be used by acquirer and issuers to allow bilaterally defined business conditions internally.

The card acceptor data is used by the cardholder to control his account balance statement for card transactions and is used by the issuer to control the fees processed within the transactions. Furthermore, this data is used for reclamation processes.

- Card Acceptor Business Code

Defines the business area of the card acceptor. The following information must be transported in this data at least:

- ATM and manual cash delivery
- POS delivery of goods or services
- POS gas station

- Card Acceptor Identification Code

Code identifying the card acceptor or Payment Service Provider (PSP) assigned by the acquirer. If the Card Acceptor Terminal Identification is assigned by the acquirer and identifies the terminal uniquely in the acquirer network, this information may be left out.

- Card Acceptor Terminal Identification

Unique code,

- either assigned by the card acceptor, identifying a terminal at the card acceptor's location
- or assigned by the acquirer, identifying a terminal in the acquirer network.
- Card Acceptor Name and Location

This data defines the name and the location of the card acceptor.

3.7 Technical Acquiring Information

The technical acquiring infrastructure used at the front end for accepting the cards is transported in clearing messages and can have an impact on reclamation procedures, e.g. for charge backs in case of an EMV liability shift.

The following data is transported:

- Card data input capability: Indicates the primary means of getting the information of the card into the terminal. This data characterises the following cases:
 - manual entry/no terminal (only for card not present transactions)
 - magnetic stripe reader
 - key entered at a terminal
 - ICC reader for EMV transaction present
 - Contactless reader
- Cardholder authentication capability: Indicates the primary means of authenticating the cardholder at this terminal. Here, for POS transaction it is defined whether the terminal can process PIN. For e-Payment transaction a secure authentication method capability is indicated.

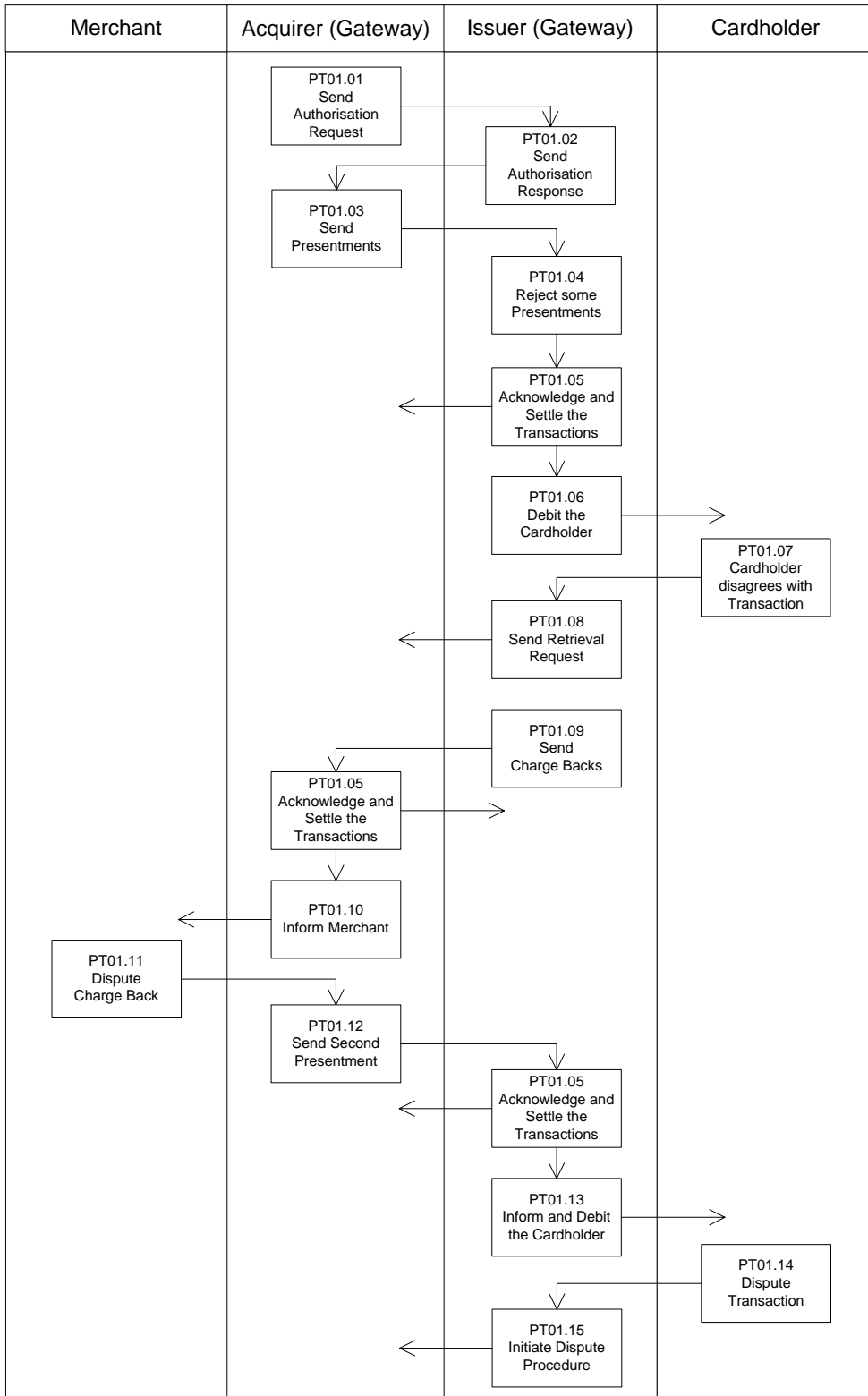
3.8 Message Reasons

Rejections, Charge back and second presentments may be used if certain standard reasons are valid, cp. Section 5.3, Section 5.4 and Section 5.5. These reasons then are transmitted in the message.

Furthermore, there are ranges of reasons for private use.

4 Process Description

4.1 Processing of a Card Transaction (PR-01)



The following processes are defined

PT01.01	Send Authorisation Request.
PT01.02	Send Authorisation Response
PT01.03	Send Presentments
PT01.04	Reject Some Presentments
PT01.05	Acknowledge and Settle the Transactions
PT01.06	Debit the Cardholder
PT01.07	Cardholder Disagrees with Transaction
PT01.08	Send Retrieval Request
PT01.09	Send Charge backs
PT01.10	Inform Merchant
PT01.11	Dispute Chargeback
PT01.12	Send Second Presentment
PT01.13	Inform and Debit the Cardholder
PT01.14	Dispute Transaction
PT01.15	Initiate Dispute Procedure

4.1.1 Detailed process descriptions (PR-01)

PT-01.01 – Send Authorisation Request

Description The Acquirer Gateway sends the authorisation request to the Issuer Gateway for approval of the card transaction. This process can be either performed in one or several steps, or even not be performed for unauthorised transactions.

This process step is not in scope of the Clearing and Settlement Rules, but instead is part of the Berlin Group Authorisation specifications.

PT-01.02 – Send Authorisation Response

Description The Issuer Gateway sends an authorisation response to the Acquirer Gateway containing the approval or disapproval of the authorisation request for the card transaction. This process can be either performed in one or several steps, or even not be performed for unauthorised transactions.

This process step is not in scope of the Clearing and Settlement Rules, but instead is part of the Berlin Group Authorisation specifications.

PT-01.03 – Send Presentments

Description For every authorisation given by the issuer of the card the Acquirer Gateway creates the presentment. These presentments are collected in a file and then send to the Issuer Gateway. For multi step payment, the presentment is sent following the completion advice or partial reversal finalizing the payment in the authorisation interface. The presentment might also be sent without completion advice or partial reversal depending on card scheme rules, so long as the validity period of the last (Pre-)Authorisation has not expired.

Each file containing transaction presentments which need to be settled, is accompanied by a reconciliation message stating the totals of the file exchanged.

Information Input The results of the authorisation, if applicable

Information Output The presentments and the reconciliation message.

PT-01.04– Reject Some Presentments

Description Rejections can be made on both the file level as well as the message level.

No reconciliation acknowledgement is sent and no settlement is done for a rejected clearing file. After rejection of a file, all the messages are newly presented in corrected form if necessary by the sender.

Presentments, reversals, retrievals and charge backs may be rejected. The cases of refunds and reversals may be clarified bilaterally instead of

rejecting them automatically.

A rejection of an administrative message, header, trailer, reconciliation and reconciliation acknowledgement or a rejection of a message rejection or a fee collection of a message rejection leads to the rejection of the whole file. A rejection of a file with a reconciliation acknowledgement has no direct financial impact, but is a warning for the sender to correct errors. If applicable here, the settlement amount has to be adapted by the sender.

Information Input	The presentments. (The scope of the process step however is also extended to the rejection of all other types of messages and of files.)
Information Output	A rejection message shall be generated for every rejection. A fee collection shall be generated for rejections of a presentment, reversal, service fee collection and charge back, if not the whole file is rejected.

PT-01.05 – Acknowledge and Settle the transactions

Description	The receiver of reconciliation messages used for presentments, reversals, charge backs and fee collections, is using the defined cut off time for clearing. The receiver then is collecting all reconciliation messages of the sender since the last cut off. This collection of reconciliation messages is defining the total settlement amount for this period. The receiver sends for each reconciliation message a reconciliation acknowledgement to the sender as a notification of the settlement amount. The notification contains the file ID of the clearing file to be settled. Afterwards, a settlement between sender and receiver is performed with the amount named in the reconciliation acknowledgement.
Information Input	The reconciliation messages.
Information Output	The reconciliation acknowledgement messages and the credit transfers to complete the settlement.

PT-01.06 – Debit the Cardholder

Description	The issuer gateway initiates the debiting of the cardholder, following the
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standards used by the corresponding issuers.

This process step is not in scope of the Berlin Group specifications.

PT-01.07 – Cardholder disagrees with transaction

Description The Cardholder disagrees with the transaction and informs the Issuer

This process step is not in scope of the Berlin Group specifications.

PT-01.08 – Send Retrieval Request

Description The Issuer Gateway sends a Retrieval Request, to get a proof of a signature based transaction the cardholder disagrees with.

Information Input First presentments.

Information Output Retrieval Request.

PT-01.09 – Send Charge backs

Description The Issuer Gateway sends a charge back on a first presentment to the Acquirer Gateway. This charge back can either be initiated by the cardholder (see PT-01.07) or can be initiated by the Issuer (or on behalf of the Issuer).

Information Input First presentments.

Information Output The charge backs.

PT-01.10 – Inform Merchant

Description The Acquirer informs the Merchant of the charge back

This process step is not in scope of the Berlin Group specifications.

PT-01.11 – Dispute Chargeback

Description The Merchant disputes the charge back and supplies proof to the Acquirer.

This process step is not in scope of the Berlin Group specifications.

PT-01.12 – Send second Presentment

Description The Acquirer Gateway sends the second presentments to the Issuer Gateway.

Information Input The first presentment and the chargeback

Information Output The second presentment.

PT-01.13 – Inform and Debit the cardholder

Description The Issuer Gateway initiates the debiting of the cardholder, following the standards used by the corresponding issuers. And the issuer then informs the cardholder of the second presentment

This process step is not in scope of the Berlin Group specifications.

PT-01.14 – Dispute transaction

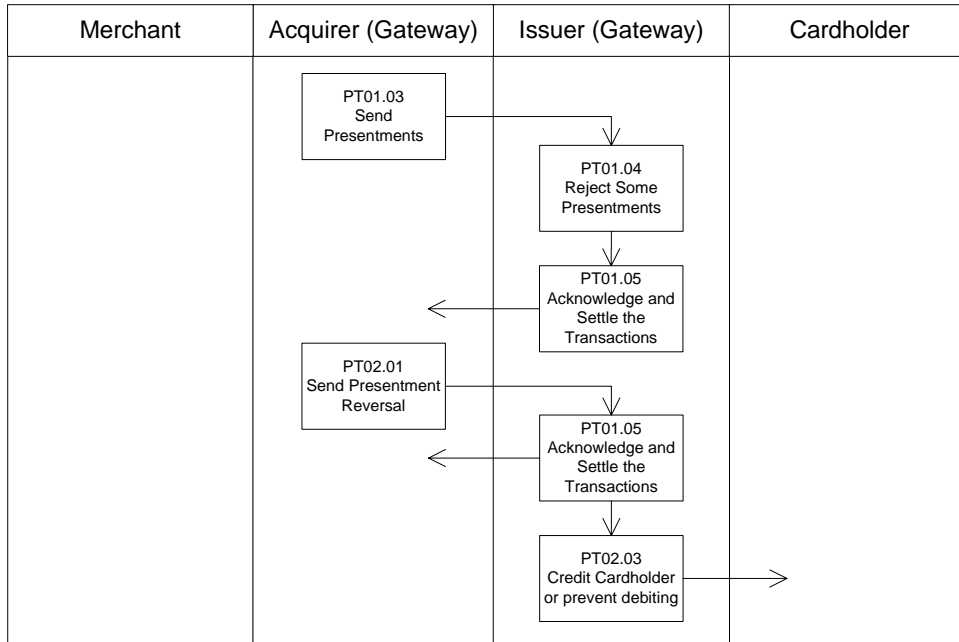
Description The Cardholder still disputes the transaction and informs his Issuer.

This process step is not in scope of the Berlin Group specifications.

PT-01.15 – Initiate Dispute procedure

Description The Issuer Gateway starts the dispute procedure on behalf of the Issuer.

4.2 Processing of a Reversal (PR-02)



The following (reversal) processes are defined.

- PT01.03** Send Presentments
- PT01.04** Reject Some Presentments
- PT01.05** Acknowledge and Settle the Transactions
- PT02.01** Send Reversal
- PT02.02** Credit Cardholder or Prevent Debiting

4.2.1 Detailed process descriptions (PR-02)

PT-01.03 – Send Presentments

See description at PR-01

PT-01.04 – Reject Some Presentments

See description at PR-01

PT-01.05 – Acknowledge and Settle the Transactions

See description at PR-01

PT-02.01 – Send Reversal

Description The Acquirer gateway determines it inadvertently send the first presentments.

The Acquirer Gateway sends the Reversals to the Issuer Gateway in order to revert the original presentments

Information Input The first presentment

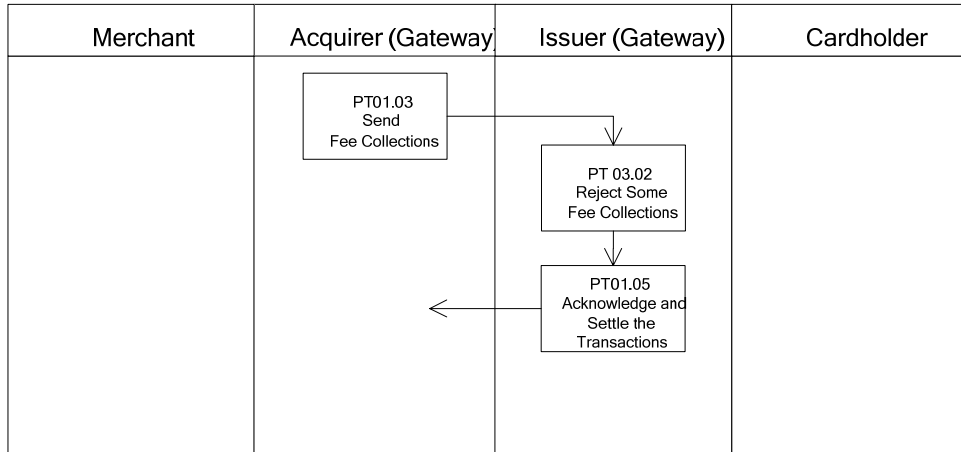
Information Output The Reversal

PT-02.02 – Credit Cardholder or Prevent Debiting

Description The issuer gateway initiates the crediting of the cardholder, if the cardholder was already debited for the presentment, otherwise the Issuer gateway prevents the debiting. This is carried out following the standards used by the corresponding issuers.

This process step is not in scope of the Berlin Group specifications.

4.3 Processing of a Service Fee Collection (PR-03)



The following fee collection process for service fees are defined:

- PT03.01** Send Fee Collections
- PT03.02** Reject Some Fee Collections
- PT01.05** Acknowledge and Settle the Transactions

Only a fee collection for services by the acquirer are shown as a process. The process for the fee collection for services by the issuer are analogous.

4.3.1 Detailed process descriptions (PR-02)

PT-03.01 – Send Fee Collections

- Description** After performing a transaction for which a service fee can be claimed or paid, the Acquirer gateway submits a fee collection.
- Information Input** The service performed
- Information Output** The fee collection

PT-03.02 – Reject Some Fee Collections

Description	<p>Rejections can be made on both the file level as well as the message level.</p> <p>No reconciliation acknowledgement is sent and no settlement is done for a rejected clearing file. After rejection of a file, all the messages are newly presented in corrected form if necessary by the sender.</p> <p>Fee collections for services may be rejected.</p> <p>A rejection of an administrative message, header, trailer, reconciliation and reconciliation acknowledgement or a rejection of a message rejection or a fee collection of a message rejection leads to the rejection of the whole file. A rejection of a file with a reconciliation acknowledgement has no direct financial impact, but is a warning for the sender to correct errors. If applicable here, the settlement amount has to be adapted by the sender.</p>
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PT-01.05 – Acknowledge and Settle the Transactions

See description at PR-01

5 Rules for Clearing

In the following, days and the periods of days mean calendar days, if not otherwise said. Presentment days are starting at 06h00 CET/CEST and ending 06h00 CET/CEST of the next calendar day.

5.1 Mixed Acquirer/Issuer Function

The gateways defined in this concept normally are Issuer and Acquirer gateways at the same time. These roles of the gateways may be mixed, i.e. the clearing files may contain acquirer and issuer messages.

5.2 First Presentments, Reconciliations and Fees

Rules for First Presentments

First presentments shall be submitted in a period of 7 days, if not defined differently by the corresponding card scheme or bilaterally between issuer and acquirer, i.e. a file containing the first presentment must be submitted on the end of the 7th presentment day with the day after the transaction day being the 1st presentment day. The transaction day of a Multi Step Payment is the day of the partial reversal or completion advice finalizing the payment. If no partial reversal or completion advice is used, the first presentment shall be submitted before the validity period expires.

If the transaction was not performed in euro, the acquirer gateway has to convert the transaction amount with the conversion rate, which is defined via scheme rules. All first presentments in a file must use the same conversion rate.

Rules for Recon Acknowledgements

If the incoming clearing file is not rejected, the file with its totals is taken into account for the next clearing cut off.

Rules for fees

The fee date of presentment related fees is the date of the presentment day.

5.3 Rejection Rules for Files

The receiver may reject a whole clearing file if at least one of the following conditions apply:

- The clearing file is routed to the wrong partner.
- The clearing file is not totally parsable or not all transactions amounts are correctly coded (>0).
- An out of sequence error for the message sequence in the file is detected.
- The file was already submitted once and processed.
- Header, trailer or reconciliation messages are rejected.
- File ID in header and trailer of one file are not equal.
- Sender ID in header and trailer of one file are not equal.
- Receiver ID in header and trailer of one file are not equal.
- If 2% or more of all messages in the file are rejected.
- There are messages contained in the clearing file with unknown message type/function code.
- There are messages contained in the clearing file which are not parsable.
- There are rejection messages or fee collection messages in the file, which are not correctly coded.
- A first presentment of a Multi-Step Payment may be rejected, if the payment was not completed on the online interface by a partial reversal or a completion advice according to card scheme rules.

No settlement is done for rejected files.

Files must not be rejected for reasons of an out of sequence error in the File-ID.

The rejection of the file is normally sent at the same day, but should be sent the next day at the latest. No reconciliation acknowledgement is sent for a rejected file.

5.4 Rejection Rules for Messages

In general, only presentments, reversals, retrievals, fee collections for services and charge backs may be rejected, if there is one of the reasons given defined in the following.

Rejection messages and fee collections of rejections shall not be rejected. These cases are clarified bilaterally, cp [BG CSP]. Also the cases of refunds and reversals may be clarified bilaterally instead of rejecting them automatically.

Reasons for rejections of transaction messages are:

- The transaction was authorised offline and is indicated in the clearing as cash disbursement or a cash back transaction (transactions with cash disbursement or a cash back must always be authorised on-line.)
- The presentment of the transaction is not submitted in a period of 120 days.
- The transaction is an offline transaction and the card was expired at the transaction date.
- Format error in the message (BMP missing or not correctly coded)
- Conversion rate not correct
- Duplicate message
- Retrieval messages may be rejected if the corresponding transaction message was not processed signature based at an attended POS.
- The clearing message is sent to the wrong partner.
- Charge backs may be rejected, if the amount and fee fields are not corresponding with the related fields in the presentment.
- Charge backs may be rejected, if they are received more than 120 days after the corresponding first presentment (see Section 5.5.5).
- Charge backs may be rejected, if
 - the corresponding presentment was already reversed by the acquiring gateway and
 - the reversal is confirmed by the issuing gateway by accepting the related file and having not rejected the reversal in the next clearing cycle at the latest.

If the last condition is not fulfilled, the charge back has to be accepted. In this case the reversal has to be rejected by the issuing gateway later on.

- Second presentments may be rejected, if they are received more than 45 days after the corresponding charge back (see Section 5.5.5).

- Fee collections for services may be rejected if
 - Referred service was not performed, or
 - Fee amount is incorrect, or
 - Message details are missing, or
 - Fee collection is presented too late.

Rejections of messages should be sent the next day at the latest.

Furthermore, the administrative messages of type header, trailer, reconciliation and reconciliation acknowledgement may be rejected. This leads to a rejection of the whole file, cp. Section 5.3.

Reasons for rejections of administrative messages:

- Format error in the messages (BMP missing or not correctly coded)
- Amount of the reconciliation is not matching the amounts of the messages of the file

5.5 Charge Back Rules

Charge backs are not applicable on second presentments.

The amount (reconciliation amount) of the charge back is the reconciliation amount of the related first presentment.

A second presentment may be sent only after a charge back of a first presentment.

The reconciliation amount of the second presentment may differ from the reconciliation amount of the corresponding first presentment only, if the charge back reason was "transaction not authorised" because of an incorrect transaction/reconciliation amount in the clearing message.

The second presentment must contain the same conversion rate in euro as the first presentment, if the transaction was not performed in euro.

If a charge back was generated on a first presentment, then a new first presentment should be generated if the reason was that some technical data was incorrect in the first presentment itself.

5.5.1 Charge Back Reasons

The following core Charge Back Reasons are defined in the system:

- Service not rendered
 - ATM: cash amount rendered was not correct
 - POS: Services or Goods not rendered (e.g. with e-commerce transactions)
- Transaction not authorised
 - For online transactions:
 - Transaction not authorised by issuer, or
 - Transaction reversed, or
 - Amount not correct.
 - For offline transactions:
 - Chip data for the computation of the TC is missing
 - TC is not correct or missing
 - Transaction above the floor limit
- No cardholder authorisation
 - Authorisation request without any proof of cardholder authentication, or
 - Proof of cardholder authentication incorrect (e.g. manual signature)
- Duplicate processing
- EMV liability shift
 - see Section 5.5.2
- PIN liability shift
 - See Section 5.5.3
- E-Payment
 - no special reason for a charge back, if the issuer authorised the transaction and the transaction was flagged as e-payment transaction.

- A charge back may be generated if the transaction was not authorised by the customer, or services were not rendered with the corresponding reason code.
- Late presentment

If the first presentment is not submitted in a 7 day period, as described in Section 5.2, then the issuer may initiate a charge back with reason “late presentment” if the card account is closed or the transaction amount is not covered by the account, or if the card is lost and stolen.

- Validity period expired

If

- the completion advice or the partial reversal for a Multi-Step Payment or
- the presentment without having used a completion advice or a partial reversal

is sent after the validity period has expired, the issuer is permitted to initiate a charge back with reason “validity period expired”, if the card account is closed or the transaction amount is not covered by the card account.

A payment scheme using this interface for processing might define additional charge back reasons or might also limit itself to a subset of these charge back reasons.

Remark: There are no transaction limits defined for clearing. Thus, authorised transactions cannot be charged back out of limit reasons.

5.5.2 EMV Charge Back Reasons

An EMV charge back may be generated in general only if the cardholder states that neither he or any person known to him has performed the disputed transaction with his card or if the card is lost or stolen, and if the following conditions apply.

A charge back may be generated, if the card used in the transaction is EMV capable, the transaction is a fraudulent transaction and if at least one the following conditions is fulfilled:

- The terminal is not EMV capable and the fraud is counterfeit fraud.
- The terminal is not EMV capable, the transaction was signature based and the fraud is lost and stolen fraud.
- The terminal is EMV capable, the fraud is counterfeit fraud and the transaction is processed as fall back, but the fall back indicator is missing in the online authorisation request.

- The terminal is EMV capable, the transaction was signature based, the fraud is lost and stolen fraud and the transaction is processed as fall back, but the fall back indicator is missing in the online authorisation request.

5.5.3 PIN Charge Back Reason

A PIN charge back may be generated in general only if the cardholder states that neither he or any person known to him has performed the disputed transaction with his card or if the card is lost or stolen and if the following conditions apply.

The transaction is processed as EMV transaction without PIN verification, and the first CVM in the card's CVM list is a PIN Verification Method, but the terminal has no running PED device or does not support the PIN Verification Method indicated by the card.

5.5.4 Reasons for Second Presentments

Second presentments may be performed for the following reasons according to charge back reasons:

- Service not rendered: only if proof of transaction is present
- Transaction not authorised: only
 - if transaction was already reversed automatically or
 - if an amount had been corrected
- Duplicate processing: only if transaction was already reversed automatically
- EMV liability shift: only if the acquirer can prove that the liability shift rules of the issuer were not correct
- PIN liability shift: only if the acquirer can prove that the liability shift rules of the issuer were not correct
- No cardholder authorisation: only if proof of origin of transaction is present

Second presentments are not permitted for the following charge back reasons given:

- Late presentment
- Validity period expired

A new presentment of a transaction already presented once may be marked as a first presentment if the corresponding first presentment or the corresponding clearing file, was rejected by the receiver gateway.

5.5.5 Charge Back Time Frames

The charge back date is defined to be the date of the file in which the charge back message is contained.

As a maximum period between first presentment and charge back date a period of 120 days is defined. A later charge back may be rejected by the acquirer gateway.

After a charge back, a second presentment shall be made 45 days after the charge back. A later second presentment may be rejected by the issuer gateway.

5.5.6 Charge Back Fees

No charge back fees are defined between issuer and acquirer.

5.6 Service Fee Collection Rules

Fee collection for service fees shall be submitted within one calendar month after the service has been provided, if not defined differently by the corresponding card scheme or bilaterally between issuer and acquirer.

Fee collection for service fees may be resubmitted, if the submission of the fee collection had been rejected by the receiver and the error identified by the response code could be fixed.

5.7 Retrieval Rules

Retrieval requests may be performed only for transactions processed signature based at attended POS terminals. A retrieval request is fulfilled with sending a copy of the receipt.

A retrieval request shall be submitted in a period of 120 days following the presentment date. Otherwise, the retrieval request may be rejected by the acquirer gateway.

5.8 Reversal Rules

An acquirer should not send a reversal after having received a charge back of a transaction. If an issuer receives a reversal to an transaction, for which he already has sent a charge back, then the issuer may reject the reversal with an error code indicating a "life cycle error".

Partial reversals are not permitted.

A refund shall not be reversed.

5.9 Non Euro Transactions

If transactions are rejected or charged back or reversed, which have been processed in a non euro currency, then the reconciliation amount in euro of these transactions including fees is resettled.

6 Settlement Rules

A Clearing Cycle runs from 06h00 Central European (Summer) Time (CET/CEST) of an Inter-Bank business day to 06h00 CET/CEST of the next Inter-Bank business day. At the end of this time period a cut-off is performed.

For a cut-off, the following requirements are valid:

All clearing files received in the corresponding Clearing Cycle which

- contain a reconciliation
- are not rejected, and
- are not acknowledged yet,

have to be acknowledged till 12h00 of the same day at the latest.

All files which are acknowledged in the corresponding Clearing Cycle have to be settled on the same date as the cut-off is performed. This is yielding a d+0 scheme. The settlement measures are described in [BG CSP].

Settlement of Debit Positions of the Sender

In the case of a debit position of the sender of the reconciliation, then this settlement is processed d+0, if the reconciliation acknowledgement is received till 08h00 CET of the cut-off day by the sending gateway of the original gateway. Otherwise the amount is settled the next Inter-Bank business day after receiving the reconciliation.

7 References

- [BG CSP] Bilateral and Multilateral Processing of Card Transactions in Europe, Clearing and Settlement, Procedures Handbook, current version.
- [BG CSI] Bilateral and Multilateral Processing of Card Transactions in Europe, Clearing and Settlement, Interface Specification, version 3.0, 25/02/2009.
- [EPC CDFD] SEPA Cards Standardisation, Cross Domain Functional Definitions, Version 3.1, 06/02/2009