

RAJASTHAN MARUDHARA GRAMIN BANK

Alternate Delivery Channel cell
Head Office, Jodhpur

Merchant Acquiring Business Policy



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Merchant Acquiring Business Policy

1. Introduction:

Merchant Acquiring Business (MAB): "The Business of providing infrastructure for acceptance of payments through electronic modes" at a merchant location is referred to as Merchant Acquiring Business. **MAB** primarily refers to the mechanism of facilitating payment for goods and services purchased through the medium of a card/UPI/BHIM Aadhar etc.

The payment can be in a "Card Present" environment (by swiping the card at the Point of Sale (POS) terminal) / or "Card Not Present" environment (over internet/IVR /Mobile etc) or through UPI QR scanning or through BHIM Aadhar biometric authentication.

2. Terminologies used:

Card: Card refers to Debit / Credit and Prepaid card accounts operating within any of the payment brands of Visa, Master Card, American Express, Paypal, India Pay (Rupay), Discover and Diners Club and any other merchant private label card or account. Only cards issued by Master Card, Visa and RuPay will be accepted by RMGB, and other cards will not be accepted through our Bank's POS terminals for the present.

Card holder: Customer / Non-customer to whom a payment card is issued.

Card Present Payments: Where cardholder physically present the card at payment location and card is swiped at POS Terminal provided by the acquirer.

Card Not Present Payments: Where cardholder provides card details for payments such as Card Number, Expiry Date, CVV etc. (viz. E-Com transactions)

Transaction or Charge: An act between a Card holder and the Merchant for the payment by a Card holder to the merchant towards the Card holder's purchase of merchandise/goods or services from the merchant resulting in a valid host response (authorization/ decline).

Charge slip: The slip that is generated on completion of a successful card transaction on the Point of Sale (PoS) machine. Merchant copy of the charge slip needs to be produced by the merchant on the request of the Bank.

Retrieval Request: A request made by the Issuing Bank to obtain details of the transactions.

Chargeback: A dispute raised by the Issuing Bank if it determines that the transaction was processed in violation to the rules set up in Visa / MasterCard guidelines.

Valid Card: A credit or debit or any other card issued by an Issuer or a Card Organization: (a) which is permitted by RMGB for Transaction(s), (b) bears card

Organization's logo, hologram and name of the Issuer and such other details as may be stipulated by RMGB from time to time, (c) has not expired, (d) bears the signature of the person whose name is embossed on the card, (e) is not mutilated, altered or damaged and (f) is not listed in any Warning Bulletin as being a lost/stolen card.

Valid Charge: Charge within the amount authorized, which is charged to the holder of a valid card on a Charge Slip in respect of a payment to be made by the cardholder to the merchant bearing an imprint of a valid card and bearing the same signature as that on the valid card, for which charge slip is generated OR is PIN verified in accordance with the Merchant Operating Instructions using the Point of Sale ("PoS") terminal.

BIN: Bank Identification Number

MERCHANT: Business entity which accepts payments through cards.

POS: Point of Sale (**POS**) refers to a terminal on which a Debit / Credit or Prepaid card is swiped (in a card present environment).

UPI Acquirer (QR Code): Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.

Issuer: Issuer refers to the Bank / Card Company which has issued Debit, Credit or Prepaid Cards to customers.

Acquirer: The bank that setup necessary connection with merchant and provides infrastructure to accept payment through cards.

CARD SCHEMES: Provides card payment network, facilitate clearing and settlement such as VISA/MasterCard/RuPay etc.

SCHEME FEE: The service fee charged by Card Schemes/intermediary agencies i.e. Visa/MasterCard/RuPay for facilitating interbank payments and routing of transactions.

MDR: Merchant Discount Rate (**MDR**) is the commission charged by the Acquirer to the merchant. It is also termed as Merchant Service Fee (**MSF**), which is deducted by Banks from the amounts payable to merchants in respect of transactions.

MSA: Merchant Settlement Account (**MSA**) is a bank account given in the application by the Merchant for crediting merchandise sale done through POS terminal/UPI QR.

Batch Closure: **Batch Closure** is usually done at the end of the day by the merchant. Only when the batch is closed, the transactions proceed for settlement. The settlement cycle starts from the date on which the batch is closed.

Settlement Date (T): **Settlement date** is referred to as the date when the merchant settles the batch of the day's transactions. If a transaction took place on 12th April, 2017 at 10 AM and the batch was closed at 9 PM then Settlement Date = 12th April 2017. If the batch was closed after 11 PM or the next day, then the Settlement Date = 13th April 2017.

Settlement Cycle: **Settlement Cycle** refers to the time period from the date of settlement at the merchant location till such time the amount is credited to the merchant account. This is usually given as T + 3 days (where T is referred to as the settlement date and days are referred to as settlement period). This should normally be T + 3 days. However, this can vary according to market practice and negotiation with Merchants.

Account Statement: Merchants are provided **e-statements** of transactions at periodical intervals as requested by them.

Terminal Repairs and Maintenance: Terminals will be maintained by the PoS Machine vendor without any additional cost to Merchants. Merchants can lodge their complaints to the PoS Machine vendor or regional help-desk numbers of vendor.

Terminal Installation: Once the proposal for installation of a PoS terminal is approved by the Regional Manager and communicated to the PoS Machine vendor and the infrastructure at the Merchant Establishment is ready, the terminal is installed by the PoS Machine vendor within 3 to 10 days depending upon the location of the merchant.

3. MAB Products

A. Point of Sale (POS)

B. RMGB UPI Pay App for merchants

3 (A). Point of Sale (POS): There are various types of terminals viz. **PSTN, GPRS & Ethernet**. The Bank may decide the Type of Terminal depending upon the Merchant locations. The details of terminals are as under:

Public Switched Telephone Network (PSTN): Works over **normal telephone** land line thus having an advantage over GPRS machines which are dependent on signal strength. The merchant bears the communication costs and the mobility is dependent on the length of telephone wire.

General Packet Radio Service (GPRS): The terminal works on the mobile networks and is independent of a power source, thus providing maximum mobility and no communication cost to the merchant.

Ethernet: POS terminal works on Internet Protocol and can be connected with a LAN cable. We need to build a private network with the merchant and hence this is not feasible for stand-alone merchants.

3 (A) (i). Process Flow for Merchant Applications:

All required forms will be framed by ADC Cell at Head Office and the same will be issued as Circular/Instructions/Circular letters as and when needed.

a) Following activities are to be ensured / performed at Branch:

- ✓ Sourcing the Merchants in line with targets allotted to the Region / Branch.
- ✓ Branch receives the Merchant Application. The Merchant fills the data i.e., Merchant Establishment Details.
- ✓ Collecting the required documents and completing the KYC.
- ✓ Negotiating and Finalizing MDR with the merchant before forwarding the proposal to the approving authority.
- ✓ Ensure that MDR proposed by the Merchants in the Merchant application format and the Branch recommendation do not differ.
- ✓ CIBIL checking of the Firm / Lead promoter / Partner to be done and a copy to be enclosed to application.
- ✓ Executing the Merchant Establishment Agreement with the merchant.
- ✓ Branch Manager ensuring that the Merchant Application is duly filled with all support documents duly authorized.
- ✓ Recommendation for POS installation to be made by Branch Manager and forwarded to the Respective Controlling Office for approval.
- ✓ In case any merchant queries other than related to Machine / Paper Roll / Non swiping of Cards, come to the Branch, the Branch Manager shall present the queries to the Respective Controlling Office.
- ✓ Merchants should call for queries / problems relating to the machine requirement of paper roll / non swiping of cards etc., at the Toll Free No. of the PoS Terminal vendor.

b) Pre-requisites for installation of POS Terminals:

- ✓ Application format duly completed & signed by the key promoter bearing stamp of the firm / company;
- ✓ Execution of Merchant Establishment Agreement between the Bank and Merchant;
- ✓ Availability of the following infrastructure at Merchant Establishments:
 - The cost of telephone connection (including instrument) and cost of calls to be borne by the merchant.
 - Non-refundable security deposits can be taken from Merchants. It would be the responsibility of Branch to recover Non-Refundable Security Deposit and monthly rental. Rental plans will be finalized by ADC Cell at Head Office.
 - The Branch Manager / Branch Head should obtain standing instruction in this respect and will be responsible for recovery of monthly rental. He should inform to the Respective Controlling Office if monthly rental is not recovered.
- ✓ Designation of an account for settlement of transactions (a current account or cash credit account with our Bank);
- ✓ Finalization of Merchant Discount Rate (MDR) and settlement period with the merchant;
- ✓ Know Your Customer (KYC):
 - Mandatory for the authorized signatory / lead promoter / lead partner
 - KYC documents to be self-attested by the merchant and stamped as "Original seen and verified" by the Branch
- ✓ Physical verification / personal visit: Branch Manager should ensure that authorized official from branch meets the merchant (preferably during business hours) before the application is recommended to the approving authority; to assess the quantum of daily business etc.
- ✓ In case of an existing connection, the applicant should have a satisfactory track record and in case of new connection, the branch should verify the last six month's statements of account to ensure that conduct of the account is satisfactory and also satisfy that there are no disputes / legal cases pending on account of charge backs with other Banks POS terminal;
- ✓ CIBIL Check:
 - CIBIL check is to be done based on the identity proof documents submitted by the applicant.
 - Any irregularity on the CIBIL check should be recommended by the Branch Manager to the approving authority.
 - CIBIL score for the lead promoter needs to be checked by approving authority.

c) End-to-End Process Flow for Merchant Boarding:

S. No.	Activity	Role Holder
1.	Identification of Merchant	Branch
2.	Settlement of MDR in consultation with Merchant	Branch
3.	Filling of Merchant Application for POS deployment.	Branch
4.	Execution of Merchant Agreement (MA).	Branch
5.	Safe Keeping of Merchant Agreement	Branch
6.	Forwarding the Application to Regional Office for approval (Original application to be retained at the Branch)	Branch
7.	Approval of Merchant Application	Regional Manager
8.	Advising Service Provider (the PoS Terminal vendor) for installation	ADC cell, HO
9.	Installation of POS, Merchant training and Post Installation Support / Maintenance	PoS Terminal vendor

d) Information required for quoting MDR

- Type of POS terminals (PSTN, GPRS, Ethernet)
- Daily average number of transactions per terminal
- Average transaction ticket size
- Number of working days in a month
- Settlement cycle (expected)
- Value of relationship
- Banking exclusivity with us or multiple terminals
- Ratio of On-us and Off-us transactions

e) Pricing

Monthly Rentals / Non Refundable Security Deposit, MDR pricing for POS terminal and other service charges relating to Merchant Acquiring Business will be finalized by RMGB Head office and will be intimated to Branches and Respective Controlling Offices.

f) Safe Custody of documents

- Original Merchant Application.
- Merchant Establishment Agreement.
- A confirmation needs to be given by the branch for having obtained the Merchant Establishment Agreement, as this is the primary document which establishes the contractual obligation between the Merchant and the Bank.
- The scanned copy / fax copy of the Merchant Application is to be retained at the Respective Regional Business Office for record and verification

g) Transaction Process

1. A Cardholder purchases goods / services from a merchant location;
2. Presents the card;
3. The merchant swipes the card and enters the amount to be charged and asks the cardholder to enter PIN, in case it is a PIN based card;
4. The transaction is transmitted in a secured environment (encrypted) to the acquirer's host;
5. The acquirer's system (THE POS MACHINE VENDOR) recognizes the issuer of the card and routes the transaction through MasterCard / Visa / Ru-pay to present the transaction to the issuer to obtain authorization;
6. The card issuing bank receives the transaction, posts it in the account (if sufficient balance / DP / credit limit is available) and sends back the success / decline message, as the case may be, to the acquirer's host;
7. The transaction approved or declined message is displayed on the screen of the POS terminal / computer screen and a receipt is generated / presented;
8. The merchant needs to obtain the signature on the merchant copy, tally the same with that appearing on the back of the card, verify the identity in case of doubt, and handover the goods / services to the cardholder on satisfaction;
9. The merchant current account is credited as per settlement cycle fixed after deducting the Merchant Discount Rate (MDR);
10. The transaction is then complete;

3 (A) (ii) Tips for verification of Merchant Applications:

- In case of Merchant Establishments who are already banking with us with long standing satisfactory track record, the latest changes if any, in the constitution, change of partners, change in line of activity etc., need to be checked once again and the latest KYC documents, if not already obtained, need to be obtained afresh.
- In case of a new Merchant Establishment, besides satisfying the KYC norms and other formalities for opening of the account, a statement of account at least for six months from their existing banker should be obtained to verify that the conduct of the account is satisfactory.
- Branch should verify and satisfy about the nature of business and volume of business annually / monthly.
- The size of establishment / decor / stock level should be looked into. The average daily / monthly number of transactions that are put through the POS and also the average ticket size should be assessed.
- The stock held in the business premises / average sales disclosed by the Merchant Establishment should be in consonance with the average number of sale transactions and average ticket size.
- The branches should assess and recommend, after discussing with the Merchant Establishment, the maximum daily transaction amount i.e. the daily transaction volume permissible through POS per day.

- If merchants already have POS terminals from some other banks, then MDR and terms should be verified.
- It should be verified that there are no disputes / legal cases pending on account of POS transactions. If pending, details with reasons and amount involved.

3 (A) (iii) Process for Change in Merchant Details:

Subsequent changes in merchant details viz. Address, Telephone Number, Account number etc. in the system, after approval and merchant boarding shall be performed as under:

- Merchant shall tender the application requesting for changes with reasons;
- The approving authority (Regional Manager) will first satisfy regarding the genuineness of the merchant request by obtaining the necessary supporting documents; and
- Thereafter advise ADC cell, Head Office to arrange necessary changes through Service Provider (THE POS MACHINE VENDOR).

3 (A) (iv) Change in Daily Transaction Limit:

On receipt of merchant request for change in daily transaction limit, the Branch should forward to the Regional Business Office (RBO) for approval. The RBO will:

1. Study the past trends for daily volume of transactions at merchant establishment for last three months.
2. If the line of activity of Merchant Establishment has seasonal trends and Merchant is requesting for a higher daily limit for peak season, recommending authority (Regional Manager) will satisfy himself regarding the genuineness of the merchant request based on the prevailing trends in the market.
3. Recommending authority to arrive at the Daily Transaction limit based on the past volume / peak level volume, through Debit / Credit Cards. RBO will then forward the same with recommendations to General Manager-IT for approval.
4. Approving authority accords approval to the merchant's request and advise the Respective Regional Business Office for advising Service Provider to change merchant's daily transaction limit.

3 (A) (v) De-Activation/De-Terminalisation of Merchant:

a. De-Activation: Assessment for De-activation of the merchant's is to be done by HO, ADC Cell on recommendation of Regional Manager after issuing a notice to merchant by Regional Business Office and advising the Branch. It may be done for any of the following reasons:

- No transaction at merchant's terminal for last 3 months
- Repeated observance of suspicious transactions on POS terminals
- Violation of terms and conditions of Merchant Establishment Agreement
- Any other statutory and administrative reasons.

However, in case of suspected fraudulent transactions, deactivation can be done by ADC cell, Head Office without giving any prior notice to the merchant.

b. De-terminalisation: ADC Cell, Head Office after due evaluation shall advise Service Provider (The PoS Terminal vendor) for de-terminalisation of Merchant and Branch also will be advised suitably. De-terminalisation may also be recommended for any of the above reasons or closure of business by the Merchant.

3(A)(vi) e-Mail Acceptance Policy for MAB:

- Only official email ids (i.e. RMGB domain email ids) are to be used, while forwarding the scanned copy of duly approved Merchant application and other papers from Branch to Regional Business Office and/or Head Office.
- Movement of the application and other papers from Branch to Head Office should be from the respective Branch e-Mail id.
- Above rule will be applicable for movement of any papers / communication among Branch Manager or any other officials from Head Office / Regional Business Office / Branch etc. However, in the absence of designation based IDs, official's personal Banks IDs in rmgb.in may be used.
- Any breach of the above rules may render the request invalid and unauthorized. Some of the instances of such breach are:
 - Use of personal email such as gmail, yahoo, hotmail, etc.
 - Application forwarded from the Branch by someone other than the Branch Manager / Designated Official.

3(A)(vii) Estimated Time after approval of Proposal for installation of POS terminal

It will be finalized and confirmed by RMGB Head Office.

3(A)(viii) Monitoring of Fraudulent / Suspicious Transactions and Risk Mitigation: These activities shall be performed centrally at RMGB Head Office. However, branches are expected to act promptly for putting and lifting of hold in Merchants settlement accounts as per advice of Head Office.

3(A)(ix) Other enablers:

The application format and the Merchant Establishment Agreement for merchant boarding will be issued as Circulars/Circular Letters/Instructions by concerned Department, as and when required.

3(A)(x) Registers:

Branches will be required to maintain a register, which in due course will be computerized in CBS for receiving / forwarding the application, recovery of rental charges, non-refundable charges (security deposit), if any, for Point of Sale Terminals. On approval, MID, TID and Merchant Category Code to be noted in the register.

3 (B). RMGB UPI Pay- UPI App for Merchants

RMGB UPI PAY, the UPI app of Rajasthan Marudhara Gramin Bank will be a payment solution that will enable customers to send and receive money from their smartphones with a virtual payment address that is an identifier.

Unified Payments Interface (UPI) is a payment system developed by the National Payments Corporation of India (NPCI) to facilitate interoperability between banks. This is a one-stop solution for using separate bank accounts to carry out transfers from a single app. It enables money to be immediately transferred via a mobile phone from one bank account to another. Payments can only be rendered via supporting mobile phone apps. The transactions through UPI are available 24x7.

UPI allows the transfer of money using both the Push & Pull process, where both the Sender and the Recipient may initiate the transaction. Multiple bank accounts can be connected to a single APP for money transfer. A secure two-factor authentication with a single click ensures that transaction is safe and secure. RMGB will launch its UPI app called 'RMGB UPI Pay' which will be available on Google Play Store and the Apple App Store. This app can also be used by non-RMGB account holders. The only prerequisite is that they need to have at least one bank account and that the phone number has to be linked to that bank Account. The debit card must also be connected to the bank account.

'RMGB UPI Pay' will be most revolutionary payment app which will allow any bank customer to send or receive money using one app. It may also be used for payments such as food orders, payment to local merchants and sending money using QR scanning.

Salient Features of BHIM RMGB PAY App

- The app can be used by both RMGB and non-RMGB Bank account holders. They simply need a bank account registered with their mobile number in an activated UPI bank.
- Funds can be transferred or received from a single application across various banking accounts.
- Access to all the features; 24*7 and 365 days
- Money can be transferred using VPA, IFSC account number or by scanning a QR code
- Balance can be checked for all linked accounts

How to Onboard on RMGB UPI Pay app?

Procedure issued by RMGB from time to time will be applicable.

SERVICE FEE

- Monthly Service Fee/Rental - Monthly rental for RMGB UPI Pay App will be decided by RMGB head office.