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PAYMENTS 101: SPOTLIGHTING THE MOST VITAL COMPONENT OF YOUR GAMING OPERATION

Hundreds, thousands, millions … and even billions may go in to bringing a gaming operation to life. At the end of the road, the last thing anyone wants is for a flawed payments system to interfere with the pure enjoyment of any experience.

Here in 2016, the industry is truly revolutionizing before our eyes. Where machines were once operated solely by coins, innovations like Play+ are empowering players to utilize their mobile device to fund and withdraw from gaming-specific accounts across brick and mortar and emerging platforms.

It has never been more important to understand the fundamentals of payments in the gaming realm and the significant impact it can have on a business. Over the course of three distinct columns, we will explore the core fundamentals of payments and how they apply to this truly unique industry.

To kick things off, we'll dive in to the basics of payments and what every business needs to know and how everything ties together. Down the line, we'll explore such sub-topics as secu-rity, cashless gaming and data science, among others, providing you with a well-rounded view of the modern gaming space.

Building a Successful Payments Program

In business, every transaction is the most important transaction. Your customers expect each card swipe, keystroke or mouse click to be reliable, convenient, and hassle free whether at the casino cage, a mobile kiosk, in a spa, at a steakhouse or online when funding an account. Creating that experience and keeping it seamless and intuitive for your customers differentiates your business from the competition.

Building a successful merchant card acceptance program involves precision. What methods will you use to accept payments? Do you have the right technologies in place? What are the risks to your business and your customers' data? And exactly how much will this program cost?

How well you work through those complexities will determine the effectiveness of your program. Here are some of the industry's best practices to help you develop an efficient and profitable payment program.

Accepting Cards and Best Practices

Whether you process transactions in brick-and-mortar on the web or both, you need to start with the basics to help ensure you are setting your business up for success. Thinking now about how you accept cards, secure your business data and manage your fees can save you time and money in the future.

In general, transactions fall into two categories. The first is:

Card-Not-Present, meaning the consumer's card is not present at the point of sale. These transactions are becoming more and more present in the gaming space, with the rise of mobile, cashless, fantasy and online gaming, among other digital platforms. Additionally, these practices may pertain to transactions conducted over the phone or any form of e-commerce.

In the Card-Not-Present space, there are a handful of key practices to ensure a gaming entity is protecting itself as well as its customers, including:

- Authorizing ALL transactions.
- Utilizing fraud prevention tools such as:
  - Address Verification Service (AVS) to check the cardholder's address given at the time of the sale against the address on file with the cardholder's bank.
  - CVV2/CVC2 to verify the security code on the card's signature panel.
  - Remember, it's your responsibility to assure you're dealing with a legitimate

cardholder. If you don't take these fraud protection steps, you could be putting your business at risk.

- Ensuring timely processing between the time the order is placed and the time you deliver a specific offering.
- Identifying transactions with the proper card-not-present and e-commerce indicators.
- Settling the transactions daily.

The second category transactions may fall in to is Card Present, where the card is physically utilized during a transaction. For gaming businesses, best practices include:

- Validating the physical card and ensuring the card has not been altered or is not counterfeit.
  - Counterfeit cards are big business. And they can severely damage yours. Make sure your sales associates can tell the difference between a valid card and a counterfeit. If you're ever suspicious about a card or an authorization, make a Code 10 authorization call to be safe.
- Swiping the card through the point of sale system and avoiding key entry whenever possible. If you must enter numbers manually, ensuring to get an imprint of the card.
- Authorizing the transaction.
  - Similar to Card-Not-Present environments, ALL transactions must be authorized.
  - Reviewing the authorization response and take the appropriate action.
- Requesting a signature and being sure that the signature on the transaction receipt matches the signature on the card. A signature is not always required on certain small ticket transactions.
- Settling the transactions daily.

Interchange Fee - What It Is and the 10 Best Ways to Manage It

Interchange is a fee assessed by the card associations, passed through to the card-issuing bank, which can account for over 80 percent of the total cost of accepting a card payment. It ultimately impacts any and all businesses accepting cards and the gaming industry is no exception.

By closely managing interchange expenses, your business can keep a larger share of profit for each transaction you process. The top 10 opportunities to manage interchange expenses are:

- Following Card Present and Card-Not-Present Card Acceptance best practices.
- Avoiding key entering transactions at the point of sale and consider zip code checks at the POS if key entry is necessary.
- Settling transactions on a daily basis.
- Authorizing all transactions.
- Utilizing AVS on all Card-Not-Present transactions.
- Make sure you're set up with the right Merchant Category Code (MCC). The MCCs pertaining to gaming have evolved and we will dive in to these codes in a later column.
- Consider transmitting Sales Tax, Customer Code, and Line Item Detail (also known as Level II and Level III data on commercial card transactions).
- Always using the most up-to-date equipment or POS software version.

- Evaluating PIN debit acceptance.
- Reviewing your reports and transaction data regularly and report any issues to your card processor.

Chargebacks – What They Are and How to Prevent Them

A chargeback is a Visa, MasterCard or Discover transaction that is disputed by a cardholder for any number of reasons. It could be due to fraud, quality issues, credit not processed, no authorization, merchandise not received or duplicate processing.

Chargebacks can have a significant impact on any gaming entity's bottom line if not managed properly and if the proper safeguards are not in place. To prevent chargebacks, the following 10 prevention tactics are vital:

- Not completing a transaction if the authorization request was declined.
- If you receive a referral message in response to an authorization, calling your merchant processor for a voice authorization.
- Getting an imprint for all hand-keyed card present transactions.
- Getting a cardholder signature on all card present transactions.
- Making sure transactions are deposited only once.
- Sharing your policies regarding returns, refunds, or service cancellation with the cardholder at the time of the sale.
- Processing credits in a timely manner.
- Advising cardholders in writing if what they ordered is out of stock and delivery will be delayed, or if the item is no longer available.
- Offering the option of purchasing a similar item or canceling the transaction.
- Always shipping merchandise before depositing or settling the transaction.
- Responding to the requests to cancel recurring payment transactions immediately, or as specified by the customer.

Payments Lingo 101

By now you know all about Card-Present, Card-Not-Present, AVS, CVV2, POS, interchange and chargeback fees, among several other payments-related terms.

As with most industries, the payments space has its share of lingo and acronyms that you will undoubtedly see with frequency. As we move forward to Payments 201 and 301 in subsequent columns, the following terms/topics/concepts are good to be familiar with as well:

- **ACH Automated Clearing House** – An electronic network for financial transactions; refers to how funds are transferred to and from an account. ACH rules in the U.S. are governed by NACHA, the electronics payment association.
- **Acquirer Bank** – A financial institution which is a member of the card associations (Visa/MasterCard/Discover) that sponsors an acquiring processor to acquire card transactions on its behalf. For example, the acquiring bank for Vantiv Entertainment Solutions is 5/3 Bank.
- **Acquirer Processor** – Such as Vantiv Entertainment Solutions, processes a merchant's credit card authorizations and payments, forwarding the data to a credit card network, which in turn communicates with the issuer in the transaction lifecycle.
- **Authorization** – The process of verifying a merchant's request for payment of goods from a cardholder's card issuing bank. Obtaining an authorization from the cardholder's bank for the specific card and transaction allows the merchant to complete the sale.
- **Back-end processor** – The business processing the settlement of funds for the day's card payment transactions.
- **Buyrate** – Rate charged by a credit card cash advance vendor to a gaming operator for providing cash advance services to the gaming vendor's patrons.
- **Card Association** – A card association is a network that connects acquirers with issuers. Examples include Visa, MasterCard, Discover,

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American Express, China UnionPay and SPAN (the Sightline Payment Application Network).

- **Card Issuer** – A financial institution that maintains the cardholder relationship. It issues cards and contracts with its cardholders for repayment of transactions.
- **Cash to the Floor** – The amount of cash circulated into a gaming system from Cash Access Services.
- **Clearing** – The process of settling funds from the Issuing Bank to the Acquirer to the Merchant (also see Settlement).
- **Consumer Financial Protection Bureau (CFPB)** – Federal Agency created by the Dodd-Frank Bill to protect the rights of consumers consuming financial services products.
- **Dodd-Frank Bill** – Federal Law covering a range of financial services products, including the Durbin Amendment.
- **EMV** – A set of international standards that defines interoperability of secure transactions across the international payments landscape. EMV transactions introduce dynamic data specific to the card and the transaction. The goal of EMV is to devalue transaction data in flight and reduce the risk of counterfeit fraud. Considered the stepping-stone to the future of payments due to its dynamic data authentication (contactless, mobile).
- **Gateway** – It is the virtual equivalent of a physical point of sale solution located in many retail outlets.
- **Merchant Account** – The merchant account, commonly referred to as the MID, identifies the type of business, utilizing the MCC/SIC code. It defines the product combinations, pricing, billing, and equipment types. A store must have at least one MID, but can have multiple MIDs.
- **Merchant of Record** – A Merchant of Record (MoR) is a third-party entity contracted with an acquiring processor to accept cardholder credit/debit card transactions, and receive settlement funds for such transactions.

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- **Merchant Statement** – A monthly report detailing all credit card activity for a merchant account. The report typically lists the number of transactions, dollar amount totals for transactions, the average ticket, discount rate, plus other fees the merchant is being charged.
- **Networks** – The consumer payments systems whose members are the financial institutions that issue credit/debit cards. A network is a method of communicating between acquirer and an issuer. Traditionally, there are ATM Networks, debit Networks and credit networks, each with their own sets of guidelines and nuances. Most, but not all, networks are owned and operated by card associations. A network can be one-directional (like Plus) or bi-directional (like PayPal). An example of a network would be PayPal or SPAN.
- **Point of Sale System** – Refers to any technology that can process credit card transactions (Examples: cash register, terminal or a PC with software used for the purpose of taking tender).
- **Settlement** – **The process of settling funds from the Issuing Bank to the Acquirer to the Merchant (also see Clearing).**

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