

# Interchange Management



## 3

## Steps to optimize card acceptance

### Credit card interchange rates are extensive and complicated



#### Rates are set by the card brands

to cover the costs and risks of accepting, processing and settling credit card transactions

#### 700

#### More than 700 interchange categories

impact these rates<sup>1</sup>



On average across all debit card payments, debit card transactions that use a PIN carry an interchange fee **\$.10 less than signature<sup>2</sup>**

### And rates can vary based on a variety of factors:



Type of card that's used



How the card data is captured



Where the transaction occurred



The industry in which the business operates (retail, hospitality, airline, etc.)

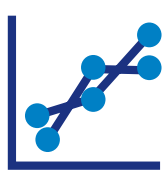
### Ways to optimize card payment acceptance

#### 1 Analyze the current environment and setup

Interchange rates are determined by complex variables and you need to know what you're dealing with.



The interchange rate for a transaction is impacted by how it is authorized, processed and settled.



The amount of data collected to authenticate a transaction can influence the applicable interchange rates.



Interchange rates differ for transactions where the card is physically present (in-store purchase) versus where it is not (online purchase).

#### 2 Discover opportunities for improvement



Optimize POS and payment systems for Address Verification System (AVS) and PIN prompts



Review statements to monitor which transactions don't qualify for best rates



#### LEVEL 1

Your basic Customer-to-Business or Business-to-Business transaction information which includes only narrow purchase data.



#### LEVEL 2

Includes the same Business-to-Business transaction information as Level 1, but also adds sales tax. This can be achieved with a physical terminal.



#### LEVEL 3

Processing must include line-item detail of Business-to-Business transaction information for purchasing/corporate/GSA cards. It also requires an enhanced virtual gateway and is eligible for lower interchange fees.

Ensure Level 2/3 data is transmitted with commercial card transaction authorizations

#### 3 Implement cost saving solutions

Every payments-related expense analyzed for efficiency and brought under management drives money straight to your bottom line. Your acquirer can help you:



Request interchange pass-through pricing for all markets



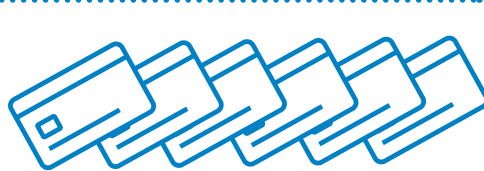
Get interchange credit on customer refunds and chargebacks



Consolidate your payments under one acquirer



Reduce fees for larger transaction volumes



Identifying opportunities to save on commercial card transaction fees can be complex. That's where we can help. At U.S. Bank, our payments professionals will work with you to analyze your unique business and payment data to find ways to efficiently process transactions while delivering a fast, convenient and secure payment experience to your customers.

<sup>1</sup> MAG 2017 Mid-Year Conference, "Optimizing Card Fees", February 2017

<sup>2</sup> <https://www.federalreserve.gov/paymentsystems/regii-average-interchange-fee.htm>