

merchantnews

BANK OF HAWAII MERCHANT SERVICES | DECEMBER 2010



There have been many recent initiatives implemented in the payment card industry that may have significant impact to your businesses. The following is a recap of a few of the more significant changes. You may also refer to our website: <https://www.boh.com/small-business/banking-products/business-services/349.asp>, for additional information.

NEW & NOTABLE

Understanding Partial Authorizations

The partial authorization process is mandated by credit card companies. The process involves the card issuer providing an approval/authorization for only a partial amount of the total sale transaction. This is much different than what has occurred in the past, where the transaction would be declined if the cardholder didn't have sufficient credit/deposits to cover the total amount of the sale. It is important that merchants pay attention to the responses on the terminal. The possible responses will now be:

- Approval (with the receipt being printed)
- Decline
- Partial approval

The typical partial approval response will be: "Collect—\$XX.XX, Accept Partial Amt?" The expected response is either "Yes" or "No."

If "Yes" is selected, then a receipt for the partial amount will be printed and you will need to collect the remaining balance of the purchase from the cardholder through another credit card, cash or other source of payment.

If "No" is selected, then the terminal will send a reversal for the partial authorization and the cardholder will have to provide another source of payment.

New Internal Revenue Code: Section 6050W

The Housing Assistance Tax Act of 2008 included the enactment of *Section 6050W of the Internal Revenue Code*, which requires reporting entities to report payment card transactions and third party network transactions to the Internal Revenue Service (IRS) for each calendar year beginning January 1, 2011. As a result, reporting entities will be required to file an annual information return with the IRS and provide each merchant payee with a corresponding Form 1099-K, reporting monthly and annual gross sales.

Reporting entities are required to perform backup withholdings from merchant funding, deducting and withholding income tax (currently 28%) from reportable transactions, if (a) the merchant fails to provide the merchant's TIN to the reporting entities, or (b) the IRS notifies the reporting entity that the TIN (when matched with the name) provided by the merchant payee is incorrect.

To avoid backup withholding when filing the tax return that includes the transactions for their businesses, merchants must provide their tax filing name and TIN. These are federal laws which apply to all merchants and service providers. We will be sending correspondence in

(CONTINUED ON BACK)

For more information or assistance, please contact:

Customer Service at 1-800-279-4195 (Available 24/7)

Escalation Desk at 808-694-7300 (Available M-F 9:00 am - 4:00 pm)



Bank of Hawaii

(CONTINUED FROM FRONT)

the near future to confirm that the information on our system matches the IRS files. Should you receive this correspondence it will be important that you respond immediately and take the required actions to ensure that no backup withholding is necessary.

MONEY SAVING TIPS



Competitive Proposals

We realize that there are a lot of extremely aggressive competitors in the market. Many are providing proposals which appear to offer very low rates but tend to be very vague or complex. There are other companies that claim they can save you a lot of money because they are calling from our processing vendor. Please be aware that our processing vendor does not have direct sales people. Going with another company will not cut out the “middle-man”; you are just replacing Bank of Hawaii with another acquirer. If you receive a call from someone claiming to be selling services for our processing vendor, please provide us with their name and phone number.

We want to ensure that our competitors are truthfully identifying the company they represent.

In addition, please be aware that there are companies that are trying to pass themselves off as either representing Bank of Hawaii or our processing vendor to sell you supplies. Bank of Hawaii provides supplies at no charge and all you pay for are the shipping and handling fees.

Call us for a free, no obligation apples-to-apples comparison. You have nothing to lose and everything to gain by having Bank of Hawaii assist in a comparison before you commit and lock yourself into an unfavorable long-term agreement. We will assist you in understanding what to ask and what you need to be aware of. We are confident that Bank of Hawaii provides very competitive products and pricing.

Local Service-Support

What does local service mean to you?

Bank of Hawaii is committed to you, our valued client. With our headquarters here in Hawaii, our extensive branch system, and commitment to the community, we are targeting a long-term relationship with you. We provide 24/7 customer service and will always be here to help you.



Security Tips & Events

Merchant Copy Truncation

Credit card number truncation is already a requirement on the Customer's copy of the receipt. Recent initiatives have been expanded to include Merchant copy truncation, as well. This initiative has been rolled out with most newly deployed terminals and is expected to be a standard requirement with all, in the near future. Truncation is consistent with Payment Card industry Data Security Standards (PCI DSS) initiatives and do not impact your ability to defend chargeback disputes or process refunds.

Payment Card Industry Data Security Standards (PCI DSS)

PCI DSS continues to be an important topic of the industry and impacts everything we do. Credit card data security is a key driver, especially as fraud and theft continues to increase. Bank of Hawaii works closely with you to assist and ensure that you are in compliance with these standards and protect yourself against undesired risks, losses, fines or penalties. Bank of Hawaii has partnered with *Security Metrics*, an approved certified scanning vendor, to assist in this process. Certification of compliance is an annual event.

TDES - Triple DES Encryption

Encryption is the process of “masking” information being stored or transmitted and is used to protect data should there be a breach or theft. Credit card data which is imbedded in the magnetic stripe on the back of credit cards should never be stored longer than it takes to get an approval. If it is necessary to capture and store some credit card information, it should not be retained much longer than 30-days and should be encrypted. Encryption codes constantly evolve and get updated as criminals gain the ability to “break” these codes. It is critical that your equipment and systems utilize the most current encryption codes required. TDES is the current required level of encryption.