DYNAMIC CURRENCY CONVERSION COMPLIANCE GUIDE

LET'S GET IT RIGHT FOR OUR CUSTOMERS



Dedicated to making payments safe, simple and smart.



Let's work together to:

- Uphold the value of the Mastercard brands as the choice of payment for consumers, businesses and Merchants.
- Act with financial integrity and in compliance with the standards and the law.
- Engage in rigorous fraud management practices: ensuring that transactions are conducted securely is of the utmost importance.
- Ensure Mastercard and its customers leverage best-in-class technology and business practices in order to make transactions safe.
- Manage systems and programs to support inter-operability: the ability to process transactions at a global and local level being a key feature of the Mastercard network.

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1 ABOUT THIS GUIDE

Welcome to your interactive guide to Dynamic Currency Conversion – how to get it right and be in compliance with the Mastercard Rules.

Dynamic Currency Conversion is a service provided by Acquirers and their Merchants which offers the Cardholder the option of paying in their billing currency when making an overseas transaction. This requires transparency – ensuring that all relevant information is available to the Cardholder to allow them to make an informed decision on whether to accept or decline the DCC offer. Mastercard has put together this guide specifically to help Providers, Acquirers and Merchants understand the rules, regulations and standards of this service, and to make clear what steps they need to take in order to be in compliance with the applicable EU and national legislation, and the Mastercard Rules. It's your guide. Use it yourself, or as a handbook for training others, to make sure that, when you offer Dynamic Currency Conversion as an option, you are always complying with the applicable rules and regulations, as well as the Mastercard Rules, and providing the best service possible to the Cardholder – our customer.

To navigate, simply click on any of the tabs below.



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Description and principles

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What exactly is Dynamic Currency Conversion?

Dynamic Currency Conversion (DCC) is a service that may be offered by a Merchant or Acquirer that enables a Cardholder – when travelling abroad or making a transaction that is not in their billing currency – to choose whether their transaction should be completed in either the local currency or their billing currency.

If the Cardholder chooses to complete the transaction in their billing currency, their account will be debited using the exchange rate offered by the Merchant's Acquirer.

Dynamic Currency Conversion is also referred to as Point-of-Interaction Currency Conversion (POI CC) within the Mastercard Rules manual – the Point of Interaction being the location where the transaction takes place i.e. ATM; online; POS. Whilst DCC is not a Mastercard service, Mastercard has devised a set of rules and regulations for any Provider, Acquirer or Merchant offering DCC, together with a Compliance Program to monitor adherence to these rules.

The Mastercard Rules generally reflect the obligations imposed on Payment Institutions under the EU Payment Services Directive (PSD) and the revised Payment Services Directive (PSD2). Essentially, compliance with the Mastercard Rules will also help Providers, Acquirers and Merchants offering DCC to comply with their obligations under the EU law.

These rules were put in place to ensure that the currency conversion process is transparent, and to avoid Cardholder confusion or dissatisfaction at the checkout or upon receipt of their statement.

DCC is permitted in all acceptance environments where the customer has the opportunity to make a currency choice for their payment e.g. Point of Sale (POS), online and ATM.

However, **on a Contactless transaction** within the Cardholder Verification Method (CVM) limit, DCC is not applicable, as it is not consistent with the appeal of Contactless as a fast and easy way to pay. The exception is in countries where Contactless purchases over the CVM limit are allowed, provided a PIN is entered for verification. In this instance of a Contactless 'touch' and PIN transaction, DCC is permitted, and the mandatory information must be provided to the Cardholder (i.e. local currency, DCC currency, exchange rate).

(Cf. Transaction Processing Rules manual, chapter 4 and Appendix C of the Chargeback Guide).



Basic requirements as per the Mastercard Rules

An Acquirer or Merchant may offer DCC at the point of interaction, provided that the offering complies with all of the following requirements:

Before the Cardholder decides on the currency in which the transaction is to be completed, and before an authorization or pre-authorization^{*} request for the transaction is submitted, it is essential that:

- a. The Cardholder is first informed either verbally or via a terminal that they have the right to choose the currency in which the transaction will be completed.
- b. Each of the following is made clear to the Cardholder:
 - Transaction amount in the local currency
 - Transaction amount in the billing currency
 - Currency conversion rate to be applied should the transaction be completed in the Cardholder's billing currency.

Once the Cardholder has decided which currency they would like the transaction to take place in, the Merchant must honor the Cardholder's choice.

In the case of any refunds, the same currency conversion method and currency conversion rate that was used for the original transaction must also be used for the refund where merchant technology allows for the storage of rates.

Article 49 of PSD imposes a number of obligations on DCC providers. These obligations are also reflected in PSD2 (Article 59).

*Please refer to 'pre-authorizations' in the Authorization and Clearing Requirements chapter of the Transaction Processing Rules. Download the latest version of the Transaction Processing Rules



'Card present' environment – ATM and POS

ATM and POS terminals offering DCC must provide the Cardholder with the choice of currencies available. They must also disclose specific information regarding the transaction on both the terminal and any receipts.

Once the Cardholder has clearly been given the option of completing their transaction in either the local or their billing currency, the terminal should then prompt the Cardholder to select one of the two stated currency options.

Please note: It is not sufficient to ask the Cardholder to simply choose between YES and NO. Only offering YES or NO as an option is an indirect means of influencing Cardholder choice and is therefore prohibited.

Other indirect means that may influence the Cardholder's choice – such as using the colors red and green – are also prohibited.

Furthermore, it is best practice that any fees included in the transaction should be clearly disclosed (commission, VAT, etc.)



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ATM terminals

Whenever DCC is offered at an ATM, the terminal must give a clear choice to the Cardholder as to the currencies available, and the following information should be clearly displayed on-screen:

- Notification that the Cardholder has a choice of currency for conversion
- The requested cash withdrawal amount, in both the local and the Cardholder's billing currency
- The currency conversion rate that will be applied should the Cardholder opt for DCC

ATM terminals must also provide on-screen confirmation that informs the Cardholder that they have been given the choice of currency conversion and have decided to use DCC rather than the currency conversion service offered by the Card Issuer. In addition to this, the following wording should be displayed, **verbatim**:

"Make sure you understand the costs of currency conversion as they may be different depending on whether you select your billing currency or the transaction currency."



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ATM transaction receipts

Whenever DCC has been selected, the transaction receipt **must** be provided and must show all of the following information:

- The total transaction amount in the local currency •
- The total transaction amount in the converted currency • as agreed to by the Cardholder
- The currency symbol or code of each •
- The currency conversion rate used •

A cash withdrawal without a printed receipt at an ATM terminal is only allowed if the device is out of paper. However, prior to the transaction taking place, the Cardholder should be advised that a printed receipt is not available.



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Attended POS terminals

Before the Cardholder decides the currency in which the transaction is to be completed – and before an authorization or pre-authorization request for the transaction is submitted – they must be clearly informed of the following:

- That the Cardholder has the right to choose the currency in which the transaction will be completed
- The transaction amount in the local currency
- The transaction amount in the billing currency
- The currency conversion rate that will be applied should the transaction be completed in the billing currency

Once the Cardholder has made a choice, the Merchant must honor the Cardholder's decision.

Unattended POS terminals

At an unattended POS terminal, the Cardholder must be presented with all of the above information required for an attended POS terminal, as well as equal buttons for the Cardholder to select which currency they would like to complete the transaction in.



If an unattended POS terminal cannot comply with the requirements set out here, the Merchant must find an alternative means of ensuring that the Cardholder fully understands DCC before being asked to decide which currency the transaction is to be completed in.

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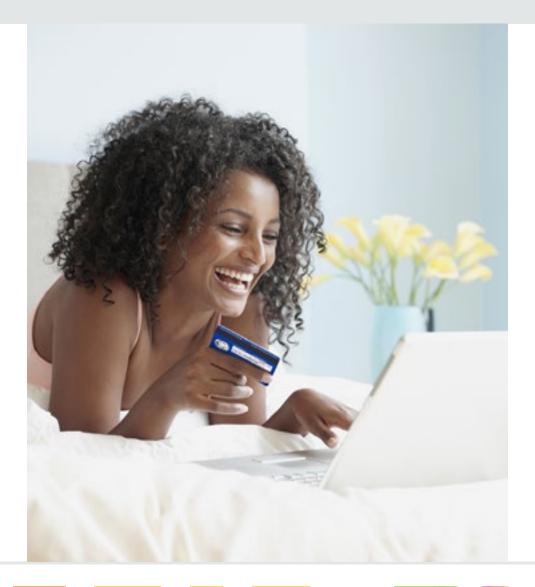
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'Card not present' environment – eCommerce and mobile transactions

As with ATM and POS transactions, whenever the Card is not present the Merchant must provide the same information required for an attended POS terminal and always provide the Cardholder with a clear choice of the currencies available.

When DCC is offered on the Internet, a currency conversion option may have occurred when the cardholder enters his or her card details or at check-out of the "basket". In this case, the Merchant must clearly state to the Cardholder – on the same page and not hidden – the following:

- The option that has been pre-selected
- The option to opt-out of the currency conversion and complete the sale in the local currency
- The transaction amount in the local currency
- The transaction amount converted into the Cardholder's billing currency
- The currency symbol or code of each
- The currency conversion rate ٠
- Additionally, it is best practice that any fees that could be included in the transaction should be clearly disclosed (commission, VAT, etc.)
- The total price, including the above fees.



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Whilst DCC is not a Mastercard service, it is essential that the rules and regulations highlighted in this guide are fully complied with by any Provider, Acquirer or Merchant that offers DCC. This is important because only by working together to deliver consistently high standards can we be sure that our Cardholders will always feel confident they are making a clear and informed choice when considering DCC.

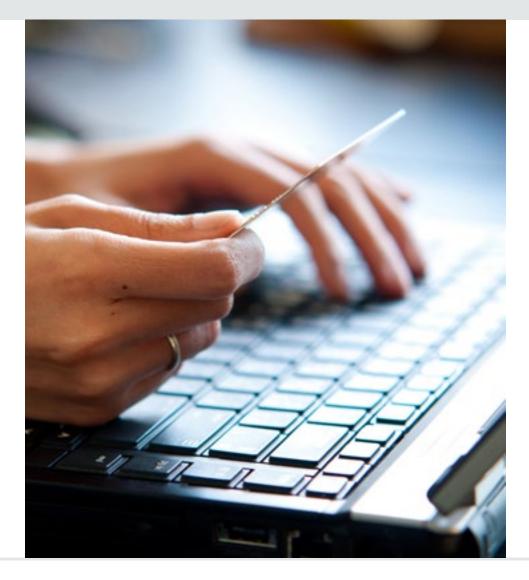
The Enhanced European DCC Compliance Program

Mastercard has introduced the Enhanced European DCC Compliance Program in order to provide a more consistent and structured DCC compliance approach, whilst still supporting the ability of Acquirers, Merchants and ATM providers to expand their business.

The program aims to improve the Acquirer's implementation of DCC, ensuring that the applicable legislation and Mastercard Rules are respected at all times, and improve the Cardholder's experiences with DCC transactions. Its principal activities are to:

- Enforce the DCC registration mandate
- Help to ensure DCC transactions are correctly populated in the clearing message (DE 54 – Amounts, additional)
- Help to ensure DCC services are properly deployed and that they comply with the Mastercard rules and standards.

The Enhanced European DCC Compliance Program came into effect on 1st October 2012.



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Performance Rewards Program

To complement the Enhanced European DCC Compliance Program – and recognize the efforts made by those Acquirers that consistently strive for operational excellence when providing DCC services – Mastercard has also introduced a Performance Rewards Program in the Single Euro Payment Area (SEPA) region. This is designed to encourage and reward Acquirers that are in compliance with Mastercard DCC standards.

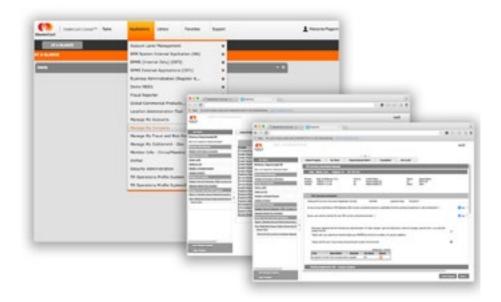
The program framework is based on **four objective** criteria, against which Mastercard will measure each individual Acquirer at the end of the program year. The four criteria are as follows:

1. Registration

If an Acquirer – or any of their Merchants and/or ATMs – offers DCC to Cardholders, then their ICA(s) that offer the service must be registered with Mastercard. If appropriate, they must also supply the name and country of any DCC Service Providers they use.

Registration is easy. Simply go online to Mastercard Connect[™] and select 'Manage My Company', followed by 'Register Point-of-Interaction (POI) Currency Conversion Services'.

For full instructions play the DCC Registration video >



Registration needs to be renewed on an annual basis. However, Acquirers are no longer required to provide Mastercard with Merchant and ATM locations.

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2. System requirement – DCC transaction identification

Acquirers must correctly identify DCC transactions in clearing messages and populate the pre-conversion currency and amounts in Data Element (DE) 54 (Additional Amounts). At least 98% of clearing messages related to real DCC transactions must be populated as per these requirements.

3. Market auditing and monitoring

To ensure that DCC is always deployed in compliance with the applicable legislation and Mastercard Rules, an independent, external organization has been appointed to conduct extensive auditing campaigns on behalf of Mastercard. The auditors are responsible for monitoring the performance of an Acquirer's Merchants and/or ATMs through 'mystery shopping'. Any location for which Mastercard has received a <u>Cardholder complaint</u> will always be investigated.

The mystery shopper will look for successful DCC transactions (i.e. those which are compliant with the Mastercard Rules). The audit will principally – but not exclusively – focus on: choice and transparency for the Cardholder; absence of default conversion; screen clarity as per the Mastercard Rules, and accuracy in clearing messages.

4. Effective implementation of any corrective plans

Any issue encountered by the auditor will be communicated to the Acquirer, and a corrective plan will then need to be agreed with the Mastercard DCC Compliance team. The criterion will only be deemed successful once these actions have been implemented and a second audit has confirmed the success of the plan.

In the SEPA region Mastercard will reward any Acquirer that successfully qualifies in the form of a financial incentive against their Enhanced European DCC Compliance Program fees.



Cardholder complaints

It is imperative that Dynamic Currency Conversion should be a transparent process – one that ensures that, at all times, the Cardholder is fully aware of: the fact that they have a choice of currency; what the transaction amount is in both currencies; and what the exchange rate is. Only in this way can we avoid the sort of confusion or dissatisfaction that will lead to a Cardholder complaint. Here is a sample of our most common types of complaint:

Automatic DCC

Car Rental – A car rental company automatically applied DCC without informing the renter. The information about DCC was not clearly identified and was hidden in the paperwork.

Retail Merchant – DCC was automatically applied to the transaction: either after the Cardholder had entered their PIN code or because the Merchant chose DCC on the Cardholder's behalf.

eCommerce – DCC was applied to an online transaction because the option to opt-out was either not clear or was non-existent.

Back Office DCC

Hotel – A hotel offered a customer DCC using a slip that offered the choice of paying in the local currency or the Cardholder's billing currency. However, the Cardholder was asked to indicate their choice with either an 'X' or a ' $\sqrt{}$ '. The Merchant then chose not to respect the customer's choice and instead did a 'back office DCC' (i.e. DCC behind the till).

Mastercard takes these complaints very seriously. Whenever a complaint is received, the Mastercard DCC Compliance team investigates the case and then notifies the Acquirer of their findings. If appropriate, the Acquirer will also be asked to take action to remedy the complaint. More often than not, the agreed correction plan is then implemented effectively and promptly.

Once confirmation has been received from the Acquirer that the matter has been addressed by the Merchant and/or the ATM operator about whom the complaint was made, the auditor will inspect the Merchant and/or ATM again to ensure that it is now fully in compliance with the Mastercard Rules on DCC.

Cardholder right of dispute

If a Cardholder complains that he/she was not given a choice in a DCC transaction, the Issuer has a chargeback right against the Acquirer. For further details on this, please refer to the Point-of-Interaction Error section in the Dual Message System Chargebacks chapter of the Chargeback Guide. Download the latest version of the Chargeback Guide.

SELECT TRANSACTION	UNHENCY
[] DHS OR	G8P []
DHS 207.00	68P 38.62
ENTER TIP & TOTAL	SELECTED CURRENCY
TIP:	
TOTAL AMOUNT:	
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Here are a selection of Best Practice examples to help make sure DCC works smoothly and successfully.

#### Mandatory information

The Cardholder must be clearly informed that they have the right to choose the currency in which the transaction will be completed.

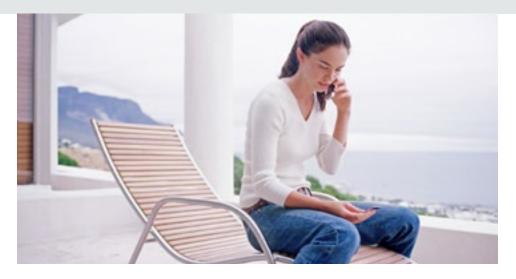
The Cardholder must also be clearly informed of each of the following:

- Transaction amount in the local currency
- Transaction amount in the billing currency
- Currency conversion rate to be applied should the transaction be completed in the billing currency.
- The Merchant must honor the choice of the Cardholder.

#### Merchant (POS)

#### 'Card present' transactions

Merchants providing DCC must offer the Cardholder a choice of currencies, and disclose the transaction amount in both the local and billing currency, plus the exchange rate that will be used to complete the currency conversion. This information should appear on both the terminal and the receipt.



#### 'Card not present' transactions

The Merchant must also plainly indicate:

- The transaction amount in the local currency
- The transaction amount converted into the Cardholder's billing currency
- The currency symbol or code of each
- The conversion rate
- Additionally, it is best practice that any fees that could be included in the transaction should be clearly disclosed (commission, VAT, etc.)
- The total price, including the above fees.



#### ATM and unattended POS terminals

Screen messages at ATM or unattended POS terminals should prompt the Cardholder to select one of the two explicitly stated currency options, and not just between YES and NO.

Only offering a YES or NO option is an indirect choice measure and is therefore prohibited. Other indirect means – such as using the colors red and green – must not be used to influence the Cardholder's choice and are also prohibited.

#### YOU MAY PAY FOR THIS TRANSACTION IN YOUR HOME CURRENCY

CASH WITHDRAWAL	GBP XX.XX
EXCHANGE RATE	GBP 1.00 = EUR X.XX
COMMISSION (X%)	
TRANSACTION AMOUNT	EUR XX.XX

<< CHARGE MY ACCOUNT IN GBP (Amount) CHARGE MY ACCOUNT IN >> EUR (Amount) Each screen message of an ATM or unattended POS terminal offering DCC must include:

- A clear message advising the Cardholder of the option to complete the transaction in either the local currency or the Cardholder's billing currency
- The requested cash withdrawal amount reflected in both the local currency and the Cardholder's billing currency
- The conversion rate that will be applied should the transaction be completed in the Cardholder's billing currency
- Any other fee that can be charged to the transaction and the reason for this fee being applied.

**Before** the Cardholder is then asked to select the currency in which they wish the transaction to be completed, the terminal must clearly display the following wording, verbatim:

Make sure you understand the costs of currency conversion as they may be different depending on whether you select your billing currency or the transaction currency.



#### Best Practice for pre-authorized transactions

#### Hotels

In an express check-out transaction, there must be an advance, documented agreement from the Cardholder that they have accepted the DCC offer.

The agreement should contain the following information:

- The specific merchant's pricing currency in which the transaction will take place;
- The total including all fees (commission, VAT, etc.) applied to the DCC transaction:
- A declaration that the Cardholder understands that DCC will take place and that the exchange rate will be determined on the date the transaction is processed (final authorization) without further consultation but that they have the right to change their mind and opt out of DCC – in which case, there will be no express checkout;
- An acknowledgement that the Cardholder has been offered a choice of currencies, including the Merchant's local currency.

#### Car rental

Any customer renting a car from a car rental company offering DCC must be given the choice of billing currency. Car rental companies, like all Merchants, must not automatically select a default currency conversion method. Instead, the rental sales agent must ask the renter if they want to be billed in the local currency or their billing currency.

The Cardholder must also be clearly informed of each of the following:

- Transaction amount in the local currency
- Transaction amount in the billing currency
- Currency conversion rate to be applied should the transaction be completed in the billing currency.

If however the renter is part of a 'preferred customer program' – or if they have no interaction with the rental sale agent at time of returning the car - a notice should be provided to them that explains in which currency they will be billed. This currency and the exchange rate should be the one that was agreed at pick-up.

If the Cardholder does not respond to this notice then the rental company must use the **local currency** for the transaction.

The total amount billed cannot exceed the amount of the pre-authorization.

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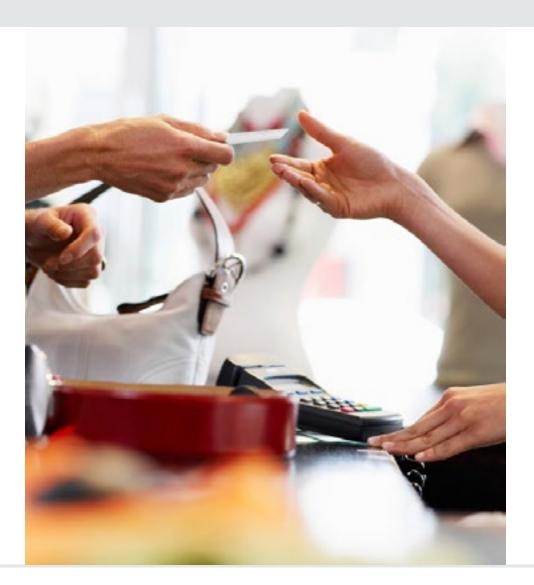


#### Merchant training

It is important that Merchants new to DCC understand the main principles of clear choice and transparency e.g. that the Cardholder is made fully aware that they have a choice, of the transaction amount in both currencies and the exchange rate.

To this end, Mastercard expects Acquirers to:

- Ensure that new Merchants starting to offer DCC understand the requirements and apply them systematically
- Make certain that staff at existing DCC Merchants are kept up-to-date about the requirements
- Put into place a Train-the-Trainer program for those Merchants with high staff rotation (hotels, restaurants, supermarkets, etc.), to ensure continuity in the knowledge-sharing.



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## **5** CASE STUDIES

#### Case 1 – Bank ABC

Two years ago, whilst travelling, David found he was offered DCC in a number of the countries he visited. In one country in particular, David felt that the option of DCC was generally made extremely clear and visible to him. He put this down to the Merchants he was making the transactions with showing him 'advice slips' or 'quotes' (i.e. receipts generated by the merchants' terminals that display the local and billing currency, and the exchange rate). This allowed him to make confident and informed choices.

David was impressed to see a solution that overcame the language barrier. However, when he returned to the same country last year, he was disappointed to find that some Merchants 'forgot' to offer him the choice of DCC or show him an advice slip.

Key to good practice is ensuring that Merchant 'override' is avoided in any transaction that provides DCC as an option. Bank ABC's Merchants had an excellent score in their audit two years ago, primarily due to the Merchants always providing the Cardholder with advice slips. Unfortunately, this standard dropped to a very poor score the following year, simply because the Merchants were no longer following their bank's guidelines.

As a result, the Mastercard DCC Compliance team stepped in and, after discussions with Bank ABC, established a plan of action that focused on the bank re-training their Merchants. Once this had taken place, Bank ABC was once again able to achieve a high score during their re-test.



Providing the Cardholder with a clear option of DCC – either via an advice slip or simply by putting all of the **mandatory information** on-screen – is a fundamental requirement under the application legislation and Mastercard Rules. Obviously, this requires the appropriate software to be in place that will enable DCC to be offered correctly and remove any possibility of Merchant override. It is also essential to avoid language barriers by ensuring all on-screen messages are clear and comprehensive, thus avoiding any ambiguity for the Cardholder as to what the offer is.



## **5** CASE STUDIES

#### Case 2 – Cardholder complaint

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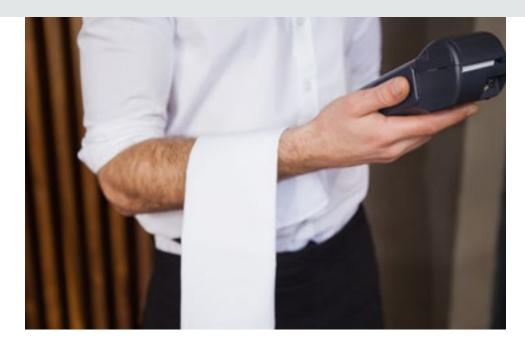
Whilst visiting Barcelona, Spain last month, I was having dinner in a restaurant by the port, overlooking the city. When the meal was over, I asked for the bill – informing the waiter that I would be paying by card. When he returned with a portable POS device, I handed him my UK-issued card (Sterling – GBP), which he proceeded to insert into the terminal.

He then passed me the terminal, asking me to enter my PIN. After doing as requested, I gave the terminal back to the waiter, at which point he pressed a few other buttons before presenting me with my copy of the receipt.

To my surprise, I noticed that the amount that had been debited was in Sterling and not Euro. I asked the waiter why this was but, suddenly, he no longer seemed to be able to understand English! When I asked him to reverse the transaction, he informed me that he didn't know how to do so. I was furious that a) I hadn't been given the choice and b) that the waiter was then unable to reverse the transaction.

This particular complaint was reported to us by the Cardholder, but is also a typical example of one of the issues we encounter whilst doing our Merchant audits.

In this instance, the choice of currency conversion was offered on the terminal, but this was done after the PIN had been entered and the option was not conveyed to the Cardholder. Obviously, this is not the right procedure and is not compliant with the applicable legislation and Mastercard Rules.



The choice of currency conversion should always be offered to the Cardholder before they enter their PIN. The Cardholder's PIN provides confirmation and approval of the transaction that is about to take place and should therefore always be the last step in the transaction.

It is best practice that a **POS terminal screen** should clearly state the option of DCC prior to the Cardholder entering their PIN, and that it should then prompt them to choose either the local currency or their billing currency for the transaction. This avoids any confusion or disappointment on the part of the Cardholder.

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### **HOW TO REGISTER**

Registration is via your Mastercard Connect[™] log-in, through the 'Manage My Company' application.

Please take a few minutes to view this video – which will give you a step-by-step demonstration of how the online registration tool works.



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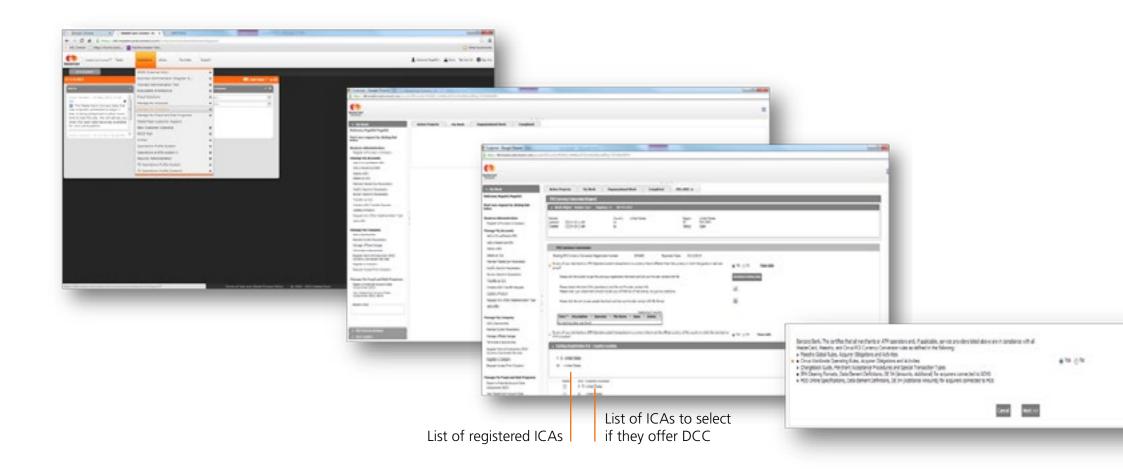
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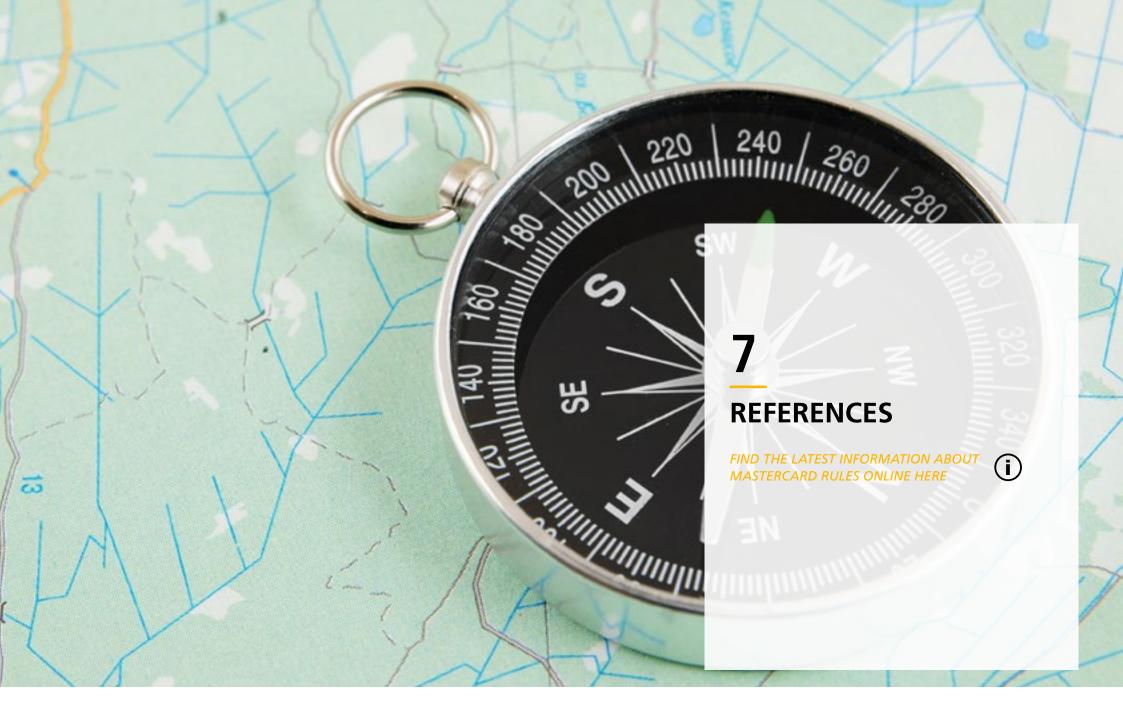
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#### Registration process

### WHEN AND WHERE DO I REGISTER MY ICA (INTERBANK CARD ASSOCIATION)?

✓ Acquirers must register all ICAs used to offer DCC in the Registration Tool (via Mastercard Connect[™]), and accurately answer any questions. Registration is done on an annual basis. Additionally, any new ICA should be registered as soon as it starts to provide DCC.

### DO I NEED TO PROVIDE A LIST OF MY MERCHANTS' AND ATMS' LOCATIONS?

✓ No. There is no requirement to provide your Merchant/ATMs' locations. However, if you use a DCC Service Provider, then you will need to upload their details on Mastercard Connect[™].

#### I AM FOLLOWING THE INSTRUCTIONS TO REGISTER MY ICA, BUT UNDER 'MANAGE MY COMPANY' I CANNOT FIND THE OPTION FOR 'REGISTER POINT OF INTERACTION (POI)'.

✓ This could be because you have not yet ordered the service and so do not have any access to it. To rectify this, go to the 'Store' in Mastercard Connect[™]. Search for 'Manage My Company' and add 'Register Point of Interaction (POI) Currency Conversion Services' to your ID.

### WHERE CAN I FIND THE FILE FOR PROVIDING THE INFORMATION I NEED TO GIVE ABOUT MY DCC SERVICE PROVIDERS?

The file can be found on the POI Registration Tool. Simply answer 'yes' when asked if you have a Service Provider.





#### Clearing messages

AS AN ACQUIRER, IS THERE A MANDATORY DATA ELEMENT THAT NEEDS TO BE PROVIDED TO MASTERCARD IN BOTH THE AUTHORIZATION AND THE CLEARING MESSAGE?

✓ In the clearing message, Data Element [DE]54 must be populated with the original amount and currency, plus an indicator for whether it is a DCC transaction or not (the 'DCC flag'). In the dual message environment, there are no flags in the authorization message.

#### ATM Screen

#### WHAT ARE THE REOUIREMENTS FOR ATM SCREENS WHEN **OFFERING DCC?**

- ✓ Each screen message of an ATM terminal offering DCC must include:
  - A clear message advising the Cardholder of the option to complete the transaction in either the local currency or the Cardholder's billing currency
  - The requested cash withdrawal amount reflected in both the local currency and the Cardholder's billing currency
  - The conversion rate to be applied should the transaction be completed in the Cardholder's billing currency
  - Any other fee that can be charged to the transaction and the reason for this fee being applied.

**Before** the Cardholder is then asked to select the currency in which they wish the transaction to be completed, the terminal must clearly display the following wording, verbatim:

Make sure you understand the costs of currency conversion as they may be different depending on whether you select your billing currency or the transaction currency.

Please refer to the DCC section of Appendix F in the Transaction Processing Rules.

WHICH MANUAL AND SECTION INDICATES THAT THE DISCLOSURE TEXT MUST ALSO BE DISPLAYED ON THE ATM SCREEN AND TRANSACTION **RECEIPT?** 

Please refer to Rule 3.4, POI Currency Conversion in the Transaction **Processing Rules** 

Download the latest version of the Transaction Processing Rules.

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#### ATM Receipt

### IS IT A MASTERCARD REQUIREMENT TO PRINT A RECEIPT FOR AN ATM DCC TRANSACTION?

YES. A cash withdrawal without a printed receipt at an ATM terminal is only allowed if the device is out of paper. However, prior to the transaction taking place, the Cardholder should be advised that a printed receipt is not available.

#### Performance Rewards Program framework

### WHAT CRITERIA NEED TO BE MET IN ORDER TO BENEFIT FROM THE PERFORMANCE REWARDS PROGRAM?

- ✓ Acquirers must register all ICAs used to offer the DCC service in the Registration Tool (via Mastercard Connect™) on an annual basis, and accurately answer the questions they are asked.
- DCC transactions must comply with the Mastercard rules. Mastercard – via an external 'mystery shopper' organization – conducts extensive auditing campaigns at Merchant and ATM locations across the Europe region to ensure all transactions are compliant with their rules and regulations. Locations for which Mastercard has received Cardholder complaints will always be investigated.

To be considered as a pass, Acquirers must principally (but not exclusively): provide transparency regarding the currency choice available to the Cardholder; ensure that the DCC option should not be the default conversion method; provide clear and conspicuous on-screen information as per the Mastercard Rules; have flagged any DE54 fields in DCC transactions.

Acquirers are required to propose a corrective plan for any noncompliance cases that have been communicated to them. This plan must be agreed with the Mastercard DCC Compliance team. The criterion will only be deemed successful once these actions have been implemented and a second audit has confirmed the success of the plan.

### IS THE ENHANCED EUROPEAN DCC COMPLIANCE PROGRAM FOR POS ONLY?

 No. The aim of the Enhanced European DCC Compliance Program is to improve the Acquirers' compliance with the Mastercard Rules when they are offering DCC at any point of interaction (ATM, eCommerce, etc.). The ultimate goal is to improve the Cardholders' experiences with DCC, therefore the program is not solely focused on POS transactions.





#### Acceptance

#### I WANT TO START OFFERING DCC, WHAT DO I NEED TO DO?

- An Acquirer that intends to acquire Transactions on which Dynamic Currency Conversion has been performed must first register their ICA with Mastercard.
- ✓ Registration is easy simply go online to Mastercard Connect[™] and select 'Manage My Company', followed by 'Register Point-of-Interaction (POI) Currency Conversion Services'.
- They must also satisfy all the standards defined in the Transaction Processing Manual – POI Currency Conversion section, and the requirements as per the Performance Rewards Framework Europe Region Operations Bulletin No. 1, 2 January 2013.

- As DCC is not a Mastercard product, we do not have any certification process. However, within Mastercard we do have DCC rules and an Enhanced European DCC Compliance Program. The latter aims to pro-actively ensure that DCC services are offered in compliance with the applicable legislation and Mastercard Rules – and ultimately to instill Cardholder confidence in the service.
- We are always on hand to help our acquiring customers understand the rules and to support them with any questions or doubts that they may have.





#### Market audit

#### IF AN ACOUIRER WITH MERCHANTS IN THE SEPA REGION HAS FAILED A MYSTERY SHOPPING AUDIT, WILL THEY AUTOMATICALLY MISS OUT ON THE EUROPE PERFORMANCE REWARD?

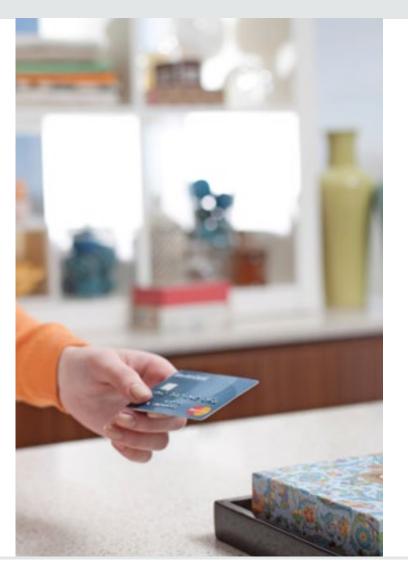
 $\checkmark$  No. The aim of the mystery shop is to highlight areas of non-compliance so that these can then be corrected. The Merchant/ATM in guestion will need to successfully implement the plan of action that the Acquirer has agreed with the Mastercard DCC Compliance team within the stipulated time frame. Once the auditor has re-evaluated the Merchant/ATM, Mastercard will then decide, based on the re-test results, whether or not the Acquirer qualifies for a rebate.

#### Pre-authorization

IF THE CARDHOLDER CHOOSES DCC AT THE TIME OF PRE-AUTHORIZATION (E.G. WHEN CHECKING INTO A HOTEL) AND ACCEPTS THE OFFERED DCC THEN, AT THE TIME OF COMPLETION (E.G. HOTEL CHECK-OUT) – OR IN THE CASE OF A FURTHER PRE-AUTHORIZATION – SHOULD WE OFFER THEM THE CHOICE BETWEEN THE LOCAL CURRENCY AND DCC CURRENCY AGAIN, OR IS IT ACCEPTABLE TO USE THE DCC CURRENCY?

- There is no need to offer a choice again; however, you should provide the Cardholder with the following information:
  - The conversion rate applied for the transaction
  - The amount of the final authorization express in the local currency and in the Cardholder billing currency
  - The option to opt-out of DCC

If however, any of the above conditions are not met, the Cardholder will need to choose again.



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For Merchants

#### WHAT IS THE DIFFERENCE BETWEEN MERCHANT INTERACTION AND CHOICE?

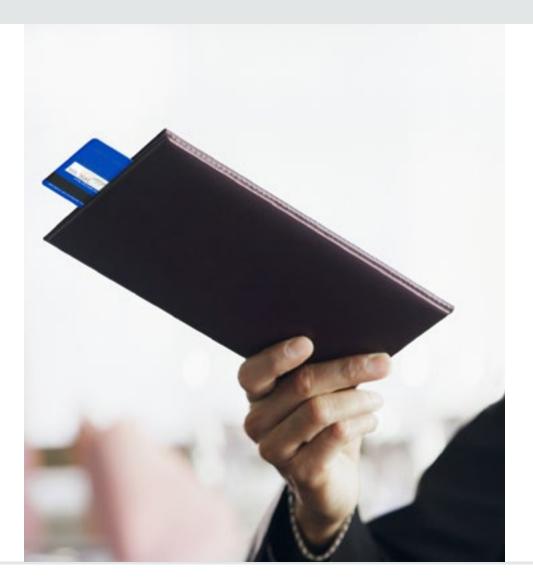
✓ Merchant interaction involves the Merchant (or terminal) informing the Cardholder clearly and distinctly that they can choose a currency. Choice is when the Merchant actively obtains – and respects – the choice made by the Cardholder.

WHEN SHOULD A MERCHANT OFFER THE CARDHOLDER THE CHOICE OF CURRENCY?

✓ **Before** submitting the authorization or pre-authorization for the transaction.

#### WHAT IS AUTOMATIC DCC?

Automatic DCC is when a Merchant conducts DCC and submits authorization or pre-authorization without informing or seeking Cardholder consent. Automatic DCC is strictly forbidden under the applicable legislation and Mastercard Rules. A Merchant or terminal should always provide a choice to the Cardholder.



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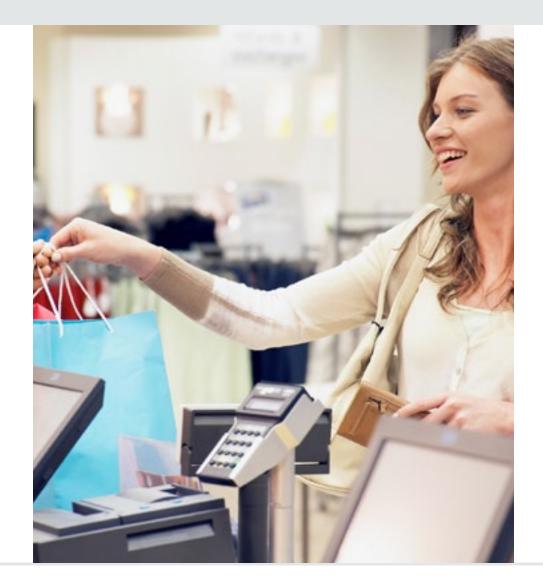
A CARDHOLDER HAS INFORMED US THAT A PURCHASE TRANSACTION HAS BEEN DYNAMICALLY CONVERTED WITHOUT THEIR KNOWLEDGE OR CONSENT. WHAT CAN WE DO?

- If the Cardholder informs the Issuer that a transaction was converted. without consent, the Issuer can initiate a chargeback with the relevant reason code. Please refer to the Point-of-Interaction Error section in the Dual Message System Chargebacks chapter of the Chargeback Guide.
- ✓ The Issuer can also provide Mastercard, via a secure communication channel (not email), the 16 digit card number, the Merchant's name and location, and a copy of the receipt for further investigation with the Acquirer.

THE MERCHANT HAS CONVERTED A TRANSACTION INTO A CURRENCY THAT IS NOT THE CARDHOLDER'S BILLING CURRENCY. WHAT SHOULD WE DO?

✓ The Issuer can initiate a chargeback with the relevant reason code (please refer to the Point-of-Interaction Error section in the Dual Message System Chargebacks chapter of the Chargeback Guide). Again, by providing Mastercard, via a secure communication channel (not email), the card number, the Merchant's name and location, and a copy of the receipt, we can investigate with the Acquirer.

Download the latest version of the Chargeback Guide.



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DCC	Dynamic Currency Conversion	The process whereby the Merchant converts the amount of the transaction from the Merchant's currency into the Cardholder's currency.
ICA	Interbank Card Association	The original name of Mastercard. An ICA number is assigned to each Mastercard customer institution, and is used as a unique identifier.
ATM	Automated Teller Machine	An unattended card-operated device that dispenses cash.
POS	Point of Sale	An attended or unattended terminal in or at a Merchant's premises that enables a Cardholder to effect a transaction for the purchase of products or services with a Card and/or Access Device, in accordance with the POS terminal security and other applicable Standards.
POI	Point of Interaction	Term used to describe the point where the card and the 'terminal' (POS terminal, PC, etc.) come together.
POI CC	Point of Interaction Currency Conversion	Mastercard's term for DCC (see above), as DCC occurs at different Points of Interaction.
CVM	Cardholder Verification Method	The means used to verify a Cardholder e.g. with a PIN or signature. A CVM limit is the limit below which the Cardholder's verification is not required for authorization of the transaction – e.g. Contactless.
PSD	Payment Service Directive	The legal foundation for the creation of an EU-wide single market for payments. The PSD aims at establishing a modern and comprehensive set of rules applicable to all payment services in the European Union.
SEPA	Single Euro Payment Area	The EU initiative to create a zone in which all euro payments between countries in the euro zone are considered domestic (and no longer cross-border).
VAT	Value Added Tax	VAT or Goods and Services Tax (GST) is a type of consumption tax in Europe, Japan and many other countries. It is placed on a product whenever value is added at a stage of production and at final sale.

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