

Policy and Guidelines For Electronic Commerce

Office of the State Controller (OSC)		Effective Date: December 15, 2006
Policy Area: Electronic Commerce	Title: Types of Merchant Cards Accepted	

Authority: Session Law 1999-434, Senate Bill 222, ratified in July 1999 amended various statutes, authorizing state government agencies, as well as local governmental entities, to maximize the acceptance of electronic payments, a term which includes credit / debit cards (merchant cards) and electronic fund transfer (EFT). Electronic payments involve both inbound and outbound flows of funds.

The primary statutes pertaining to the utilization of electronic payments for State agencies include: G.S. 147-86.10; G.S. 147-86.11(h); G.S. 147-86.20; G.S. 147-86.22; and G.S. 143B-426.40G(a). The primary statutes pertaining to the utilization of electronic payments for local governmental entities include: G.S. 159-32.1 and G.S. 159-28(d). The statutes authorizing local governmental entities to participate in services and contracts offered by the Office of Information Technology Services are G.S. 147-33.82 and G.S. 147-33.96.

“Electronic Commerce in Government” is covered under Chapter 66, Article 11A (G.S. 66-58.1 through 66-58.19). G.S. 66-58.12 encourages the utilization of electronic transactions, including those initiated through the Internet.

Statutes authorizing the Office of the State Controller to issue policies regarding electronic payments include G.S. 143B-426.39(1) and (5); G.S. 147-86.11(a); and G.S. 147-86.22(b).

Program Administration: The State of North Carolina business environment includes all agencies, institutions, departments, bureaus, boards, commissions, and other entities subject to the Cash Management Law, as specified in G.S. 147-86.10. Although state agencies offer diverse services, North Carolina intends to use a statewide enterprise approach for the utilization of electronic payments.

References: Related policy entitled “Master Services Agreements for Electronic Payments” and the Master Services Agreement(s) (MSA) that may be entered into by the State with merchant card processors and with proprietary cards companies.

Policy: The Office of the State Controller (OSC) will periodically consider the types of merchant cards that may be appropriate to be accepted as a means of payment by entities participating under a master services agreement provided by the State Controller, and participating entities shall adhere to the guidelines prescribed herein.

Agreements with Proprietary Card Companies

- The State Controller will consider and evaluate requests from participating entities regarding the types of cards that are desired to be considered for inclusion in master services agreements.
- The master services agreement for the State’s merchant card services processor, as provided for under the policy entitled, “Master Services Agreements for Electronic Payments” will include in its scope of service the requirement that allows for the following types of cards to be processed

- In the case of an entity's acceptance of cards issued by Visa and MasterCard, the Master Services Agreement (MSA) with the State's merchant card services processor governs the acceptance of the cards, and no separate agreement is needed with Visa or MasterCard.
- Any entity accepting proprietary cards must do so under an agreement in place with the issuing card company. The agreement may be one that is between the entity and the issuing card company, or one that is a master services agreement the State may have entered into with the issuing card company.
- Any Master Services Agreement (MSA) entered into with a proprietary card company will be made on behalf of the State by the State Controller and the State Treasurer, with the State Controller being the administrator. Any such agreements are to be negotiated on behalf of the State by the State Controller, with assistance of the State Attorney's General's Office.
- Any entity desiring to participate in an MSA that the State may have entered with a proprietary card company must execute the applicable Agency Participation Agreement, binding the entity to the terms and conditions of the MSA.
- All State entities subject to OSC's control pursuant to the Cash Management Law (G.S. 147-86.10-11) that are participants in the MSA with the State's primary merchant card services provider, and that accept a proprietary card issued by a company with which the State has an MSA, will be required to participate in the MSA with the proprietary card company.
- A State entity may be exempted from participating in a MSA with a proprietary card company if it provides OSC a suitable business case for exemption, in which case the entity may enter into an agreement with the proprietary card company directly.
- Community Colleges, Local Education Agencies, and Clerks of Superior Court may use MSAs with proprietary card companies on a voluntary basis, taking into consideration the banking needs for their non-State funds.
- Local governmental entities may participate in MSAs with proprietary card companies on a voluntarily basis.

Guidelines for Determining Types of Cards Accepted

- An entity subject to this policy may determine on its own whether to accept merchant cards as a payment channel and may determine the types of cards that it will accept, based upon the guidelines herein.
- An agency may selectively elect to only accept merchant cards as a payment channel for certain types of receipts, taking into account the nature of the receipts, including the:
 - beneficiary of the receipts
 - finality of the payment required
 - ability to obtain a source of funding to pay the processing fees associated with the particular type of receipts
- An agency accepting merchant cards as a payment channel may selectively elect to only accept certain merchant card brands for certain types of receipts, taking into account the nature of the receipts, including the:
 - beneficiary of the receipts
 - requirement for the settlement (receipt) of funds for the card transaction to be within one banking day of card acceptance
 - ability to obtain a source of funding to pay the processing fees associated with a particular card brand that may have processing costs greater than other card brands accepted

- If no convenience fees are levied by an entity accepting merchant cards, at a minimum both Visa and MasterCard shall be accepted, as the funds received for settlement are generally received within one banking day, and the interchange fees associated with the two cards are similar.
- If no convenience fees are levied by the entity, the entity has the option of accepting one or more proprietary cards, provided the agreement under which the card is accepted provides for funding to be received within two banking days.
- If convenience fees are levied by an entity accepting merchant cards or other channels of electronic payments, the entity may selectively elect to accept only cards whose governing Rules are compatible with the entity's established fee structure (i.e., percentage based and/or flat fee based).
- When multiple card brands are accepted for a particular category of receipts, the entity must abide by each of the issuing card association or company rules regarding not promoting one card over another, and the entity must accept any one of the cards for the category of receipts.
- Recognition of the receipt of funds for a card transaction is to be based upon when settlement occurs at the depository bank, for the particular type of card, as some cards have a one-day settlement delay, and some have a two-day settlement delay.