

April 2010 Edition

Important information – Please keep this in a safe place

Award Winning Service

I am very pleased to announce that we recently scooped a double victory at the prestigious European Card Acquiring Forum (ECAF) awards in Berlin, receiving both the Merchant Award and the Performance Award. ECAF are the only awards that are dedicated purely to the merchant acquiring business.

We were particularly pleased as the Merchant Award, which is based on the superiority of the customer service offered by the acquirer, is naturally perceived as one of the most important categories of the whole event.

The winning nomination was based on our Merchant Performance Management Programme, which takes a multi-pronged approach to establishing cost reductions for our merchants. This programme also incorporates anti-fraud measures, highly stable authorisation systems and expert profiling and management of transactions, all put in place to reduce interchange costs.

The Performance Award was given in recognition of our success in reducing chargebacks and thus reducing additional cost. Here a combination of technology and expert support are used to reduce cost, including the same-day defence of chargebacks.

HSBC Merchant Services Is First With The Latest Technology

Further reinforcing our reputation for strong and successful IT innovation, we have continued to invest in our terminal portfolio, most recently with the addition of the Ingenico iCT220. We are the UK's first card processing provider to offer this technology and the initial feedback from our merchants has been very positive.



“ The Performance Award was given in recognition of our success in reducing chargebacks ”

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Merchant satisfaction is partly due to the fact that the terminal incorporates the latest industry PIN entry device (PED) security standards (PCI PED 2.0 security) which are designed to reduce the likelihood and consequences of fraud. This terminal also offers the potential to include value-added services.

I would also like to take this opportunity to remind you of the importance of being PCI compliant. It is easy to do and compliance with the PCI set of standards is enforced by the founding members of the Council - American Express, Discover Financial Services, JCB International, MasterCard Worldwide and Visa Inc.

Contactless Is On The Increase

Following requests from merchants and acquirers, and bringing us in line with the rest of Europe, I am pleased to let you know that the Contactless payment limit has now been increased from £10 to £15. This is good news for both merchants and acquirers alike.

As ever, if you have any comments or suggestions on any of the content of this newsletter, or indeed how we can continue to improve our service to you, we would love to hear from you. To contact HSBC Merchant Services, simply email enquiries.hms@hsbc.com.

Regards and best wishes for a strongly performing Spring season for you.



Darren Wilson
CEO, HSBC Merchant Services



Economic Update

13 April 2010

A Choice – Of Sorts

There was never any danger that the MPC's long sabbatical would be disturbed in April. The Budget surprised only with its lack of surprises, and fixing May 6th as election day merely confirmed what had long been felt inevitable. With most indicators moving in the right direction, but only very slowly, there was no case for either loosening or tightening monetary policy. The MPC therefore left Bank Rate on hold at 0.5% for the 13th successive month and the QE limit was unchanged at £200 billion.

The forthcoming election has led to a hiatus in policymaking but has also clarified some of the economic issues that divide the two major parties – and hence what might be expected after May 6th. The fragile state of government finances is at the heart of the differences, especially how and when to start tackling the record deficit. This in turn reflects differences about the current economic situation and about the short-term outlook. But the differences are essentially of emphasis rather than principle. In economic terms at least, this will not be a Labour v Conservative election of old, but an argument between two parties who have identified the same issue (the size and cost of the public sector) but are at odds as to the medicine to be applied and when to apply it.

The third and final estimate of Q4 2009 GDP was published in the last week of March. At 0.4%, it was significantly stronger than the original estimate (in January) of 0.1%, and much closer to where independent analysts had expected it to be three months ago. Although the 0.4% expansion was encouraging, it implies annual growth of only around 1.5%, which is well below trend (of 2.5%) and, moreover, the way growth was achieved was disappointing. More than originally thought came from household spending, while the slower pace of de-stocking and government spending were both positives. Investment, on the other hand, was negative. Trade has not yet responded as hoped to the more competitive exchange rate and the narrowing of the current account deficit was due to investment income rather than exports.

In his Budget, the Chancellor's growth forecast of 1.25% is well within the consensus range and the profile looks very plausible. For both 2011 and 2012, however, the Treasury expects the economy to grow by over 3%, which looks somewhat optimistic. Although similarly robust growth has been achieved in the second and third years of recovery after previous recessions, none had the huge debt overhang in the consumer and government sectors. To achieve these ambitious rates, Mr Darling's forecasts have the welcome re-balancing towards investment and trade and away from consumption. There is, nevertheless, a feeling that these were the growth rates needed to keep the public sector finances manageable. Anything slower, and the government's revenues would be less, spending would be higher, and the deficit and accumulated debt even worse.

“ Both Mr Darling and his opposite number in the Conservatives, George Osborne, accept that tackling the deficit will be the key priority for the next government. ”

There was some small comfort for the Chancellor as he presented his Budget. Because unemployment has not risen as expected, and tax receipts have been stronger, his borrowing for this year is now put at £167 billion – still huge, but £11 billion less than the previous forecast. Mr Darling chose to spend some of this and his modest largesse found its way to the business rather than personal sector. It is possible that growth in Q1 this year will be weaker than Q4 in 2009. The poor weather, restoration of the VAT cut, the ending of the car scrappage scheme and uncertainty about the extent of public sector spending cuts may all combine to produce a lower GDP figure. The fact that CPI inflation fell back to 3% in February, with expectations of further falls the coming months, has been interpreted as an indicator of relatively sluggish activity. This, and the likelihood of a fiscal tightening, will keep interest rates at or close to the current level for the rest of this year.

It used to be said of Gordon Brown's Budgets that the devil was in the detail: despite his reassuring speeches, the technical papers always contained nasty surprises. With Alistair Darling's third budget last month, the devil was in the lack of detail. It was a Budget about ends rather than means and it is the means that are important. He restated the government's objective of halving the deficit in four years, with two thirds of the reduction coming from spending cuts and the rest from tax increases. He had already announced £19 billion of tax rises but has yet to spell out where the spending axe will fall.

Both Mr Darling and his opposite number in the Conservatives, George Osborne, accept that tackling the deficit will be the key priority for the next government. Both also accept that a downgrading of the UK's triple-A credit rating will only add to the pressure. For the current Chancellor, the risk of downgrading will be greater if the UK slips back into recession, something more likely if government spending is cut immediately. So, despite claiming that a Labour government's spending cuts would be more draconian than Mrs Thatcher's in the 1980s, he does not intend starting the process this year. In fact, his Budget contained some modest fiscal loosening, the result of this year's deficit coming in £11 billion under forecast. Mr Osborne, on the other hand, believes the size of the deficit itself could be the trigger for a downgrading and so he would start to cut spending immediately. To protect growth, he would also ease the tax burden on industry, particularly the additional national insurance increase the government is proposing. While he argued against the rise in income tax to 50% for high earners, the Conservatives do not intend reversing it and there are as yet no plans to raise VAT.

This is not a choice between two alternative visions of running the economy. Ensuring the recovery, preferably through investment and trade, is the ultimate objective for both major parties but both recognise that the deficit has to be reduced to manageable proportions in the near term. How – and when – the deficit is tackled is the choice. As usual, the experts (economists and business leaders) are approximately equally split as to which is likely to be the most effective route although past experience shows that more will be promised during a campaign than can ever be delivered and reducing the size of the public sector will take longer than either party is willing to acknowledge.

This Economic Update was written by Dennis Turner, Chief Economist, HSBC Bank plc



Important Information

Change Of Legal Entity Administration Fee

Please Ensure That You Read This fully, It Is An Important Amendment To Your Terms Of Service

Due to the rising cost of administering Change of Entity requests, driven by the high level of demand and the requirement that we set up a new account to facilitate your change of legal status, we have made the difficult decision to introduce an administration fee of £50.00. This fee will enable us to maintain the level of service you currently experience, and administer any requests quickly and efficiently.

Terminal Compliance

HSBC Merchants Services has a stringent and continuous policy of updating both our terminal estate and the software version held within these terminals. This is to maintain the highest level of compliance and security. If you do not rent your equipment from us, we are unable to provide this service as we have no access to your terminal or software.

All merchants that have not sourced their equipment from HSBC Merchant Services should contact their supplier on a regular basis to ensure that they are using the most secure and up-to-date solution. These checks are imperative to protect your business from fraudulent activity or solution failure, both of which will have a negative affect on your business.



Change To Our Terms Of Service

Our Terms of Service and Merchant Operating Instructions have recently been updated and if you have not yet received your copy, please contact us at enquiries.hms@hsbc.com.

Charges For Upgrading Your HSBC Merchant Services Credit Card Terminal To A Newer Model

During September 2009, HSBC Merchant Services implemented a new process charge for merchants wishing to upgrade their old terminal to one of our newer models.

For merchants interested in upgrading their terminal, there is now a set-up and administration fee of £100 + VAT.

If you would like to know more, please contact our Helpdesk on 0845 702 3344* or Textphone 0845 602 4818.

*Lines are open every day (except Christmas day) 8am to 11pm Monday to Saturday, 10am to 5pm on Sundays and 10am to 4pm on public holidays. Communications may be monitored and / or recorded.



Crediting Timescales

“ If you process cards electronically, your bank account should be credited with uncleared funds the next working day* following successful receipt of your transactions. ”

The following is a guide to when you should expect payments to be credited to your bank account.

If you process cards electronically, your bank account should be credited with uncleared funds the next working day* following successful receipt of your transactions. These funds should clear within the next two working days* and will typically be available for withdrawal the working day* after they have cleared, depending on your Bank.

Transaction Day	Processing Day	Crediting Day	Clearing Day	Available for Withdrawal
Monday	Tuesday	Tuesday	Thursday	Friday
Tuesday	Wednesday	Wednesday	Friday	Monday
Wednesday	Thursday	Thursday	Monday	Tuesday
Thursday	Friday	Friday	Tuesday	Wednesday
Friday	Monday	Monday	Wednesday	Thursday
Saturday	Monday	Monday	Wednesday	Thursday
Sunday	Monday	Monday	Wednesday	Thursday

* Monday to Friday excluding Bank Holidays.

If you process cards using paper vouchers or schedules, you should receive cleared funds within three working days* of our receiving the paper vouchers or card not present schedules. These funds typically will be available for withdrawal the same day as they are credited to your account.

Crediting timescales may vary if:

- The bank account to be credited is held with HSBC Bank plc
- You are submitting paper vouchers as a fallback, due to your terminal being faulty
- You are paying in paper vouchers or schedules to an HSBC branch in Scotland
- You do not complete your terminal banking procedures every day
- If we have made alternative arrangements with you

It is your responsibility to notify HSBC Merchant Services as soon as possible if you suspect that you have not received payment for any debit/credit card transactions as expected.

If you require assistance, please call our Merchant Services Helpdesk on 0845 702 3344† or Textphone 0845 602 4818.

† Lines open Monday to Saturday 8am to 11pm, Sunday 10am to 5pm and public holidays (excluding Christmas Day) 10am to 4pm. Calls may be monitored and / or recorded.

Combined Crediting

Combined crediting enables a single credit to be applied to your bank account (for UK Maestro, MasterCard and Visa transactions) for each trading day, rather than two separate entries.

This facility is available to all merchants no matter where you bank, the benefit being a reduction in the number of entries on your bank account statement, subsequently assisting reconciliation.

The standard crediting narrative on your statement, when choosing combined crediting is:
CARD TRANS DDMMYY

If you would like to request combined crediting please contact our Helpdesk on 0845 702 3344* or Textphone 0845 602 4818, requesting combined crediting. (The customer support representative will require your merchant details in order to forward your request onto the Amendments Department to action your request).

* Lines open Monday to Saturday 8am to 11pm, Sunday 10am to 5pm and public holidays (excluding Christmas Day) 10am to 4pm. Calls may be monitored and / or recorded.



Changes To Fallback/Paper Voucher Deposits

“ Coming into effect on Wednesday 1st September 2010, the depositing of Fallback and Paper Vouchers at HSBC branches will be withdrawn. ”

Coming into effect on Wednesday 1st September 2010, the depositing of Fallback and Paper Vouchers at HSBC Bank plc branches will be withdrawn.

All merchants from this date must utilise the following address for voucher processing;

Freepost RSGY-GYLY-GGEA
HMS ODE
LEICESTER
LE1 7BB

Any merchants wanting to convert to the new process now, can utilise the above address with immediate effect. Please note that this address must not be utilised for any other purpose than the sending of HSBC Merchant Services vouchers for processing. HSBC Merchant Services will not be responsible for other paperwork incorrectly sent to this address.

HSBC Merchant Services can confirm that this revised process should not impact existing crediting timescales.

If you require further assistance please contact our Helpdesk – 0845 702 3344* or Textphone 0845 602 4818.

* Lines open Monday to Saturday 8am to 11pm, Sunday 10am to 5pm and public holidays (excluding Christmas Day) 10am to 4pm. Calls may be monitored and / or recorded.



Changes To Terminal Return Procedure (excluding Channel Islands)

With immediate effect you should no longer return unwanted credit card terminals via HSBC branches.

Any merchants needing to arrange a terminal return should contact HSBC Merchant Services Helpdesk on 0845 702 3344* or Textphone 0845 602 4818 who will discuss a convenient date and location for collection.

Until advised otherwise, merchants located in the Channel Islands should continue to return their unwanted credit card terminals via the HSBC branches.

* Lines open Monday to Saturday 8am to 11pm, Sunday 10am to 5pm and public holidays (excluding Christmas Day) 10am to 4pm. Calls may be monitored and / or recorded.

Our Authorisation Service: 0845 770 0600* **Textphone 0845 602 4818****

Please use the above number when calling us for an authorisation, or in response a referral or request to call. Calls to other numbers may result in a failed call that you will also be charged for.

Please ensure you have your merchant number and the card details available before you call.

* Open 24 hours a day, 7 days a week, 365 days a year. Calls may be monitored and / or recorded.

** Lines are open Monday to Friday 9am to 5pm, excluding public holidays.



Compliance Section

Card Payments On The Internet

Do you accept card payments on the internet? Do you take Visa cards on the internet?

If your answer to both of the above is “Yes” then please read on.

You are mandated by Visa Europe to be Payment Card Industry Data Security Standard (PCI DSS) compliant and to maintain that compliance to accept cards across this payment channel.

If you're not compliant, then you are at increased risk of data breach which could cost you an unlimited amount of money if your card data is stolen. You could be charged a non-compliance fee by us later in the year and/or we may be unable to continue to provide you with your card processing facility. If we were compelled to withdraw your facility as a consequence of your non-compliance, you could find it difficult to secure card processing facilities with another provider.

If you only process a smaller number of card payments on the internet and qualify as a level 4 merchant (fewer than 20,000 Visa cards per annum), achieving compliance is very simple, is not expensive and takes very little time. We require you to complete an appropriate Self Assessment Questionnaire (SAQ), for it to be validated by a Qualified Security Assessor (QSA) and, where appropriate, have quarterly scans of your systems.

You are free to choose any QSA of your choice although we have negotiated preferential terms for our customers with SecurityMetrics, a QSA with significant experience in this field. You can contact SecurityMetrics on 0844 561 1662 or visit their website at www.securitymetrics.com. Your initial consultation will be free and charges start from as little as £11.99 per annum. However, we are not party to the contract you will enter into with them and you should satisfy yourself regarding the terms and conditions before you sign-up.

You may have previously been contacted by SecurityMetrics in this regard, either by telephone, fax or email and they may continue to contact you using these methods. We strongly urge you to listen to what they have to say and to take appropriate action in this regard.

Achieving compliance as a “level 4” merchant as required by Visa Europe protects you against the more commonly exploited data compromise activity, but does not attain the same level of security that would be achieved as a level 1 merchant (a level 1 merchant processes over 6 million transactions per annum). You are free to achieve level 1 compliance which, whilst offering you a greater degree of security, will cost you significantly more.

We would remind you that use of a third party processor, including HSBC Secure ePayments does not remove you from the need to be compliant. SecurityMetrics, or your QSA, will be able to guide you as appropriate in these circumstances.

Further details on the PCI DSS requirements can be found at www.pcisecuritystandards.org



Payment Card Industry Payment Application Data Security Standard (PCI PA-DSS)

Payment applications (software) play a vital role in card processing and in the small – medium sector many of these applications are “off the shelf” products.

PCI PA-DSS has been introduced to ensure all commercially available POS software and shopping cart applications are PCI PA-DSS compliant. This is intended to reduce the risk of data compromises and reduce the overall costs for merchants and service providers that would ordinarily be incurred in achieving Payment Card Industry Data Security Standard (PCI DSS) compliance. The use of a PCI PA-DSS solution does not guarantee PCI DSS compliance, but it will go a long way to help.

As a consequence, there are some key dates you should be aware of:

Effective 1 July 2010, if you use a payment application that stores Sensitive Authentication Data (SAD) post authorisation, or is listed as “vulnerable” by Visa Europe or Visa Inc, you must migrate or upgrade to a compliant version that does not store this data by this date. This is a final reminder.

All merchants and service providers that use software that does not store SAD must **either** be PCI DSS compliant or upgrade to a PCI PA-DSS compliant solution by 01 July 2012.

PCI PA-DSS does not apply to bespoke payments applications that are developed in-house by merchants or service providers as these solutions are covered via the PCI DSS regulations.

The PCI PA-DSS list of compliant solutions is maintained on the PCI-SSC website at www.pcisecuritystandards.org

Failure to upgrade your systems as required by PCI PA-DSS and/or PCI DSS, as implemented by the Card Schemes, may leave your business increasingly vulnerable to data breaches and the significant costs this could impose on you. This cost is potentially unlimited. Non compliance could also result in the Card Schemes applying fines to your business, which we will pass on to you, and/or the removal of your card processing facility.

We would remind you that HSBC Merchant Services has to report merchant compliance to the card schemes on a quarterly basis **and** we have to advise them of any merchants or service providers who have experienced, or where the evidence suggests they have experienced, a data compromise event. This alone can result in significant fines and penalties being applied by the Card Schemes.

HSBC Merchant Services LLP

Tel: 0845 702 3344

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HSBC Merchant Services LLP is a limited liability partnership registered in England number OC337146. Registered Office: 51, De Montfort Street, Leicester LE1 7BB.

The members are Global Payments U.K. Limited and Global Payments U.K. 2 Limited.

Service of any documents relating to the business will be effective if served at the Registered Office.

HSBC Merchant Services LLP is authorised by the Financial Services Authority under the Payment Services Regulations 2009 (504290) for the provision of payment services.