

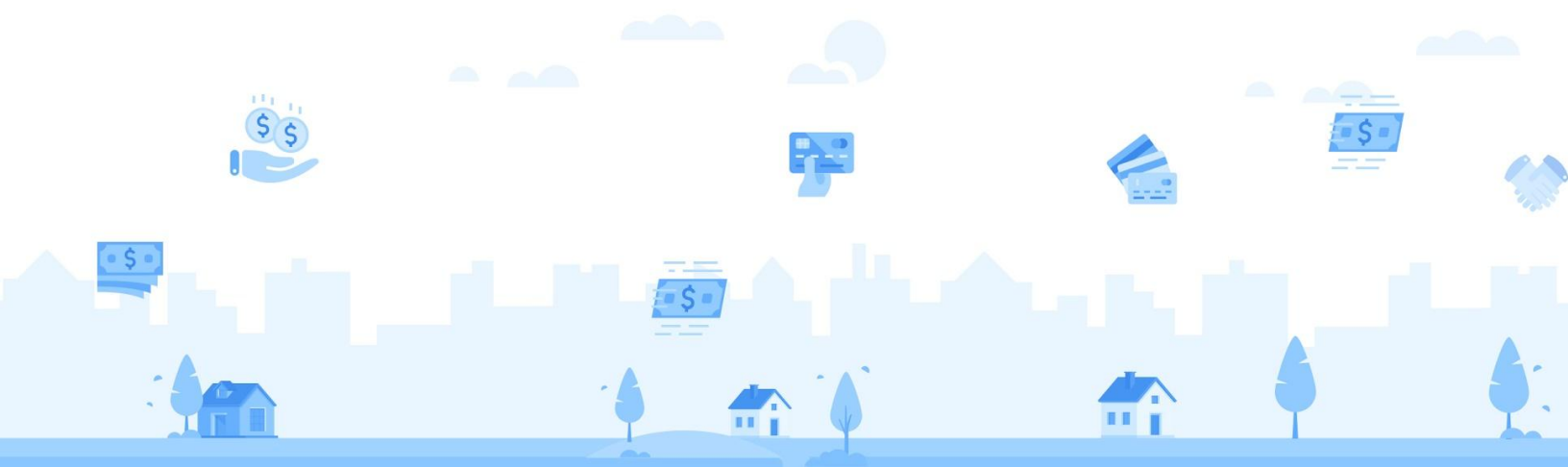


# *Your 5 Step Payment Processing Guide*

Everything you need to know before signing a processing agreement.

GET A FREE CONSULTATION

 **888 484 3389**



# What to Expect

Get educated before you sign a contract

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# Know Your Merchant Processors

Who are the key players in payment processing?

## **CHARTER BANKS**

Each of the main chartered banks in Canada has its own processing entity. Not only is merchant payment processing a huge profit centre for them, but it is also very easy to supply these services to merchants who already deal with them for their general banking services. Banks still control over 80% of the payment processing nationally: RBC, TD Canada Trust, CIBC, Bank of Montreal.

## **INDEPENDENT PROCESSORS. MERCHANT SERVICE PROVIDERS (MSPS).**

Some companies are subsidiaries of out of country parent processing companies (Global Payments, Elavon or First Data) and others are private shareholders (Helcim, Pay Firma, Pivotal Payments or KIS Payments).

### **CHARACTERISTICS**

1. They have a direct relationship with Visa and MasterCard;
2. They can set their own pricing; and
3. They have companies for the routing of the card transactions from one account to another, commonly referred to as a “platform” (no middle-man).

## **RESELLERS**

Small companies that don't have the size or the assets to meet VISA and Mastercard regulations but can still operate with a contractual agreement with a routing platform.

### **CHARACTERISTICS**

1. The Reseller does not have the ability to change a variety of rates to their merchants, but rather is given a rigid set of rates to work with, by the authorizing MSP because they are responsible for the Resellers contractual obligations; and
2. Because the Reseller does not have the same profit margins as the other two types of processor, they nearly always lease their terminals and other equipment (Signature Payments, POS West).

# Your Processing Options

Select the best platform for your needs.

PLATFORM	WHO IS THIS BEST FOR	HOW IT WORKS	ADVANTAGES	DISADVANTAGES
By phone – Interactive Voice Recording (IVR)	Minimal transactions per month; accept Credit Cards only	Phone in to a 1-800 number for every transaction.	You do not need to pay for equipment or terminals	Most expensive and time consuming
Terminal without POS (point of sale) equipment or software; or Terminal separate from POS (not integrated) *	Medium number of transactions and need to accept Debit and Credit	Manually enter amount into terminal; hand to customer	Accept debit and credit; no cost of integration; can still use terminal regardless of whether POS works or not	Manual entry into the terminal (you punch in the amount to the terminal)
Terminal integration with POS system	High number of transactions; businesses that need to integrate with POS, inventory controls, typically have smaller margins/higher volume	Full integration, POS communicates directly with Terminal. Can be tied to a scanner system or simply have amount chosen by the POS program	Automatic entry, quicker transactions, less opportunity for error	Tied to the processing company that can integrate with your POS equipment/software; can not change to other processors unless they also integrate. More costly system to add POS integration

\* This is the solution that most Small to Medium Sized businesses use.

# Processing *Terminals*

Know your hardware options.

## **IN PERSON TRANSACTIONS (FACE TO FACE)**

Terminals are programmed and supplied by the Processor and Merchants are not allowed to use terminals that they already have when switching to a new processing company. There are three types of terminals that you can use, corded terminals, short range wireless terminals (WIFI/Bluetooth) and long range wireless (3G/4G cellular).

### **Key things to be concerned about when getting a wired terminal are:**

- *The cord on the terminal is long enough for where you are using it;*
- *The terminal has the option of operating connected either to a phone or internet, or preferably internet with a phone back-up;*
- *That the screen is large and bright, preferably back-lit; and*
- *That the buttons are large, easy-to-use and preferably back-lit.*
- *Do you have a strong WIFI signal at your location (larger areas) or are you using it in a smaller space (Bluetooth)?*
- *Does the terminal need to be used away from the brick and mortar location or are you a mobile service (using 3G/4G)?*
- *Does the processor have the latest equipment for connecting to cellular (4G vs 3G terminals)?*
- *Can the unit accept multiple types of payments (ApplePay, MasterPass, AliPay, Tap, Interac Flash)?*
- *What is the battery life of the units?*

## **THE VIRTUAL TERMINAL**

The Virtual Terminal is really nothing more than a website that the merchant logs into and then punches in both the amount of the transaction, as well as the credit card number. The terminal then recognizes both the merchant and the cardholder, and processes the payment.

## VIRTUAL TERMINAL ADVANTAGES

- ✓ *The terminals instantly recognize the credit cards as being in good standing or not and transactions are done quickly and safely.*
- ✓ *The ability for a merchant to have a register of favourite customers so that when they do transactions an email receipt of the transaction instantly is sent out.*
- ✓ *They can be accessed from a laptop, tablet or any connected device (any device with internet connection, like a cell phone), allowing for a portable solution.*
- ✓ *A Virtual Terminal on a tablet or device with a cellular connection is also a great back-up for any other payment solution that relies on a phone line or internet connection.*

### Are you the right user for a Virtual Terminal?

1. If you frequent trade shows, flea markets or require a mobile solution, a Virtual Terminal may be a good option as it is usually cheaper than a 3G or 4G terminal.
2. If you work from home, primarily take payments over the phone, or don't do a large number of transactions, the Virtual Terminal may be a good option.

### Virtual Terminal Additional Hardware Option: Phone Swiper

These are small units which easily plug into a smartphone or tablet and allow you to take payments anywhere that there is cell service (similar to Square). They are linked to a Virtual Terminal of the merchant's, or a terminal hosted by a processing company. However, it does not allow for debit transactions.

Reasonable costs associated with a Virtual Terminal (per transaction costs, lower credit card charges vs Square/Stripe). Process transactions remotely, off-site or even on-site without the headache of wires. Lower rental rate than having a wireless 3G or 4G device.

We recently introduced a new 4G Android device called Clover. See how it compares to Square [here](#).

Reasonable costs attached (per transaction costs, no monthly fees)  
Process transactions remotely, off-site or even on-site without the  
headache of wires.

# Equipment Overview & Costs

Why renting is your best option.

## 1. EQUIPMENT RENTAL

	PROS	CONS
RENTING	<p>Tech support is included with the rental.</p> <p>Not affected by software changes or breakdowns as upgrades are included in the costs.</p> <p>Flexibility to leave if they are not happy.</p> <p>Technology moves so rapidly you will always be up-to-date.</p>	<p>You have very little say in the type or age of the terminal that the processor supplies you with</p>

## 2. LEASING OPTIONS

Typically pay inflated prices for the equipment. Most merchants are sold on the monthly cost vs the overall cost.

- Enormous cancellation fees.
- As soon as the deal is signed the company transfers your account to a finance company. They make money off your lease so that they don't worry about what happens afterwards with your day to day processing. This can lead to service issues.

## 3. PURCHASING EQUIPMENT

- Usually purchased for 3-4 times more than what it's worth.
- With the rate technology changes, the terminals will be dated in just a few years.
- There are other products that come available that can operate through your POS Credit Card Terminal such as Gift Card Programs or Customer Loyalty Programs, that you may not have access to because your terminal gets dated.
- Buying a terminal locks you into dealing with that particular processing company because it is illegal in Canada to reprogram your terminal to enable you to deal with a different processor. Processors will use different types of equipment specific to them, making them unable to transfer/switch, even if it was allowed.

# Processing Rates

## Understanding your statement & the hidden bank fees

### **INTERCHANGE FEES & RATES**

The credit card underwriting company, or issuer (bank, department store etc.), earns between 1.54% to 2.20% from the merchant (called Interchange), whenever their customer/cardholder has made a purchase using their credit card.

### **ASSESSMENT FEES FOR CREDIT & DEBIT**

On top of this Interchange the merchant is also charged an “Assessment” fee (sometimes called a Card Brand fee) from the Credit Card Association (VISA or Mastercard). The merchant pays these charges to have the privilege of offering their customers the option to purchase the goods and services that they sell, by way of a credit card or branded debit card. This fee is determined by the type of card the customer has (promotional card such as points/travel dollars, etc.).

### **HIDDEN PROCESSING CHARGES**

Where banks make up the majority of processing accounts, provide more flexibility by renting terminals and are typically very stable and secure, you should be aware of how the banks price these merchant transactions.

Banks charge their base rate (qualified or transaction discount) to every transaction that the merchant does. There is also a different rate charged on each individual transaction. There are two types of transactions – Qualified and Non-Qualified. On non-qualified transactions (which typically make up 70% of all transactions), there is also a surcharge.

Some common HIDDEN processing charges you may not be aware of:

- *Statement Fees*
- *Account Service Fees*
- *Settlement Fees or Batch Fees (charged by some companies each time you Batch Out)*
- *Insurance Fee or PCI Compliance Fee*
- *Tech Support Fee*
- *Equipment Rental Fee*



It should be noted that some of these fees you may have agreed to upfront, such as the Rental Fee. However, they are sometimes “hidden” in your statements and add to the overall costs of your processing. You need to be able to identify these fees so you can compare “apples to apples” when comparing charges between companies.

**Qualified Card:**

“Plain Jane” or Standard Credit Card issued directly from VISA or Mastercard or a bank. Qualified cards have no additional programs, rewards or points attached to them.

**Non-Qualified Card:**

**Three different types:**

1. Reward or point card (any card with a reward program, point system or other loyalty program attached, i.e. Airmiles, Avion, Cash Back)
2. Commercial Card – card issued to a business
3. Any manually entered card (or card not present) where you enter the number instead of swiping, tapping or inserting chip

# Insider Tips

Expert advice you won't get from the bank.

- ✓ It is recommended to use a whole statement as opposed to asking for lists of rates and fees. These can be easily manipulated.
- ✓ When you are trying to understand your statements, keep in mind that VISA and Mastercard's base qualified rates for the type of card that you are looking at (see Interchange Chart).
- ✓ Interchange rates must be added before the rates charged by your bank or whoever our merchant processor is.
- ✓ Card Brand Fees (Assessment Fee) are passed onto the merchant, sometimes at cost, but usually marked up by the Processor.
- ✓ Once you think you narrowed down the choices for the best costs, look at other factors before you chose your processor – make sure you are calculating the TOTAL costs, not just comparing rates. (See What to Ask Before Signing a Contract in the next section)
- ✓ Ask how difficult the machines are to set up and who does the set up (it may be you).
- ✓ Investigate any Merchant Service Provider (MSP) that you are considering using, before you sign a processing agreement.
- ✓ Look at online reviews and ask the sales company for testimonials.

## Websites that review Merchant Processing companies:

[Merchantmaverick.com](http://Merchantmaverick.com)

[Cardfellow.com](http://Cardfellow.com)

[Merchant-account-services-review.toptenreviews.com](http://Merchant-account-services-review.toptenreviews.com)

# **What To Ask Before *Signing A Contract***

**Be prepared and know what questions to ask.**

- 1.** Make sure you understand what the prospective companies have available for tech support before you make a final processor selection.
- 2.** What happens if my internet or phone lines go down? Or both?
- 3.** How long would it take to get the terminal replaced if mine stopped working?
- 4.** What are the charges, if any, if that happens?
- 5.** Does the provider have people locally that do the installations, or am I expected to do that myself?
- 6.** Do I have my representatives direct contact info – especially if they are not local?
- 7.** Do you include terminal paper in your agreement, and if not where can I purchase it?
- 8.** Can you give me 3 testimonials of Merchants that use you?
- 9.** How many contracts are there (terminal lease and MSP) and what are the cancellation terms?

## **Your Application *Checklist***

**These pages and others will comprise the enrollment application.**

**Cover Page** – as required by the Code of Conduct, this page gives an overview of the financial details and contact info for both you and the company (or companies) and the rep (agent).

**W8** - as required by the US government to provide the applicant is Canadian. This is because all transactions go to USA to be exchanged and the onus is on you to show Uncle Same that he can't tax it!

**Terms and Conditions** – what is required by VISA and Mastercard in order for you to process payments.

**Personal Guaranty** – filled out by the owner to stand behind the account, or you need to supply company financials.

**Bank Page** – this page identifies the account that the Processor is depositing your funds. A pre-printed void cheque can also be used. The address and name on the cheque must match the address and name of business on the application.

# Payment Processing *Worksheet*

Be prepared before committing.

What type of processor are you currently using? (see the section Know Your Merchant Processor) List the Pros and Cons.

Find out if your POS System has a payment processing option (integration), and, if so, get the costs of implementing it. (If this is of interest to you.)

Read the Code of Conduct\*, then review your Merchant Services Contract and current monthly statement. What violations of the recommendations of the Code of Conduct do you find?

List all the charges that you are being charged on your Merchant Services statement, both as a percentage and those that are fixed. Include qualified, non-qualified rates, assessment fees, statement fees, tech support, rental fees, etc.

# Worksheet

## Part 2

Whether you presently rent, lease or own your processing terminal, get the costs from your provider of the other two options.

Contact two other merchant processing companies to quote on your Merchant Services. Make sure to compare “apples to apples”! After everything, compare the totals of what actually comes out of your bank as fees (including lease payments, if leasing).

Don't forget to ask about any charges you can't identify by their description (hidden charges) – list them here.

\* [Link to Code of Conduct](#)

KIS Payments is a strong advocate of the Code of Conduct. For an overview, click here to download our Code of Conduct Info brochure.

If you are interested in an “apples to apples” breakdown of your current statement by our Expert Business Superheroes, you can upload a copy of your statements by clicking here. It's best to include 3 months of statements to get an overview and catch any quarterly charges. We provide comparisons and quotes absolutely FREE of Charge and with NO Obligation. We help you understand your statement and know will work with you to provide the best solution, answer your questions and get you a great deal. But even if you don't use us, you will have a better understanding of what you are paying and how to make a good decision on your payment processor.