

# Clarifications on Stored Credentials and MIT Framework Mandates



## Summary and Background

In October 2016, Visa implemented two new Transaction Frameworks with data values in the authorization messages:

1. **Stored Credential Transaction Framework** enables merchants/acquirers to identify initial storage and use of stored payment credentials. The mandate for acquirers and merchants to adopt this framework was effective October 2017 (compliance timeline extended until April 30, 2018).
2. **Merchant Initiated Transaction Framework** divides transactions into two categories – Cardholder Initiated Transactions (CIT) and Merchant Initiated Transactions (MIT) – and enables merchants/acquirers to identify the types of MITs. MIT framework also provides the ability to link the MIT to a cardholder-merchant’s initial interaction (i.e. CIT). The mandate to adopt this framework was effective October 2016 for merchants/acquirers that accepted Tokens. The framework is recommended for adoption by merchants/acquirers that accept PAN based transactions, as well. Additionally, merchants/acquirers that support Incremental transactions, a category of MIT, must use this framework for both PANs and Tokens. Please refer to the Merchant Initiated Transaction Framework chart page two for different types of MIT categories.

The new identifiers in the authorization messages in the above frameworks provide greater visibility into transactions, allowing every stakeholder in the payment value chain to better manage risk and fraud, thereby offering the opportunity for better approval rates, fewer customer complaints and an improved cardholder experience.

## 1. Stored Credential Transaction Framework

To comply with the Stored Credentials framework, the merchant/acquirer must:

- Follow all cardholder disclosure requirements as stated in the Visa Rules
- Establish the credential on file by using the appropriate indicator (POS Environment Code)<sup>1</sup> in the authorization message or the Account Number Verification transaction. An Account Number Verification transaction must be used for establishing the credentials on file if the merchant does not process a payment at the time of storing the credential. Because obtaining consent and establishing the credential on file requires an active participation from the cardholder, the authorization message or the Account Number Verification transaction is classified as a CIT.
- When initiating a transaction using a stored credential, submit the payment transaction with a value “10” in the POS Entry Mode<sup>1</sup> field. The payment transaction in this case may be a CIT or any of the other categories of MIT.

<sup>1</sup> Please note that these are existing fields in the authorization message with new values

## Implications of non-compliance to the Stored Credentials framework

- Merchant/acquirer will be non-compliant with Visa's rules and risk Non Compliance Assessments
- Merchants will not benefit from an improved authorization rate that is expected with the adoption of the framework
- Increased customer complaints and poor cardholder experience
- Not able to participate in Real Time Visa Account Updater service

## Options for merchants/acquirers if they are unable to meet the April 2018 deadline

Any merchant/acquirer that cannot meet the deadline of April 30, 2018 should raise an extension request through the acquirer with Visa. The requests must contain a detailed plan and timelines for compliance. Because the Stored Credentials framework uses values from existing fields, the expected development times are not anticipated to be long and will be a key driver in the Compliance team's review of requests.

## 2. Merchant Initiated Transaction Framework

To comply with the Merchant Initiated Transaction framework, the merchant/acquirer must:

- Identify the intent of the MIT by providing appropriate identifiers in the transaction using fields Message Reason Code or POS Environment Code
- Provide proof of a preceding transaction by creating a linkage with it by using the Transaction Identifier<sup>2</sup> of the previous or original transaction

MIT Category	Intent	Link
Incremental	Message Reason Code	Original Transaction Identifier
Resubmission	Message Reason Code	Original Transaction Identifier
Reauthorization	Message Reason Code	Original Transaction Identifier
Delayed Charges	Message Reason Code	Original Transaction Identifier
No show	Message Reason Code	Original Transaction Identifier
Installments	POS Environment Code	(Optional) <sup>2</sup> Original Transaction Identifier
Recurring	POS Environment Code	(Optional) <sup>2</sup> Original Transaction Identifier
Unscheduled Credential on File	POS Environment Code	Original Transaction Identifier

## Implications of non-compliance to the MIT framework

There will be a continued risk of failure for Token-based transactions if they are not appropriately classified as one of the above categories of MIT and the cardholder does not participate actively in the transaction.

## Options for merchants/acquirers if they are unable to meet the framework requirements

Visa is aware that enhanced system development may be required to store a Transaction Identifier of previous transactions. Accordingly, Visa will provide acquirers, on request, an interim solution for challenges posed by storage requirements for Transaction Identifiers. This will ensure that Token transactions from a merchant do not fail and will give the acquirer and the merchant additional time to make the necessary system changes.

## Additional references:

1. "Improving Authorization Management for Transactions with Stored Credentials", [www.visa.com](http://www.visa.com), May 2017
2. October 2016 *VisaNet Business Enhancements Global Technical Letter and Implementation Guide*
3. "Delay in Compliance Action for Stored Credential Framework" *Visa Business News*, 17 October 2017
4. "Issuer Authorization Policies for Transactions Processed With Stored Credentials" *Visa Business News*, 16 November 2017
5. "VisaNet Technical Authorization Enhancements to Support Token Processing, Credential-on-File and Authorization Management" *Visa Business News*, 23 June 2016

<sup>2</sup> PAN based Installment and Recurring payment MITs are not required to be submitted with an original Transaction Identifier. This value is only required in Token based Installment and Recurring payment MITs.