



Merchant Operating Regulations

Release 11.1

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These Operating Regulations, incorporated by reference into your Agreement with DFS Services LLC, contain requirements to which you must comply in connection with your Agreement.





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Revision Summary

Provided below is a summary of certain important changes in Release 11.1 (R11.1) of the *Merchant Operating Regulations* (published October 15, 2010, and effective April 15, 2011).

This Revision Summary is not a comprehensive list of all changes to the *Merchant Operating Regulations*. Please carefully review the *Merchant Operating Regulations* for detailed changes. Substantive changes are marked in boldface text in the body of the document and a vertical “change bar” in the left margin identifies sections with changes.

This Revision Summary does not include legally binding terms of the *Merchant Operating Regulations*. The headings, captions, and Revision Summary contained in these Operating Regulations and in any of the other Program Documents will not be considered to be a part hereof or thereof for purposes of interpreting or applying any provision contained in these Operating Regulations or in any of the other Program Documents, but are for convenience only.

1. Financial Industry Reform - U.S. Legislative Changes

Several new provisions of these Operating Regulations address changes enacted into U.S. law by the Dodd-Frank Act.

- Section 2.4, Equal Treatment of Cards with Other Payment Cards; Equal Treatment of Card Issuers

New rights provided to you by the Dodd-Frank Act, as detailed in Sections 2.5 and 2.10 of these Operating Regulations, are subject to your obligation in Section 2.4 not to discriminate against Cards or Card Issuers operating on the Discover Network so long as such nondiscrimination provisions are enforceable. If your Merchant Services Agreement permits you to operate in Canada, please refer to Section 5.12.

- Section 2.5, Surcharges and Discounts

New terms permit you to offer discounts at the point-of-sale, as provided in the Dodd-Frank Act. You may offer differential discounts depending on the method of payment (e.g., credit, debit, cash or check), but such discounts may not differentiate based on issuer or payment network. If you operate in Canada, see Section 5.12 to identify differences that apply to discounts offered in Canada.

- Section 2.10, Minimum/Maximum Dollar Limits and Other Limits

New terms permit you, as specified by the Dodd-Frank Act, to establish a minimum purchase amount of up to \$10.00 for Credit Cards, subject to the nondiscrimination obligations in Section 2.4. If you operate as a U.S. federal agency or an institution of higher education, you may limit the maximum amount a Cardholder may spend with a Credit Card (but not Debit or Prepaid Cards), as set forth in the Dodd-Frank Act, subject to the nondiscrimination obligations in Section 2.4.

2. Changes Impacting Merchants Operating in Canada

If your Merchant Services Agreement permits you to operate in Canada, new terms of the Operating Regulations are included to provide you with the benefits set forth in the Code of Conduct for the Debit and Credit Card Industry in Canada (the “Code”).

- Section 2.4, Equal Treatment of Cards with Other Payment Cards; Equal Treatment of Card Issuers

Please note that the obligations in Section 2.4 only apply where not prohibited by applicable Requirements of Law, including the Code.



- Section 5.12, Card Transactions in Canada

If you operate in Canada, please see Section 5.12 for details regarding elements of the Code.

3. Disclosures for Internet Transactions Required by Federal Trade Commission Regulations

- Section 4.2, Card Sales over the Internet

In order to support compliance with Federal Trade Commission regulations regarding negative option plans, this section is revised to require you to clearly disclose to the Cardholder, at the time of the Card Sale, the nature, terms, and price of goods and services purchased by the Cardholder.

- Section 4.2.3, Internet Authorization and Sales Data Submission Requirements (new section)

To address concerns about the adequacy of Cardholders' knowledge of billing to their Card Account, you should require Cardholders to enter the complete Card Number at the time of a Card Not Present Card Sale, where not prohibited by applicable law. Other provisions include requirements related to Authorization, submission of CID and Sales Data, and shipping and delivery of goods.

4. Tax Obligations

- Section 17.13, Taxes

This section clarifies the obligations of the parties with respect to the withholding of taxes in connection with Card Sales. If you operate outside the U.S. and are not considered a "U.S. Person" under U.S. federal income tax principles, we may ask you to complete certain tax forms required by the IRS and we may be obligated to withhold taxes on amounts payable to you under certain circumstances.

- Section 17.7.2, Indemnification

Your indemnification obligations in these Operating Regulations also apply to any penalties, interest, cost and expenses owed by us in connection with our payments to Taxing Authorities as a result of your participation in the Program.

5. Cash Over on Self-Service Terminals

If you first offer the Cash Over service on or after April 15, 2011, you may not offer Cash Over on Self-Service Terminals. However, if you offered Cash Over on Self-Service Terminals before April 15, 2011, you may continue to use such terminals to offer the Cash Over service, as indicated in Section 5.5 Cash Over, under the conditions described in Section 5.7.2, Self-Service Terminals.

6. Clarification of Certification Impact

As indicated in new text in Section 1.6, Certification, Certification does not guarantee that you or your Card Transactions are compliant with the Program Documents.

7. Reminder: Jurisdictional Limits for JCB/China UnionPay Card Acceptance

While the jurisdictional limits on Card acceptance are not new, clarification to the terms of the Operating Regulations indicates that where your Agreement permits you to operate outside the U.S., you may accept JCB Cards on the Discover network only in the United States and you may accept China UnionPay Cards in the United States, Canada, Mexico and the Caribbean where your Merchant Services Agreement permits you



to operate in such locations (Section 3.2.1, Documentation of Card Sales--General, Section 11.1.6.1, Common Security Features on Cards with a JCB Acceptance Mark, and 11.1.6.2, Security Features on Cards with the JCB Mark).

8. **Extension of Time Periods for Cure of Noncompliance with Program Documents**

We extended the time periods during which you have the opportunity to cure the events of Noncompliance with the Program Documents identified in Appendix 3. The initial cure period is changed from 15 business days after the initial notice of each event of noncompliance to 60 calendar days. The second cure period is changed from 30 calendar days to 90 calendar days, and the third cure period is changed from ninety calendar days to 120 calendar days. In each case, the changes are designed to provide you with additional time to cure the event of noncompliance.

9. **Miscellaneous**

- The *Conversion Schedule Technical Specification* and the *Discover® Trademark Use and Marketing Guidelines* are each effective upon publication of the documents which coincides with each release of the Program Documents (Section 17.1).
- Card Sales performed with expired Cards are subject to Dispute (Section 3.1.1, Verification of Card Expiration Date).
- Section 11.5.3, Prohibited Merchant Categories, now prohibits the sale of any goods that consist of endangered species or their products, the knowing sale of Counterfeit Merchandise, and the sale of goods or services in violation of the Requirements of Law applicable to you or us, including laws prohibiting deceptive practices.
- You authorize us to provide your Settlement Account information to a third party service provider that bills you directly for services that you receive under the terms of a contract between you and such party (Section 10.5, Fees of Third Party Service Providers).
- Please see Section 17.14.2 for changes to the Arbitration provisions.

10. **New and Revised Glossary Terms**

Term	Action
Banking Day	Changed
Business Day	Changed
Certification Manual	Deleted
Counterfeit Merchandise	Added
Requirements of Law	Changed
Self-Service Terminal	Changed
Taxes	Changed
Track Data	Changed



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Section 1 Introduction to Discover

Discover is the name used by DFS Services LLC (DFS) to operate the network that supports and services Merchants and Issuers. DFS provides Merchants and Issuers with extensive resources and expertise, including a streamlined system of Authorization, processing and Settlement for Card Transactions. In these Operating Regulations, “DFS,” “we,” “our,” and “us,” and “Discover” refer to DFS Services LLC, and references to “Merchant,” “Merchant Processor,” “you,” and “your” refer to the Person who is a party to the Merchant Services Agreement and/or the Merchant Processor Agreement, as applicable under the circumstances.

1.1 What Discover Means to You

Discover offers you many benefits in connection with your Card Acceptance, including:

- Competitive Merchant Fees
- Increased sales volume through a variety of Cards displaying the Discover[®] Acceptance Mark or Other Acceptance Marks
- Professionally staffed Merchant Services Centers
- A streamlined system for Settlement, with a variety of options for transmission of funds and associated reports
- Authorization Centers with 24-hour service, 7 days a week
- Equitable procedures in our Dispute Rules for the resolution of Disputes, including Chargebacks
- DiscoverNetwork.com — our Internet site that provides tools to help you operate your Card Acceptance program and your business more efficiently and effectively

1.2 Operating Regulations, Agreement, and Other Program Documents

These Operating Regulations, with the exception of the Revision Summary, are incorporated into your Agreement. Together with the Agreement and other Program Documents, these Operating Regulations contain procedures that you must follow in connection with, as applicable, your acceptance of Cards assigned Card Numbers within the Issuer Identification Number (IIN) Ranges listed in the Technical Specifications. Electronic updates to IIN Ranges are made available as described in the Technical Specifications.

These Operating Regulations also provide information on operational aspects of your Merchant relationship supported by us. Please make sure that all of your employees are familiar with the procedures in your Agreement and these Operating Regulations, including, if you are a Merchant, how to identify valid Cards, how to obtain Authorization Responses and how to conduct Card Transactions.

If your Merchant relationship with us is governed by a standard form of Merchant Services Agreement that does not require your signature, after we approve your application to become a Discover Merchant, we will send you written notices that identify certain Fees. The written notices that we send you describing your Merchant Fee



and Submission Error Fees are referred to as Exhibit B to your Merchant Services Agreement. If you are party to a Merchant Services Agreement with us that you have signed, the Fees payable by you are set forth in your Agreement. Your Agreement, including Exhibits thereto, provides the terms and conditions governing, as applicable, your Card Acceptance or provision of Processing Services. In the event of a conflict between the terms of these Operating Regulations and Exhibit B to your Merchant Services Agreement, if applicable, Exhibit B shall govern.

During the term of your Agreement, we will provide you with Dispute Rules. The Dispute Rules describe a Merchant's rights and obligations with respect to Disputes, including Chargebacks. The Dispute Rules, as they may be amended by us from time to time as described therein, are incorporated by reference as Appendix 1 to these Operating Regulations. At all times during the term of your Agreement, you are required to comply with, and to accurately and completely submit the information and data required in, the Disputes Rules.

We will make Technical Specifications available to you on our Web site at DiscoverNetwork.com periodically during the term of your Agreement. The Technical Specifications describe certain technical requirements you must follow in connection with your acceptance of Cards or performance of Processing Services, including connectivity to the Discover network, your submission of Authorization Requests, your submission of Sales Data to us, and your responses to Disputes.

The Technical Specifications, as they may be amended by us from time to time in accordance with Section 17.1 hereof, are incorporated by reference as Appendix 2 to these Operating Regulations. At all times during the term of your Agreement, you are required to comply with, and to accurately and completely submit the information and data required in, the Technical Specifications. If you do not comply with requirements in the Technical Specifications, or changes thereto, that are designated as "mandatory" or those designated as "conditional," where applicable for Merchants, you may be obligated to pay Fees for noncompliance with the Technical Specifications in the amount set forth in Appendix 3 attached hereto.

If you are a Merchant and you use a Merchant Processor to perform Processing Services, your Merchant Processor may assist you in complying with the Technical Specifications or may perform certain of your obligations under the Technical Specifications on your behalf; however, you are responsible for complying with the Technical Specifications whether or not you use a Merchant Processor. If you are unable to obtain the Technical Specifications from our Web site, we will provide you with an electronic copy of the Technical Specifications upon request. At all times during the term of your Agreement, you are required to comply with, and to accurately and completely submit the information and data required in, the Technical Specifications and Disputes Rules.

1.3 Defined Terms

Capitalized terms used in these Operating Regulations have the meanings assigned to them in Section 18 unless another definition is clearly specified herein. Additional or different terms used in the Technical Specifications are defined therein. Please refer to the Common Appendices of the Technical Specifications for the defined terms used in the Technical Specifications.



1.4 Discover® Merchant Number

When we enter into a Merchant Services Agreement with you, we will assign you one or more unique Discover Merchant Number(s) for your use in conducting Card Transactions. Your Discover Merchant Numbers will be provided to you in writing, including on Exhibit B to your Merchant Services Agreement and/or in Merchant Activity Reports. We may also assign a Discover Merchant Number to you that you must use only for certain types of Card Transactions (e.g., Card Not Present Card Transactions). You must use the appropriate Discover Merchant Number assigned by us for each Card Transaction you conduct. Discover Merchant Numbers are Our Confidential Information and remain our property. You may not assign or otherwise transfer any Discover Merchant Number to any other Person, whether or not such other Person is your Affiliate, and you may not disclose or allow any other Person to use a Discover Merchant Number assigned to you without our prior written approval, except as otherwise expressly provided in these Operating Regulations, the Dispute Rules or the Technical Specifications.

1.5 Use of Third Parties

1.5.1 Use of Agents

Your use of any Agent—including, if you are a Merchant, any Merchant Processor—to perform any of your obligations under your Agreement or these Operating Regulations including, the Dispute Rules and/or Technical Specifications is subject to our prior written approval, which we will not unreasonably withhold. You are solely responsible for the performance of your obligations under your Agreement and these Operating Regulations and you are liable for the actions of, and all charges imposed by, any Agent that you use to perform any of your obligations under the Agreement or these Operating Regulations. If at any time during the term of the Agreement you elect to use an Agent, or to change from an existing Agent to a different Agent, to perform any of your obligations under the Agreement or these Operating Regulations, you must notify us of the change and must obtain our prior written approval, which we will not unreasonably withhold, and you may be required to obtain Certification from us of such Agents. (See Section 1.6.) Also, if your Merchant Processor or a third party telecommunications provider assesses or increases Fees payable by us for our Network Services, we may, at our option, adjust your Merchant Fee to compensate us for our expense, or invoice you directly for the total amount of such Fees.

1.5.2 Use of Merchant Processors for Settlement

Some Merchant Processors are permitted to provide Settlement to Merchants. If you designate a Certified Merchant Processor to receive Settlement for Card Transactions on your behalf, we shall have completed all Settlement obligations to you, including the obligation to pay Settlement Amounts, the timing of payment of Settlement Amounts, and any reporting and notice obligations, when we have properly initiated Settlement to the Merchant Processor in accordance with these Operating Regulations. Your designation of a Merchant Processor to receive Settlement for Card Transactions on your behalf may result in your receipt and payment of Settlement Amounts for Card Transactions on a schedule you establish directly with such Merchant Processor, which is likely to be different than the schedule for payment of Settlement Amounts specified in these Operating Regulations. We are not liable for any delinquency or non-receipt of Settlement Amounts by you if we have paid Settlement Amounts on your behalf to your



Merchant Processor.

If you are a Merchant Processor permitted to pay Settlement Amounts to Merchants for Card Transactions as part of the Processing Services, you shall provide such Settlement Services in accordance with these Operating Regulations and the applicable Merchant Services Agreement and you shall act as the Merchant's Agent for the purpose of providing such Settlement Services.

1.5.3 Use of POS Device Programmers or POS Device Service Providers

Any Merchant who uses a third party to facilitate Card Acceptance on its POS Devices, to program its POS Devices to accept Card Transactions or to provide any other services on its POS Devices, is responsible for the actions and omissions of the third party. We are not responsible for the recovery of amounts paid to third parties if we pay Settlement Amounts in accordance with the directions programmed on your POS Devices.

1.6 Certification

In certain situations, you may be required to verify with us that you or your Merchant Processor's systems have the ability to perform your obligations under the Program Documents and in connection with changes to the Program Documents. Our review and approval of these systems is referred to as "Certification" or the process by which we "Certify" your systems' ability to perform your obligations. We will notify you of the circumstances when you must obtain Certification from us, but certain examples where Certification is required are provided below. If you do not obtain Certification where required by the Program Documents, you may be obligated to pay Noncompliance Fees as set forth in Appendix 3. **Please note that Certification does not test compliance with each provision of the Program Documents and you may be obligated to pay Noncompliance Fees despite completion of Certification.**

- You must obtain Certification from us of your and your Merchant Processors' newly established or different direct electronic links with us or our Agents, as described in the Technical Specifications, that you use for Authorizations, Settlement, and reports.
- You must obtain Certification from us if you change from the use of a direct electronic link to the use of a Merchant Processor and if you change your Merchant Processor or the services received from your Merchant Processor.
- If you or your Merchant Processor experiences a systems rewrite or large scale change, you must Certify these new systems with us.
- Each time that we change the Program Documents pursuant to Section 17.1 or otherwise, you must Certify your and your Merchant Processor's ability to comply with the revised Program Documents, if required by us.

From time to time, we may notify you and your Merchant Processor of detailed Certification requirements (e.g., Certification test scripts) **including, in connection with new releases of the Program Documents** and you shall cooperate with us to perform these functions in a timely manner.



Section 2 General Requirements

2.1 Data Links

You and your Agents are responsible for establishing and maintaining Data Links to us, as specified in these Operating Regulations and the Technical Specifications, so that you may send data to us and receive data from us in your acceptance and our processing of Card Transactions, including your submission to us and receipt from us of Authorization Requests and Authorization Responses, data capture and Settlement information for Card Transactions and Disputes. The Data Links you establish to us must be redundant so that you are able to transmit Authorization Requests and Sales Data to us through multiple paths with the ability to switch between such Data Links, as required in the Technical Specifications. All Merchant and Merchant Processor Data Links to us must be Certified by us prior to any use by the applicable Merchant or Merchant Processor. If you establish Direct Data Links with us and perform your own Card Transaction processing, then requirements of Section 8 apply to you.

We may charge you Fees for the Data Links between you and us and for Sales Data that you send to us using the Data Links as described in your Agreement, these Operating Regulations, and the Technical Specifications. The amount and type of Fees for the installation and/or maintenance of your Data Links and any Sales Data transmitted through the Data Links shall be indicated in your Agreement, Exhibit B, or other written notice from us, where applicable.

You shall notify us seventy-two (72) hours in advance of any planned maintenance that may, or is likely to cause your Data Links to us to be unavailable for any period of time. In such notice, you shall provide the reason for the expected outage, the date and time of the maintenance event, the expected duration during which the Data Links will be unavailable, and contact information for our use in the event that such Data Links are not reactivated following the expected completion of the maintenance event.

2.2 Enabling Services

You are responsible for the performance of Enabling Services to support your acceptance of Cards within the IIN Ranges listed in the Technical Specifications, and routing Card Transaction data to us in accordance with the Operating Regulations and Technical Specifications. Where you perform Enabling Services on POS Devices, you shall perform the Enabling Services as necessary to support the IIN Ranges, and changes thereto, including changes to your mainframe systems and each POS Device at each of your locations, and changes required to support Card Not Present transactions, or you may be obligated to pay Noncompliance Fees set forth in Appendix 3. If you perform Processing Services and operate host systems to support Card Acceptance, you shall modify your mainframe system and platform to support Card Acceptance within the IIN Ranges. Enabling Services may be performed by you or your Agents. You shall obtain Certification from us of your completion of the Enabling Services with respect to the IIN Ranges designated in the Technical Specifications or you may be obligated to pay Noncompliance Fees set forth in Appendix 3.



2.3 Supplemental Materials

You shall update promotional materials and technical applications, and, if you are a Merchant Processor, descriptions of the Processing Services, to include Card Acceptance as part of integrated materials addressing comparable services offered for other cards, in each case in accordance with your regularly scheduled updates.

2.4 Equal Treatment of Cards with Other Payment Cards; Equal Treatment of Card Issuers

Other than with respect to discounts as permitted in Section 2.5, you may not institute or adopt any practice, including any discount or in-kind incentive, that unfavorably discriminates against or provides unequal and unfavorable treatment of any Person who elects to pay using a Card versus any other credit card, debit card, prepaid card, or other payment card that you accept (except for any proprietary payment card issued by you or any payment card issued under a formal co-branding relationship between you and a card issuer), and you may not in any way discriminate among various Issuers of Cards, except to the extent such restrictions are prohibited by Requirements of Law or permitted as set forth in Section 5.12.

2.5 Surcharges and Discounts

You may assess a surcharge on a Card Sale provided that (a) the amount of the surcharge may not exceed the Merchant Fee payable by you to us for the Card Sale and (b) you assess surcharges on Card Sales conducted using other cards accepted by you, **in each case subject to the restrictions in Section 2.4; and (c) you otherwise comply with Section 2.4.** You may not assess a surcharge or other penalty fee of any kind other than as set forth above. **Effective upon publication of Release 11.1 of these Operating Regulations, you may offer discounts or in-kind incentives for payment by different tender types (e.g., a discount for payment by cash versus payment by credit card) subject to the restrictions in Section 2.4.**

2.6 Test Cards

If we have issued you a test Card or test Card Account in order to test Card Acceptance at your locations, you are responsible for any improper or fraudulent use of such Card or Card Account. You agree to use reasonable efforts to safeguard such Card or Card Account in a secure place. Test Cards are and remain our property.

2.6.1 Test Card Compliance Requirements

You must comply with the following terms and conditions with respect to test Cards and test Card Accounts we create and issue to you:

- You must have an authorized officer sign and return to us the accompanying acknowledgement form upon receipt of the test Cards.
- You must maintain the test Cards in a secure storage place with limited access.
- You must return all test Cards to us immediately upon request.
- You must not conduct a test Card Transaction that exceeds the equivalent of



\$1.00 without our prior written consent.

- You must cancel or void all test Card Transactions at the POS Device using the procedures for cancellation of transactions distributed by the provider of your POS Device. You may not submit Sales Data relating to any test Card Transaction to us for Settlement and you will not receive Settlement for any test Card Transaction.
- You must destroy (e.g., by cutting into pieces) each test Card within two (2) weeks of the expiration date (i.e., the last day of the expiration month) displayed on the face of the test Card and certify such destruction to us in writing. Failure to destroy and certify to us the destruction of expired test Cards may result in the revocation of replacement test Cards without advance notice to you.

2.6.2 Purpose of Test Cards and Test Card Accounts

Test Cards and test Card Accounts are provided for the sole purpose of permitting you to verify your operational ability to accept Cards. By accepting a test Card and using a test Card and/or test Card Account, you assume full responsibility and complete liability for any and all fraudulent use, abuse, and/or misuse of each test Card or test Card Account issued to you.

2.7 Cash Advances and Quasi-Cash

You may not accept a Card in exchange for advancing cash, quasi-cash (i.e., value on the Internet for e-commerce transactions), or a Cash Advance to a Cardholder unless you and we have agreed in writing that you may conduct such Card Transactions, including by entering into a Cash Advance Agreement, and we determine that you qualify as a Cash Advance Merchant.

If you dispense cash, quasi-cash, or a Cash Advance, or any other in connection with the presentation of a Card without first entering into a Cash Advance Agreement or other written agreement with us that explicitly permits the dispensing of cash or quasi-cash in connection with Cards, each such transaction conducted by you in connection with a Card is subject to Dispute, regardless of whether your agreement with the Cardholder permits or authorizes such a Cash Advance and/or describes a Cash Advance or quasi-cash as a sale of goods or services.

2.8 Card Checks

You must accept Card checks that have been issued to Cardholders on a basis consistent with the terms of your policy applicable to the acceptance of other payment card checks, and you should handle these Card checks like any other personal check drawn on a United States bank. Any questions should be directed to your service provider for processing checks or your bank.

2.9 Employee Purchases

Your owners, officers, or employees may not conduct Cash Advances, Card Sales, or Credits for goods or services, Cash Advances and/or any quasi-cash transactions with you using any personal Card, except for bona fide Card Transactions in the ordinary course of



your business. You are responsible for the actions and omissions of your employees and agents in connection with your acceptance of Cards and your obligations under the Agreement and these Operating Regulations, including any fraud committed by, and/or any intentional or negligent acts or omissions by, any of your owners, officers, or employees.

2.10 Minimum/Maximum Dollar Limits and Other Limits

You may not require that any **Card Sale or Cash Advance** involve a minimum dollar amount before a Cardholder may pay using a Card, except to the extent restrictions on such practice are prohibited by Requirements of Law, and effective upon publication of Release 11.1 of these Operating Regulations, you may require that a **Card Sale or Cash Advance with a Credit Card (but not a Debit or Prepaid Card)** involve a minimum dollar amount of up to \$10, subject to the restrictions in Section 2.4.

You may not limit the maximum amount that a Cardholder may spend when using a Card **other than** when the Issuer has not provided a positive Authorization Response for a Card Transaction **unless you are a U.S. federal agency or an institution of higher education, in which case, effective upon publication of Release 11.1 of these Operating Regulations, you may limit the maximum amount that a Cardholder may spend with a Credit Card (but not a Debit or Prepaid Card),** subject to the restrictions in Section 2.4.

2.11 Restrictions on Contact with Cardholders

You may not contact any Cardholder with respect to any matter arising under these Operating Regulations, except as explicitly required or permitted under these Operating Regulations, including the Dispute Rules.



Section 3 Acceptance of Card Transactions

3.1 Card Acceptance Requirements

You must perform each of the following functions for each Card Sale that you accept. You may only accept a Card as payment for bona fide Cash Advances, Card Sales, or Credits in the ordinary course of your business.

3.1.1 Verification of Card Expiration Date

Check the expiration date on the Card (except in Recurring Payments Plans where special requirements apply that are described in Section 4.3.1 and in the Technical Specifications). The Card is valid through the last day of the month displayed on the Card. You may not accept an expired Card for a Card Sale and if you do, the Card Sale may be subject to Dispute as described in Section 9.1.2 of these Operating Regulations.

3.1.2 Verification of Signature on Card

In Card Present Card Sales involving valid Cards bearing a signature panel on the back of the Card, you must verify that there is a signature on the signature panel on the back of the Card and that the name on the back of the Card is reasonably similar to the name displayed on the front of the Card (except where, as indicated in Section 11.1, a valid Card is not required to display the Cardholder name on the front of the Card).

3.1.2.1 Unsigned Cards

If a Card bearing an unsigned signature panel is presented to you, request two pieces of identification, one of which is a government-issued photo ID. When you have confirmed that the person presenting the Card is the Cardholder, you may request the Cardholder to sign the back of the Card. If you accept a Card bearing an unsigned signature panel for a Card Sale or a Cash Advance, the Card Transaction may be subject to Dispute. If you are unable to positively identify the Card presenter as the Cardholder or if you have reason to suspect fraud, you should call us at 1-800-347-1111 and request a Code 10 Authorization. (See Section 3.5.)

3.1.3 Obtain Authorization

Obtain an Authorization Response for the Card Transaction. (See Section 3.4.)

3.1.4 Prepare and Transmit Sales Data

Prepare Sales Data documenting the Card Sale (see Section 3.2) and transmit the Sales Data to us (see Section 7.1) in accordance with these Operating Regulations and Technical Specifications.

3.2 Documentation of Card Sales

3.2.1 General

You must include all goods and/or services purchased, Cash Over, and Credits for refunds and returns of goods and/or services that are conducted at one time and at one cash register on one Transaction Receipt or Transaction Slip, and you must transmit the



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Sales Data relating to such purchases, Cash Over, and/or Credits at one time and at a single cash register to us in a single electronic transmission or paper submission, unless otherwise approved by us in writing. You may use a separate Transaction Receipt or Transaction Slip or use multiple transmissions of Sales Data to us for bona fide deposits, partial payments, Recurring Payments Plans, and a single Card Sale that is billed to more than one Card. You must prepare and fully complete Transaction Documentation for each Card Transaction as described below. You must provide the Cardholder with a completed copy of the Transaction Documentation at the time of each completed Card Transaction.

When you use a POS Device to conduct a Card Transaction, you must compare the Card Number on the Transaction Receipt printed by the POS Device to the Card Number on the face of the Card to confirm that they match. If they do not match, we recommend that you do not accept the Card and if you do, the Card Sale may be subject to Dispute.

For each Card Present Card Sale, you must provide a copy of the Transaction Receipt to the Cardholder. You must include all of the following information on the Cardholder's copy of the Transaction Documentation:

- Card Number, truncated where required by law
- Cardholder's name as it appears on the Card, if present
- Merchant's name and location (city/town and state/province)
- Total dollar amount of the Card Transaction including tax, gratuity, and/or any Cash Over amount
- Cardholder's signature (except as otherwise provided in these Operating Regulations, e.g., No Signature Required Card Sales, Recurring Payment Plans, Card Not Present Card Sales). The Cardholder must sign the Transaction Receipt in your presence and you must verify that the signature on the Transaction Receipt matches the signature on the back of the Card except for No Signature Required Card Sales as detailed in Section 5.10 and where valid Cards do not display a Cardholder signature (see Section 11.1).
- For Chip Card Transactions, the Transaction Receipt must include the application identifier indicated in the Technical Specifications.
- Complete Authorization Code
- Card Transaction date
- For Card Present Card Sales with Cards displaying a Discover Acceptance Mark or a Diners Club International Acceptance Mark, as set forth in Sections 11.1.1 and 11.1.4, respectively, and issued within the IIN Ranges indicated in the Technical Specifications as assigned to Discover and Diners Club International, the words "DISCOVER" or "DISCOVER NETWORK" must be printed as the network name.
- For Card Present Card Sales with Cards displaying the JCB Acceptance Mark, as set forth in Section 11.1.3 and issued within IIN Ranges indicated in the Technical Specifications as assigned to JCB, the words "DISCOVER," "DISCOVER NETWORK," or "JCB."
- For Card Present Card Sales with Cards displaying the China UnionPay Acceptance Mark as set forth in Section 11.1.6.1 and issued within IIN



Merchant Operating Regulations R11.1 Acceptance of Card Transactions

Ranges indicated in the Technical Specifications as assigned to China Unionpay (CUP), the words, “DISCOVER,” “DISCOVER NETWORK,” or “CUP.”

Note: **If your Agreement permits you to operate outside the United States, you may only accept China Unionpay Card acceptance on the Discover network in the United States, Mexico, the Caribbean, and Canada if your Agreement permits you to operate in such locations.**

If you use a POS Device to submit Sales Data to us, we must receive the Sales Data by the deadline in Section 7.1 or other written notice from us, you may be charged a Submission Error Fee in the amount indicated by us in writing in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, or in another notification to you from us, as applicable. (See Section 10.2.)

3.2.1.1 Card Imprint

For Card Present Card Transactions where Card Transaction information is captured by electronically reading or scanning a Card using a POS Device, you are generally not required to imprint the Card’s embossed information on the Transaction Receipt. You are generally required to obtain an imprint of a Card’s embossed information on the Transaction Receipt if your POS Device cannot capture the Card Transaction data required for an Authorization Request from the magnetic stripe on the Card and you key enter Card Transaction data into the POS Device. However, if you enter Card Identification Data (CID) with the Authorization Request for a key entered Card Transaction as described in Section 3.4.1.3, you are not required to obtain an imprint of the Card. If you are unable to obtain an imprint, where required above, for a Card that is not embossed with security features as described in Section 11.1, the Card Sale may be subject to Dispute as described in Section 9 unless you submit CID with the Authorization Request as described in Section 3.4.1.3.

Where you are required to obtain an imprint on the Transaction Receipt of a Card’s embossed information, you must obtain a clear imprint that displays all of the security features that are embossed on the Card as indicated in Section 11.1. If an imprint does not display all of the embossed features described in Section 11.1 on the type of Card involved in the Card Sale, the Card Sale may be subject to Dispute as described in Section 9.

If you cannot imprint a Card such as a Discover 2GO Card or a Contactless Payment Device, ask the Cardholder for his/her standard Card, if available, that can be imprinted or comply with the procedures in Section 3.4.1.3 for entry of CID with the Authorization Request.

3.2.2 Preparation of Paper Sales Slips

If you do not use a POS Device to electronically scan or read Cards in Card Present Card Sales, you must use a suitable imprinter to clearly imprint the features embossed on such Cards, including the stylized “D” where present on the Sales Slip (see Section 11.1 for information embossed on Cards) and you must fully complete the Sales Slip as described below. (See Section 3.2.1.1 for details regarding imprints.)



3.2.2.1 Sales Slip Requirements

Each Sales Slip completed by you for Card **Present** and **Card Not Present** Card Sales should clearly indicate the following information:

- Card Number
- Quantity and brief description of the goods or service purchased
- Cardholder name
- Card Transaction date
- Authorization Code
- Initials of your employee that conducted the Card Transaction
- The total dollar amount of the Card Sale, including any Cash Over, applicable taxes, and gratuity

Note: The Cardholder must sign the Sales slip in the Merchant's presence and the Merchant must verify that the signature on the Sales Slip matches the signature on the back of the Card except where a valid Card product as described in Section 11.1 does not bear a signature panel.

3.2.2.2 Card Not Present Sales

If the Card is not physically present, you must prepare the Sales Slip in accordance with Section 3.2.2.1, except you must write the words "Card Not Present" on the Sales Slip in lieu of the Cardholder's signature and you must comply with the additional requirements for Card Not Present Card Sales described in Section 4.

Note: The Card must ALWAYS be presented for a Card Sale when the Cardholder is physically present and should be clearly imprinted on the Transaction Documentation or successfully data captured using a POS Device in order to document that the Card was present at the time of the Card Sale.

3.2.3 Delayed Delivery Sales

For delayed delivery sales in which you charge a deposit, you must prepare two separate Transaction Receipts or Sales Slips—one Transaction Receipt/Sales Slip labeled "Deposit" and another labeled "Balance." You may not submit Sales Data, either in paper form or electronically, relating to the Transaction Receipt/Sales Slip labeled "Balance" until the goods or services are completely delivered to the Cardholder. A separate Authorization Response must be obtained for the amount on each separate Transaction Receipt/Sales Slip that is billed to the Cardholder (see Section 3.4). If you obtain Authorization for the "Deposit" and "Balance" at the same time and the delivery date exceeds thirty (30) calendar days after the "Deposit" Authorization Response, a subsequent Authorization Response for the "Balance" is required (see Section 3.4) if you did not submit Sales Data for the Balance. You must complete Address Verification at the time that you receive the Authorization Response for the "Balance" and you must obtain Proof of Delivery (see Section 4.1.5).

3.3 Credits for Returns

We will honor your return policy as long as it complies with all federal, state, and local



laws and is clearly posted or otherwise made known to the Cardholder at the time of the Card Sale. We may request a copy of your return policy at any time and you agree to provide it to us upon our request. If a Cardholder returns goods or services purchased with a Card in accordance with your return policy, you must give a Credit to the Cardholder's Card Account in accordance with this Section 3.3. If a Cardholder receives goods or services that are defective or otherwise not as agreed upon at the time of the Card Sale, you must give the Cardholder a Credit if requested by the Cardholder. If you do not give a Cardholder a requested Credit in the above circumstances, the underlying Card Sale may be subject to Dispute and you may be obligated to repay us for the Card Sale. You must transmit Sales Data evidencing a Credit to us by the deadline in Section 7.1 or other written notice from us following your issuance of the Credit to the Cardholder or you may be charged a Submission Error Fee as described in Section 10.2. The amount of such Fee shall be indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or other notification from us, as applicable. You must give written evidence of the Credit to the Cardholder in the form of Transaction Documentation. You shall pay us the amount of all Credits as described in the Agreement and Section 7.2 of these Operating Regulations, and such Credits will be reflected in your Settlement Amounts.

3.3.1 Credit Requirements

You may not give cash refunds for returns of goods or unused services purchased using a Card. You are not required to obtain an Authorization in order to issue a Credit. You may issue a Credit to a Card Account only for a Card Sale originally made with a Card. In the case of even exchanges, you are not required to prepare and submit Sales Data to us; however, you must provide a receipt to the Cardholder indicating the even exchange. For uneven exchanges, you must send us Credit Sales Data for the total amount of returned goods or unused services, including appropriate taxes, and new Sales Data for the total amount of the Card Sale related to the new goods or services purchased, and you must provide a copy of the Transaction Documentation for both the Credit and the Card Sale to the Cardholder. The Credit amount may not exceed the amount of the original Card Sale. For non-reloadable Prepaid Cards, the Credit amount also may not exceed the original value of the Prepaid Card.

3.3.2 Credit Transaction Documentation Requirements

3.3.2.1 Credit Transaction Receipt Requirements

You must ensure that all Transaction Receipts created as a result of a Credit include the following information:

- Card Number (not necessary to imprint if successfully captured electronically), truncated where required by the Requirements of Law
- Cardholder's name as it appears on the Card, if present
- Merchant's legal or operating name (as known to the Cardholder) and location (i.e., city/town and province/state)
- Date of the Credit issuance
- Date of the underlying Card Sale
- Dollar amount of the Credit



- Sales tax Credit
- Total dollar amount of the Credit
- Reason for the Credit
- Signature of an authorized representative of Merchant

3.3.2.2 Credit Slip Requirements

You must include the following information in preparing Credit Slips:

- Card Number (imprinted, if possible), truncated where required by law
- Cardholder's name as it appears on the Card, if present
- Merchant's legal or operating name (as known to the Cardholder), location (i.e., city/town and state/province), and Discover Merchant Number
- Date of the Credit issuance
- Date of the underlying Card Sale
- Dollar amount of the Credit
- Sales tax Credit
- Total dollar amount of the Credit
- Quantity and brief description of the goods or services returned or refunded
- Reason for the Credit
- Signature of an authorized representative of Merchant

3.4 Obtain Authorization Responses

Authorization is the process by which you submit Authorization Requests and receive Authorization Responses, in each case in accordance with these Operating Regulations and the Technical Specifications. You shall use Authorization Responses to determine whether to consummate a Card Sale or Cash Advance. We strongly recommend that you obtain a positive Authorization Response before completing a Card Sale or Cash Advance.

If you complete a Card Sale or Cash Advance without receiving a positive Authorization Response and do not otherwise comply with the requirements in this section, we are not required to pay you for the Card Sale or Cash Advance, and, if we have already paid you, we may charge you a Submission Error Fee and the Card Sale or Cash Advance may be Subject to Dispute. The Merchant Fee for such Card Sale is determined using the Card product assigned to the IIN Range in which the Card is issued as specified in the Technical Specifications. Even if a positive Authorization Response is granted for a Card Sale or Cash Advance, it is not a guarantee of payment. A Card Sale or Cash Advance may be subject to nonpayment or Dispute for other reasons as set forth in these Operating Regulations or the Dispute Rules.

A positive Authorization Response will remain valid for thirty (30) calendar days from the date of the Authorization Response. If the expected or projected delivery date is more than thirty (30) calendar days from the date of the original Authorization Response in a



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delayed delivery Card Sale, you must obtain a new Authorization Response prior to submitting Sales Data to us for the Card Sale or the Card Sale may be subject to Dispute.

You may obtain Authorization Responses electronically using a POS Device (see Section 3.4.1.1) or by telephone (see Section 3.4.4). You may be charged a Submission Error Fee for the use of a telephone to obtain Authorization Responses (see Section 10.2).

If an Authorization Request is approved, you will receive an Authorization Code which must be displayed on all copies of the Transaction Documentation prepared in connection with the Card Transaction. If you use a POS Device to obtain Authorization, the Authorization Code will be printed automatically on the Transaction Documentation. If you are capable of accepting Partial Authorization Approvals, as indicated in your Authorization Request, which Authorization Request shall comply with the requirements in the Technical Specifications, you may receive a Partial Authorization Approval. If you receive a Partial Authorization Approval, you should not submit Sales Data in an amount greater than the amount indicated in the Partial Authorization Approval and, if you do, the amount in excess of the Partial Authorization Approval may be subject to Dispute.

Your systems, including POS Devices and Authorization procedures and the systems of your Agents, including Merchant Processors, shall support Partial Authorization Approvals. (See Section 3.4.1.1 for details.)

3.4.1 Data Transmission Requirements for Authorization Requests

3.4.1.1 CVV, DCCV, and iCVV Data Requirements

If you use a POS Device to obtain an Authorization Response, the Authorization Request must include all of the data specified in the Technical Specifications, including the complete and unaltered contents of tracks 1 and 2 (and track 3, where available) from the Track Data on the Card presented for the Card Sale, which includes the Card expiration date and Card Verification Value (CVV) Data (or, for Contactless Payment Devices, Dynamic Card Verification Value (DCCV) Data, or for Chip Card Transactions, iCVV Data. The presence of CVV Data in an Authorization Request indicates that the Card was present at the time of the Card Sale. You must submit DCCV Data to us with each Authorization Request for a Card Sale with a Contactless Payment Device. The presence of DCCV Data in an Authorization Request for a Card Sale with a Contactless Payment Device indicates that such device is present at the time of the Card Sale. If DCCV Data is not included in the Authorization Request for a Card Sale with a Contactless Payment Device, or if iCVV Data is not included in the Authorization Request submitted to us for a Chip Card Transaction, you may receive a declined Authorization Response. If we do not receive the complete and unaltered contents of all of the Track Data with each Authorization Request as described above, you may be charged a Submission Error Fee (see Section 10.2), and the Card Sale may be subject to Dispute. The amount of such Submission Error Fee shall be indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, or other notification from us, as applicable.

Under certain circumstances, you must use a POS Device and the procedures described in this Section to obtain an Authorization Response. For Prepaid Cards that are not embossed with Card features (see Section 11.1.1.3 for details), you shall use a POS Device to obtain an Authorization Response for the Card Sales. If you manually enter (i.e., key enter or force enter) Card Transaction information into the POS Device for a Prepaid Card that is not embossed with Card features, the Card Sale may be subject to



Dispute as set forth in Section 9.1.2.

3.4.1.2 CID—Card Not Present Transactions

You may, in your discretion, submit Card Identification Data (CID) to us with the Authorization Request for a Card Not Present Card Sale. You must submit CID to us where we notify you in writing that you are required to submit CID in all or certain portion of your Authorization Requests. Failure to include the CID in an Authorization Request where required by us, as described above, may result in a negative Authorization Response and you may be charged a higher Merchant Fee or other Fees. If you do not submit CID to us with an Authorization Request for a Card Not Present Card Sale, even where not required above, you may lose a Dispute of the Card Sale

If a Dispute of a Card Not Present Card Sale is initiated, you must demonstrate the following to avoid Chargeback of the Card Sale:

- CID was submitted with the Authorization Request
- An approved Authorization Response and Authorization Code were received by you
- Address Verification was performed and a positive match was obtained for both the Cardholder's numeric street address and ZIP code (see Section 3.4.10)
- You obtained Proof of Delivery (see Section 4.1.5)

You must not retain, archive, or store the CID in any form or format for any reason, including by recording the CID on Sales Data or making photocopies of the front or back of Cards (see Section 14.1).

3.4.1.3 CID—Card Present Card Transactions

If approved in advance by us, you may submit CID with the Authorization Request for Card Present Card Sales rather than obtaining a Card imprint as required by Section 3.2.1.1. Your POS Device must be programmed to require the submission of CID with the Authorization Request following key entry of the Card Number and Expiration Date. To request our approval to use these procedures, please visit DiscoverNetwork.com. If you use the procedures in this section without our approval, the Card Sale may be subject to Dispute as described in Section 9.

3.4.1.4 Authorization Procedures for Chip Card Transactions

You may use Offline Authorization Procedures for Chip Card Transactions in the amount of \$300.00 or less unless you operate in one of the MCCs in the table below. If you operate in one of the MCCs in the table below, you may not use Offline Authorization Procedures for Chip Card Transactions. For Chip Card Transactions more than \$300.00 and all Chip Card Transactions by Merchants operating in the MCCs listed in the table below, you shall obtain an Authorization Response using a method other than Offline Authorization Procedures. If you do not use the Authorization procedures described in this Section 3.4.1.4 to obtain an Authorization Response for a Chip Card Transaction (e.g., if Offline Authorization Procedures are used by Merchants operating in the MCCs listed below or for Chip Card Transactions of more than \$300.00), such Chip Card Transaction may be subject to Dispute. If Chip Fallback procedures are used to obtain an Authorization Response, the Chip Card Transaction is treated as a standard Card



Transaction.

MCCs Ineligible to Use Offline Authorization Procedures for Chip Card Transactions

MCC	MCC Name
4829	Money Transfer-Merchant
6010	Member Financial Institution-Manual Cash Disbursements
6011	Member Financial Institution-Automated Cash Disbursements
6012	Member Financial Institution-Merchandise & Services
6050	Quasi Cash-Member Financial Institution
6051	Quasi Cash-Non-Financial Institution
6211	Security Brokers/Dealers
6300	Insurance Sales/Underwriting/Premiums
6513	Real Estate Agents and Managers-Rental
6531	Payment Service Provider-Money Transfer for a Purchase
6532	Payment Service Provider-Member Financial Institution-Payment Transaction
6533	Payment Service Provider-Merchant Payment Transaction
6534	Money Transfer-Member Financial Institution

3.4.1.5 PIN Entry with Authorization Request for Chip Card Transactions

You shall require the Cardholder to enter a PIN when prompted by the Chip Card Terminal for Chip Card Transactions. Before completing a Chip Card Transaction, you should validate the PIN entered on a Chip Card Terminal using the Authorization procedures specified in Section 3.4.1.4. You may receive a declined Authorization Response for a Chip Card Transaction if a PIN is not entered with the Authorization Request where prompted by the Chip Card Terminal or the PIN is not validated using the Authorization process.

3.4.2 Cardholder Verification and Card Retrieval

Occasionally we may, on behalf of an Issuer, ask you to request certain information from the presenter of a Card to verify the Card presenter's identity. Also, in response to an Authorization Request, we may, on behalf of an Issuer, request that you take and retain a Card from a presenter (see Section 11.2). If requested to retain a Card, follow the instructions in Section 11.2.

3.4.3 Authorization Procedures for POS Devices

If you use a POS Device to obtain Authorization Responses for Card Sales, follow the



procedures given to you by your POS Device provider for the use of that POS Device. If a “call center” Referral Code is displayed, call the Authorization Center at 1-800-347-1111 to obtain further instructions. If your POS Device is not operating, you must contact the Authorization Center to obtain Authorization Responses by telephone for all Card Sales. For more information on using this service, see Section 3.4.4.

3.4.4 Telephone (“Voice”) Authorization Procedures

If you must use the telephone to obtain Authorization Responses for Card Sales, please call our Authorization Center at 1-800-347-1111. If, when calling the Authorization Center, you elect to speak to one of our representatives in obtaining the Authorization Response, you may be charged a Submission Error Fee (see Section 10.2). The amount of such Submission Error Fee shall be indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, or other written notification from us, as applicable. Please provide us with the following information for each voice Authorization Request, in the following order:

- Discover Merchant Number
- Card Number
- CID
- Card expiration date (4 digits, mmyy)
- Dollar amount of Card Sale including applicable tax and gratuity followed by the # sign

When a positive Authorization Response is granted, we will provide you with an Authorization Code. You must manually enter this Authorization Code into the POS Device or write this Authorization Code in the appropriate box on the Sales Slip. (See Transaction Documentation preparation procedures in Section 3.2.) If you are unable to obtain an Authorization Response using electronic means and you subsequently receive an approved Authorization Response using our Voice Authorization Service as described above, you must complete the Card Sale on your POS Device (complete a “force sale” entry or override transaction following the procedures supplied by your POS Device provider) and obtain an imprint of the Card. If the imprint does not display all of the features embossed on valid Cards, the Card Sale may be subject to Dispute.

3.4.5 Declined Authorization Response

If you receive a negative or declined Authorization Response, whether electronically or in response to a voice Authorization Request, under no circumstances should you or your employees comment to the Card presenter on the reason for the negative Authorization Response. If the Card presenter requests information about the reason for the negative Authorization Response, direct the Cardholder to contact the Issuer at the telephone number provided on the back of the Card or as otherwise provided by the Issuer. If you submit Sales Data to us for a Card Sale that has received a negative Authorization Response, the Card Sale may be subject to Dispute.

3.4.6 Authorization for Recurring Payments

If we have approved your acceptance of Cards as payment in connection with Recurring Payments Plans between you and your customers, you must receive a separate, current



Authorization Response for each discrete Recurring Payments Card Sale prior to submitting Sales Data to us for each Recurring Payments Card Sale. You must transmit all Authorization Requests for Recurring Payments Card Sales to us in the form and format described in Section 4.3.1 and the Technical Specifications and you must use a POS Device to submit Authorization Requests and obtain Authorization Responses for Recurring Payments Card Sales. You may not submit to us Authorization Requests related to Recurring Payments Card Sales that are due after the termination date of the Recurring Payments Plan or after the effective date of termination of your Agreement. If the Card Account of the Cardholder who agreed to the Recurring Payments Plan is terminated, the Issuer will respond with a negative Authorization Response to any subsequent Authorization Requests.

Note: A positive Authorization Response for a Card Sale under a Recurring Payments Plan is not a guarantee that you will receive a positive Authorization Response for any future installment billed to a Card Account or Settlement payments for future installments. For complete procedures regarding the acceptance of Cards as payment for Recurring Payments Plans, see Section 4.3.

3.4.7 Request for Cancellation of Authorization

If a Card Sale is cancelled or the amount of the Card Sale changes and you previously obtained an approved Authorization Response, you must cancel the Authorization by calling 1-800-347-1111 to request a cancellation of the Authorization Response. An Authorization may be cancelled at any time after your receipt of the approved Authorization Response but before Sales Data relating to the Card Sale has been submitted to us. Once Sales Data relating to the Card Sale has been submitted to us, the Authorization cannot be cancelled or changed. When calling to cancel an Authorization Response, be prepared to provide the following information to us, in the order below:

1. Your Discover Merchant Number as provided in the original Authorization Request
2. Card Number
3. New amount of the Card Sale, if any, for which an Authorization Response is requested
4. Original amount of the Authorization Request, including tax and gratuity
5. Card expiration date (4 digits, mmyy)
6. Original Authorization Code
7. A brief reason for cancellation of the Authorization Request

3.4.8 Authorization Floor Limit

For some Merchants we may assign a Floor Limit for Card Sales accepted by you. If a Floor Limit other than \$0 has been established for Card Sales accepted by you, it will be indicated in your Agreement, as modified from time to time, as set forth in our records. If you accept a Card Sale for an amount less than your Floor Limit, the Card Sale will not be subject to Dispute for your failure to obtain a positive Authorization Response for the Card Sale. If you accept a Card Sale at or above the Floor Limit assigned to you without obtaining a positive Authorization Response, the Card Sale may be subject to Dispute. You should not construe the assigned Floor Limit or the amounts specified in Section



3.4.1.4 for Chip Card Transactions as a guarantee against a potential Dispute of a Card Sale conducted for an amount below the Floor Limit. If you fail to comply with the Floor Limit, you shall be liable for the entire amount of the Card Sale, not just the portion of the Card Sale that exceeded your assigned Floor Limit.

3.4.9 Downtime Authorization Procedures

If you are unable to obtain an Authorization Response to an Authorization Request that is submitted either electronically or using a POS Device, you must obtain an Authorization Response by calling our Authorization Center as described in Section 3.4.4. In certain limited circumstances described in your Agreement, including where you are unable to obtain Authorization Responses as described above, your Agreement may permit you to provide Authorization Responses for certain Card Sales described in your Agreement (“Stand-In Authorization Services”) in which case you should follow the procedures governing Stand-In Authorization Services described in your Agreement, if applicable, in Section 8.1.2 of these Operating Regulations, and the Technical Specifications.

The existence of any Authorization system downtime is considered Our Confidential Information and you should not share this information with the Cardholder or any other Person.

3.4.10 Address Verification Service (AVS)

You must use the Address Verification Service (AVS) to verify the Cardholder’s billing address for all Card Not Present Card Sales. You must obtain Address Verification from us by 11:59 p.m. ET on the same day that you submit an Authorization Request for the Card Sale. If you do not obtain an Address Verification by the deadline set forth above, you may be charged a Submission Error Fee (see Section 10.2). The amount of such Submission Error Fee shall be indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or other notification from us, as applicable.

To obtain Address Verification for a Card Sale, you must comply with the following procedures:

1. Use an electronic POS Device to request Address Verification, or
2. If you do not have an electronic POS Device or are unable to obtain an Address Verification using your electronic POS Device, call us at 1-800-347-1111 to obtain Address Verification. If the Address Verification is provided by one of our representatives over the telephone rather than our automated service, you may be charged a Submission Error Fee in the amount set forth in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or other notification from us, as applicable (see Section 10.2). When calling to obtain Address Verification, please provide us with the following information:
 - a. Discover Merchant Number assigned to you
 - b. Card Number
 - c. Card expiration date
 - d. Numeric portion of the street address indicated in the Cardholder’s billing address (up to 5 digits)



- e. ZIP code of the Cardholder's billing address (5 or 9 digits)

You must receive a positive match on both the numeric portion of the street address and the ZIP code or the Card Sale may be subject to Dispute.

Note: You will not lose a Dispute of a Card Not Present Card Sale for failure to verify the Cardholder's address if you request an Address Verification using our Address Verification Service and receive a response indicating that the Card is issued outside of the United States. Please note that the Card Sale may be subject to Dispute for other reasons.

3.4.11 Partial Authorization Approval

Your systems, including POS Devices and Authorization procedures, and the systems of your Agents, including Merchant Processors, shall support the receipt of Authorization Responses in an amount different from the amount in the Authorization Request. These Authorization Responses are referred to as Partial Authorization Approvals.

Each Authorization Request shall indicate as specified in the Technical Specifications whether a Partial Authorization Approval may be provided by the Issuer in response to such Authorization Request. If, after receiving a Partial Authorization Approval, you complete a Card Sale in an amount other than the amount in the partial Authorization Approval, the amount by which the Card Sale exceeds the amount of the Partial Authorization Approval may be subject to Dispute as set forth in Section 9.

Note: Partial Authorization support is optional for Card Not Present Transactions.

3.5 Code 10: Suspicious Situations

If you are suspicious of the validity of a Card or the presenter of the Card for any reason, you should notify the Authorization Center at 1-800-347-1111 using the Code 10 Authorization procedures described below. Code 10 Authorization procedures apply only to Card Present transactions, but can be used regardless of the dollar amount of the Card Sale or Cash Advance, or your assigned Floor Limit.

- Call the Authorization Center and ask for a Code 10 Authorization. This will automatically direct you to the security area of the Issuer
- Security personnel will ask a brief series of "Yes" or "No" questions about the Card or the presenter, and may ask your employee to request confirming identification from the Card presenter
- If the Issuer's security representative is able to confirm the identity of the presenter as a valid Cardholder or authorized user of the Card, a positive Authorization Response for the Card Sale or Cash Advance will be given and the Card presenter will not be aware that anything unusual has transpired
- Some Issuers may request that you retain a Card. If your employee is instructed to retain the Card, your employee should do so, but only if permitted by your policies and only by peaceful and reasonable means (see Section 11.2).



3.6 Arrests for Fraudulent Card Usage

Some Issuers may request you to cause the arrest of a Card presenter who is suspected of fraudulent Card use. If you elect to comply with such a request you must use reasonable, lawful means, and must have the arrest made by local law enforcement authorities. Your employees or agents should never physically detain or harm the person(s) that presented a Card. You agree that you and your employees will not initiate an arrest of a Card presenter in connection with the use of a Card except at the Issuer's request. A Merchant that causes the arrest or prosecution of any individual without the Issuer's direct request or that fails to use reasonable, lawful means in effecting an arrest requested by the Issuer will bear all responsibility for claims, liabilities, costs, and expenses resulting from such arrest or prosecution, if any.



Section 4 Card Not Present Card Sales

4.1 Card Not Present Card Sales

You may accept Cards for Card Not Present Card Sales, including Internet, telephone, and mail order sales, if you comply with the following procedures. **You must clearly disclose to the Cardholder, at the time of the Card Sale, the nature, terms, and price of goods and services purchased by the Cardholder. You shall conduct each Card Not Present Card Sale in accordance with the terms of these Operating Regulations and the Requirements of Law.**

If you use a POS Device that is capable of obtaining electronic Authorization Responses and providing electronic Card Transaction Data Capture Services for Card Present Card transactions, then you shall use such POS Device to perform electronic Authorization and Card Transaction Data Capture Services for Card Not Present Card Sales. You must obtain an Authorization Response for each Card Not Present Card Sale (see Sections 3.4 and 4.1.1). You must document the Card Sale and send Sales Data to us as described below, **and you shall require the Cardholder to enter their complete Card Number at the time of the Card Sale where permitted by the Requirements of Law.** You must also comply with our Security Requirements (see Section 14) including our procedures for Card Transactions over the Internet, if applicable, as described below.

4.1.1 Obtain Authorization Responses

For each Card Not Present Card Sale, you may transmit the CID with the Authorization Request (see Section 3.4.1.2) using an electronic means of transmission, but in certain cases you may be required to submit CID (see Section 3.4.1.2). If you accept a Card Not Present Card Sale without receiving an approved Authorization Response before completing the Card Sale (see Section 3.4) or without transmitting the CID in the Authorization Request where required by us (see Section 3.4.1.2), you may be charged a higher Merchant Fee, other Fees, and you may lose a Dispute of the Card Sale. The amount of any such Fees under this Section 4.1.1 shall be indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or other notification from us, as applicable.

4.1.2 Address Verification Requirements

For each Card Not Present Card Sale, you must comply with the Address Verification procedures described in Section 3.4.10 or you may be charged higher Merchant Fees and/or Submission Error Fees (see Section 10.2). You must submit an Address Verification Service (AVS) request and receive a positive match on both the numeric portion of the street address and the ZIP code indicated in the Cardholder's billing address or the Card Sale may be subject to Dispute. The amount of such Submission Error Fee shall be indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, or other notification from us, as applicable. See note to Section 3.4.10.

4.1.3 Documentation of Card Sales

In addition to complying with the requirements for preparation of Transaction Documentation (see Section 3.2), you must obtain the following information from the



Cardholder for each Card Not Present Card Sale: Cardholder name, Card Number, Card expiration date, billing address, and shipping address, if different than the billing address. You must retain such information along with the shipping date for the document retention period described in Section 7.1.5 and you shall provide such information to us upon request in the event of a Dispute of the Card Not Present Card Sale. You shall provide the shipping date to the Cardholder at the time of each Card Not Present Card Sale and you shall notify the Cardholder if the shipping date changes. In addition, at the time of delivery of goods or services ordered in a Card Not Present Card Sale, you must provide the Cardholder with an invoice or other documentation that includes the information obtained from the Cardholder in Section 3.2.2. Your failure to deliver the goods to the Cardholder as agreed may result in Dispute of the Card Sale.

4.1.4 Transmission of Sales Data

For each Card Not Present Card Sale, you must transmit Sales Data to us in our designated form and format indicated in the Technical Specifications by the deadline specified in Section 7.1 or other written notice from us, or you may be obligated to pay a Submission Error Fee. All Sales Data shall be transmitted to us using an electronic or paper means of transmission, as described in Section 7.1. You must not transmit Sales Data to us for goods or services ordered by a Cardholder until the goods or services have been shipped, delivered or furnished to the Cardholder, except that you may accept a Card for a deposit on a purchase of goods or services and you may transmit the Sales Data relating to such deposit prior to the time of shipment or delivery of the goods or services purchased in such Card Sale.

4.1.5 Proof of Delivery Requirements

You must obtain Proof of Delivery or other evidence of successful delivery of the goods or services as directed by the Cardholder, as more fully described in the Dispute Rules, or the Card Sale may be subject to Dispute. You must retain this Proof of Delivery or other evidence for the document retention period set forth in Section 7.1.5 and provide it to us upon request in the event of a Dispute of the Card Sale. If a Cardholder takes delivery at your retail location of goods ordered by Internet, telephone, or mail, you must obtain an imprint of the Card and the Cardholder's signature on the Transaction Documentation. In the event of a Dispute by a Cardholder with respect to delivery of goods or services in a Card Sale, you may lose the Dispute if you did not obtain documentation of delivery of goods or services as indicated in this section or otherwise for noncompliance with these Operating Regulations, including noncompliance with Authorization requirements and Section 4.1.6.

4.1.6 Dispute—Card Not Present Card Sale

If a Dispute of a Card Not Present Card Sale is initiated, you must demonstrate the following to avoid Chargeback of the Card Sale:

- CID was submitted with the Authorization Request.
- An approved Authorization Response and Authorization Code were received.
- Address Verification was performed and a positive match was obtained for both the Cardholder's numeric street address and ZIP code. Refer to Section 3.4.10 for details.



- You obtained evidence of delivery, as described in Section 4.1.5.

4.2 Card Sales over the Internet

You must obtain our prior approval before accepting any Card Sales over the Internet and you must comply with the requirements in these Operating Regulations with respect to each Card Sale accepted over the Internet. For each Card Sale over the Internet, you must comply with the requirements in Section 4 and the requirements in this section.

4.2.1 Protocol for Internet Card Sales

Each Internet Card Sale accepted by you and submitted to us shall comply with these Operating Regulations and the Technical Specifications, including the standards in the Security Requirements governing the formatting, transmission, and encryption of data. You shall accept only those Internet Card Sales that are encrypted and otherwise transmitted in accordance with the Security Requirements. We may, at our discretion, withhold Settlement Amounts from you until we can verify that you are in compliance with the Security Requirements. You may not accept Card Numbers through electronic mail over the Internet.

4.2.2 Browser Support for Protocol

You shall not accept any Internet Card Sale unless the Card Sale is sent by an Internet browser that supports the protocol and you are in compliance with the security measures described in the Security Requirements.

4.2.3 Internet Authorization and Sales Data Submission Requirements

You must not accept any Internet Card Sale except in compliance with these Operating Regulations, including the following additional requirements:

- You must obtain Authorization for each Internet Card Sale in accordance with Section 3.4 or Section 4.1.1 and in accordance with the CID provisions in Section 3.4.1.2.**
- You must obtain Address Verification for each Internet Card Sale as described in Section 3.4.10. Failure to obtain Address Verification in connection with an Internet Card Sale may result in a negative Authorization Response and/or a Dispute of the Card Sale.**
- You must submit Sales Data to us using an electronic means of transmission as described in Section 3.1.4.**
- Where permitted by Requirements of Law, you shall require Cardholders to enter the complete Card Number at the time of the Card Sale.**
- You must not submit Sales Data to us until you have shipped the goods or provided the service purchased by the Cardholder.**
- You must obtain Proof of Delivery or other evidence of the successful delivery of the goods or services as directed by the Cardholder, as more fully described in the Dispute Rules, and must retain records**



documenting such Proof of Delivery or other evidence for 365 calendar days from the delivery date in case of a Dispute of the Card Transaction.

4.2.4 Internet Data Security

You must comply with our Security Requirements and confidentiality requirements set forth in these Operating Regulations, including in Section 13 and Section 14.

4.3 Recurring Payments Plans

If you accept Cards for Recurring Payments Plan Card Sales, you must comply with the requirements described below before initiating a series of Card Sales pursuant to a Recurring Payments Plan and any individual Card Sale that constitutes part of a Recurring Payments Plan.

4.3.1 Requirements—Overview

You must comply with the Authorization requirements in Section 3.4 and those described in this section with respect to each amount billed to a Card pursuant to a Recurring Payments Plan. If you fail to comply with any of the requirements in Section 3.4 or in this section, or if a Dispute is initiated with respect to either a Card Sale involving a Recurring Payments Plan or the goods or services that you agreed to provide pursuant to a Recurring Payments Plan, all installments for which you received Settlement under the Recurring Payments Plan are subject to Dispute.

Merchants operating in certain Merchant Category Codes (MCCs) are ineligible to enter into Recurring Payments Plans with Cardholders or to submit Recurring Payments Plan Card Sales to us. See Appendix 4 for a list of MCCs associated with Merchants that are ineligible to enter into Recurring Payments Plans.

You must obtain and preserve a record of the Cardholder's approval, as described in Section 4.3.2, for a Recurring Payments Plan that charges amounts to a Card and you shall provide this documentation to us upon request.

You must receive a separate, current Authorization Response for each installment billed to a Card under a Recurring Payments Plan. Each request for an Authorization Response for a Recurring Payments Card Sale must be transmitted to us in our designated form and format unless otherwise agreed upon in writing by us as indicated in our records. Our form and format is described in our Technical Specifications. A valid expiration date for the Card must be transmitted with the Authorization Request. If a Card expires during the term of a Recurring Payments Plan, you must obtain a current Card expiration date from the Cardholder and you must obtain an approved Authorization Response using the new Card expiration date before you submit Sales Data to us for any installment that comes due after the Card expiration date. For additional clarifications on Authorization for Recurring Payments, see Section 3.4.6. For Authorization procedures applicable to a Card Sale accepted in a Recurring Payments Plan, see Section 3.4.

The Sales Data that you transmit to us for Recurring Payments Card Sales must comply with the requirements in Section 7.1. If you do not comply with the deadline for submission of Sales Data in Section 7.1, you may be charged a Submission Error Fee (see Section 10.2). The amount of such Submission Error Fee shall be indicated in your



Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or other notification from us, as applicable. You must not submit Sales Data for Recurring Payments Card Sales that are due after the termination date of the Recurring Payments Plan and if you do, such Card Sales are subject to Dispute. If you or we terminate your Agreement, you may not submit Sales Data to us for installments in Recurring Payments Plans that are due after the effective date of termination. If a Cardholder who agreed to a Recurring Payments Plan ceases to be a Cardholder due to the termination of the Card Account, you may not submit Sales Data to us for any further installments on that Card Account. If you are no longer permitted to accept a Card in a Recurring Payments Plan, you must find an alternate method of collection from the Cardholder.

We may revoke your eligibility to enter into Recurring Payments Plans with Cardholders and to submit Recurring Payments Plan Card Sales to us if you fail to comply with your obligations under these Operating Regulations in connection with such plans and Card Sales.

4.3.2 Cardholder's Approval

You must obtain the Cardholder's written or electronic approval to charge amounts to the Cardholder's Card Account or any replacement Account designated by the Cardholder, including those provided in Account Update files (see Section 4.3.4), in each case in accordance with a Recurring Payments Plan. The receipt of Account Update files shall not be treated by you or your Merchant Processor, if any, as the Cardholder's consent to an obligation or a guarantee of payment. The Cardholder's approval to participate in a Recurring Payments Plan, whether written or electronic, must include all of the following information:

- Merchant name and location
- Cardholder's name and address
- Amount of each Recurring Payments Card Sale, unless the amount can vary
- Total amount of Recurring Payments to be billed to Card Account, including taxes and gratuity, if an installment agreement
- Timing or frequency of payments
- Length of time over which the Cardholder permits you to bill installments to the Card Account

You must retain evidence of the Cardholder's approval of the Recurring Payments Plan for the longer of either the term of the Recurring Payments Plan or the document retention period in Section 7.1.5. Upon our request, including in the event of a Dispute, you must provide us with evidence of the Cardholder's approval of the Recurring Payments Plan. If a Recurring Payments Plan is renewed or expires, you must obtain new evidence of the Cardholder's agreement to participate in the Recurring Payments Plan.

4.3.3 Sales Data Requirements

In addition to obtaining an Authorization Response for each Card Sale as set forth in Section 3.4 and retaining evidence of the Cardholder's approval of the Recurring Payments Plan for at least the period of such Plan and for the document retention period applicable under Section 7.1.5 following the last Card Sale under the Recurring Payments Plan, the Sales Data that you submit to us for Recurring Payments Card Sales must



comply with Sections 3.2, 7.1, and the requirements described below.

- Sales Data prepared by you for each Recurring Payments Card Sale must include a general description of the Card Sale, your legal or operating name (as known to the Cardholder) and a customer service number that the Cardholder may call to obtain customer assistance or to revoke the Recurring Payments Plan. If this information is provided in the Sales Data, you are not required to send a separate statement of charges to the Cardholder for each amount billed to the Card Account in a Recurring Payments Plan.
- For each Card Sale involving a Recurring Payments Plan, you must submit Sales Data to us in the form and format designated in the Technical Specifications and you must contact us to obtain Certification from us before you submit Sales Data related to a Recurring Payments Plan.

4.3.4 Account Updater Service

You may enroll in our Account Updater service to receive periodic electronic files (“Account Update files”) with changes to the Card Accounts that are enrolled in Recurring Payments Plans with you. You may elect to receive Account Update files automatically or upon request. Enrollment information is available from your relationship manager and at DiscoverNetwork.com. In consideration for your participation in the Account Updater Service, you shall pay Fees in the amount(s) specified in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, or other written notice from us to you and/or in your Merchant Activity Reports, as applicable. Fees include a one-time participation Fee and a monthly charge for the total number of Card Account updates made available to you by us.

Account Update files include changes to Card Account information that we deem appropriate for inclusion in Account Update files and that we have received from participating Issuers at the time of creation of such file. Certain changes to Card Accounts may not be provided to us by the Issuer.

4.3.4.1 Your Obligations

In addition to complying with requirements for Recurring Payment Plans in this Section 4.3 and in the Technical Specifications, you shall comply with the following additional requirements to participate in our Account Updater service:

- You shall Certify (a) your systems’ ability to update records of Recurring Payments Plans with each Account Update file; (b) that new Card Account information in each Account Update file replaces Card Account information in your respective Recurring Payments Plan records for the relevant Cardholder; and (c) Cardholders are not double billed or otherwise billed erroneously with information in each Account Update file.
- You shall update appropriate Recurring Payments Plan records within five (5) days of receipt of each Account Update file. Outdated Account Update files shall be purged from your systems after updating such records.
- You shall not update Card Account information in your Recurring Payments Plan records during the period between the receipt of a positive Authorization decision and the submission of the Sales Data to us. Card Account information in each Authorization Request must be consistent with



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Card Account information in Sales Data submitted to us for Settlement.

- You shall confirm that new Card Account information in Account Update files is applied only to Recurring Payments Plans where the Cardholder's obligations remain outstanding. Before new information is applied to a Card Account and billed to a Cardholder, you shall confirm that such Cardholder is obligated to pay outstanding amounts owed to you. You shall bill Cardholders for the correct amounts owed under Recurring Payments Plans.
- You shall ensure that you comply with all Requirements of Law applicable to collecting, providing, and using the Cardholder information received pursuant to our Account Updater Service. In addition, information provided to you in connection with our Account Updater Service shall be treated as Our Confidential Information in accordance with Section 13.1.1 and is otherwise subject to the Data Security Requirements in Section 14.
- If you use a Merchant Processor to receive the Account Updater Service, such Processor is your Agent as described in Section 1.5.1 for the purpose of performing your obligations, and you shall ensure that such Processor is aware of, and complies with, all of your obligations in connection with our Account Updater Service.



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Section 5 Special Circumstances

5.1 Card Acceptance during Store Closings or Liquidation

You must comply with the following requirements during the liquidation and/or closure of any of your outlets, locations, and/or entire business:

- Post signs visible to customers stating that “All Sales Are Final” during the liquidation.
- Stamp or print a notice that “All Sales Are Final” on Transaction Documentation to indicate the Cardholder’s acknowledgement that Credits are not permitted.
- Call us at 1-800-347-2000 to identify your locations that are subject to closure and/or liquidation.
- In the event that a liquidating agent becomes involved with the closure and/or liquidation of any of your locations, the liquidating agent must obtain its own Discover Merchant Number for each location being liquidated and must use its own Discover Merchant Number to process Card Sales conducted during the liquidation. Alternatively your liquidating agent must receive our prior written approval to use your existing Discover Merchant Number for Card Sales conducted during the liquidation.

5.2 Policies for Merchants in the Lodging Industry

5.2.1 Overview

Provided below are our requirements for Merchants in the lodging industry that take reservations and require Cardholders to pay advance deposits. If you do not comply with the procedures in Section 5.2.2 for guaranteed reservations and Section 5.2.3 for advance deposits, any Card Sales accepted by you for guaranteed reservations and advance deposits are subject to Dispute. Please note that for all Card Sales that are not captured electronically through your POS Device, you must follow the procedures described in Section 4.

5.2.2 Requirements for Guaranteed Reservations

You may accept Cardholders’ reservations for accommodations and guarantee rooms for late arrival after the normal 6:00 p.m. (local time) check-in deadline if you follow the procedures in this Section 5.2.2. If the check-in deadline passes without a cancellation of the reservation by the Cardholder, you may bill the Cardholder for one night’s lodging (plus applicable taxes), provided you have complied with all of your obligations in this Section 5.2.2.

5.2.2.1 Notice to Cardholder of Rights and Obligations

At the time of reservation, you must verify that the Cardholder plans to guarantee the reservation. If a guarantee is requested, you must advise the Cardholder of the rights and obligations set forth below and you must comply with these requirements. You must inform the Cardholder of the room rate and reservation confirmation number and you



should advise the Cardholder to retain this information:

- Accommodations of the type requested by the Cardholder will be held by you until check-out time on the day following the scheduled arrival date.
- If the Cardholder seeks to cancel the reservation, the Cardholder must do so before 6:00 p.m. (local time) on the scheduled arrival date. Resorts may move the 6:00 p.m. (local time) deadline back no more than three (3) hours to 3:00 p.m. (local time), if the Cardholder has been informed of the date and time the cancellation privileges expire.
- At the time of the reservation, you shall provide the Cardholder with a telephone number to call for cancellations and instructions to retain a record of it.
- If (a) the reservation is not cancelled within the allowed time frame; (b) the Cardholder does not use the accommodation; and (c) you do not rent the room to another guest, you may bill the Cardholder for a no-show charge equal to one night's lodging (plus applicable taxes).

5.2.2.2 Record of Guaranteed Reservations

You must preserve a record of the following information for each guaranteed reservation:

- Cardholder's name as it appears on the Card, if present
- Card Number and Card expiration date, unless prohibited by law
- Anticipated arrival date and length of stay
- The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire
- Any other pertinent details related to the reserved accommodations

5.2.2.3 Written Confirmation of Guaranteed Reservations

You must provide Cardholders with written confirmation of each guaranteed reservation. The confirmation must contain:

- Cardholder's name as it appears on the Card, if present
- Card Number, truncated where required by the Requirements of law and Card expiration date, unless prohibited by the Requirements of Law
- Reservation confirmation number
- Anticipated arrival date and length of stay
- The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire
- Any other pertinent details related to the reserved accommodations

5.2.2.4 Cancellation of Guaranteed Reservations

If a Cardholder seeks to cancel a reservation in accordance with your cancellation policy and specified time frames, you must provide the Cardholder with a cancellation number and instructions to retain a record of it. If the Cardholder requests a written confirmation of the cancellation of the guaranteed reservation, you shall forward the written



confirmation within three (3) Business Days of the Cardholder's request. This cancellation confirmation must contain the following:

- A reference that charges were placed on the Card, if applicable, or a guarantee that a "no-show" charge will not be placed on the Card
- Cardholder's name as it appears on the Card, if present
- Card Number, truncated as required by the Requirements of Law and Card expiration date, unless prohibited the Requirements of Law
- Reservation cancellation number
- Any other pertinent information related to the reserved accommodations
- Date of the cancellation
- Name of Merchant agent that processed the cancellation

5.2.2.5 Sales Data for "No-Show" Charges

If (a) the Cardholder does not cancel a reservation in accordance with your cancellation policy and specified time frames; (b) the Cardholder does not use the accommodations; and (c) you do not rent the room to another guest, you may charge the Cardholder for a "no-show" Card Sale equal to one night's lodging (plus applicable taxes) by preparing and transmitting Sales Data with the following information:

- Cardholder's name
- Card Number and Card expiration date
- Hotel name and location
- Room rate (as quoted when reservation was made), including applicable taxes
- Card Sale date
- Authorization Code

Note: The Transaction Documentation you prepare in connection with a no-show Card Sale must, in addition to the information required above for Sales Data, display the initials of your employee that processed the no-show Card Sale and the words "No-Show" printed on the Cardholder's signature line.

5.2.3 Advance Deposit

You may require Cardholders to pay a deposit at the time the Cardholder makes a reservation if you comply with the requirements in this Section 5.2.3. The amount of the deposit cannot exceed the cost of seven (7) nights lodging (plus applicable taxes) and the deposit must be applied to the Cardholder's entire bill. When you require an advance deposit, you must provide the Cardholder with the information required below.

5.2.3.1 Obligations with Advance Deposits

If you take advance deposits for reservations, you must comply with the following requirements:

- (a) Hold reserved accommodations until check-out time following the last day



covered by the advance deposit.

- (b) Specify a reservation cancellation time frame including the date and time when cancellation privileges expire.
- (c) Fully reimburse the advance deposit when the Cardholder cancels a reservation within the specified time frame.
- (d) Provide a written disclosure informing the Cardholder of his or her rights and obligations and that failure to cancel a reservation within the specified time frame may result in forfeiture of all or part of an advance deposit.

Note: Cardholders may not be charged a “no-show” penalty in addition to a forfeited advance deposit under this policy.

5.2.3.2 Sales Data Requirements for Advance Deposits/Folio

For each advance deposit taken by you, you shall prepare Sales Data in the amount of the advance deposit and transmit it to us immediately after taking the reservation involving the advance deposit. Sales Data for advance deposits must contain the following information:

- Cardholder’s name
- Card Number and expiration date
- Cardholder’s complete mailing address and phone number
- Transaction date
- Anticipated arrival date and length of stay
- Reservation confirmation number
- Authorization Code
- Advance deposit amount (including applicable taxes)

Note: The Transaction Documentation prepared in connection with an advance deposit Card Sale must, in addition to the information required in Section 5.2.3.2, display the words “Advance Deposit” printed clearly on the Cardholder signature line.

5.2.3.3 Written Confirmation

You must provide the Cardholder with written confirmation of an advance deposit that contains the following information:

- A copy of the advance deposit Transaction Documentation
- Reference that charges were placed on the Card Account
- Cardholder’s name
- Card Number
- Reservation confirmation number



- Anticipated arrival date
- The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire
- Any other pertinent details related to the reserved accommodations

5.2.3.4 Cancellation of Reservations with Advance Deposits

If the Cardholder requests a cancellation of a reservation in accordance with your cancellation policy and time frames, you must issue a Credit to the Cardholder's Card Account for the full amount of the advance deposit charged to the Card Account within the number of days described in Section 7.1 of the Cardholder's request. In addition, you must:

- Provide a cancellation number to the Cardholder, with instructions to retain a record of the number.
- Send a copy of the Transaction Documentation reflecting the Credit and the name of the Merchant's Agent that processed the cancellation to the Cardholder within seven (7) calendar days of issuing the Credit.
- Prepare Sales Data for the Credit as described in Section 5.2.3.5 and transmit the Sales Data to us within the number of days described in Section 7.1 of the Cardholder's request.

5.2.3.5 Sales Data Required for Cancellation of Reservations with Advance Deposits

You must prepare and transmit Credit Sales Data to us for each cancelled advance deposit reservation. The Sales Data must include the following information:

- Cardholder's name
- Card Number and expiration date
- Cardholder's complete mailing address and phone number
- Transaction date
- Reservation cancellation number
- Advance deposit amount (including applicable taxes)

Note: The Transaction Documentation prepared in connection with an advance deposit Credit must, in addition to the information required in Section 5.2.3.5, display the words "Advance Deposit Refund" printed clearly on your signature line.

5.2.4 Overbooking

If the accommodations reserved by a Cardholder pursuant to a guaranteed reservation or with an advance deposit are unavailable upon the Cardholder's arrival, you must, at your own expense, provide the Cardholder with the following:

- Comparable accommodations for one night at a similar Merchant location (including applicable taxes)



- Transportation to the alternate establishment
- Forwarding of all calls and messages for the Cardholder to the alternate establishment

5.2.5 Priority Check-out Service

If you offer priority check-out services, you must comply with the following requirements:

- (a) Require the Cardholder to sign the registration card at the time of check-in acknowledging responsibility for all charges.
- (b) Obtain an Authorization Response for the estimated amount of the accommodations at check-in.
- (c) Complete Sales Data at check-out by entering the total amount of charges incurred during the stay, including restaurant, telephone, and miscellaneous expenses.
- (d) Write the words "Priority Check-out" on the signature line of the Transaction Documentation.
- (e) Obtain a final Authorization Response and corresponding Authorization Code for positive Authorization Responses for any additional amounts from the check-in estimate to equal the total amount to be billed to the Cardholder. Follow the normal Authorization procedures set forth in Section 3.4.
- (f) Mail the Cardholder (at the address shown on the registration card) or otherwise deliver a copy of the Transaction Documentation and itemized lodging bill (portfolio) to the Cardholder.
- (g) Transmit completed Sales Data to us within the number of days described in Section 7.1.

5.2.6 Estimated Authorization

If you seek to obtain an Authorization Response for the estimated amount of charges to be billed to a Cardholder, you shall comply with the following procedures. At the beginning of the Cardholder's stay and on a periodic basis thereafter, you may obtain an Authorization Response as set forth in Section 3.4 for an amount equal to the estimated total of a Cardholder's charges based on the Cardholder's intended length of stay and other criteria. You must follow the procedures in Section 5.2.6.1 to obtain an Authorization Response for the amount of the estimated charges expected during the length of a Cardholder's stay and to obtain additional Authorization Responses for actual charges that exceed the amount originally estimated by you for which you already obtained an Authorization.

5.2.6.1 Check-in Estimate

At check-in, you may estimate the Cardholder's total charges based on the following criteria and obtain an Authorization Responses for the amount of that estimate:



- Intended length of stay
- Room rate
- Applicable taxes
- Applicable service charges
- Any miscellaneous charges, as dictated by experience

5.2.7 Changes to Estimated Charges

You must monitor the actual charges incurred during the course of a Cardholder's stay to ensure that the actual charges do not exceed the original amount indicated in the estimated Authorization Response. In the event the actual charges begin to exceed the original estimated Authorization Response, the following conditions apply:

- You must secure a positive Authorization Response for the amount of actual charges in excess of the estimated authorization.

Note: Such amounts should not be cumulative and each additional Authorization Request submitted by you should cover a separate portion of the total amount. If an Authorization Request is declined, you must not submit additional Authorization Requests to us for that Cardholder and any portion of the Cardholder's total charges not receiving a positive Authorization Response that you submit in Sales Data to us is subject to Dispute.

- A final (or additional) Authorization Response is not required if the final amount (total sum) of the Cardholder's charges does not exceed the sum of the previously authorized charges, plus a twenty (20) percent tolerance.
- The dates, Authorization Response amounts, and their respective Authorization Codes must be individually recorded on the Sales Data and folio and sent as separate Card Sales to us for processing.

5.3 Car Rental Industry

Provided below are requirements applicable to Merchants in the car rental industry. If applicable, you are responsible for compliance with the requirements of this Section 5.3. At the time of a car rental, you must clearly disclose in a written agreement signed by the Cardholder each of the following amounts:

- Car rental charges
- Amount of insurance (and, if selected by the Cardholder, you must retain evidence of the Cardholder's consent to the purchase of insurance coverage)
- Other costs and charges, including refueling charges, agreed upon by the Cardholder at the time of the car rental.
- Authorizations Responses and Sales Data that you submit to us relating to Card Sales in the car rental industry that do not comply with the requirements of this Section 5.3 may result in our assessment of Fees against you and/or may be subject to Dispute.



5.3.1 Estimated Authorizations

If, as a car rental industry Merchant, you seek to obtain an Authorization Response for the estimated amount of charges to be billed to a Cardholder, you must comply with the procedures in this Section 5.3.1. At the time that the Cardholder takes possession of the rental car, you may obtain an Authorization Response as set forth in Section 3.4 for an amount equal to the estimated total of a Cardholder's charges based upon the Cardholders intended rental period and other criteria, provided that you disclose to the Cardholder at the time of the car rental the calculation process and an estimated total to be billed to the Card Account in a written agreement signed by the Cardholder that also discloses the amount of any additional and/or delayed charges, including the amount and conditions of insurance coverage (where specifically agreed to in writing by the Cardholder), refueling charges (and the cost per gallon), mileage-related charges, late fees, alternative location drop-off charges, and tickets (citations) for parking and traffic violations. You must also provide a copy of the rental car agreement to the Cardholder and retain a copy for your use in the event of a Dispute. You must comply with the following procedures when obtaining an Authorization Response for estimated charges and for any additional Authorizations Responses obtained if the actual charges, additional costs, and/or damage disclosed in the car rental agreement signed by the Cardholder exceed the estimated charges for which an Authorization Response was already obtained.

5.3.1.1 Computing Estimated Charges

At the time the Cardholder takes possession of the rental car, you may estimate the Cardholder's total charges based upon the following criteria disclosed in the rental car agreement described in Section 5.3.1 and obtain an Authorization Response for the amount of that estimate:

- Intended length of rental
- Rental rate, including insurance and other elected options
- Applicable taxes
- Applicable service charges, including estimated mileage and fuel options
- Any miscellaneous charges, as dictated by experience

5.3.1.2 Final Charges

You need not obtain a final (or additional) Authorization Response at the end of the vehicle rental period if the final amount (total sum) of the Cardholder's charges does not exceed one hundred-twenty (120) percent of the sum of the charges estimated by the Merchant for which the Merchant obtained an Authorization Response. However, you must issue a cancellation of the Authorization Response that is equal to the amount by which the estimated Authorization Response, as described in Section 5.3.1.1, exceeds the actual amount payable by the Cardholder pursuant to the rental car agreement signed by the Cardholder.

5.3.1.3 Delayed Charges

If the Cardholder agreed to be responsible for certain delayed charges in the car rental agreement, you need not obtain additional approval from the Cardholder to submit a subsequent Authorization Request and Sales Data for charges incurred by the Cardholder during the rental period, but that were not identified by you until after you submitted Sales Data for the vehicle rental. Such Cardholder preapproved charges may include any



of the types of Fees or charges listed in Section 5.3; provided that regardless of amount, such amounts and Fees must be disclosed in the car rental agreement signed by the Cardholder and you must always obtain a separate Cardholder approval before you may submit an Authorization Request or Sales Data for insurance costs and/or charges related to vehicle loss, theft, or damage during the rental period.

5.4 Airline and Passenger Railway Industries

Provided below are requirements that apply to your Card Sales if you operate in the airline and passenger railway industries that accept reservations and require Cardholders to pay in advance for travel and related services. You are responsible for compliance with the requirements in this Section 5.4. Any Authorization Requests or Sales Data that you submit to us relating to Card Sales in these industries that do not comply with the requirements of this Section 5.4 may result in our assessment of Fees against you and/or may be subject to Dispute.

5.4.1 Requirements

For Card Sales by airlines and passenger railways, you shall provide the information listed below to the Cardholder at the time of the Card Sale:

- Address where the ticket was purchased, delivered, or picked up
- Passenger name
- Travel agent name and location, if applicable
- Airline flight or railway itinerary information
- Ticket number

5.5 Cash Over

Cash Over is a Card feature that enables Cardholders to obtain cash in connection with a Card Sale without using a personal identification number. Cash Over shall not be treated as a Cash Advance or quasi-cash. **If you first offer Cash Over on or after April 15, 2011, you may not offer Cash Over at any Self-Service Terminal. If you offered Cash Over before April 15, 2011, you may use Self Service Terminals to offer Cash Over under the conditions described in Section 5.7.2. You may not offer Cash Over if you operate in one of the MCCs listed in Appendix 5.**

If you operate in a MCC that is eligible to offer Cash Over, you may disburse Cash Over provided that you comply with the following requirements applicable to each Card Sale with a Cash Over component:

- (a) You shall make all system changes required to offer Cash Over to Cardholders at your Cash Over locations, including producing electronic POS Device prompts to Cardholders for Cash Over.
- (b) Authorization Requests and Sales Data for Card Sales involving Cash Over must be submitted to us in the form and format for Cash Over that is indicated in the Technical Specifications, including use of appropriate designations that the Card Sale includes Cash Over, as described in this



Section 5.5.

- (c) If you are unable to capture the required Card data electronically using a POS Device, you are not permitted to accept a Card for Cash Over.
- (d) You must obtain a positive Authorization Response from the Issuer using an electronic POS Device before dispensing cash in any Card Sale involving Cash Over. You may not use downtime Authorization Services (see Section 3.4.9) or stand-in Authorization Services (see Section 8.1.2) to provide an Authorization Response for a Card Sale involving Cash Over.
- (e) You must deliver to the Issuer a single Authorization Request for the aggregate of the goods/services purchase amount and the Cash Over amount of the Card Sale. You may not submit separate Authorization Requests for the purchase amount and the Cash Over amount, and if you do, the entire amount of the Card Sale is subject to Dispute.
- (f) The Sales Data you submit to us in connection with a Card Sale involving Cash Over must include both the purchase amount and the Cash Over amount of the Card Sale. You may not submit separate Sales Data to us for the purchase amount and Cash Over amount.
- (g) No minimum purchase is required to disburse Cash Over to a Cardholder, provided that some portion of the total Card Sale amount must be attributable to the purchase of goods or services by the Cardholder. You must not disburse Cash Over as a stand-alone transaction.
- (h) The maximum amount of Cash Over that you may provide to a Cardholder is \$100.00. You may, at your discretion, establish a lower limit on the amount of cash that you will disburse to a Cardholder in each Cash Over transaction.
- (i) You shall not assess or charge Fees of any type or amount on Cash Over transactions. None of the Fees or charges applicable to Cash Advances shall be applied to Cash Over transactions.
- (j) Cash Over may only be dispensed in Card Present Card Sales, except that Cash Over may not be dispensed in Recurring Payments transactions even if the Card is present to initiate the Recurring Payments Plan. Cash Over may not be dispensed in Credits or Cash Advances.

5.6 Account-Level Processing

Account-Level Processing is a feature that permits Issuers to assign Card products to Card Accounts, overriding the Card product assigned to the IIN Range in which the Card is issued. The Card product involved in a Card Sale is identified in the positive Authorization Response, if applicable, for Card Sales with Cards issued within IIN Ranges that are enabled for Account-Level Processing. See the Technical Specifications to identify IIN Ranges that are enabled for Account-Level Processing and for procedures to receive electronic updates to the IIN Ranges that are enabled for Account-Level Processing. For Card Sales with Cards issued within IIN Ranges that are not enabled for



Account-Level Processing, you shall continue to use the Card product assigned to the IIN Range within which the Card is issued as indicated in the Technical Specifications.

Unless otherwise provided in your Agreement, you are required to support Account-Level Processing for Card Transactions in the United States by accepting the data specified in the Technical Specifications with each positive Authorization Response and submitting Sales Data in accordance with the Technical Specifications.

5.7 Automated Terminals or POS Devices

5.7.1 Customer Activated Terminals (CATs)

Merchants, including Merchants in the petroleum industry, are eligible to use CATs to conduct Card Sales if approved in advance by us. If, after you receive our approval, you use CATs to accept Cards, you must comply with the requirements indicated below.

- (a) You must contact us to obtain a unique Discover Merchant Number for use exclusively in connection with Card Sales conducted at your CATs.
- (b) You must use the unique Discover Merchant Number assigned for use with your CATs for all Card Sales using your CATs, and you must not use the unique Discover Merchant Number assigned for use with your CATs in connection with any Card Transactions conducted using any POS Device other than your CATs.
- (c) A CAT may not be used to conduct Cash Over transactions even if you are permitted to conduct Cash Over transactions as described in Section 5.5.
- (d) If you comply with the procedures in this Section 5.7.1 and the procedures for obtaining Authorization Responses in Section 3.4, the Card Sales that you accept on CATs will not be subject to Dispute for your failure to obtain the Cardholder's signature.
- (e) In connection with each Card Sale at a CAT, (a) the Card must be present at the time of the Authorization Request, and (b) the Authorization Request must include the entire, complete, and unaltered Track Data. Sales Data relating to the actual Card Sale must be submitted to us within ten (10) calendar days following the Authorization Request.
- (f) Provided the Card Sale otherwise complies with the requirements in this Section 5.7.1, if you are a Merchant operating in the petroleum industry that conducts Card Sales at CATs (i.e., MCC 5542), you may submit an Authorization Request for \$1.00 to verify the validity of the Card presented and, if the Issuer approves the \$1.00 Authorization Request, the Card Sale will not be subject to Dispute for your failure to obtain an approved Authorization Response for the full amount of the Card Sale up to and including \$100.00. If the Issuer approves a \$1.00 Authorization Request for an amount other than \$1.00, including a Partial Authorization Approval, any amount by which the Card Sale as represented in Sales Data exceeds the amount indicated in the approved Authorization Response will be subject to Dispute for the Merchant's failure to obtain an approved Authorization Response for the full amount of the Card Sale. The Card Sale may be



subject to Dispute for your failure to obtain an approved Authorization Response for amounts in excess of \$100.00 and the full amount of the Card Sale may be subject to Dispute for other reasons set forth in the Dispute Rules.

5.7.2 Self-Service Terminals

You may use Self-Service Terminals to conduct Card Sales provided you comply with the requirements indicated below.

- (a) Each Card Sale conducted at a Self-Service Terminal must comply with all of the requirements in these Operating Regulations for a Card Present Card Sale at a POS Device that is staffed by an attendant.
- (b) The Self-Service Terminal must require, and you must retain a Transaction Receipt documenting the signature of the Cardholder conducting each Card Sale.
- (c) You may not use Self-Service Terminals to conduct **Cash Over transactions regardless of whether an attendant is present to conduct the Cash Over transaction if you first offer the Cash Over service on or after April 15, 2011. If you offered Cash Over before April 15, 2011, you may use Self-Service Terminals to conduct Cash Over transactions under the conditions described below:** (1) such Self-Service Terminal is able, and enabled to, automatically limit dispensed cash to the exact amount of the Cash Over requested by the Cardholder; (2) the Authorization Request indicates that the Cash Over transaction is conducted at a Self-Service Terminal, in accordance with the Technical Specifications; and (3) the Card Sale with Cash Over otherwise complies with the Operating Regulations, including the requirements for Cash Over in Section 5.5 and the Technical Specifications.

Note: Unlike a CAT where the Cardholder's signature is not required if the Card Sale at the CAT otherwise complies with the requirements in these Operating Regulations, Card Sales at Self Service Terminals require a Cardholder signature. Card Sales at Self Service Terminals must comply with the same requirements that apply to Card Sales conducted at attended standard POS Devices. If a Self Service Terminal used by you does not require and obtain the Cardholder's signature, each Card Sale at the Self Service Terminal may be subject to Dispute.

5.8 Contactless Card Transactions

Contactless Payment Devices that may be used to conduct Contactless Card Transactions will display a Contactless icon, which may be the Discover® Zip® Indicator identified in Section 15.1.1.1. A Contactless Card Transaction for which Track Data is received by us with the Authorization Request and that otherwise complies with the requirements for Contactless Card Transactions and other applicable requirements of these Operating Regulations and the Technical Specifications will constitute a Card Present Card Transaction. If a Contactless Card Transaction does not comply with the applicable requirements in this Section 5.8 and the Technical Specifications, such Card Transaction



is subject to Dispute (see Section 9).

5.9 Biometric Card Transactions

A Biometric Card Transaction is a Card Sale conducted where the Cardholder's identity is verified and the Card Transaction is conducted using the Cardholder's unique fingerprint or other unique physiological characteristic. We may require your POS Device to be programmed to transmit specific data to us with the Authorization Request for each Biometric Card Transaction, as described in the Technical Specifications. If you fail to transmit such required data to us, the Card Sale may be subject to Dispute and/or you may be charged a higher Merchant Fee or other Fees, including Submission Error Fees.

5.10 No Signature Required Card Sales

Card Present Card Sales in an amount of \$25.00 or less, including applicable taxes, gratuity, and Cash Over are not subject to Dispute for your failure to obtain the Cardholder's signature on Transaction Documentation if Track Data is transmitted to us with the Authorization Request, unless our records indicate that your Merchant Account is assigned one of the MCCs listed below. Card Present Card Sales in an amount more than \$25.00 including taxes, gratuity, and Cash Over, except Chip Card Transactions, are not eligible for treatment as No Signature Required Card Sales and are subject to Dispute as set forth in Section 9.1.2 if you fail to obtain the Cardholder's Signature on the Transaction Documentation.

Chip Card Transactions in an amount of \$25.00 or less if you operate in any MCC other than those listed in this Section 5.10 do not require the Cardholder's signature on Transaction Documentation if you obtain a positive Authorization Response on a Chip Card Terminal. Chip Card Transactions of more than \$25.00 if you operate in an MCC other than those listed in this Section 5.10 and Chip Card Transactions of any amount if you operate in the MCCs listed in this Section 5.10 are not required to display the Cardholder's signature on the Transaction Documentation if you obtain a positive Authorization Response that includes validation of the PIN on a Chip Card Terminal. Chip Card Transactions are subject to Dispute if you do not use the procedures in this Section 5.10 and Section 3.4.1.

Contactless Card Transactions and Biometric Card Transactions are eligible as No Signature Required Card Sales if the Card Sales are conducted in accordance with this section, provided that Track Data is not required to be transmitted to us with an Authorization Request for a Biometric Card Transaction.



MCCs Not Eligible for No Signature Required Card Sales

MCC	MCC Name
4829	Money Transfer—Non-Financial Institution
6010	Member Financial Institution—Manual Cash Disbursements
6011	Member Financial Institution—Automated Cash Disbursements
6050	Quasi-Cash—Member Financial Institution
6051	Quasi-Cash—Non-Financial Institution
6531	Payment Service Provider—Money Transfer for a Purchase
6532	Payment Service Provider—Member Financial Institution Financial Institution Payment Transaction
6533	Payment Service Provider—Merchant Payment Transaction
6534	Money Transfer—Member Financial Institution
7995	Betting (e.g., Lottery Tickets, OTB)

5.11 Chip Card Transactions

Before you accept a Chip Card Transaction, you must obtain Certification from us of your ability to support Chip Card Transactions. You must use a Chip Card Terminal to conduct Chip Card Transactions and provide Offline Authorization Procedures for Chip Card Transactions. If a Chip Card Terminal is unable to obtain Card Transaction information from the chip on a Chip Card, such Chip Card Terminal should use Chip Fallback procedures to capture Track Data. If the Transaction Documentation for a Chip Card Transaction does not include the data required by the Technical Specifications, you may receive a declined Authorization Response or the Chip Card Transaction may be subject to Dispute.

Note: Special requirements apply to Chip Card Transactions. See Section 3.4.1.4 for the procedures used to obtain Authorization Responses for Chip Card Transactions and the conditions under which Chip Card Terminals use Offline Authorization Procedures, Section 3.2.1 the additional information that must be displayed on Transaction Documentation for Chip Card Transactions, and Section 5.10 for circumstances under which the Cardholder's signature is not required on the Transaction Documentation for a Chip Card Transaction.

5.12 Card Transactions in Canada

If your Merchant Services Agreement or other Agreement permits you to operate in Canada, you shall operate and conduct Card Transactions in Canada in strict compliance with the Requirements of Law applicable in Canada, including the Code of Conduct for the Credit and Debit Card Industry in Canada (the "Code") and each operative provision of the Code applicable in Canada to Card Transactions applies to your operations in Canada effective immediately upon publication of Release 11.1 of these Operating Regulations. In that respect, any discounts that you



as a Merchant offer on Card Sales pursuant to Section 2.5 are not subject to the restrictions in Section 2.4 and such discounts may differentiate based on payment network.



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Section 6 Cash Advance Operating Regulations

6.1 Introduction

If permitted by your Cash Advance Agreement, you may dispense Cash Advances to Cardholders in strict compliance with the requirements of this Cash Advance Operating Regulations section of these Operating Regulations. Cash Advances may only be dispensed in face-to-face Card Present transactions between the Cash Advance Merchant and the Cardholder and only in accordance with the terms and conditions set forth in these Operating Regulations. Cash Over (see Section 5.5) does not constitute a Cash Advance subject to this 0.

6.2 Card Acceptance Requirements

You must perform each of the following functions for each Cash Advance.

6.2.1 Physical Presence of Card

A Card must be physically present for all Cash Advances. You may not conduct Card Not Present Cash Advances. If you conduct a Cash Advance and the Card is not physically present, the Cash Advance is subject to Dispute.

6.2.2 Card Expiration Date

Check the expiration date on the Card. The Card is valid through the last day of the month embossed on the Card. You may not accept an expired Card for a Cash Advance, and if you do, the Card Sale may be subject to Dispute.

6.2.3 Signature on Card

If the valid Card bears a signature panel on the back of the Card, verify that there is a signature on the signature line and that the signature on the back of the Card matches the name on the front of the Card, and follow the procedures specified in Section 3.1.2.

6.2.4 Minimum/Maximum Dollar Limits and Other Limits

You may not require a Cardholder to receive a minimum amount of cash in order to use a Card for a Cash Advance **other than where permitted by Requirements of Law as set forth in Section 2.10**. If the amount Authorized by the Issuer in an Authorization Response for a Cash Advance is less than the amount requested by the Cardholder in the original Authorization Request, you shall complete the Cash Advance and dispense cash in the amount Authorized by the Issuer, not in the amount of the original Authorization Request, and any amount of cash dispensed above the Authorized amount is subject to Dispute. The daily aggregate limit for Cash Advances that a Cardholder in good standing may conduct is the lesser of (a) the daily limit that you establish for Cash Advances at your location or (b) a limit established by the Issuer. If you submit an Authorization Request for a Cash Advance in excess of the applicable daily limit established by the Issuer, the Issuer will respond with a negative Authorization Response for the Cash Advance.



6.3 Obtain Authorization Responses

You must obtain a positive Authorization Response from the Issuer, as described in Section 3.4, before dispensing cash in any Cash Advance. You may obtain an Authorization Response from the Issuer by submitting an Authorization Request to us electronically using a POS Device or by using our Voice Authorization Services. Because you must obtain an Authorization Response from the Issuer for each Cash Advance, you may not use the downtime Authorization procedures described in Section 3.4.9, Section 8.1.2 and/or in your Agreement for Cash Advances. For each positive Authorization Response provided by an Issuer for a Cash Advance, the Issuer will provide an Authorization Code, which you must write on the Cash Advance Sales Slip, unless you obtained the Authorization Response using a POS Device in which case the Authorization Code must be printed on the Cash Advance Transaction Receipt.

6.3.1 Credits Prohibited

All Cash Advance transactions are final after cash is dispensed to the Cardholder. If a Cardholder cancels a Cash Advance transaction before cash is dispensed, an Authorization void may be processed through your POS Device using the procedures provided to you by your POS Device provider. If a POS Device was not used to obtain the Authorization Response for the Cash Advance, you must cancel the Authorization Request by calling the Authorization Center (see Section 3.4.7). You may not issue Credits for Cash Advances. We are not obligated to reimburse you if you issue a Credit for a Cash Advance transaction.

6.4 Documentation of Cash Advances

You must prepare and fully complete Transaction Documentation for each Cash Advance Transaction. You must provide the Cardholder with a completed copy of the Transaction Documentation at the time of completion of the Cash Advance transaction. The form and format of the Transaction Documentation prepared by you must comply with the requirements in this section and the other requirements in these Operating Regulations, including the Technical Specifications.

6.4.1 Transaction Receipts

When a Cash Advance is completed using a POS Device, you must retain a copy of the Transaction Receipt and must provide one copy of the Transaction Receipt to the Cardholder. The Transaction Receipt must comply with the requirements of Section 4.1.3. In addition, the Cash Advance Transaction Receipt must include the following items:

- Cardholder's street address, city, state, and ZIP code (country, if other than U.S.).

Note: If the Cardholder's address on the identification presented in connection with the Cash Advance transaction is different than his or her current address, you shall record the most current address on the Transaction Receipt.

- Type, number, and state of issuance of at least one of the following pieces of government-issued photo ID presented by the Cardholder, unless the writing of this number is prohibited by Requirements of Law, in which case you



shall identify the type of identification: Driver's License, Passport, U.S. Armed Forces Identification, U.S. Alien Registration, or Non-Driver State Identification Card.

6.4.2 Sales Slips

If you do not use a POS Device to electronically capture Card data in connection with Cash Advance transactions, you must use a suitable imprinter to clearly imprint the embossed information from Card (see Section 11.1 for information that is embossed on the Card) onto the Cash Advance Sales Slip and you must fully complete the information described in Section 3.2.2.1 on the Sales Slip, which shall include the name or initials of your employee conducting the Cash Advance. After imprinting the Card onto the Cash Advance Sales Slip, complete the Sales Slip with the information described in Section 3.2.2.1 and ensure that all printed and written information is clearly readable on all copies of the Sales Slip. You must provide one copy of the Cash Advance Sales Slip to the Cardholder after completing the Cash Advance. If you cannot imprint a valid Card, including a Discover 2GO Card or other device approved by us as a Card, ask the Cardholder for his or her standard Card that can be imprinted. If you cannot imprint a Card because it does not have embossed features, you should determine whether the Card displays the features of valid Cards described in Section 11.1. If a Card imprint does not display all the embossed features applicable to the type of Card being used, the Card Sale may be subject to Dispute. The Sales Slip must comply with the requirements of Section 3.2.2. In addition, the Cash Advance Sales Slip must include the following items:

- Cardholder's street address, city, state, and ZIP code (country, if other than U.S).

Note: If the Cardholder's address on the identification presented in connection with the Cash Advance is different than his/her current address, you shall record the most current address on the Sales Slip.

- Type, number, and state of issuance of at least one of the following pieces of government-issued photo ID presented by the Cardholder, unless the writing of this number is prohibited by Requirements of Law in which case you shall identify the type of identification: Driver's License, Passport, U.S. Armed Forces Identification, U.S. Alien Registration, or Non-Driver State Identification Card.

6.5 Submit Cash Advance Sales Data

You must transmit all Cash Advance Sales Data in the form and format specified by us in accordance with the requirements of Section 7.1. If your POS Device is inoperable for an extended period of time, Cash Advance Sales Data can be submitted for settlement by mailing manually prepared Cash Advance Sales Slips with a paper Merchant Batch Transmittal form (see Section 7.1.3). You must submit and batch all Cash Advance slips to us within ten (10) calendar days of the date that you conducted the Cash Advance or you may be obligated to pay a Submission Error Fee. The amount of the Submission Error Fee is indicated in your Cash Advance Agreement, or other written notice from us, and/or your Merchant Activity Reports, as applicable. You must prepare and fully complete Cash Advance Sales Data for each Cash Advance. You must provide the Cardholder with a completed copy of the Cash Advance Transaction Receipt or Cash Advance Sales Slip.



Merchant Operating Regulations R11.1 Cash Advance Operating Regulations

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Section 7 Processing and Settlement

7.1 Submission of Sales Data

You must submit Sales Data to us, at the location designated by us, within ten (10) calendar days of the Card Transaction date unless we notify you of a different submission deadline. If you submit Sales Data after the submission deadline (“late” or “stale” transactions), we may (a) charge Submission Error Fees as described in Section 10.2; (b) hold Settlement Amounts for the time period that we deem necessary; and/or (c) Dispute such Card Transactions. The amount of such Submission Error Fee shall be indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, or other notification from us, as applicable. You are responsible for, and shall indemnify and hold us harmless against, all claims, damages, and lawsuits arising out of Card Transactions with respect to which you do not submit Sales Data to us, for Sales Data that you fail to submit to us by the submission deadline and/or Sales Data that document Factoring (see Section 11.4). Except for Cardholder deposits for purchases, you may not send us Sales Data for goods or services ordered by a Cardholder until the goods or services have been delivered or furnished to the Cardholder. See Section 3.2.3 for documentation of delayed delivery Card Sales.

7.1.1 Submitting Electronic Sales Data

If you transmit Sales Data to us by electronic means, you must transmit your Sales Data each Business Day to the location that we specify. Please follow the instructions given to you by your POS Device provider on how to process and submit Sales Data using your terminal.

Note: If you submit your Sales Data electronically, do not mail your Transaction Documentation to us unless we direct you to do so.

7.1.2 Supplementary Data Records (SDRs)

In addition to submitting Sales Data in accordance with this Section 7.1 and the Technical Specifications, Sales Data for Card Sales by Merchants in the following industries indicated shall include one or more Supplementary Data Records (SDRs) with Sales Data that provides additional detail about the Card Transaction:

- Vehicle rental
- Airline and Railway
- Hotel

Card Sales with Cash Over shall also include SDRs. See and the Technical Specifications for details regarding the completion and submission of SDRs.

7.1.3 Submitting Paper Sales Data

You must comply with the following requirements if you submit paper Transaction Slips to us for Settlement. Each batch of Transaction Slips submitted for Settlement must be accompanied by a Merchant Batch Transmittal Form. Each batch of paper Transaction Slips should be prepared as indicated below.



- Using your Merchant Identification Plastic, imprint a Merchant Batch Transmittal Form the same way you imprint a Card on a Transaction Slip and complete the Merchant Batch Transmittal Form including the following batch information:
 - Total number of Transaction Slips
 - Total dollar amount of Transaction Slips
 - Total number of Credit Slips
 - Total dollar amount of Credit Slips
 - Total net amount of Card Transactions (Card Sales minus Credits)
 - Mailing date of the batch
 - Signature of an authorized representative of Merchant
 - Merchant phone number
- Place the hard copy (last) of the Merchant Batch Transmittal Form in the front of the batch of Transaction Slips. Retain the other copies of the Merchant Batch Transmittal Form for your records.
- Use the pre-addressed transmittal envelope to mail the batch of Transaction Slips to us. Do not submit Sales Slips to us for Settlement until the goods or services has been delivered or furnished to the Cardholder. Submit only one copy of each Transaction Slip to us for Settlement.

If you send Sales Data in the form of paper Transaction Slips to us by mail, you agree to send your Sales Data to the location that we specify to you, which may be indicated on envelopes we provide to you for purposes of mailing paper Sales Data to us. In remitting paper Sales Data to us, you must provide us with the location (city/state) of each Card Transaction included in the batch of paper Sales Data you submit. Settlement will be made to you directly after your paper Sales Data has been received and processed, as described in these Operating Regulations.

7.1.4 Invalid, Missing, or Unreadable Sales Data

We will notify you if all or a portion of the Sales Data received by us cannot be processed due to invalid, missing or unreadable data. In the event that all or portion of the Sales Data that you submit to us is invalid, missing, or unreadable, you are responsible for:

- Resubmitting valid, readable Sales Data to us in proper form immediately
- The risk of any loss with respect to the affected Card Transactions, including for damage to or destruction of Sales Data, whether or not held by us, until complete, usable Sales Data is successfully received by us

7.1.5 Record Retention

You agree to keep an original copy of all Sales Data, Transaction Documentation, mail/telephone order forms, the documentation required in these Operating Regulations and other documents related to the performance of your obligations under these Operating Regulations, including shipping invoices, for the later of (a) 365 days from the Card Transaction date other than for delayed delivery Card Sales, (b) 180 days from the



date of final delivery of conforming goods or the completion of conforming services that are the subject of a delayed delivery Card Sale, or (c) the resolution of any pending or threatened Disputes, claims, disagreements, or litigation involving or relating to the Card Transaction. You may keep microfilm or other copies of Sales Data for up to three (3) years from the date of the Card Transaction; provided that any failure by you to provide a copy of Sales Data to us upon request for up to three (3) years following the Card Transaction date may result in a Dispute, including Chargeback, of the Card Transaction to you. You agree to provide us with a copy of any Sales Data, Transaction Documentation, mail/telephone order forms, and the documentation required in these Operating Regulations, within thirty (30) calendar days of our request for such information, as indicated in the Dispute Rules. If you fail to comply with the requirements in this section, Disputes may be resolved against you for failure to provide documentation upon request.

7.2 Settlement

Each Banking Day, we will provide Settlement and pay related Settlement Amounts to you for the amount of each valid Card Transaction for which we have successfully received valid Sales Data that complies with the requirements of these Operating Regulations, including the Technical Specifications. Your Settlement Amount for each period will be the sum of the following items:

- Sales Data for Card Sales, including Cash Over (see Section 5.5)
- Plus Sales Data for Cash Advances (see Section 6.4 and 7.1)
- Minus Sales Data for Credits (see Section 3.3)
- Plus Cash Advance Transaction Fees (see Section 10.3)
- Plus or minus Disputes, including Chargebacks and other claims described in the Dispute Rules
- Minus Merchant Fees, as applicable, Submission Error Fees and other Fees payable by you (see Section 10), as applicable
- Plus or minus any Adjustments to reconcile or correct any errors in Sales Data or Disputes (see Section 7.2.1)

Adjustments to remedy discrepancies between the batch transmittal total in Sales Data and the actual sales detail will be offset against the same or subsequent Banking Day's Settlement Amount. Settlement in connection with Disputes, including Chargebacks and Representments, will be offset against the same or subsequent Banking Day's Settlement Amount.

We may, at our option, and you hereby authorize us to collect amounts owed by you under your Agreement or these Operating Regulations using any or all of the following means and not necessarily in the following order (a) debiting your Settlement Account as described in Section 7.2.3, (b) offsetting amounts otherwise payable to you, including in the Settlement process, and/or (c) making demand on you for such amounts. You agree to immediately send us amounts owed to us upon demand. We may collect amounts owed by you or your Affiliates to us from the proceeds of Settlement Amounts payable to you. In addition, our obligation to pay Settlement Amounts to you is subject to our right to suspend Settlement (see Section 7.2.5) and to withhold Settlement in order to fund a



Reserve Account as described in Section 16.2.1.2.

7.2.1 Settlement Adjustments

We may process Adjustments to you with respect to Sales Data or Card Transactions that have been improperly processed. Reasons for Adjustments may include, but are not limited to:

- Calculation errors
- The total amount of Card Sales and Credits submitted in Sales Data by you did not match the actual total amount of Sales Data processed by us
- Sales Data was illegible, incorrectly completed or incomplete
- Items other than Card Sales, Cash Advances, or Credits were submitted with Sales Data

The Adjustment reason codes are listed below:

Code	Description
AT	Debit the Merchant and Credit the Cardholder
BR	Credit the Merchant and Debit the Cardholder
IN	Invalid Card Account
MB	Card Sale posted as a Credit
MG/MP	Duplicate processing
MI/MM	Incorrect Merchant
MO	Merchant-only adjustment
MT/MU	Transmission dump
MW	Merchant write-off
MZ	Credit posted as a Card Sale

7.2.2 Timing of Settlement Initiation

We will pay you Settlement Amounts in accordance with the timing set forth below unless we have notified you in writing of different Settlement timing. For Sales Data successfully received by us in electronic form and in compliance with these Operating Regulations and the Technical Specifications at or before 7:00 p.m. ET on a Banking Day at the location we specify, we will use commercially reasonable efforts to initiate an electronic transfer of the Settlement Amount to your Settlement Account on the next Banking Day following the Banking Day on which we received the Sales Data. For Sales Data successfully received by us in electronic form and in compliance with these Operating Regulations and the Technical Specifications after 7:00 p.m. ET on a Banking Day at the location we specify, we will use our commercially reasonable best efforts to initiate an electronic transfer of the Settlement Amount by the second Banking Day following the Banking Day on which we received the Sales Data. For Sales Data in paper form successfully received by us at the location we specify, we will use our commercially



reasonable best efforts to initiate an electronic transfer of the Settlement Amount to your Settlement Account on the second Banking Day following the Banking Day on which we received the Sales Data.

We will notify you if a Holding Period applies to our Settlement of your Card Transactions. We will pay Settlement Amounts in accordance with the timing set forth below if a Holding Period applies to your Card Transactions. For Sales Data successfully received by us in electronic form on or before the 10:00 a.m. Eastern Time on the Processing Date before the first day of the Holding Period, we will use commercially reasonable efforts to initiate an electronic transfer of the Settlement Amount to your Settlement Account on the first Banking Day after the Holding Period; provided that if the Processing Date is a Saturday or Sunday, we will use commercially reasonable efforts to initiate an electronic transfer of the Settlement Amount to your Settlement Account on the second Banking Day after the Holding Period and for Sales Slips received in paper form at the location we specify. We will use commercially reasonable efforts to initiate an electronic transfer of the Settlement Amount to your Settlement Account on the second Banking Day after the Holding Period. Sales Data must comply with these Operating Regulations before you will receive Settlement. We may change the schedule for Settlement timing upon five (5) Business Days' written notice to you for any reason, including, without limitation, based on our concerns about your financial condition, Dispute history or business conduct and practices. Our initiation of Settlement to you on a certain day does not mean you will receive Settlement Amounts on that day. Actual timing of your receipt of Settlement Amounts depends on a number of factors, including the electronic method by which we initiate Settlement to you and the various parties involved in the banking and settlement system. These time frames are subject to maintenance periods indicated in the Technical Specifications during which we may not receive or process Sales Data. Sales Data received during maintenance periods will be processed after the end of the maintenance period. If your Agreement provides that you will receive Settlement Amounts from us by other than electronic means, we will initiate payment of such Settlement Amounts to you in accordance with the terms and conditions, including timing, of your Agreement.

7.2.3 Settlement Account

Depending on the Settlement option that you select, we will either send Settlement Amounts electronically to a deposit account designated by you, as indicated in our records, at a financial institution in the United States that serves as the Settlement Account, or send you a check for each Settlement Amount. If you choose electronic Settlement, you authorize us to credit and debit the Settlement Account as indicated below and elsewhere in your Agreement, these Operating Regulations, and the Dispute Rules and in accordance with the rules and procedures of the applicable clearinghouse association and settlement institution(s). This authority will remain in effect until five (5) Banking Days after we receive written notice of your cancellation of such authorization. We are not liable for any delays in the receipt of funds in your Settlement Account or errors in debit and credit entries caused by third parties, including but not limited to, a clearinghouse, your financial institution, or your Agents.

If your financial institution or your Agents return clearinghouse or other Settlement items sent by us for any reason, including insufficient funds, closed account or invalid account number, you agree to pay us the amounts you owe us and you agree to immediately send us such amounts upon demand, or at our option, we may offset such amounts owed to us



from money that we may subsequently owe you.

If you or we change the method used to pay Settlement Amounts to you, we may charge you a Fee in the amount of the additional cost incurred by us due to the new Settlement method. Additionally, if we receive returned items due to insufficient funds in your Settlement Account, we may charge you a Fee per returned item and we may also charge you for any fees incurred by us on the returned items.

7.2.3.1 Changing the Settlement Account

In order to ensure prompt Settlement of funds, please provide us with at least three (3) Banking Days' advance notice of any changes to your Settlement Account. When requesting a change to your Settlement Account, you will be required to verify the existing bank information. We may also request that you provide us with a copy of a voided check for the new Settlement Account and the reason for such change. Section 10.4.1 describes your obligation to notify us of any changes in ownership of your business, corporate changes, and legal proceedings to which you are a party that may result in changes to your Settlement Account. You may use DiscoverNetwork.com to print out a form and you may complete and submit this form to us to request a change in your Settlement Account. We will not be responsible for funds sent to an incorrect bank account due to your failure to notify us as set forth above. If the Settlement Account indicated in our records becomes inactive or transactions directed by us to the Settlement Account are returned to us, we may hold Settlement Amounts until you contact us to establish a new Settlement Account.

If you enter into a loan agreement with a third party that seeks to affect the Agreement or change Settlement directions, you must notify us. If you request that we alter or change the method or timing for payment of Settlement by means of a lending agreement, we may in our discretion, require you to establish and fund a Reserve Account and/or pay a Fee to cover the costs of processing your request, which Fee will be disclosed to you by us as applicable.

7.2.4 Responsibility of Merchant for Settlement Verification and Merchant Activity Report Review

You are solely responsible for reviewing and confirming the accuracy of all of the Settlement Amounts and Merchant Activity Reports that you receive or have access to in order to confirm that the payments you receive from us correctly match your Sales Data submissions. If you believe you have received an underpayment, you must notify us immediately so that we may pay you any additional amounts owed. If you fail to provide us with written notice of an objection to a Settlement Amount (or lack thereof) or to any Merchant Activity Report within ninety (90) days of the Settlement date and we cannot recover any misposted funds that should have been paid to you, we will not be required to pay you the amount of any such funds. If you have received an overpayment or a payment is mistakenly sent to you, you must immediately notify us and remit the overpayment to us. You may not spend any overpayment, and if an overpayment is in the Settlement Account, you may not withdraw it except to make arrangements to return it to us. You agree that we may debit your Settlement Account for the amount of the overpayment, or at our option, we may, without prior notification, offset such amounts owed to us from money that we may subsequently owe to you.

If you fail to provide us with prompt written notice as indicated above, you understand



and agree that you are forever barred and stopped from challenging, objecting to, or otherwise disputing either the Settlement Amounts described in your Merchant Activity Reports or the Settlement Amounts paid (or not paid) to you. You also expressly release us from any and all claims, causes of action and defenses arising from, or related to, any Settlement Amount which you have not disputed by delivering actual written notice to us as described above. You acknowledge and agree that this release relates to future claims, and further understand and agree that this release and the related acceptance of responsibility for the review of Merchant Activity Reports and Settlement Amounts are material terms of these Operating Regulations and your Agreement, and without such terms, we would not agree to enter into the Agreement and provide related services in connection therewith.

7.2.5 Suspension of Settlement

We may, in our discretion, change the timing of your Settlement, withhold or suspend Settlement Amounts payable to you without prior notice to you, as required by law (i.e., pursuant to a subpoena or court order) and/or in order to exercise our rights under your Agreement and these Operating Regulations, including the Dispute Rules. In addition, we are not obligated to provide Settlement to you for Sales Data that does not comply with your Agreement, these Operating Regulations, the Dispute Rules, and the Technical Specifications.

7.2.6 Failure by You to Accept Settlement

You will not be entitled to compensation or interest for lost funds availability due to your or your Agent's inability to accept or receive Settlement Amounts or a change in your Settlement Account (see Section 7.2.3.1). If you, your Agent, or the financial institution where your Settlement Account is located is unable to accept Settlement Amounts for any reason, we will pay the amount due to you following our receipt from you or your Agent of bank account or other payment directions that we deem sufficient to permit you or your Agent to accept the Settlement Amounts.

7.3 Payments from Cardholders

You may not receive or process any funds representing a Cardholder's payment to the Issuer. The Issuer has the sole right to receive payment from Cardholders for Card Transactions made at your establishment. If you receive a payment from a Cardholder, you must immediately forward it to us at the following address:

Discover
Merchant Services Center
P.O. Box 3018
New Albany, OH 43054-3018

7.4 Merchant Activity Reports

7.4.1 Description

We shall prepare periodic Merchant Activity Reports describing your Card Transaction activity during the period covered by the report, including the Card Sales, Cash Advances and Credits conducted by you, the Merchant Fees and other Fees applicable to you, any Disputes related to your Card Transactions and any other transactions including



Adjustments. We may provide Merchant Activity Reports to you or make them available for retrieval by you in a method designated by us, including at our Web site. We may charge you a Fee for paper Merchant Activity Reports that we provide to you. If we make Merchant Activity Reports available to you on our Web site, you are responsible for retrieving them. Please verify that each Merchant Activity Report includes the accurate total for all Card Transactions that you accepted and all Sales Data that you transmitted during the period covered by the report.

7.4.2 Waiver of Objection to Fee

You agree to notify us promptly of any objections to the amounts billed in your Merchant Activity Reports. If you do not notify us of any objection to an amount indicated in a Merchant Activity Report within sixty (60) days of the date that we issue the report, you agree to waive your right to object to such Fee



Section 8 Processing Services

The following are the Processing Services that must be performed by Merchants that process their own Card Transactions or by Merchant Processors that provide Processing Services for Merchants. If you use an Agent to perform any of your obligations under these Operating Regulations, also see Section 1.5.

8.1 Authorization Services

8.1.1 Authorization Links

In performing Authorization Services, you shall transmit all Authorization Requests to us and shall receive all Authorization Responses from us by means of either (a) Data Links, including Hosts and/or Equipment as described in your Agreement or (b) Indirect Data Links. If the Data Links are not available, then you shall comply with the Downtime Authorization Procedures described in Section 8.1.2 below.

8.1.2 Stand-In Authorization Procedures

If no Data Link is available to obtain Authorization Responses from us electronically or using our Voice Authorization Services described in Section 3.4.4 and your Agreement permits you to provide Authorization Responses for certain Card Sales under these circumstances ("Stand-In Authorization Services"), such Stand-In Authorization Services must comply with the Stand-In Authorization procedures described below:

1. Refer to your Agreement to determine whether you are permitted to provide Stand-In Authorization Services and for information on the transaction limit or ceiling over which you are not permitted to provide Stand-In Authorization Services.
2. Before you provide an Authorization Response using Stand-In Authorization Services, you must use a Negative File. You shall not provide an approved Authorization Response if the Card Number for which you are providing Stand-In Authorization Services is listed on the Negative File.
3. You shall not provide Stand-In Authorization Services for Card Transactions with Cards within the IIN Ranges that are not eligible for Stand-In Authorization Services as indicated in the Technical Specifications.
4. If you provide an approved Authorization Response using Stand-In Authorization Services under any of the conditions listed below:
 - a. Where not permitted to do so
 - b. For a Card Number that is listed in the Negative File
 - c. For a Card Transaction within IIN Ranges that are not eligible for Stand-In Authorization Services
 - d. Over the transaction limit indicated in your Agreement

then any Card Transactions for which you provided an approved Authorization Response using Stand-In Authorization Services are subject to Dispute.

5. You shall maintain electronic records of all of the Authorization Requests



that you receive and the Authorization Responses that you provide using the Stand-In Authorization Procedures. Upon the reestablishment of your electronic connections for Authorization services, including any Direct Data Links, your system shall promptly transmit to us an Authorization Advice Message for each Card Sale for which you provided an Authorization Response using such procedures. Authorization Advice Messages shall be transmitted to us in the format indicated in the Technical Specifications or as otherwise designated by us promptly following the reestablishment of your Data Link. Authorization Advice Messages may only be generated by your system or transmitted to us or the Issuer when you are providing the Stand-in Authorization Services in accordance with this Section 8.1.2.

6. Each Authorization Request that you receive shall be checked against the Negative File described below before you provide an Authorization Response using the Stand-In Authorization Services. You shall use the most recent version of the Negative File to perform Stand-In Authorization Services. You shall receive an electronic transmission of the Negative File from us on each Wednesday that is a Business Day or on the next Business Day if Wednesday falls on a holiday. You shall immediately retrieve each electronic transmission of the Negative File and shall implement each such Negative File no later than the next Business Day following receipt thereof. Where you provide an Authorization Response through the use of the Negative File, you shall prepare an Authorization Advice Message in the form and format specified in the Technical Specifications or as otherwise designated by us and shall transmit such messages to us promptly following the reestablishment of your Data Link. If the Card Number involved in the Card Sale is listed on the Negative File, you shall respond to the Authorization Request with a negative or declined Authorized Response.
7. If you use Stand-In Authorization Services to perform Authorization Services for Prepaid Cards, such Card Sales are subject to Dispute, as set forth in Section 9.1.2, if the amount that the Issuer would have provided in its Authorization Response is less than the amount for which you provide a positive Authorization Response using such downtime Authorization Services.
8. You may use a third party approved in advance by us to provide Stand-In Authorization Services. You shall obtain our prior written approval before commencing the use of or changing the third party that you to obtain Stand-In Authorization Services.
9. If you use Stand-In Authorization Services to obtain an Authorization Response for a Card Sale with a Card issued within an IIN Range that the Technical Specifications indicate is enabled for Account-Level Processing, you will not receive the Card product in the Authorization Response and you will use the Card product assigned to the IIN Range in which the Card is issued. See Section 5.6 and the Technical Specifications for details regarding Account-Level Processing.

8.1.3 Direct Data Links and Hosts

8.1.3.1 Specifications

You shall obtain Certification from us of the ability of any Direct Data Link to perform



Authorization Services in accordance with your Agreement, these Operating Regulations, and the Technical Specifications. If you use a Host, you shall also obtain Certification of the ability of the Host to perform Authorization Services, receive electronic messages indicating that our System is not available, and your use of the Downtime Authorization Services, in each case as required under your Agreement, these Operating Regulations, and the Technical Specifications.

8.2 Data Capture Services

8.2.1 Direct/Indirect Data Capture

You shall perform the Data Capture Services described in this Section 8.2 as part of the Processing Services. Sales Data and other relevant data shall be transmitted to us by means of either (a) one or more Direct Data Links, including Hosts and/or Equipment, or (b) Indirect Data Links. In the event that the Data Links are unavailable, you shall notify us immediately by telephone at 1-800-633-6932, Option 2.

8.2.1.1 Data Capture Links

The Data Capture Links you use in connection with the Data Capture Services shall be certified by us in accordance with your Agreement, these Operating Regulations, and the Technical Specifications.

8.2.1.2 Sales Data Format

All transmissions of Sales Data to us shall be in the format set forth in the Technical Specifications. Merchant Processors must submit Sales Data to us on a daily basis, not later than twenty-four (24) hours after the Merchant Processor receives the Sales Data from the Merchant. You shall edit all Sales Data prior to transmission to us for purposes of ensuring that the Sales Data complies with our standards.

8.3 Equipment

We may deliver and install upon your premises certain Equipment. You shall specify the appropriate address and location for the Equipment. You and we shall mutually agree upon the delivery and installation date and time for the Equipment. You shall be responsible for providing (a) adequate space for the Equipment on your premises (in an environment consistent with proper operation of the Equipment), (b) adequate electrical power for the Equipment, and (c) installation and maintenance of the connection(s) between the Equipment and your systems. We shall be responsible for all maintenance and repair of the Equipment, including, without limitation, the isolation, or identification of the sources of problems occurring with the Equipment. You agree to cooperate in the maintenance of the Equipment by providing on-site diagnostic assistance, including, without limitation, performing modem tests and reinitializing the Equipment, if necessary. You and we agree to furnish each other with such technical information as is necessary for the proper operation of the Equipment. You agree to permit us or our designated representative reasonable access to the Equipment for purposes of the maintenance, repair, or replacement thereof during the operating hours of your data processing facility containing the Equipment. Such access shall be permitted during your operating hours within two hours of our request in the event the Equipment is in need of immediate repair. We shall be permitted to replace the Equipment with upgraded or substantially identical equipment upon reasonable notice to you, and such replacement equipment shall be deemed to be Equipment hereunder. You shall have no title or interest



in the Equipment and shall protect the Equipment from the attachment of any liens or encumbrances. We shall be permitted to remove the Equipment within a reasonable time after termination of your Agreement and at any other time upon reasonable notice to you. You agree to use at least the same degree of care to protect the Equipment from unauthorized access, theft, vandalism, fire, or other damage or destruction as you use to protect your own equipment. We shall bear all risk of loss of the Equipment except in the event you fail to meet the aforementioned standard of care, in which case you shall be responsible for the damage to the Equipment (but not any indirect or consequential damages) caused by such failure.

8.4 Settlement Services

Certain Merchant Processors Certified and approved by us may provide Settlement Services on behalf of those Merchants identified to us in writing as described below. Before performing Settlement Services, you shall obtain Certification of your ability to perform the Settlement Services from us.

8.4.1 Merchant's Written Approval

Before providing Settlement Services to a Merchant, a Merchant Processor shall obtain the Merchant's written approval to access the Merchant's Settlement Account for Settlement Services and shall send us the Merchant's request to receive Settlement Services from the Merchant Processor. Despite the receipt of Settlement Amounts from a Merchant Processor, Merchants remain obligated to pay us for obligations arising under the Merchant Services Agreement and these Operating Regulations, including such amounts owed for Merchant Fees, Credits, Disputes, and Adjustments.

8.4.2 Reports

A Merchant Processor shall provide Merchants receiving the Settlement Services from the Merchant Processor with daily reports regarding Sales Data processed and settled by the Merchant Processor on behalf of the Merchant. However, the Merchant Processor is not permitted to provide Merchants with any of the following: periodic statements with summaries and details regarding Card Transactions, Dispute Notices, and/or supplies as described in Section 12.2.

8.4.3 Payment of Settlement Amounts and Timing

A Merchant Processor shall accept Sales Data from Merchants and credit or debit, as appropriate, the correct Settlement Amounts to such Merchants' Settlement Accounts. Merchant Processor shall not deduct any amounts from Settlement Amounts payable to Merchants including, without limitation, to collect any amounts owed by such Merchants for Merchant Fees, unless otherwise authorized in writing by us. Merchant Processor shall pay Settlement Amounts no later than the next Business Day after the receipt of Sales Data from the Merchant. We are not liable for any delays in the receipt of funds by Merchants or any errors by third parties in connection with the deposit or collection of Settlement Amounts.

8.4.4 Batch Transmission

Each day, the Merchant Processor shall electronically transmit to us each Sales Data file received from a Merchant that represents the Settlement Amounts paid by you. Merchant



Processor shall submit Sales Data to us for all Merchants that have received payment of Settlement Amounts in batches that are separate from Sales Data submitted to us for Merchants that do not receive Settlement Services from the Merchant Processor.

8.4.5 Reimbursement by Us

We shall process files of Sales Data that are transmitted to us by you. For each file that complies with these Operating Regulations, including the Technical Specifications, we shall initiate an electronic transfer of the Settlement Amount in accordance with the requirements of Section 7.2.

8.4.6 Termination of Settlement Services

If the Merchant Processor fails, for two (2) consecutive Business Days, to initiate on a timely basis and pay Settlement Amounts to a Merchant in accordance with the standards for Settlement Services, we may, without further notice to the Merchant Processor or the Merchant, immediately pay Settlement Amounts directly to such Merchant, thus terminating the Merchant Processor's ability to provide Settlement Services to such Merchant. Further, if we, in our discretion, determine that the Merchant Processor does not provide Settlement Services in accordance with the standards set forth herein, we may, upon notice to the Merchant Processor, terminate the Settlement Services provided by the Merchant Processor. In order to enforce our rights under the applicable Merchant Services Agreement or pursuant to applicable law or legal action or matter, we may, in our sole discretion, request that the Merchant Processor terminate the Settlement Services for any particular Merchant and the Merchant Processor shall, within twelve (12) hours of receipt of notice from us, suspend Settlement Services with respect to a particular Merchant. If permitted by law, the Merchant Processor may refer any subsequent inquiries from the Merchant to us.

8.5 Programming Services for POS Devices

8.5.1 Consent of Owners

You shall be responsible for obtaining the consent of the owners or lessees of POS Devices to permit the processing of Card Transactions on such POS Devices in each case where such consent is required. If you do not provide Programming Services, you must arrange with such owners or lessees to ensure that such parties facilitate any necessary programming of POS Devices to accept Cards.

8.5.2 Responsibility for Errors

If you use a third party to provide Programming Services, such party shall be deemed to be your Agent and you shall be responsible for the acts and omissions of such Agents, including any damages incurred by Merchants or us as a direct result of such third party's actions. Further, you shall be responsible for all errors in Programming Services performed by you regardless of whether the Merchant or third party associated with such error is a customer of yours. If we are informed or reasonably believe that Programming Services have resulted in a misdirected Settlement, we shall notify you, and you shall promptly pay the Merchant who failed to receive Settlement. In this regard, you may not condition payment of the missed Settlement on collecting the misdirected amount from the unjustly enriched party who received them or otherwise attempt to limit your liabilities due to your inability to recover such amounts.



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Section 9 Dispute Resolution

9.1 Dispute Rules Manual

The Dispute Rules are incorporated by this reference into these Operating Regulations and made a part hereof as Appendix 1. The purpose of the Dispute Rules is to provide an orderly process for the resolution of any Disputes involving you and to ensure that the same procedures are followed for resolution of Disputes across the Discover network. Your failure to comply with the Program Documents in your acceptance and processing of a Card Transaction may result in your loss of a Dispute of the affected Card Transaction, as described in the Dispute Rules. In each case that these Operating Regulations refer to a Dispute, please refer to the Dispute Rules for detail.

9.1.1 Dispute Resolution Process

Issuers are directed to encourage Cardholders to contact you directly in an attempt to resolve a Cardholder complaint before the Issuer initiates a Dispute. If the complaint is not resolved between the Cardholder and you, the Issuer may initiate a Dispute using the procedures described in the Dispute Rules.

Once a Dispute is initiated under the Dispute Rules, we facilitate the resolution of the Dispute between you and the Issuer and, if you and the Issuer are unable to resolve the Dispute, you or the Issuer may request that we resolve the Dispute, in each case using the processes described in the Dispute Rules. Issuers act on behalf of their Cardholders in connection with Disputes. Cardholders contact their Issuer to initiate Disputes regarding Card Transactions and the Issuer provides information about the Dispute to us. Issuers and Discover may also initiate certain Disputes. We will provide you with Dispute Notices requesting information about a Card Transaction subject to Dispute. You must respond to Dispute Notices in accordance with the Dispute Rules or you may lose a Dispute and be obligated to repay us for the underlying Card Transactions. When we receive your response to a Dispute Notice, we will forward such information and documentation to the Issuer and/or proceed with resolution of the Dispute, as provided in the Dispute Rules. The Dispute Rules also describe the procedures for Dispute Arbitration. On occasion, we may forward to you requests by an Issuer for a Good Faith Investigation of a Card Transaction, as defined and described in the Dispute Rules, but the underlying Card Transaction will not be subject to Chargeback if you do not respond. In the event of a conflict between the terms of the Dispute Rules and the terms of your Agreement, the terms of your Agreement take precedence over the Dispute Rules.

9.1.2 Disputes for Noncompliance

Any Card Transaction that fails to comply with any of your obligations in the Program Documents is subject to Dispute by us or the Issuer and may result in our Chargeback to you of the Card Transaction. The Dispute Rules describe your rights and obligations with respect to Disputes, including Chargebacks. We may collect any amounts owed by you with respect to Disputes, including Chargebacks, of Card Transactions by offsetting such amounts from Settlement Amounts otherwise payable to you for any Card Transactions. We may, at our discretion, terminate your Agreement immediately if you fail to comply with the terms of the Agreement, these Operating Regulations, the Dispute Rules, and/or the Technical Specifications, subject to any right to cure specified in your Agreement.



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Section 10 Merchant Fees and Other Fees

You agree to pay Merchant Fees, Submission Error Fees, and other Fees to us in the amounts specified by us in writing to you, including either in your Merchant Services Agreement, or amendments thereto, Exhibit B to your Merchant Services Agreement or in other written notices or reports, including Merchant Activity Reports, that we provide to you, as applicable. The Merchant Fee payable by you consists of some or all of the following amounts (a) a percentage of the dollar amount of the Card Sales accepted by you or a Fee for each Card Sale accepted by you (in each case, “Discount”), as described in Section 10.1.1 and (b) Per Transaction Fees, as described in Section 10.1.2. The Submission Error Fees payable by you are described in Section 10.2. You may also be obligated to pay Fees for services that you elect to receive from us, services that you elect to receive from third parties that you agree will be billed by us, and other Fees indicated in our records, including application Fees, set-up Fees, Fees for paper statements, and Fees indicated in the *Dispute Rules Manual* and Technical Specifications.

If you receive daily or monthly Merchant Activity Reports, these reports will indicate the types of Fees that you are required to pay, the method that we use to calculate the Merchant Fees payable by you and the amount of Fees payable by you, including Merchant Fees and Submission Error Fees. If you receive daily or monthly summary Merchant Activity Reports, these reports will provide the total amount of Fees payable by you, including Merchant Fees and Submission Error Fees.

When we establish your Merchant Fee, we rely on information that you provide in your application to become a Merchant, including your expected volume of Card Sales and average Card Sale amount. We may adjust your Merchant Fee, in our sole discretion, if our experience with you as a Merchant is different than the information included in your application.

10.1 Calculating Your Merchant Fee

Your Merchant Fee is calculated in accordance with the one of the following methods as indicated in our records.

10.1.1 Calculating the Discount Portion of Your Merchant Fee

The Discount portion, if any, of your Merchant Fee is calculated as described below. For a Discount based on a percentage of the dollar amount of Card Sales, we will calculate the Discount by multiplying the percentage indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or in a written notice provided to you, as applicable, by either the Gross Card Sales Amount or Net Card Sales Amount, as indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or in a written notice to you, as applicable, for which you transmit Sales Data to us during the Calculation Period. For a Discount based on a Fee for each Card Sale, we will multiply the per Card Sale indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, other written notice from us and/or in your Merchant Activity Reports, as applicable, by either the Gross Card Sales Number or Net Card Sales Number for which you transmit Sales Data to us during the Calculation Period. If your Discount is calculated on the Net Card Sales Amount and your Discount varies based on the type of Card product in a Card Sale as described in Section 10.1.1.1, we will calculate the Discount refunded to you on Credits using the Card product assigned to the IIN Range in which the Card is issued. The Discount and calculation method applicable to you are indicated in one or more of the following



locations, as applicable:

- The terms of your Merchant Services Agreement
- Exhibit B to your Merchant Services Agreement
- Written notice that we have provided to you
- Merchant Activity Reports that we send to you

10.1.1.1 Variable Merchant Fees

If your Discount varies based on the Card product used in a particular Card Sale, the Discount applicable to each Card product will be identified in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, or other written notice to you or in Merchant Activity Reports we send to you, as applicable.

Generally, Discount is calculated based on the Card product assigned to the IIN Range in which the Card is issued. However, for Card Transactions with Cards issued within IIN Ranges listed in the Technical Specifications as enabled for Account-Level Processing, Discount is calculated using the Card product indicated in the Authorization Response. If a Card is issued within an IIN Range enabled for Account-Level Processing and an Authorization Response is not obtained for the Card Sale (e.g., where an Authorization Response is not obtained for Card Sales below a Floor Limit, or an Authorization Response is obtained using stand-in Authorization Procedures described in Section 8.1.2), Discount is calculated based on the Card product assigned to the IIN Range in which the Card is issued, including for Cards within IIN Ranges that are enabled for Account-Level Processing.

For the purpose of calculating your Discount, "Card product" refers to a classification of Cards (i.e., Commercial or Consumer), within such classification, types of Card (i.e., Credit Card, Prepaid Card, or Debit Card) and any category within such classification such as Core, Rewards, Premium, or Premium Plus. We will identify your Discount for Card products as either a specified Discount or a formula. The terms "Rewards Discount," "Rewards Credit," and/or "Rewards Card Sales" replace prior references in your Discount formula to "Credit Card Sales," "Base Discount," or similar terms.

10.1.1.2 Minimum and Maximum Discount

If the Discount payable by you for any type or class of Card product in any Calculation Period is less than the applicable Minimum Discount, you agree to pay the Minimum Discount for each such class or type of Card product. If the Discount payable by you for any type or class of Card product in any Calculation Period is greater than the Maximum Discount, you shall only be obligated to pay the Maximum Discount for each such class or type of Card product.

10.1.2 Calculating Your Per Transaction Fees

If you are required to pay Per Transaction Fees, we will calculate the amount that you owe in Per Transaction Fees for a given Calculation Period as follows: we will multiply the amount of your Per Transaction Fee by the total number of Card Sales or the total number of Card Sales and Credits, as indicated by us to you in writing in your Merchant Services Agreement, in Exhibit B to your Merchant Services Agreement, in another written notice from us and/or in your Merchant Activity Reports, as applicable, for which



you transmitted Sales Data to us during the applicable Calculation Period.

10.1.3 Different Calculation Methods

If your Merchant Fee is calculated using a method other than those specified in this Section 10.1, the calculation method will be described in your Agreement and you will be obligated to pay us Merchant Fees computed in accordance with such other calculation method. The method by which we calculate your Merchant Fees may be changed at our discretion upon written notice to you, if permitted by your Merchant Services Agreement or Exhibit B to your Merchant Services Agreement.

10.2 Submission Errors

10.2.1 Submission Error Fees

You may be obligated to pay Submission Error Fees to us, as required pursuant to your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, other written notice from us to you and/or in your Merchant Activity Reports, as applicable, if certain Card Transactions conducted by you do not comply with our requirements or contain Submission Errors, as described below. We will notify you in writing of any Submission Errors that apply to your Authorization Requests or Sales Data and of any related Submission Error Fees payable by you in connection with such Submission Errors. If you receive daily or monthly Merchant Activity Reports, these reports will indicate the type of Submission Errors and amounts of related Submission Error Fees that apply to your Card Transactions during the Calculation Period, and will reflect the total amount of Submission Error Fees payable by you for the Calculation Period. If you receive daily or monthly summary Merchant Activity Reports, these summary reports will provide only the total amount of Submission Error Fees payable by you for the applicable Calculation Period. The method by which we calculate your Submission Error Fees may be changed at our discretion upon written notice to you if permitted by your Agreement.

10.2.2 Types of Submission Errors

In certain cases, we may refer to an event of noncompliance with the Operating Regulations as a Submission Error. Certain types of Submission Errors are identified below. However, the types of Submission Errors that apply to you will be listed in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or other written notice from us to you, and/or your Merchant Activity Reports, as applicable.

- Voice Usage: Use of a representative rather than an electronic terminal, POS Device or our automated service to obtain Authorization or Address Verification (see Section 3.4.4).
- Required CVV Data Missing or Incomplete: Failure to transmit CVV Data with an Authorization Request (see Section 3.4.1.1).
- Required Address Verification Not Obtained: Failure to obtain Address Verification (see Section 3.4.10).
- Late (“stale”) transaction: Failure to transmit Sales Data to us by the submission deadline (see Section 7.1).



10.3 Cash Advance Transaction Fee

If indicated in your Cash Advance Agreement and you are a Cash Advance Merchant, we will pay a Cash Advance Transaction Fee for each Cash Advance conducted by you in accordance with the requirements in these Operating Regulations. The amount of the Cash Advance Transaction Fee is indicated in your Cash Advance Agreement, other written notice from us to you, and/or in your Merchant Activity Reports. We will pay Cash Advance Transaction Fees on a monthly basis, within fifteen (15) Business Days after the last day of the month that constitutes the Calculation Period. Cash Advance Transaction Fees will be paid using the Settlement process described in Section 7.2.

10.4 Fees for Noncompliance with Security Requirements and Other Fees

10.4.1 Fees for Noncompliance with Security Requirements

If you do not comply with the Security Requirements, we may charge you the Fees indicated in Appendix 3.

10.4.2 Fees for Paper Merchant Activity Reports

We may charge you a Fee if you elect to receive paper, rather than electronic, Merchant Activity Reports. The amount of the Fee will be indicated in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement or other written notice from us, and/or in your Merchant Activity Reports, as applicable.

10.4.3 Application Fee

We may charge you a one-time application in an amount communicated to you at or before the time you submit your application to become a Merchant. If your application is approved, the amount of the application will appear on your Merchant Activity Report as “One-Time Application Fee.”

10.4.4 Acceptance Mark Noncompliance Fee

We may charge you the Fees set forth in Appendix 3 attached hereto if you fail to comply with the terms of the License and any other usage requirements in these Operating Regulations and/or the *Discover Trademark Use and Marketing Guidelines*, which is available online on the Merchant resources site at DiscoverNetwork.com, governing your use and display of the Discover Acceptance Marks, misuse or improperly display signage or advertising materials with the Discover Acceptance Mark, and the use of any Other Acceptance Marks.

10.4.5 Noncompliance with Program Documents

We may charge you the Noncompliance Fees set forth in Appendix 3 attached hereto for each discrete event of noncompliance by you or your Merchant Processor with one or more of your of your material obligations in the Program Documents as described in Section 17.6.

Upon receipt of written notice of noncompliance, you may cure such noncompliance within the period set forth in Appendix 3. For certain events of noncompliance, you may be required to obtain Certification of your compliance. If we, in our discretion, determine that such cure is not effective within the specified cure period, you will be obligated to



pay the Noncompliance Fee in accordance with Section 10.

10.4.6 Other Fees

If we incur any costs as a result of the exercise of our rights under your Agreement and/or these Operating Regulations or any other document or agreement governing your and our relationship in connection therewith or herewith, we may require you to reimburse us for such costs, which may include, but are not limited to, Fees associated with the method that we use to pay Settlement Amounts to you. In addition, you further agree to pay us for set-up Fees, fixed monthly Fees, and other Fees indicated in the Dispute Rules and/or the Technical Specifications, as set forth in your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, or other written notice from us, as applicable, or in our Merchant Activity Reports.

10.5 Fees of Third Party Service Providers

In addition to the Fees you owe to us under your Agreement, these Operating Regulations and the Dispute Rules or otherwise, we may also bill you and collect Fees and charges from you on behalf of a third party service provider with which you have entered into a separate contract, **and if you are billed directly by such third party for services pursuant to your contract with such third party, you authorize us to provide your Settlement Account information to such third party service provider where such third party indicates to us that you have authorized the use of your account for such purpose.** The terms and conditions of your use of such third party service providers and the services they provide to you are governed solely by your agreements with such third party service providers and our billing to you and collection from you of Fees on behalf of any such third party service providers in no way constitutes our endorsement of the services promised or received by you from such third party providers and in no way obligates us to supervise or otherwise makes us responsible to you for the performance of or by such third party service providers. You agree not to bring any claims you may have against such third party service providers or relating to their services against us, even if we have already billed you and collected from you Fees and charges relating to the disputed services.

10.6 Collecting Your Fees

We will calculate and collect the total amount of Fees that you owe us, including, without limitation, Merchant Fees and Submission Error Fees, if any, on a daily, monthly, or other applicable period basis, depending on your method of Settlement and the appropriate Calculation Periods determined by us and indicated in a notice to you. If we collect your Merchant Fees and/or Submission Error Fees monthly, or on any basis more frequently than monthly, we may, upon thirty (30) calendar days' notice to you, increase the frequency at which we collect, and the method of calculating, Merchant Fees and/or Submission Error Fees from you, including, without limitation, daily collection, if, in our sole judgment, we believe your financial condition warrants it or if you have previously failed to satisfy any obligation to us in a timely manner. We may, and you authorize us to, use any or all of the following means, at our discretion and not necessarily in the order listed below, to collect Fees from you (a) debit to your Settlement Account; (b) offset the total amount of Fees owed by you, including Merchant Fees, Submission Error Fees and s for noncompliance with the Security Requirements in Section 14 of these Operating Regulations, from the Settlement Amount we would otherwise pay you, or (c) you will



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pay us any amounts that you owe us on demand.



Section 11 Fraud Prevention

We have implemented procedures and policies intended to help protect Merchants and Cardholders from fraudulent Card usage. By following the risk management and fraud prevention and detection requirements in these Operating Regulations, you will help to protect the interests of your business and those of your valued customers.

11.1 Card Security Features

You must review the validity of Cards presented for Card Sales and Cash Advances and must verify that any Card presented is valid prior to initiating a Card Transaction. You may verify the validity of a Card by examining it to confirm that it includes the features described in this section. Please be sure that you and your employees are familiar with the features of valid Cards. If we determine that a Card involved in a Card Transaction did not display one or more of the features of a valid Card, the Card Transaction may be subject to Dispute, including Chargeback.

11.1.1 Card Security Features Common to All Standard Rectangular Plastic Cards with a Discover Acceptance Mark

All valid standard rectangular plastic Cards bearing the Discover Acceptance Mark, as indicated below, include the following common characteristics and distinctive features.

- Cards display a three-dimensional hologram on the front of the Card OR a three-dimensional holographic magnetic stripe on the back of the Card. Valid Cards do not display holograms on both front and back.
- Card Numbers composed of 16 digits are displayed on the front of the Card.
- Card Numbers are clear and uniform in size and spacing within groupings.
- An embossed security character, displayed as a stylized “D” appears on the same line as the embossed “Member Since” date or “Year Joined” date (if present) and the “Valid Thru” date.
- The embossed “Valid Thru” date, if present, appears in an mm/yy format and indicates the last month in which the Card is valid.
- “DISCOVER” or “DISCOVER NETWORK” will appear in ultraviolet ink on the front of the Card when it is held under an ultraviolet light.
- An underprint of “void” on the signature panel becomes visible if erasure of the signature is attempted.
- An overprint on the signature panel reads “Discover” or “Discover Network.” On some cards, the overprint may display the name of the card (e.g., Discover 2GO, Discover Platinum).
- CID must be printed in a separate box to the right of the signature panel on the back of the Card.



Note: Valid Cards may not always be rectangular in shape (e.g., Discover 2GO Card) and certain valid Contactless Payment Devices approved by us for use in accessing Card Accounts (e.g. radio frequency- (RF-) enabled Cards, key fobs, and Mobile Commerce Devices) may not display the features described above.

11.1.1.1 Debit Card, Credit Card, and Prepaid Card - Identity Known Security Features

In addition to the common security features for all Cards listed above, most standard rectangular Debit or Credit Cards and Prepaid Cards - Identity Known include the following distinctive features:

- The Discover Acceptance Mark will appear on either the front or the back of the Card or on both sides of the Card.
- The embossed “Member Since” or “Year Joined” date (optional for Debit Cards and Prepaid Cards - Identity Known) appears on the front of the Card.
- The embossed stylized “D” appears on the same line as the embossed “Member Since” date (optional for Debit Cards and Prepaid Cards - Identity Known) and “Valid Thru” (if present).
- The Cardholder name and if applicable, business name, is embossed on the front of the Card.

11.1.2 Other Prepaid Card Features

The front of a Prepaid Card may display “Temporary Card,” “Prepaid Card,” “Gift Card,” or “Electronic Use Only.”

Prepaid Gift Cards accepted at a limited, specific list of Merchants may, but are not required to display a Discover hologram, and may, but are not required to, bear a Discover Acceptance Mark.

Unembossed Prepaid Cards display a printed Card Number. The “Valid Thru” date and the Cardholder Name may or may not be printed on the Card. The embossed “D” security character is not present. “Electronic Use Only” is printed on the front or the back of an unembossed Card. You must obtain an Authorization Response electronically using a POS Device for unembossed Prepaid Cards.

Note: You may lose a Dispute of a Card Sale involving an unembossed Prepaid Card if you “key enter” Card information into a POS Device and you do not use the electronic Authorization procedures described in Section 3.2.2 to obtain an Authorization Response for a Card Present Sale.

11.1.3 Contactless Payment Device Security Features

The features indicated below are found on valid Contactless Payment Devices approved for use in accessing Card Accounts and to conduct Contactless Card Transactions in accordance with these Operating Regulations and the Technical Specifications:

- Standard, plastic, rectangular Cards that are also Contactless Payment Devices will bear the security features described in Section 11.1.1 above
- Contactless Payment Devices other than Mobile Commerce Devices will bear the Discover Zip Indicator:



11.1.4 Card Security Features Common to All Standard Rectangular Cards with a Diners Club International® Acceptance Mark

All valid standard rectangular plastic cards bearing the Diners Club International® Acceptance Mark include the common characteristics and distinctive features listed in this Section 11.1.4.



11.1.4.1 Front of Card

All Cards described in this Section 11.1.4.1 display the following security features on the front:

- A Diners Club International Acceptance Mark in upper left corner
- Two-character alphanumeric code printed in the lower right corner
- Embossed 14-digit Account Number
- Embossed digits on the Card must be clear and uniform in size and spacing within groupings
- Embossed expiration date appears in MM/YY format and indicates the last month in which the Card is valid

Note: Some valid Cards bearing a Diners Club International Acceptance Mark display a printed, unembossed Card Number. If a Card Sale involving a Diners Club International Card with an unembossed Card Number cannot be completed by swiping the Card through the POS Device, the Card should not

be accepted for the Card Sale. Such Card Sale may be subject to Dispute.



11.1.4.2 Back of Card

Cards described in this Section 11.1.4.2 display the following security features on the back:

- Three-dimensional holographic magnetic stripe bearing the Diners Club International Acceptance Mark. The holographic magnetic stripe reflects light as the Card is rotated.

Note: In some instances, a standard black magnetic stripe is displayed on the back of the Card. Cards issued before January 1, 2009 may not display the acceptance marks shown above.

- The tamper-evident signature panel displays the Diners Club International Acceptance Mark printed in blue in a repeated fashion over a white background. An underprint of the word "VOID" becomes visible if the signature panel is removed or erased.
- 3-digit CID is indent-printed after the Card Number on the signature panel on the back of the Card. CID may appear alone, directly following the full Card Number, or following the last four (4) digits of the Card Number.

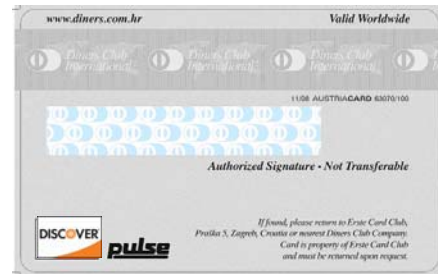
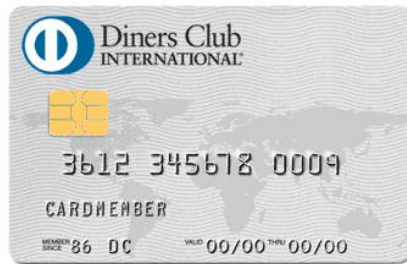


11.1.5 Card Features Common to All Chip Cards with a Diners Club International Acceptance Mark

In addition to features detailed in Section 11.1.4, Chip Cards with a Diners Club



International Acceptance Mark display an integrated circuit chip on the front and a shortened signature panel on the back, as shown below.



11.1.6 Identification and Security Features of Cards with an Other Acceptance Mark

Certain Cards accepted on the Discover network will bear an Other Acceptance Mark. Cards bearing the same Other Acceptance Mark will have the security characteristics and distinctive features described below to assist Merchants in identifying valid Cards.

11.1.6.1 Common Security Features to Cards with the China UnionPay Mark

All Cards bearing the China UnionPay Mark, displayed below, include the following common characteristics and distinctive features:

- A 16-digit Card Number starting with “622,” “624,” “625,” “626,” or “628” is embossed on the front of the Card.
- Embossed digits on the Card should be clear and uniform in size and spacing.
- The embossed expiration date appears in mm/yy format and indicates the last month in which the Card is valid.
- The Card contains a magnetic stripe.
- A three-dimensional hologram image of Heaven Temple in the foreground with Chinese characters in the background appears on the front of all such Cards. The hologram reflects light as it is rotated.
- “Valid Thru” and the Cardholder name (which may not be in English) are embossed on the front of the Card.
- Three-digit CID appears on the upper right corner of the signature panel.

Note: Text on Cards bearing the China UnionPay Mark may not be printed in English. **If your Merchant Services Agreement permits you to operate outside the United States, you may only offer China Unionpay Card acceptance on the Discover network in the United States, Mexico, the Caribbean, and Canada if your Merchant Services Agreement permits you to operate in such locations.**





11.1.6.2 Security Features on Cards with the JCB Mark

All Cards bearing the JCB Mark, displayed below, include the following common characteristics and distinctive features:

- Card Numbers are made up of 16 digits, starting with “35” embossed or printed on the front of the Card.
- Embossed digits on the Card should be clear and uniform in size and spacing within groupings.
- The Cardholder name and, if applicable, business name, is embossed on the front of the Card.
- The JCB Mark appears on the front of the Card.
- A three-dimensional hologram image of rising sun, rainbow, and “JCB” in micro lettering appears on either the front or the back of the Card. The hologram reflects light as it is rotated.
- The embossed expiration date appears in mm/yy, mm/yy or mm/dd/yy format on the front of the Card and indicates the last month in which the Card is valid.
- The Card contains a magnetic stripe on the back of the Card.
- The word “JCB” appears in ultraviolet ink on the left bottom of the front of the Card when held under an ultraviolet light.
- The first 4 digits of the Card Number match the 4-digit number pre-printed just below the embossed Card Number on the front of the Card.
- The first 4 digits of the Card Number displayed on the signature panel on the back of the Card match the last 4 digits of the Card Number that appears on the front of the Card.
- The last 4 digits of the Card Number on the back of the Card are followed by the 3-digit Card ID.
- An overprint on the signature panel reads “JCB” in two colors, blue and green.
- Some Cards have an embedded integrated circuit chip on the front of the Card.
- The words "GOOD THRU," "VALID DATES," "VALID THRU," and "EXPIRATION DATE" must be printed near the expiration date. The corresponding words in the language of the country where the JCB Card is issued may also be printed. The words "MONTH/YEAR" or the corresponding words in the language of the country where the JCB Card is issued may be printed above or below the expiration date.

Note: Some valid Cards bearing the JCB Mark will have a printed, unembossed Card Number on the Card. If a Card Sale involving a valid JCB Card with an unembossed Card Number cannot be completed by swiping the Card through the POS Device, the Card should not be accepted for the Card Sale. If you accept a Card that displays a printed, rather than embossed, Card Number



and you are required to obtain a Card imprint, the Card Sale may be subject to Dispute for failure to obtain an imprint of security features required to be embossed on the Card.



Note: If your Merchant Services Agreement permits you to operate outside the United States, you may only offer JCB Card acceptance on the Discover network in the United States.

11.1.6.3 Security Features on Cards with Other Acceptance Marks

From time to time we may provide you in writing, including by publication on our Web site, detail regarding security features of Cards bearing Other Acceptance Marks.

11.2 Card Retrieval Requirements

Some Issuers may request you to retain a Card that is suspected of being counterfeit, is in the possession of someone other than the Cardholder or a person authorized by the Cardholder to use the Card or that is suspected of being used fraudulently. Under such circumstances, you may receive a “pick-up Card” or “call center” message in response to an Authorization Request. When complying with such a request, you must use reasonable, lawful means to retain the Card. Once retained, the Card must be cut in half and mailed to the following address:

Discover
Attn: Network Security
P.O. Box 3013
New Albany, OH 43054

Payment of a reward for your retention of Cards in response to an Issuer’s pick-up Card request is at the discretion of the Issuer. You will bear all responsibility for claims, liabilities, costs, and expenses as a result of any attempt by you, your employees or any vendors or Agents to retain a Card without the Issuer’s direct request or any failure to use reasonable, lawful means in retaining or attempting to retain a Card.

11.3 Reminders to Minimize Fraudulent Card Usage

In addition to following proper Authorization procedures described in these Operating Regulations, you and your employees should pay careful attention to both the Card presenter and the Card presented. In particular, you should follow the following procedures for every Card Transaction:

- Verify that the Cardholder’s signature on the Transaction Documentation matches the signature on the back of the Card (if the Card is of a type that bears a signature panel). If the signature on the back of the Card does not



match the signature on the Transaction Documentation, please call us at 1-800-347-1111 and ask for a “Code 10” Authorization (see Section 3.5 for further instructions).

- If the Card has a signature panel, check the signature panel for signs of erasure or alteration. Do not accept the Card if the word “void” appears in the signature panel.
- Check the Card expiration date and do not accept any expired Card unless you have called the Authorization Center and received approval to accept the Card.
- Examine the Card for signs of alteration. Check the security features on the Card to ensure that they are valid, including, without limitation, checking Cards to determine if the stylized “D” is present (if applicable).
- Examine the hologram on the Card and ensure that it is three-dimensional, reflects light, and appears to move as you rotate the Card.
- If you have any doubts about the validity of the Card or the Card presenter, request and review additional identification from the Card presenter.
- If you are using a POS Device to capture and process Card Transactions, verify that the Card Number printed on the Transaction Receipt matches the Card Number embossed on the front of the Card.
- Follow procedures for Address Verification if conducting a Card Not Present transaction (see Section 3.4.10).
- Enter the CID for Authorization Requests, as described in Section 3.4.1.2.

11.4 Factoring

Factoring is an impermissible activity in which a Merchant submits Authorization Requests and/or Sales Data for Card Sales or Cash Advances that were conducted by another Person. You are expressly prohibited from factoring another Person’s Card Transactions. If a Cardholder expresses a complaint or dissatisfaction with the goods or services supplied by a Person for whom you submitted Authorization Requests and/or Sales Data, such Card Transactions may be subject to Dispute and you will be responsible for the Dispute, including any Chargeback of the Card Transaction. In addition, we may terminate your Agreement for factoring. If another business asks you to factor Authorization Requests or Sales Data for them, please notify our Security Department immediately at 1-800-347-3083.

11.5 Type of Business

11.5.1 Changes in Business

We have considered your application to become a Merchant and proposed the terms of your Agreement based upon the information you provided in your application, including the type and kind of business you conduct. You must notify us immediately if you engage in, or in the future intend to engage in, any new lines or types of business activities not disclosed on your application or if you materially change your business activities. You also must notify us immediately in writing or by calling 1-800-347-2000 under each of the following circumstances:



- Change of ownership
- Change in type or kind of business
- Change in your MCC
- Change in business name (legal or doing-business as) or address
- Change in Settlement Account
- Change in your Merchant Processor or POS Device provider
- Closing or liquidating your business entirely or any locations
- Change in your processing method (e.g., changing from use of Sales Slips to POS Device) or change to a Merchant Processor from where you previously did not use a Merchant Processor
- If you are or become a party to a voluntary or involuntary bankruptcy case under the Bankruptcy Code, become subject to a receivership proceedings or otherwise dissolve your business
- Change in the federal tax identification number listed in our records
- Entering into a loan agreement with a third party that seeks to affect the Agreement or change Settlement directions
- Change to the entity that is a party to the Agreement or entities listed in our records, including by merger or acquisition
- Change to or from a business that conducts exclusively retail sales to one that accepts Card Sales by Internet, telephone, or mail

11.5.2 Failure to Notify Us

If you fail to notify us of certain events as required by your Agreement or these Operating Regulations, we may terminate your Agreement. In addition, we may reject Dispute and/or Chargeback any Card Transactions related to a new business activity about which we have not been notified. We may charge you a different Merchant Fee or assess other Fees to you for any Card Sale related to any of your new business activities if we elect to process that Card Sale.

11.5.3 Prohibited Merchant Categories

We may, from time to time, identify types of businesses that are not eligible to be Merchants due to the nature of the business or excessive risk. We may terminate your Agreement immediately if we, at our discretion, determine that you are not in compliance with the laws and sanctions programs administered by OFAC and/or other Requirements of Law **applicable to us**; or your participation in the Discover network and/or acceptance of Cards may cause us to not be compliance with Requirements of Law **applicable to you or us**; or you are operating in or accepting Cards in connection with any of the following types of businesses (each a “Prohibited Merchant Category”):

- (a) Sale of any goods or services using deceptive or predatory practices **and/or in violation of Requirements of Law applicable to you or us, including laws prohibiting deceptive practices or regulation of the industry in which you operate**



Merchant Operating Regulations R11.1 Fraud Prevention

- (b) Collection agency, debt consolidation service, credit reporting service, credit cleansing service, and/or payment service provider (PSP) (except as otherwise permitted by us in writing after the effective date of these Operating Regulations)
- (c) Sale of quasi-cash or other monetary value unless otherwise permitted by us in writing; Internet gambling; telemarketing or other prize packages that require the use of a Card
- (d) Sale of tobacco and/or related products over the Internet without demonstrating compliance with all applicable federal, state and local laws to the satisfaction of the U.S. Department of Justice Department of Alcohol, Tobacco and Firearms and any applicable state attorney general; the sale of any goods or services similar to those described above

Note: If you sell age-restricted products, you are responsible for validating the legal age of the purchaser and shall not conduct Card Sales with minors, as required by law, including Card Not Present transactions. If you do not establish effective age verification procedures, we may, at our discretion, terminate your Agreement immediately. The presentation or use of a Card does not guarantee that the Cardholder is of legal age to purchase an age-restricted product.

- (e) Any activity that may cause us or the Program Marks to experience damage or adverse publicity; any other activity or service deemed illegal by any U.S. federal, state, **provincial**, or local law, statute or regulation (e.g. aiding, facilitating or offering gambling services, including Internet gambling services; establishing quasi-cash credits or monetary value of any type that may be used for Internet gambling; the **knowing** sale of Counterfeit **Merchandise**; the sale of alcohol, tobacco or firearms to minors; the direct or indirect sale and/or distribution of child pornography) or any other illegal purpose or the sale or marketing of a product or service for illegal purposes
- (f) **Sale of any goods or products that consist of endangered species or their products (any species included in any one of the Appendixes to the Convention on International Trade of Endangered Species)**
- (g) Sell or facilitate the sale of pharmaceutical products requiring a prescription, or offer, sell, or facilitate the provision of medical consultations or services that result in a prescription: (a) without proper licenses and/or not in compliance with Requirements of Law and policies, rules, and/or **best practice** statements published by applicable state licensing boards and other authorities; or (b) without verifying that the patient obtained a valid prescription for a legitimate purpose in the usual course of professional practice following at least one medical evaluation of the patient by a medical practitioner conducted in person or through the practice of telemedicine, in each case in accordance with Requirements of Law and policies, rules, and/or **best practice** statements published by applicable state licensing boards and other authorities.



Section 12 Merchant Support

12.1 Merchant Assistance

Discover offers toll-free telephone assistance for all supply orders and general inquiries at 1-800-347-2000 on Business Days during publicized business hours of operation, except on certain federally-recognized holidays. Additionally, our Authorization and Address Verification Services are available 24 hours a day, 7 days a week, at 1-800-347-1111. Trained personnel are available to provide you with the service you need. Our Merchant Services Center may also be reached by mail at the following addresses:

Discover
Merchant Services Center
P.O. Box 3016
New Albany, OH 43054-3016

Discover
Merchant Services Center
P.O. Box 52145
Phoenix, AZ 85072-2145

12.2 Supplies

Door decals and signage displaying Discover Acceptance Marks are available to you at no charge. If you send paper Sales Data to us for processing, you will also receive a Merchant Identification Plastic. Additional supplies and signage can be ordered online by visiting our Web site at DiscoverNetwork.com or by calling our Merchant Services Center at 1-800-347-2000.

12.3 Online Services

Services we offer that are available on the Internet can be accessed through our Web site at DiscoverNetwork.com. This Web site provides you with tools to facilitate your use of the many benefits provided by Discover. At this Web site you can:

- Review Dispute Notices
- Review your Merchant Activity Reports
- Order supplies and signage
- Review Discover Acceptance Mark Guidelines
- Submit questions or suggestions to us at your convenience
- Learn about special promotions and offers
- Access reference materials
- Learn of the latest news about Discover

12.3.1.1 Online Services Guidelines

When using our online services, please follow these guidelines:

- Prevent unauthorized access to DiscoverNetwork.com by protecting your Login ID and PIN.
- Periodically review your list of authorized users on DiscoverNetwork.com to



ensure it is current and accurate.

12.4 Call Monitoring

You agree that we, our Agents, or service providers may monitor and/or record our telephone calls with you for quality assurance and training purposes.

12.5 Permission to Use Cell Phone

You agree that that we and third party service providers may use your cell phone to contact you in connection with the Agreement and/or to offer other services.



Section 13 Confidentiality

13.1 Definition of Confidential Information

13.1.1 Our Confidential Information

During the negotiation and/or during the term of your Agreement, you, your employees, officers, directors, Affiliates, and Agents may have access to and receive disclosure of Our Confidential Information. “Our Confidential Information” means information provided by or with respect to: us, Issuers, other participants in the Discover network, and our and their respective Affiliates (in each case, “Our Disclosing Party”) including, but not limited to, the following.

13.1.1.1

Personal, biographical, and other information about Cardholders, including without limitation, names, addresses, telephone numbers, credit information, Card Transaction history and patterns, whether in discrete or collective form; information about individual and collective Card Accounts, including, without limitation, the available credit or funds on Card Accounts, credit limits on Card Accounts, Card Transaction history, and the terms of Cardholder agreements with Issuers; Cardholder Data, Cardholder information, Sensitive Authentication Data, and Card Transaction information, including, without limitation, the contents of Authorization Discover Requests, Authorization Responses, or Sales Data.

13.1.1.2

Information provided by or regarding Issuers, including, without limitation, the contents of each Authorization Response, including any Authorization Code or the reason for any Authorization Response by the Issuer; discrete and collective information regarding Cards issued by individual Issuers; and the identity of Issuers.

13.1.1.3

Any of the following of or related to Our Disclosing Party: objectives; marketing philosophy, strategy, and goals; fees, individually or in the aggregate; know-how; trade secrets; technological developments; business procedures; competitive advantages and disadvantages; market share; market penetration; customer names and addresses; methods of operation; financial results; information maintained on our systems; types and brands of equipment, accessories, collateral materials and other technology used by Our Disclosing Party; and any other written or verbal information considered confidential and/or proprietary by Our Disclosing Party that is revealed or obtained in the course of or in connection with the negotiation and/or performance of your Agreement.

13.1.1.4

The terms of your Agreement, these Operating Regulations and documents incorporated by reference into or attached to your Agreement or these Operating Regulations, including, without limitation, the Technical Specifications and Dispute Rules and the Discover Merchant Numbers assigned by us.



13.1.1.5

All notes, analyses, and studies prepared by or on behalf of you, your Affiliates, officers, directors, employees, representatives, or Agents incorporating any of Our Confidential Information.

13.1.2 Your Confidential Information

In performing our obligations pursuant to your Agreement, we may have access to and receive disclosure of certain confidential information about you and/or your Affiliates (“Your Disclosing Party”), including, but not limited to the following (collectively, “Your Confidential Information”).

- Your individual sales volume, market share, and/or amount of average sale, provided that the foregoing information shall not constitute Your Confidential Information if aggregated with similar data from other Discover Merchants.
- Your financial results, technological developments, marketing philosophy and objectives, competitive advantages and disadvantages, and other information regarding the business and affairs of Your Disclosing Party that you reasonably consider to be confidential and proprietary.

13.2 Restrictions on Disclosure of Confidential Information

Each party as the receiving party agrees not to use the Confidential Information of the other party as the disclosing party nor to disclose such information to any third party, except (a) as may be necessary for the receiving party to perform its obligations pursuant to your Agreement and these Operating Regulations; (b) the receiving Party may disclose the disclosing party's Confidential Information in response to a subpoena or order of a court, an agency or government authority of competent jurisdiction and, if the receiving party is a governmental entity, under the Freedom of Information Act (FOIA) (e.g., bids, RFPs), in each case where such subpoena, order or FOIA request is binding on the receiving party and compels disclosure of the disclosing party's Confidential Information, provided that the receiving party will, to the extent permitted by applicable Requirements of Law, immediately notify the disclosing party of the receipt of such subpoena, order or FOIA request so as to permit the disclosing party to contest such subpoena, order or FOIA request or to seek an appropriate protective order; or (c) as agreed upon in writing by the parties **subject to the limitations in Section 13.2.1**. If either party as the receiving party shall disclose the disclosing party's Confidential Information to a third party in accordance with your Agreement or these Operating Regulations, the receiving party shall cause the third party, except such parties that submit FOIA requests to governmental entities, to agree to (a) the confidentiality provisions set forth in this Section 13.2, (b) not to receive or disclose Sensitive Authentication Data other than as necessary to complete Card Transactions, and (c) to treat Sensitive Authentication Data and Cardholder Data in accordance with the Security Requirements, and the receiving party shall remain responsible for any subsequent disclosure of such Confidential Information by such third party and any noncompliance by the receiving party and/or the third party recipient with receiving party's obligations hereunder, including, without limitation, any disclosure by the third party to any other party who is not authorized to receive such Confidential Information.



13.2.1 Our Confidential Information

You agree, on behalf of yourself, your Affiliates, and each of your and their respective directors, officers, employees, Agents and representatives, to maintain the information security procedures described in Section 14 and to maintain the confidentiality of Our Confidential Information, including, where applicable, by complying with the Security Requirements. You also agree on behalf of yourself, your Affiliates, officers, directors, employees, Agents and representatives that, during the term of your Agreement and thereafter without limitation:

13.2.1.1

You shall maintain Our Confidential Information, including the terms of the Program Documents, Cardholder Data, and Sensitive Authentication Data as strictly confidential and not disclose any of Our Confidential Information to any third party, including any of your Affiliates, partners, shareholders, directors, officers, employees, representatives or Agents; provided that, without limiting the other provisions of this Section 13, you may reveal Our Confidential Information to those of your Affiliates, partners, shareholders, directors, officers, employees or Agents as is necessary to enable you to accept Cards and who are engaged in the implementation of policies, programs, or procedures in connection with your acceptance of Cards if you require such Affiliates and Agents to (a) protect Our Confidential Information in accordance with this Section 13.2, (b) limit their use of Sensitive Authentication Data to that which is necessary to complete a Card Transaction; and (c) treat Sensitive Authentication Data and Cardholder Data in accordance with the Security Requirements. **You shall obtain the Cardholder's consent if you seek to disclose to a third party any Cardholder Data or any other information identified in Section 13.1.1.1 that you obtain during or in connection with a Card Sale.**

13.2.1.2

You shall use Our Confidential Information for the sole and exclusive purpose of complying with your obligations under your Agreement and these Operating Regulations.

13.2.1.3

You agree not to compile, analyze, assemble, or otherwise manipulate any of Our Confidential Information for any purpose and shall not permit any third party to do so using information provided by you.

13.2.1.4

You agree that Card Numbers and Discover Merchant Numbers constitute our property and Our Confidential Information. You agree not to use, sell, distribute, or otherwise provide any such Card Number or Discover Merchant Number to any other party, except in connection with the performance of your obligations under your Agreement and these Operating Regulations. You also agree to dispose of any materials containing such Card Numbers and Discover Merchant Numbers in a manner that will cause such of Our Confidential Information to be substantially unreadable.

13.2.2 Your Confidential Information

We will reveal Your Confidential Information only to those of our directors, officers, or employees of any of our divisions, subsidiaries or Affiliates and to our Agents that are



involved in the development of Card programs, the operating of the Network or the facilitation of processing Card Transactions and who are engaged in the implementation of policies, programs, or procedures in connection with your acceptance of Cards and/or who perform certain research and analysis of data related to Discover. In addition, we may reveal Your Confidential Information in order to comply with our obligations under Requirements of Law, as requested by any government agency and to regulators, examiners, auditors, counsel, and their respective representatives.

13.2.3 Exclusions

Our Confidential Information and Your Confidential Information shall not include information which is:

- Known to the receiving party prior to commencing any discussions with the other party on the subject matter of your Agreement or these Operating Regulations and without violation of any obligation of confidentiality
- Known or becomes known to the public generally through no fault or action of the receiving party
- Lawfully revealed to the receiving party without violation of any obligation of confidentiality
- Developed by the receiving party as a result of its own internal efforts and not as a direct or indirect result of the disclosure of information by the disclosing party

13.3 Ownership

Each party shall retain exclusive ownership of its Confidential Information. Upon request or following termination of the Agreement, each party shall return the other party's Confidential Information. Each party acknowledges the irreparable harm that would be caused to the owner of Confidential Information if such Confidential Information were used or disclosed in violation of these agreements. Each party, as the recipient of the other party's information, agrees that if the recipient of such Confidential Information violates the terms of this Section 13, the owner of such Confidential Information may terminate the Agreement immediately, and, in addition to other rights and remedies the owner of such Confidential Information may have, the owner of such Confidential Information shall be entitled to seek injunctive or other equitable or legal relief to prevent any continuing violation. Any violation of this Section 13 shall be considered a material breach of the Agreement that is grounds for immediate termination of the Agreement. The provisions in Section 13 shall survive the termination of the Agreement.

13.4 Your Consent to Our Use of Certain Information

Notwithstanding any other provisions of this Section 13, you consent to our collection and disclosure of the following information to Issuers, prospective Issuers, current and prospective Acquirers, regulatory authorities and other Persons to whom we are required to provide such information and to our and each of their respective Affiliates, agents, subcontractors, and employees for the purposes we deem necessary in our reasonable discretion, including in connection with our exercise of our rights or performance of our obligations under your Agreement and these Operating Regulations, the Technical Specifications, the Dispute Rules and/or pursuant to Requirements of Law, sanctions



programs administered by OFAC and/or our enforcement of the Security Requirements:

- Information about the Card Transactions conducted by you, including Card Transaction data required by these Operating Regulations, the Technical Specifications, and the Dispute Rules, to be delivered to us in connection with Authorization Requests, Sales Data, and Dispute responses
- Aggregate and individual Merchant information and detail about the Card Transactions accepted by Merchants, including the MCC assigned to you
- Collective and detailed information about your Card Transactions, Disputes, and other information reasonably required by us during an investigation of or relating to you or your participation in the Network
- Information regarding the aggregate number, type, and kind of Card Transactions accepted by Merchants, individually and in the aggregate

13.5 Return or Destruction of Our Confidential Information

Upon the termination or expiration of your Agreement, you shall, and shall ensure that any parties to whom you have disclosed any of Our Confidential Information shall, comply with our instructions regarding the disposition of Our Confidential Information, which may include the return or certified destruction of any and all of Our Confidential Information—including any electronic or paper copies, reproductions, extracts or summaries thereof—provided that you may retain a reasonable number of copies of any tangible property containing Our Confidential Information, subject to the terms of these Operating Regulations, which may be used solely for regulatory and record-keeping purposes and may not be used for any other purpose.



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Section 14 Data Security

14.1 Data Security Procedures

You must comply, and must ensure that your Agents, including Merchant Processors, comply, with the Security Requirements to the extent applicable. You agree that, in exercising our rights under this Section 14, we may contact you or any of your Agents, including Merchant Processors, directly.

You shall ensure that the data security procedures maintained by you and your Agents, including Merchant Processors, preserve the confidentiality of our Confidential Information, including Cardholder Data and Sensitive Authentication Data, in accordance with your obligations in this Section 14 and Section 13.1. You agree on behalf of yourself and your Agents, including Merchant Processors, that the following restrictions apply with respect to your and their respective access to and handling of our Confidential Information, including Cardholder Data and Sensitive Authentication Data:

- (a) Sensitive Authentication Data obtained in connection with a Card Transaction will not be retained after receipt of an Authorization Response.
- (b) Sensitive Authentication Data will not be recorded on Transaction Documentation or any other records or evidence of Card Transaction.
- (c) Any processing, transmission, or storage of Cardholder Data will be conducted in accordance with the Security Requirements.

You shall ensure that each new implementation of payment applications by you and your Agents, including Merchant Processors, is compliant with the Payment Card Industry Payment Application Data Security Standard (“PA-DSS”). A list of PA-DSS compliant applications is located at www.pcisecuritystandards.org.

14.2 Data Security Compliance Validation

We may periodically require that you validate your compliance, and the compliance of each of your Agents, including Merchant Processors, with the Security Requirements using the forms and procedures specified in the Discover Information Security and Compliance (“DISC”) Program located at DiscoverNetwork.com/DISC. Upon our request, you will provide us with Discover security compliance assessments and reports, processes, procedures, technology and policies, and any material changes thereto that occur during the term of the Agreement, and you will ensure that you and each of your Agents, including Merchant Processors, promptly comply with such requests. You will promptly notify us of a material change in the status of security compliance assessments and reports of compliance with the Security Requirements by you and your Agents, including Merchant Processors.

You agree that we and/or our Agent may, at our discretion, periodically perform information security compliance reviews and audits including vulnerability scans of you and your Agents, including Merchant Processors. Such reviews and audits may include onsite inspections and remote scans to detect vulnerabilities.



Nothing in this Section 14 will be construed as limiting your or your Agents', including Merchant Processors', obligations to comply with the Security Requirements and this Section 14. While we or our Agents may, at our discretion, periodically perform a review your and/or your Agents', including Merchant Processors' respective compliance with the Security Requirements, you are solely responsible for your and your Agents', including Merchant Processors', compliance with the Security Requirements and this Section 14.

We may assess Noncompliance Fees as indicated in Appendix 3 if you do not use the DISC Program following our request to validate your compliance and the compliance of your Agents, including Merchant Processors, with the Security Requirements and we may continue to assess Noncompliance Fees until such time as you use the DISC program to validate such compliance; provided that we shall not assess such Noncompliance Fees if you use the DISC Program to validate such compliance within the cure period set forth in Appendix 3.

14.3 Security Failures

14.3.1 Data Security Breach; Inadequate Security

You shall ensure that you and each your Agents, including Merchant Processors, notify us as soon as reasonably practicable and in no event more than 24 hours after becoming aware of (a) any Data Security Breach experienced by you and/or your Agent, including a Merchant Processor; or (b) any noncompliance with the Security Requirements by you and/or your Agent, including a Merchant Processor. You shall make the notification to us initially by telephone by calling us at 1-800-347-3083, followed by written notification using a standard form and format specified by us. The foregoing obligations are in addition to any Data Security Breach notification obligations that may be applicable to you and/or your Agent, including a Merchant Processor, under Requirements of Law.

You and each of your Agents, including Merchant Processors, will (a) perform or cause to be performed an independent investigation (including a forensics analysis) or any suspected or actual Data Security Breach, (b) perform or cause to be performed any remedial actions recommended by any such independent investigation, and (c) cooperate with us in the investigation and resolution of any suspected or actual Data Security Breach.

You shall ensure that you and/or each of your Agents, including Merchant Processors, provide us with the following information concerning each suspected or actual Data Security Breach:

- (a) Date of the Data Security Breach
- (b) Details concerning the data compromised (e.g., Cardholder Data and Sensitive Authentication Data)
- (c) Method of such Data Security Breach
- (d) Your security personnel contacts and those of your Agents, including Merchant Processor, affected by such Data Security Breach
- (e) The name of any Person (including any law enforcement agency) assisting



you with your investigation of such Data Security Breach

- (f) Any other information which we reasonably request from you and/or your Agents, including Merchant Processor, concerning such Data Security Breach, including any unredacted forensics report(s) and gap analysis and remediation action plan(s)

You will provide the information listed in items (a) – (f) as soon as is reasonably practicable and the information listed in items (a) – (e) shall in any event be provided to us within 48 hours of your initial notification to us of such Data Security Breach. You shall ensure that you and/or your Agent, including Merchant Processor, provide us with any unredacted reports concerning the Data Security Breach as soon as practicable. We may disclose the information indicated in items (a) – (f) that we have received from you and the Person that experienced such Data Security Breach to Issuers an/or to our Affiliates subject to restrictions on disclosure of your Confidential Information set forth in Section 13.1 where applicable and/or to our regulators and/or law enforcement representatives. We may also provide redacted reports not including the name of the Person that experienced such Data Security Breach describing such breach to the PCI Security Standards Council (“PCI SSC”) for the purpose of quality assurance and the ongoing development of PCI security standards. You will not issue, and you must prevent your Agents, including Merchant Processors, from issuing, any press release, or other public announcement concerning such Data Security Breach until after you have provided us with the information requested in items (a) – (e) above. All press releases shall be issued in accordance with Section 17.16.

You will cooperate with us to ensure that appropriate security measures and procedures are implemented by a mutually agreeable deadline if we notify you that the security procedures maintained by you and/or your Agent, including Merchant Processor, in connection with the Agreement and/or Card Transactions are inadequate or do not comply with the Security Requirements.

14.3.2 Our Rights upon Noncompliance with Security Requirements

If we determine or reasonably suspect, in our reasonable discretion, that the security procedures maintained by you or your Agent, including Merchant Processor, with respect to Card Transactions, are inadequate or otherwise do not comply with the Security Requirements regardless of whether we have received validation from you of your and their compliance with the Security Requirements as described in Section 14.2, we may, in our sole discretion, assess Noncompliance Fees as indicated in Appendix 3 to you for each discrete event of noncompliance, including for each failure by you and your Agent, including Merchant Processor, to comply with a Security Requirement and each failure by you to validate your and their respective compliance with the Security Requirements using our DISC Program as described below, regardless of whether we, an Issuer or Cardholder has experienced damage as a result of such noncompliance.

Additional fees as indicated in Appendix 3 may be assessed by us during the period that such noncompliance remains uncured; provided that we shall not assess such fees if the noncompliance is cured within the cure period set forth in Appendix 3 following our notification to you of such noncompliance. Noncompliance Fees may vary depending on the type of Person involved in the event of noncompliance. Noncompliance Fees payable by you may vary depending on the Merchant level applicable to you as set forth in the



DISC Program. We may also suspend the ability of you and/or your Agents, including Merchant Processors, to accept or process Card Transactions upon notice to you until such time as we determine that you have used the DISC Program to validate your compliance and the compliance of each of your Agents, including Merchant Processors, with the Security Requirements regardless of whether we, an Issuer, or Cardholder has experienced damage as a result of such noncompliance.

In addition, we may contact any of your Agents, including Merchant Processors, without prior notice to you, if we determine or reasonably suspect that any such Person is not in full compliance with the Security Requirements. If you do not use our DISC Program as described in Section 14.2 to validate that you and each of your Agents complies with the Security Requirements by a mutually acceptable deadline, we may terminate your Agreement and the ability of you and/or your Agents to accept Cards or process Card Transactions and/or assess Noncompliance Fees to you.

You are responsible for any Disputes resulting directly or indirectly from your and/or any of your Agent's failures to comply with the Security Requirements and this Section 14 and any resulting costs, expense damages or other losses experienced by us or any Issuer or Cardholder.

14.3.3 Data Security Breaches

You shall bear financial responsibility for fraudulent transactions and any damages and expenses that we, Issuers, and/or Cardholders incur as a result any Data Security Breach experienced by you or your Agent, including a Merchant Processor. Following our internal review of the circumstances surrounding a Data Security Breach experienced by you or your Agent, including a Merchant Processor, we may, at our discretion, assess you a fee in the aggregate amount of up to \$10.00 for each for each Card Number that an Issuer determines is, or may be compromised, affected, or exposed as a result of the Data Security Breach. These fees ("Data Security Breach Fees") may be assessed for each Data Security Breach. You agree that the Data Security Breach Fees described above constitute liquidated damages as reasonable compensation for losses incurred by us, Issuers, and/or Cardholders as a result of the Data Security Breach and are not a penalty. Without limiting your responsibilities or our rights under these Operating Regulations or your Agreement, we will cooperate with you as reasonably requested to limit the impact of any Data Security Breach or disclosure of information or data, which may include seeking an injunction to prevent further unauthorized use or disclosure of such information or data. Neither you nor we shall be deemed to waive any rights that either of us may have under law or in equity to proceed against an Agent or other party to recover damages that result from a Data Security Breach.

14.3.4 Cure of Noncompliance with Security Requirements

We will not assess you Noncompliance Fees as set forth in Appendix 3 for noncompliance with the Security Requirements if you demonstrate to our reasonable satisfaction using the forms and procedures set forth in the DISC Program that you and each of your Agents, including Merchant Processors, were in strict compliance with the Security Requirements when we would otherwise have assessed you such Noncompliance Fees. This section shall not limit our rights under Section 14.3.3. We will not assess you any Noncompliance Fees as set forth in Appendix 3 for your failure to use the DISC Program to validate compliance with the Security Requirements if, during the cure period set forth in Appendix 3 following notice from us, you use the forms and



procedures set forth in our DISC Program to validate your compliance and the compliance of each of your Agents, including Merchant Processors, with the Security Requirements.

14.4 Enforcement

We reserve the right to conduct, either ourselves or through the use of our Agents, on-site visits of you and each of your Agents, including Merchant Processors, or to otherwise contact any of your Agents directly, to ensure compliance with all of the requirements of these Operating Regulations. If we find that you or any of your Agents, including Merchant Processors, is in violation of your or their obligations or the requirements under these Operating Regulations, we will provide you with written notification detailing the violations. You will implement corrective actions immediately upon receipt of such written notification from us, and will provide us with documentation detailing those actions. Failure to implement immediate corrective actions may, at our discretion, result in our assessment of Noncompliance Fees in the amount set forth in Appendix 3, and we may require you to terminate the offending Agent and/or our termination of your Agreement. See Section 14.3.2 to identify your obligations in the event of noncompliance with the Security Requirements.



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Section 15 Card Acceptance Marks

15.1 License to Use Discover Acceptance Mark and Diners Club International Acceptance Mark

Upon execution of your Agreement, we grant you a License to use the Discover Acceptance Mark and the Diners Club Acceptance Mark. The License is limited to use by you exclusively in the Authorized Jurisdiction for the exclusive and limited purpose of indicating your acceptance of Cards. You must use Discover Acceptance Marks and Diners Club International Acceptance Marks in accordance with the Card Acceptance Marks Guidelines available online at DiscoverNetwork.com. Where any action is required in the Authorized Jurisdiction to protect our rights to the Discover Acceptance Marks and Diners Club International Acceptance Marks, you agree to cooperate with us to obtain such protection. The License permits you to use and display the Discover Acceptance Marks and Diners Club International Acceptance Marks on Transaction Documentation as set forth in Section 3.2.

You acknowledge that you are aware of the excellent image, reputation, and goodwill attached to the Discover Acceptance Marks and Diners Club International Program Marks and that you will cooperate with us to protect and preserve such image, reputation, and goodwill. You agree not to act or fail to act in a way that would diminish or dilute the value of, and the goodwill associated with, the Discover Acceptance Marks and Diners Club International Acceptance Marks. In response to any request by us, you agree to use your best efforts to stop any use of the Discover Acceptance Marks or Diners Club International Acceptance Marks that is inconsistent with the License or terms of your Agreement and/or these Operating Regulations and shall provide us with regular updates, as requested by us, of the status of such efforts. Except as otherwise set forth in this Section 15.1, you shall not assign, sublicense, franchise, or transfer any of your rights or delegate any of your duties related to the License to any other Person without our prior written consent. Any attempted assignment, sublicense, franchise, transfer, or delegation by you without our consent shall be void and of no force or effect.

15.1.1 Discover Acceptance Mark



15.1.1.1 Discover Zip Indicator—License for Acceptance of Contactless Card Transactions

After we Certify that your POS Devices comply with the requirements in these Operating Regulations and the Technical Specifications with respect to the acceptance of Contactless Card Transactions, you are granted a License, on the terms and conditions of and subject to the limitations set forth in Section 15.1, to display the Discover Acceptance Mark indicated below (referred to as the "Discover Zip Indicator") for the limited purpose of indicating that you accept Contactless Card Transactions. The



Merchant Operating Regulations R11.1 Card Acceptance Marks

Discover Zip Indicator may appear on valid Contactless Payment Devices approved by us to access Card Accounts that are presented to you to conduct Contactless Card Transactions, as described in Section 5.7. You are granted a License to use or display the Discover Zip Indicator: (a) on POS Devices that are enabled to conduct Contactless Card Transactions in accordance with the Operating Regulations and Technical Specifications, and (b) where you otherwise display Discover Acceptance Marks. Your License to use the Discover Zip Indicator is governed by the terms in this Section 15 and the Card Acceptance Mark Guidelines governing the License to use Discover Acceptance Marks.



15.1.2 Diners Club International Acceptance Mark



15.2 Other Acceptance Marks

We may license, sublicense or otherwise permit or require you to display such Other Acceptance Marks as we may designate in writing to you from time to time, including by publication on our Web site. The Other Acceptance Marks that you are encouraged to display are those indicated in Section 11.1.6. You shall use or display any such Other Acceptance Marks that we have licensed, sublicensed, or otherwise permitted or required you to display in accordance with the terms and conditions specified in writing by us, and in accordance with the applicable provisions of these Operating Regulations.

15.3 Use and Display of Materials

You agree to prominently display at each of your locations, and in catalogs and Web sites, including in online payments drop-down boxes, signage (decals) or logos showing Discover Acceptance Marks or name in such manner and with such frequency as accorded any other third-party credit, charge, debit, stored value, or other payment card accepted by you. You agree that you will only use or display Discover Acceptance Marks in accordance with the License and these Operating Regulations, the Card Acceptance Mark Guidelines and any other specifications provided by us in writing. We shall, at our expense, supply signage and display materials and such other operating forms and materials necessary to promote the Card and Card Acceptance. Such materials, including complete and unused Sales Slips and Credit Slips are our property and shall be returned



upon our request or at the termination of the Agreement.

15.4 Prior Approval Required for Use of Card Acceptance Marks

Except as otherwise stated in the Agreement or these Operating Regulations, you shall not use the registered trademarks, Card Acceptance Marks, logos, or any other proprietary designations that are owned, licensed or permitted to be used by us without our prior written consent. Except as otherwise stated in the Agreement, these Operating Regulations or pursuant to other written permission from you to us, we shall not use the registered trademarks, logos, or any other proprietary designations that are owned by you without your prior written consent. You and we shall submit to the other party for prior written approval any advertising or other materials in which such proprietary designations are to be used, including any press release. Such approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, we shall not be required to obtain your approval with respect to advertising and promotional materials that merely list names and locations of Merchants that accept Cards. Our review of your advertising, promotional, or other materials displaying a Card Acceptance Mark will not constitute our approval of such materials or our acknowledgement that such materials comply with these Operating Regulations, the Technical Specifications, the Dispute Rules, or Requirements of Law.

15.5 Changes to Card Acceptance Marks

Notwithstanding the requirements set forth in Section 17.1 of these Operating Regulations pertaining to our amendment of these Operating Regulations, we may change the Discover Acceptance Mark, Diners Club International Acceptance Mark, and any Other Acceptance Marks immediately upon written notice to you, including by publication on our Web site and/or in our Card Acceptance Mark Guidelines. You shall promptly replace any existing display or use of the affected Card Acceptance Marks with new materials we provide to you following any such change to the Card Acceptance Marks and shall return any unused materials bearing the old Card Acceptance Marks to us.

15.6 Termination of License to Use Card Acceptance Marks

Your License to use the Discover Acceptance Marks, Diners Club International Acceptance Mark and any right or license granted by us to you regarding your use of any Other Acceptance Marks shall terminate upon the earlier of (a) the termination of your Agreement, or (b) delivery of notice by us to you of the termination of the License or of your right or license to use such Other Acceptance Marks. You must immediately discontinue use or display of the affected Card Acceptance Marks immediately upon termination of the License or of your right or license to use the Other Acceptance Marks.

Upon termination of the License for any reason, you shall (a) execute all necessary or appropriate documents to confirm our exclusive ownership of the Discover Acceptance Marks and Diners Club International Acceptance Marks and (b) take all steps necessary or appropriate (including executing all documents as may be necessary in connection therewith) to cancel any and all License registrations and recordings accomplished by you in connection with the License. We may take appropriate steps to cancel all and any License registrations and recordings required to be canceled under this Section 15.6 if you fail to promptly do so in accordance with these Operating Regulations.



15.7 Noncompliance with Card Acceptance Mark Requirements

If any use by you of any Card Acceptance Mark, including in advertising materials and/or signage decals, does not comply with our standards, or if any action or omission by you in connection with such Card Acceptance Mark causes or may cause damage to us or our intellectual property, including to our brand image and/or the image, reputation and/or goodwill attached to the Card Acceptance Mark, you shall promptly discontinue any such misuse, and if you have not discontinued such misuse within thirty (30) calendar days from the earlier of our notice to you or your initial awareness of such misuse we may terminate your Agreement and/or we may charge you a Fee as set forth in Appendix 3.



Section 16 Financial Information and Security for Payment Obligations

16.1 Financial Information

At our request, you shall provide us with financial information, including financial statements concerning your financial condition and general creditworthiness, and your ability to perform your obligations under your Agreement. You agree to immediately send us written notice if you become insolvent or discontinue your business or if you or any of your creditors files for your bankruptcy or reorganization under the Bankruptcy Code, or you are the subject of receivership proceedings or other dissolution. We, our Affiliates and Agents may obtain, verify, and exchange with others, business and personal financial and/or credit information on you, your Affiliates, subsidiaries, and related companies. If you are a privately held entity or a sole proprietorship, we may require you to provide us with the information indicated above. If we require a third party to guarantee your obligations under your Merchant Services Agreement or the Operating Regulations, in whole or in part, you shall provide to us with the financial and credit information set forth in this Section 16.1 with respect to such guarantor and any other information reasonably required by us to assess the ability of the guarantor to perform its obligations on your behalf.

If you operate in an industry that typically conducts “delayed delivery” Card Sales (e.g., airline, travel, furniture, mail/telephone order, and custom orders), upon our request, you shall provide us with periodic reports indicating the dollar volume and projected delivery date of all Card Sales for which you have received Settlement and have not delivered goods or provided services.

16.2 Security for Payment Obligations

16.2.1 Requirements

Upon the effective date of your Agreement or upon the occurrence of a Triggering Event during the term of your Agreement, we may, in our sole discretion, require you to create and maintain security for your payment obligations in an amount that we deem necessary, in our discretion, to secure payment of any unpaid (whether due or not due) amounts required to be paid to us under your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, other written notice from us, your Merchant Activity Reports, as applicable, these Operating Regulations and the Dispute Rules, including, without limitation, any of the Fees described in Section 10 . We, in our discretion, shall determine the type of security that you are required to create and maintain to secure your obligations under your Merchant Services Agreement and these Operating Regulations. Where we require you to provide us with security for your payment obligations, you shall promptly execute all documents in the form specified by us that are required to establish and maintain security for your payment obligations. To satisfy your payment obligations, we may, from time to time without further notice to you, withdraw funds from security created and maintained by you, and or funds held by us for the purpose of creating or funding your security for payment obligations.



16.2.1.1 Amount of Security

If you are required to create and maintain security for your payment obligations, you shall maintain such security in an amount that is calculated as the sum of the following amounts or such lesser amount we deem appropriate:

- (a) Outstanding amounts owed by you to us pursuant to your Merchant Services Agreement, these Operating Regulations, Exhibit B to your Merchant Services Agreement, if applicable, and the Dispute Rules; plus
- (b) Our projection of Settlement Amounts for Card Transactions not yet settled; plus
- (c) Our projection of amounts owed for Card Sales billed by you prior to delivery of the goods or services purchased (i.e., delayed delivery transactions); plus
- (d) Outstanding amounts and our projection of amounts owed for Disputes and claims by Cardholders (including Card Transactions not yet settled and pending Disputes and claims not yet resolved).

We will calculate the amount of security that you are required to provide using the above factors based on our experience with you during the twelve (12) months preceding our requirement that you create and maintain such security or during such shorter period as your Agreement has been in effect.

16.2.1.2 Reserve Account Requirements

Your Reserve Account shall, at our sole discretion, be funded immediately upon demand by us, by one or more of the following means:

- (a) Our withholding of Settlement Amounts that otherwise would be payable by us to you under your Merchant Services Agreement, Exhibit B to your Merchant Services Agreement, if applicable, and these Operating Regulations and the deposit of such withheld Settlement Amounts into the Reserve Account
- (b) Our withdrawal of funds from your Settlement Account and the deposit of such funds into the Reserve Account
- (c) Your deposit of funds into the Reserve Account by wire transfer, check, or ACH deposit

You acknowledge that we have a properly perfected security interest in all funds held by us as security for your payment obligations in connection with the Program Documents. You shall, immediately upon our request, execute any documents required by us to evidence our security interest in such funds or in connection therewith, including any funds held in a Reserve Account. We are not obligated to pay interest to you on funds held by us as security for your payment obligations prior to your execution and delivery to us of documentation required to establish a Reserve Account.



16.2.1.3 Duration of Security

If we require you to establish security for your payment obligations, you must maintain such security in full compliance with this Section 16.2 until the later to occur of (a) 210 days after your submission to us of Sales Data relating to the last Card Transaction processed by you if your Agreement is terminated following a Triggering Event, or (b) 210 days after our confirmation that you have cured all Triggering Events that gave rise to the creation of the security.

16.2.1.4 Triggering Event

Each of the following constitutes a Triggering Event, the occurrence of which shall, in addition to all of our other rights and remedies, require you, upon demand by us, to provide us with security for your payment obligations as described herein:

- (a) The giving of notice by you or us of intent to terminate your Agreement.
- (b) You, at any time during the term of your Agreement, become insolvent, are subject to receivership or are dissolved or suffer a material adverse change in your financial condition as determined by us in our sole discretion.
- (c) You at any time during the term of your Agreement:
 - (1) Fail to pay your debts as they become due or admit, in writing or in any legal proceeding, your inability to pay your debts as they become due.
 - (2) Make an assignment for the benefit of creditors.
 - (3) File a voluntary petition under the Bankruptcy Code.
 - (4) Have an involuntary petition filed against you under the Bankruptcy Code.
 - (5) Are adjudicated bankrupt or insolvent.
- (d) Have a liquidator, trustee, conservator, or similar party appointed to conduct your affairs.
- (e) You, at any time during the term of your Agreement, fail to comply with any of the material terms and conditions of your Agreement or these Operating Regulations.
- (f) You experience excessive returns or Disputes, as determined by us in our sole discretion.
- (g) We determine, in our sole discretion that your financial position has deteriorated to an extent that we deem it necessary or advisable, in our sole discretion, to take action to protect our interests, including requiring you to post collateral or other security to secure your obligations to us.
- (h) You attempt to assign or delegate your rights or obligations under your Agreement or these Operating Regulations in violation of the terms thereof



Merchant Operating Regulations R11.1 Financial Information and Security for Payment Obligations

or hereof.

- (i) You are the subject of any governmental investigation or action relating to your business.
- (j) You engage in any of the following activities:
 - (1) Provide false, inaccurate, or misleading information to us.
 - (2) Engage in fraud or the sale of Counterfeit **Merchandise** or stolen items.
 - (3) Infringe any third party's copyright, patent, trademark, trade secret or other proprietary rights or rights of publicity or privacy.
 - (4) Violate any law, statute, ordinance, or regulation, including those governing export control, consumer protection, unfair competition, anti-discrimination, or false advertising.
 - (5) Publish or distribute information that is defamatory, trade libelous, unlawfully threatening, or unlawfully harassing.
 - (6) Provide or distribute content that is obscene or contains child pornography or, if otherwise adult in nature or harmful to minors, provides such content to Persons other than those legally permitted to receive such content.
 - (7) Send communications that contain any viruses, worms, time bombs or other harmful or damaging computer code or programming routines that may damage, interfere with, surreptitiously intercept, or expropriate any system, data, or personal information of any Person.



Section 17 General Terms and Requirements

17.1 Changes to Operating Regulations

Updates to these Operating Regulations, including the Technical Specifications and Dispute Rules, may be released every April and October and on an interim basis as we deem appropriate and such updated versions published on our Web site promptly upon their release. We will provide you with not less than thirty (30) calendar days advance written notice of the publication of changes to these Operating Regulations, except as otherwise provided in your Agreement, **or required by applicable Requirements of Law**, however, that we may implement as soon as reasonably practicable any changes to these Operating Regulations that we believe are necessary to address an imminent or ongoing material adverse threat to the network or other participants on or constituencies of the network; **provided that the *Conversion Schedule Technical Specification* and the *Discover Trademark Use and Marketing Guidelines* are effective upon publication of each release of the Program Documents.**

17.2 Interpretation of Operating Regulations

We may, from time to time, issue interpretations clarifying or elaborating on these Operating Regulations. Such interpretations issued by us shall be binding on you but shall not constitute updates to these Operating Regulations under Section 17.1 and shall not require any notice to you in advance of their effectiveness.

17.3 Ratification of Operating Regulations

You acknowledge, with each Authorization Request or Sales Data for a Card Transaction that you or any of your Agents transmit to us and any documentation regarding a Card Transaction that you or any of your Agents transmit to or receive from us, that each such occurrence constitutes your ratification of all of the terms of the then-current Operating Regulations, Dispute Rules, and Technical Specifications.

17.4 Enforcement

We reserve the right to conduct on-site visits of you and your Agents or to otherwise contact any of your Agents directly, to ensure your compliance with all of the requirements of your Agreement and these Operating Regulations. If we find that you or any of your Agents is in violation of your or their obligations or the requirements under your Agreement or these Operating Regulations, we will provide you with notice detailing the violations. You agree to implement corrective actions immediately upon receipt of such notice from us, and will provide us with documentation detailing those actions. Failure to implement immediate corrective action may, at our discretion, result in our termination of your Agreement or our requiring you to terminate the offending Agent. You agree to reimburse us for our costs and expenses, including reasonable attorney's fees that we incur in enforcing our rights under your Agreement or these Operating Regulations.

17.5 Suspension of Card Acceptance

We may, in our sole discretion, upon notice to you, temporarily suspend your acceptance



of Cards for any reason, including if:

- We have security concerns, including without limitation your noncompliance with Security Requirements
- You are conducting activities in a Prohibited Merchant Category
- You or any of your Agents are otherwise not in compliance with your Agreement or these Operating Regulations
- You or any of your Agents are not in compliance with all applicable Requirements of Law including the sanctions program administered by OFAC
- We believe that Card acceptance by you may cause us to not be in compliance with Requirements of Law; including the sanctions programs administered by OFAC

17.6 Compliance with Requirements of Law and the Program Documents

Each party shall be responsible for performing its obligations hereunder in compliance with all Requirements of Law applicable to Card Transactions, the subject matter of your Agreement and these Operating Regulations. Each of the parties to your Agreement and shall be responsible for ensuring that each of its respective Agents comply with all such applicable Requirements of Law in addition to any Requirements of Law directly applicable to the Agent; provided that nothing in the Program Documents shall be construed as requiring you to violate the Requirements of Law applicable to you. You are solely responsible for compliance with all Requirements of Law in connection with all activities conducted by you pursuant to your Agreement and these Operating Regulations.

If your Agreement permits you to accept Cards in Canada, you shall, with respect to your Canadian operations, operate in strict compliance with the Code of Conduct for the Credit and Debit Card Industry in Canada (the “Code”). Please refer to your Agreement to identify your termination rights including upon notice of changes to the Agreement and/or applicable law.

We shall send written notice to you and may assess the Noncompliance Fees set forth in Appendix 3 for each discrete event of noncompliance by you or your Agent, including Merchant Processor, that we identify, including in an audit as described in Sections 14.4 and 17.4, with one or more of your material obligations in the Program Documents, including the obligation to:

- (a) Certify compliance with the Program Documents currently in effect and/or changes to the Program Documents scheduled for implementation, including changes identified in the Technical Specifications as mandatory or conditional, where applicable to Merchants, or otherwise comply with Certification requirements described in the Program Documents
- (b) Implement changes to systems, POS Devices, software, and/or hardware as described in or as a result of the Program Documents currently in effect or scheduled for implementation, including the Enabling Services described in Section 2.2, in each case where such noncompliance:
 - (1) Limits, precludes, or materially impacts your ability to accept Cards issued within the IIN Ranges set forth in the Technical Specifications



or to route such Card Transactions to us

- (2) Causes a material adverse impact to Discover, including the maintenance of systems that would not be required to support your compliance with the Program Documents
- (c) Submit data in the form and format specified in the Technical Specifications currently in effect; or to accurately and completely populate Card Transaction data in fields designated as mandatory or conditional, where applicable, in the Technical Specifications currently in effect; or
- (d) Cooperate with enforcement provisions detailed in Sections 14.4 and 17.4

Upon receipt of such notice, you may cure such noncompliance within the period set forth in Appendix 3. Please see Sections 14.1 and 14.2 to identify your obligations in the event of noncompliance with the Security Requirements. For certain events of noncompliance, you may be required to obtain Certification of your compliance. You are obligated to pay the Noncompliance Fees set forth in Appendix 3 if an event of noncompliance is not cured by the end of the cure period set forth in Appendix 3.

Changes in the performance of either party's obligations under your Agreement or these Operating Regulations necessitated by a change in Requirements of Law or the interpretation thereof shall not constitute a breach of your Agreement or a violation of these Operating Regulations by the affected party.

In addition to any other remedies available to us at law, under your Agreement and these Operating Regulations, we may assess Fees and penalties to you for any failure by you to comply with the terms, conditions and requirements of your Agreement and these Operating Regulations including in the Technical Specifications or Dispute Rules as such Fees and penalties may be specified by us from time to time.

We reserve the right not to respond to Authorization Requests, accept Card Transaction information from you, or pay Settlement amounts to you if you are a sanctioned Person under Requirements of Law and/or if such action would cause our noncompliance with the Requirements of Law applicable to us, including sanctions programs administered by OFAC.

17.7 Liability and Indemnification

17.7.1 Limitation of Liability

Our responsibility and liability to you, your officers, directors, employees, and Agents is limited to the actual and documented losses, costs, expenses or damages experienced by you as a direct result of documented gross negligence or willful misconduct by us, our employees or Agents, in connection with the performance of our obligations under your Agreement or these Operating Regulations, including the Dispute Rules and Technical Specifications; provided that neither we nor any of our employees or Agents shall be responsible or liable to you or any of your officers, directors, employees, or Agents if you and they have not otherwise complied with your and their respective obligations under your Agreement and these Operating Regulations, including the Dispute Rules and Technical Specifications, or if you, your officers, directors, employees, or Agents have contributed to the gross negligence or willful misconduct. In no event shall we be



responsible or liable to you or any of your officers, directors, employees, or Agents for any indirect, consequential, or punitive damages or lost profits or for any similar damages experienced or alleged by you or any of your Agents, representatives, or employees, including due to our termination of your Agreement.

17.7.2 Indemnification

You, on behalf of yourself, your officers, directors, employees and each of your Agents (collectively, the “Indemnifying Party”) shall indemnify and hold us, our officers, directors, employees, Issuers, Cardholders, and our and their respective Agents (collectively, the “Indemnified Party”) harmless from and against any and all claims, actions, demands, losses, costs, expenses, fines, penalties, liabilities (**including liabilities you may have to us for Taxes pursuant to Section 17.13**), and other amounts including legal fees, costs and expenses in connection with litigation, including such fees, costs, and expenses of appeals (the “Indemnified Items”), that are imposed upon, incurred by or asserted against the Indemnified Party that arise out of the fault, negligence or breach of representation, warranty or obligation of the Indemnifying Party in connection with your or its performance or any failure to perform your or its duties and obligations pursuant to your Agreement or these Operating Regulations, including the Dispute Rules and the Technical Specifications.

17.7.3 Defense of Claims

In the event that we receive any claim or demand or are subject to any suit or proceeding in respect of which we may make a claim against you for indemnification under Section 17.7.2, we shall give prompt written notice thereof to you and you will be entitled to participate in the settlement or defense thereof and, if you so elect, to take over and control the settlement or defense thereof with counsel satisfactory to us. In any case, we and you shall cooperate at no cost to us in the settlement or defense of any such claim, demand, suit, or proceeding.

17.7.4 Collection of Attorneys Fees

You acknowledge that we are entitled to collect, including through offsets to amounts otherwise payable to you as Settlement, attorneys fees and expenses incurred by us in connection with the collection of amounts owed by you in accordance with the Program Documents and attorneys fees incurred by us in connection with any judicial or administrative proceeding and any bankruptcy court proceeding filed by or against you.

17.8 Notices

Notices to us required under your Agreement or these Operating Regulations should be made in writing and sent to:

Sr. Vice President, Network Operations
Discover
2500 Lake Cook Road
Riverwoods, IL 60015-3800

You must send us written notice of any of the conditions described in Section 11.5.1.

We may send notices to you including notices of the publication on our Web site of



updates to the Program Documents as described in 17.1 using any method of transmission we deem appropriate under the circumstances, including U.S. mail, courier, overnight service, facsimile, and/or electronic mail and by publishing revised documents or notices on our Web site. Without limiting the foregoing, any notice sent to your last known address, including electronic mail address, indicated in our records, shall constitute effective notice to you under these Operating Regulations and your Agreement.

17.9 No Waiver of Rights

No failure by us to assert any of our rights, or failure to assert against you or your Agents, duties, responsibilities, obligations, or liabilities under your Agreement or these Operating Regulations on either an occasional or continuing basis, shall be construed as waiver thereof by us, and such rights, duties, responsibilities, obligations, or liabilities under your Agreement or these Operating Regulations may be asserted by us at any time.

17.10 Disclaimer of Warranties

Except for warranties expressly made herein, we make no representations or warranties, express or implied, to Merchant, Merchant Processor, or to any other person including any warranties regarding the merchantability, suitability, originality, quality, fitness for a particular purpose, noninfringement or otherwise—irrespective of any previous course of dealings between the parties or custom or usage of trade—or results to be derived from the use of any software, services, hardware, or other materials provided under these Operating Regulations.

17.11 Force Majeure

Neither party shall be liable to the other under your Agreement or these Operating Regulations or as permitted by us in writing by reason of any failure in, or the prohibition of, performance of any provisions in your Agreement or these Operating Regulations if such failure or prohibition arises out of causes originating after the date of execution of your Agreement and is beyond the control and not due to the fault or negligence of such party, and which such party could not reasonably anticipate through the exercise of due care and normal business judgment. Such causes shall also include, but are not limited to: acts of God or of the public enemy, acts of terrorism, flood, hurricane, tornado, fire, acts of the other party, acts of civil or military authority, acts of third parties, including telecommunication companies, strikes, unavailability of energy resources, delay in transportation, unforeseeable or unavoidable events, riots, or war.

In the event of any such occurrence, the disabled party shall use its best efforts to meet its obligations as set forth in your Agreement and these Operating Regulations. The disabled party shall promptly and in writing advise the other party if it is unable to perform due to such event, the expected duration of such inability to perform, and of any developments or changes therein that appear likely to affect the ability of that party to perform any of its obligations hereunder and thereunder in whole or in part.

17.12 Governing Law

The terms of your Agreement and these Operating Regulations shall be governed by and construed in accordance with the laws of the State of Delaware, excluding its choice of law principles. Any final judgment against you in any action, suit, or proceeding shall be



conclusive and may be enforced in any other jurisdiction by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of the obligation arising from such judgment, provided that nothing contained in this Section 17.13 shall be deemed to constitute a waiver by you of any right you may otherwise have to appeal any such judgment.

17.13 Taxes

All Taxes shall be paid by the applicable Person. To the extent that any Person's payment of such Taxes creates any additional Taxes for the other Person, the Person incurring such Taxes shall also pay any such additional Taxes. You are solely responsible for remitting to any federal, state or local tax authority with jurisdiction over you or your operation of the Program (in each case, a "Tax Authority") any applicable Taxes and duties payable by you or us based on payments made to or by us pursuant to your Agreement and these Operating Regulations, excluding Taxes based upon net income payable by us. You are solely liable for any fees, charges, fines, or assessments attributable to or levied against us without offset or deduction (including but not limited to any offset or deduction for Taxes). You shall indemnify and hold us harmless as set forth in Section 17.7.2 from and against any and all Tax liabilities paid, payable or incurred by us relating in any way to the Taxes and/or tax treatment of payments under your Agreement or these Operating Regulations. You acknowledge and agree that we may withhold Taxes from any payments made by us to you if we determine that such Tax withholding is required by applicable law. If you are not a United States Person (as determined under applicable United States federal income tax principles), you agree that: (i) you shall complete any and all applicable tax forms as requested by us; and (ii) payments with respect to the products and/or services provided by you to us under the Agreement or these Operating Regulations or otherwise in connection with any other agreement between us and you will not be treated as being from a United States source, as determined under United States federal income tax principles.

17.14 Resolution of Disagreements

17.14.1 General

Each party will establish account teams consisting of appropriate marketing and operational personnel as necessary to support your and our obligations under your Agreement and these Operating Regulations. Appropriate persons from your and our respective account teams will initially address any Disagreement. To the extent any Disagreement cannot be resolved by discussions between the account teams, either party may refer such Disagreement to the senior executives of each party designated by each party to resolve Disagreements and will give written notice to the other party of such referral. Any Disagreement that cannot be resolved by the senior executives will be resolved in accordance with the procedures set forth in Section 17.14.2. Each party covenants to the other party that it will not resort to judicial remedies with respect to a Disagreement except for relief in aid of arbitration, including maintenance of the status quo pending arbitration, and except as allowed pursuant to the provisions of this Section 17.14.1.

17.14.2 Arbitration

After the Disagreement is referred to the respective parties' senior executives pursuant to



Section 17.14.1 and the respective parties' senior executives are unable to reach an agreement to resolve the Disagreement within thirty (30) days of the date that the Disagreement was referred to them pursuant to Section 17.14.1, either party may refer the matter to arbitration by giving written notice to the other party. All Disagreements arising out of or related to your Agreement or these Operating Regulations, or any breach thereof, (whether based in contract, tort, statute, fraud, misrepresentation or any other legal or equitable theory) that cannot be resolved pursuant to Section 17.14.1 will be settled by arbitration administered by the American Arbitration Association (AAA) under its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof ("**Arbitration Award**"). The arbitrator may **award** equitable remedies including specific performance. The arbitration proceeding shall be conducted before a panel of three neutral arbitrators, or one neutral arbitrator if the amount subject to Disagreement does not exceed \$250,000.

Each party shall select one arbitrator or, if the arbitration is conducted by only one arbitrator, the parties shall select the arbitrator. When the arbitration will be conducted by three arbitrators, the arbitrator selected by the claimant and the arbitrator selected by the respondent shall, within ten (10) days of their appointment, select a third, neutral arbitrator. In the event that they are unable to do so, you or we may request the AAA to appoint a neutral arbitrator. Prior to the commencement of hearings, each of the arbitrators appointed shall take an oath of impartiality. Any arbitration will be conducted in the State of Illinois in accordance with the AAA rules then in effect. Except as otherwise expressly provided herein, each party will bear its own costs associated with such arbitration and share equally the arbitration fees and expenses. In the event a party refuses to participate in arbitration in accordance with this Section 17.14.2, the other party may seek a judicial order to compel participation in such arbitration **and may proceed to arbitration without participation of the defaulting party after which the arbitrator is empowered to make an Arbitration Award sought by the non-defaulting party.**

Neither we nor you shall have the right to litigate such Disagreement or the substance or validity of any Arbitration Award in court or have a jury trial on such Disagreement or Arbitration Award. Pre-hearing discovery rights and post-hearing appeal rights will be limited. Neither you nor we shall be entitled to join or consolidate claims in arbitration by or against other Merchants with respect to their Agreements or Card Transactions, or litigate in court or arbitrate any claims as a representative or member of a class or in a private attorney general capacity ("Class Action Waiver"). If, however, the Class Action Waiver is found to be unenforceable, then this entire section 17.14.2 is unenforceable. Notwithstanding anything else to the contrary in this arbitration provision, only a court, and not an arbitrator, shall determine the validity and effect of the Class Action Waiver.

If a third party asserts claims with respect to a Disagreement between you and us, seeks to intervene in such a claim, or you assert new claims in connection with a disagreement or an Arbitration Award, nothing undertaken therein shall constitute a waiver of any rights under this arbitration provision. We will not invoke our right to arbitrate an individual claim you bring in small claims court or your state's equivalent court, if any, unless such action is transferred, removed, or appealed to a different court.



Notwithstanding the above, either party may seek temporary or preliminary injunctive relief. Either party will be entitled to pursue such rights and remedies for injunctive or summary relief in the courts of the appropriate jurisdiction(s); however, immediately following the issuance of any temporary or preliminary injunctive relief, the party seeking relief will consent to the stay of any judicial proceedings pending arbitration of all underlying claims between the parties.

17.14.3 Other Remedies

Notwithstanding the foregoing, the Disagreement resolution process described in this Section 17.14.3 will not limit either party's right to give notice of termination or otherwise pursue its right to terminate your Agreement.

17.15 Severability

If any provision included in your Agreement, these Operating Regulations, the Technical Specifications or the Dispute Rules is held to be illegal, unenforceable or invalid, the legality, enforceability and validity of the remaining provisions hereof will not in any way be affected or impaired thereby, and such provision will be deemed to be restated to reflect the original intentions of the parties as nearly as possible in accordance with Requirements of Law.

17.16 Prior Consent for Press Releases

Without limiting your obligations with respect to Confidential Information in Section 13, you agree to obtain our prior written approval before making any disclosure to the public, the media, any representative thereof and/or any third party, whether in the form of a press release or otherwise, concerning Cards, the License, any Card plan, any Issuer, these Operating Regulations, the execution, existence and/or terms of your Agreement, the content of the Dispute Rules or Technical Specifications, or any other terms of an existing or contemplated relationship between you and us or relating to your Card Acceptance. The timing and content of such disclosure must be mutually agreed to by the parties and any use of our names and logos is subject to the requirements in Section 15.4.

17.17 Headings and Revision Summary

Headings and the Revisions Summary are provided for ease of reference only and are not, and should not be considered, a part of these Operating Regulations.



Section 18 Glossary

As used in these Operating Regulations, the capitalized terms set forth below shall have the following meanings. Unless the context clearly indicates otherwise, words used in the singular include the plural and words used in the plural include the singular.

Account Updater Service

A service offered by Discover as described in Section 4.3.4 that provides participating Merchants with changes to Card Account information for Cardholders enrolled in Recurring Payments Plans.

Address Verification

A Merchant's use of our Address Verification Service to assist the Merchant in validating the billing address of a Card presenter, as more fully described in Section 3.4.10.

Address Verification Service (AVS)

The service provided by us to Merchants, using information provided by the Issuer, to assist the Merchant in validating the billing address of a Card presenter, as more fully described in Section 3.4.10.

Adjustment

An amount payable by a Merchant to us or by us to a Merchant to correct an error in Settlement that resulted from an error contained in Sales Data or with respect to Chargebacks or Representments.

Affiliate

With respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, that Person, and the term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

Agent

Any Person, including, with respect to a Merchant, a Merchant Processor, or a travel agent, to the extent that such Person performs the obligations of Merchant or us under the Agreement or these Operating Regulations.

Agreement

As applicable, the Merchant Services Agreement between Merchant and us or the Merchant Processor Agreement between Merchant Processor and us, each as may be amended from time to time.

ATM

See Automated Teller Machine.

Authorization

The process whereby an Issuer, including as delegated to a Chip Card that performs Offline Authorization Procedures on a Chip Card Terminal, or a Person acting on behalf of an Issuer in the performance of stand-in Authorization Services, determines whether to approve Card Sale or Cash Advance in response



to an Authorization Request.

Authorization Advice Message

Notice from a Merchant to Discover or Discover to a Merchant that the Merchant or Discover, as applicable, performed stand-in Authorization services described in Section 8.1.2 with respect to an Authorization Request that could not be successfully transmitted to Discover or the Issuer.

Authorization Center

The services provided by us to assist a Merchant with obtaining Authorization Responses from the Issuer for Card Sales.

Authorization Code or Approval Code

The code provided to us by an Issuer in an Authorization response, which we deliver to Acquirer or Acquirer Processor for delivery to the Merchant, which indicates that the Issuer provided a positive or approved decision in response to the Authorization Request. In certain circumstances, you or we may provide the Authorization Code when performing stand-in Authorization Services. Also known as Approval Code.

Authorization Request

A request submitted by a Merchant, through us (or another Person acting on our behalf), to the Issuer for Authorization of a Card Sale or Cash Advance.

Authorization Response

The response to an Authorization Request, using the Authorization process, which may include an Authorization Code or referral code.

Authorization Services

The Processing Services provided by a Merchant Processor to assist a Merchant in submitting Authorization Requests to us.

Authorized Jurisdiction

The fifty States of the United States of America and the District of Columbia and all other U.S. territories and protectorates where a Merchant is permitted to accept Cards, including American Samoa, Federated States of Micronesia, Guam, Marshall Islands, Northern Mariana Islands, Palau, Puerto Rico, and the U.S. Virgin Islands, except as otherwise specified in the Agreement.

Automated Teller Machine (ATM)

A device where cash may be dispensed in connection with the use of a Card. These Operating Regulations do not permit Cash Advances, Cash Over, or quasi-cash transactions at ATMs. While the defined term is provided for clarity, these Operating Regulations do not permit the use of Cards to obtain cash at ATM locations, regardless of whether the entity seeking to conduct such transaction is a Cash Advance Merchant.

Banking Day

Any **full day** **that** is not listed on the Federal Reserve holiday schedule located at www.frb services.org/holidayschedules. **If your Agreement permits you to operate in Canada, Banking Day also excludes any full day that is listed on the Canadian national or provincial holiday**



schedule located at <http://www.bankofcanada.ca/en/about/holiday.html>.

Bankruptcy Code

Title 11 of the United States Code, 11 U.S.C. § 101, et seq., as the same may be amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder, and any comparable foreign laws relating to bankruptcy, insolvency or creditors' rights, or any other federal or state bankruptcy or insolvency law.

Biometric Card Transaction

A Card Transaction where the Cardholder's identity is verified and the Card Account information is ascertained based on the Cardholder's unique finger print or other unique physical or physiological characteristic, but is otherwise processed in accordance with requirements applicable to Card Transactions generally.

Business (card/product)

In a description of a Card product, a Commercial Credit product issued to a business owner or their designated representative that is required to offer certain features and Cardholder benefits as specified by Discover from time to time.

Business Day

Any **Banking Day**, beginning at 12:00:01 a.m. Eastern Time (ET) and ending at 12:00:00 a.m. ET, other than a Saturday or Sunday.

Calculation Period

The period over which certain Fees payable by a Merchant are calculated and aggregated.

Card

(a) A valid payment card bearing a Discover Acceptance Mark, Diners Club International Acceptance Mark, Other Acceptance Mark (**subject to any jurisdictional limits on offers of acceptance of Cards with Other Acceptance Marks as indicated in Sections 11.1.6.1 and 11.1.6.2**), or such other mark as we may designate from time to time, including in these Operating Regulations and/or on our Web site, (b) an access device, including a Contactless Payment Device, approved by us to access a Card Account, or (c) the Card Number, where approved by us.

Card Acceptance

The acceptance by a Merchant of Cards as the method of payment for goods or services, or in connection with Cash Advances.

Card Acceptance Marks

Collectively, the Discover Acceptance Mark, Diners Club International Acceptance Mark, and the Other Card Acceptance Marks.

Card Acceptance Mark Guidelines

The rules, including the Discover Acceptance Mark Guidelines, included as part of the Technical Specifications or as otherwise provided by us to you, including by publication on our Web site, governing certain of the terms and conditions of your use and display of Card Acceptance Marks.



Card Account

The records maintained by the Issuer of the respective Card Transactions, payments and available balance or credit line for a given Card.

Card Identification Data (CID)

The three-digit number that follows the complete or truncated Card Number in the signature panel or in a separate box directly to the right of the signature panel on the back of a Card.

Card Not Present

A Card Sale or Credit that is conducted with a Card Number by mail, telephone, or the Internet when the Cardholder is not present at the point of sale to conduct the Card Sale or Credit.

Card Number

The unique identifying number that is assigned by the Issuer to a Card Account at the time of Card issuance from the IIN Ranges assigned to the Issuer as indicated in the Technical Specifications.

Card Present

A Card Sale, Cash Advance, or Credit that occurs where the Card and the Cardholder are present at the point of sale and the Card is used to conduct the Card Sale, Cash Advance, or Credit, as evidenced by our receipt of Track Data in the Authorization Request (except with respect to Biometric Card Transactions, which constitute Card Present Card Sales but will not include CVV Data with the Authorization Request).

Card Sale

A sale of goods or services to a Cardholder by a Merchant, either in a Card Present environment or as a Card Not Present transaction, either of which is conducted pursuant to a Merchant Services Agreement where the amount of such sale is applied to a Card Account and considered an obligation of the Cardholder.

Card Transaction

A transaction involving a Card, including any Card Sale, Cash Advance, Credit, Chargeback, Representment, or Adjustment.

Card Verification Value Data (CVV Data)

The Card Verification Value data encoded in the Track Data (included on the magnetic stripe) of each Card. Including CVV Data in an Authorization request indicates that the Card was present at the time of the Card Sale or Cash Advance.

Cardholder

The person to whom a Card has been issued and any authorized users of such Card.

Cardholder Data

The Card Number, alone or together with any of the following information: Cardholder name(s), codes assigned as designated in the Technical Specifications for the purpose of identifying the type of Card or Card product (sometimes referred to as “Card Product Codes), Card expiration date.



Cash Advance

The disbursement of currency, including foreign currency, to a Cardholder by a Cash Advance Merchant in connection with the presentation of a Card at a Cash Advance Merchant, excluding an ATM, in accordance with the terms of 0 of these Operating Regulations, but not including convenience checks, balance transfers, cash back points, quasi-cash, or Cash Over.

Cash Advance Agreement

A written agreement between us and a Cash Advance Merchant that provides the terms and conditions under which the Cash Advance Merchant may conduct Cash Advances.

Cash Advance Merchant

A Merchant, including a financial institution, licensed money transmitter, or entity engaged in financial services that is permitted to dispense Cash Advances by applicable Requirements of Law in accordance with these Operating Regulations and the Cash Advance Agreement, other written notice provided by us or in your Merchant Activity Report. Cash Advance Merchants may not permit any Agent or other third party to dispense Cash Advances.

Cash Advance Transaction Fee

A payable by us to a Cash Advance Merchant for each Cash Advance in the amount specified in the applicable Cash Advance Agreement.

Cash Over

The dispensing of cash by a Merchant in connection with a Card Sale for the purchase of goods and services, excluding Cash Advances.

CAT

See Customer Activated Terminal.

Certification or Certified

Verification by us in writing of a Merchant's and/or Merchant Processor's ability to comply with the requirements of these Operating Regulations and the Technical Specifications or any changes thereto.

Chargeback

A type of Dispute in which we process a Card Transaction to reverse a previous Settlement with a Merchant of all or a portion of a Card Transaction, as described in the Dispute Rules.

Chip Card

A Card with an embedded integrated chip that may perform Offline Authorization Procedures and that complies with the Technical Specifications and "EMV™ Integrated Circuit Card Specifications for Payment Systems" located at www.emvco.com. *EMV™ is a trademark owned by EMVco LLC.*

Chip Card Terminal

A type of POS Device that is enabled to conduct Chip Card Transactions in accordance with these Operating Regulations, the Technical Specifications, and "EMV™ Integrated Circuit Card Specifications for Payment Systems" located at www.emvco.com.



Chip Card Transaction

A Card Transaction with a Chip Card at a Chip Card Terminal that complies with these Operating Regulations and the Technical Specifications.

Chip Fallback

If a Chip Card Transaction cannot be completed by a Chip Card Terminal, the process by which a POS Device completes a Card Transaction by capturing Track Data from the magnetic stripe on the Chip Card and obtaining an Authorization Response.

CID

See Card Identification Data.

Commercial

A Card product issued to Cardholders that the Issuer expects are likely to make purchases primarily for business purposes. Commercial Cards are required to offer certain features and Cardholder benefits as specified by Discover from time to time.

Confidential Information

Our Confidential Information and Your Confidential Information.

Consumer

A Card product issued to Cardholders primarily for personal, family, household, or charitable use.

Contactless Card Transaction

A Card Transaction in which a Contactless Payment Device wirelessly transmits and the Merchant wirelessly captures the Card information, including Track Data, required for Authorization of the Card Transaction and for creation of the related Sales Data.

Contactless Payment Device

A device, including, without limitation, a Radio Frequency- (RF-) enabled Card or other portable product approved by us (e.g., key fob, contactless sticker, Mobile Commerce Device) that is enabled to conduct Contactless Card Transactions on a POS Device that is enabled to accept Contactless Card Transactions, each in accordance with the requirements in these Operating Regulations and the Technical Specifications.

Core (card/product)

In a description of a Card product, a Consumer Credit product that is required to offer certain basic features and Cardholder benefits as specified by Discover from time to time.

Corporate (card/product)

In a description of a Card product, a Commercial Credit product issued to an employee designated by an employer for expenses approved by the employer that is required to offer certain features and Cardholder benefits as specified by Discover from time to time.

Counterfeit Merchandise

Product or merchandise that is an imitation or fraudulent or produced to create the impression of



authenticity in order to deceive a prospective customer.

Credit (card/product)

A Card product issued to a Cardholder that is associated with an extension of credit by the Issuer.

Credit (transaction)

With reference to a Card Transaction, one in which a full or partial noncash refund is granted to a Cardholder by a Merchant, resulting from the return of goods or otherwise, which is issued as a credit to the respective Card Account.

Credit Slip

A Transaction Slip used by a Merchant to document a Credit to a Cardholder.

Customer Activated Terminal (CAT)

A Merchant's unattended POS Device at which the Cardholder's signature is not required on the Transaction Receipt in order to conduct a Card Sale provided that the Merchant has obtained our approval to conduct Card Sales on CATs and otherwise complies with the requirements in these Operating Regulations, including those in Section 5.7.1.

CVV Data

See Card Verification Value Data.

Data Capture Links

Data Links that are capable of providing and have been enabled to provide the Data Capture Services.

Data Capture Services

Services that facilitate the electronic capture of Sales Data by the Merchant.

Data Link

Either a Direct Data Link or an Indirect Data Link.

Data Security Breach

(i) Any suspected or actual theft, loss, unauthorized use, disclosure of, or access to our Confidential Information, including Cardholder Data, Sensitive Authentication Data, and/or other Card Transaction information; or (ii) any suspected or actual access to any data environment, including a system, database, Web site, and/or electronic link used by you and/or any of your Agents, including a Merchant Processor, to process, transmit, or store such information, and/or to conduct Card Transactions that is reasonably likely to result in the theft, loss, unauthorized use or disclosure of or access to our Confidential Information. Data Security Breaches shall include a third party incursion that is reasonably likely to result in unauthorized access to our Confidential Information and/or other Card Transaction information.

DCVV Data

See Dynamic Card Verification Data

Debit (card/product)

A type of Card product that is used by a Cardholder to access funds held by an Issuer or its Agent in a



demand deposit (checking or share draft), savings, or other asset account (whether or not an “account” within the meaning of Federal Reserve Regulation E) established individually for or by the Cardholder.

Diners Club International Acceptance Mark

The mark designated in Section 15.2 and/or as published on our Web sites that are owned by us or one of our Affiliates, as the same may be revised by us from time to time, which Merchants shall display to demonstrate Card Acceptance.

Direct Data Link

A leased phone line that provides a secure, permanent electronic communications link between a Merchant or Merchant Processor and us. Such links shall consist of at least 56k circuits and routers that comply with your Agreement, these Operating Regulations, and the Technical Specifications.

Disagreement

Any dispute, claim, or controversy of any kind or nature between Merchant or Merchant Processor and us arising under or in connection with Merchant’s/Merchant Processor’s or our respective obligations or otherwise in connection with the Agreement or the other Program Documents, or the transactions contemplated hereby or thereby, including disputes as to the creation, validity, interpretation, breach, or termination of the Agreement or the other Program Documents, but not including Disputes or claims relating to Card Transactions, including Chargebacks, representment of Chargebacks, and arbitration of Card Transaction disputes, each of which shall be resolved as set forth in the Dispute Rules.

DISC Program

See Discover Information Security Compliance Program.

Discount

The component of a Merchant Fee that is calculated either as a percentage of Card Sale amounts or as a flat amount per Card Sale (see Section 10). In either case, the amount of Discount payable by a Merchant is indicated in its Merchant Services Agreement, Exhibit B to its Merchant Services Agreement, if applicable, or other written notice from us to the Merchant, and/or in Merchant Activity Reports, for the Calculation Period.

Discover

Where used as the operating name for DFS, our officers, directors, and employees, and the network, systems, and processes, including hardware, software, and personnel, maintained by us to support Card issuance and Card Acceptance programs operated by Issuers, Merchants, and Acquirers for the benefit of Cardholders and Merchants, respectively.

Discover Acceptance Marks

The marks designated in Section 15.1 and/or as published by us on our Web site that are owned by us or one of our Affiliates, as the same may be revised by us from time to time, that Merchants shall display to demonstrate Card Acceptance.

Discover Information Security Compliance (DISC) Program

The procedures available at DiscoverNetwork.com/DISC, as amended or supplemented from time to time for the validation of compliance with the Security Requirements.



Discover Merchant Number

The unique 15-digit number assigned to each Merchant to record and facilitate Card Transactions conducted by and involving the Merchant.

Discover Zip Indicator

The Discover Acceptance Mark indicated in Section 15.1.1.1 that identifies Contactless Payment Devices and that is displayed by the Merchant, including on POS Devices that are enabled to conduct Contactless Card Transactions, in accordance with Section 5.8.

Dispute

A Ticket Retrieval Request, request for a Chargeback, Chargeback, request for Representment or Representment of a Card Transaction, as the context may require, by an Issuer, Merchant, or Discover, including supporting information and documentation provided by the Issuer or Merchant in connection with any of the foregoing, and Discover's process of resolving or effecting any of the foregoing, including Adjustments as described in these Operating Regulations and Dispute Arbitration as more fully described in the Dispute Rules.

Dispute Arbitration

The review by Discover of a Dispute resolution decision following a request by a party to the Dispute for a review of the decision, as more fully described in the Dispute Rules.

Dispute Notice

Notice delivered by us to a Merchant informing the Merchant of a Dispute initiated by an Issuer or us with respect to a Card Transaction.

Dispute Rules

The document, which is attached as Appendix 1 to these Operating Regulations and incorporated herein by reference, which contains instructions and requirements relating to the resolution of Disputes relating to Card Transactions as such document may be amended by us from time to time in accordance with its terms.

Dynamic Card Verification Value Data (DCVV)

An encrypted calculated value in the Track Data generated by a Contactless Payment Device that is transmitted as part of an Authorization Request for a Card Sale conducted with a Contactless Payment Device.

Enabling Services

The services described below and in Section 2.2 that are required to support Card Acceptance by you of Cards issued within IIN Ranges listed in the Technical Specifications and the routing of Card Transaction data to us for Card issued within the IIN Ranges: (a) mainframe programming of your and your Agents' host systems and platforms; (b) changes to software controlled by you and your Agents that resides on POS Devices, including the capability to print Transaction Documentation as specified in Section 3.2; (c) services supporting Card Not Present Transactions; and (d) testing and Certification of such capability in accordance with specifications provided by us.

Equipment

The hardware and any related software and components that we place on your premises for the purpose of



facilitating Data Links and the Processing Services.

Executive Business (card/product)

A Commercial Credit product issued to a business owner or their designated representative that the Issuer expects are likely to have higher than average income, volume, and amount of annual purchases. Executive Business products are required to offer certain features and benefits that are designed to attract such Cardholders and a rewards program as specified by Discover from time to time.

Factoring

An impermissible activity in which a Merchant submits Authorization Requests or Sales Data for Card Sales or Cash Advances on behalf of one or more other businesses that actually conducted the Card Sales or Cash Advances.

Fees

Merchant Fees, Submission Error Fees, Per Transaction Fees, Noncompliance Fees, Fees identified in the Dispute Rules, and any other costs and expenses that we may charge or assess to a Merchant from time to time pursuant to a written notice to the Merchant, including as may be published on our Internet Web site and/or included in a Merchant Activity Report and including those Fees identified in the Merchant Services Agreement, Exhibit B to the Merchant Services Agreement, if applicable, these Operating Regulations, the Dispute Rules, or the Technical Specifications.

Floor Limit

An amount designated in a Merchant Services Agreement and/or these Operating Regulations as the amount below which the Merchant is not required to obtain Authorization for Card Sales.

Gross Card Sales Amount

The total dollar amount of Card Sales that have been processed by us for a Merchant during the Calculation Period, which may be monthly, daily or another period upon which we have agreed or notified the Merchant.

Gross Card Sales Number

The total number of Card Sales that have been processed by us for a Merchant during the Calculation Period, which may be monthly, daily, or another period upon which we have agreed or notified the Merchant.

Holding Period

Where applicable, the number of days immediately following our receipt of Sales Data and prior to our initiation of Settlement, as described in Section 7.2.2, and as specified in written notice provided by us to a Merchant.

Host

A node installed on a Merchant's or Merchant Processor's systems for the purpose of performing Authorization Services in accordance with your Agreement, these Operating Regulations, and the Technical Specifications. Unless otherwise approved by us in writing, Hosts will only be used to facilitate the Authorization Services.



iCVV

A check value present within the track 2 equivalent of the Track Data on a Chip Card that differs from the Card Verification Value Data encoded within the magnetic stripe.

Identity Known Prepaid Card or Prepaid Identity Known Card

A Card, held by a Cardholder whose identity is known to the Issuer, whether or not the Card is embossed with the Cardholder's name, that is used by a Cardholder to access funds held by the Issuer or its Agent in a pooled account established for the benefit of multiple Cardholders, each with a sub-account that is associated with each Card. Identity-Known Prepaid Cards may be issued in the form of a paper receipt, e-mail, or other non-card means that can be used as a "virtual Prepaid Card" by the Cardholder for Card Not Present Card Sales.

IIN

See Issuer Identification Number.

IIN Range

A group or series of Issuer Identification Numbers designated in the Technical Specifications.

Indirect Data Link

A secure electronic, communications link between a Merchant or Merchant Processor and us that is routed by or through a third party communications provider or network approved by us to provide such communications and connectivity.

Issuer

Any entity that is permitted by us to issue Cards, including Discover Bank, a state bank chartered under the laws of the State of Delaware.

Issuer Identification Number (IIN)

The numbers that comprise the initial part of the Card Number and designate the Issuer that is permitted to issue Cards with Card Numbers that include such designation.

License

The License granted by us to a Merchant to use the Discover Acceptance Mark, as more fully described in Section 15.1 of these Operating Regulations.

Maximum Discount

The maximum Discount amount that may be assessed on a particular type or class of Card product in the amount identified in the Merchant Services Agreement, Exhibit B to the Merchant Services Agreement or in a written notice that we have sent to the Merchant, as applicable, or in Merchant Activity Reports, for a given Calculation Period.

MCC

See Merchant Category Code.

Merchant

An entity engaged in commercial operations that complies with each of the following requirements and



each Agent designated by such entity (a) is legally and properly incorporated, licensed or subject to the laws of the Authorized Jurisdiction as a matter of law or pursuant to a written certification from the governing authority in the Authorized Jurisdiction; (b) maintains a duly authorized physical presence, conducts business operations and conducts Card Transactions in accordance with the laws of the Authorized Jurisdiction, the requirements of the Merchant Services Agreement and these Operating Regulations; and (iii) accepts Cards as payment for goods and/or services. When general requirements in these Operating Regulations apply to Cash Advances and a Cash Advance Merchant has entered into a Cash Advance Agreement with us, the use in these Operating Regulations of “Merchant” shall include “Cash Advance Merchant.”

Merchant Activity Reports

The reports or data we make available to Merchant from time to time in connection with the Merchant’s Card Transaction activity, including such reports describing Settlement Amounts, Chargebacks, Representments, Adjustments, Merchant Fees, Fees, and other details relating to Card Transactions and Disputes processed by us on behalf of Merchants for the period covered by the report.

Merchant Batch Transmittal Form

A preprinted form provided by us for submission by a Merchant with batches of Transaction Slips.

Merchant Category Code (MCC)

Discover’s business classification of a particular Merchant, which is assigned by Discover using the table included in the Technical Specifications as determined based on the information provided in the Merchant’s application for Card acceptance regarding the nature of goods and/or services offered by the Merchant.

Merchant Fees

Fees payable by a Merchant to us, as described in Section 10.1 of these Operating Regulations, (specifically Discount and Per Transaction Fees), the Merchant Services Agreement, Exhibit B to the Merchant Services Agreement, or other written notice from us, and/or your Merchant Activity Reports, as applicable.

Merchant Identification Plastic

A plastic card provided by us to a Merchant bearing the Merchant’s Discover Merchant Number for use by the Merchant as described in these Operating Regulations.

Merchant Processor

A third party designated by a Merchant for the purpose of performing certain of the Merchant’s obligations under the Agreement and/or these Operating Regulations, subject to the limitations and requirements set forth in the Agreement and these Operating Regulations, including the requirement that any Merchant Processor enter into a Merchant Processor Agreement with us. Any Merchant Processor used by a Merchant shall be deemed to be the Merchant’s Agent to the extent it performs any of the Merchant’s obligations under the Agreement or these Operating Regulations.

Merchant Processor Agreement

The written agreement, as amended from time to time, and all appendices, schedules and exhibits thereto, each as amended from time to time, between a Merchant Processor and us that permits the Merchant Processor to provide Processing Services to Merchants in accordance with the agreement, these Operating



Regulations and the Technical Specifications.

Merchant Services Agreement

The written agreement, as amended from time to time, and all appendices, schedules and exhibits thereto, each as amended from time to time, between a Merchant and us that permits the Merchant to accept Cards as payment for goods and services, but not in exchange for cash, cash equivalents, Cash Advances or the funding of value used for future purchases (“quasi-cash”) unless specifically approved in the Merchant Services Agreement. When general requirements in these Operating Regulations apply to Cash Advances and the Merchant has entered into a Cash Advance Agreement with us, the use in these Operating Regulations of “Agreement” shall include “Cash Advance Agreement.”

Merchant Services Center

The functional area at Discover that responds to inquiries from Merchants and assists Merchants with inquiries regarding Card Acceptance and Disputes.

Minimum Discount

The minimum Discount amount payable for any particular type or class of Card product in the amount identified in the Merchant Services Agreement, Exhibit B to the Merchant Services Agreement, or in a written notice that we have sent to the Merchant, or the Merchant Activity Report, as applicable, for a given Calculation Period.

Mobile Commerce Device

A mobile phone, personal digital assistant (PDA), or similar mobile device that is enabled to conduct Contactless Card Transactions by wirelessly transmitting Track Data to a POS Device that is enabled to receive communications from a Mobile Commerce Device, each in accordance with the requirements in these Operating Regulations and the Technical Specifications.

Negative File

An electronic or paper list of Card Numbers, as more fully described in Section 8.1.2, that is provided by us to Merchant Processors and/or Merchants who do not use Merchant Processors for use in deciding whether to approve or decline Authorization Requests at times when you are unable to obtain an Authorization Response from us.

Net Card Sales Amount

The total dollar amount of Card Sales and Representments that have been processed by us on the Merchant’s behalf during the Calculation Period, which may be monthly, daily, or another period upon which we have agreed, less an amount equal to the sum of Credits and Chargebacks and as adjusted to reflect Adjustments (see Section 10.1.1) processed by us with respect to the Merchant during the Calculation Period.

Net Card Sales Number

The total number of Card Sales and Representments that have been processed by us on the Merchant’s behalf during the Calculation Period, which may be monthly, daily, or another period upon which we have agreed, less the number of Credits and Chargebacks and as adjusted to reflect the number of Adjustments (see Section 10.1.1) processed by us with respect to the Merchant during the Calculation Period.



Network Services

The Card Transaction processing services described in these Operating Regulations that we provide to Merchants.

Noncompliance Fee

A Fee that we may assess to a Merchant, as set forth in Appendix 3, for a Merchant or Merchant Processor's noncompliance with material obligations in the Program Documents, including Fees for noncompliance with Technical Specifications, Security Requirements in these Operating Regulations, and/or Card Acceptance Mark Guidelines.

No Signature Required Card Sale

A Card Sale where the Cardholder's signature is not required on the Transaction documentation as detailed in Section 5.10.

OFAC

The Office of Foreign Assets Control of the U.S. Department of the Treasury which administers U.S. economic sanctions.

Offline Authorization Procedure

The process whereby a Chip Card, using parameters designated by the Issuer, provides information to a Chip Card Terminal indicating whether to approve an Authorization Request for a Chip Card Transaction.

Operating Regulations

These *Merchant Operating Regulations*, each Appendix attached hereto and incorporated herein by reference, and each other document incorporated herein by reference, including the *Dispute Rules Manual* and Technical Specifications.

Other Acceptance Mark

An acceptance mark other than the Discover Acceptance Mark that appears on a Card as approved by us from time to time and disclosed in writing to the Merchant, including by publication on our Web site.

Our Confidential Information

See Section 13.1.1.

Our Disclosing Party

See Section 13.1.1.

Partial Authorization Approval

An Authorization Response approving a Card Transaction in an amount other than the amount of the Authorization Request. A Partial Authorization Approval will only be provided by an Issuer if the Merchant and Acquirer indicate in the Authorization Request that they have enabled Partial Authorization Approval capability.

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

The data security standard for payment applications specified by the Payment Card Industry that is located at: pcisecuritystandards.org (as the same may be amended and supplemented from time to time).



Per Transaction Fee

The part of the Merchant Fee that is a fixed amount we assess to the Merchant for each Card Sale or each Card Sale and Credit, as applicable, accepted by the Merchant. The amount of a Merchant's Per Transaction Fee and the Card Transactions upon which your Per Transaction Fee is assessed is set forth in the Merchant Services Agreement, Exhibit B to the Merchant Services Agreement, or in a written notice that we have sent to the Merchant or in Merchant Activity Reports, as applicable.

Person

Any individual or entity, including any natural person, corporation, partnership, joint venture, association, limited liability company, joint stock company, business trust, unincorporated organization, governmental entity, or any other entity of any nature, kind and description whatsoever.

PIN

The personal identification number or code assigned by an Issuer that may be used by the Cardholder to facilitate a Card Sale or Cash Advance on a POS Device, including a Chip Card Terminal, under the conditions specified by the Issuer and that may be used by the Merchant as a method of identifying such Cardholder.

Point-of-Sale Device (POS Device)

An electronic point-of-sale device, Card reader, Chip Card Terminal, cash register, or terminal (including a CAT and a Self-Service Terminal), and any necessary software, located at the physical premises of a Merchant that is capable of electronically capturing data from Cards and receiving electronic evidence of Authorization Responses and which may also be capable of transmitting electronic evidence of Sales Data.

Premium (card/product)

A Consumer Credit product issued to Cardholders that the Issuer expects are likely to have higher than average volume and amount of annual purchases. Premium Credit products are required to offer certain features and benefits that are designed to attract such Cardholders and a rewards program, as specified by Discover from time to time.

Premium Plus (card/product)

A Consumer Credit product issued to Cardholders that the Issuer expects to have significantly higher than average income, volume, and amount of annual purchases. Premium Plus Credit products are required to offer certain features and benefits that are designed to attract such Cardholders and a rewards program, as specified by Discover from time to time.

Prepaid (card/product)

A Prepaid Identity-Known Card product or a Prepaid Gift Card product.

Prepaid Gift (card/product)

A Card product, with respect to which the Issuer does not know the identity of the Cardholder, which is used by a Cardholder to access funds held by the Issuer or its Agent in a pooled account established for the benefit of multiple Cardholders. A non-reloadable Card with respect to which the identity of the Cardholder is known to the Issuer solely because the Cardholder registered the Card with the Issuer or its Agent for the Cardholder to be eligible to receive a replacement Card in the event the original Card is lost or stolen shall constitute a Prepaid Gift Card.



Prepaid Identity-Known or Identity-Known Prepaid (card/product)

A Card product issued to a Cardholder whose identity is known to the Issuer that is used by a Cardholder to access funds held by the Issuer or its Agent in a pooled account established for the benefit of multiple Cardholders, each with a sub-account that is associated with each Card Account.

Processing Date

The date that we transmit files or messages to the Issuer and Merchant after we complete the processing of the Sales Data received from the Merchant for the Card Transaction described in the Sales Data.

Processing Services

The Card Transaction processing services described in these Operating Regulations performed by a Merchant on its own behalf or by a Merchant Processor on behalf of a Merchant, which include the Authorization Services, the Data Capture Services, Enabling Services, Settlement Services, if applicable, and Programming Services.

Program Documents

The Agreement, these Operating Regulations, the Dispute Rules, the Technical Specifications, and the Certification Manual, including all appendices, exhibits, and attachments hereto and thereto.

Program Marks

The intellectual property listed in these Operating Regulations, including the Discover Acceptance Mark and the Diners Club International Acceptance Mark, each of which is displayed in Section 11.1, the permissible use of which shall be governed by the License described in the Acquirer Agreement and these Operating Regulations.

Programming Services

The programming of a Merchant's POS Device to accept Cards and to facilitate Processing Services with respect to Card Transactions conducted on such POS Device.

Prohibited Merchant Category

The list of activities and Merchants set forth in Section 11.5.3 to these Operating Regulations that disqualify an entity from eligibility to be a Merchant.

Proof of Delivery

Documentation that goods or services were delivered to the billing address associated with the Card.

Radio Frequency (RF)

A method of storing Cardholder and Card information, including Track Data, on a Card, including on a Contactless Payment Device, that is enabled to wirelessly communicate such information to a POS Device that is enabled, in accordance with the Operating Regulations and Technical Specifications, to receive such communications in connection with a Card Transaction.

Recurring Payments

Card Sales processed and presented to the Card Account periodically in such amounts and at such times as agreed between the Cardholder and the Merchant in a Recurring Payments Plan. Such transactions may also be referred to as "recurring billing" or "automatic payment" Card Sales.



Recurring Payments Plan

An obligation, either of a fixed or variable amount, that is paid by a Cardholder with a series of amounts billed to a Card Account over a period of time pursuant to an agreement between the Cardholder and the Merchant.

Referral Code

A code or instruction from an Issuer in response to an Authorization Request (e.g., pick-up card) other than a positive Authorization Response.

Representment

A decision by Discover to reverse a Chargeback of a Card Transaction.

Requirements of Law

With respect to any Person, any law, ordinance, statute, treaty, rule, judgment, decree, regulation, official directive, consent, approval, authorization, order or other determination or finding of any governmental authority applicable to or binding upon such Person or to which such Person is subject, whether federal, state, **provincial**, county, local, or otherwise, including state usury laws, the Truth-In-Lending Act, the Fair Debt Collection Practices Act, the Federal Equal Credit Opportunity Act, the Fair Credit Reporting Act as amended by the Fair and Accurate Credit Transactions Act, the National Bank Act, the Bank Secrecy Act as amended by the USA PATRIOT Act together with implementing federal regulations, the Trading With the Enemy Act, the International Emergency Economic Powers Act and the United Nations Participation Act and related Executive Orders and implementing U.S. Department of the Treasury regulations, including without limitation sanctions programs administered by OFAC, the Electronic Funds Transfer Act, the Telephone Consumer Protection Act, the Gramm-Leach-Bliley Act, the Foreign Corrupt Practices Act, **the Dodd-Frank Act**, the Federal Trade Commission Act **and Federal Trade Commission regulations including with respect to negative option plans**, the Sarbanes-Oxley Act and implementing federal regulations, and Regulations B, E, P, and Z of the Board of Governors of the Federal Reserve System. **With respect to any Person subject to Canadian law, the operative provisions of the Code of Conduct for the Credit and Debit Industry in Canada.**

Reserve Account

An interest-bearing account established by us in your name at a financial institution designated by us in which you maintain funds to secure your obligations arising under the Program Documents as described in Section 16.2.1.2.

Rewards (card/product)

A Consumer Credit product that is required to offer certain features, Cardholder benefits and a rewards program, as specified by Discover from time to time.

Sales Data

Evidence of Card Sales, Cash Advances, and Credits in electronic format or in the format of Transaction Slips that is captured, prepared, and transmitted to us for Settlement of a Card Sale, Cash Advance, or Credit, as described in these Operating Regulations and other Program Documents.

Sales Slip

A paper form used by a Merchant to capture Card Sale and Cash Advance information in transactions where a POS Device is not used, one copy of which is provided to the Cardholder and one copy of which



is submitted to Discover for Settlement of the Card Transaction with the Merchant.

Security Requirements

(a) The Payment Card Industry Data Security Standard located at DiscoverNetwork.com and/or www.pcisecuritystandards.org (as the same may be amended and supplemented from time to time), which is incorporated herein by reference and all related compliance requirements, and (b) any additional security requirements and all related compliance requirements promulgated by us from time to time, including those set forth in our DISC Program.

Self-Service Terminal

A POS Device other than a CAT that is intended to operate in an automated manner based on inputs from the Cardholder at the point of sale and without inputs from a Merchant representative. **An unattended Self-Service Terminal** should be coded as an “unattended terminal” under the Technical Specifications.

Sensitive Authentication Data

Any of the following categories of our Confidential Information provided by the Cardholder or otherwise received by you or any of your Agents, including a Merchant Processor, in connection with a Card Transaction, regardless of whether in written, electronic, or other form: CID, Card Verification Value Data (CVV Data, DCVV Data, and/or iCVV Data), and full magnetic stripe data (also referred to as full Track Data), PIN, and PIN blocks.

Settlement

The reconciliation between us and Merchant of amounts payable with respect to Card Transactions, as more fully described in these Operating Regulations.

Settlement Account

The deposit account designated by Merchant at a financial institution located in the U.S., as indicated in our records and as may be changed by Merchant from time to time, for use by us to pay Settlement Amounts and collect any Fees or charges, including Merchant Fees, Submission Error Fees, other Fees, Cash Reimbursements, Cash Advance Fees, Adjustments, Disputes, and/or other amounts payable by Merchant pursuant to the Merchant Services Agreement and these Operating Regulations, including the Dispute Rules.

Settlement Amount

The net amount payable by us to Merchant or by a Merchant to us in Settlement of outstanding Card Transactions, as more fully described in these Operating Regulations.

Settlement Services

The facilitation by a Merchant Processor, as Merchant’s Agent, of payments of Settlement Amounts between us and Merchants.

Submission Error

A Merchant’s transmission to us of an Authorization Request or Sales Data that does not comply with the requirements of these Operating Regulations, including those errors listed in Section 10.2.

Submission Error Fees

The Fees we may assess to a Merchant for Submission Errors, the amounts for which are set forth in the



Merchant Services Agreement, Exhibit B to the Merchant Services Agreement, or other notification from us, as applicable.

Supplementary Data Record

A record containing additional data relating to a Card Transaction that may be included in Sales Data and submitted to Discover for Settlement as described in the Technical Specifications.

Taxes

Any present or future income, value-added, sales, use, stamp, registration, duty, licensing, or other taxes and levies, imposts, deductions, charges, compulsory loans and withholdings whatsoever, and all interest, penalties and additions or similar amounts with respect thereto, now or hereafter imposed, assessed, levied or collected by federal, state or local taxing authorities or any political subdivision or Taxing Authority.

Technical Specifications

Certain documents incorporated by reference into these Operating Regulations, as amended by us from time to time, that may include detailed operating and technical requirements governing the establishment and maintenance of electronic links (referred to as “connectivity” or “Data Links”), Authorization, processing and Settlement services (e.g., the form and format for electronic data transmissions) and Dispute submission and response requirements.

Ticket Retrieval Request

A request initiated by an Issuer to Discover for documentation regarding a Card Transaction.

Track Data

The data used for Authorization of Card Sales and Cash Advances that is encoded in one or more of the following locations: track 1 or track 2 of Track Data on the magnetic stripe, the magnetic stripe image on a Chip Card, **or in a memory storage device embedded in the Card.**

Transaction Documentation

Transaction Receipts and Transaction Slips, collectively.

Transaction Receipt

A paper or electronic copy of Card Transaction data generated at the point-of-sale when the Card Transaction is conducted using a POS Device, a copy of which is provided to the Cardholder.

Transaction Slip

A form used by a Merchant to capture Card Transaction data in transactions where a POS Device is not used, one copy of which is provided to the Cardholder and one copy of which is provided to Discover for Settlement of the Card Transaction, including a Sales Slip or a Credit Slip, as applicable or appropriate under the circumstances.

Triggering Event

See Section 16.2.1.4.

Voice Authorization Service

The services provided by Discover to receive Authorization Requests from Merchants and to report Issuer



Authorization Responses to Merchants over a telephone connection between the Discover network and the Merchant, as described in Section 3.4.4.

Your Confidential Information

See Section 13.1.2.

Your Disclosing Party

See Section 13.1.2.



Appendix 1: Dispute Rules Manual

[Attached and available at DiscoverNetwork.com]



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Appendix 2: Technical Specifications

[Available at DiscoverNetwork.com]



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Appendix 3: Performance Standards

The following Performance Standards are measured and the related Noncompliance Fees are assessed monthly. Noncompliance Fees assessed pursuant to this Appendix 3 will appear on your Merchant Activity Report. Nothing in this Appendix 3 in any way limits our other rights or remedies against you or your Agents for noncompliance with requirements of these Operating Regulations or your Agreement, including the right to suspend or terminate your Card Acceptance or your Agreement.



Merchant Operating Regulations R11.1 Performance Standards

Category	Performance Standard Description	Noncompliance Fee Assessed
Card Acceptance Mark Noncompliance Fee	Improper use of Discover Acceptance Marks or Other Acceptance Marks	\$2,500 per violation following expiration of any cure period applicable under the Operating Regulations, which Fee may be reassessed thereafter for each thirty (30) calendar days that the violation remains uncured
Security Requirements Noncompliance Fee	Failure by you or your Agent, including a Merchant Processor, to comply with any of the Security Requirements in Section 14	<p>For each discrete event of noncompliance with the Security Requirements by you or your Agent, including a Merchant Processor, if you are a Level 1 or Level 2 Merchant as determined by our DISC Program: Up to \$50,000 per violation plus an additional amount of up to \$50,000 per each additional thirty (30) calendar days such violation remains uncured.</p> <p>For each discrete event of noncompliance with the Security Requirements by a Level 3 or Level 4 Merchant as determined by our DISC Program: Up to \$20,000 per violation plus an additional amount of up to \$20,000 per each additional thirty (30) calendar days such violation remains uncured.</p>
Validation of Security Requirements Noncompliance Fee	Following our request, your failure to use the procedures in the DISC Program to validate compliance with the Security Requirements in Section 14.2 by you and each of your Agents, including Merchant Processors.	<p>For each failure by you to use the DISC Program following our request to validate compliance with the Security Requirements by you and each of your Agents, including Merchant Processors:</p> <p>\$25,000 per violation if not cured within thirty (30) calendar days of the initial notice</p> <p>\$25,000 per each additional thirty (30) calendar day period such violation remains uncured.</p>



Merchant Operating Regulations R11.1 Performance Standards

Category	Performance Standard Description	Noncompliance Fee Assessed
Confidential Information Noncompliance Fee	Each documented and discrete instance of (a) an action or omission by you, your Agent including Merchant Processor, constituting a failure to comply with your obligations set forth in Section 13.1 of these Operating Regulations regarding our Confidential Information except with respect to our Confidential Information governed by the Security Requirements; or (b) disclosure or misuse by you, your Agent, or Merchant Processor of our Confidential Information except Confidential Information governed by the Security Requirements, including any of the terms of the Program Documents.	First violation — \$5,000 Second violation within a 12-month period — \$10,000 Third violation within a 12-month period — \$25,000 Fourth violation within a 12-month period — \$50,000 Violation left uncorrected after a 12-month period — Up to \$500,000 per month until corrected.



Merchant Operating Regulations R11.1 Performance Standards

Category	Performance Standard Description	Noncompliance Fee Assessed
Program Documents Noncompliance Fee	Failure by Merchant or its Agent including Merchant Processor, to comply with a material obligation in a Program Document as specified in Section 17.6	<p>For each discrete event of noncompliance with a Program Document by you or your Agent, including Merchant Processor, you are obligated to pay Noncompliance Fees in the amounts set forth below:</p> <p>\$5,000 if not cured within sixty (60) calendar days of initial notice date;</p> <p>\$10,000 if not cured within ninety (90) calendar days of initial notice date;</p> <p>\$25,000 if not cured within one hundred-twenty (120) calendar days of initial notice date;</p> <p>\$50,000 if not cured within one hundred-eighty (180) calendar days of initial notice date;</p> <p>\$500,000 per month until performance complies with the Program Documents for violations not cured three hundred-sixty-five (365) calendar days after initial notice date.</p> <p>Noncompliance Fees in the amount(s) indicated above may be assessed for each discrete event of noncompliance that is not cured within the cure period(s) indicated above.</p>



Appendix 4: MCCs Not Eligible to Participate in Recurring Payments Plans

Merchants operating in any of the Merchant Category Codes listed below are not approved by us to participate in Recurring Payments Plans.

MCC	MCC Name
4829	Money Transfer—Merchant
5933	Pawn Shops
6050	Quasi-cash—Member Financial Institution
6051	Quasi-cash—Merchant
6211	Security Brokers/Dealers
9223	Bail Bonds and Payments



Merchant Operating Regulations R11.1 MCCs Not Eligible for Recurring Payments Plans

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Appendix 5: MCCs Not Eligible to Disburse Cash Over

Merchants operating in any of the Merchant Category Codes listed below are not approved by us to disburse Cash Over.

MCC	MCC Name
4829	Money Transfer—Merchant
5933	Pawn Shops
6010	Member Financial Institution—Manual Cash Disbursements
6011	Member Financial Institution—Automated Cash Disbursements
6012	Member Financial Institution—Merchandise and Services
6050	Quasi Cash—Member Financial Institution
6051	Quasi Cash—Merchant
6211	Security Brokers/Dealers
6300	Insurance Sales/Underwriting/Premiums
6381	Insurance Premiums
6399	Insurance—Not Elsewhere
7321	Consumer Credit Reporting Agencies
7322	Debt Collection Agency
9223	Bail Bonds and Payments
9999	Internal Accounts
UNKN	Unknown