

A CyberSource White Paper



# **A Practical Guide to Global ePayments**

Easier, Faster, Safer and More Secure

CyberSource Corporation  
1295 Charleston Road  
Mountain View, CA 94043  
[www.cybersource.com](http://www.cybersource.com)  
1-888-330-2300

© 2007 CyberSource Corporation. All rights reserved.

Note: statistics on payment type preferences are derived from the following sources: Bank of International Payments (Geneva); eMarketer/AC Nielsen; China Internet Network Information Center; Ministry of Public Management, Home Affairs, Posts and Telecommunications – Japan.

## Contents

<b>OVERVIEW .....</b>	<b>4</b>
<b>WORLDWIDE PAYMENT PREFERENCES .....</b>	<b>4</b>
<b>CONSIDERATIONS FOR ESTABLISHING AND ACCEPTING PAYMENTS .....</b>	<b>5</b>
<b>CONSIDERATIONS BY PAYMENT TYPE .....</b>	<b>7</b>
CREDIT AND DEBIT CARD PAYMENTS .....	7
BANK TRANSFER PAYMENTS .....	8
DIRECT DEBIT PAYMENTS .....	9
<b>ACCEPTANCE CONSIDERATIONS BY REGION &amp; COUNTRY .....</b>	<b>11</b>
<b>ASIA/PACIFIC REGION.....</b>	<b>11</b>
CHINA.....	12
JAPAN .....	12
KOREA .....	13
<b>EUROPE.....</b>	<b>14</b>
FRANCE .....	15
GERMANY .....	15
UNITED KINGDOM .....	16
<b>LATIN AMERICA .....</b>	<b>17</b>
BRAZIL.....	18
MEXICO .....	18
<b>CYBERSOURCE MAKES GLOBAL PAYMENT ACCEPTANCE EASIER, SAFER, MORE SECURE.....</b>	<b>19</b>

## Overview

One of the most important aspects to consider when localizing your website for foreign markets is payment acceptance. Accepting regional or country-specific payment types can provide a dramatic lift in online sales. It can also pose unexpected and complex operational challenges if not approached properly. For global ePayments, you have many options that will influence both your sales potential and your cost of doing business.

You can accept “remote” transactions in U.S. dollars using global payment cards (i.e., Visa or MasterCard), while maintaining acquiring relationships in the United States. However, your customers outside the U.S. market will bear the foreign exchange burden and may not prefer this payment method. As a result your sales may be constrained.

You can also accept “regional” transactions, selling in the customer’s local currency and offering local-market payment options (including direct debit, bank transfer, etc.). This approach is the first step towards selling in a way that is more local and generally requires establishing local banking and additional processing connections, unless your payment service provider streamlines this for you. To lower direct processing costs you can operate with an “in-country” model by establishing domicile and local acquiring relationships to obtain the best rates and maximize sales.

This paper will discuss the considerations for regional and in-country transactions, the payment types preferred in different regions, the business considerations associated with each payment type in general as well as in select regions, and how CyberSource can streamline implementation and ongoing operations.

## Worldwide Payment Preferences

Because payment infrastructure and payment culture differ significantly by region and country, payment acceptance may not always parallel your U.S. experience. Maximizing sales in a specific country requires an understanding of how customers prefer to pay for their purchases online, as payment preferences differ worldwide. Unlike the United States, where credit and debit cards are commonly used online, other regions may be more accustomed to bank transfers, direct debit or even COD. For instance, bank transfers are more common in parts of Europe and Asia (see Figure 1).

The payment types you offer will also affect how you conduct business in a country, from order acceptance to fulfillment and reconciliation. For instance, you may need to establish a local corporate presence and a local banking relationship, depending on the payment types you offer and the payment service provider used. Also, your order fulfillment process may change if payment confirmation does not occur in real-time. Your fraud and security practices may change as well, to ensure that they are appropriate for the types of payment you will accept.

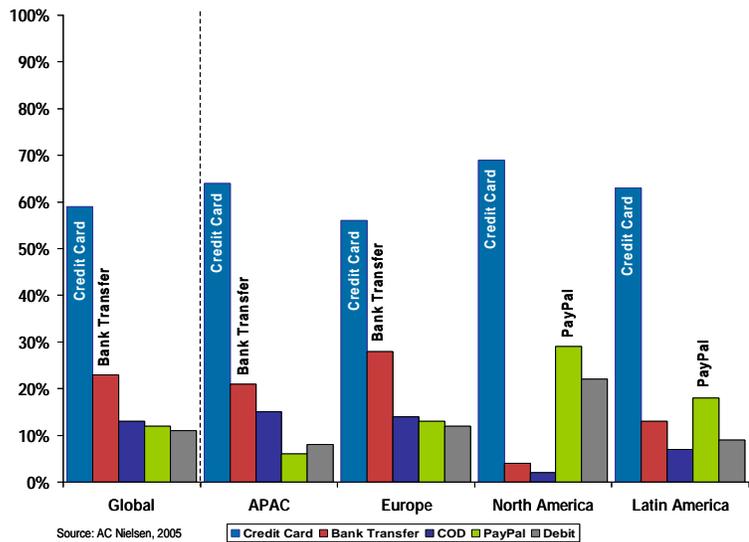


Figure 1. Usage of payment types worldwide.

## Considerations for Establishing and Accepting Payments

When deciding to accept a particular payment type, most companies evaluate whether the additional revenue generated will offset the operational costs incurred throughout the entire “payment pipeline”. An overview of these considerations follows. *Note: CyberSource can help you mitigate and streamline many of these issues.*



**Selecting Payment Types.** The payment types you accept in a given market will be guided by the type of product or service you sell and customer preferences. Online bank transfers are well-suited for merchants that digitally distribute goods, whereas direct debit works well for subscription-based businesses. Customers may opt for bank transfer or direct debit, because they are accustomed to paying for goods a certain way or because bank card usage is low in their country.

**Domicile (Residency) Requirements.** Some countries may require you to have a local, physical presence in order to conduct business. Others may not require domicile, however, it may be advantageous to establish local presence in order to lower your payment acceptance costs (for instance, lower merchant discount fees due to more favorable interchange rates).

The broad steps to establish a local presence in a particular country are often similar to what you would do to start a business in the United States. Of course, each country is different, so we recommend that you consult with an international business expert for specific guidelines. But in general, you will need to register your business as a corporation in the country of interest, obtain a business license and open a bank account. Some countries may require that you have a physical office with employees. As a matter of course, you will need to pay taxes, complete government-mandated reporting and carry out other activities associated with running a business.

**Establishing Banking Relationships.** Depending on the country and the type of payment you will be offering, and whether you seek cross-border, regional, or in-country processing rates, you may need to establish a merchant account with a local bank. Banking relationships in some countries tend to be somewhat exclusive and require that you be introduced by a trusted payment partner in order to minimize delays and reduce complexity. The bank you select will also have an impact on the processors and payment types you can support.

**Taxes.** Tax laws vary from country to country, but in general, if you establish local presence in a particular country, you are required to pay taxes in that country, as well as collect sales (or value-added) tax (VAT). It is recommended that you consult with an international tax advisor to discuss how to minimize your tax burden and avoid double taxation (headquarters and region). Your tax status may affect your decision to operate regionally or locally, and will also impact your checkout process, as you may need to implement real-time global tax calculation capability.

**Checkout Process Considerations.** You will need to modify your online checkout process to support additional payment options or comply with regional regulations. For instance, to accept bank transfers, you must display your bank account number, SWIFT codes, and provide a reference number for the customer to use to ensure proper account crediting.

Except in some European countries, direct debits may require securing mandates from your customers, which are paper or electronic authorizations that enable you to debit funds directly from their accounts. Because there may be a delay between when orders are placed and when funds are settled (depending on payment type), we recommend that you consider the impact to your order fulfillment process.

**Payment Risk Considerations.** Because online purchasing patterns differ based on country and payment type, you should determine your target threshold for risk in a specific country, balancing the need to prevent fraud with the need to maximize sales conversion. Payment risk falls into three broad categories:

1. Fraud – the risk that payments are accepted due to deceptive information and/or misrepresentation of identity
2. Credit – the risk that the customer may not have sufficient funds to settle
3. Repudiation – the risk that a customer refuses to honor their payment obligation

Risk management tools vary by country and by payment type. So, the business rules and screening practices you currently use for domestic sales will likely require modification when entering a foreign market. For instance, parameters for velocity checks may change, and some fraud tools and address formats may not support non-Latin character sets (prevalent throughout Asia). Card authentication tools may not be available in certain countries, and address verification services (AVS) and public records have limited availability outside the United States, Canada and some European countries. Other tools and order monitoring algorithms, such as geolocation, may be applicable with little modification.

**Establishing Processing Connections.** Many U.S.-based acquirers do not have a license to conduct business in certain countries, or must utilize regional processors to conduct international business. Therefore, along with securing the merchant account for the payment types you intend to offer, you will also need to establish, certify, and maintain connections to the processors that service the banks and the payment types required.

As you expand your business to another country, processing management will become more complex, and the cost structure for payment processing will change. Card discount fees, as well as bank transfer and direct debit fees, vary by country. Furthermore, there may be a noticeable difference in successful authorizations if using a local processor versus a regional/out-of-country processor. Banks may have higher confidence in a transaction coming through a local processor, which may impact your order conversion rates.

**Settlement and Reconciliation.** Because adding payment connections and banking relationships create operational complexity (different data structures, reports, and detail level), a key consideration is how these additions will impact your current reconciliation and settlement processes. Connecting directly to multiple independent processors requires reconciling multiple gateway and deposit reports to order information. Settlement for all payment types typically takes 1 to 4 days (excluding bank holidays), with funding occurring 1 to 7 days after settlement.

**Payment Security and Privacy.** Security and privacy regulations also vary by country and payment type. Some regions have very strict privacy laws (for example, in Europe, the U.S., and Japan), and the card associations require PCI compliance by merchants. Both scenarios will impact how you store and manage sensitive customer information, as well as the security risk exposure you bear.

## Considerations by Payment Type

Each payment type has its unique benefits and risks, and may not be universally available. Payment risk varies by payment type, as do the domicile and banking requirements, potential changes to the checkout process, and customer dispute rights.

### ***Credit and Debit Card Payments***

Credit and debit cards provide the widest global reach (to over 190 countries), though they may not be the most commonly used payment type in certain countries. Though global bank cards are extensively used in Australia and North America, a number of European consumers prefer regional or country-specific bank cards instead (such as Carte Bleue, CartaSi, Dankort, Laser, Maestro, Solo).

Although customers may pay with a global bank card, showing support for local bank cards can improve your web store presence and follow-on sales in the local market. Regional cards use specific, local acquirers, but processing is similar to global cards.

Not all payment card features are available in every region, and processing rules and procedures may differ greatly from the United States. Merchant discount fees, driven by interchange rates, will vary by country as well.

<b>Payment Acceptance</b>	
Domicile Requirements	<ul style="list-style-type: none"> <li>Local presence is not required, but recommended to lower transaction costs and obtain lowest merchant discount rates available</li> <li>Lowest discount rates are available to in-country businesses, higher rates for in-region (for example, EU-based businesses), highest rates for out-of region businesses</li> <li>Regional/country cards require regional or country-specific banking relationships, but not all banks in a particular country can acquire/support all payment types</li> </ul>
Checkout Process	<ul style="list-style-type: none"> <li>Capture account numbers, expiration dates, card verification numbers</li> <li>Authorization in most countries is provided in real-time, so orders can be fulfilled immediately</li> </ul>
Specialized Processing	<ul style="list-style-type: none"> <li>Some countries mandate payer authorization (Verified by Visa, MasterCard SecureCode)</li> </ul>
Order Conversion	<ul style="list-style-type: none"> <li>High</li> </ul>
<b>Risk Management</b>	
Credit Risk	<ul style="list-style-type: none"> <li>None – cards are authorized online</li> </ul>
Fraud Risk	<ul style="list-style-type: none"> <li>Medium – many payment card brands have built-in fraud tools, such as card verification numbers or payer authentication</li> <li>Verified by Visa and MasterCard SecureCode is mandatory in some countries, and only for certain card types. For example, MasterCard SecureCode must be used with all Maestro transactions.</li> </ul>
Customer Dispute Rights	<ul style="list-style-type: none"> <li>Moderate dispute rights – customers need to prove very little to dispute transactions, however processes are highly regulated</li> <li>Dispute rights window ranges from 45 days – unlimited, with the average being 180 days</li> </ul>
<b>Reporting and Reconciliation</b>	
Settlement	<ul style="list-style-type: none"> <li>1-4 days</li> </ul>
Funding	<ul style="list-style-type: none"> <li>1-7 days after settlement</li> </ul>

**Bank Transfer Payments**

Unlike bank cards or direct debits, where you *pull* the money from the consumer’s account, bank transfers (also known as giros) require consumers to *push* money to your local bank account. You provide consumers your bank account information and they instruct their bank to transfer money to you. Order conversion can be lower because bank transfers rely on the consumer sending instructions to their bank for prompt payment.

Consumers have three ways to execute a bank transfer payment:

1. Traveling to/sending instructions via mail to their bank after checkout (offline)
2. Initiating payment at their bank’s website after checkout (offline)
3. Approving funds transfer during the actual checkout process (online)

*Note: during checkout a window appears with one or more supported banks, the consumer selects their bank, enters their credentials and approves the transaction. Transfer instructions, including the transaction reference number, are automatically passed to the bank by the merchant system during this process.*

Offline bank transfers are more prevalent, although several countries support online bank transfers. Online bank transfers work well for merchants that provide services that require immediate fulfillment, such as venue ticketing, travel services, and content distribution.

Payment Acceptance	
Domicile Requirements	<ul style="list-style-type: none"> <li>• A local banking relationship is required (though some service providers have already established this, so you don’t need to)</li> <li>• Local presence is not required for bank transfers if you use a payment service provider (which most merchants use)</li> </ul>
Checkout Process	<ul style="list-style-type: none"> <li>• Delay in funds settlement notification ranges from milliseconds to days for online bank transfers; offline bank transfers take longer</li> <li>• Modify the order fulfillment process to inform customers as to when they should expect to receive orders once funds are received, and when they have to pay before the order is canceled</li> <li>• <u>Offline</u> – modify the bank transfer confirmation page to display detailed customer instructions on completing the bank transfer (i.e., instructions for the customer’s bank, payment reference number, payment amount, your bank name, account number, SWIFT code)</li> </ul>
Specialized Processing	<ul style="list-style-type: none"> <li>• <u>Online</u> – customers are directed to an online banking window to verify identity and authorize the bank transfer to your account, then returned to your website to complete the checkout process</li> </ul>
Order Conversion	<ul style="list-style-type: none"> <li>• <u>Offline</u> – medium; depends on customers providing instructions to their bank in a timely and accurate manner</li> <li>• <u>Online</u> – high; transfer instructions and reference number are sent electronically using a payment service provider</li> </ul>
Risk Management	
Credit Risk	<ul style="list-style-type: none"> <li>• None</li> </ul>
Fraud Risk	<ul style="list-style-type: none"> <li>• Low to none</li> </ul>
Customer Dispute Rights	<ul style="list-style-type: none"> <li>• None</li> </ul>
Reporting and Reconciliation	
Settlement	<ul style="list-style-type: none"> <li>• 1-4 days</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• 1-7 days after settlement</li> </ul>
Reconciliation	<ul style="list-style-type: none"> <li>• <u>Offline</u> – harder; if the reference number is omitted or entered incorrectly, manual reconciliation by order amount is required</li> <li>• <u>Online</u> – easier; reference number is automatically forwarded to consumer’s bank within the transaction</li> <li>• Modify your reconciliation system to support slight changes between the order amount and confirmed payment amount, as bank transfers may be rounded to the nearest whole number in some countries</li> </ul>

**Direct Debit Payments**

With direct debits, consumers provide you with their bank account information, enabling you to pull funds out of their accounts (similar to electronic checks in the United States). Direct debits are not as widely available as bank transfers or bank cards, but they are widely used in Germany. Different countries call “direct debits” by other names. For example, one of the large direct debit systems in Germany is the ELV (Elektronisches Lastschrift Verfahren).

<b>Payment Acceptance</b>	
Domicile Requirements	<ul style="list-style-type: none"> <li>• A local banking relationship is required (though some service providers have already established this, so you don’t need to)</li> <li>• Local presence is not required if you use a payment service provider (which most merchants use)</li> <li>• A customer mandate, which is a signature or other documented form of permission that you obtain to pull funds from the customer’s account, may be required</li> <li>• In some countries, mandates are strictly required; in others, mandates are only required if you want to dispute reversals</li> <li>• Some countries require paper mandates; others may also accept electronic mandates</li> </ul>
Checkout Process	<ul style="list-style-type: none"> <li>• The customer’s bank account information must be captured during the checkout process, including the customer’s IBAN (international bank account number) or other account number, bank code, branch code, and check digit. The specific fields and the local language labels used depend on the country, and bank account number structures may vary as well.</li> <li>• If mandates are required, your company must also design and implement the necessary procedures for obtaining and storing customer mandates.</li> <li>• Some countries require customer advance notice (for example, by email) before collecting direct debit payment</li> <li>• Due to risk considerations, most merchants modify the order confirmation and fulfillment process to inform customers that the order will be delivered once funds have settled</li> </ul>
Specialized Processing	<ul style="list-style-type: none"> <li>• Without a mandate, customers have unlimited transaction refusal rights for a defined period of time</li> </ul>
Order Conversion	<ul style="list-style-type: none"> <li>• High; you pull funds from the customer’s account</li> </ul>
<b>Risk Management</b>	
Credit Risk	<ul style="list-style-type: none"> <li>• High; merchant does not know if customer has sufficient funds</li> </ul>
Fraud Risk	<ul style="list-style-type: none"> <li>• Few native validation services are available; merchants rely on their own negative lists and profiling measures to check for fraud</li> <li>• In many countries (such as the United States, UK, Japan), negative lists cannot be shared among merchants due to privacy laws</li> <li>• High with out fraud tools; medium with fraud tools</li> </ul>
Customer Dispute Rights	<ul style="list-style-type: none"> <li>• High, if merchant does not secure customer mandate – customers do not have to prove anything</li> <li>• Direct debit reversal periods range from 4 days to 49 days, depending on the country</li> <li>• The fees are lower for the merchant to refund a direct debit than for customers to reverse the direct debit themselves</li> </ul>
<b>Reporting and Reconciliation</b>	
Settlement	<ul style="list-style-type: none"> <li>• 1-4 days</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• 1-7 days after settlement</li> </ul>

**Summary of Payment Considerations by Payment Type**

	Bank Card	Bank Transfer (Offline)	Bank Transfer (Online)	Direct Debit
<b>Payment Acceptance</b>				
Domicile Requirements	No	Yes	Yes	Yes
Checkout Process	Capture acct. #, exp. date, CVN	Collect bank data, reference #	Collect bank data	Collect bank data
Specialized Processing	Payer authentication	None	Auth. based on customer fund push	Unlimited chargeback rights w/o customer mandate
Order Conversion	High	Medium	High	High
<b>Risk Management</b>				
Credit Risk	None	None	None	High
Fraud Risk	Medium	Low to none	Low to none	Medium to high
Customer Dispute Rights	Avg. 180 days	None	None	4 – 49 days, depending on country
<b>Reporting and Reconciliation</b>				
Settlement	1-4 days	1-4 days	1-4 days	1-4 days
Funding	1-7 days after settlement	1-7 days after settlement	1-7 days after settlement	1-7 days after settlement

## Acceptance Considerations by Region & Country

### Asia/Pacific Region

#### Payment Preferences.

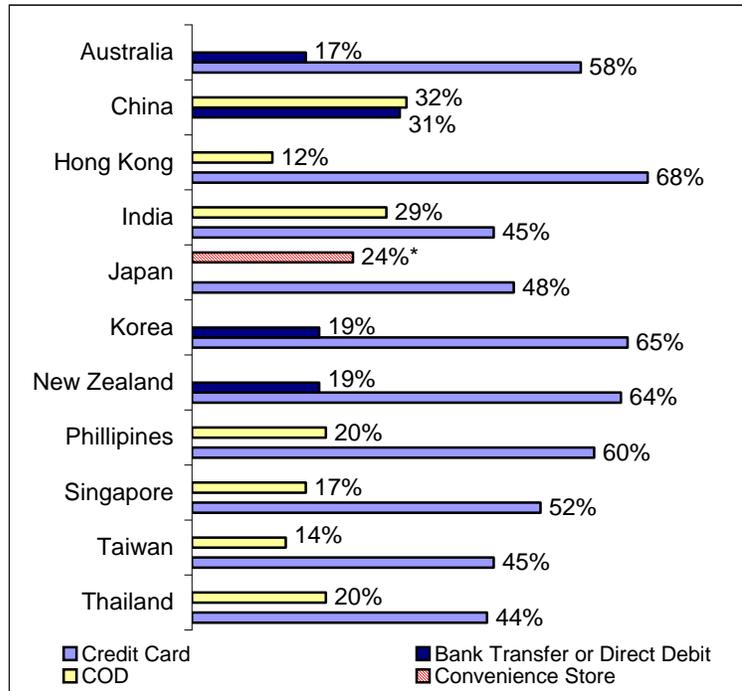
In Asia, a majority of customers use credit cards for online purchases in many countries, with the notable exception of China. Overall payment card penetration rates differ across the region, due to a variety of factors (such as education, per capita income, Internet/PC penetration, access to credit or financial institutions). Cash on delivery and bank transfers are also popular options.

**Domicile/Banking.** In most Asian countries, establishing local presence and a local banking relationship will greatly facilitate sales, but it is not necessarily required. The payment types you would like to offer will also influence domicile and banking requirements.

**Taxes.** Asian countries have value-added taxes, which you may need to calculate and capture during the checkout process if you are domiciled there. In some countries, collecting VAT depends on the type of product or service you offer and whether or not you have local presence. We recommend that you consult with an international tax expert to determine your tax liability.

**Fraud.** Although you can transfer some of your U.S. fraud screening practices and tools such as velocity checks and geolocation, many fraud tools that you use in the United States are not readily available. For instance, in Korea and Taiwan, some card association verification tools are unavailable (such as AVS), and public records availability is very limited. In addition, we recommend that you analyze both your checkout and fraud management processes to ensure that they can support non-Latin character sets, which are prevalent in Asia.

**Dispute Rights.** Each country has unique dispute rights. However, for customers using international bank cards (such as MasterCard or Visa), card association customer dispute rules apply. We recommend that you consult with an international law expert to determine your rights as a merchant in a specific country.



\* % of consumers citing use of this payment option when shopping online during last 12 months (2006)

## **China**

*Payment Preferences.* In China, consumers predominantly use cash and checks, as the payment infrastructure is still evolving and credit is not yet widely available. However, credit and debit card use is growing rapidly. Customers use online bank transfers (which are actually initiated through Chinese “debit cards”) and credit cards to make online purchases.

*Domicile/Banking.* Domicile and a local banking relationship are not required, because China has payment intermediaries that will help you transact in their country, with the ability to fund in the currency of your choice. These payment intermediaries have relationships with all of the major Chinese banks and will enable you to provide online bank transfers to your customers. However, you will need to partner with a payment service provider to interface with these intermediaries.

*Taxes.* China has a 17% value-added tax, which you may need to calculate and capture during the checkout process. Because eCommerce in China is growing rapidly, the regulations regarding tax collection are changing quickly as well. We recommend that you consult with an international tax expert to determine your tax liability.

*Fraud.* Although you can transfer some of your U.S. fraud screening practices and tools such as velocity checks and geolocation, many fraud tools that you utilize in the United States are not available. Some card association verification tools are not used, and public records availability is very limited. In addition, it is recommended that you analyze both your checkout and fraud management processes to ensure that they can support Chinese language characters.

*Dispute Rights.* If customers use international bank cards (such as MasterCard or Visa), card association customer dispute rules apply. In other cases, certain jurisdictions offer limited dispute rights – in Beijing, customers have seven days to return, exchange, or cancel an order.

## **Japan**

*Payment Preferences.* Although Japanese consumers have traditionally preferred to pay with cash, they use credit cards, COD, and bank transfers for online purchases. EDY, a stored value instrument, is also popular. With COD, Japanese customers have multiple options, such as using ATMs, Internet Banking and ordering online but paying at a konbini (a convenience store). With bank transfers, although settlement occurs within 1-4 business days, funding can take up to 30 days.

*Domicile/Banking.* Establishing a local presence and a local banking relationship will greatly facilitate sales, but it is not necessarily required. The payment types you would like to offer will also influence domicile and banking requirements.

*Taxes.* Japan has a 5% consumption tax on wide range of service and goods, which you will need to calculate and capture during the checkout process. If you do not have local presence in Japan, you will not likely need to charge the consumption tax for digital goods.

*Fraud.* Although you can transfer some of your U.S. fraud screening practices and tools such as velocity checks and geolocation, many fraud tools that you utilize in the United States are not available. Bank transfer regulations have been recently tightened to require more customer identification, and payer authentication (Verified by Visa and MasterCard SecureCode) and CVV are available and used in Japan. In addition, it is recommended that

you analyze both your checkout and fraud management processes to ensure that they can support Japanese language characters.

*Dispute Rights.* Consumers in Japan have the right to cancel orders within a specific period of time after placing the order. In March 2001, the Ministry of Economy, Trade and Industry (METI) issued the "Interpretative Guidelines", an interpretation on how particular existing laws in Japan should be applied to eCommerce business. In 2007, METI issued a second amendment to the Interpretative Guidelines, providing broad consumer protection by allowing transactions to be governed by laws in the country where the transaction took place – even if the customer agreed to terms and laws based outside of the country. So, if a Japanese customer buys goods from a U.S. merchant based in the U.S., Japanese laws still apply. If a Japanese customer wins the right to repayment in a Japanese court, the customer can file a claim in the United States to fulfill the Japanese court ruling.

### **Korea**

*Payment Preferences.* Korean customers predominantly pay with bank cards, with a small percentage paying by bank transfer.

*Domicile/Banking.* Establishing a local presence will greatly facilitate sales, but it is not necessarily required. However, you must have a bank account in Korea in order to accept payments in Korean Won. The payment types you would like to offer will also influence domicile requirements.

*Taxes.* Korea has a 10% value-added tax. If you have a local presence, you will need to calculate and capture VAT during the checkout process for goods valued at more than US\$150. However, in the case of digitally distributed goods, regardless of domicile, you likely do not need to collect the consumption tax. Consult tax counsel for most current law.

*Fraud.* Although you can transfer some of your U.S. fraud screening practices and tools such as velocity checks and geolocation, many fraud tools that you utilize in the United States are not available. For instance, some card association verification tools, such as AVS, are not used, and public records availability is very limited. Payer authentication is mandatory, and comes in two formats, both of which are required to accept all Korean cards. In addition, it is recommended that you analyze both your checkout and fraud management processes to ensure that they can support Hangul (Korean language characters).

*Dispute Rights.* Korean customers can cancel orders within seven days of placing the order. The Korean Fair Trade Commission (FTC) regulates the Law on Consumer Protection in Electronic Commerce and can fine merchants that do not refund customers within the specified period of time. In addition, with electronic payments, merchants are required to obtain consumer damage compensation insurance to cover customer repayments in case the merchant files bankruptcy or closes the business. Also, customers can go to the e-Commerce Mediation Committee to resolve disputes. This Committee will attempt to reach a settlement within 10 days between the affected parties; if the dispute goes to arbitration, it may take 45 days to settle.

**Europe**

*Payment Preferences.*

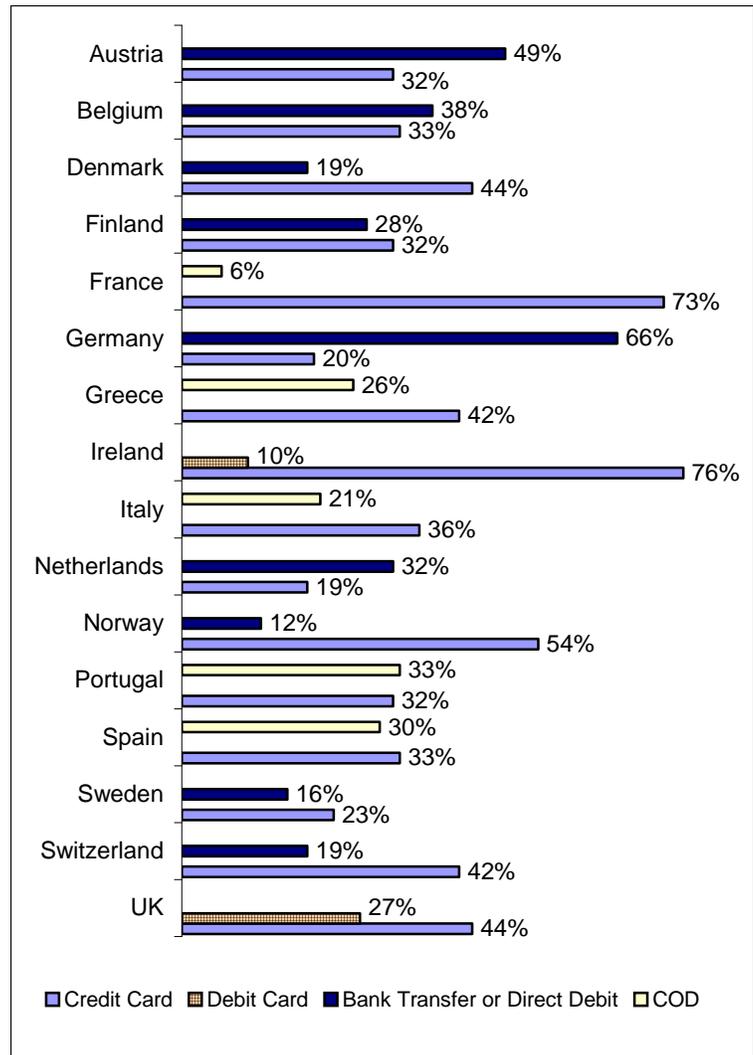
In Western Europe, a large majority of customers pay for online purchases by credit or debit card, except in Germany, where direct debit is the main form of payment. Major local debit cards include: Carte Bleue (France), CartaSi (Italy), Dankort (Denmark), Maestro (present across Europe), Visa Electron (UK). In addition to cards, other European payment types include direct debit and bank transfer.

*Domicile/Banking.* For credit cards, you do not need to establish a local presence. However, your transaction costs will generally be lower if you have a local presence (in-country) – you will have lower merchant discount rates. All Western European countries belong to the OECD, so you can easily repatriate funds.

*Taxes.* European countries impose value-added taxes, which you may need to calculate and capture during the checkout process, depending on whether you have local presence and the type of good or service you are selling. We recommend that you consult with an international tax expert to determine your tax liability.

*Fraud.* Fraud rates are primarily driven by payment type. So, fraud rates are fairly uniform across Europe for bank cards, however, certain fraud services are not available depending on the country. Also, MasterCard has mandated that all merchants must support SecureCode for Maestro transactions. Direct debit has higher fraud rates, because there are limited fraud detection tools available.

*Dispute Rights.* If using cards, dispute rights are fairly uniform across the region. Dispute terms can vary depending on the payment type. For instance, there is no risk of chargeback for bank transfers because the customer pushes payment to the merchant. Across the EU, customers have the right to cancel their orders within seven business days, but country-specific laws may supersede EU directives. We recommend that you consult an international law expert for further guidance.



## **France**

*Payment Preferences.* French customers have traditionally preferred to pay by check, but for online purchases, they use bank cards (including Carte Bleue), as well as private cards or store cards and checks.

*Domicile/Banking.* Domicile is not required for credit cards, but if you offer Carte Bleue, you will need to either establish a French entity or use a payment service provider.

*Taxes.* France has a 19.6% value-added tax, which you may need to calculate and capture during the checkout process, depending on whether you have local presence and the type of good or service you are selling. We recommend that you consult with an international tax expert to determine your tax liability.

*Fraud.* In France, card verification numbers are utilized, and Verified by Visa and MasterCard Secure Code are supported.

*Dispute Rights.* If using international cards, card association customer dispute rules apply. French laws may provide broader consumer protection than the EU. We recommend that you consult an international law expert for further guidance.

## **Germany**

*Payment Preferences.* Unlike other European countries, Germans overwhelmingly prefer to pay by direct debit or bank transfer, so adding direct debit as a payment method to your website may greatly enhance sales potential. German direct debit does not require a mandate, which will increase your repudiation risk. Although direct debit and bank transfers are popular, there are a small percentage of customers who utilize credit cards for online purchases.

*Domicile/Banking.* In Germany, you can use a payment service provider to meet residency requirements when establishing bank transfer and direct debit payments.

*Taxes.* Germany has a 19% value-added tax, which you may need to calculate and capture during the checkout process, depending on if you have local presence and the type of good or service you are selling. We recommend that you consult with an international tax expert to determine your tax liability.

*Fraud.* Because Germans prefer direct debit, chargeback risk is higher. Although you can utilize geolocation, velocity checks and business rules to screen orders, other tools such as public records verification are more limited in Germany. With bank cards, card verification numbers are required.

*Dispute Rights.* In general, Germany customers have within 14 days of a transaction to cancel an order. However, this can be extended to six months if a merchant has violated provisions of German eCommerce law. Also, if customers use direct debit, they have 49 days to repudiate the transaction, virtually without cause (since direct debit mandates are not usable for eCommerce). So, many merchants set aside funds to cover potential direct debit refunds.

### **United Kingdom**

*Payment Preferences.* In the UK, nearly all customers use bank cards for online purchases. Debit cards such as Visa Delta, Maestro, Solo, and Visa Electron comprise a large percentage of the bank cards. Direct debits are primarily used for recurring payments, and have a small but rapidly emerging presence for online payments. The UK requires electronic mandates for direct debits.

*Domicile/Banking.* Domicile is not required for credit cards, but to accept local debit cards you will need to establish a European entity or go through a payment service provider that can provide the local banking relationship.

*Taxes.* The UK has a 17.5% value-added tax, which you will need to calculate and capture during the checkout process.

*Fraud.* The UK has many of the same fraud tools that are available in the United States, however, public records availability is more limited. Card verification tools, such as AVS, CVV, and payer authentication are all used. MasterCard has mandated that all merchants must support SecureCode for Maestro transactions. With direct debit, fraud rates are much lower than Germany because the UK requires securing electronic customer mandates for direct debit.

*Dispute Rights.* If using international cards, card association customer dispute rules apply. For direct debits, the customer can easily cancel by notifying their bank or the merchant. UK customers have seven days after a transaction to cancel an order.

**Latin America**

*Payment Preferences.*

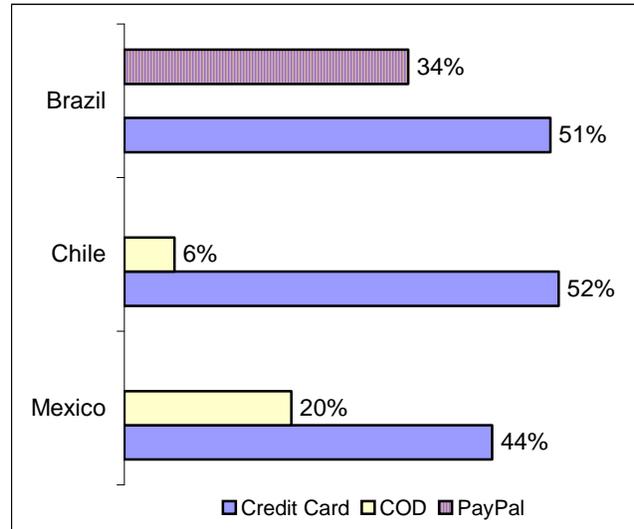
In general, customers use internationally branded bank cards to make online purchases. However, in some countries, bank cards cannot be used to make purchases outside of the country, as currency controls may be in place and funds cannot be repatriated.

*Domicile/Banking.* Because some bank cards cannot be used to purchase goods outside of the local country, having a local presence and a local banking relationship will enable you to accept more payments from customers. In some countries, funds must stay in-country (such as Brazil).

*Taxes.* Latin American countries have a value-added tax, which you will need to calculate and capture during the checkout process if you have domestic presence. We recommend that you consult with an international tax expert to determine your tax liability.

*Fraud.* Fraud management is mostly a manual process in Latin America unless you use a flexible rule and decision management platform to screen orders. Although you can transfer some of your U.S. fraud screening practices and tools such as velocity checks and geolocation, other tools, such as card association verification tools and public records availability is more limited.

*Dispute Rights.* Customer dispute rights, as they relate to online transactions in Latin America, are still an emerging area of law and vary by country. However, if using international bank cards, card association rules apply.



## **Brazil**

*Payment Preferences.* Brazilian customers prefer to use bank cards, but utilize mostly local bank cards – 90% of the cards in Brazil cannot conduct cross-border transactions due to strong currency controls.

*Domicile/Banking.* Capturing payments from the 90% of cards that can only be used in-country requires a local presence and a local banking relationship for funds settlement.

*Taxes.* Brazil has both state and national value-added taxes, which you will need to calculate and capture during the checkout process. State VAT averages approximately 17%, and national VAT is 20%. State VAT is assessed based on where your company is headquartered, not on where the customer lives. There are certain types of goods that are tax-exempt; consult tax counsel for further guidance.

*Fraud.* Fraud is mostly a manual process in Brazil unless you use a flexible rule and decision management platform to screen orders. Although you can transfer some of your U.S. fraud screening practices and tools such as velocity checks, card verification numbers and geolocation, public records availability is very limited.

*Dispute Rights.* The Consumer Protection Code (CDC) governs consumer rights for both online and offline transactions, as Brazil does not have specific laws governing online transactions. In the CDC, consumers have seven days to cancel an order. If customers use international bank cards (such as MasterCard or Visa), card association customer dispute rules apply.

## **Mexico**

*Payment Preferences.* Mexican customers prefer to use bank cards, with a very high percentage consisting of POS-only cards requiring a PIN. Similar to Brazil, there is a sizable proportion of local cards. Approximately 60% of the cards in Mexico cannot conduct cross-border transactions.

*Domicile/Banking.* A local presence and a local banking relationship (for funds authorization and settlement) are necessary to accept customer payments, due to the strong prevalence of local bank cards.

*Taxes.* Mexico has a value-added tax of 15% (which can be reduced to 10% for certain areas), which you will need to calculate and capture during the checkout process if you have local presence. We recommend that you consult an international tax expert for more information.

*Fraud.* Fraud is mostly a manual process in Mexico unless you use a flexible rule and decision management platform to screen orders. Although you can transfer some of your U.S. fraud screening practices and tools such as velocity checks, card verification numbers and geolocation, other tools, such as public records availability, is very limited.

*Dispute Rights.* In general, customers have within five days of placing an order to cancel. If the product delivered is not as agreed to in the contract, customers may request a refund or replacement; merchants must comply within five business days after they received the request, or else incur interest expenses as well. With international bank cards (such as MasterCard or Visa), card association customer dispute rules apply. We recommend that you consult an international law expert for further guidance.

## CyberSource Makes Global Payment Acceptance Easier, Safer, More Secure

Here are just a few of the ways CyberSource can help you more easily, safely and securely accept and manage payments in over 190 countries. Only CyberSource provides services to manage payments from acceptance to reconciliation and payment security.

For details call **1-888-330-2300**, or [contact us](#) online at **www.cybersource.com**.

Global Challenge	CyberSource Services
<b>Global Payment Acceptance</b>	
Accept preferred payment types worldwide	<ul style="list-style-type: none"> <li>• Card payments in 190+ countries in Asia, Europe and Middle East, Americas</li> <li>• Bank transfers in 50+ countries (including China); online transfers in Europe</li> <li>• Direct debit payments</li> <li>• PayPal, Bill Me Later and more</li> </ul>
Establish banking relationships and domicile	<ul style="list-style-type: none"> <li>• A single banking relationship through CyberSource, or partnering with known banks or your preferred provider</li> <li>• “Stand-in” domicile for bank transfers and direct debits—our business structure satisfies residency requirements so you don’t have to</li> </ul>
Calculate taxes in real-time	Global, real-time tax calculation services (sales, GST, PST, VAT) in 137 countries
Modify checkout to support payment types / countries	Process design and implementation expertise supporting customer-facing checkout changes and back-end systems integration using CyberSource Professional Services
<b>Order Screening</b>	
Manage fraud risk worldwide without compromising order conversion	<ul style="list-style-type: none"> <li>• Strategy design, rule implementation, performance monitoring and order review with business performance guarantees using CyberSource Managed Services</li> <li>• Integrated fraud management portal with rule and case management system, with 100+ validation checks and services:                             <ul style="list-style-type: none"> <li>- IP geolocation</li> <li>- International delivery address/phone verification</li> <li>- Real-time U.S. export compliance check</li> <li>- Order velocity and identity morphing detection</li> <li>- More...</li> </ul> </li> <li>• Verified by Visa and MasterCard SecureCode services</li> </ul>
<b>Processing Management</b>	
Manage global processing connections	<ul style="list-style-type: none"> <li>• A single connection to CyberSource provides on-demand access to over 25 processors worldwide</li> <li>• PCI certified datacenters (United States, Europe, Asia), professionally managed 24 x 7</li> </ul>
<b>Collection and Reconciliation</b>	
Research and reconcile global transactions	<ul style="list-style-type: none"> <li>• Online transaction search, with downloadable transaction and funding reports for multiple processors, fed to your legacy systems or applications (CSV, XML)</li> <li>• Automated reconciliation and chargeback re-presentation systems to eliminate up to 90% of manual reconciliation using CyberSource Professional Services</li> </ul>
<b>Payment Security</b>	
Minimize the cost of securing customer payment information	<ul style="list-style-type: none"> <li>• Built-in, token-based secure storage system keeping sensitive payment information off your networks and stored in CyberSource PCI-certified datacenters in the U.S., Europe and Asia</li> </ul>
Streamline PCI compliance worldwide	<ul style="list-style-type: none"> <li>• Built-in security scanning services to automate PCI assessment and reporting</li> <li>• Full audit of your systems and ongoing monitoring and remediation services using CyberSource Professional Services</li> </ul>

# CyberSource®

**the power of payment**

## **About CyberSource**

CyberSource Corporation is the world's first payment management company. CyberSource solutions enable electronic payment processing for Web, call center, and POS environments. CyberSource also offers industry leading risk management solutions for merchants accepting card-not-present transactions. CyberSource Professional Services designs, integrates, and optimizes commerce transaction processing systems. Approximately 20,000 businesses use CyberSource solutions, including half the companies comprising the Dow Jones Industrial Average. The company is headquartered in Mountain View, California, and has sales and service offices in Japan, the United Kingdom, and other locations in the United States.