Understanding and Negotiating Merchant Contracts

Stuart Forgan
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Requirements

**Merchant**
- Low cost service
- High service levels
  - system response
  - call centre availability
- Quick settlement
- One stop shop
  - multi-card
  - multi-country
  - multi-currency
- Clear pricing

**Acquirer**
- Increased volume
- Best possible margin
- Low risk
- Long term
- Low outlay
- Reputation and presence

**Negotiable**
- Pricing
- Duration & Exclusivity
- Services & Service Levels
- Security

**Non negotiable:**
- scheme rules
- operational procedures
- liability exclusions
- indemnities
Pricing

- Relevant factors
  - risk
  - volume
  - underlying cost
  - reputation
- Bundled or unbundled
- Tiered pricing
- Volume rebates
Duration & Exclusivity

- Short or long term
  - scope to renegotiate
  - long term planning
- Spread set up costs
- Early termination fees
- Exclusive or non-exclusive arrangement
Services & Service Levels

• Detailed scope of services
  – types of payments accepted
  – currencies
  – territory
  – excluded sectors

• Service Levels
  – authorisation response times
  – settlement process
  – call centre response times
  – fault handling and business continuity
  – escalation procedures
Security/Risk

- Risk profile of merchant
  - likelihood of default/insolvency
  - likelihood of chargebacks
  - historical chargeback rates
  - benchmarking
- Reserve accounts
  - process
  - trigger events
  - interest
- Other options
World Offices

BEIJING
Suite 608, Tower C2
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing 100738
China
T: 86.10.6505.5359
F: 86.10.6505.5360

FRANKFURT
Taunusanlage 1
60329
Frankfurt am Main
Germany
T: 49.69.22.22.1.4000
F: 49.69.22.22.1.4001

GENEVA
Rue de Lausanne 139
Sixth Floor
1202 Geneva
Switzerland
T: 41.22.308.00.00
F: 41.22.308.00.01

HONG KONG
Level 39
Two Int’l Finance Centre
8 Finance Street
Central, Hong Kong
T: 852.2509.7888
F: 852.2509.3110

LONDON
Woolgate Exchange
25 Basinghall Street
London, EC2V 5HA
United Kingdom
T: 44.20.7626.7937
F: 44.20.7626.7937

LOS ANGELES
555 West Fifth Street
Los Angeles, California 90013
T: 213.896.6000
F: 213.896.6600

NEW YORK
787 Seventh Avenue
New York, New York 10019
T: 212.839.5300
F: 212.839.5599

PALO ALTO
Temporary Office Location
530 Lytton Avenue
Second Floor
Palo Alto, CA 94301
T: 650.617.3400

SINGAPORE
6 Battery Road
Suite 40-01
Singapore 049909
T: 65.6230.3900
F: 65.6230.3939

SYDNEY
Level 10, 7 Macquarie Place
Sydney NSW 2000
Australia
T: 61.2.8214.2200
F: 61.2.8214.2211

BEIJING
Suite 608, Tower C2
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing 100738
China
T: 86.10.6505.5359
F: 86.10.6505.5360

BRUSSELS
Square de Meeûs, 35
B-1000 Brussels
Belgium
T: 32.2.504.6400
F: 32.2.504.6401

CHICAGO
One South Dearborn
Chicago, Illinois 60603
T: 312.853.7000
F: 312.853.7036

CHICAGO
One South Dearborn
Chicago, Illinois 60603
T: 312.853.7000
F: 312.853.7036

DALLAS
717 North Harwood
Suite 3400
Dallas, Texas 75201
T: 214.981.3300
F: 214.981.3400

DALLAS
717 North Harwood
Suite 3400
Dallas, Texas 75201
T: 214.981.3300
F: 214.981.3400

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United Kingdom
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F: 44.20.7626.7937

NEW YORK
787 Seventh Avenue
New York, New York 10019
T: 212.839.5300
F: 212.839.5599

SHANGHAI
Suite 1901
Shui On Plaza
333 Middle Huai Hai Road
Shanghai 200021
China
T: 86.21.2322.9322
F: 86.21.5306.8966

SHANGHAI
Suite 1901
Shui On Plaza
333 Middle Huai Hai Road
Shanghai 200021
China
T: 86.21.2322.9322
F: 86.21.5306.8966

SINGAPORE
6 Battery Road
Suite 40-01
Singapore 049909
T: 65.6230.3900
F: 65.6230.3939

SYDNEY
Level 10, 7 Macquarie Place
Sydney NSW 2000
Australia
T: 61.2.8214.2200
F: 61.2.8214.2211

TOKYO
Sidley Austin Nishikawa
Foreign Law Joint Enterprise
Marunouchi Building 23F
4-1, Marunouchi 2-chome
Chiyoda-Ku, Tokyo 100-6323
Japan
T: 81.3.3218.5900
F: 81.3.3218.5922

TOKYO
Sidley Austin Nishikawa
Foreign Law Joint Enterprise
Marunouchi Building 23F
4-1, Marunouchi 2-chome
Chiyoda-Ku, Tokyo 100-6323
Japan
T: 81.3.3218.5900
F: 81.3.3218.5922

WASHINGTON, D.C.
1501 K Street N.W.
Washington, D.C. 20005
T: 202.736.8000
F: 202.736.8711

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