



BANKING ISSUANCE

Comptroller of the Currency
Administrator of National Banks

Type: Banking Bulletin

Subject: Merchant Processing

TO: Chief Executive Officers of all National Banks, Deputy Comptrollers, District Administrators, Department and Division Heads and all Examining Personnel

Attached is a temporary insert to the Comptroller's Handbook for National Bank Examiners. It contains guidance for examiners concerning merchant processing of credit card receivables and presents the OCC's general policy on the subject. It should be filed as a separate section in the Handbook, following Section 212, Credit Card Plans.

Merchant processing is the settlement of credit card sales transactions for merchants. It is a separate and distinct business line from credit card issuing. Electronic technology enables both small and large banks to process millions of dollars in merchant receivables. Most merchant processing is off-balance sheet, and significant risks are involved if the activity is not properly controlled. Banks can incur losses through merchant fraud, merchant bankruptcy, or poor product pricing. Any bank participating in merchant processing must be fully aware of the risks involved. The attached examination guidance will help both bankers and examiners understand those risks and control their effect.

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