

## Acceptance

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## Expanded Eligibility for Estimates and Incremental Authorizations

**Global** | Acquirers, Issuers, Processors, Agents

Visa, Interlink Networks; V PAY; Europe Processing



**Overview:** Effective 18 October 2019, parking, electric vehicle charging and card-absent grocery merchants may use estimated authorization and incremental authorization requests.

**Effective 18 October 2019**, transactions assigned Merchant Category Codes (MCCs) 5552—Electric Vehicle Charging, 7523—Parking Lots, Parking Meters and Garages, and card-absent transactions using MCC 5411—Grocery Stores and Supermarkets may make estimated authorization and incremental authorization requests.

Estimated authorizations are used by merchants in scenarios and segments where the final amount is not known. In combination with incremental authorizations, it can be an effective way for merchants to reduce payment risk in environments where goods and services are provided prior to payment. Incremental authorizations can save the consumer from having to enter their credential multiple times when adding merchandise to a grocery delivery or extending a parking session.

When a merchant chooses to use estimates and incremental authorizations, it is very important that they clearly communicate details of the authorization process to the consumer. If the merchant's practices are not clear (e.g., providing the amount of the estimate) or authorization amounts excessively exceed the final amount, it can lead to consumer questions and the loss of future sales.

### General Best Practices

- Estimated authorizations must reflect the anticipated / average transaction amount (including applicable taxes) that the merchant expects for the purchase. The merchant must disclose the estimated authorization amount to the cardholder at the time of booking.
- If the estimated amount exceeds the final amount, merchants must process partial reversals for the difference. If the estimated amount is lower than the final amount, then the merchant must use an incremental authorization or a second authorization for the additional amount.
- For the card-absent grocery and supermarket segment, Visa reminds merchants that they must not include estimated tip amounts. If the original estimate was insufficient or if a tip is added, merchants can use the existing 15% authorization-to-clearing tolerance to avoid sending another authorization, or an incremental

authorization or additional authorization. If a merchant uses incremental authorizations at any point in the transaction, the ability to use the 15% tolerance is no longer applicable and the merchant must either use another incremental authorization to true-up to the final amount or obtain a separate authorization.

## Acquirer and Merchant Requirements

Using estimated and incremental authorizations are optional for merchants, but if they are used, it is important that transactions are flagged correctly in the Visa system.

### Technical Requirements:

- Estimated and incremental authorization requests must be flagged with the appropriate indicators and use the appropriate transaction values. For more information about field requirements, refer to Article 5.11— Expansion of Estimated, Initial, and Incremental Authorization Processing for Certain Merchants in the *October 2019 and January 2020 VisaNet Business Enhancements Global Technical Letter and Implementation Guide, Effective: 13 June 2019*.
- Merchants should consult with their acquirers to ensure the indicators are being populated and passed in the authorization record before implementing an estimated and incremental solution.

### Usage Requirements:

- The estimated authorization is intended to represent an amount that is closest to the expected transaction amount. Merchants should set their limits responsibly and not overestimate the anticipated transaction amount, as that may lead to unintended declines.
- In cases where merchants do estimate above the final amount, it is imperative that merchants submit a partial reversal for the difference as soon as the final amount is known.

## Issuer Requirements

Issuers should be aware that the additional MCCs will be eligible to submit estimated and incremental authorizations. Visa is reminding issuers to remove any associated holds from their cardholder's account as soon as possible upon receiving partial reversals for final transaction amounts below the estimate.

### For More Information

Merchants and third party agents should contact their acquirer.

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