

Truncation Requirements: Masking of Cardholder Information on Electronic Receipts

On December 4, 2003, a federal law which preempts existing state laws requiring truncation of account numbers on customer receipts was passed thereby creating a uniform national standard. The legislation, called the Fair and Accurate Credit Transactions Act of 2003, stipulated that "no person accepting credit cards or debit cards for the transaction of business shall print more than the last 5 digits of the card number or the expiration date upon any receipt provided to the cardholder at the point of sale or transaction.

What is truncation?

Truncation is the masking or suppressing the full cardholder number on an electronically generated sale or credit document. Current truncation requirements which encompass federal & state law(s) as well as requirements from all of the major card brands. Full cardholder numbers can no longer appear completely on electronically generated receipts. Here is an example of what truncation should look like:

<u>Truncated :</u>	<u>Not Truncated:</u>
Acct# - **** * 1234 Exp. ****	Acct# - 4234 5678 9000 0000 Exp.: 12/08

There are potentially serious consequences for retailers, merchants and any other individual or business that accepts credit cards or debit cards from its customers which fail to truncate!

Penalties for Noncompliance can be severe!

The Fair and Accurate Credit Transactions Act of 2003 (FACT) Act has two separate provisions which expose noncompliant businesses to potential civil liability. The first provision is for individuals or businesses that are liable for "willful noncompliance." The second provision is for individuals or businesses that are liable for "negligent noncompliance."

A person who willfully fails to comply with Section 1681c(g) of FACT may be liable to the consumer for:

- Any actual damages of not less than \$100 and not more than \$1,000
- Punitive damages
- Attorney fees and costs

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A person who is merely negligent in complying with this statute may be liable for:

- Any actual damages sustained by the consumer
- Attorney fees and costs

While these provisions may not seem frightening at first, it is important to realize that *each* customer transaction is a separate violation and liability could quickly multiply to a staggering sum and fees, fines, and damages do not stop at just the local, state, and federal level but also apply to the major card associations. For example, Visa/MasterCard penalties for failing to truncate are as follows:

- 1st Violation - \$5,000
- 2nd Violation - \$10,000
- 3rd Violation - \$25,000
- 4th Violation - \$50,000
- Willful or Egregious Violation - \$500,000/month

All it takes is one dissatisfied customer or credit card company agent to report an un-truncating establishment and the business can be penalized and shut down. In addition, the merchant may be placed on the terminated merchant file, which will prevent them from accepting credit cards in the future. It is enough to ruin any businessman's day!

California State Deadline Information:

Effective January 1, 2009, revised California Civil Code § 1747.09 takes effect, requiring that no more than the last 5 digits of a credit or debit card number be printed on both the electronically-printed card receipt retained by merchants as well as the receipt provided to customers, thus modifying the current law which applies only to customer copies.

SECTION 1. Section 1747.09 of the Civil Code reads:

- (a) Except as provided in this section, no person, firm, partnership, association, corporation, or limited liability company that accepts credit or debit cards for the transaction of business shall print more than the last five digits of the credit or debit card account number or the expiration date upon any of the following:
 - (1) Any receipt provided to the cardholder.
 - (2) Any receipt retained by the person, firm, partnership, association, corporation, or limited liability company, which is printed at the time of the purchase, exchange, refund, or return, and is signed by the cardholder.

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- (3) Any receipt retained by the person, firm, partnership, association, corporation, or limited liability company, which is printed at the time of the purchase, exchange, refund, or return, but is not signed by the cardholder, because the cardholder used a personal identification number to complete the transaction.
- (b) This section shall apply only to receipts that include a credit or debit card account number that are electronically printed and shall not apply to transactions in which the sole means of recording the person's credit or debit card account number is by handwriting or by an imprint or copy of the credit or debit card.
- (c) This section shall not apply to documents, other than the receipts described in paragraphs (1) to (3), inclusive, of subdivision (a), used for internal administrative purposes.
- (d) Paragraphs (2) and (3) of subdivision (a) shall become operative on **January 1, 2009**.

State Truncation Deadlines:

The following state(s) require(s) terminals to truncate the card number from **both** the merchant and cardholder copy of electronically printed receipts:

State	Effective Date for New Merchants	Effective Date for Existing Merchants
California	01/01/2009	01/01/2009
Tennessee	01/01/2007	01/01/2007

The following states required terminals to truncate the card number from the cardholder copy of electronically printed receipts prior to the effective date of federal and card association regulations:

State	Effective Date for New Merchants	Effective Date for Existing Merchants
Arizona	06/30/2002	07/01/2004
California	01/01/2001	01/01/2004
Colorado	07/31/2002	01/01/2004
Florida	07/01/2003	07/01/2005
Kansas	07/01/2004	07/01/2005
Kentucky	01/01/2003	01/01/2005
Louisiana	01/01/2002	01/01/2004
Maine	01/01/2004	01/01/2004
Maryland	10/01/2002	01/01/2006
Nebraska	01/01/2004	01/01/2007

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New York	01/01/2003	01/01/2006
Oklahoma	01/01/2004	01/01/2007
Texas	10/01/2003	01/01/2006
Virginia	07/01/2003	07/01/2007
Washington	07/01/2001	07/01/2004

Not every point of sale terminal is capable of truncation

If you own one of the following terminal types, you may not be able to receive a new download that will truncate your credit card receipts properly. In order to maintain current compliance mandates, you might need to upgrade to a newer terminal model.

Known terminals with issues include:

- **Verifone Zon Jr.**
- **Verifone Zon Jr. XL**
- **Verifone Zon Jr. Plus**
- **POS 50**
- **POS 500**
- **Linkpoint 4000**
- **Talento**
- **Hypercom T7P (256 memory)**
- **Hypercom ICE 5500**

UMS Banking offers many styles and brands of point of sale terminals at affordable prices. If your business requires a new point of sale terminal, please call our Customer Care Department at (800) 866-1881 and we will be happy to assist you.

What should your business do?

Businesses that have not fully implemented requirements of Section 1681c(g) of FACT may find themselves at risk. For example, a business that has truncated the information on its credit card receipts to limit the amount of digits, but that still shows credit card expiration dates may face liability.

It is imperative that any individual or company that accepts credit or debit cards conduct an immediate audit to ensure that all applicable registers and machines are in compliance.

UMS Banking recognizes that our industry is experiencing a tremendous amount of change and we are committed to helping our merchants and Agent Bank Partners understand and adjust to these changes. If you have any questions about this information, please feel free to contact our Customer Care Department at **(800) 866-1881**.

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