



PAYMENT SERVICES DIRECTIVE (PSD)

Questions & Answers

What is the Payment Services Directive (PSD)?

The Payment Services Directive (PSD) is legislation adopted by the European Union setting a legal framework for payments within the European Economic Area (27 EU Member States, plus Iceland, Lichtenstein and Norway). The aim of the PSD is to harmonise laws across Europe pertaining to the provision of payment services, including card payments. The PSD officially entered into force in December 2007 and EEA Member States have until 1 November 2009 to transpose the Directive into national law.

Why is American Express moving merchants to a new legal entity?

In accordance with the PSD, from 1 November 2009 onwards, merchant acquirers will require a "payment institution" or banking license. American Express has therefore established American Express Payment Services Limited (AEPSL) as the legal entity for its merchant acquiring business in Europe. AEPSL is incorporated in the United Kingdom and has applied for its payment institution license from the UK Financial Services Authority (FSA). Whilst the legal entity is changing, merchants can continue to contact the customer services team for all day-to-day queries relating to American Express card acceptance.

What benefits will merchants see as a result of moving to a new legal entity?

Merchants may benefit from statutorily prescribed rights and obligations, which will be reflected as appropriate in new Terms and Conditions for acceptance of American Express cards. Many requirements prescribed in the PSD for card transactions are already standard practice for American Express today, for example, the provision of detailed statement information. In addition to our robust business management and governance practices, and outstanding service, merchants will also have peace of mind knowing that the payment services offered by AEPSL will be subject to supervision by the FSA.

Do merchants need to do anything to continue to accept American Express cards?

No, merchants will be able to automatically continue to accept all American Express cards. New Terms and Conditions take effect from 1 November 2009, though the commercial terms will be unaffected by these changes.

What physical changes will merchant see on statements?

The legal entity named at the bottom of the document will change.

What statement services are available to merchants?

American Express's free on-line statement service is called 'Online Merchant Services.' This service allows merchants to keep track of their business activity by viewing, downloading and printing transaction data whenever needed. American Express also offers a paper statement service for a fee.



Do merchants need to do anything differently when requesting authorisation for a transaction?

No, merchants should continue as normal.

How will the PSD affect payments with American Express?

The settlements American Express make to a merchant's bank will be unaffected.

How will the submission process change and how will this affect merchants?

Merchants must always specify the full and exact transaction amount to the Cardmember when requesting their consent. Merchants may not submit charges to American Express without specifying the full and exact amount. Instances of Cardmembers being unaware of the full and exact charge are particularly relevant to the lodging, car hire and restaurant industries.

While Cardmembers will be advised to provide detailed evidence when any disputes arise, American Express recommends that merchants bill any additional post transaction amounts separately for any incidental charges. This protects merchant from the need to refund the full amount of a transaction, rather than only the proportion of the charge that the Cardmember is disputing. In the case of a disputed charge where the merchant has not specified the full and exact charge, American Express will have full recourse to claim the full amount of the charge from the merchant.

What is the situation if a non-European Cardmember is disputing a transaction in a European market?

The regulations on handling disputes do not govern a dispute from a non-European cardmember, as generally speaking both parts of the transaction have to be in the European Economic Area.

Is American Express seeking to change its Direct Debit arrangements?

No. American Express is simply transferring its Direct Debit mandates from American Express Europe Ltd to American Express Payment Services Limited (AEPsL). The Direct Debits are migrating to a new American Express originator ID, hence, for a short while merchants may notice two active DD mandates. Merchants should not cancel or stop these mandates, as it is normal for both to appear during the transfer process. American Express will not charge merchants twice for any transactions.