

Aggregation and MIDs:

ProPay is an aggregator. The funds processed by every ProPay merchant are deposited into a single bank account owned by us, and we bear the responsibility to track balances for each merchant using our own platform. There are a couple of important implications based on aggregation:

- Aggregation allows ProPay to instantly board and enable accounts.
- Aggregation allows for “ProPay to ProPay” money movement features like Spendback and SplitPay
- Aggregation, however, means that the MIDs which we occasionally assign to individual accounts are useless to our merchants. (ProPay does, indeed, assign MIDs to some of our accounts, but they are only used for internal tracking and to satisfy the reporting requirements of card brands.) A ProPay MID CANNOT be used by another gateway because every single one of those MIDs directs funds to the same aggregated bank account with no instruction for deposit to a specific ProPay merchant. Simply put, all ProPay partners or merchants must integrate to one of ProPay’s APIs or use a ProPay interface directly.

Funding vs. Settlement vs. Sweep:

Funding is an event entirely controlled by ProPay where money is made available in a merchant’s ProPay account. This event does NOT depend on card-brand settlement, and can occur far sooner as a result. Funding, as a separate event is made possible because the money that backs all ProPay accounts is held in an aggregate balance.

Sweeps automatically push all of the money funded into a ProPay account out to an attached bank account that is owned by the merchant. Sweeps use ACH, and as such, take a day or two to complete. Sweeps are NOT set up for all ProPay merchants. Small merchants push money out to their bank account using an interface on ProPay’s website. Most large merchants, however, are configured with a daily sweep.

Settlement – This is a process whose purpose is only to get ProPay its funds. (Settlement causes money movement into ProPay’s aggregate account.) Unlike with most processors, ProPay merchants do not care about settlement. They care only about funding and sweeps.

Voids vs. Refunds:

The ability to void credit card transactions or to refund them is somewhat unique for ProPay merchants, and ProPay merchants are able to do things that most gateways do not allow.

Voids and void requirements

- Whenever a merchant issues a void, ProPay sends a “cancellation request” to the appropriate card-brand and tries to make the authorization “go away”
- With a void, no fees are automatically charged to the merchant. (Although contracts may allow us to charge for these events monthly.)
- Most processors or gateways prevent voids after transactions are captured. ProPay is somewhat more lenient. At ProPay, a void requires that a transaction has neither been “Funded” or sent for “Settlement” Funding times are very regular, and can be configured based on merchant preference. Settlement, however, is another story. ProPay settles several times every day, with the implication that voids are not always possible.

When a void is no longer possible, merchants are forced to refund transactions

- With a refund, ProPay does NOT reverse the fees charged to merchants for the original authorization. In fact, ProPay may charge another fee to perform a refund.
- With a refund, cardholders will usually see two transactions on their statement.

Authorize and capture separately

Because of the rules associated with voids, ProPay merchants frequently elect to capture transactions as a separate event than their authorization thereof. In truth, this practice is actually not unique to merchants who use ProPay as merchants often capture when products are shipped out, or based on their own business logic.

Funding Options:

Net Funding

Most merchants are set with fees billed using a Net Funding configuration. This causes that that all processing fees are taken out as the transactions are processed. For example, if the processing fee that has been established is 3% + \$0.30 per transaction, and a transaction is processed for \$100, \$3.30 would be taken out of the funds processed, and the merchant would receive \$96.70.

Gross Funding

Gross Funding is an option that would allow a merchant to receive the entire amount processed in a transaction. In this case, all of the pre-determined processing fees will be charged in one lump sum at the end of the month, or in whichever frequency is determined in the contract.

Cost Plus

Using a Cost Plus model, a merchant will be billed on a monthly cycle. ProPay's Finance team, upon receiving the cost data from the card brands, will manually calculate what the merchant owes to ProPay according to the agreement in the contract. Many accounts that use a Cost Plus model also net settle a small amount. This allows small amounts to be charged during processing, so smaller amounts will be billed monthly after the settlement.

Funding Times:

Funding Cutoff Time

Defining the cutoff for funding correctly is important because it helps to set up convenient "batches" of transactions. It is between each cutoff that batches will appear as a deposit to one's bank (for example, when merchants are set up with automatic sweeps). Cutoffs are frequently set as midnight in the time zone where merchants for this tier intend to operate.

Hold Days

The funds may be held for a pre-determined amount of time before being made available to the merchant. Hold days can be different period of time for credit card processing and ACH processing. The chart below explains when funds would be made available with a 1-day hold. (See below for an explanation regarding the "Deposited" column.)

Process	Held	Available	Deposited
Monday	Tuesday	Wednesday	Thursday
Tuesday	Wednesday	Thursday	Friday
Wednesday	Thursday	Friday	Monday
Thursday	Friday	Saturday	Tuesday
Friday	Saturday	Sunday	Tuesday
Saturday	Sunday	Monday	Tuesday
Sunday	Monday	Tuesday	Wednesday

More information about Sweeps:

An affiliate can choose to have the accounts under their affiliation to receive "sweeps." A "sweep" is an automatic deposit of all of the funds from a merchant's ProPay account to

his/her bank account on file. Please note that if merchants are not going to be accessing their accounts via the ProPay website, sweeps will be required in order for the merchants to receive their funds.

An affiliate can choose the frequency of the sweep. The chart above shows when funds would be available in a merchant's bank account if he/she is set up with one hold day and daily sweeps.

Split-Sweep

If an affiliation wants the processing fees to be taken with each transaction, but they don't want the merchant to be billed for these fees, there is a split-sweep option. This option requires API signups, and it requires 2 bank accounts to be passed per account. The first (main) bank account on file will be charged the processing fees for the transactions. The second bank account on file will receive deposits that contain the net amount of the transactions processed.



For more information on how the flexible services of the ProPay Payment Network can help your organization reach its objectives, please call 1-888-227-9856 or visit www.propay.com.