

APPENDIX B

MERCHANT PROCESSING EXAMINATION TOOLS

Portfolio Profile Worksheet

	Prior Year-End	Current Year-to-Date
Sales Volume		
Number of Transactions		
Number of Merchants/Outlets		
Average Ticket Size		
Number and Dollar Reserves		
Major Third Parties and Services Provided		
Top Three Concentrations by Geographic Distribution		
Top Three Concentrations by Industry		
Top Three Concentrations by Volume		
Charge-back Percentage of Sales		
Charge-back Loss Volume		
Fraud Loss Volume		
Operational Loss Volume		
Niche Market		
Net Income/Contribution		
Percent Electronic vs. Paper		

The portfolio profile worksheet can be used to summarize the profile of merchant portfolio at each examination and track changes in the profile from one examination to the next.

Income and Expenses

(Sample Only)

VOLUMES (000's)	EXPENSES
Total Sales Volume	External Data Processing
Total Transactions	Internal Data Processing
Average Ticket	Research and Development
	Terminal expense/depreciation
INCOME	Personnel
Gross Merchant Discount	Telephone Expense
Interchange (-)	Occupancy Expense
Assessments (-)	Travel & Entertainment
Net Merchant Discount	Supplies
Interest Income	Professional Fees
Transaction Fees	Fraud and chargeback losses
Terminal Fees	Miscellaneous Expenses
Miscellaneous Fees	
Total Income	Total Direct Expenses
Total Income Per Transaction	Total Allocated Expenses
Return on Total Income	
Return on Total Expense	Total Expenses
Direct Expenses Per Transaction	Net Contribution Before Tax
Total Expenses Per Transaction (Unit Cost)	

This sample list of income and expenses associated with a merchant processing operation can be used in evaluating the bank's profit analysis of the merchant processing activity.

Merchant File Review Worksheet

Merchant Name				
Merchant Application				
- Signatures				
- Business Type				
- Description of Product and Services				
- Average Ticket Size				
- Volume Information				
- Social Sec. #/Tax ID				
- Trade and Bank References				
- Processor				
- Time in Business				
- Proper Approval				
Site Inspection				
- w/Photo				
- Inspected By				
Financial Information				
Credit Bureau Report				
Evidence of Previous Merchant Activity				
Check MATCH				
Purchase/Lease Equipment				
Discount Rate				
% Swiped Transactions				