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BANKCARDS



Payment Systems

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Bankcards are the most widely used payment instrument for goods and services in Portugal. More than half of cashless payments are presently made with bankcards. The increasing use of these cards in Portugal follows the upward trend in favour of electronic means of exchange in the past decade, along with a corresponding decrease in the use of paper-based instruments, such as cheques (see Chart, page 4).

Portugal now has a modern infrastructure for remote bank services, in which the bankcard plays a key role. At the end of 2003, there were approximately 11 million debit cards, 4 million credit cards and a smaller number of prepaid cards, all in a country of about 10 million people. These cards can be used at about 10 thousand ATMs (automated teller machines) and more than 130 thousand POSs (points of sale).

At ATMs, besides banknote withdrawals, bankcards may be used in other transactions, such as: (a) checking the balance and activity of the corresponding demand deposit account; (b) checking, changing or revoking direct debit authorisations; (c) making bank transfers; (d) paying for services, taxes, fines, and the like; and (e) purchasing transport and entertainment tickets, recharging prepaid mobile telephones and other prepaid instruments, activating electronic toll payment devices (known as “Via Verde” in Portugal), etc.

The major purpose of the present booklet is to help financial services consumers to better use their bankcards. It covers the most important operating aspects while avoiding unnecessary technical complexities and stresses the different possible uses as well as the recommended precautions.

This booklet is therefore mainly intended for users on the two sides of the bankcard market: the consumers who are cardholders and the merchants who accept card payments. Consumers relate to issuers, mostly banks, which issue cards according to a membership agreement contract. Merchants are signed up for one or more card brands by the acquirers and/or banks that can enter into contracts with them.

The booklet tries to clarify a number of issues that may be useful for consumers and merchants participating in the bankcard market. The bankcard market can expand only with continued growth of the number of consumers using, and of merchants accepting, bankcards; thus, attention must be paid to both sides of the market. This is in fact one of the most interesting aspects of the bankcard market: it has large network

effects, i.e., it is highly dependent on the network of consumers and merchants participating in it, as well as on the ATM network throughout the country. At present, in addition to banks, the efficient operation of the bankcard market in Portugal relies on two specialised institutions: (1) SIBS, after the Portuguese acronym for Interbank Services Company, which manages the ATM and POS domestic network Multibanco; and (2) UNICRE, after the Portuguese acronym for International Credit Card Company, which manages the commercial POS network (Redunicre), issues bankcards and is the largest acquirer in Portugal. There is only one EFTPOS (electronic funds transfer at the point of sale) infrastructure network in Portugal, which is the Multibanco infrastructure, and several commercial networks, all of which operate through the same Multibanco infrastructure. The three most important commercial networks are Commercial Multibanco POS, Redunicre and American Express.

The information provided here, although intended to be accurate, is by no means exhaustive. Accordingly, there can be possible differences between the text below—whose main objective is to characterise the most common situations—and some more specific cases that are not dealt with herein.

The booklet is made up of 54 questions and answers organised in 9 chapters. To assist the reader, it includes a Table of Contents after the Introduction and a Glossary at the end.¹ It also includes a number of boxes with practical recommendations for card users, references to the relevant legal and regulatory texts on the subject, and a diagram of a bankcard, front and back.

In the preparation of this booklet, Banco de Portugal benefited from the skills and expertise of two specialised institutions in this area—SIBS and UNICRE—whose cooperation is appreciated. Banco de Portugal also thanks a number of experts and other persons who have kindly read previous versions of the text and who have contributed so much to the improvement of its form and substance.

¹ Terms defined in the Glossary are indicated by an asterisk (*).

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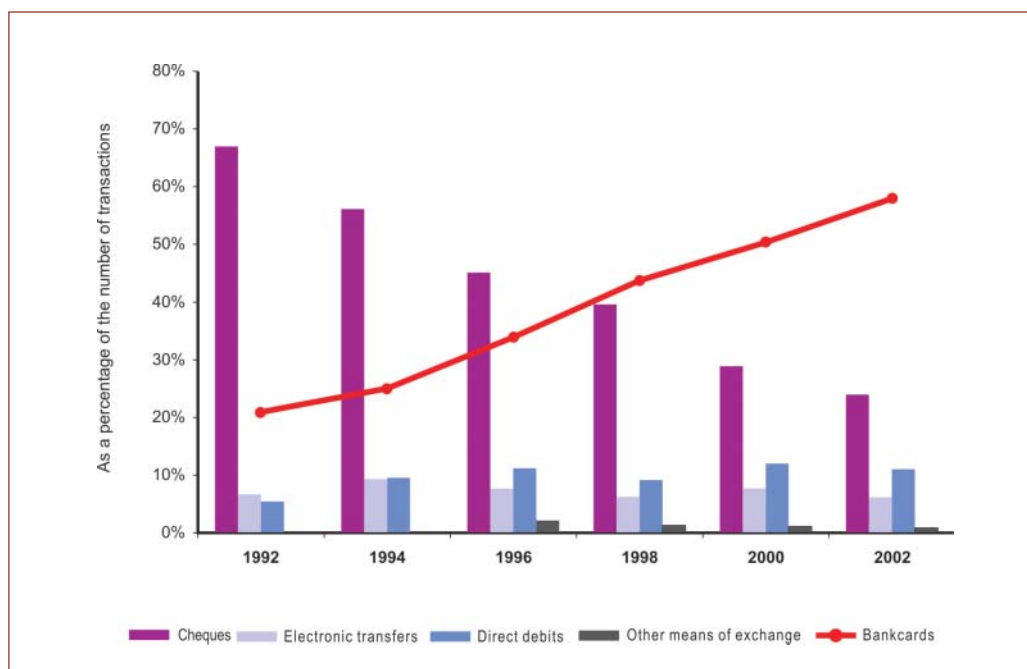
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LEGAL AND REGULATORY TEXTS**GLOSSARY¹****DIAGRAM OF A BANKCARD**

¹ Terms defined in the Glossary are indicated by an asterisk (*).

USE OF PAYMENT INSTRUMENTS IN PORTUGAL, 1992-2002

CHAPTER I. MAIN FEATURES OF BANKCARDS

1. What is a bankcard?

A bankcard is a payment instrument,* usually in the form of a plastic card, provided by the issuer* to the cardholder so that he/she, by accessing a telecommunications network and based on the account associated with the card, may purchase goods or services, make payments, withdraw cash and/or conduct other transactions. The bankcard allows its holder to validate the transaction that he/she wishes to carry out.

Some bankcards are issued jointly with non-financial institutions and offer a number of advantages to their holders. Such cards are known as affinity or co-branded cards.* They differ from cards issued exclusively by non-financial companies, where no financial institution intervenes. These are store cards (or retailer cards) and cannot be considered to be bankcards [see Question 7].

2. Which types of bankcards are available?

There are three main types of bankcards, according to their function and to the manner in which funds are transferred:

- (a) **Debit card*** – This card is associated with a demand deposit account. When the cardholder uses this card for payments, cash withdrawals or transfers, the corresponding amount is debited from the holder's demand deposit account. This means that there is an equivalent reduction in the demand deposit account balance. Therefore, this type of card is best described by its debit functions.
- (b) **Credit card*** – This card is associated with a card account* and a credit line. When the cardholder uses this card for payments or cash advances,* he/she benefits from a credit line extended by the issuer. Therefore, this type of card is best described by its credit functions.
- (c) **Prepaid card*** – This card is equipped with a chip that allows the cardholder to load money onto it. Usually it is limited to a pre-set maximum amount. When it is used, there is a corresponding reduction in the available amount stored in the card. This type of card is best described by its prepaid functions.

According to what a single card can do, there are two types of cards:

- (i) **Single-function card** – This card performs exclusively a single type of function, which according to the previous classification, can be debit, credit or prepaid.

- (ii) **Dual or multi-function card*** – This card combines more than one type of function and thus may be associated with more than one account. For instance, this type of card mixes in the same plastic card a credit card and a debit card or a debit card and a prepaid card or a credit card and a prepaid card.

In short, a credit card allows its holder to purchase today and pay later; a debit card allows its holder to purchase today and pay today; a prepaid card makes it possible to pay today and purchase later; and a dual or multi-function card permits a combination of several of the previous possibilities.

Other types of cards are also mentioned throughout this Booklet, such as affinity or co-branded cards* [see Questions 1 and 5], virtual credit cards* [see Question 3] and corporate cards* [see Question 6].

3. What transactions can a cardholder make with each type of card?

A debit card allows the cardholder to carry out direct debit transactions in the associated demand deposit account. Examples of these transactions are payments for the purchase of goods and services, cash withdrawals, bank transfers, and loading of money onto prepaid cards. Normally, these transactions can be carried out only if there is a sufficient balance in the account. Debit cards also allow the holders to check the balance and activity of the associated account. In principle, debit cards do not generate their own monthly statement, given that transactions are directly recorded in the associated demand deposit account and are included in its monthly statement.

A credit card allows access to unsecured credit extended by the issuer to the cardholder whenever he/she makes a payment or withdraws money as a cash advance* [see Questions 21 and 37]. Credit cards generate a periodic account statement (usually monthly), in which all transactions conducted over a certain period of time and the corresponding balance are recorded. Some credit cards are only virtual and are used exclusively on the Internet. These are called virtual credit cards.*

If the sale is paid with a debit card carrying a national brand, the payment comes directly from the cardholder's demand deposit account, and the merchant's* account is credited by the same amount minus the fee paid by the merchant to the acquirer.* If the sale is paid with an international credit or debit card, the payment

to the merchant is always ensured by the acquirer. The acquirer credits the merchant's account within a very short period of time (in Portugal, at the start of business on the following working day), after the associated paperwork has been processed. The value of the sale is reimbursed to the merchant, after deduction of the fee paid to the acquirer. The total fee paid by the merchant to the acquirer depends mainly on the so-called merchant fee* [see *Question 34*].

In most cases, prepaid cards allow the same type of payment transactions or cash withdrawals as debit cards, but from the amounts previously stored in the card. Usually, the card is loaded from a demand deposit account at an ATM. Prepaid cards, like debit cards, do not generate monthly statements, given that they are not associated with any bank account.

All of these cards have a limit, which is established on a case-by-case basis, using different criteria depending on the type of card and/or the cardholder's creditworthiness and risk profile [see *Chapter VIII*].

4. Can the same card be used as a credit card and as a debit card?

Yes. The card with more than one function is known as a dual or multi-function card* [see *Question 2*]. Therefore, for instance, the same card may have the credit function of an international brand (American Express, Maestro, MasterCard, Visa or Visa Electron) and the debit function of a domestic brand (Multibanco). Given that the use of each type of card may be subject to different fees [see *Chapter III*], the general conditions for the use of the card, as well as of the demand deposit account, should be read thoroughly, mainly with regard to the use of each type of card in Portugal or abroad.

5. Can the same card include more than one brand?

Yes. Most cards issued in Portugal under an international brand (American Express, Maestro, MasterCard, Visa or Visa Electron) may also perform debit functions under the domestic brand (Multibanco). The logos used by the various brands are easily recognisable on the front and/or back of the cards.

If the card can perform more than one function (for instance, credit and debit functions), it is a dual or multi-function card* [see *Question 4*]. Note, however, that whenever a dual or multi-function card is used in a transaction, it is used either as a credit card or as a debit card. It is also possible for the same type of transaction

(for instance, a cash withdrawal) to be carried out by the same card via the debit function in Portugal and via the credit function abroad, or vice-versa. It depends on the functions associated with the card and on the transactions allowed by the equipment (ATM and POS) where it is used [see *Questions 23 to 26*].

6. Can the same account have more than one card associated with it?

Yes. It depends on the membership agreement established between the cardholder and the issuer.

The same cardholder may have several cards associated with the same account or request the issue of different cards for different cardholders (usually two) in the case of individuals, who are also known as additional cardholders or users.

In the case of debit cards associated with the same demand deposit account, the issue of one card per each joint account owner (often two, occasionally more) depends on their number and status (e.g., full or limited access to the account activity). The card limit depends on the demand deposit account balance.

In the case of credit cards associated with the same card account, most issuers allow the issue of more than one card per holder. The credit line, available credit and maximum amount allowed per transaction [see *Chapter VIII*] are determined on the basis of the card account. Each transaction implies the proportional decrease in the amount of available credit for all cards.

When credit cards are issued in the name of a corporation, they are called corporate cards.* In these cases, the corporation is the holder of the cards and grants their use to individuals (users or bearers), usually members of the board of directors or senior managers.

All cards associated with the same account are personal and non-transferable. Therefore, the name of the cardholder is always embossed or engraved on the card. Cards issued in the name of a corporation include, in addition to the cardholder's name, which is the corporation, the name of the individual who uses the card.

7. Can store cards be considered to be bankcards?

No. Cards issued exclusively by stores (e.g., supermarket chains, oil companies) are not bankcards. These are store cards or retailer cards [see *Question 1*], which allow payments only at the stores issuing them. They cannot be used at ATMs or other merchants' POSs. Their use may translate into discounts and/or credit (instalments).

Usually, they also generate monthly statements and, in some cases, payments can be debited directly to the cardholder's demand deposit account. Debiting the demand deposit account is possible only if the cardholder has previously and expressly authorised it. In contrast, bankcards are broadly accepted and can be used by their holders at ATMs and POSs [see *Chapter IV*].

8. Where and how can a bankcard be obtained?

A bankcard can be obtained from an issuer.* An issuer is a credit institution or a financial corporation authorised to issue bankcards. It issues cards under a written agreement which is the membership agreement contract.* Debit cards can be issued only by credit institutions authorised to receive demand deposits. In Portugal, they are banks, savings banks and mutual agricultural credit banks. Issuers are not under any obligation to provide a bankcard to every customer who requests it. They are free to set their own criteria underlying the assessment of card requests from customers. Credit institutions that have signed the minimum banking services* agreement provide debit cards to demand deposit account holders. Such cards are used exclusively for debiting or crediting this account.

9. Is a bankcard considered to be the property of its holder?

No. A bankcard is considered to be the property of the issuer, which transfers the right to use the card to the cardholder, according to the terms and conditions governing its use, described in the membership agreement contract.* The name or logo of the issuer must be displayed on the card and in any advertisement.

CHAPTER II. MEMBERSHIP AGREEMENT CONTRACT

10. Which terms and conditions must be included in the membership agreement contract?

The contract must include all the terms governing the relationships between the issuer and the cardholder, as well as the general conditions for the use of the card [see *Question 11*]. The conditions that are likely to change more often may be annexed to the contract. The cardholder should read the contract fully and thoroughly. Contracts must be written in Portuguese, in clear and understandable language and with a graphical layout allowing people with average eyesight to read it (i.e., the font size should not hinder their reading).

11. What are the general conditions for the use of the card?

The general conditions for the use of the card stipulate the rights and obligations of both the issuer and the cardholder, as well as the procedures that both parties must follow in order to ensure the appropriate use of the card.

12. When is the contract deemed to be effective?

The contract is deemed to be effective when the cardholder receives the card and a copy of the contract he/she has accepted. In certain cases, the issuer sends the card and the copy of the general conditions by mail to the cardholder's address and, by separate mail and a few days before or later, the PIN.* In these situations, for security reasons, the card must usually be activated [see *Question 15*] before use, given that it could be embezzled and misused by someone who may also have had access to the PIN. Sometimes the issuer sends only one of the items by mail (either the card or the PIN) and the holder must go the issuer's counter to receive the other item.

The PIN may be changed by the cardholder or may be kept unchanged, depending on the general conditions for the use of the card [see *Question 16*].

The acceptance by the cardholder indicates that he/she is aware of the general conditions for the use of the card and agrees to comply with these conditions, as well as the specific terms of the contract. When the card is replaced because it is damaged or has expired, the initially agreed terms of the contract remain valid.

13. After signing the contract, is it possible to terminate it?

Yes; this is one of the cardholder's rights. The general conditions for the use of the card should specifically provide for an interim period during which the cardholder may terminate the contract (at least seven working days, as from the date the contract was signed), with no charges to the cardholder [see Question 19]. This termination of the contract must be decided during the interim period and communicated by registered letter with acknowledgement of receipt or by any other manner enabling the cardholder to prove that the issuer of the card was duly informed of this termination. However, if the cardholder uses the card during the interim period, this means that he/she has waived the right to terminate the contract, i.e., he/she has agreed to the contract. The cardholder should thoroughly read the general conditions for the use of the card in order to become familiar with the procedures to be followed should he/she wish to terminate the contract in the future.

14. Which other rights does the cardholder have?

Among the most important cardholder's rights are the information rights, namely:

- the right to be well informed of all contractual and legal rights, all obligations to be met and all the security procedures to be adopted;
- the right to have any doubts regarding the contents of the contract duly clarified; and
- the right to be informed of all transactions already made or that can be made with the card.

Moreover:

- all information with an impact on the cardholder (interest rates, taxes, fees, postage or other fees and value dates concerning transactions and banking services) must be regularly updated and be made available in all the issuer's branches, in an easily reachable and clearly identified location and in plain and understandable language;
- for cardholders who mainly have no personal contact with their issuer, the information must be sent by the issuer to the cardholder's address; and
- for issuers who offer products that may be requested or purchased on the Internet, they must make information available on their websites.

15. What does it mean to activate a bankcard?

To activate a bankcard means to take the necessary steps to make the card operational. When issuers send the card and the PIN by mail, sometimes, for security reasons, the cards are not ready to be used (i.e., they are not yet activated). The cardholder must refer to the letter accompanying the card and follow the procedures described therein.

16. Can the cardholder change the PIN?

Yes. However, the issuer may limit the possibility of changing the PIN in some cards and certain types of transactions. The cardholder should read the general conditions for the use of the card and check to see whether changing the PIN limits the use of some of the card's functions, namely abroad. If the cardholder intends to change the PIN, he/she must go to an ATM, select the corresponding function, and enter a new 4-digit combination that cannot be easily guessed (e.g., he/she should avoid the year of birth, the day and month of birth or any other number of any document that usually accompanies the bankcard, such as the ID or driver's licence).

At an ATM of the Multibanco network you should be careful to enter the correct PIN. If you press the wrong PIN more than twice in a row, the machine will then in principle retain the card.



In case the machine retains your card, you should contact the issuer.

17. How long is a bankcard valid?

Every card issued is valid for a certain period, usually not less than one year. The expiration date (month and year) is embossed on the card [see Card diagram, front]. The card is valid during the entire period up to the expiration date and may be used up to the last day of the month referred to in the expiration date.

When the card reaches the expiration date, and in case the issuer does not require that the card be returned, the cardholder must destroy it prior to disposing of it, making sure that the magnetic stripe and the signature are permanently invalidated.

When the cardholder receives the information that a new card will be sent, he/she should mark the date mentioned. If the card has not been

received by the announced date, the cardholder should notify the issuer immediately.

The new card must be signed immediately after delivery. The cardholder's name on the card should also be checked [see *Question 48*].

18. Can the issuer decide not to reissue the card?

According to the principle of contractual freedom, issuers are free to decide whether or not they will issue or reissue the bankcard to a certain cardholder. Also, customers are free to accept or refuse the issuers' conditions with regard to the cards they issue.

CHAPTER III. CHARGES FOR THE CARDHOLDER

19. Which charges must a cardholder pay to use a card?

Charges vary depending on the issuer and must be described in the membership agreement contract. Broadly speaking, an annuity (annual fee) and other charges apply to the card. Normally, the annuity is charged in a single payment, together with the first card statement, and subsequently each year. The issuer may exempt certain cardholders from the annuity. Other charges may apply depending on the type and purpose of the card. All charges and interest rates must be explicitly indicated in the membership agreement contract, instead of simply referring to the issuer's pricing. The issuer cannot change the terms of contract without at least a 15-day prior notice to the cardholder. If the terms of the contract are changed, and in case the cardholder intends to terminate the contract, he/she has the right to retrieve a share of the annuity paid, corresponding to the period during which the card was not used.

20. How are interest payments calculated on credit card activity?

The general conditions for the use of the card should explain how interest payments are calculated. As previously mentioned [see *Question 10*], the contract must indicate the cost of annuities, fees and interest rates. Interest rates, which are essential to calculate interest payments, must be explicitly indicated in the contract, as well as how they are adjusted to rate changes, instead of simply referring the cardholder to the issuer's pricing. In general, interest rates are different according to their applicability to revolving credit, to overdrafts or to arrears. Usually, interest rates are posted as annual rates.

21. What is the free funding period or grace period of a charge or credit card?

The free funding, or the grace, period is the time span between the date of purchase of the good or service and the date indicated in the subsequent statement for the payment (in full or in part) to the issuer. During this interval, the cardholder benefits from interest-free credit [see *Question 37*]. In Portugal, this time averages around 35 days.

22. Are there any additional charges for using the card abroad?

In the European Union, card payments in euros are covered by the principle of equal charges. According to this principle, the same institution cannot charge different fees for the same type of euro-denominated domestic and cross-border payments.

This principle, which has applied to payments up to €12,500 since 1 July 2002, will apply to payments up to €50,000 as of 1 January 2006. In European Union countries that have not adopted the euro, the principle of equal charges applies only to transactions denominated in euros and not in the currency of those countries.

Outside the European Union, payments made with cards via the debit function of an international brand or via the credit function are subject to the terms agreed between the issuer and the cardholder.

For a dual or multi-function card, with the credit function provided by an international brand and the debit function provided by the domestic brand Multibanco [see Questions 4 and 25], its debit function is available in Portugal only. Therefore, when used abroad, such cards are only credit cards, according to the general conditions for the use of the card. This is the case when the cardholder withdraws cash at an ATM abroad [see Question 5] with a dual card with a Multibanco debit function. The cash withdrawal is in fact a credit transaction, more precisely a cash advance,* subject to the charges established in the card membership agreement contract for this type of transaction.

For a dual or multi-function card with both the credit and the debit functions of an international brand, it is possible to use the debit function abroad, according to the general conditions for the use of the card.

Normally, only cards carrying an international brand (American Express, Maestro, MasterCard, Visa and Visa Electron) may be used abroad. The Multibanco debit card, or the Multibanco debit function associated with credit or debit cards, is not valid abroad, except in the few cases where there are bilateral agreements with networks in other countries. Thus, outside Portugal, it is recommended that cardholders check whether the ATM accepts the Multibanco brand prior to using the card [see Question 24].

CHAPTER IV. WHERE TO USE CARDS AT ATMS AND POSs

23. Where can bankcards be used?

It is possible to use a bankcard with a certain brand in Portugal or abroad at the following facilities:

- (a) ATMs that have signed an acceptance contract with the card brand representative;
- (b) EFTPOSs* of merchants who were signed up by the acquirer of that brand; and
- (c) non-electronic POSs of merchants who also were signed up by the acquirer of that brand. ATMs display the logos of the brands accepted. Merchants also display the logos near the door or in an easily visible location on the premises.

24. Are cards issued in Portugal accepted by all ATMs in Portugal or abroad?

Not necessarily. In Portugal, Multibanco ATMs accept only cards carrying the brands signed up by this network— Multibanco, American Express, Maestro, MasterCard, Visa or Visa Electron. Abroad, a card is accepted only if the ATM displays the logo of the card brand. Cardholders should check which brands the ATM accepts before introducing the bankcard.

25. Are cards issued in Portugal accepted by all POSs in Portugal or abroad?

If the card carries the American Express, MasterCard, Maestro, Visa or Visa Electron brand, it is accepted by all merchants in Portugal or abroad who were signed up by the acquirer of any of those brands. In Portugal, if the card carries the Multibanco brand, it is accepted in all POSs of the Multibanco network. For dual or multi-function cards, the international brand prevails in transactions where that brand is accepted.

26. Do all POSs operate similarly in Portugal?

No. POSs may have different features, which are determined by (a) the manufacturer of the equipment, (b) the communication network used, or (c) the entities that provide POS network access to merchants (acquirers* or banks). The contracts signed between the merchants and the entities that provide POS network access set the conditions underlying such features.

Merchants are advised to evaluate carefully such conditions, particularly as regards the features of the POSs they have signed and the manner in which they read dual or multi-function cards. In fact, as a result of the terms of the contract, the POS may accept: **(i)** the domestic Multibanco brand only; **(ii)** international brands only; or **(iii)** both the domestic Multibanco brand and international brands. For a dual or multi-function card, the international brand prevails in POSs where that brand is accepted.

27. Can remote purchases be paid with bankcards (for instance, purchases made by telephone, mail, e-mail or Internet)?

Yes, but they require more precautions than face-to-face purchases [see *Question 52*].

Payments in which the card number is given by phone, letter or e-mail may carry risks, and thus extra precaution is required on the part of the cardholder. Card data should be supplied only to reliable firms, established at well-known addresses.

In Portugal, for instance, in order to make safe payments on the Internet, customers may wish to resort to the MBNet* service [see *Question 52* and www.mbnet.pt].

CHAPTER V. AUTHENTICATION OF TRANSACTIONS

28. How can a card transaction be authenticated?

When a payment is made with a bankcard, two operations are required: first, the merchant must obtain authorisation* from the issuer, via the acquirer, to accept that payment; second, the cardholder must authenticate the transaction.*

Authorisation is obtained if, after the POS reads the card's magnetic stripe* or chip,* the merchant is authorised to carry out the transaction, by receiving the message "OK" in the POS. If the transaction is not authorised, the merchant cannot accept the payment with that card. If, however, communication difficulties preclude obtaining such authorisation, the merchant should act in compliance with the procedures envisaged for such situations [see *Questions 35 and 36*].

After authorisation, the cardholder should authenticate the transaction by one of the following procedures: **(a)** by entering the PIN* [see *Question 16*] before the transaction receipt is printed; **(b)** by signing the transaction receipt after it is printed, on the place marked for signature; or **(c)** by entering the PIN and signing the transaction receipt [see *Questions 29 and 30*].

In the Multibanco network (ATMs and POSs), the introduction of the PIN is usually mandatory for all debit cards issued in Portugal. The merchants with POSs may also request an identification card (ID), in order to check the cardholder's identity [see *Question 48*].

In certain POSs, reading the card is sufficient for carrying out the transaction. This is the case in some public telephone booths, highway and bridge tolls, and parking lots. The same applies to cards carrying the American Express, Maestro, MasterCard, Visa and Visa Electron brands in some toll booths abroad. At other booths, in no-barrier toll lanes, there are microwave transmitters that "interact" with the onboard equipment, determine how much the toll is, given the entry and exit points, and debit that amount from the account associated with the card. This is the case of the electronic toll payment system in Portugal known as "Via Verde."

29. Why are some card transactions authenticated by entering the PIN and others by signing a receipt?

Each network has its own rules. In Portugal, all payment terminals (ATMs and POSs) are designed to read the PIN. Entering the PIN is mandatory for all cards issued in Portugal carrying the Multibanco, Maestro or Visa Electron brands. This does not apply to cards

carrying other brands, for which entering the PIN to authenticate a transaction may or may not be required. When entering the PIN is not required, the cardholder must sign the transaction receipt. He/she may also be requested to present an identification card. Sometimes, cardholders believe that the authentication process determines the nature of the transaction, such as a signature for credit transactions, or a PIN for debit transactions. This is not the case. For instance, entering the PIN may be required when the card is being used as a credit card. In fact, authentication is not related to the function used, but to the features of the payment terminal [see Question 26] and to the conditions agreed between the issuer and the cardholder. The issuer sets the type of authentication required in card transactions.

In short, transactions carried out at ATMs always require entering the PIN, irrespective of the function in which the card is being used (credit or debit). Transactions carried out at POSs with debit cards issued in Portugal (Multibanco, Maestro or Visa Electron) always require PIN-based authentication. As regards the other cards (debit or credit), signature-based authentication may be accepted. In some cases, the issuer may require the PIN and the acquirer may require the signature (double authentication) [see Question 30].

Abroad, all ATMs are also equipped to read the PIN, and entering it is thus mandatory. In POSs that were not designed for PIN reading, the signature is required.

Eventually, when all cards have chips (or a more advanced safety electronic device), it will be possible for domestic issuers to require cardholders to enter simply the PIN in any POS for cards carrying the American Express, MasterCard or Visa brands.

30. When a merchant accepts a card payment, can he/she require that in addition to entering the PIN the cardholder must also sign the receipt?

As mentioned in the previous answer, double authentication may take place when the issuer of the credit or debit card requires the PIN and, simultaneously, the acquirer requires the signature. In these cases, the transaction receipt issued by the POS terminal has an area intended for the signature.

31. Can a merchant refuse to accept a card payment?

Merchants are not legally bound to accept card payments, even if the customer would like to pay with a card of the brand that was

originally signed up by the acquirer. However, they are normally expected to accept those cards, since, in general, they have a contractual commitment to accept all bankcards whose logos are displayed in their establishments (the so-called honour-all-cards rule). In Portugal, only payments made with euro banknotes and coins cannot be refused, because they are legal tender. The cardholder should be informed by the merchant—who signals the card acceptance by displaying its logo on the premises—of any restriction. Thus, the cardholder will know in advance whether or not the card can be used, particularly for low-value payments.

32. When a payment is made with a card, can the price of the good or service be raised or can an additional fee be charged to the cardholder?

In Portugal, the law requires that every good or service advertised must display its price. As a general rule, contracts providing for the acceptance of bankcards do not allow the merchants to raise the price of the good or service based on the fact that the customer intends to pay for it with a bankcard. However, in exceptional circumstances expressly envisaged in the general conditions for card use, the issuer may charge the cardholder a fee every time the card is used. This is the case for fuel purchases in petrol stations, where the issuer usually charges the cardholder €0.50 per transaction.

33. How can merchants have the equipment installed to enable their customers to make payments?

Any company, single-owner enterprise or professional may offer its customers the possibility of paying with a bankcard. With that purpose in mind, a bank or an acquirer* should be contacted and should be requested to provide information on the conditions for signing up a bankcard brand and installing a POS [see Question 26]. If agreement is reached, the equipment will be installed after the acquiring contract has been signed.

34. What are the costs and benefits for a merchant who accepts card payments?

There are mainly two types of costs: (a) the cost of installing and maintaining the service (namely, the equipment); and (b) the cost charged per transaction. The former depends on the size of the business, on the equipment and telecommunications features, on the

type and brand of bankcards accepted, etc. The latter, which is mainly determined by the merchant fee,* corresponds to a cost charged each time a transaction is carried out. In Portugal, this fee depends on whether the customer card is a credit card or a debit card and on the brand associated with each card function. Before signing the contract, merchants should require detailed information on all costs involved.

The benefits for the merchant are of three main types: **(a)** to allow customers to use a very convenient means of payment that is increasingly popular in Portugal, and thereby boosting sales; **(b)** to carry out remote sales [see Questions 27 and 52] in a prompt and safe manner, particularly those involving catalogue sales or accepting reservations; and **(c)** to collect the payment of sales of goods and services in a swift and safe manner [see Question 3]. Accepting reservations made by a cardholder is particularly important for merchants in sectors such as hotels, travel agencies, car rentals, and the sale of tickets for entertainment, sports events or means of transport. Card payments also make it possible to avoid: **(i)** problems with small change; **(ii)** the risk of not collecting the money, in case of bad cheques; **(iii)** more cumbersome procedures regarding the deposit of cash and cheques; and **(iv)** the danger of loss, theft or larceny of cash and cheques.

CHAPTER VI. POSSIBLE PROBLEMS RELATED TO THE USE OF CARDS

35. Are debit card payments always possible when the balance in the holder's account is positive or, in the case of credit cards, when the credit line has not been exceeded?

Card payments may not be possible if systems are not operating in real time* with the issuer. Payment authorisation is processed by automated systems linked in a network, which may be temporarily out of service. Whenever this happens, debit cards have no access to the account balance of the cardholder. However, authorisation may be given, by delegation, according to maximum authorisation limits. For cards that can be read in manual terminals, i.e., cards with the number and cardholder name embossed, merchants have the possibility of getting authorisation by telephone and completing the transaction manually.

36. Can the system refuse payments for any other reason?

Yes. If the payment is refused repeatedly in different POSs, the magnetic stripe is probably damaged. In this case, the cardholder should contact the issuer and request the replacement of the card. However, the POS may be unable to read the card due to some malfunction. The merchant may perceive that something is wrong with the POS if it refuses cards too often.

By way of exception and for certain types of cards, some merchants may be authorised by the acquirer* to overcome the impossibility of reading the magnetic stripe by entering the card number in the POS terminal.

As a precaution, the issuer may also prohibit the use of the card when there is suspicion that it may be a forgery. This situation is uncommon but should be immediately clarified with the issuer. The system may also refuse payment if the card is in an irregular situation, such as in arrears. In this case, the cardholder should refer to the general conditions for the use of the card.

CHAPTER VII. PAYMENT OF THE CARD BALANCE

37. How can the cardholder pay the new monthly credit card balance?

The monthly credit card statement shows the card activity and the deadline for the new balance payment, in full or in part. Statements must show the countervalue in euros whenever transactions are carried out in another currency, as well as the charges associated with such transactions.

The new balance* should be paid by the deadline set in the monthly statement. If it is paid in full, it is interest-free. If it is paid in part, the cardholder should at least pay the minimum amount due, as set in the card general conditions and indicated in the card statement. Credit cards that require full payment of the new balance each month are charge cards.*

Credit extended to the cardholder is of two types. First, the cardholder benefits from "interest-free credit" [see Question 21] from the date of purchase with the card to the date of payment of the first new balance received which itemises the purchase. Second, the cardholder benefits from credit that can be revolved to the subsequent month, provided that he/she pays at least the minimum amount required in the monthly statement [see Question 38]. This revolving credit is subject to interest charges in the subsequent monthly statement [see Question 20]. Obviously, the possibility of benefiting from revolving credit as well as its conditions depends on the card membership agreement contract. Extending unsecured interest-free credit and revolving credit carries risks that must be taken into account by issuers and acquirers.

The new balance may be paid by debiting the demand deposit account or in any other previously agreed manner (by cash, cheque, bank transfer, ATM payment, etc).

38. What is the minimum payment due from the new credit card balance?

This depends on the conditions agreed with the issuer [see Question 36]. Usually, the minimum amount due is indicated in the monthly statement. The way it is determined and subject to revolving from month to month is set in the general conditions for card use.

39. What happens to the new credit card balance if the cardholder cancels the card?

The consequences of card cancellation are laid out in the general conditions for card use. In such a situation, issuers usually require

the immediate payment of the whole amount due. However, this depends on the conditions agreed for the use of the card in question.

40. Does the issuer communicate card activity to the Banco de Portugal?

The issuer reports to the Central Credit Register,* on a monthly basis, the credit extended to the cardholder, providing information both on the new balance and on the available credit [see Question 44]. The new balance is recorded under type-3 credit (*other short-term liabilities*) and the available credit is recorded as type-6 credit (*off-balance-sheet liabilities*) [see Banco de Portugal Booklet No. 5, page 12].

41. Do payment arrears or lack of payment of the credit card balance imply prohibition of cheque writing?

No. It is mandatory to report arrears, or lack of payment of the card balance when it is due, to the Central Credit Register of the Banco de Portugal. However, it does not imply prohibition of cheque writing. This type of incident may nevertheless be taken into account when the customer requires new cheques. Banks are not under any obligation to provide chequebooks to their customers.

42. Can anyone prohibited from writing cheques also be prohibited from using bankcards?

The prohibition of cheque writing relates only to the use of the cheque as a means of payment. Nonetheless, that information may be taken into account by the issuer when issuing or renewing a card.

43. What happens to the credit card balance if the cardholder dies without having paid it?

Responsibility for paying the credit card balance is passed down to the heirs, according to inheritance laws. However, the cardholder should consult the issuer on this matter and check whether there is a possibility of insurance in case of death.

CHAPTER VIII. CREDIT CARD LIMITS

44. What are the “credit line” and the “available credit” of a credit card?

The credit line* of a credit card is the maximum outstanding amount that the issuer allows to be financed with that card. The available credit* is the difference between the credit line and the overall value of the transactions and the fees, interest and other charges recorded in the monthly statement. The issuer is free to adopt his/her own criteria in setting the credit line [see *Question 46*].

45. What is the maximum amount per transaction allowed with a card?

The maximum amount per transaction allowed with a card depends on the functions assigned to the card, on the equipment where the card is used, on security factors, and on limits set by the issuer. Currently, at Multibanco ATMs, cardholders can only withdraw cash or load money onto the e-purse* up to a daily amount of €200. The other transactions carried out at ATMs or POSs cannot equal or exceed €100,000 per transaction, although the card issuer may set lower limits. The other limits already mentioned are the available credit and the balance of the demand deposit account associated with the debit card.

For security reasons, there may be other limits or warning signals not known in advance to the cardholder or the merchant. They may block the use of the card. This may happen, for instance, if the card activity exceeds a certain daily limit or if the card is used after a long period of inactivity. Should any difficulty arise in the transaction, the merchant must carefully check both the card and the cardholder's identity. If nothing abnormal is detected, he/she may contact the acquirer, either on his/her own initiative or in response to a message in the POS, and request that use of the card be unblocked.

46. How is the amount of the credit line set?

The issuer sets the amount of the credit line* for each card, in accordance with the analysis of the customer's profile, the type of card [see *Question 2*] and the risk the issuer intends to take on.

47. Is it possible to temporarily increase the credit line?

Most issuers allow for the temporary increase of the credit line, particularly in the case of travelling or other special situations. However, as with the decision to issue the card, increasing the credit line is also a business decision by the issuer, acting upon a request by the cardholder. It is up to the issuer to decide on the possibility and conditions of such a temporary increase.

CHAPTER IX. USUAL PRECAUTIONS TO BE TAKEN AND WHAT TO DO IN CASE OF EMERGENCY

48. Why should the cardholder sign his/her card?

The cardholder should sign the card for three reasons: **(a)** because it is required in the membership agreement contract; **(b)** because it allows the merchant to check the signature on the card against the signature on the transaction receipt; and **(c)** because, in case of loss or theft, it prevents a third person from signing the card and reproducing the signature on the transaction receipt. Actually, the merchant should always check the signature on the card against the signature made by the customer on the transaction receipt. For security reasons, the merchant is also advised to require an identification document of the cardholder. In this case, the merchant should check the cardholder's identity and the signature on the card [see Question 28].

49. What precautions should the cardholder take concerning the PIN?

The PIN is personal and non-transferable and should be known by heart. Never, under any circumstance, should the cardholder let the PIN be known to third parties. Thus, he/she should destroy the slip with the PIN after memorising it. If nevertheless the cardholder wants to keep it, he/she should not leave the slip in an easily accessible place. The cardholder should not write down the PIN on the card itself or in any document near the card, and neither should he/she keep it in the same wallet or purse as the card.



Keep your card always in a safe place, not easily accessible to third parties.

Never hand out your card to third parties to use on your behalf in payments, withdrawals or any other transactions.

Under no circumstance whatsoever should you hand out the card and PIN to third parties in order to facilitate payments (for instance in restaurants, to avoid having to walk to the POS).

50. What precautions should the cardholder take when using his/her card?

When making a payment, the cardholder should keep his/her card in sight at all times and make sure that the card is read only by one terminal.

When entering the PIN, the cardholder must ensure that he/she has enough privacy, and that third persons do not see the PIN.

After confirming the value to be paid and after entering the PIN, the cardholder must not allow the operation to be repeated unless the terminal displays a message indicating that the first attempt was cancelled or failed.

The cardholder should always ask for the transaction receipt and should not dispose of it prior to checking it against either the statement sent by the card issuer or the demand deposit account statement in the case of a debit transaction.

If the cardholder detects any transactions he/she has not made, he/she should immediately contact the issuer.

Keep your card in good condition and avoid leaving it near metals (keys) or magnetic material (wallets with magnets) that may damage the data stored in the magnetic stripe, thus hindering its use.



When making payments, check whether the device you are using displays a normal appearance and show no signs of change or physical damage. In case of doubt, do not use it.

51. Do cards always have linked insurance?

No. The issuer may decide whether or not to associate insurance with the card. The cardholder should always read the information provided by the issuer, prior to signing any contract. Regardless of the issuer's decision, the cardholder may always subscribe to insurance covering liabilities in the event of any misuse attributable to him/her [see Questions 53 and 54].

52. Are there any special precautions to be taken when purchases are made via the Internet?

It is very important for the cardholder to be informed of the credibility of the entities promoting their products on the Internet. Even though purchases may be relatively safe, further precautions may be taken, namely by asking the issuer to join the MBNet* [see Question 27]. The cardholder may also ask for a card to be used

exclusively in remote purchases. This card should be a credit card with a credit line* [see Question 44] limited to the foreseeable amount of the purchases the cardholder intends to make in any given month.



Check your card activity regularly; if you detect any transactions you have not made, contact the issuer immediately.

You should read thoroughly any mail sent by the issuer prior to disposing of it, given that it may contain relevant information about the account associated with the card.

53. What is the cardholder's responsibility for irregular use in case of theft, larceny, loss or forgery of the card?

After informing the issuer, the cardholder cannot be held liable for fraudulent electronic transactions made with the card at ATMs or POSs. In the case of any misuse via non-electronic means, the responsibility may not extend beyond 24 hours following the notification, except if there is intent or gross negligence of the cardholder.

The cardholder's responsibility, if applicable, cannot exceed the following amounts: **(a)** in the case of credit cards, the available credit* when the first misuse occurs plus the activity not yet recorded in the card account; and **(b)** in the case of debit cards, the balance available in the demand deposit account associated with the card when the first irregular transaction is carried out. If there is credit linked to the deposit account (e.g., any salary account and overdrafts known to the cardholder), this credit is part of the available balance. For more information, the cardholder should read the general conditions for the use of the card.



Your responsibility for any fraudulent use cannot exceed the balance of the card account or of the demand deposit account associated with the card. In the case of theft, larceny, loss or forgery, the responsibility ends with the notification to the issuer: (a) for electronic uses, immediately; and (b) in other cases, in a period of 24 hours.

Read the general conditions thoroughly about the use of the card for any information on this matter and clarify with the issuer any doubts you may have, namely about how and when your responsibility actually ends.

54. What should the cardholder do in case of theft, larceny, loss or forgery of the card?

The general conditions for the use of the card [see Question 11] should advise the cardholder to take the appropriate precautions in order to ensure the card's safety and that third persons may not use it. Therefore, in case of theft, larceny, loss or forgery, the cardholder must immediately notify the issuer, or its representative, through the telephone or fax number indicated in the general conditions or in the card statement or in the bank account statements. If the cardholder is unable to contact the issuer, he/she should contact SIBS or UNICRE instead.

In case of theft, larceny, loss or forgery of the card, notify the issuer immediately, by the quickest means available, through the telephone or telefax numbers indicated in the membership agreement contract. If you are unable to contact the issuer, you should notify SIBS (tel. 808 201 251, when in Portugal, tel. 218 409 042 when abroad, or fax 217 813 080) or UNICRE (tel. 213 159 856 or fax 213 154 612). When abroad, do not forget to dial first 00 or + and the international code for Portugal (351).



Keep the number of your card and contact telephone numbers in an accessible place, so that you can quickly notify the issuer in case of theft, larceny, loss or forgery of the card. When travelling, never forget to take with you a slip with the card number and the issuer telephone number, and keep it separately.

LEGAL AND REGULATORY TEXTS IN FORCE

- Regulation (EC) No. 2560/2001 of the European Parliament and of the Council of 19 December 2001 (*Charges for cross-border electronic payments in euros*).
- Decree-Law No. 446/85 of 25 October 1985, subsequently amended by Decree-Laws No. 220/95 of 31 August 1995, No. 249/99 of 7 July 1999 and No. 323/2001 of 17 December 2001 (*General contractual clauses*).
- Decree-Law No. 359/91 of 21 September 1991, subsequently amended by Decree-Law No. 101/2000 of 2 June 2000 (*Consumption credit*).
- Decree-Law No. 166/95 of 15 July 1995 (*Credit cards*).
- Decree-Law No. 27-C/2000 of 10 March 2000 (*Minimum banking services*).
- Banco de Portugal Notice No. 1/95 of 16 February 1995, supplemented by Notices Nos. 2/2002 of 27 March 2002 and 7/2003 of 7 January 2003 (*Reporting requirements on transaction conditions and costs of services provided*).
- Banco de Portugal Notice No. 11/2001 of 6 November 2001 (*Credit and debit cards*).

GLOSSARY

Acquirer	The entity that signs up (“acquires”) merchants to accept payments with credit or debit cards and to which the merchants provide the relevant data on each card transaction. The acquirer is responsible for providing a number of services to the merchant such as authorising transactions when customers present their cards, processing transactions and doing the associated paperwork, keeping track of transactions and reporting them to the merchant on a regular, aggregate basis, and doing the clearing and settlement of the transactions. For each sale paid with a bankcard, the acquirer reimburses the value of the sale to the merchant and charges him/her a “merchant fee” for this service; subsequently, the issuer reimburses the acquirer and charges him/her an “interchange fee.”
Affinity card	An affinity card is a multi-brand bankcard issued under an agreement with a non-financial organisation. The objective is to offer cardholders a number of advantages, such as discounts or rebates or other benefits. The name and/or logotype of the non-financial organisation (e.g., a club, a charitable institution, a professional or university association) are often displayed on the front of the card. The card also shows the logotype of the issuer or of the card brand or brands, such as Multibanco, MasterCard or Visa. See Co-branded card .
ATM	See Automated Teller Machine .
ATM Multibanco	An automated teller machine belonging to the Portuguese domestic Multibanco network. See Automated teller machine (ATM) .
Authentication	The procedure followed to confirm the claimed identity of the cardholder who intends to carry out a transaction. The cardholder authenticates a transaction by entering the PIN and/or signing the transaction receipt. See Authorisation .
Authorisation	The procedure followed to identify the cardholder in a payment network and to make possible the completion of a card transaction. In a face-to-face transaction, for the authorisation to be granted, the magnetic stripe or chip on the card has to be read at an ATM or a POS (first stage) and the cardholder has to authenticate the transaction by entering the PIN and/or signing the transaction receipt. If authorisation is not granted, the transaction cannot be completed and the cardholder is not required to authenticate it. The transaction may require a second authorisation (second stage), depending on the balance of the demand deposit account or on the available credit or credit line of the card account. At certain payment terminals, it is sufficient for completing the transaction to simply swipe the card through the terminal. This is the case when paying with cards carrying the Multibanco brand in some public telephone booths, highway and bridge non-electronic tolls, and parking lots. At other booths, the payment is made through the beam sent by a microwave transmitter to the equipment associated with the debit card; for example, the electronic toll payment device in Portugal known as “ <i>Via Verde</i> ”, which is displayed inside the front window of the vehicle, makes it possible to pay the toll while driving through no-barrier toll lanes without stopping. See Authentication . In remote transactions (e.g., catalogue sales, reservations, Internet), the authorisation is granted based on the information provided by the merchant on the transaction and on the cardholder, such as the card number and its expiration date. Some purchases can be made through specialised services that do not require the cardholder to provide the card number. See MBNet .

Automated teller machine (ATM)

The equipment that allows cardholders to have access to services available to bankcards with a magnetic stripe and/or chip. These include withdrawing cash from a demand deposit account, checking the balance and activity of the account, and conducting transactions vis-à-vis a bank account (e.g., transferring funds from/to the account or depositing cash into it). ATMs may operate in real-time, with a link to the data-processing system of the card issuer or on-line, with access to an authorised database containing information on the card account.

Available credit

This term indicates the difference between the credit line set for the card and the overall value of all the transactions, interest payments, fees and other charges recorded in the card account balance.

Card account

An account associated with a credit card in which the issuer records the card activity—purchases, cash advances, refunds, and total or partial payment of the previous balance. The monthly card-account statement sets the payment date, i.e., the deadline for the payment of the card's new balance. The issue date is the date when the statement was processed. Different cards may be issued associated with the same card account held by an individual or a corporation. In such cases, the credit line, the amount of available credit and the maximum amount allowed per transaction are determined on the basis of the card account and may change from one card to another. Using any of the cards implies a proportional decrease in the overall amount of available credit.

Cardholder

Individual or firm in whose name the card is issued and who can use the card according to the card membership agreement contract. See **Membership agreement contract**.

Cash advance

The possibility granted to a credit cardholder to withdraw cash at an ATM or over-the-counter in bank branches where that facility is available. Resorting to a cash advance is not free of charge and is subject to the interest rates and fees indicated in the card membership agreement contract.

Central Credit Register

A database operated by Banco de Portugal on the basis of credit-related data supplied by its “participants,” which are all credit institutions operating in Portugal. It provides a number of services that allow a better assessment of the credit risk of economic agents in Portugal. The Central Credit Register contains information on credit extended by the “participants” to individuals and organisations, such as credit cards’ new balances, and on potential liabilities that may take the form of irrevocable commitments, such as credit cards’ available credit. For further information, see Banco de Portugal Booklet No. 5, *Central Credit Register*.

Charge card

A charge card is a credit card whose balance has to be paid in full by the deadline set in the monthly statement. Charge cards provide interest-free credit only. Unlike other credit cards, they do not extend revolving credit.

Chip

An electronic device inserted in bankcards for security purposes. It is a high storage data device with information on the cardholder, issuer and type of card. Usually it makes it possible to read and change the data contained therein. See **card diagram (front)**.

Closing date

Cut-off date of the card activity reported in the monthly statement. The statement is sent to the cardholder on this date.

Co-branded card	A co-branded card is a multi-brand bankcard issued under an agreement with a non-financial company. The purpose of the card is to retain a dedicated customer base by providing a number of advantages to the cardholder when purchasing in certain establishments. This is often encouraged by discounts, prompt assistance, instalment payments, and frequent flyer miles or bonuses to be exchanged for goods or services. The name and/or logotype of the company (e.g., large businesses, airline companies, fuel retailers) are often displayed on the front of the card. The card also shows the logotype of the issuer or of the card brand or brands, such as Multibanco, MasterCard or Visa. See Affinity card .
Confirmation	See Authentication .
Corporate card	A corporate card is a bankcard (usually a credit card) issued in the name of a corporation that is the holder of the card and grants its use to individuals (users or bearers), usually members of the board of directors or senior managers.
Credit card	A credit card is a bankcard associated with a "card account" which allows access to credit granted by the issuer to the cardholder. The cardholder benefits from this credit whenever he/she makes payments or withdraws money as a cash advance up to the amount of the card credit line. Credit cards generate a periodic statement of account (usually monthly), which records all transactions made during that period, and the new balance. This balance may be paid in full by the deadline set in the monthly statement, in which case it is interest-free, or may be paid in part. Partial payments are usually allowed if the cardholder pays at least the minimum amount due, as indicated in the statement. In this case, the cardholder benefits from a revolving credit to the amount not paid, for which the issuer will earn interest. Charge cards require payment in full by the deadline of each monthly statement new balance. An annual fee (annuity) may be charged to the cardholder. See Charge card , Interest-free credit and Revolving credit .
Credit line	This term refers to the maximum amount of credit set by the issuer for each credit card. It depends on a case-by-case assessment of the cardholder's creditworthiness and risk profile.
Credit transfer	A transfer of funds ordered by a person from his/her account and made by a credit institution to a beneficiary or payee. The person who orders the transfer and the payee can be the same person. For further information, see Banco de Portugal Booklet No. 2, <i>Credit Transfers</i> .
Debit card	A debit card is a bankcard associated with a demand deposit account, permitting cash withdrawals, bank transfers, payments for goods and services, prepaid card recharging, etc. Transactions carried out with the debit card are included in the monthly statement of the associated demand deposit account.
Direct debit transaction	A bank transaction initiated by the creditor and processed by his/her bank on the basis of an authorisation by the debtor that his/her account can be debited to pay for such a transaction. For further information, see Banco de Portugal Booklet No.1, <i>Direct Debits</i> .
Dual or multi-function card	A dual or multi-function card is a bankcard with more than one type of function: (a) credit, debit and prepaid; (b) credit and debit; (c) credit and prepaid; or (d) debit and prepaid. See Multi-brand card .

EFTPOS	This acronym stands for electronic funds transfer at the point of sale. See Point of sale (POS) .
E-purse	A prepaid, rechargeable card that may be used in small payments instead of coins and banknotes. See Prepaid card .
Interest-free credit	The interest-free initial credit that is extended to the cardholder. It starts when a good or service is purchased with the credit card and it matures on the deadline set for the payment of the first new balance that includes the purchase.
Issuer	An issuer is a financial institution authorised to issue bankcards. In e-money systems (prepaid or stored-value cards), it is the entity that receives the payments in exchange for the amounts stored in the cards and that has to settle all transactions or balances submitted to it.
Load money onto a card	This is the electronic transfer of funds from a demand deposit account onto a prepaid card (e.g., the Multibanco e-purse). Later, these funds can be used to pay for goods or services purchased with the prepaid card (e.g., at petrol stations, mobile telephones, Internet). Some credit cards allow loading money onto the card.
Magnetic stripe	The security electronic device on the back of the card for data storage on the cardholder, the issuer and the card type. Usually, it is a reading-only device. See card diagram (back) .
MBNet	A service provided by SIBS and UNICRE and made available to consumers by a large number of banks operating in Portugal. The <i>MBNet</i> makes it possible to pay for remote purchases (by Internet, fax, etc.) with extra security. <i>MBNet</i> is not another card. Instead, it implies that the debit or credit card of the cardholder subscribing to the service is provided with additional functions that enable payments to be made on the Internet without providing the card number. For further information, visit the website www.mbnet.pt .
Membership agreement contract	The contract agreed between the issuer of a certain card brand and the cardholder that entitles the cardholder to use his/her card according to the terms of the contract. These are usually standardised contracts.
Merchant	In bankcard terminology, this term refers to every business, corporation or professional accepting card payments.
Merchant fee	A fee paid by the merchant to the acquirer for each sale settled with a bankcard. In general, this fee is a percentage of the sale value, although for certain types of transactions it may be a lump sum. In Portugal, the merchant fee depends on whether it is a debit or a credit transaction and also on the type of bankcard and card brand.
Minimum banking services	These are demand deposit account services provided to low-income individuals who hold a single account with the money-deposit bank of their choice, from among those that signed the minimum banking services agreement in Portugal. The account holder has no chequebook and can only make payments or withdraw money from his/her account with a debit card.

Multibanco	The Portuguese domestic interbank system of electronic payment services based on the use of bankcards, in particular for transactions processed through ATMs and POSs. See Automated Teller Machine, ATM Multibanco, MBNet, SIBS and Point of sale .
Multibanco card	The Portuguese domestic debit card brand. See Debit card .
Multi-brand card	A multi-brand card is a bankcard carrying more than one brand. In Portugal, these cards carry the name and/or logo of the issuer, the domestic debit brand and/or the international debit/credit brand (e.g., Multibanco, American Express, MasterCard, Maestro, Visa or Visa Electron). The multi-brand card is known as a Dual card or a Multi-function card when the brands correspond to different card functions, such as debit, credit or prepaid.
Multi-function card	See Dual card and Multi-brand card .
New balance	The balance of each monthly card statement that the cardholder has to pay to the issuer. It may be paid in full, in which case it is interest free, or in part. If it is not paid in full, the issuer usually requires the payment of a minimum amount, depending on the general conditions agreed. The settlement of the new balance may be made either directly or by debiting the demand deposit account, according to previously agreed conditions.
On-line	A direct electronic link to a centralised database in order to get PIN-based transactions authorised and validated. It allows access to the data of the demand deposit account associated with the card that is required to process the transaction.
Payment date	Deadline for the payment of the new card balance.
Payment instrument	This refers to any means of tender that will allow its holder or user to make payments or to transfer funds from his/her bank account to other accounts (cheques, transfer orders, bankcards, etc.). In technical terms, a payment means the transfer of monetary or liquid assets from the debtor (or buyer) to the creditor (or seller). Usually, such assets are money (coins and banknotes) or demand deposit account balances held with a financial institution or a central bank.
Personal Code	See Secret Code, Personal Identification Number or PIN
Personal Identification Number (PIN)	A personal, numeric and secret code to be used by the cardholder for identification purposes in card transactions. In electronic transactions, it is equivalent to the cardholder's signature. See PIN .
PIN	The acronym for Personal Identification Number. See Personal Identification Number .
Point of sale (POS)	A card reader in business locations (points of sale) permitting the use of bankcards to process payments.
POS	Point of sale. See Point of sale (POS) .

Prepaid card	A prepaid card is a bankcard with the capacity to store a certain amount of money, which is paid in advance by the cardholder to the issuer. In most cases, it allows the same type of payment transactions or cash withdrawals as a debit card, provided that the amount required for the transaction has been previously stored in the card. Some prepaid cards allow the payment of goods and services only. See e-purse .
Real-time	This term refers to a direct electronic link in real-time between the card reader (ATM or POS) and the issuer's database.
Receipt-printing device	A device intended for printing transaction receipts with the identification of the merchant as well as the name and account number of the cardholder. For security reasons, the card number may not be disclosed in full. See Transaction receipt .
Revolving credit	The credit extended to the cardholder on the amount that is not paid by the deadline set in the monthly statement. In general, this is a credit that is rolled over from month to month, provided that the cardholder pays at least the minimum amount due in each monthly statement. The possibility offered to the cardholder to benefit from revolving credit as well as its conditions, particularly the interest rate, will depend on the membership agreement contract. Charge cards do not permit revolving credit.
Secret Code	See Personal Code, Personal Identification Number or PIN .
SIBS, Sociedade Interbancária de Serviços, SA. (Interbank Services Company)	A Portuguese company that specialises in providing a number of bank services related to the use of bankcards. It manages the Multibanco ATM and POS domestic infrastructure and the TeleMultibanco service. It also provides a number of payment systems services, under the agreements signed with the central bank of Portugal (Banco de Portugal). In case of theft, larceny, loss or forgery of the card, contact: tel. 808 201 251 when in Portugal, tel. 218 409 042 when abroad, or fax 217 813 080.
Sign up a merchant	The acquirer of a card brand signs up a merchant when the two agree on a contract, according to which the merchant becomes able to accept payment from his/her clients for the goods or services they purchase with a card of that brand. These are usually standardised contracts.
Transaction receipt	A slip of paper confirming that the transaction was made with a bankcard. It includes the name of the cardholder and the card number, as well as the identification of the merchant whenever the transaction pertains to the purchase of a good or service. For security reasons, the card number may not be disclosed in full. Depending on the card reader, the printing of the receipt may require the cardholder to enter the PIN or to sign the receipt or both. Taking into account that most card transactions are processed through ATMs or EFTPOS, the entire transaction is captured electronically. Hence, the main purpose of the receipt is to allow the customer to check the card activity against the monthly statement received from the card issuer.

**UNICRE, Cartão
Internacional de Crédito, SA.**
*(International Credit
Card Company)*

A Portuguese company that specialises in managing and issuing bankcards. In addition to issuing credit cards, it is also the main Portuguese acquirer of domestic and international cards of major international brands through Redunicre network card readers. It also provides specialised technical services to financial institutions and other institutions in the bankcard market. In case of theft, larceny, loss or forgery of the card, contact: tel. 213 159 856 or fax. 213 154 612.

Valid through

Bankcards are issued for a certain period of time, say one or more years, which is indicated on the front of the card (month and year). During this period, the cardholder can use the card until the last day of the month mentioned above. If nothing abnormal happens, usually the issuer renews the card for an identical period of time.

Validation

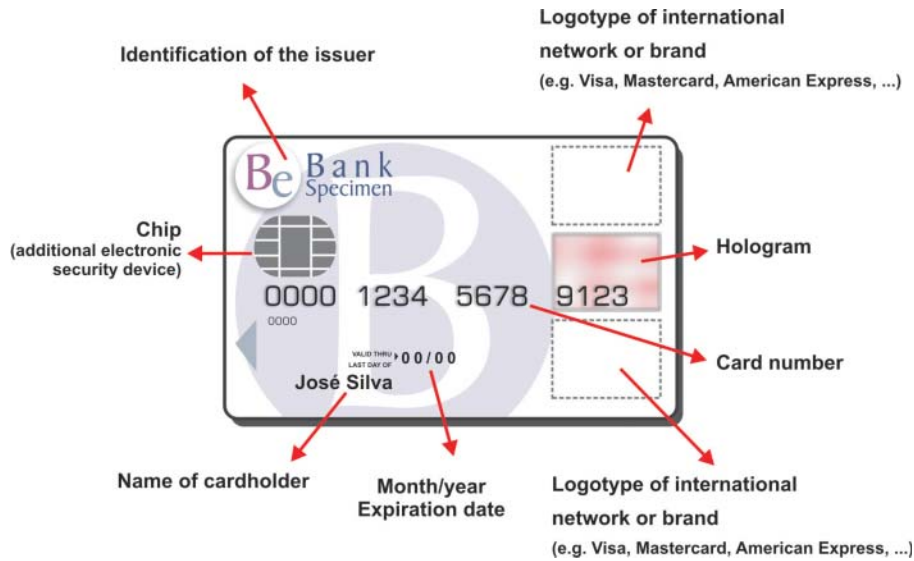
See **Authentication**.

Virtual credit card

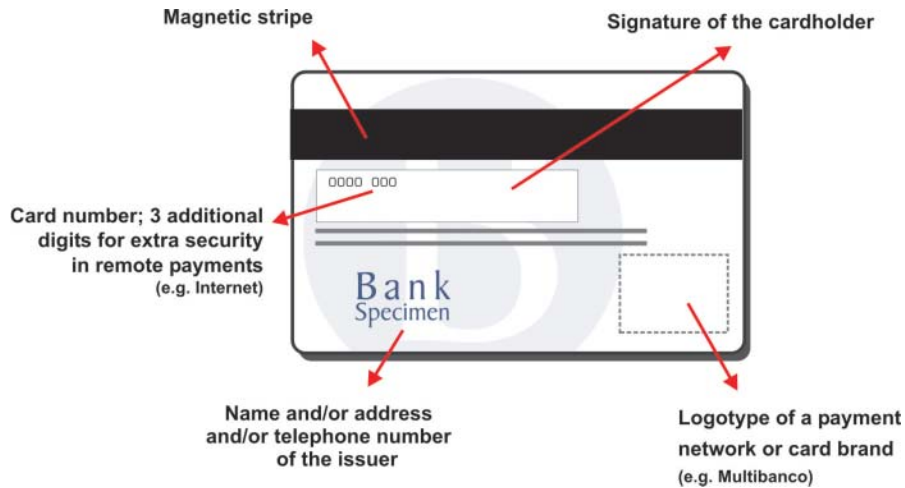
A virtual credit card is a bankcard used exclusively for the acquisition of goods and services on the Internet. It does not exist off the Web. It differs from the **MBNet** concept (see the earlier entry in the Glossary).

CARD DIAGRAM¹

FRONT



BACK



¹ This diagram is merely illustrative. Bankcards are not standardised as regards the elements included and their layout.

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