

## **SIGIS: Special Interest Group for IAS Standards**

### **Policies and Procedures for Compliance Enforcement (Version 3 - August 2024)**

#### Background

The Special Interest Group for IAS Standards (“SIGIS”) will be enforcing adherence to standards as established by SIGIS with regards to transaction specifications, data retention and usage of the industry standard list of qualified medical expenses (Eligible Product List) with respect to certified members of SIGIS.

Enforcement will be by voluntary compliance, with a complaint based process to identify and correct non-compliance. Enforcement may be accomplished by either Informal or Formal means. There also should be setup within SIGIS, a Certification and Compliance Committee, led by a Certification and Compliance Committee Chair (Chair).

#### I. Organization

1. A Certification and Compliance Committee (the “Committee”) reporting to the Board of Directors will have jurisdiction over matters addressed in this policy.
2. A Chair will be elected from among the Committee membership and will act as the chairperson of the Committee. The Chair presides over Committee meetings, acts as the intake point for allegations of non-compliance, and directs the operations of any investigatory staff or volunteers. The Chair will be required to recuse him/herself from any proceeding in which the company for whom the Chair is the representative on the Committee is involved as either complainant or accused.
3. A Vice Chair will be elected from among the Committee membership to fulfill the duties of the Chair in the event of the Chair’s absence or need to recuse him/herself from the case.

#### II. Transaction and Submission Inquiries – Eligible Item Identification

1. Individual inquiries about a nominal number of items that are alleged to be improperly identified in a merchant’s Point of Sale (POS) database will be forwarded to the Committee.
2. The Committee will refer these inquiries to Staff or the Eligible Product List Committee to review reasonableness.
  - a. If Staff or the Eligible Product List Committee determines that the inquiry is unfounded, Staff will notify the inquiring party.
  - b. If Staff or Eligible Product List Committee determines that the inquiry is justified,

- Staff will log the item in its inquiry database and notify the merchant in writing.
3. The merchant will be required to respond to the Staff or Committee within six business days either (a) that it has corrected the improper identification or (b) specifying a correction date that is reasonably prompt.
  4. Members that repeatedly submit an excessive number (determined within the discretion by Staff and/or Eligible Product List Committee) of ineligible items for Eligible Product List Committee review may temporarily or permanently be banned from submitting items for inclusion in the Eligible Product List. Permanent bans will be approved by the Committee.

### III. Process for Reporting Non-Compliance

1. Complaints are submitted in writing to SIGIS.
  - a. Must name the person or entity allegedly in non-compliance (“accused party”).
  - b. Must describe the acts or omissions that are in non-compliance, along with sufficient documentation of the allegation.
  - c. Must contain the name and contact information of the complainant. This is required for notification to the complainant of the outcome of the non-compliance allegation.
2. The Committee may bring a complaint without having been presented a complaint in situations where instances of potential non-compliance come to the attention of the Chair or Staff outside of the complaint process e.g. through media reports or a regulatory agency. The Committee’s complaint will be subject to the documentation requirements in Section III.1. above.

### IV. Investigation and Enforcement

1. Preliminary Investigation
  - a. Staff will conduct an initial review of the complaint including contacting the accused party to gather additional facts and verifying the complaint. If Staff is able to confirm the complaint, Staff will work with the accused to resolve the complaint with the accused. If the complaint is not able to be fully resolved within a reasonable timeframe based on Staff prior experience with the type of issue, only partially resolved or the accused denies the complaint, Staff will escalate the complaint to the committee for further action. Staff will regularly update the Committee on cases they are able to resolve without Committee action.
2. Notice to accused party of non-compliance allegation
  - a. It is the responsibility of the Committee to determine if the complaint is legitimate. The decision to investigate a complaint shall be on the facts presented, it is not necessary to investigate every complaint.

- b. If the Committee determines that the complaint is not legitimate, SIGIS will send a written communication to the complainant so stating.
- c. If the Committee determines the complaint is legitimate, SIGIS will send a written communication describing the basis of the complaint to the accused party. In the case of an allegation against a merchant involving authorization, or settlement processing or data retrieval, SIGIS will send a copy of the communication to the acquirer. This is necessary to ensure that the Committee can adequately investigate the complaint.
- d. If an entity has multiple affiliates that have been certified as a group, the complaint may either name an individual affiliate or the entire group entity. In cases where the complaint names an individual affiliate, only the individual affiliate will be considered the accused party for purposes of the conduct of the investigation.

## 2. No-Contest Resolution

- a. SIGIS and the accused party are encouraged to attempt to resolve any compliance issue informally, and this is the preferred initial course of action.
- b. In cases of informal resolution, the accused party agrees not to contest the allegation and commits to prompt remediation.
- c. The accused party will promptly prepare a high-level corrective plan of action with a target date for correcting the infraction, which plan will be discussed with and agreeable to SIGIS Staff and the Chair. The accused party will update SIGIS Staff or the Chair no less than weekly on progress against the correction plan and the final target date for correction.

- 3. The Committee may determine by majority vote of its members eligible to vote based on the facts and circumstances that continued processing of transactions from an accused merchant will result in further risk to employee benefit plans. In the case of such a determination, SIGIS will notify the merchant and the merchant must either (a) within one business day cease sending transactions in SIGIS-standard format, or (b) ensure that transaction control consistent with SIGIS specifications is implemented. For purposes of this provision, representatives of the complainant and the accused party are not entitled to vote.

## 4. Formal Resolution

- a. In the event that the accused party does not initially agree that an infraction has taken place, it will respond with information it deems sufficient to respond to the allegation and the case will proceed to formal resolution with the Committee commencing an investigation.
- b. The accused party must cooperate with the Committee's investigation. Failure to do so may result in revocation of the accused party's certification or membership.
- c. The Committee's investigation will be governed by the following procedures:

- i. A quorum of at least three members of the Committee, including the Chair, or in the Chair's absence, the Vice Chair of the Committee will conduct the investigation with all diligent speed. Neither the accused party nor the complainant shall be involved in the investigation.
  - ii. The accused party may respond with any additional information it deems sufficient to answer the allegation. The accused party is under no obligation to provide any of its Confidential Information (as defined in the Non-Disclosure Agreement attached as Exhibit A) to SIGIS.
  - iii. Should the Committee deem it necessary to review Confidential Information of the accused party, the investigation will be turned over to an independent third party (see "Independent Investigation" below).
  - iv. The Committee will, at the conclusion of its investigation (including its review of any independent investigator's report), determine whether or not a compliance infraction has taken place that warrants suspension or revocation of certification of the Accused Party.
  - v. If the Committee determines that suspension or revocation is warranted, it will forward a summary of its findings and rationale to the Board of Directors, which will accept or reject the Committee's recommendation. Any Board member who is a representative of the accused party or the complainant will not be allowed to participate in the Board's decision. A supermajority of the members of the Board of Directors eligible to vote will be required to accept the recommendation.
  - vi. The Staff or Chair will notify the accused party and the complainant in writing of the Board's ruling.
  - vii. The Accused Party may appeal any adverse ruling by the Board of Directors to an independent party (see "Appeal Right" below).
  - viii. At any time prior to the Board's decision, the accused party may agree to remediate the alleged compliance infraction and the case will thereafter be governed by the procedures listed in "Informal Resolution" above.
- d. Upon a final and unappealable determination of non-compliance, the Board of Directors may suspend certification, among other more serious options, the accused party will promptly prepare a corrective plan of action with a target date for correcting the infraction and discuss this plan with the Chair or Staff. The accused party will update SIGIS no less than weekly on progress against the correction plan and the final target date for correction

## 5. Independent Investigation

- a. The independent investigation will be conducted by an investigator that has been certified by SIGIS for that purpose.

- b. The investigator must not have any current business relationship with the accused party or the complainant.
- c. The accused party will make available to the investigator any IAS related documentation necessary to determine compliance as requested by the investigator. Such documentation may include but is not limited to:
  - i. Transaction logs
  - ii. Design documents
  - iii. Policy and procedure manuals
  - iv. List of Qualified Medical Expenses in use
  - v. Agreements with third party vendors to the extent permitted by the agreement terms.
  - vi. Other documents or artifacts the investigator may reasonably deem necessary to determine compliance
- d. The investigator will enter into a non-disclosure agreement with the accused party in the form attached as Exhibit A. The accused party must agree to accept this form of non-disclosure agreement.
- e. The investigator will submit its findings to the Committee in the form of a report that includes
  - i. a summary of its findings of fact, including a description of the problem found, if any, and the recommended actions for remediation,
  - ii. a listing of the materials reviewed and the process employed in sufficient detail to support its findings

## 6. Appeal Right

- a. The accused party has the right to appeal any adverse decision by the Board of Directors to an independent investigator certified for such purpose by SIGIS. Such appeal must be made in writing to the Board of Directors within ten business days of notice to the accused party of such adverse decision, setting forth the rationale for the appeal. The Board will engage with Staff and Legal in reviewing the appeal.
- b. The accused party has the right within its appeal request to request a hearing in front of the independent investigator. Such hearing must take place within five business days of the request. At the request of either the accused party or the investigator, such hearing may take place by conference call.
- c. The appeal will be heard by an investigator who is available in the timeframes stated

above, was not involved in the original investigation of the alleged compliance infraction, and has no current business relationship with either the accused party or the complainant. The accused party shall be entitled to select an investigator from among those who meet all of the above criteria.

d. The determination of the independent review board member shall be final.

## 7. Temporary Suspension and Revocation

a. Upon a finding of non-compliance, the Board of Directors may in its discretion impose either temporary suspension or may revoke certification, as described below, based on the severity of the infraction.

i. The Board will notify the accused party of its decision.

ii. Temporary suspension will be immediate in all cases pending appeal rights.

iii. Revocation will become effective if either

(1) The appeal window closes without an appeal being filed, or

(2) The appeal upholds the Board's decision.

iv. The accused party may submit a plan of remediation acceptable to the Board that would prevent revocation. In this case, certification would continue to be suspended pending reinstatement as detailed below.

b. Temporary Suspension:

i. Upon temporary suspension, the offending party will not be licensed to use any SIGIS Deliverable to transmit or process transactions using the SIGIS standard.

ii. The offender's listing on the SIGIS website will be removed.

iii. The offender's use of the SIGIS logo will be restricted as follows:

(1) Portable, non-fixed signage containing the logo may not be displayed.

(2) Advertising and promotion materials may not include the logo.

(3) Fixed logo displays, such as decals or stickers affixed to doors, walls, counters, etc. may remain in place during temporary suspension, although to avoid consumer confusion the offender will be encouraged to mask such logo displays to the extent reasonable.

c. Revocation

i. The accused party's certification will be revoked upon a final and unappealable determination of non-compliance by the Board of Directors.

ii. Upon revocation, the offending party will not be licensed to use any SIGIS

Deliverables to transmit or process transactions using the SIGIS standard.

- iii. The offending party will be removed from any SIGIS public listings of certified parties.
  - iv. The offending party's license to the SIGIS logo will automatically terminate.
  - v. The offending party must reapply for certification once it has remediated the infraction.
- d. Reinstatement of Temporary Suspension
- i. The offender should provide to the Committee a correction plan acceptable to the Committee with anticipated date of correction
  - ii. The offender will immediately notify SIGIS of correction of the problem, and provide proof that the problem has been corrected.
  - iii. The Committee will review the offender's submission within three business days. If the Committee cannot determine that the infraction has been corrected, the offender will be notified and given an opportunity to submit additional documentation. The second submission shall also be reviewed by the Committee within three business days.
  - iv. If the documentation submitted by the offending party includes proprietary information and the offending party so requests, an independent third party shall be engaged to review the documentation.
  - v. Following second submission of documentation, the offending party has the right to appeal any finding that the infraction has not been corrected to the Board of Directors, and ultimately to an independent review board.
  - vi. Upon a determination that the infraction has been corrected, Staff or Staff acting in conjunction with the Chair, will reinstate the offending party to full compliance status as soon as possible, but in no case later than three business days from the later of the date of determination or the Repeat Offender Penalty Period if the offending party's certification has been temporarily suspended. If the offending party's certification has been revoked, the offending party must re-apply for certification including re-submitting all required documents and meeting all other requirements for certification.
    - (1) The case is closed and the complainer and reinstated party are notified in writing of the closed status of the case
    - (2) The reinstated party will be listed on the SIGIS website listing of certified parties without any qualification
    - (3) The reinstated party shall have the right to use any SIGIS Deliverable to

submit transactions in SIGIS standard format and the party shall be reinstated to the list of certified parties used in transaction control

(4) The reinstated party's license to the SIGIS logo will be reinstated and any restrictions on logo use will be lifted.

vii. Repeat Offender Penalty Period is defined in the following scenarios:

(1) EPL Download Compliance – If the offending party has had two prior notices of suspension in the preceding 12 months, there will be a minimum 30 day suspension from date of determination.

## 8. Administrative Fees

- a. The Board of Directors may impose administrative fees against an accused party to recoup its actual costs of third-party investigation related to the case.
- b. The fees may only be levied in a case where a final and unappealable determination has been made that a compliance infraction has occurred.

## V. Amendments

This policy may be amended by a majority vote of the Committee, provided, however, that any amendment that affects the rights of a member will require a supermajority vote of the Board of Directors.

**EXHIBIT A**  
**FORM OF CONFIDENTIALITY AGREEMENT**

This Confidentiality Agreement (the "**Agreement**") is made effective as of the \_\_\_\_\_ day of \_\_\_\_\_ (the "**Effective Date**") by and between \_\_\_\_\_ ("**Disclosing Party**") and \_\_\_\_\_ ("**Investigator**"\*).

**WHEREAS**, in order for Investigator to evaluate the complaints of the Disclosing Party in connection with the IIAS Corporation ("**Evaluation**"), it is necessary and desirable that the Disclosing Party disclose certain confidential and proprietary information to the Investigator; and

**WHEREAS**, Investigator desires to receive this information in confidence.

**NOW, THEREFORE**, in consideration of the mutual covenants and promises set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Disclosing Party and Investigator hereby agree as follows:

**1.0 Confidential Information.**

1.1 As used herein, "**Confidential Information**" means any and all nonpublic information that is marked as "confidential" and disclosed by Disclosing Party to Investigator in connection with the Evaluation. Notwithstanding the forgoing, "**Confidential Information**" does not include any information that is: (1) already known by the Investigator prior to disclosure; (2) publicly available through no fault of the Investigator; (3) rightfully received without a duty of confidentiality; (4) disclosed by the Disclosing Party to a third party without a duty of confidentiality on such third party; (5) independently developed by the Investigator; or (6) disclosed by the Investigator with the Disclosing Party's prior written approval.

1.2 Notwithstanding anything to the contrary herein, Investigator shall be free to use the residuals of Confidential Information for any purpose, subject only to the obligations herein with respect to disclosure of such Confidential Information. The term "residuals" means that Confidential Information in non-tangible form, which may be retained in the unaided memories of individuals who have not intentionally memorized such Confidential Information and have had rightful access to such Confidential Information under this Agreement. It is understood that receipt of Confidential Information hereunder shall not create any obligation in any way limiting or restricting the assignment or reassignment of any employees of the Investigator (or the Investigator's employer) within the Investigator's organization (or employer's organization as appropriate). However, this Section 1.2 shall not be deemed to grant a license under the Disclosing Party's copyrights or patents.

**2.0 Restrictions.**

2.1 Except for Confidential Information disclosed pursuant to an order of a court or other authorized governmental body, or as required by law, provided that the Investigator

provides reasonable prior written notice to the Disclosing Party, and cooperates with the Disclosing Party, so that the Disclosing Party has the opportunity to oppose any such order, Investigator agrees to (i) keep all Confidential Information confidential, and (ii) only use Confidential Information in connection with the Evaluation.

2.2 In order to protect and prevent disclosures of Confidential Information, Investigator shall (i) exercise at a minimum the same care it would exercise to protect its own proprietary and confidential information and trade secrets; and (ii) not use, reproduce, distribute, disclose, or otherwise disseminate Confidential Information. In no event shall Investigator exercise less than a reasonable standard of care to keep Confidential Information confidential.

2.3 Investigator agrees to promptly return to Disclosing Party, upon demand, any and all Confidential Information furnished under this Agreement that is either received in or reduced to material or tangible form, and all copies thereof.

2.4 The covenants of confidentiality set forth in this Agreement will apply from the Effective Date and continue for the shorter of a period equal to five (5) years after completion of the Evaluation, or until such Confidential Information no longer qualifies as confidential under applicable law or under Section 1.1 of this Agreement.

### **3.0 Miscellaneous.**

3.1 This Agreement shall be interpreted under the laws of the State of Delaware, without regard to conflict of law principles.

3.2 The invalidity or unenforceability of any particular provision of this Agreement shall not affect any other provision of this Agreement, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted. The waiver by Disclosing Party of a breach of any of the provisions of this Agreement shall not operate or be construed as a waiver of any subsequent or simultaneous breach.

3.3 This Agreement, when executed, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior written agreements, oral discussions, or understanding between them with respect to the subject matter hereof. No modifications of this Agreement or waiver of any of its terms will be effective unless set forth in a writing signed by both parties.

\* If used with an Appeals Board Representative replace "Investigator" with "Appeals Board Representative"

**Accepted:**

**Disclosing Party:**

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Company Name

**Investigator:**

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Company Name