

## **RunSignUp Payment Account FAQ**

### **What is a Payment Facilitator?**

Simply said, a Payment Facilitator is a party who takes responsibility for the direction of funds between a buyer and a seller. In our industry these are the funds that pass between race registrants and races or charities when they sign up for races using our site. RunSignUp is only one of a couple of hundred Payment Facilitators in the country. We have taken steps as a company to meet stringent security, banking, VISA and MasterCard processing rules to become an authorized intermediary (Payment Facilitator) between credit card holders and races. Having this status in the banking industry allows us to create and authorize sub-merchants (races & charities) and direct the payment of funds from the credit card holder to the sub-merchants who have set up payment accounts with RunSignUp.

### **What rules are Payment Facilitators subject to?**

As part of the banking industry Payment Facilitators are subject to a number of complex rules that come from government regulations like the Electronic Fund Transfer Act, the Bank Secrecy Act and the USA Patriot Act and from additional rules imposed by the credit card companies. These rules are intended to prevent the illegal transfer of funds, money laundering and the funding of terrorist organizations. These rules require RunSignUp and other Payment Facilitators to have a process for obtaining and verifying information about the entities we do business with. These requirements are referred to as Know Your Customer (KYC) requirements and they determine some of the data that we ask you for when you set up a new payment account with RunSignUp. These are the same kind of KYC questions you would answer if you set up a merchant account with a company like PayPal, Square or Stripe.

### **Why did RunSignUp become a Payment Facilitator?**

When the company first started we were like most small registration companies. We collected credit card payments and processed all the transactions into our own merchant account and then made payments from that account. This kind of processing is called payment aggregation and today the credit card companies frown on this processing model for businesses like RunSignUp that enable services between buyers and sellers. You can register to become an Aggregator with the credit card companies but the process is difficult and the penalties steep for not complying. However, processing under the aggregation model may go unnoticed for small companies or companies that are not growing quickly. This was not the case for RunSignUp.

The Payment Facilitator model is a relatively new development from the banking and credit card industry that allows businesses to solve the aggregation issue. It came on the scene to address a growing trend for on line commerce. It addresses the need to be able to quickly onboard smaller sub-merchants and allows businesses like RunSignUp, Uber and Air BnB to enable commerce between the buyers and sellers of services.

### **Why does RunSignUp require so much information to set up a payment account?**

Banking and credit card processing rules say that we need to collect information to verify the identity of business, charities, non-profits, sole proprietors and other legal entities that ask us to collect credit card transactions on their behalf (Know Your Customers (KYC) requirements). We also need to verify the identity of individuals who ask us to set up payment accounts on behalf of a legal entity. This is analogous to setting up a new bank account or a merchant account with a Payment Facilitator like PayPal, Square or Stripe. In either case they will verify your identity if you are setting up a personal or business account. If the account is for a business (or charity, non-profit or other legal entity) they will also ask you for information to verify the legitimacy of the business including the tax ID for the legal entity.

### **Why do I have to give information about myself if payment is going to a business, charity or other non-profit entity?**

Banking and credit card processing rules say that we need to verify the identity of individuals who ask us to set up payment accounts on behalf of a legal entity (Know Your Customer (KYC) rules). This is analogous to setting up a new bank account or a merchant account with a payment facilitator like PayPal, Square or Stripe. In either case they will verify your identity even if you are setting up a business account.

### **Why do I need to provide the Tax ID (TIN or FEIN) for my business, charity, non-profit or other entity?**

RunSignUp asks for this information for two reasons. The first is that it helps us verify the legitimacy of a legal entity. It is one of the Know Your Customer (KYC) data elements that can be verified to determine if an entity has been properly registered and exists. This is important in our role as a Payment Facilitator to prevent money laundering, funding terrorist activities and other fraud.

Secondly if we collect \$20,000 on our behalf we are required to issue the legal entity we have verified a 1099-K at year-end. When we authorize your payment account we don't know how much money we will collect on your behalf. It is easier and more efficient for us and for you to ask you for the Tax ID number up front when

you set up the account rather than later in the year when you pass the 1099 threshold.

**Why do you ask for the last 4 digits of my social security number or in some cases for my full social security number?**

Banking and credit card processing rules say that we need to verify the identity of individuals who ask us to set up payment accounts on behalf of a legal entity (Know Your Customer (KYC) rules). The last 4 digits of your social security number is one of the data elements we can use to verify your identity. This is analogous to setting up a new bank account or a merchant account with a Payment Facilitator like PayPal, Square or Stripe. In either case they will verify your identity if you are setting up either a personal or business account.

Additionally if you are setting up the account to pay yourself we need your full social security number to satisfy both banking Know Your Customer (KYC) rules as well as to satisfy any tax reporting that we may need to do at year-end for payments that we make to you. Banking rules for our Advanced Payment accounts require us to collect the full social security number for any business owner who owns 25% or more of a business entity that sets up a payment account with us.

**Why does RunSignUp require more information to set up a payment account than the registration company that I used to use?**

RunSignUp is only one of a couple of hundred Payment Facilitators in the country. We have taken steps as a company to meet stringent security, banking, VISA and Mastercard processing rules to become an authorized intermediary (Payment Facilitator) between credit card holders and races. Having this status in the banking industry allows us to create and authorize sub-merchants (races & charities) and direct the payment of funds from the credit card holder to the sub-merchants who have set up payment accounts with RunSignUp.

As part of the banking industry Payment Facilitators are subject to a number of complex rules that come from government regulations like the Electronic Fund Transfer Act, the Bank Secrecy Act and the USA Patriot Act and from additional rules imposed by the credit card companies. These rules are intended to prevent the illegal transfer of funds, money laundering and the funding of terrorist organizations. These rules require RunSignUp and other Payment Facilitators to have a process for obtaining and verifying information about the entities we do business with. These requirements are referred to as Know Your Customer (KYC) requirements and they determine some of the data that we ask you for when you set up a new payment account with RunSignUp. These are the same kind of KYC questions you would answer if you set up a merchant account with a company like PayPal, Square or Stripe.

The registration company that you used to use may not be running their business in accordance with all of the banking industry rules that we are subject to. The good news is that you should be comfortable with the fact that we have taken the steps and invested the resources to make sure we know who we are doing business with and that we have security measures in place to protect our business and your races from illegal money transfers and fraud.

**Does RunSignUp ask for more information once the payment account is set up and we begin processing registrations?**

For the vast majority of races once the initial KYC check is done and your payment account is approved we won't need to ask you for any more information. For those races where we collect \$20,000 or more on your behalf we are required to issue the legal entity associated with the race a 1099-K at year end and will need the Tax ID number for the entity associated with your payment account. If we did not collect this Tax ID number when the payment account was set up or if the number we did collect was invalid we will reach out to you for this information.

For very large races and race series that have multiple races and for which we collect \$500,000 or more on your behalf we will reach out to you periodically when your processing exceeds certain levels. We may ask you for certain information to satisfy our underwriting requirements and the requirements of the credit card companies including; entity formation documents, bank statements, financial statements and tax returns. If your processing is large enough we may even schedule an in-person meeting to visit your site.

There are a number of reasons why we ask for this additional information and the requests are not unlike the documentation you would be asked for by a bank or Payment Facilitator like PayPal, Square or Stripe. We need to be responsible in our underwriting of large accounts to manage our business risk and to satisfy the rules of the credit card companies. We need to verify that the payments we are collecting are going to the entities responsible for the payment accounts. We need to make sure that the races we do business with have adequate liquidity to manage the liability for putting on their races. We also need to make sure that entities do not engage in business practices that generate excessive chargebacks.