

Excessive Fraud

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Excessive Fraud Programs

A Merchant User Guide



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Overview

Introduction

Visa and MasterCard have programs that monitor issuer reported fraud. These transactions may or may not also be chargebacks. These programs do not monitor chargebacks. The issuer reports a transaction as fraud when the cardholder says he/she did not authorize the transaction.

If Visa and/or MasterCard enter a merchant into one of these programs, Chase Paymentech will notify the merchant and include in the notification what information or next steps the merchant must complete for the specific program entered.

Visa Programs

Below are conditions that apply to all Visa Excessive Fraud Programs:

- All merchants who deposit Visa transactions have their fraud performance compared to a set of parameters.
 - The fraud-to-sales ratio is calculated on dollars.
 - The Fraud count, amount and ratio is for a single calendar month.
 - Merchants must maintain three consecutive months below the program thresholds to exit the program.
 - Please note that all criteria are set by Visa and are subject to change without notice.
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VISA USA RIS

Overview

This program is for fraud reported from all issuers on US acquired transactions.

Visa monitors by merchant descriptor, city, and state. If the city field is a phone number, Visa then looks to the zip code to determine location. Multiple retail locations in the same zip code should have a store number or other identifier in the merchant name field to identify the location. Visa may also monitor by MCC code.

Parameter

Merchants are placed in this program when they meet or exceed the following parameter:

≥100 reported fraud transactions and ≥ \$25,000 in reported fraud and ≥ 1% fraud to sales ratio.

The identified month is based on the reported fraud date, not the transaction date.

Timeline

Status	Merchant Action	Visa Fees & Actions
1 st ID – First Notification	Merchant must analyze the fraud, determine the reasons for the fraud, and implement changes to reduce the ratio.	No response required
2 nd ID – Workout Month 1	Complete the Questionnaire by date indicated. Begin developing Fraud Reduction Plan according to Guideline provided. Continue analysis and implementation of measures to reduce the fraud.	\$5,000 & forfeiture of workout period for not providing requested information
3 rd ID – Workout Month 2	Submit Fraud Reduction Plan by date indicated. Continue implementation of fraud reduction initiatives according to plan. Continue analysis.	\$5,000 & forfeiture of workout period for not providing requested information

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VISA USA RIS, Continued

Timeline, continued

Status	Merchant Action	Visa Fees & Actions
4 th ID – Workout Month 3	Update Fraud Reduction Plan by date indicated. Continue implementation of fraud reduction initiatives according to plan. Continue analysis.	\$5,000 & forfeiture of workout period for not providing requested information
5 th ID – Enforcement	Update Fraud Reduction Plan by date indicated. Continue implementation of fraud reduction initiatives according to plan. Continue analysis.	\$10,000 Fine
6 th ID - Enforcement	Update Fraud Reduction Plan by date indicated. Continue implementation of fraud reduction initiatives according to plan. Continue analysis.	\$25,000 Fine
7 th ID – Enforcement	Visa may disqualify merchant for non-compliance in Month 10. Update Fraud Reduction Plan by date indicated. Continue implementation of fraud reduction initiatives according to plan. Continue analysis.	\$25,000 Fine
8 th ID – Enforcement	Update Fraud Reduction Plan by date indicated. Insure implementation of fraud reduction initiatives according to plan. Continue analysis.	\$50,000 Fine
9 th ID – Enforcement	Determine why fraud ratio has failed to reduce below thresholds. Update Fraud Reduction Plan by date indicated Insure implementation of fraud reduction initiatives according to plan. Continue analysis.	\$75,000 Fine

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VISA USA RIS, Continued

Timeline,
continued

Status	Merchant Action	Visa Fees & Actions
10 th ID – Enforcement	Determine why fraud ratio has failed to reduce below thresholds. Provide a final action plan for bringing fraud ratio into compliance. Facing disqualification in Month 10.	\$100,000 Fine
Month 10	Facing disqualification for processing Visa transactions. Provide written recap of actions taken to reduce ratio and explain why actions have not achieved compliance. Provide written plan for the immediate resolution.	Revocation/Fees on an exception basis

Global Merchant Fraud Performance Program (GMFP) – Interregional

Overview This program is for fraud reported from all non-US issuers on US acquired transactions.

Parameter Merchants are placed on this program when they meet or exceed the following parameter:

Minimum Threshold:
 Fraud Count of ≥ 25
 Fraud Amount of $\geq \$25,000$
 Fraud to Sales Ratio of $\geq 2.5\%$

Excessive Threshold:
 Fraud Amounts are $\geq \$250,000$
 Fraud to Sales Ratio of $\geq 2.5\%$

The identified month is based on the Central Processing Date (CPD).
 January transactions will be on the March report.

CPD – The date the data is accepted by a Visa interchange center.

Merchants must submit Questionnaire and/or Fraud Reduction Plan as required.

Timeline for Minimum Parameter

Status	Merchant Action	Visa Fees & Actions
Month 1-3	Merchant must work to remediate fraud to below thresholds	Workout Period
Month 4-9	Merchant must work to remediate fraud to below thresholds	Enforcement Period – subject to Chargeback liability and fines of \$5,000 escalating by \$5,000 each month
Month 10	Possible disqualification if fraud not below thresholds	Fines continued

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Global Merchant Fraud Performance Program (GMFP) – Interregional, Continued

Timeline for
Excessive
Parameter

Status	Merchant Action	Visa Fees & Actions
Month 1-3	Merchant must work to remediate fraud to below thresholds	Chargeback Liability
Month 4-9	Merchant must work to remediate fraud to below thresholds	Enforcement Period – subject to Chargeback liability and fines of \$5,000 escalating by \$5,000 each month
Month 10	Possible disqualification if fraud not below thresholds	Chargeback liability and fines continued

Visa Canada Domestic Merchant Fraud Performance (DMFP) Program

Overview This program is for fraud reported from all Canadian issuers on Canadian acquired transactions. The fraud amount is reported in USD.

Parameter Merchants are placed on this program when they meet or exceed the following parameter:

- Catch All Threshold:
- Fraud Count of ≥ 5
- Fraud Amount of $\geq \$10,000$
- Fraud to Sales Ratio of $\geq 1.0\%$

The identified month is based on the transaction date or the Central Processing Date. January transactions will be on the April report.

Timeline for Catch All Parameter

Status	Merchant Action	Visa Fees & Actions
1 st ID	Analyze activity and determine cause of excessive fraud. Begin investigation and identify improvement opportunities	First Notification
2 nd ID	Submit Questionnaire by date required. Initiate actions to reduce fraud.	Workout Period. Forfeiture of Workout Period for failure to complete questionnaire
3 rd ID	Submit Fraud Reduction Plan by date indicated. Continue to implement fraud-reduction initiatives.	Workout Period. Forfeiture of Workout Period for failure to provide Fraud Reduction Plan

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Visa Canada Domestic Merchant Fraud Performance (DMFP) Program, Continued

Timeline for Catch All Parameter, continued

Status	Merchant Action	Visa Fees & Actions
4 th ID	Provide updated Fraud Reduction Plan. Continue working to ensure plan is fully implemented and is effectively reducing fraud.	Workout Period
5 th ID	Provide updated Fraud Reduction Plan. Continue working to ensure plan is fully implemented and is effectively reducing fraud.	\$10,000 Fee Assessed
6 th ID	Provide updated Fraud Reduction Plan. Continue working to ensure plan is fully implemented and is effectively reducing fraud. Excessive fraud may lead to disqualification.	\$15,000 Fee Assessed
7 th ID	Provide updated Fraud Reduction Plan. Continue working to ensure plan is fully implemented and is effectively reducing fraud. Excessive fraud may lead to disqualification.	\$25,000 Fee Assessed
8 th ID	Determine why fraud has not reduced below thresholds. Provide updated Fraud Reduction Plan with 30-day strategy. Excessive fraud may lead to disqualification.	\$50,000 Fee Assessed
9 th ID	Determine why fraud has not reduced below thresholds. Provide updated Fraud Reduction Plan with 30-day strategy. Excessive fraud may lead to disqualification.	\$50,000 Fee Assessed
10 th ID	Provide final Fraud Reduction Plan including merchant's performance, fraud-reduction initiatives & pending actions. Pending disqualification.	\$50,000 Fee Assessed and revocation of acceptance privileges

Visa Canada Global Merchant Fraud Performance (GMFP) Program – Interregional

Overview This program is for fraud reported from Non-Canadian issuers on Canadian acquired transactions.

Parameter Merchants are placed on this program when they meet or exceed the following parameter:

Minimum Threshold:
 Fraud Count of ≥ 25
 Fraud Amount of $\geq \$25,000$
 Fraud to Sales Ratio of $\geq 2.5\%$

Excessive Threshold:
 Fraud Amount of $\geq \$250,000$
 Fraud to Sales Ratio of $\geq 2.5\%$

The identified month is based on the Central Processing Date. January transactions will be on the March report.

Merchants must submit Questionnaire and Plan as required.

Timeline for Minimum Parameter

Status	Merchant Action	Visa Fees & Actions
Month 1-3	Merchant must work to remediate fraud to below thresholds	Workout Period
Month 4-9	Merchant must work to remediate fraud to below thresholds	Enforcement Period – subject to Chargeback liability and fines of \$5,000 escalating by \$5,000 each month
Month 10	Possible disqualification if fraud not below thresholds	Fines continued

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Visa Canada Global Merchant Fraud Performance (GMFP) Program – Interregional, Continued

Timeline for Excessive Parameter

Status	Merchant Action	Visa Fees & Actions
Month 1-3	Merchant must work to remediate fraud to below thresholds	Chargeback Liability
Month 4-9	Merchant must work to remediate fraud to below thresholds	Enforcement Period – subject to Chargeback liability and fines of \$5,000 escalating by \$5,000 each month
Month 10	Possible disqualification if fraud not below thresholds	Chargeback liability and fines continued

Visa Europe Merchant Fraud Performance (MFP) Programme – Regional

Overview This program is for fraud reported from Visa Europe issuers on Visa-Europe acquired transactions.

All fraud dollars are reported in USD

Parameter Merchants are placed on this program when they meet or exceed the following parameter:

Minimum Threshold:

Fraud Count of ≥ 25

Fraud Amount of $\geq \$15,000$

Fraud to Sales Ratio of $\geq 7.5\%$

High-Fraud Threshold

Fraud Count of ≥ 20

Fraud Amount of $\geq \$40,000$

Fraud to Sales Ratio of $\geq 20\%$

Exit Threshold:

Fraud Count of ≥ 3

Fraud Amount of $\geq \$1,000$

Fraud to Sales Ratio of $\geq 3\%$

The fraud month is defined as the month in which the issuer reports the fraud to Visa.

Merchant sales volume is determined by calculating the average merchant sales volume over a three month period, cleared through Visa.

**Timeline for
Minimum
Thresholds**

After the notification month, the merchant enters a 3 month workout period. During the final month of this period, if the merchant breaches the exit parameter, the merchant is declared high fraud. If the merchant's fraud performance does not breach the exit parameter, status will return to normal.

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Visa Europe Merchant Fraud Performance (MFP) Programme – Regional, Continued

Timeline for High-Fraud Thresholds

If the merchant's fraud performance is equal to or greater than the High-Fraud thresholds, there is no grace period and the merchant faces penalties.

Penalties are chargeback liability (Reason Code 93) and fines. The fines are \$5,000 for the first month increasing by \$5,000 each month.

A High-Fraud merchant will remain as such for a three month period. If the merchant has not breached the exit parameter at the end of the third month, its status will revert to normal. If the merchant has breached the exit parameter, the high-fraud status will be extended to allow for three clear consecutive months.

Visa Europe Merchant Global Fraud Performance (GMFP) Programme – Global

Overview This program is for fraud reported from Non-Visa Europe issuers on Visa-Europe acquired transactions.

Parameter Merchants are placed on this program when they meet or exceed the following parameter:

Minimum Threshold:
 Fraud Count of ≥ 25
 Fraud Amount of $\geq \$25,000$
 Fraud to Sales Ratio of $\geq 2.5\%$

Excessive Threshold:
 Fraud Amount of $\geq \$250,000$
 Fraud to Sales Ratio of $\geq 2.5\%$

The identified month is the month the fraud transaction was processed through Visa.

Merchants must submit Questionnaire and/or Plan as required.

Timeline for Minimum Parameter

Status	Merchant Action	Visa Fees & Actions
Month 1-3	Merchant must work to remediate fraud to below thresholds	Workout Period
Month 4-8	Merchant must work to remediate fraud to below thresholds.	Enforcement Period – subject to Chargeback liability and fines of \$5,000 escalating by \$5,000 each month
Month 9	If performance is not improved by the 9 th month, Visa can impose additional sanctions, including restriction or revocation	Subject to Chargeback liability and fines of \$5,000 escalating by \$5,000 each month, and Restrictions
Month 10	Possible disqualification if fraud not below thresholds	Disqualification

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Visa Europe Merchant Global Fraud Performance (GMFP) Programme – Global, Continued

Timeline for Excessive Parameter

Status	Merchant Action	Visa Fees & Actions
Month 1-2	Merchant must work to remediate fraud to below thresholds	Chargeback Liability
Month 3-8	Merchant must work to remediate fraud to below thresholds	Subject to Chargeback liability and fines of \$5,000 escalating by \$5,000 each month
Month 9	If performance is not improved by the 9 th month, Visa can impose additional sanctions, including restriction or revocation	Subject to Chargeback liability and fines of \$5,000 escalating by \$5,000 each month, and Restriction
Month 10	Possible disqualification if fraud not below thresholds	Disqualification

MasterCard Global Merchant Audit Program (GMAP)

Program Overview

The Global Merchant Audit Program (GMAP) uses a rolling six months of data to identify merchant locations that, in any calendar month, meet the criteria set forth below:

- **Tier 1.** Merchants that have at least three fraud transactions in one month with a minimum of USD \$3,000 and Fraud/sales dollar volume ratio minimum of 3% and not exceeding 4.99%
- **Tier 2.** Merchants that have at least four fraud transactions in one month with a minimum of USD \$4,000 and Fraud/sales dollar volume ratio minimum of 5% and not exceeding 7.99%
- **Tier 3.** Merchants that have at least five fraud transactions in one month with a minimum of USD \$5,000 and Fraud/sales dollar volume ratio minimum of 8%.

If GMAP identifies a merchant location in Tier 3, MasterCard will determine whether to initiate an audit of the merchant location (“a Tier 3 special merchant audit”). If MasterCard decides to conduct a Tier 3 special merchant audit, the merchant must complete the MasterCard questionnaire.

Upon review of the completed questionnaire, MasterCard, at its sole discretion may:

- Grant the merchant location an exclusion for the merchant identification, or;
- Provide the merchant with an opportunity to implement additional fraud control measures (“the fraud control action plan”), as directed by MasterCard, or;
- Assign chargeback responsibility to the merchant.

MasterCard will enforce the response requirement and consider any failure to report a noncompliance. **A noncompliance assessment of up to \$15,000 may be applied for failure to submit a response.** Monitoring will continue on a monthly basis and additional penalties may apply for ongoing noncompliance.
