

Mastercard programs: Chargeback & Fraud

Dear Merchant!

We would like to introduce to You Mastercard rules and programs that apply to your business. Understanding these rules and programs and how they can affect Your activity is important as it allows to mitigate possible negative consequences to Your business. This newsletter provides general information on some of the Mastercard programs. If you would have any additional questions, do not hesitate to contact us.

Excessive Chargeback Program (ECP)

ECP monitors merchant chargeback- to-transaction ratios, based on the:

100

Number of chargebacks received during a calendar month (monthly chargebacks are defined as all first presentment chargebacks with a processed date within the violation month).

%

Chargeback-to-transaction ratio.

ECP categories and thresholds

Chargeback Monitored Merchant (CMM)

Merchants are enrolled into the ECP as a CMM when: they receive **100** or more chargebacks in a calendar month and have a chargeback-to-transaction ratio of **1%** or above. No fines are assessed. CMM merchant exits the ECP when his monthly chargeback amount and chargeback-to-transaction ratio remain below the threshold for two consecutive months.

Excessive Chargeback Merchant (ECM)

Merchants are enrolled into the ECP as an ECM when: total number of chargebacks is greater than or equal to **100** and chargeback-to-transaction ratio is greater than or equal to **1,5%**. Fines are assessed starting from month two until the merchant is no longer categorized as ECM. Merchant will be monitored until there are three consecutive months below the ECM thresholds.

High Excessive Chargeback Merchant (HECM)

Merchants are enrolled into the ECP as a HECM when: total number of chargebacks is greater than or equal to **300** and chargeback-to-transaction ratio is greater than or equal to **3%**. Fines are assessed starting from month two and continue at increasing rates in subsequent months until the merchant is no longer categorized as HECM.

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Excessive Fraud Program (EFP)

EFP works to reduce fraud on e-commerce transactions and monitors fraud chargeback-to-transaction ratios.

A merchant is considered non-performing and is put in the EFP if he meets or exceeds the following thresholds in a calendar month:

-  Total dollar amount (or local currency equivalent) of fraud-related chargebacks is greater than or equal to EUR/USD 50.000.
-  Fraud chargeback-to-transaction ratios equal to 0.50% or greater.
-  Percentage of monthly clearing volume processed using 3DS or DSRP is less than 10% in non-regulated countries, or less than 50% in regulated countries.

Monthly fraud-related chargebacks are defined as those first presentment chargebacks processed within a calendar month under the 4837 (No cardholder authorization) message reason code.

Merchants will be assessed for fines if they stay in the EFM program for two consecutive months or more. To be removed from the EFM program, a merchant must be in compliance for three consecutive months.

How can these programs affect Your business and what should You do to avoid negative consequences?

Enrolment of a merchant in the ECP or EFP may result in heavy fines (from €1.000 up to €200.000) imposed by Mastercard. Furthermore, merchant's enrolment in the ECP or EFP also may lead to termination of a merchant. To avoid these negative consequences, we suggest You to adopt best practices to mitigate fraud as well as to strictly monitor Your chargebacks and put best efforts to mitigate their number.

USEFUL LINKS:

Mastercard Security Rules and Procedures

<https://www.mastercard.us/content/dam/public/mastercardcom/na/global-site/documents/SPME-Manual.pdf>

"A merchant's guide to chargebacks: top 10 things a merchant should do"

https://www.mastercard.com/content/dam/public/mastercardcom/globalrisk/videos/Mastercard_Top_10_Things_Module.mp4

Mastercard Merchant Learning Center

<https://www.mastercard.ca/en-ca/business/overview/get-support/merchant-learning-centre.html>

Mastercard rules and programs impacting merchants

<https://www.mastercard.us/en-us/business/overview/support/rules.html>

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