MOBILE UNDERWRITING
AND TRANSACTION
MONITORING

Presented July 26, 2013
MAC is an organization comprised of members from Banks, Acquirers, ISOs, Card Associations, Law Enforcement and others involved in risk management and compliance of the electronic payment processing industry. The purpose of MAC is to educate members in the electronic payment industries regarding the compliance with electronic payments regulations along with the detection, prevention and prosecution of those involved in electronic payment fraud. In the context of fulfilling MAC’s ongoing educational obligations to its members, this webinar is being presented by the MAC Education Committee in support of the MAC mission regarding the exchange of information and continuous education of its’ members.
TRANSACTING…

Then…

Now…
BASIC BUSINESS

The Acquiring Bank must know the ISO

The ISO must know the Mobile Merchant

Know your Customer – It’s the base of good commerce
KNOW YOUR CUSTOMER

Who is the owner?  What is the business?  Where are all entities located?  What does their Website say?
WHO IS THE MOBILE MERCHANT?

Verify Address

- Known fraud address
- Mail drop
- Does the address match the CBR?

Verify personal information

- Does the government issued ID match the DOB?
- Does the DOB match the business type?
- Does their work history match the business they are operating now?
WHAT IS THE BUSINESS?

What are they selling?
- Food (Restaurant)
- Product or Service
- Travel
- Web hosting
- Virtual currency
- Virtual Storage (Cyberlocker)

How are they selling it?
- Face-to-face (immediate or future delivery)
- Internet
- Mail order
- PtoP or BtoP

How much do they want to sell?
- Monthly volume
- Average ticket
- Ensure parameters are consistent with MCC
ONLINE RESEARCH TOOLS

Name and Address
- www.blackbookonline.info
- www.melissadata.com

Restaurants
- Do the length of ratings match the open date?
- www.yelp.com
- www.grubhub.com

Products
- www.gayot.com
- www.google.com/places

Services
- www.angieslist.com

Travel
- www.tripadvisors.com
WHAT DOES THE WEBSITE SAY?

Mobile Merchant websites must follow the same rules

- Product sold
- Privacy policy
- Terms and conditions
  - Delivery method and timing
  - Return and refund policy
  - Billing terms
- Secure payment page
- Currency
- Customer service contact information
- Review all links
- Review who-is information
DOES THAT MAKE SENSE?

Shockresistantcellphone.com*

Application stated they will sell bamboo

* URL changed from original

Descriptions that do not match the product
TRADITIONAL TRANSACTION MONITORING

Representative traditional parameters – approved volumes or rolling averages

- Internal negative data base
- Large transactions
- Large batches
- Large credits
- Descending declines – no longer a technical chargeback
- Multiple authorizations on the same card
- Same dollar amounts
- Low dollar amounts
- Excessive keyed transactions
- Outside of approved parameters
- Forced sales
- Foreign Card
- Prepaid Card
- Same BIN
- Same card across portfolio
MOBILE MONITORING HAS DIFFERENT TOOLS

Geo location
- Buyer: does it make sense for your buyer to be at that location?
- Buyer: is the device located at the shipping address?
- Seller: is the location of the transaction consistent with what you learned in underwriting?

Device type
- Buyer: is this a tablet or phone?
- Seller: is this the same device you approved?
- Seller: is this the dongle assigned?

Receipts
- Most don’t print receipts, make sure a text or email receipt can be sent
- Proper descriptor helps avoid chargebacks
- Consistent email and SMS receipts can help fight chargebacks
ONGOING REVIEW OF WEBSITE

Continue website review to ensure the product has not changed

Websites under construction cannot have processing
THINGS TO WATCH FOR

**Changes in average ticket**
- May mean changes in product
- May mean unapproved upsells

**Delayed Delivery**
- Large time lapses between transaction date and delivery date can result in
  - Chargebacks due to late receipt of goods
  - Higher risk of the mobile merchant not being able to pay vendor and fulfill obligation to consumer
  - More likely the consumer will not remember or recognize the transaction

**International credit card sales**
- Ensure the country of the card makes sense
- Ensure the frequency of the country makes sense
WHO CAN BE A MOBILE MERCHANT?

Anyone!

Underwriting
• Traditional Bank or ISO merchant
• Sub-merchant of a Payment Facilitator

Transaction monitoring
• Traditional monitoring must occur
• Added benefits of geo location and device type

Receipt production
• No different from traditional internet merchant
• May be emailed or sent via text when using the phone as a POS device

Convenience
• Being able to use the Mobile device to facilitate sales allows the merchant to give the cardholder what they are looking for – Convenience!
BY 2014, MOBILE INTERNET TO OVERTAKE DESKTOP INTERNET USAGE

Global Mobile vs Desktop Internet User Projection

Source: Morgan Stanley Mobile Internet Report 2010

Information contained in this document is private and confidential. This document contains information sensitive to the strategic positioning of Deana Rich Consulting, Inc. and is considered a trade secret of Deana Rich Consulting, Inc.
QUESTIONS?

- Deana Rich
  - President, Rich Consulting
  - deanarich@deanarich.com

- Richard Parrott
  - Vice President of Credit and Risk, Merchant e-Solutions
  - rparrott@merchante-s solutions.com