Visa Claims Resolution
Optimizing the Dispute Process for Merchants
MAC is an organization of Bankcard professionals involved in the risk management side of Card Processing. We have members from Banks, ISOs, Card Associations and others related to the risk management side of the industry. MAC’s mission is to strengthen the payment ecosystem through ongoing education, communication and cooperation among acquirers, card brands and enforcement agencies.

To learn more about MAC or to become a member of MAC please visit the website below.

https://www.macmember.org/
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Agenda

What is VCR?

How VCR Helps Merchants

VCR Migration Timeline
What is VCR?

VCR will globalize rules and simplify the dispute process by moving from a litigation-based to a liability assignment-based model.

<table>
<thead>
<tr>
<th>Objectives:</th>
<th>Description:</th>
<th>Data:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevent and Customize</td>
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<td></td>
</tr>
<tr>
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<td></td>
</tr>
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<td></td>
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</table>

**Objectives:**
- Prevent and Customize
- Automation
- Streamline Existing Workflows

**Description:**
- Visa will block issuer chargebacks if they are not supported by the transaction data.
- Claims follow one of two paths to completion: Allocation and Collaboration.
- Reason codes will be consolidated into 4 major claim categories to simplify the process.

**Data:**
- Invalid Chargebacks\(^1\): 14% of Claims
- Remaining Chargebacks: 86% of Claims
- Existing VROL: 100% of Claims
- Automation\(^1\): 20-40% of Claims
- Allocation: 60-80% of Claims
- Collaboration: 20-40% of Claims

**1. Based off FY 2014 chargeback reason code buckets**

**Dispute Codes:**
1. Fraud
2. Authorization
3. Processing Errors
4. Consumer Disputes
How VCR Helps Merchants
Fraud dispute optimization is a key driver in the Visa Claims Resolution Initiative

Pre-Dispute
Visa Merchant Purchase Inquiry
Share dispute details before dispute is initiated

Dispute Submission
Chargeback Rights Identification / Edits
VCR automates CB Rights identification

Dispute Response / Pre-Arbitration
Response Certification
Issuers must respond to acquirer/merchants or accept liability

Governance
Index
Health score to monitor ecosystem usage

Rules
Rule Changes
Modernize rules to protect ecosystem
Visa Merchant Purchase Inquiry (VMPI)

VMPI allows merchants to proactively send detailed supplemental information to issuers PRIOR to a dispute being submitted.

Current Landscape

- Digital goods purchases are on the rise; low dollar and difficult for ecosystem to handle
- “Unrecognized” disputes are increasing, particularly in the digital goods space
- Today, acquirers/merchants are *reacting* to financial claims filed by cardholders/issuers
- Impact can be severe for cardholder experience and consumer confidence

Opportunity

- Introduce an Application Programming Interface (API) for issuers to notify merchants before a dispute is raised
- Enable the merchant to provide specific transaction detail, at the beginning of the dispute process, to allow issuers to “talk off” disputes before they occur *(Proactive representment)*
- Goal is to reduce/eliminate claims BEFORE they become formal disputes, and where possible, reduce dispute timeframes from 45 days to 45 seconds

Key Reasons for Consumer Complaints

- “I did not make this purchase, it must be fraud.”
- “I am not sure if I made this purchase because I don’t recognize it.”
- “I made this purchase, but there’s a problem.”
Visa Merchant Purchase Inquiry (VMPI) Process

The VMPI process is a real-time data sharing exercise from merchant to issuer through Visa Resolve Online (VROL)

**Steps:**
1. Cardholder contacts the Call Center
2. Representative conducts a VROL-Transaction Inquiry
3. VROL Recognizes merchant (as Integrated) and generates a Real-Time Purchase Inquiry to the merchant via an API
4. Merchant renders the response within the established schema
5. Response is provided to the Issuer user

### Purchase Information
- **Username:** rs*****@email.com
- **Date / Time:** June 25th, 2016 / 19:30 PAC
- **Password:** Provided and Authenticated
- **PW Last Changed:** May 1st, 2016
- **Device / Usage:** HTC One / Registered 12 months ago
- **Items:**
  - FarmVille Land Purchase
  - Mafia Wars Weapon
  - Diamond Dash – 100 Gold Bars
- **Total amount:** $10.00

### Response Information
- **Merchant Response:** Account Credited Full Amount $10.00
- **Requested CH Action:** Change Password on next login
- **Merchant Phone:** 1800 123 4567 (Optional)
- **Reference Number:** 100031254
VMPI Sample Talk Track

Issuers can incorporate VMPI data into their talk track with cardholders and use this merchant-provided information to reduce disputes.

**Cardholder**

Hi, This is Sharlene Smith. I found a transaction on my card statement that I don't believe I made.

Yes, the transaction date was October 14th, and it appears to be a $15 charge from XYZ Digital Goods Merchant.

Oh yeah! My son Mike Smith got straight A's on his report card so I let him use my credit card for games. Thanks for your help. This is a legitimate charge.

**Customer Representative**

Sure, let me help you with that. What was the date of purchase and amount?

Let me check on that for you.

It appears the purchase was from an iPhone6 with AppleID: msmith@email.com and it was for a Candy Crush Upgrade of $15.

Happy I could help. Is there anything else I can help you with?

**VMPI Request**

**VMPI Response**

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<tr>
<th>Email</th>
<th>Phone</th>
<th>Items</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms**@email.com</td>
<td>phone 6</td>
<td>Candy Crush Update</td>
<td>$15</td>
</tr>
</tbody>
</table>

**Costs Increase**

- Email
- Phone
- Items
- Cost

VMPI data can be used to “talk off” unrecognized and other potential disputes to reduce write offs and improve customer satisfaction.
Associated Transactions

VCR requires issuers to review associated transactions (credits, reversals, adjustments) PRIOR to dispute submission to reduce rework on the merchant/acquirer side

Overview

Associated Transactions provides issuers with credits, reversals, and/or adjustments that may be pertinent to decision making on a current dispute. These transactions will be identified using Visa’s authorization, clearing and settlement systems looking historically at transactions with similar characteristics.

The Associated Transactions identification will use a proprietary algorithm to identify transactions that may be related, as well as a scoring mechanism to provide high, medium, or low likelihood matches.

Business Objective

The Associated Transactions is being introduced into the dispute process to proactively identify an action like a credit, reversal or adjustment that render the dispute invalid. If the merchant has already credited the cardholder for the transaction the issuer is disputing, all parties benefit from that never becoming a dispute as less work will be required for both acquirers and issuers.

Usage Conditions and Details

If Associated Transactions are found, the issuer must review and confirm the relationship for each transaction.
Chargeback Rights Identification

Visa will introduce comprehensive global edits to review and reject invalid disputes from issuers.

Illustrative Example

~5 million (15%) invalid disputes

Transaction Amount: $42.36
Card Entry Mode: Chip
Merchant: Merchant XYZ
Terminal Capability: Chip enabled
PAN: 4020-01XX-XXXX-1234

No fraud chargeback right

Blocking invalid disputes and passing along verified disputes will reduce the time merchants/acquirers spend reviewing/researching disputes for validity.
Response Certification
Both Acquirers/Merchants and Issuers are required to respond to all cycles of the dispute; failure to do so in the timeframes outlined results in acceptance of liability.

Allocation

Issuer

Pre-arbitration (30 days)

Pre-arbitration Response (30 days)

VISA

Valid

Final Ruling

Arbitration

Acquirer

Collaboration

Issuer

Dispute Response

Pre-arbitration (30 days*)

Pre-arbitration Response (30 days*)

Final Ruling

Arbitration

Acquirer

Dispute

Pre-arbitration

Pre-arbitration Response

Final Ruling

* Hard Timeframes
Indices
Clients will be assigned an index “score” based on their use of the ecosystem.

Client activity will be monitored where positive and negative events will impact their “index”; if thresholds are achieved the client may be notified by Visa.
Rule Changes
New Fraud Rules effective with VCR implementation

Fraud Dispute Limit
- Place a limit on the number of card absent & card present fraud disputes that can be processed on a single account number
- Issuer may charge back a maximum of 35 transactions on a single account number within a 120 day timeframe
- A new edit will block disputes after the limit has been reached

Fraud Disputes – Account Status
- Block claims initiated for original transactions that occurred on a date after the first fraud report or first fraud chargeback for the same account number
- Remove requirement for issuers to list the account number on the exception file and close account prior to initiating a fraud dispute
- As part of proper fraud management, issuers are still required to properly manage a fraudulent account. Issuers should continue to close the account
- This new edit will prevent issuers from passing liability to the acquirer when they have not taken the necessary steps to prevent future fraud on the same account number
Migration Timeline

VCR will be going live globally in October 2017 with client testing beginning in May 2017.

- **Client Testing Begins** – 5/29/2017
- **Soft Launch HK/NZ**
- **Webinars and Training**
  - Additional VCR Announcements
- **18.1 Production Global Launch** – 04/13/2018
SAVE THE DATE

MAC 2018 Annual Conference
March 13 - 15, 2018
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