

A low-angle, upward-looking shot of several modern skyscrapers at night. The buildings are covered in glowing windows, creating a dense pattern of light against the dark blue sky. A bright light source, possibly a street lamp or a reflection, creates a starburst effect in the lower-left quadrant. The overall mood is one of urban sophistication and technological advancement.

VISA

First Data®

Visa Claims Resolution

Optimizing the Dispute Process
for Merchants

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Agenda

- › What is VCR?
- › How VCR Helps Merchants
- › VCR Migration Timeline



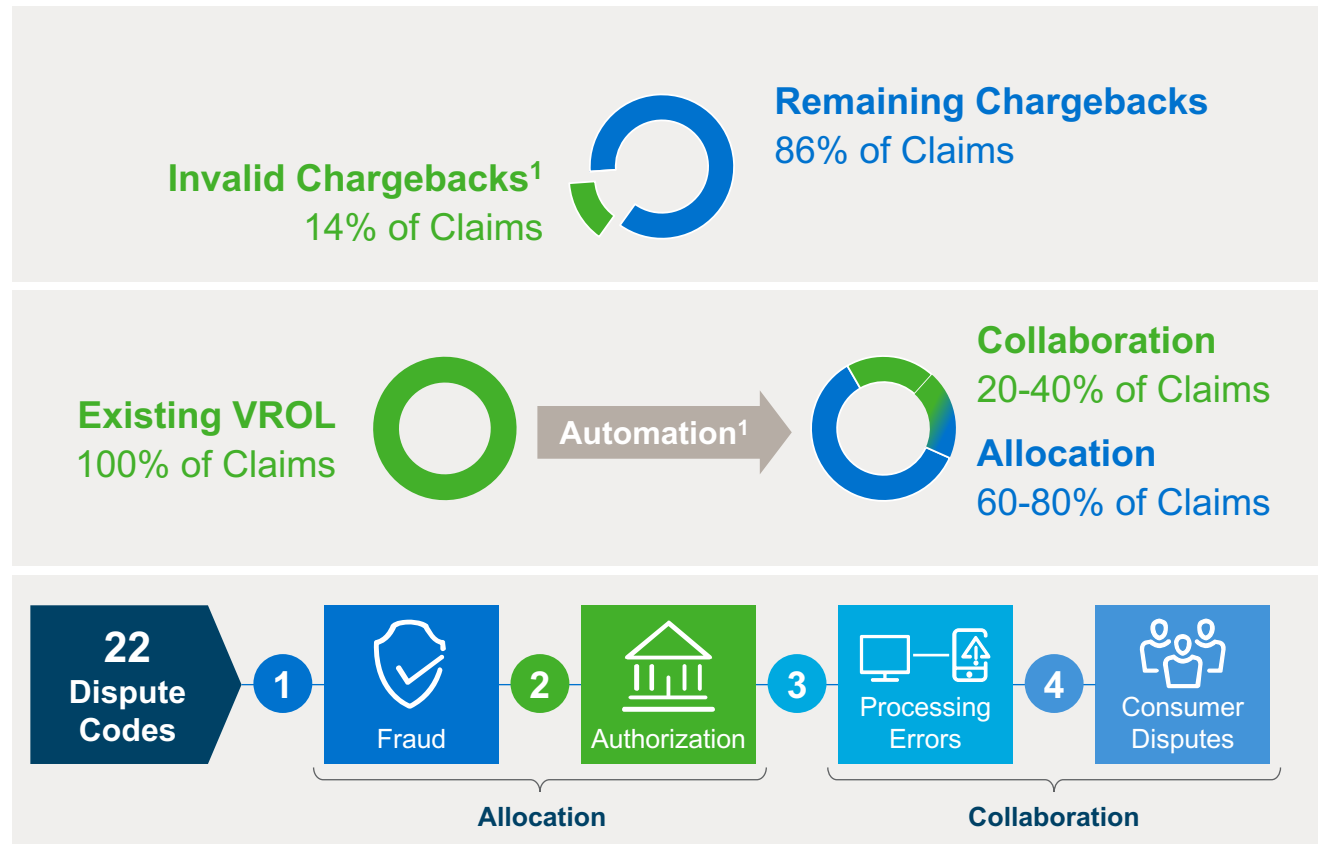
What is VCR?

VCR will improve the dispute ecosystem with a new enhanced dispute process that has the following objectives

Objectives	Description
Prevent and Customize	Visa will block issuer chargebacks if they are not supported by the transaction data
Automate and Resolve Disputes Quicker	Claims follow one of two paths to completion: Allocation and Collaboration
Streamline Existing Workflows	Reason codes will be consolidated into 4 major claim categories and workflows will guide users to provide key data to simplify the process

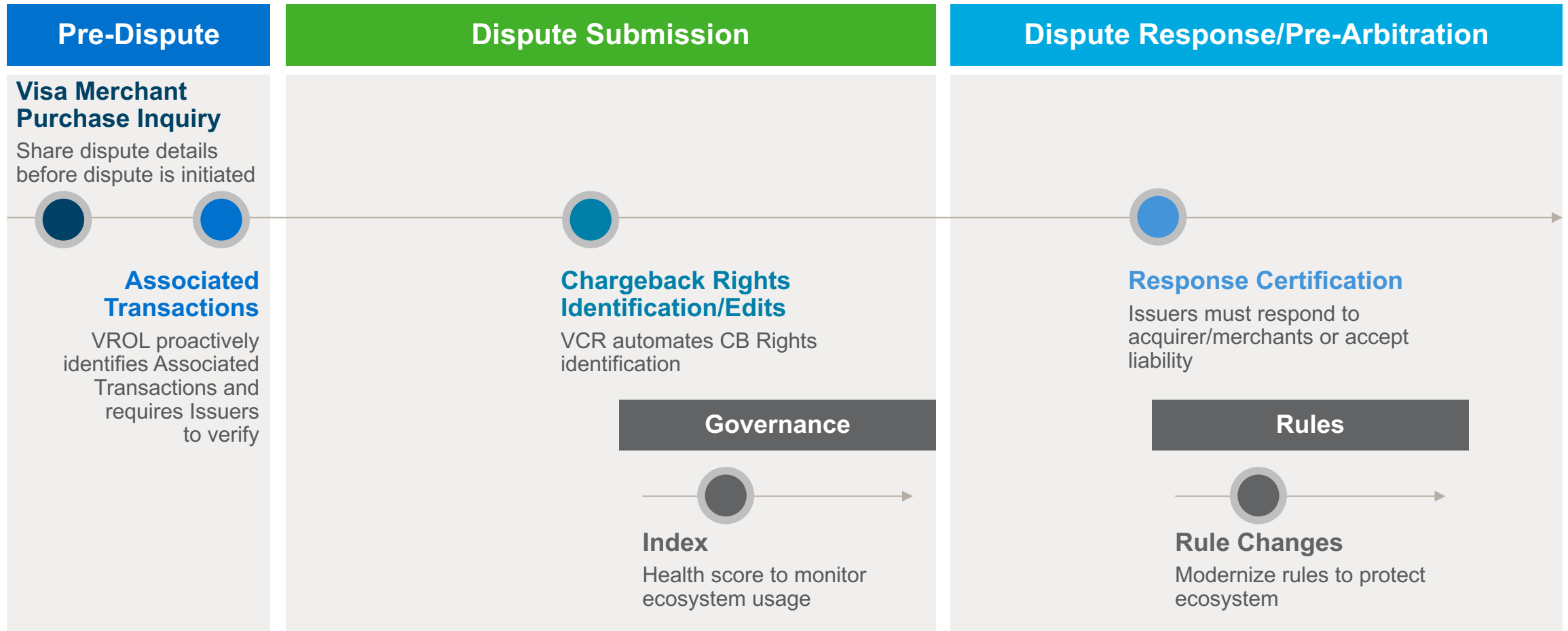
1. Based off FY 2014 chargeback reason code buckets

Data



How VCR helps merchants

Dispute optimization is a key driver in the Visa Claims Resolution Initiative; benefits to merchants are being introduced throughout the dispute cycle



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

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.”

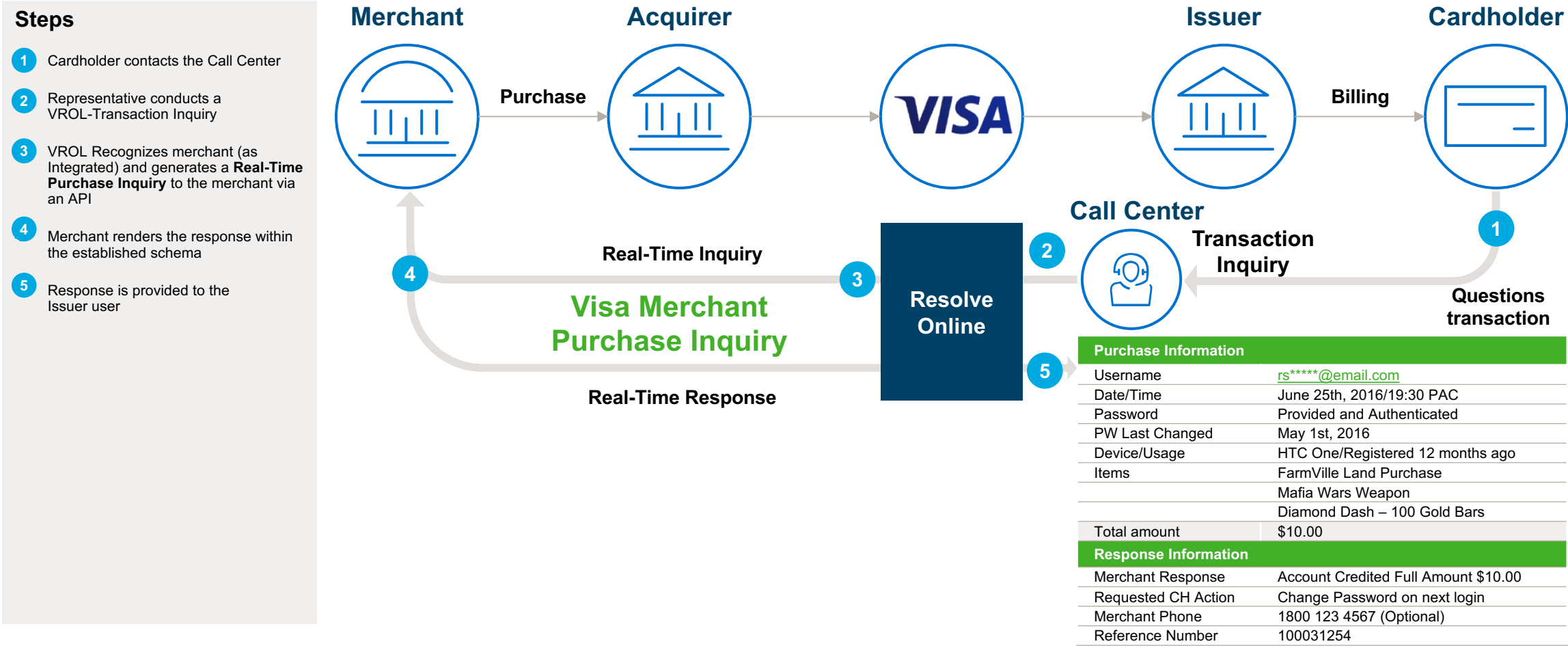
“I made this purchase, but there’s a problem.”

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**

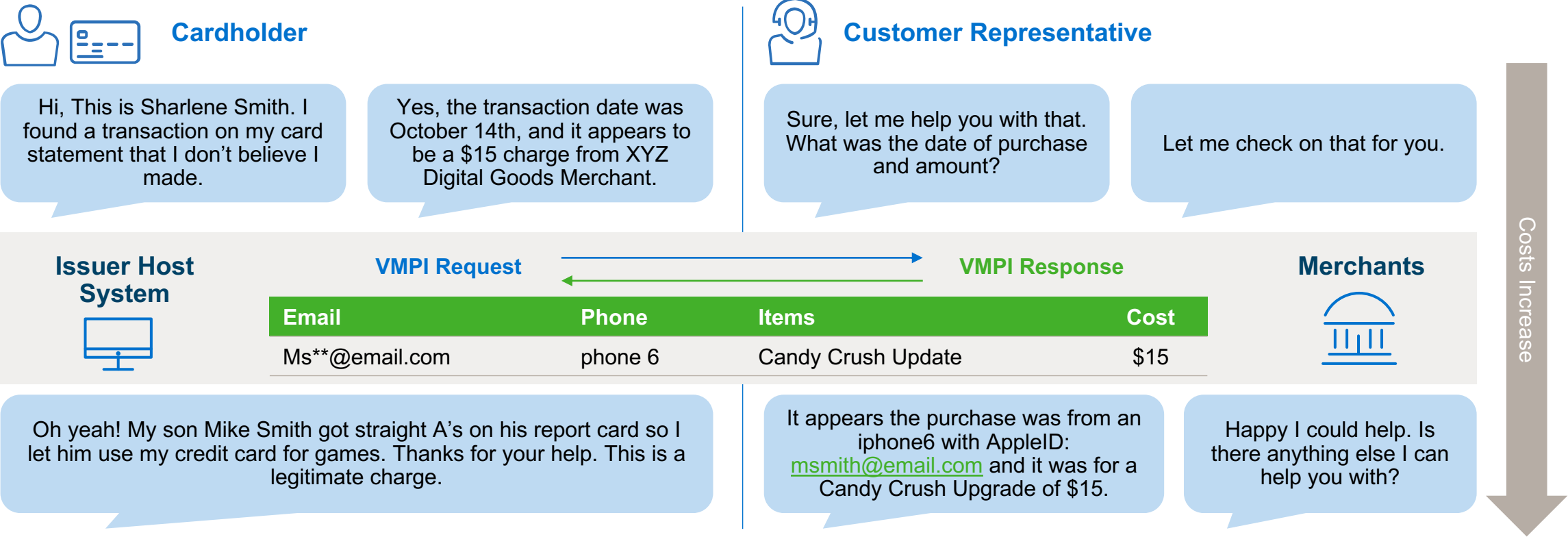
Visa merchant purchase inquiry (VMPI) process

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



VMPI sample talk track

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



Visa merchant purchase inquiry – fraud notifications

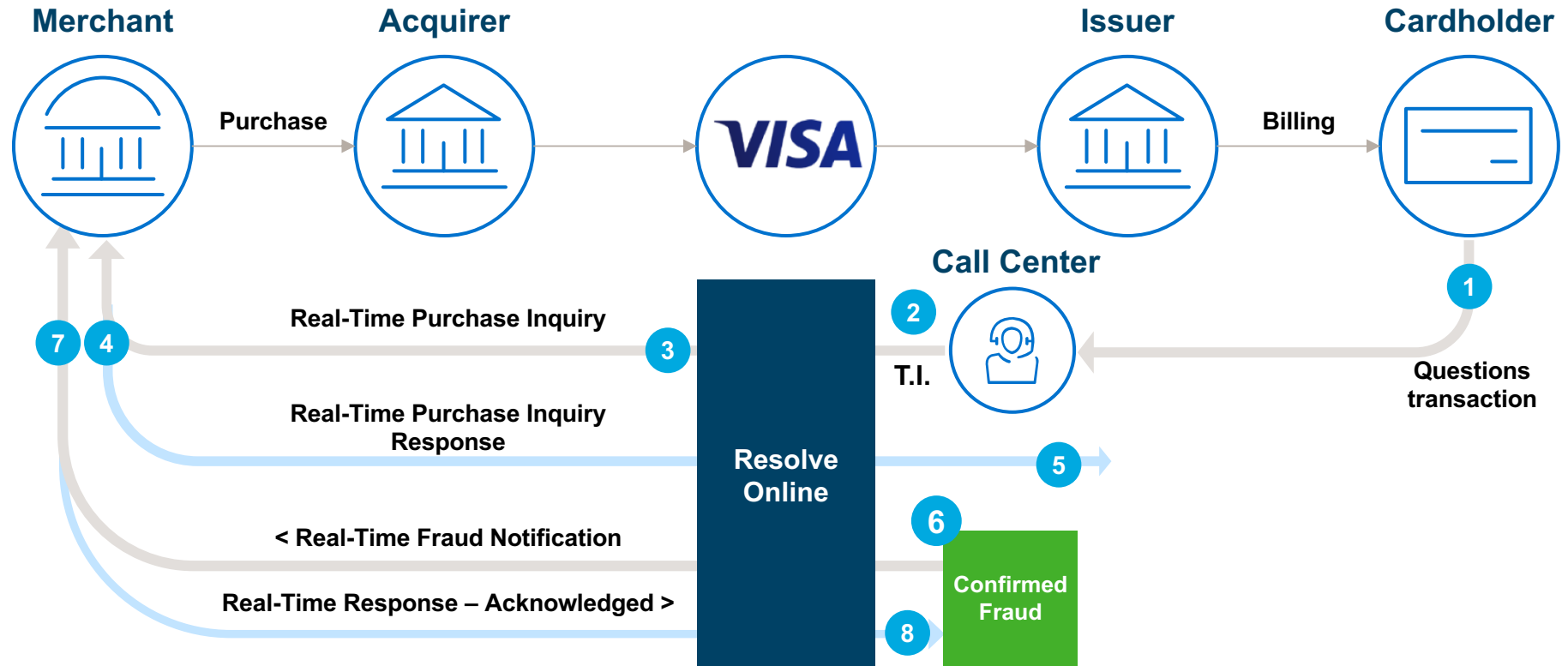
Participating merchants are eligible to receive push notifications on fraud reports initiated through Visa Resolve Online, and eventually, all fraud reports

Merchant Responses available:

- Acknowledged (default)
- Service Cancelled
- Shipment stopped
- Goods dispatched
- Service redeemed
- Transaction Reversed

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 – Using the original transaction information
- 4 Merchant renders the response within the established schema
- 5 Response is provided to the Issuer user
- 6 Cardholder indicates that the purchase is Fraudulent, Fraud report is triggered
- 7 Real Time Fraud Notification is sent to merchant (and listed on FRS with TC40)
- 8 Response sent by merchant (Optional)



Merchants may use fraud notification information to enable better decisions on delivery of goods/services or future transactions to mitigate losses

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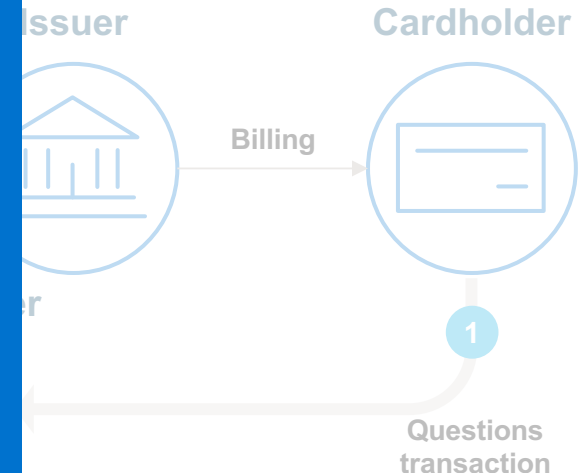
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First Data Client Impact

Small

Large

- Offers merchant direct response to Visa/Merchants must work directly with Visa to participate
- May reduce dispute volume received through First Data



Merchants may use fraud notification information to enable better decisions on delivery of goods/services or future transactions to mitigate losses

4 VCR dispute categories

VCR is consolidating chargeback reason codes into four dispute categories; for fraud and authorization, the dispute condition is identified with the data in VisaNet

10 – Fraud



- 10.1 – EMV Liability Shift Counterfeit Fraud
- 10.2 – EMV Liability Shift Non-Counterfeit Fraud
- 10.3 – Other Fraud-Card Present Environment
- 10.4 – Other Fraud-Card Absent Environment
- 10.5 – Visa Fraud Monitoring Program

11 – Authorization



- 11.1 – Card Recovery Bulletin
- 11.2 – Declined Authorization
- 11.3 – No Authorization

12 – Processing Errors



- 12.1 – Late Presentment
- 12.2 – Incorrect Transaction Code
- 12.3 – Incorrect Currency
- 12.4 – Incorrect Account Number
- 12.5 – Incorrect Amount
- 12.6.1 – Duplicate Processing
- 12.6.2 – Paid by Other Means
- 12.7 – Invalid Data

13 – Consumer Disputes



- 13.1 – Merchandise/ Services Not Received
- 13.2 – Cancelled Recurring
- 13.3 – Not as Described or Defective Merchandise/Services
- 13.4 – Counterfeit Merchandise
- 13.5 – Misrepresentation
- 13.6 – Credit Not Processed
- 13.7 – Cancelled Merchandise/Services
- 13.8 – Original Credit Transaction Not Accepted
- 13.9 – Non-Receipt of Cash or Load Transaction Value



Issuer will select dispute category

Visa's dispute system will determine dispute condition based on VisaNet transaction data and information supplied in dispute questionnaire
Acquirer/Merchant will receive the dispute category and dispute condition for all disputes

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First Data Client Impact

Small

Large

- First Data Dispute Tools were updated to support the changes.
- First Data provides Electronic Dispute tool for management of disputes



Issuer will select dispute category
Visa’s dispute system will determine dispute condition based on VisaNet transaction data and information supplied in dispute questionnaire
Acquirer/Merchant will receive the dispute category and dispute condition for all disputes

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.

Associated		Transaction Date/Time	CPD/Settled Date
Selected Transaction		06/10/17 07:13:47	06/10/17
<input checked="" type="radio"/> Yes	<input type="radio"/> No	06/10/17 07:13:06	06/10/17
<input checked="" type="radio"/> Yes	<input type="radio"/> No	06/10/17 07:14:06	06/10/17
<input checked="" type="radio"/> Yes	<input type="radio"/> No	06/10/17 07:14:06	06/10/17



If found, issuers must verify credits/reversals/adjustments are associated to a dispute or not

Associated transactions

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Overview

- Associated Transactions provides issuers with information on credits, reversals, and adjustments that may be pertinent to a dispute. These transactions will be identified by the issuer's settlement systems looking for historical characteristics.
- The Associated Transactions identifier allows issuers to identify transactions that may be related to a dispute. Issuers can provide high, medium, or low likelihood of association.

Associated		Transaction
Selected Transaction		06/10/17
<input checked="" type="radio"/> Yes	<input type="radio"/> No	06/10/17
<input checked="" type="radio"/> Yes	<input type="radio"/> No	06/10/17 07:14:06
<input checked="" type="radio"/> Yes	<input type="radio"/> No	06/10/17 07:14:06


First Data Client Impact

Small

Large

- Visa may block disputes that have already been credited

is introduced into the dispute process to identify transactions that have already been credited, reversal or adjustment that render the dispute moot. If a dispute is already credited the cardholder for the same transaction, all parties benefit from that never being required for both acquirers and issuers. The issuer must review and confirm the dispute is not already credited.



If found, issuers must verify credits/reversals/adjustments are associated to a dispute or not

Chargeback rights identification

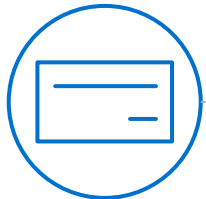
Visa will introduce comprehensive global edits to review and reject invalid disputes from issuers

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

No fraud chargeback right

✗
~5 million (15%)
invalid disputes

Cardholder

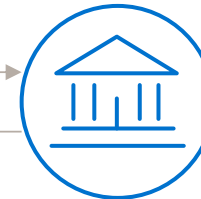


Issuer



VISA

Acquirer



Merchant



Blocking invalid disputes and passing along verified disputes will reduce the time merchants/acquirers spend reviewing/researching disputes for validity

Chargeback rights identification

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

First Data Client Impact

Small

Large

- Visa may block disputes prior to acquirer receiving them
- 14%-20% potential reduction in dispute volume
- Merchants must respond to all Disputes or risk pass through fees

Terminal Capability: Chip enabled

N: 4020-01XX-XXXX-1234

Chargeback right

Cardholder

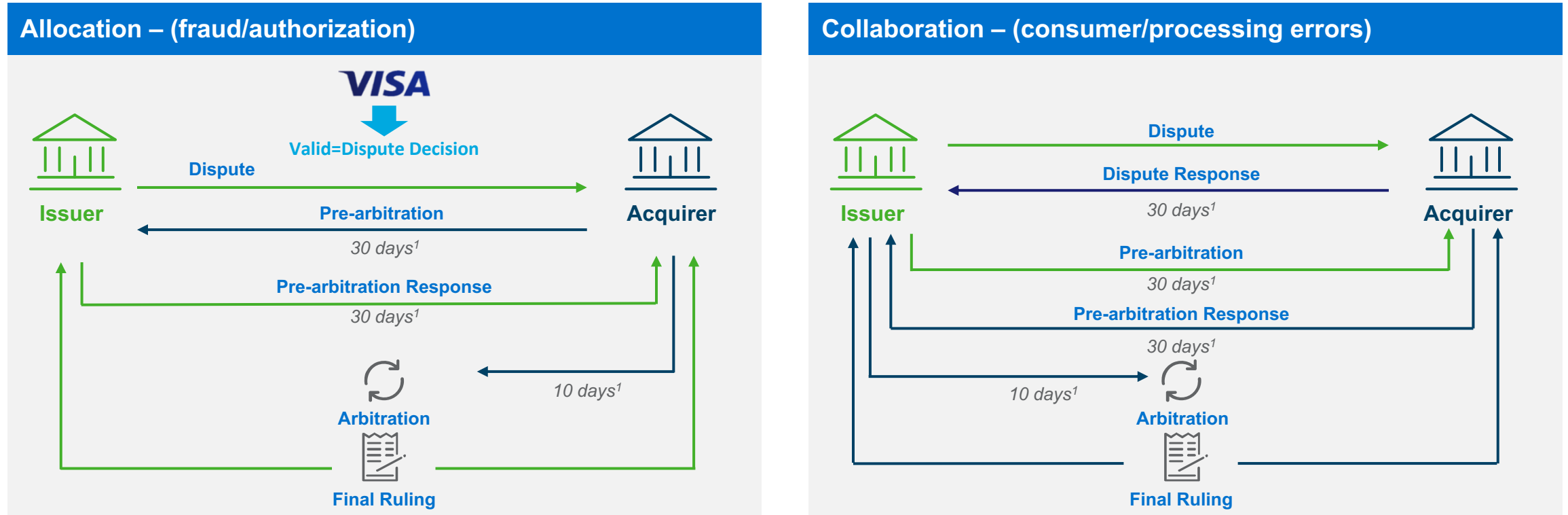
Merchant



Blocking invalid disputes and passing along verified disputes will reduce the time merchants/acquirers spend reviewing/researching disputes for validity

Response certification

Visa is introducing a streamlined approach for fraud and authorization disputes; cycle times have also been modified



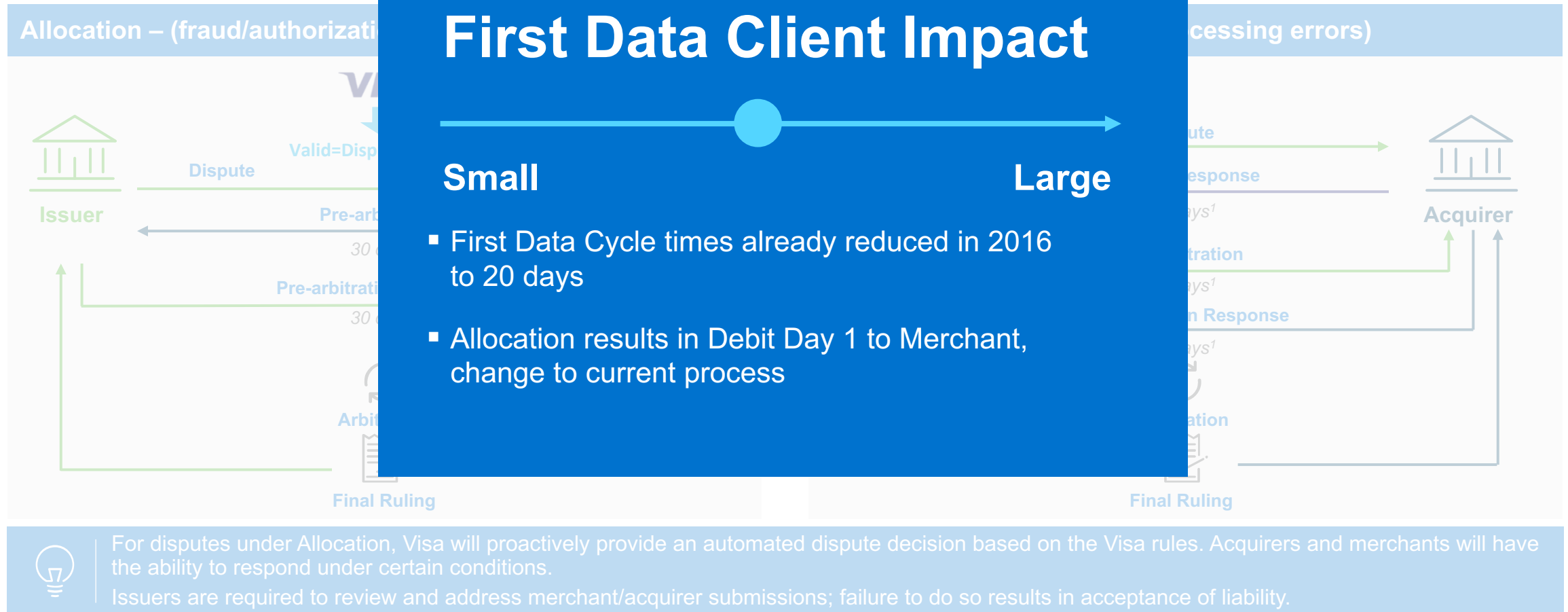
For disputes under Allocation, Visa will proactively provide an automated dispute decision based on the Visa rules. Acquirers and merchants will have the ability to respond under certain conditions.

Issuers are required to review and address merchant/acquirer submissions; failure to do so results in acceptance of liability.

1. Hard Timeframes

Response certification

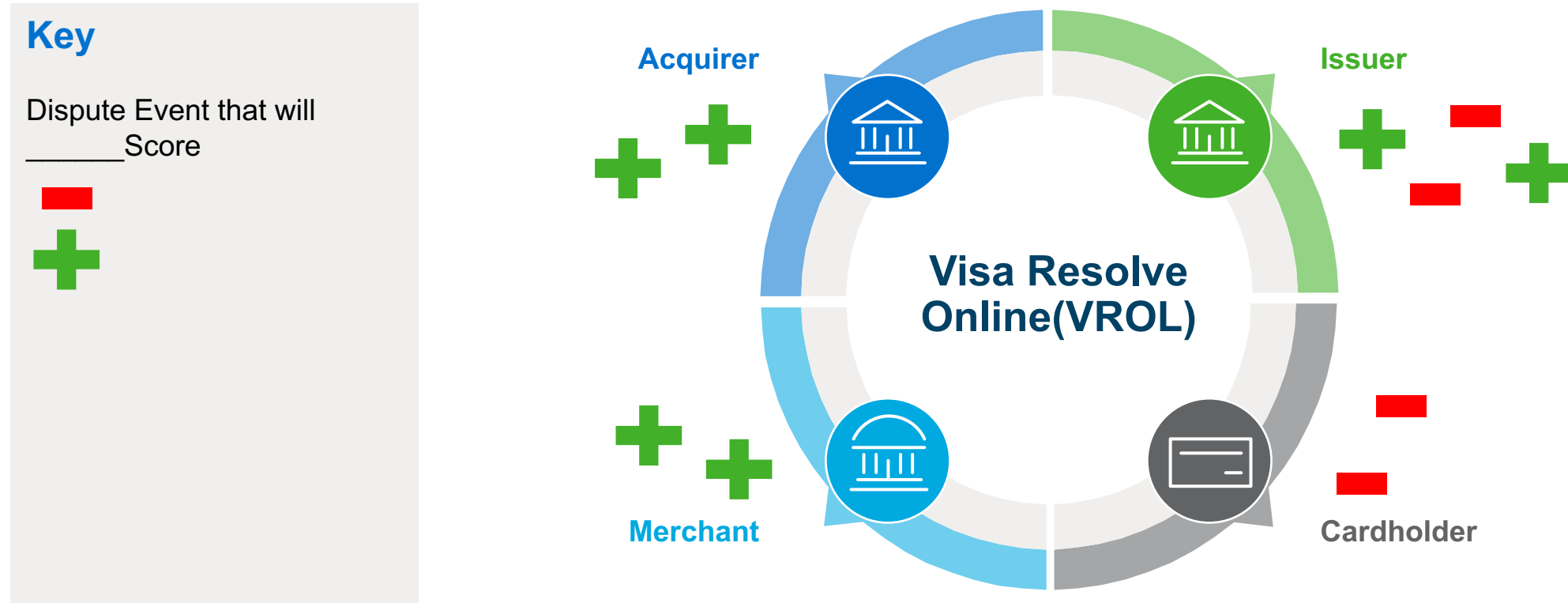
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1. Hard Timeframes

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 to identify potential remediation

Visa’s Chargeback and Fraud Monitoring Programs will remain in place with VCR

Indices

Clients will be assigned an index “score” based on their use of the ecosystem

Key

Dispute Event that will _____ Score

+

First Data Client Impact

Small

Large

- No technical impact – Visa will monitor ecosystem participants and proactively notify us if issues arise

er

holder

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 to identify potential remediation

Visa’s Chargeback and Fraud Monitoring Programs will remain in place with VCR

Rule changes

New Fraud Rules effective with VCR implementation

Fraud Dispute Limit

- Place a limit on the number of card absent 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



Rule changes have been incorporated into the VCR solution protecting merchants from issuer abuse or attempts to pass fraud along to merchant when rules weren't followed

Rule changes

New Fraud Rules effective with VCR implementation

Fraud Dispute Limit

- Place a limit on the number of disputes that can be processed on a single account number
- Issuer may charge back a maximum of one single account number within a 12-month period
- A new edit will block disputes against accounts that have been charged back for fraud

First Data Client Impact



- Visa protecting merchants with maximum cap on disputes to single merchant under certain conditions
- Merchants must respond to all Disputes or risk pass through fees

Status

Transactions that occurred on a single account number prior to the first fraud chargeback for the account

Issuers are required to list the account number on the dispute form prior to initiating a fraud dispute

Under the new rule, issuers are still required to list the account number on the dispute form. Issuers should continue to list the account number on the dispute form

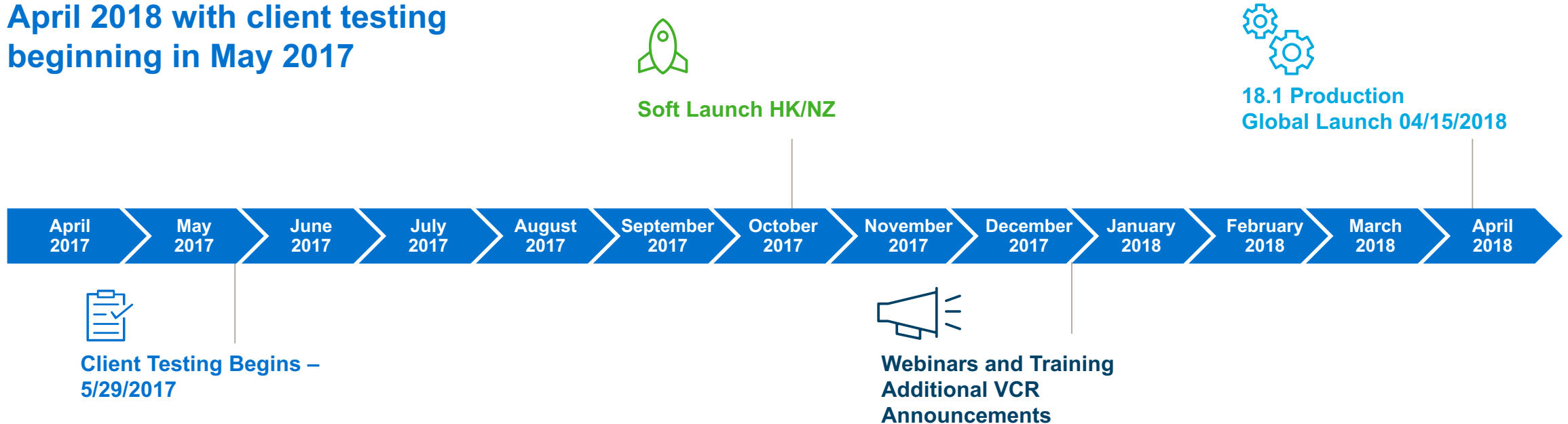
Issuers are responsible for passing liability to the merchant when the necessary steps to dispute a transaction are not followed. Issuers should continue to list the account number on the dispute form



Rule changes have been incorporated into the VCR solution protecting merchants from issuer abuse or attempts to pass fraud along to merchant when rules weren't followed

Migration timeline

VCR will be going live globally in April 2018 with client testing beginning in May 2017



First Data Client Touchpoints

- April/October 2017: Client Release Communications include VCR
- January 2018: FirstData.com updated with VCR details
- February 2018: Live Webinar to share VCR Details/Q&A session
- February 2018 recording of Webinar posted to FirstData.com
- April 2018: System Enhancements to support VCR live

Summary of merchant benefits

Reduction in Dispute Volume

- VCR comprehensively evaluates VisaNet and dispute data, reducing dispute volume by blocking invalid disputes from entering the system
- New rules to limit fraud disputes on a single PAN

Pro-active Dispute Resolution

- Through a series of new products and services, VCR gives merchants a proactive way to resolve disputes through Visa Merchant Purchase Inquiry
- Proactively identify remediating transactions such as credits, reversals and adjustments through Associated Transactions
- Receive notification of Visa fraud reports to enable better decisions on delivery of goods/services or future transactions to mitigate losses

Identify, Track & Monitor Abuse

- Indices provide Visa a mechanism to proactively identify training opportunities or abuse prompting quicker troubleshooting and resolution

Better Customer Experience

- Quicker timelines provide a better customer experience and faster resolution

Dispute Manager

Ten Core Areas of Functionality	
1. Welcome Screen	displays links to user guide, merchant dispute guide, OnLine Help, demo, and bulletins
2. Queues	displays count and oldest due date of Retrieval and Chargeback cases (by card type) with sorting and download functionality
3. Work Tracker	records all cases that were responded to for the current processing date
4. User Notes	allows user to enter 1000 characters of free form text to send to the backoffice
5. Cases	provides detailed case information and issuing bank documentation
6. Actions	allows user to electronically respond and upload documentation
7. Search	access cases by cardholder number, case number, merchant number, reference number, dispute amount , and transaction locator
8. OnLine Help	available to answer product navigational and dispute processing inquiries
9. Self-Enrollment	merchants can enroll themselves online
10. Approval Database	RM's & AEs manage the enrollment process for their merchants