Visa Claims Resolution

Optimizing the Dispute Process for Merchants

Agenda

What is VCR?

How VCR Helps Merchants
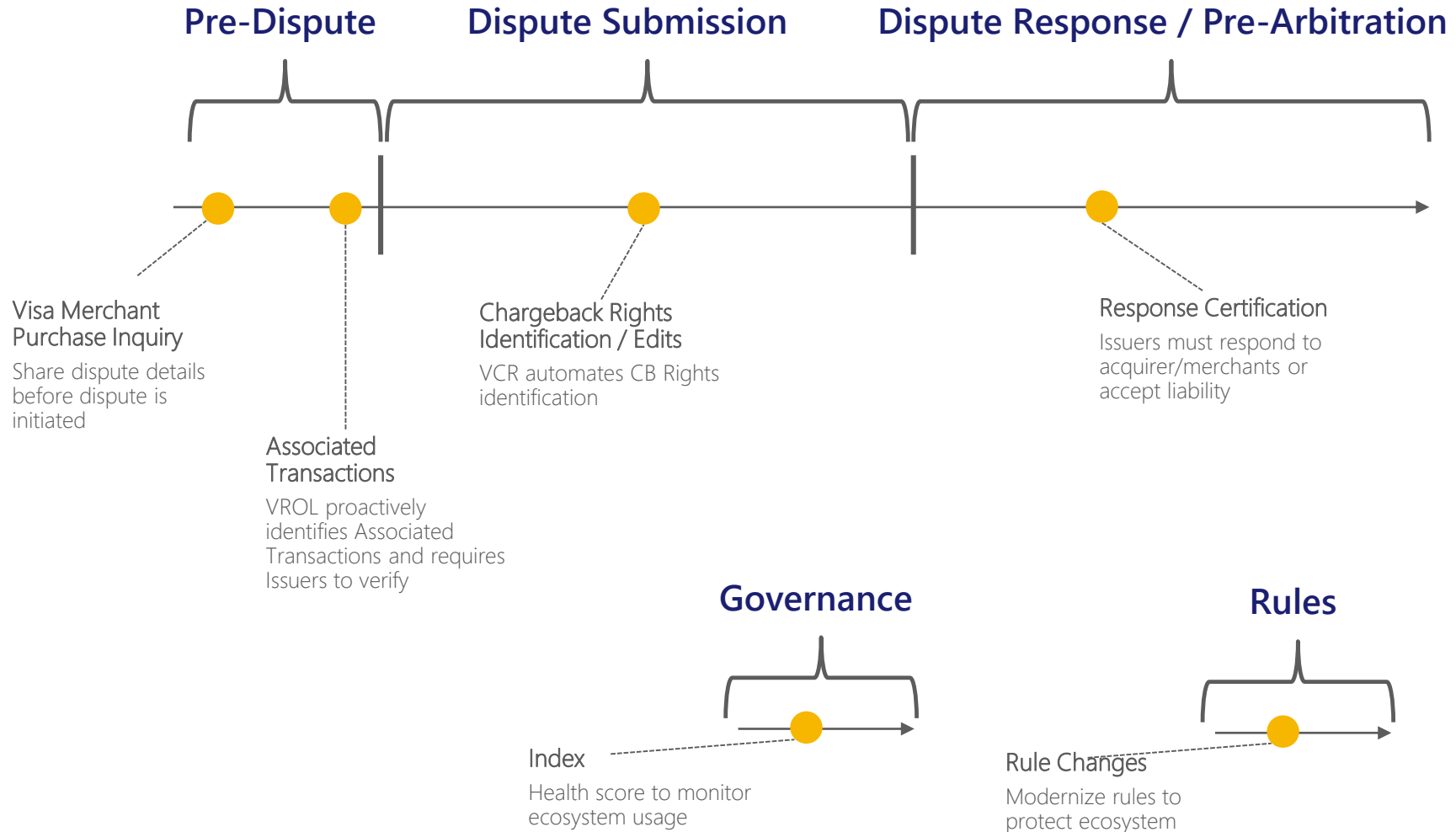
VCR Migration Timeline

VISA

What is VCR?

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

Objectives:	Description:	Data:
Prevent and Customize	Visa will block issuer chargebacks if they are not supported by the transaction data	**Remaining Chargebacks** 86% of Claims / **Invalid Chargebacks**[1] 14% of Claims
Automate & Resolve Disputes Quicker	Claims follow one of two paths to completion: Allocation and Collaboration	Existing VROL 100% of Claims → Automation[1] → Collaboration 20-40% of Claims / Allocation 60-80% of Claims
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	**22** Dispute Codes — 1 Fraud, 2 Authorization, 3 Processing Errors, 4 Consumer Disputes; Allocation / Collaboration

1. Based off FY 2014 chargeback reason code buckets

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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

Pre-Dispute **Dispute Submission** **Dispute Response / Pre-Arbitration**

Visa Merchant Purchase Inquiry

Share dispute details before dispute is initiated

Associated Transactions

VROL proactively identifies Associated Transactions and requires Issuers to verify

Chargeback Rights Identification / Edits

VCR automates CB Rights identification

Response Certification

Issuers must respond to acquirer/merchants or accept liability

Governance

Index

Health score to monitor ecosystem usage

Rules

Rule Changes

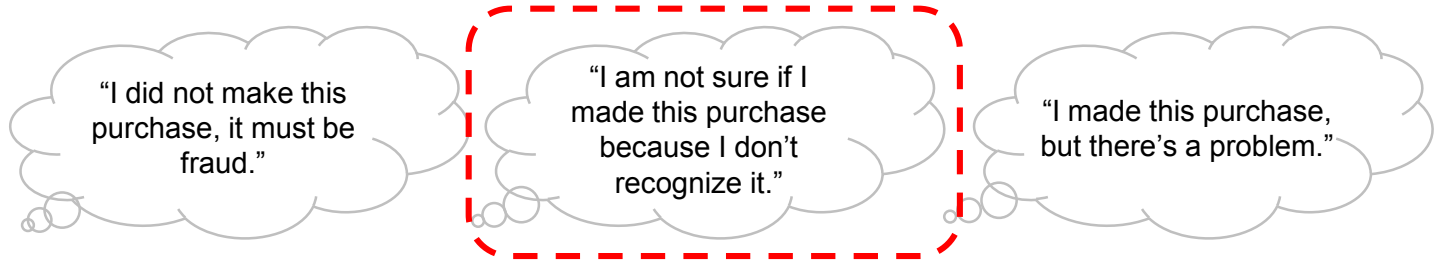Modernize rules to protect ecosystem

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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 <u>before a dispute is raised</u>
- 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_

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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)
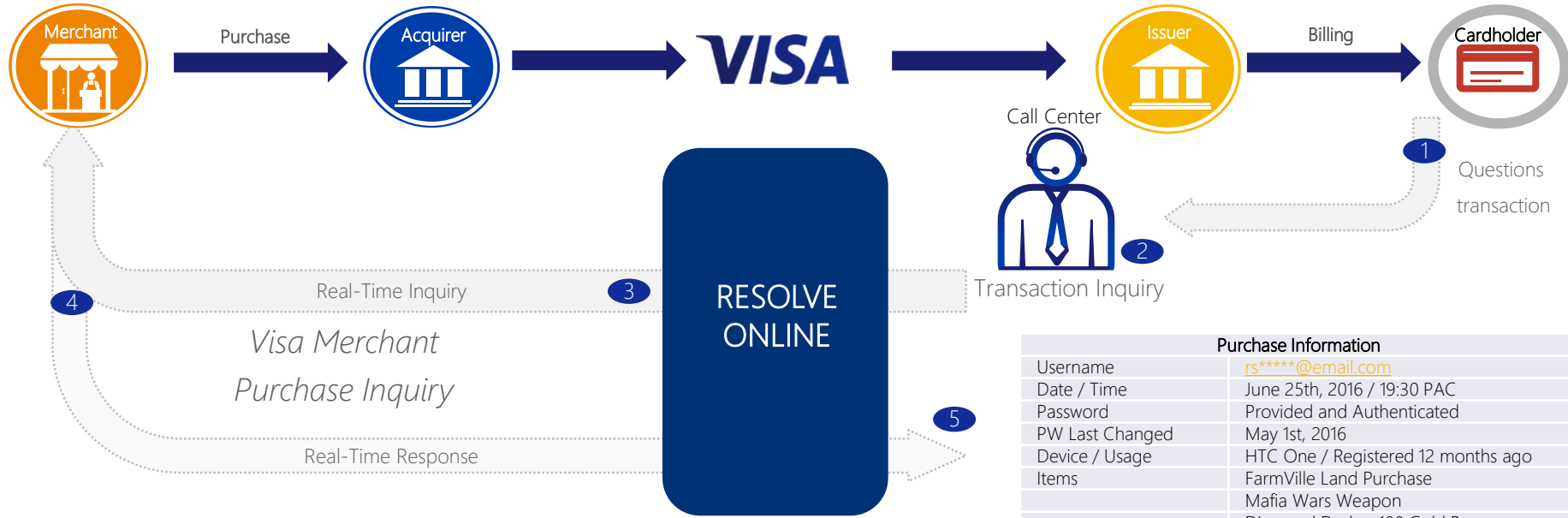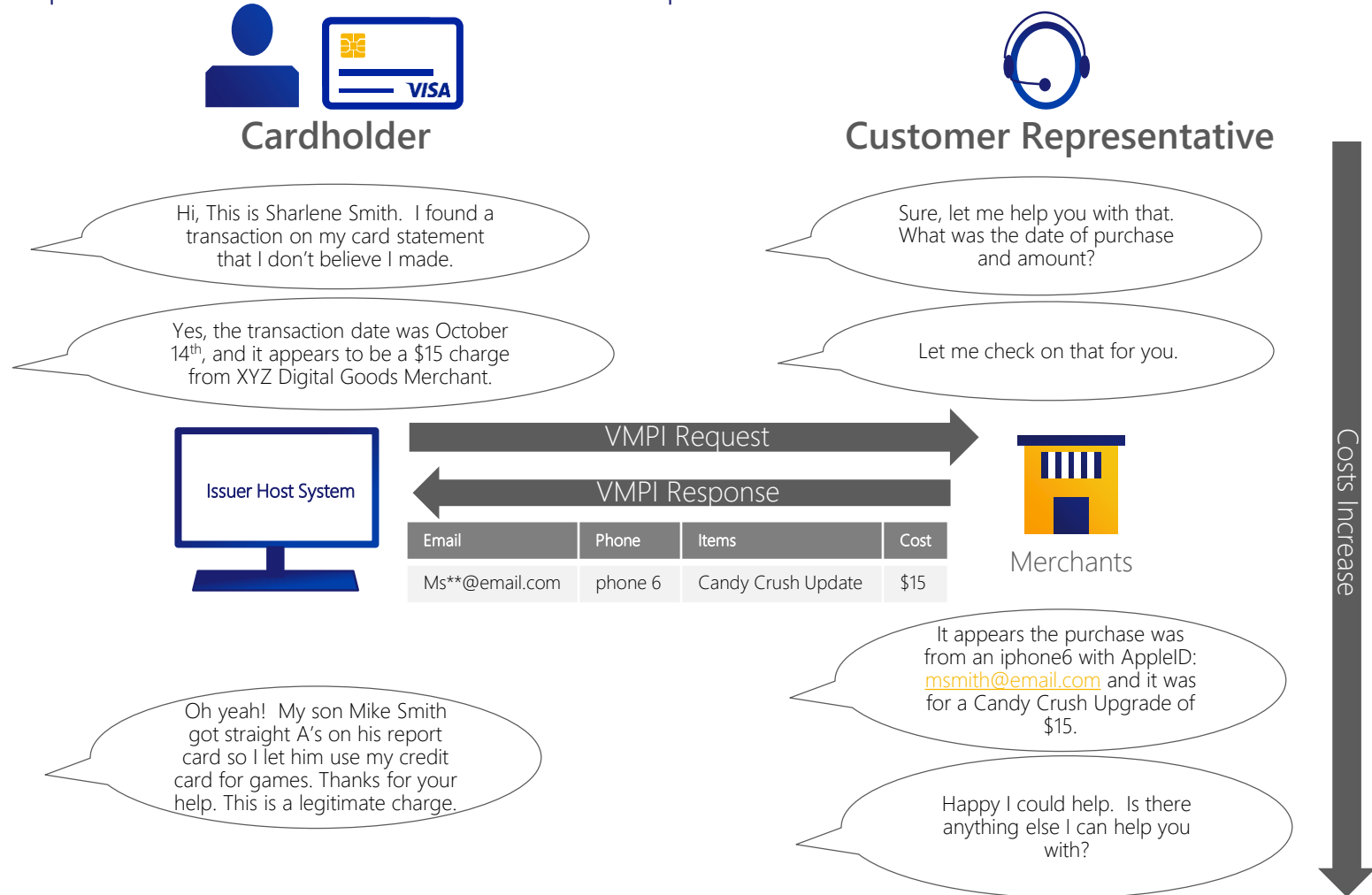

Purchase Information	
Username	rs*****@email.com
Date / Time	June 25th, 2016 / 19:30 PAC
Password	Provided and Authenticated
PW Last Changed	May 1st, 2016
Device / Usage	HTC One / Registered 12 months ago
Items	FarmVille Land Purchase
	Mafia Wars Weapon
	Diamond Dash – 100 Gold Bars
Total amount	$10.00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

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
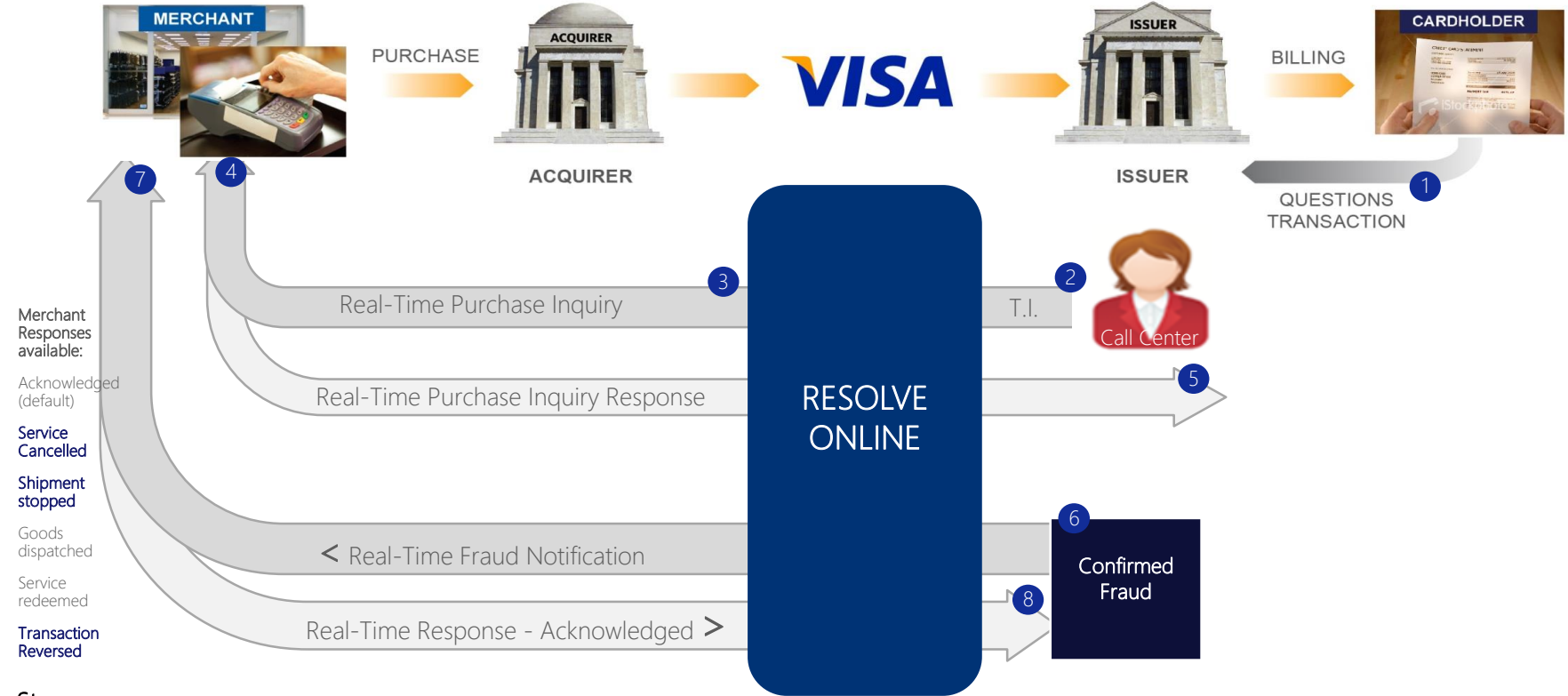5. Response is provided to the Issuer user

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

Customer Representative

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

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

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

Let me check on that for you.

Issuer Host System

VMPI Request

VMPI Response

Email	Phone	Items	Cost
Ms**@email.com	phone 6	Candy Crush Update	$15

Merchants

It appears the purchase was from an iphone6 with AppleID: msmith@email.com and it was for a Candy Crush Upgrade of $15.

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.

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

Costs Increase

VMPI data can be used to "talk off" unrecognized and other potential disputes to reduce chargebacks and improve customer satisfaction

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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

Dispute conditions under four VCR 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	11. Authorization	12. Processing Errors	13. Consumer Disputes
10.1 – EMV Liability Shift Counterfeit Fraud	11.1 – Card Recovery Bulletin	12.1 – Late Presentment	13.1 – Merchandise/ Services Not Received
10.2 – EMV Liability Shift Non-Counterfeit Fraud	11.2 – Declined Authorization	12.2 – Incorrect Transaction Code	13.2 – Cancelled Recurring
10.3 – Other Fraud-Card Present Environment	11.3 – No Authorization	12.3 – Incorrect Currency	13.3 – Not as Described or Defective Merchandise/ Services
10.4 – Other Fraud-Card Absent Environment		12.4 – Incorrect Account Number	13.4 – Counterfeit Merchandise
10.5 – Visa Fraud Monitoring Program		12.5 – Incorrect Amount	13.5 – Misrepresentation
		12.6.1 – Duplicate Processing	13.6 – Credit Not Processed
		12.6.2 – Paid by Other Means	13.7 – Cancelled Merchandise/Services
		12.7 – Invalid Data	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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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.
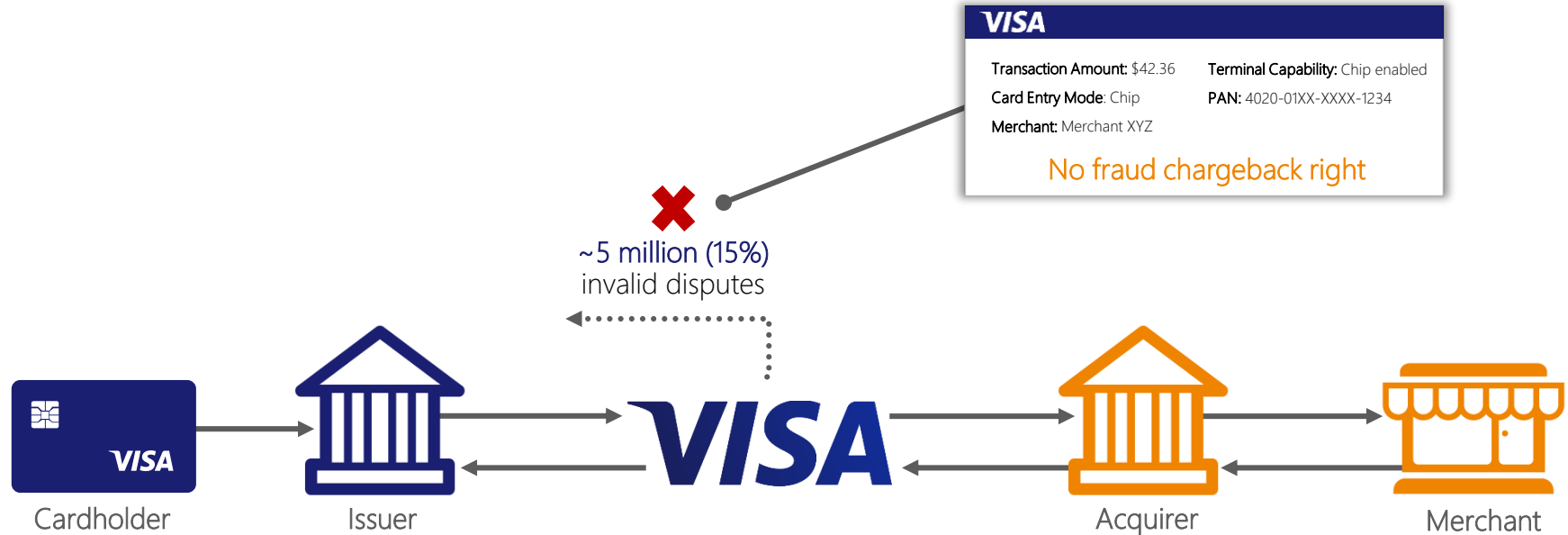
Associated	Transaction Date / Time	CPD/ Settled Date
Selected Transaction:	06/10/17 07:13:47	06/10/17
● Yes ○ No	06/10/17 07:13:06	06/10/17
● Yes ○ No	06/10/17 07:14:06	06/10/17
● Yes ○ No	06/10/17 07:14:06	06/10/17

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

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Chargeback Rights Identification

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

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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
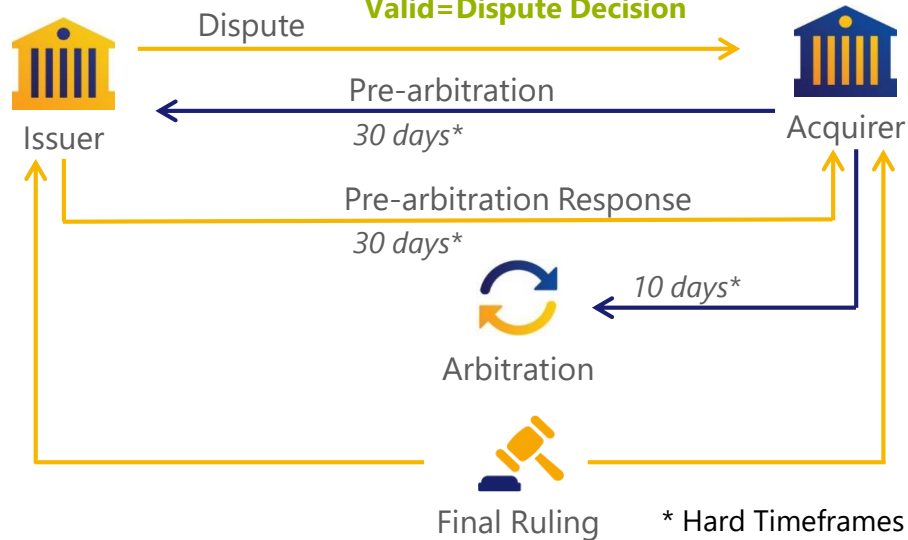
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Response Certification

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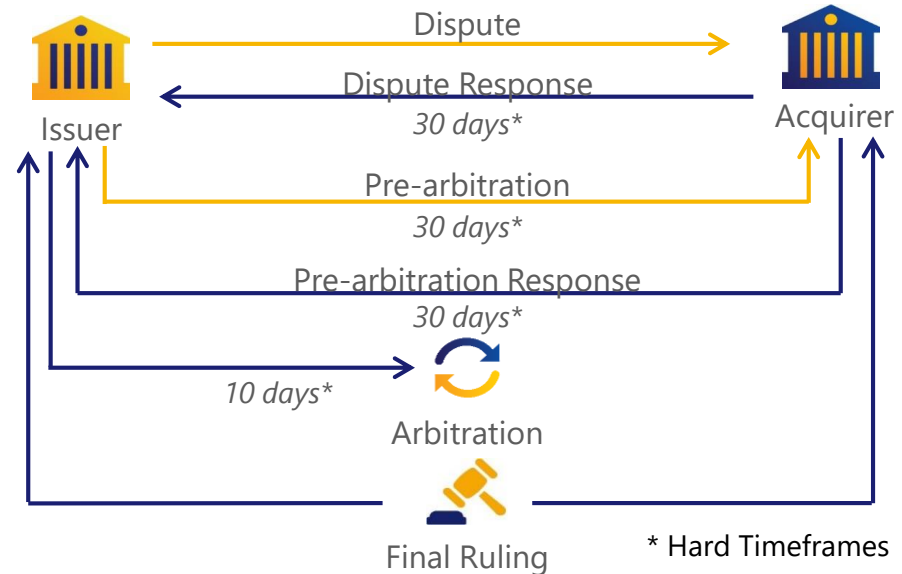

Allocation
(fraud/authorization)

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Valid=Dispute Decision

Issuer — Dispute → Acquirer

Pre-arbitration
*30 days**

Pre-arbitration Response
*30 days**

*10 days**

Arbitration

Final Ruling

* Hard Timeframes

Collaboration
consumer/processing errors

Issuer — Dispute → Acquirer

Dispute Response
*30 days**

Pre-arbitration
*30 days**

Pre-arbitration Response
*30 days**

*10 days**

Arbitration

Final Ruling

* Hard Timeframes

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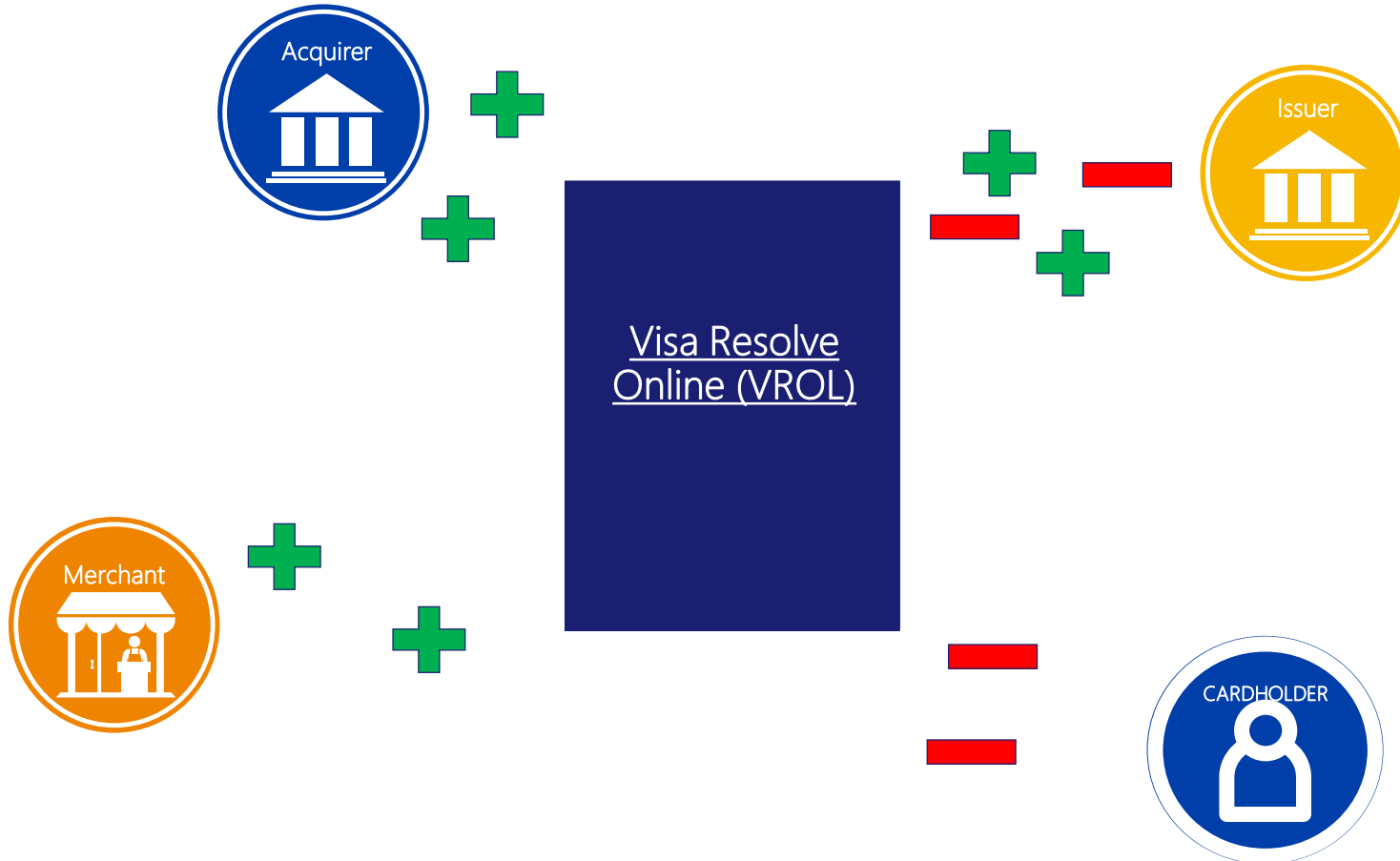
Issuers are required to review and address merchant/acquirer submissions; failure to do so results in acceptance of liability.

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Indices

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

Acquirer

Issuer

Visa Resolve Online (VROL)

Merchant

CARDHOLDER

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

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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
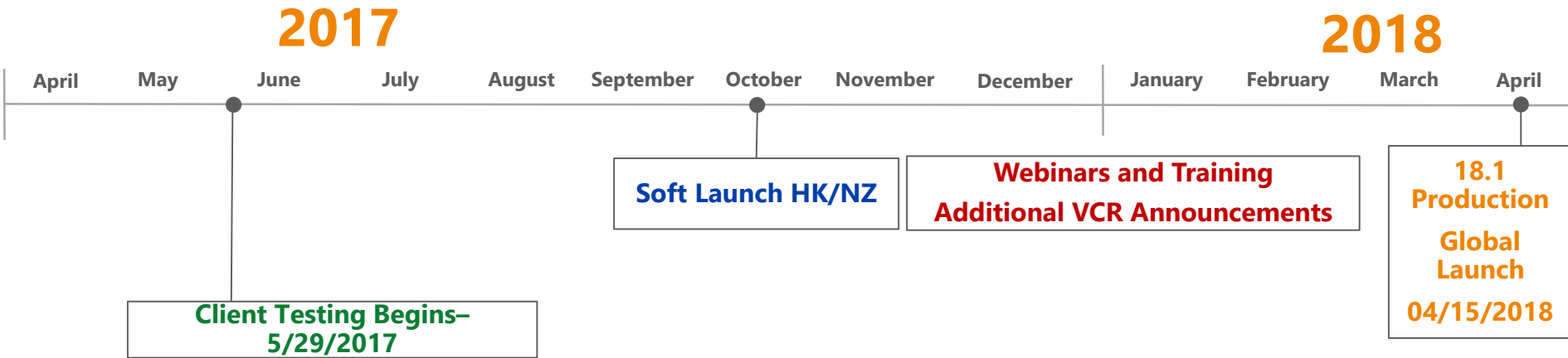
Fraud Disputes – Account Status
- Block claims initiated for original transactions that occurred on a date after the first fraud report or first fraud chargeback for the same account number
- Remove requirement for issuers to list the account number on the exception file and close account prior to initiating 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

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Migration Timeline

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

2017

2018

| April | May | June | July | August | September | October | November | December | January | February | March | April |

Soft Launch HK/NZ

Webinars and Training

Additional VCR Announcements

18.1 Production

Global Launch

04/15/2018

Client Testing Begins– 5/29/2017

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Summary of Merchant Benefits

Reduction in Dispute Volume	Pro-active Dispute Resolution	Identify, Track & Monitor Abuse	Better Customer Experience
• 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	• 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	• Indices provide Visa a mechanism to proactively identify training opportunities or abuse prompting quicker troubleshooting and resolution	• Quicker timelines provide a better customer experience and faster resolution

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