Visa Claims Resolution

Optimizing the Dispute Process for Merchants
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

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

Data

- **Invalid Chargebacks**: 14% of Claims
- **Remaining Chargebacks**: 86% of Claims
- **Existing VROL**: 100% of Claims
- **Automation**: 20-40% of Claims
- **Allocation**: 60-80% of Claims

1. Based off FY 2014 chargeback reason code buckets
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.

<table>
<thead>
<tr>
<th>Pre-Dispute</th>
<th>Dispute Submission</th>
<th>Dispute Response/Pre-Arbitration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Visa Merchant Purchase Inquiry</strong></td>
<td><strong>Chargeback Rights Identification/Edits</strong></td>
<td><strong>Response Certification</strong></td>
</tr>
<tr>
<td>Share dispute details before dispute is initiated</td>
<td>VCR automates CB Rights identification</td>
<td>Issuers must respond to acquirer/merchants or accept liability</td>
</tr>
<tr>
<td><strong>Associated Transactions</strong></td>
<td><strong>Governance</strong></td>
<td><strong>Rules</strong></td>
</tr>
<tr>
<td>VROL proactively identifies Associated Transactions and requires Issuers to verify</td>
<td><strong>Index</strong> Health score to monitor ecosystem usage</td>
<td><strong>Rule Changes</strong> Modernize rules to protect ecosystem</td>
</tr>
</tbody>
</table>
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)

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

Visa Merchant Purchase Inquiry

Real-Time Inquiry

Real-Time Response

Transaction Inquiry

Questions transaction

Purchase Information

Username: rs*****@email.com
Date/Time: June 25th, 2016/19:30
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
Issuers can incorporate VMPI data into their talk track with cardholders and use this merchant-provided information to reduce disputes.

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.

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

Let me check on that for you.

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.

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 data can be used to “talk off” unrecognized and other potential disputes to reduce chargebacks and improve customer satisfaction.
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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Offers merchant direct response to Visa/Merchants must work directly with Visa to participate
May reduce dispute volume received through First Data

First Data Client Impact

- Small
- Large

Offers merchant direct response to Visa/Merchants must work directly with Visa to participate
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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

<table>
<thead>
<tr>
<th>10 – Fraud</th>
<th>11 – Authorization</th>
<th>12 – Processing Errors</th>
<th>13 – Consumer Disputes</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1 – EMV Liability Shift Counterfeit Fraud</td>
<td>11.1 – Card Recovery Bulletin</td>
<td>12.1 – Late Presentment</td>
<td>13.1 – Merchandise/ Services Not Received</td>
</tr>
<tr>
<td>10.3 – Other Fraud-Card Present Environment</td>
<td>11.3 – No Authorization</td>
<td>12.3 – Incorrect Currency</td>
<td>13.3 – Not as Described or Defective Merchandise/Services</td>
</tr>
<tr>
<td>10.4 – Other Fraud-Card Absent Environment</td>
<td></td>
<td>12.4 – Incorrect Account Number</td>
<td>13.4 – Counterfeit Merchandise</td>
</tr>
<tr>
<td>10.5 – Visa Fraud Monitoring Program</td>
<td></td>
<td>12.5 – Incorrect Amount</td>
<td>13.5 – Misrepresentation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.6.1 – Duplicate Processing</td>
<td>13.6 – Credit Not Processed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.6.2 – Paid by Other Means</td>
<td>13.7 – Cancelled Merchandise/Services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.7 – Invalid Data</td>
<td>13.8 – Original Credit Transaction Not Accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>13.9 – Non-Receipt of Cash or Load Transaction Value</td>
</tr>
</tbody>
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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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11.3 – No Authorization

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12.4 – Incorrect Account Number
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13.1 – Merchandise/Services Not Received
13.2 – Cancelled Recurring
13.3 – Not as Described or Defective Merchandise/Services
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First Data Client Impact

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

First Data provides tools to support the changes imposed by VCR's new dispute categories.

First Data Electronic Dispute tool is updated to manage disputes under the new categories.

11
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.

<table>
<thead>
<tr>
<th>Associated Transaction</th>
<th>Transaction Date/Time</th>
<th>CPD/Settled Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selected Transaction</td>
<td>06/10/17 07:13:47</td>
<td>06/10/17</td>
</tr>
<tr>
<td>Yes</td>
<td>06/10/17 07:13:06</td>
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**First Data Client Impact**

- Visa may block disputes that have already been 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.

Illustrative example

~5 million (15%) invalid disputes

No fraud chargeback right

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

- 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

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

Illustrative example
Response certification

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

Allocation – (fraud/authorization)

- Issuer
- Pre-arbitration
  - 30 days
- Pre-arbitration Response
  - 30 days
- Arbitration
- Final Ruling

Collaboration – (consumer/processing errors)

- Issuer
- Pre-arbitration
  - 30 days
- Pre-arbitration Response
  - 30 days
- Arbitration
- Final Ruling

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
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.

**First Data Client Impact**

- **Small**
  - First Data Cycle times already reduced in 2016 to 20 days
  - Allocation results in Debit Day 1 to Merchant, change to current process

**First Data Cycle Times**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Pre-arbitration</th>
<th>Pre-arbitration Response</th>
<th>Arbitration</th>
<th>Final Ruling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>30 days</td>
<td>10 days</td>
<td>1 day</td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>30 days</td>
<td>1 day</td>
<td>10 days</td>
<td></td>
</tr>
</tbody>
</table>

1. Hard Timeframes
Indices

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

Key
Dispute Event that will __________Score

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

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

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

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- 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.
- 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.
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

<table>
<thead>
<tr>
<th>Reduction in Dispute Volume</th>
<th>Pro-active Dispute Resolution</th>
<th>Identify, Track &amp; Monitor Abuse</th>
<th>Better Customer Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ VCR comprehensively evaluates VisaNet and dispute data, reducing dispute volume by blocking invalid disputes from entering the system</td>
<td>▪ Through a series of new products and services, VCR gives merchants a proactive way to resolve disputes through Visa Merchant Purchase Inquiry</td>
<td>▪ Indices provide Visa a mechanism to proactively identify training opportunities or abuse prompting quicker troubleshooting and resolution</td>
<td>▪ Quicker timelines provide a better customer experience and faster resolution</td>
</tr>
<tr>
<td>▪ New rules to limit fraud disputes on a single PAN</td>
<td>▪ Proactively identify remediating transactions such as credits, reversals and adjustments through Associated Transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Receive notification of Visa fraud reports to enable better decisions on delivery of goods/services or future transactions to mitigate losses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Dispute Manager

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