

MasterCard Information on Reducing Invalid EMV Chargebacks

FMI recently reached out to MasterCard regarding grocers' concerns with the increase in chargebacks since the October 2015 liability shift. MasterCard shared the below response to FMI's questions about possible invalid EMV chargeback. FMI will continue to share any additional insights and information we receive from MasterCard.

MASTERCARD RESPONSE:

MasterCard is attempting to reduce invalid chargeback processing for the Chip Liability Shift (CLS) by:

- The chargebacks we are seeing post liability shift are not alarming based on trends we saw in Europe and Canada when they implemented chip;
- Our data does not show an increase in total chargebacks, or total fraud chargebacks, as expected (where chip chargebacks reside in our system);
- We are actively monitoring monthly chargeback volumes and working with issuers to highlight any anomalies we may encounter; we are proactively working with issuers to address any concerns and they are receptive to our feedback;
- We plan to issue a bulletin to remind issuers of their obligations as it pertains to chip chargebacks;
- We are happy to work with merchants and acquirers to discuss best practices in chip processing;
- In the meantime, feel free to funnel any questions or concerns our way and we will address them to the best of our ability.

In addition, our recent efforts with issuers have led to a reduction in CLS chargebacks against AFD transactions.

Merchants are encouraged to reach out to their acquirer if specific chargebacks are in question. Some specific practices a merchant can conduct with their acquirer are listed below:

1. If the terminal is not EMV, a merchant representative can work with its acquirer to review the following:
 - Service Code from the track data. If the Service Code is anything but 2XX or 6XX, then the chargeback is invalid and needs to be returned immediately and without documentation.
 - The cardholder letter confirming the cardholder is in possession of the card. All of the 4870 chargebacks must have a document that describes a cardholder interaction with the bank, and each letter has to state the cardholder is in possession of their card. Otherwise, the chargeback is invalid.
2. If the terminal is EMV, ensure the following:
 - The POS entry mode is 05, 80, 79 or 01 when the Service Code in track data is 2XX or 6XX
 - The one exception is Samsung Induction which will currently be POS 82.
 - The 61.11 field of the authorization correctly shows a Chip terminal

If the above are true, then the chargebacks are invalid.