

# Mastercard Excessive Chargeback Merchant (ECM) Program Frequently Asked Questions

## What is the Mastercard Excessive Chargeback Merchant (ECM) program?

ECM identifies Merchant IDs (MIDs) that receive an excessive number of chargebacks on a monthly basis. This program utilizes Mastercard network data to monitor all transactions and chargebacks, and automatically notifies acquirers when a MID has breached established compliance thresholds.

## What are the compliance thresholds for ECM?

Each month, ECM identifies MIDs that meet the following criteria:

MONTHLY CRITERIA TIER	NUMBER OF CHARGEBACKS	CHARGEBACK BASIS POINTS
Excessive Chargeback Merchant (ECM)	100 to 299	150 to 299
High Excessive Chargeback Merchant (HECM)	300 or more	300 or more

A MID must exceed **both** number of chargebacks **and** chargeback basis points thresholds to be noncompliant.

## How is the chargeback basis points calculated?

The chargeback basis points is calculated by dividing the number of first presentment chargebacks in the current month by the total number of sales in the prior month, and then multiplying by 10,000. For example, 100 first presentment chargebacks in the current month divided by 10,000 sales transactions in the prior month, multiplied by 10,000 = 100 chargeback basis points. Represented chargebacks will not be used to recalculate thresholds or assessments.

## What are the assessment fees for noncompliant MIDs?

The assessment fees MIDs identified in ECM are as follows:

NUMBER OF CALENDAR MONTHS ABOVE ECM THRESHOLDS	ASSESSMENT IF ECM IN VIOLATION MONTH (100-299 CHARGEBACKS AND 150-299 BASIS POINTS) IN EUR/USD	ASSESSMENT IF HECM IN VIOLATION MONTH (GREATER THAN 300 CHARGEBACKS AND GREATER THAN 300 BASIS POINTS) IN EUR/USD	ISSUER RECOVERY ASSESSMENT
1	0	0	No
2	1,000	1,000	No
3	1,000	2,000	No
4 to 6	5,000	10,000	Yes*
7 to 11	25,000	50,000	Yes*
12 to 18	50,000	100,000	Yes*
19+	100,000	200,000	Yes*

\*Issuer recovery assessment applies at EUR/USD 5 per chargeback over 300 chargebacks. For example, a merchant with 500 chargebacks would be assessed EUR/USD 1,000 in issuer recovery (500-300 = 200 x EUR/USD 5 = EUR/USD 1,000).

- Months in ECM do not reset until the MID has achieved 3 consecutive months below thresholds. If a MID demonstrates compliance for 3 consecutive months, the audit will close. If a MID is identified again after the audit is closed, assessments will reset to month 1.
- Merchants should take prompt action to reduce the chargebacks and mitigate potential assessments. For example, when a MID exceeds the ECM status in January (month 1), is below the ECM threshold in February, and exceeds the ECM threshold in March and April, the acquirer processing transactions for the noncompliant MID would be assessed as follows:

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EXAMPLE OF AN ECM/HECM STATUS RESET

MONTH	ECM STATUS	ECM/HECM ASSESSMENT AMOUNT
January	ECM (month 1)	0
February	No Violation	0
March	ECM (month 2)	EUR/USD 1,000
April	HECM (month3)	EUR/USD 2,000
May	No Violation	0
June	No Violation	0
July	No Violation - Audit Closed	0
August	ECM (month 1)	0

## How is the issuer recovery assessment for HECM calculated?

A MID that is identified in HECM for at least 4 months will be assessed EUR/USD 5 per chargeback for each chargeback over 300. For example, the acquirer for a MID with 500 chargebacks would be assessed EUR/USD 1,000 in issuer recovery (500-300 = 200 x EUR/USD 5 = EUR/USD 1,000).

## What is the purpose of issuer recovery assessment for HECM?

The intent of the issuer recovery assessment is to provide issuers with reimbursement for the costs associated with processing an excessive number of chargebacks. Issuer recovery assessments are not reimbursement for the transaction amount either in part or in full.

## How are the EFM and ECM programs the same or different?

The Excessive Fraud Merchant Program (EFM) specifically monitors card not present, e-commerce transactions (CAT level 6) transactions and first presentment fraud related chargebacks (4837-No Cardholder Authorization and 4863-Cardholder Does Not Recognize-Potential Fraud). EFM identifies MIDs exceeding defined and established benchmarks and recommends the use of industry standards and best practices to address excessive fraud.

The Excessive Chargeback Merchant Program (ECM) monitors MIDs that receive an excessive number of first presentment chargebacks on a monthly basis regardless of reason code and transaction type.

Both EFM and ECM measure compliance at the MID level.

## What happens if a MID is identified under both edits (EFM and ECM)?

If a MID is identified as noncompliant in both EFM and ECM, the MID will be assessed for the EFM violation. Assessments related to the ECM violation will be suspended until the MID exits EFM.<sup>i</sup>

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