

Mastercard Excessive Fraud Merchant (EFM) Program

Frequently Asked Questions

What is the Mastercard Excessive Fraud Merchant (EFM) program?

EFM is designed to reduce fraud on electronic commerce (e-commerce) transactions, creating a more secure ecosystem and providing a better experience for cardholders. EFM defines and establishes a benchmark for excessive fraud on card not present (CNP) transactions processed by Mastercard’s global network. EFM measures compliance at the MID level and sends the notifications and financial assessment amount to the acquirer processing transactions for those MIDs.

What are the compliance thresholds for EFM?

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

EFM MONTHLY CRITERIA			
NUMBER OF E-COMMERCE TRANSACTIONS	FRAUD CHARGEBACK AMOUNT	FRAUD CHARGEBACK RATIO BASIS POINTS (BPS)	3DS UTILIZATION (EMV 3DS + DATA ONLY)
1,000 or more	EUR/USD 50,000 or more	50 or more	<ul style="list-style-type: none"> Less than 10% (US & Canada) Less than 50% (Europe)

How is the fraud chargeback ratio calculated?

$$\frac{\text{Number of e-commerce first presentment fraud chargebacks in the current month}}{\text{Total number of e-commerce sales in the prior month}} \times 10,000 = \text{BPS}$$

First presentment fraud chargebacks include those with chargeback reason codes 4837 (No cardholder Authorization) and 4863 (Cardholder does not recognize – potential fraud).

For example, 100 e-commerce first presentment fraud chargebacks in the current month divided by 10,000 e-commerce transactions in the prior month, multiplied by 10,000 = 100 fraud basis points.

How is the EUR/USD 50,000 monthly fraud chargeback amount calculated for EFM?

The monthly fraud chargeback amount is calculated by totaling the first presentment fraud chargeback (Reason Codes 4837 and 4863) amounts with a processed date in the current month.

How are the EFM and Excessive Chargeback Merchant Program (ECM) programs the same or different?

They differ in that EFM specifically monitors card not present, e-commerce transactions (Cardholder-Activated Terminals (CAT) level 6: Electronic Commerce Transactions) and fraud related chargebacks with reason codes “4837-No Cardholder Authorization” or “4863-Cardholder Does Not Recognize-Potential Fraud.” Whereas, ECM monitors first presentment chargebacks regardless of reason code or transaction type. Both EFM and ECM measure compliance at the MID level.

What are the assessment fees for noncompliant MIDs?

The assessment fees for MIDs identified in EFM are as follows:

NUMBER OF CALENDAR MONTHS ABOVE EFM THRESHOLDS	ASSESSMENT
1	0
2	500
3	1,000
4 to 6	5,000
7 to 11	25,000
12 to 18	50,000
19+	100,000

Mastercard Excessive Fraud Merchant (EFM) Program Frequently Asked Questions, cont'd

How does a MID exit EFM?

If the MID demonstrates compliance for 3 consecutive months, the audit will close. If that MID is identified again, after the audit is closed, assessments will reset to month 1.

The number of months in EFM status does not reset until the MID has achieved three consecutive months below the EFM thresholds. For example:

EXAMPLE OF AN ECM/HECM STATUS RESET

MONTH	ECP STATUS	ECM/HECM ASSESSMENT AMOUNT
June	EFM (month 1)	0
July	No Violation	0
August	EFM (month 2)	EUR/USD 500
September	EFM (month3)	EUR/USD 1,000
October	No Violation	0
November	No Violation	0
December	No Violation - Audit Closed	0
January	EFM (month 1)	0

How does a MID maintain compliance in EFM?

MIDs can maintain compliance by keeping their fraud chargeback ratio below 50 bps a month or keeping their fraud chargeback amount below EUR/USD 50,000.00 per month. Alternatively, if their 3DS utilization is greater than 10% in the US or Canada, or greater than 50% in Europe, they can maintain compliance.

What are data only transactions?

A Data-Only transaction leverages the 3DS protocol and data flowing through to share information with the issuer in authorization; however, these transactions do not complete a full authentication cycle. This means that the transaction doesn't go to the issuer Access Control Server (ACS); instead, a merchant requests a data-only transaction through the 3DS protocol with a message category 80. This request still results in digital transaction insights being inserted in the authorization request message for the issuer to perform better decisioning.

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

If a MID is identified as non-compliant 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.¹

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