Payment Brand Dispute and Fraud Monitoring Programs FAQ

What are the Payment Brand Dispute/Fraud Monitoring Programs?

The Payment Brands, Visa and Mastercard, have established monitoring programs to help businesses reduce disputes and fraud. They are named the Visa Dispute Monitoring Program (VDMP), the Visa Fraud Monitoring Program (VFMP), the Mastercard Excessive Chargeback Merchant Program (ECM) and the Mastercard Excessive Fraud Merchant Program (EFM).

They measure transactions at the merchant descriptor and MID (Transaction Division) level, and typically these programs operate on a monthly cycle – meaning that at the beginning of each month, the previous month's processing activity is reviewed and merchants that exceed program thresholds are identified. Merchants that do not improve ratios within program timelines will receive fine assessments by the payment brands.

Ratio thresholds, timelines, and assessment levels vary across the different programs.

What happens if my business is placed in a monitoring program?

We will contact you to let you know if you are placed in a monitoring program and provide you next steps. You may be required to submit a monthly remediation plan with actionable items and time frames, such as the root cause of the program identification and the measures your business will take to exit the program. The payment brands may also charge your business monthly non-compliance fines, which vary by program.

How does my business exit a monitoring program?

It depends on the program — typically, your business must remain below the program's thresholds for three consecutive months.

PROGRAM THRESHOLDS

Generally, if your business has a dispute-to-sales ratio of more than 0.90%, and more than 100 disputes in a given month, then your business will be placed in a dispute monitoring program.

Or, if your business has a monthly fraud-to-sales ratio of more than 0.90%, and more than $75,000 in fraud in a given month, then your business will be placed in a fraud monitoring program.

Do you have tips to prevent disputes before they occur?

Communicate with customers

- Make it easy for customers to reach out to your business first when there is an issue, instead of initiating a dispute
- List your business's customer service number on the merchant or item descriptor that displays on customer payment account statements

Prevent "Friendly Fraud"

- Avoid deceptive or misleading marketing practices
- Use consumer-friendly language to write your offers and terms, so your customers can make informed decisions
- Make it easy for your customers to ask questions or cancel subscriptions – by phone, email, or letter
- Send monthly emails or text messages to remind your customers of upcoming charges
- Clearly outline subscription cancellation options and give them a way to cancel at any time
- Train customer service to offer hassle-free cancellation and proper messaging

J.P.Morgan

Payment Brand Dispute and Fraud Monitoring Programs FAQ, cont'd

Reduce actual fraud

Set up your payments and operations system to:

- Match billing or shipping address with Address Verification Service (AVS)
- Require entry of card CVV2 codes
- Have Velocity Checking filters in place and functioning properly (generally, rules for how often a particular card can be processed)
- Monitor disputes on a weekly or monthly basis
- Analyze dispute data to identify unusual trends and make adjustments
- Implement proper fraud tools, such as a Negative/Positive database or Geolocation/IP Detection to identify fraudulent transactions

Do you have tips to manage and reduce dispute volume?

- Analyze the dispute activity on a periodic basis to determine irregular patterns and perform root cause analysis.
- Establish an ongoing process to track rule performance and make modifications.
- Work with customer service teams to identify repeated issues, possible solutions, and preventative measures.

Lastly, the mechanisms for tracking disputes are often manual and inefficient. You may be able to lower actual fraud by developing an automated in-house mechanism or working with a third party online management tool.

Who should I contact if I have questions?

For questions related to Visa or Mastercard monitoring programs, please contact your relationship manager. [i]

[i] Chase provides the compilations, summaries and other information contained herein to serve as general guidelines. While we strive to make sure this information is accurate, Chase does not warrant the completeness, timeliness or suitability of this information for your specific needs. In addition, the compilations, summaries and information contained within this document do not substitute for the Payment Brand Rules, which are part of your contract with Chase.

J.P.Morgan