

MasterCard Excessive Chargeback - Merchant Program Guide



The MasterCard Excessive Chargeback Merchant Program (ECM) is an initiative to closely monitor chargeback performance at the Merchant ID (MID) level using monthly chargeback thresholds.

Each month, Merchant Services receives reports to determine which accounts are now in the program based on the Merchant's Chargeback-to-Transaction Ratio (CTR)¹. The program has a two-tiered approach for both the fee structure and the reporting requirements. Based on the Merchant's chargeback volume, the Merchant's business is automatically placed in the appropriate tier. Once in the Program, the chargeback volume will be monitored on a monthly basis. It is imperative that appropriate measures are taken to reduce chargebacks and prevent fine assessments.

Monthly Criteria Tier	Number of Chargebacks	Basis Points
ECM	100 to 299	150 to 299
HECM	300 or more	300 or more

¹ Chargeback to Transaction Ratio (CTR) is calculated by determining the number of chargebacks received for a merchant location in a calendar month. Divide that number by the number of sales transactions received from that merchant location in the preceding month.

Tier One: Excessive Chargeback Merchant (ECM)

- Threshold: minimum 100 chargebacks in a calendar month and a monthly CTR equal to or in excess of 1.50% (150 basis points)
- Fines assessed beginning in second consecutive month based on MasterCard's Fine Assessment Structure table, referenced below.

Tier Two: High Excessive Chargeback Merchant (HECM)

- Threshold: minimum of 300 chargebacks in a calendar month and a monthly CTR equal to or greater than 3.00% (300 basis points)
- Fines assessed beginning in second consecutive month based on MasterCard's Fine Assessment Structure table, referenced below.

MasterCard's Fine Assessment Structure

Number of Calendar Months Above ECM Thresholds	Assessment if ECM in Violation Month (in EUR / USD)	Assessment if HECM in Violation Month (in EUR / USD)	Issue 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).

How to Exit the Program

In order for a Merchant to exit the Program, the Merchant's MID must be below the ECM Program threshold for three consecutive months. Once that has been achieved, the status will be reset and the Merchant will be automatically removed by MasterCard. See the below table for an example of a status reset.

Example of an ECM/HECM Status Reset

Month	ECP Status	ECM/HECM Assessment Amount
January	ECM (month 1)	0
February	No Violation	0
March	ECM (month 2)	EUR / USD 1,000
April	HECM (month 3)	EUR / USD 2,000
May	No Violation	0
June	No Violation	0
July	No Violation—Audit Closed	0
August	ECM (month 1)	0

Once three consecutive months below the program thresholds have been met, future violations for the same merchant MID are treated as first-time noncompliance under the ECM/HECM assessment structure (see August in the above table).

Any merchant MID identified as noncompliant for both MasterCard's Excessive Fraud Merchant (EFM) and ECM Programs in the same month will only be subject to the applicable EFM assessments.

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