

Chargebacks 101 – The Basics

Presenter: Caleb Burke

Agenda

- Housekeeping
- Presenters
- About Conexus
- Presentation
- Q & A

Housekeeping

This webinar is being recorded and will be made available in approximately 30 days.

- YouTube (youtube.com/conexxusonline)
- Website Link (conexxus.org)

Slide Deck

- Survey Link – Presentation provided at end

Participants

- Ask questions via webinar interface
- Please, no vendor specific questions

Email: info@conexxus.org

Presenters

Conexus Host

Allie Russell

Conexus

arussell@conexus.org

Moderator

Kara Gunderson

Chair, Data Security Committee

POS Manager, CITGO Petroleum

kgunder@citgo.com

Speakers

Caleb Burke

Payment Card Operations Manager CITGO Petroleum

About Conexus

- We are an independent, non-profit, member driven technology organization
- We set standards...
 - Data exchange
 - Security
 - Mobile commerce
- We provide vision
 - Identify emerging tech/trends
- We advocate for our industry
 - Technology is policy



2018-2019 Conexus Webinar Schedule

Month/Date	Webinar Title	Speaker	Company
November 27, 2018	Fuel Fraud	Andrew McGloin Robert Alandt Sydney Green	Visa
November 29, 2018	Building a Scalable Security Engineering Team	Joe Basirico	Security Innovation
December 13, 2018	A beginners guide to Chargebacks – What causes them and how you can win at them	Caleb Burke	CITGO Petroleum
January, 2019	Preventing Ransomware by using Managed Detection & Reporting (“Smart Logging”)	Mark Carl & Tom Callahan	ControlScan
February, 2019	Small Petroleum Retailer Simplified PCI Compliance	Elizabeth Terry	PCI Security Standards Council
March, 2019	Protecting Your Stores and Main Office from Data Security & Ransomware Attacks	Dirk Heinen	Acumera
April, 2019	Don't Get Phished!! Train Your Employees To Avoid Ransomware	TBD	Security Innovation
May, 2019	Firewall Compliance! The Basics, The Benefits and The Security!	Simon Gamble	Mako Networks



Conexxus thanks our 2018 Annual Diamond Sponsors!



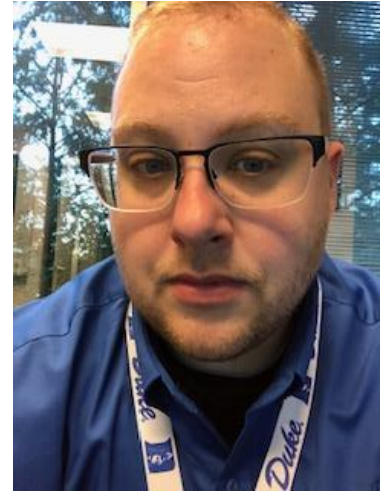
About the Presenter

Caleb Burke - Operations Manager CITGO Petroleum

Responsible for:

- Chargebacks
- Fraud & Fraud Mitigation

Seven years of experience in the
Petroleum Payment Card Industry

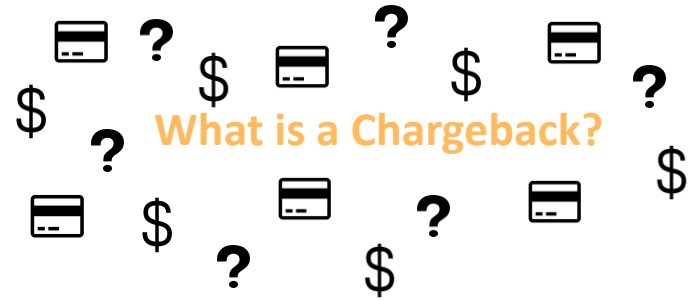


What is a Chargeback?

A Chargeback is “a debit to a depositor’s account that offsets a previous credit.”

What does that mean to us as merchant’s?

A Chargeback is really a forced return of funds to the customer without return of the good or service.

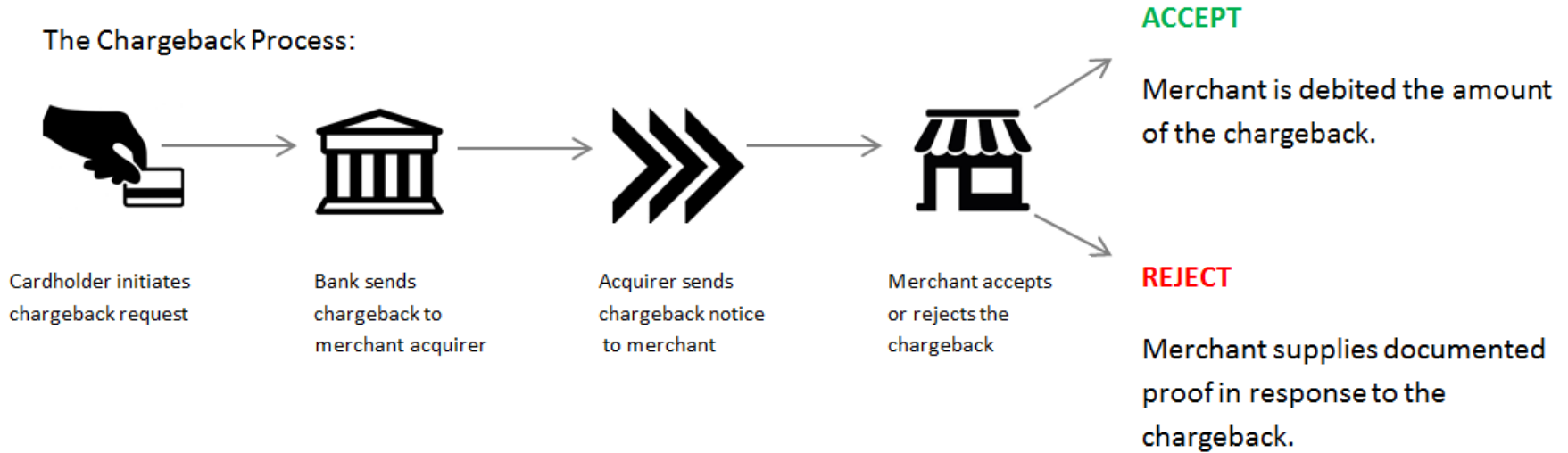


Chargebacks



The Chargeback Process

The Chargeback Process:



Why Do Chargebacks Occur?

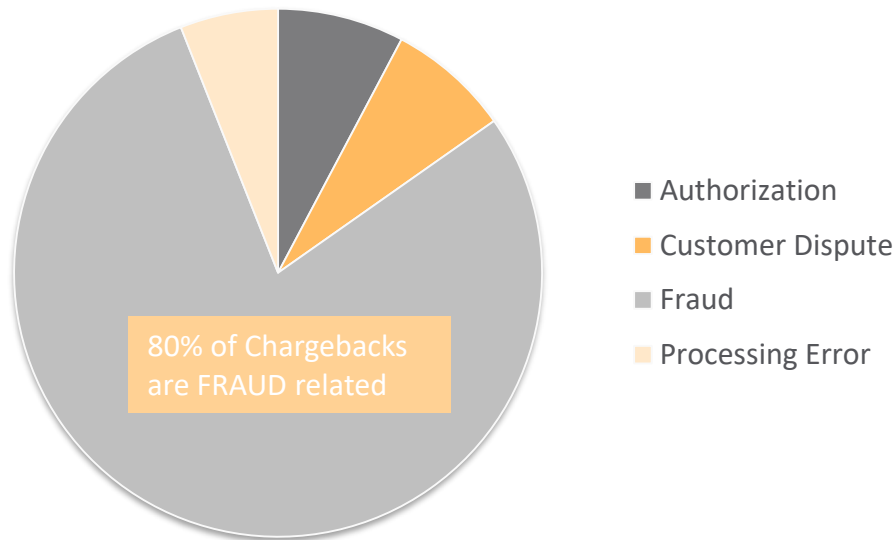
Fraud

Authorization

Customer Disputes

Processing Errors

Chargeback Volume by Category



Most Common Chargeback Reasons

Reason	Visa	Mastercard	Amex	Discover
Fraud (EMV)	10.1 Counterfeit 10.2 Non- Counterfeit	4870 Chip 4871 Chip and PIN	F30 EMV Counterfeit	UA05 Chip UA06 Chip and PIN
Fraud (Lost & Stolen)	10.3 Other Fraud 10.4 Other Fraud CNP 10.5 Visa Fraud Monitoring	4837 Customer Did Not Authorize Use of Card	F24 Customer Did Not Authorize Use of Card	UA01 Fraud UA02 Fraud CNP
Authorization	11.2 Declined Auth 11.3 No Auth	4808 Authorization Related	A02 No Valid Authorization	AT Authorization Noncompliance
Processing Errors	12.5 Incorrect Txn Amount 12.61 Duplicate Processing 12.7 Invalid Txn Data	4831 Txn Amount Differs 4834 Interaction Error	P05 Incorrect Txn Amount P08 Duplicate Charge	DP Duplicate Processing
Customer Disputes	12.62 Paid by Other Means 13.1 Goods Not Received 13.3 Defective Goods 13.6 Credit Not Processed	4855 Goods Not Received 4860 Credit Not Processed 4863 Cardholder Does Not Recognize	C02 Credit Not Processed C08 Goods Not Received C14 Paid by Other Means	AA Does Not Recognize RG Goods Not Received RM Cardholder Dispute

Fraud

Fraudulent chargebacks occur when a counterfeit or lost/stolen card is used to pay for goods or services.

Fraud migrates to non-EMV businesses; can you afford to not upgrade?

Overall fraud increased 33% in 2017!

AFD Fraud has increased 60% since 2015

80% of fraud is “Friendly”

If you are still waiting on EMV:

- Require ZIP Verification (AFD)
- Prompt for the last four digits of the card (Inside)
- Limit high fraud merchandise (i.e., gift cards, cigarette cartons, etc.)

If already EMV compliant:

- Limit fallback
- Prompt for PIN when available
- Complete all schedule POS updates



Source: www.chargebacks911.com/chargebacksexplained

Authorization

When possible, obtain an electronic (online) authorization:

- Never make up an approval code
- Never enter a code provided by the cardholder
- If the card cannot be electronically approved, you have the right to ask for an alternate form of payment
- Keep a record of all sales transactions

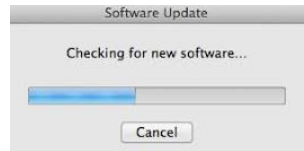


If for any reason you are unable to approve a transaction electronically, call the number provided by your brand/acquirer for voice authorization.

Processing Errors

Your Point of Sale (POS) is key in chargeback prevention:

- Complete all software updates in a timely manner
- Verify any applicable taxes are being calculated correctly
- Periodically verify the date and time in your POS
- Train your staff on proper sales procedures



Customer Disputes

Cardholders may chargeback a transaction if the goods or services are:

- Damaged or Defective
- Not As Described
- Not Received
- Does Not Recognize Merchant Name

Make sure cardholders can recognize your business name on their credit/bank statements. Your statement descriptor should be reflected of on prominent signage at your location.



Receipt Best Practices

To minimize confusion, each receipt should contain:

- Business Name and Address
- Itemized Charges, Including Taxes and Fees
- Last Four of the Card Number
- Approval Code
- EMV Data (if applicable)
- Customer Name and Signature (if applicable)
- Transaction Date and Time

It is also recommended that some where on the receipt, you disclose any return/cancellation policy you may have.

Welcome to
Mini Mart
123 Main St
Houston, TX 77077
000000123

Description	Qty	Amount
3 GEHLS TORTILLA CHIP	1	1.49
3 COLD CUP 440Z	1	1.59

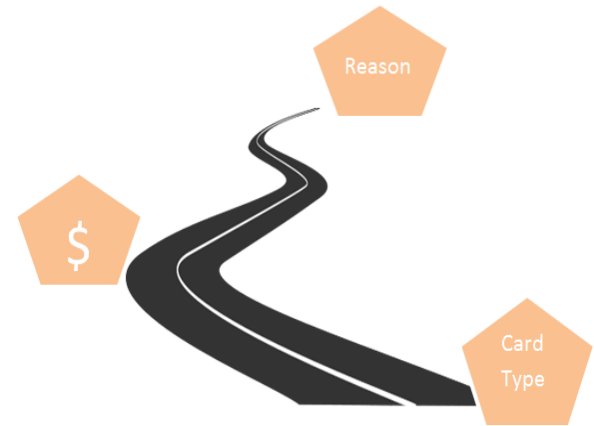
Subtotal		3.08
Tax		0.25
TOTAL		3.33
CREDIT \$		3.33

CARD TYPE: MC FLEET
AUTH TIME: 143526
ACCT NUMBER: 5581
TRANS TYPE: SALE
AUTH: 023388 00
Ref #: 99000120016
APP LABEL : MASTERCARD
APP IDENTIFIER : A000000041010
APP_CRYPTOGRAM : TC_C7007004B410997A
ENTRY METHOD USED : CHIP
EMV STAN #: 001217158
Signature: *[Handwritten Signature]*
X _____
I HEREBY ACKNOWLEDGE RECEIPT OF THIS INVOICE AND THE ITEM PURCHASED. I UNDERSTAND THAT I MUST PAY IN ACCORDANCE TO THE AGREEMENT I ENTERED INTO AT THE TIME THE CARD WAS ISSUED, OR TO THE TERMS OF ANY SUBSEQUENT AGREEMENT.
DEALER#: 000000123
THANK YOU
Please come again
ST# AB123 TILL XXXX DR# 1 TRAN# 1010071
CSH: 1 02/05/18 14:35:36

General Dispute Guidelines

Remember, the burden of proof lies with us, the Merchant. That means **WE** can directly impact the results!

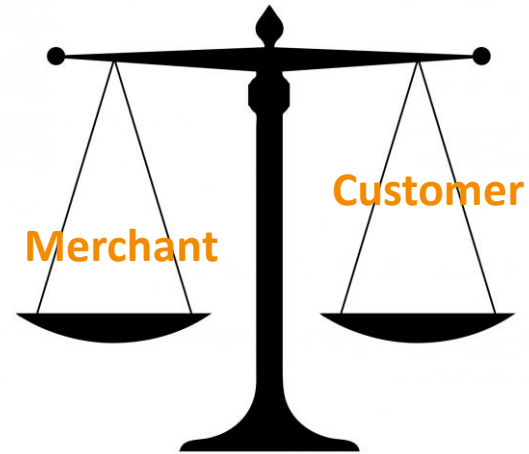
- Have a roadmap for how to handle chargebacks
- Consider the cost of re-presentment
- Review chargebacks to confirm they are valid
- Respond to all requests in a timely manner
- Provided all relevant documentation during the initial re-presentment



Disputing A Chargeback

- Receipts
- Statement of Work/Work Order
- Any Communication(s) with the Customer
- Additional Sales Data
- Correcting Sales Data
- Subdrafts
- Rebuttal Letter

Re-presentment: The process of “re-presenting” a transaction to the customer’s issuing bank.



Automated Fuel Dispenser (AFD) Chargebacks

Did you know you can represent AFD Chargebacks? Use a Subdraft to recreate an AFD receipt. Subdrafts should contain at minimum:

- Terminal (Merchant) ID
- Location Name and Address
- Transaction Date and Time
- Card Type Used
- Last Four of Card Used
- Approval Number
- Product Purchased
- Price Per Gallon
- Fuel Quantity
- Total Price
- Disclaimer

Subdrafts can easily be created using Microsoft Word or similar products.



Terminal ID	12345678
Gas Station	123 Main Street Houston, TX 77077
Date:	10/24/2018
Time:	09:05:15
Card Type:	VISA
Account:	xxxxxxxxxxxx1234
Approval:	01234A
Amount:	\$22.90
Price per Gallon:	2.29
Fuel Quantity:	10.00
Product:	UNLEADED
Information obtained from card activated gas dispenser.	

Excessive Chargebacks

Excessive Chargeback Thresholds			
American Express	Mastercard	Visa (Standard)	Visa (Excessive)
Any location with a fraud-to-sales ratio of 1% for three consecutive months	Any location with a fraud-to-sales ratio of 1.5% and at least 100 chargebacks a month for two consecutive months.	Any location with a fraud-to-sales ratio of 0.20% and \$10,000 in chargebacks during one month.	Any location with a fraud-to-sales ratio of 1% for three consecutive months.
Additional chargeback fee of \$25 per chargeback over the 1% threshold	Counterfeit outdoor EMV transactions charged back		
Locations can remediate out of the program by reducing fraud levels to below acceptable limits.	Locations can remediate out of the program by reducing fraud levels to below acceptable limits.	Locations can remediate out of the program by reducing fraud levels to below acceptable limits within 1-2 months or for three consecutive months.	Locations can remediate out of the program by reducing their fraud to sales ratios. Visa will make individual decisions on repeat offenders.
Effective Oct. 1, 2017			
Applies to American Express cards only.	The AFD EMV liability shift deferment by Visa and Mastercard does not apply to cards issued outside of the US.		

Changes to the Chargeback Environment

Visa Claims Resolution (VCR)

- Live April 2018
- Designed to simplify chargebacks
- Allocation vs Collaboration
- Prevent invalid issuer chargebacks
- Streamline customer experience
- Removes the 'REFCO' process
- Shortens response time to 30 days

MasterCom Claims Manager

- Estimated go-live April 2019
- Align reason codes
- Shorten cycles



No Signature Rules



Recent rule changes regarding signature are to have **no** impact on chargeback representment rights.

- Visa – No signature is required on transactions so long as you are EMV capable
- Mastercard – No signature required on any transaction
- American Express – No signature required on any transaction
- Discover – No signature required on any transaction

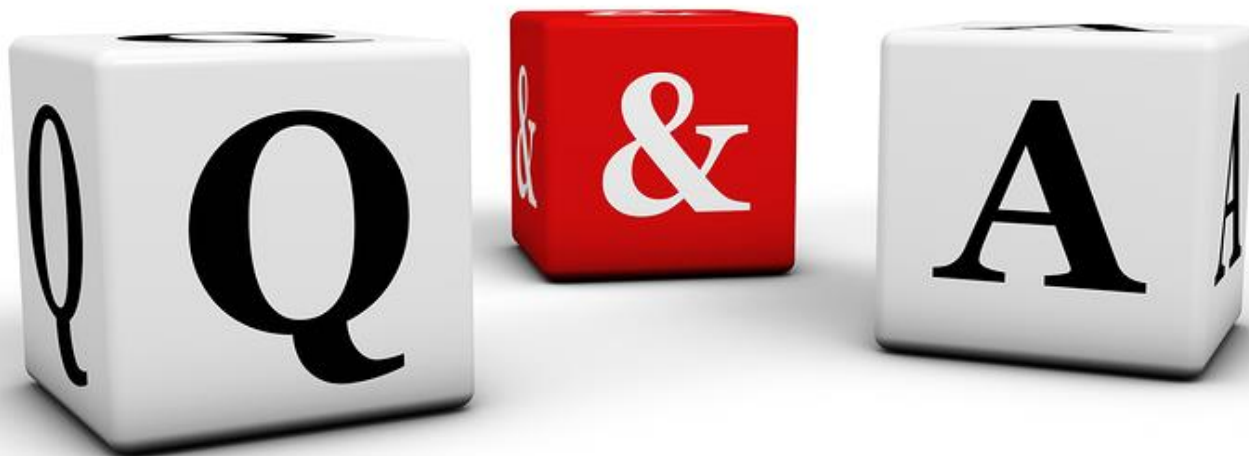
Questions regarding No Signature should be directed to your Brand/Acquirer.

Merchants do have the right to continue asking for signatures.

Chargeback 101 Summary

- Chargebacks fall into one of four categories:
 - Fraud
 - Authorization
 - Processing Errors
 - Customer Disputes
- Develop a roadmap for working chargebacks:
 - Is the cost of the chargeback worth it?
 - Can I reasonable expect to win the case?
 - What has my success rate been historically?
- Respond to requests in a timely manner and included all related documents.
- Visa and Mastercard are streamlining their chargeback processes for customer experience.
- Prepare for increased chargeback costs if EMV is not implemented.





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