



What Will Change In The Visa Europe Regulations?



A Guide For Merchants

Fraud and chargebacks come with running online businesses and it causes a problem for many merchants. From 1 July 2016 there will be some changes in the Visa Europe regulations regarding fraud and chargeback monitoring programs. Read the guide and see what are the updates.

In short, Visa replaced previous versions of their fraud management and chargeback programs, so it means there will be new standards for merchants. According to [Visa Europe](#), changes are made to better monitor fraud activity and chargebacks.

Risk monitoring programs: Merchant Fraud Performance Program; Global Merchant Chargeback Monitoring Program; and the Acquirer Monitoring Program will be changed to:

- The Visa Fraud Monitoring Program;
- The Visa Chargeback Monitoring Program;
- The Visa Acquirer Monitoring Program; respectively.

Let's focus on the first two programs.

What do you need to know about the Visa Fraud Monitoring Program?

Effective from 1 July 2016, merchants who generate excessive level of fraud through the Visa Fraud Monitoring Program (VFMP), will be monitored by Visa Europe. It comes with two qualifications: for standard and high-risk businesses, so there are other timelines and fees structures for them. Program identifies merchants by fraud-to-sales performance and monitoring includes all fraud reported for the previous month.

You need to know that it monitors only transactions other than domestic, so it is about situations when card issuer country is not the same as merchant's country. There are the exceptions to this rule for UK and Germany, where both domestic and international transactions are monitored.

Note: Merchants that reduce excessive chargebacks for three consecutive months, will exit the Visa Fraud Monitoring Program.

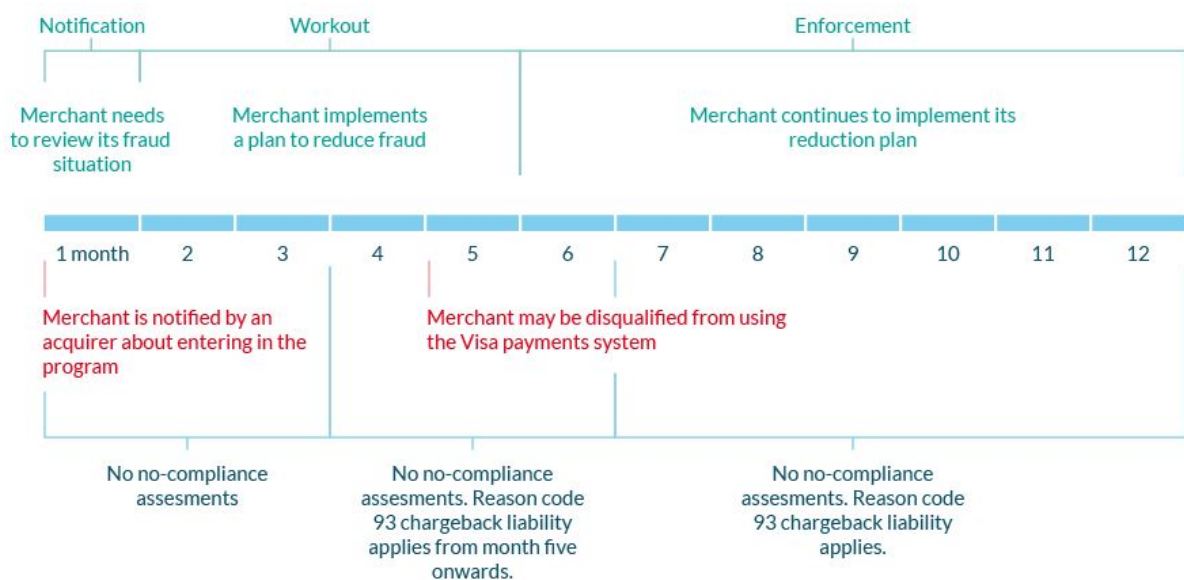
Merchants are monitored under the Visa Fraud Monitoring Standard Program or the Visa Fraud Monitoring High-Risk Program.

Standard Program

Regular merchants will be identified under the Visa Fraud Monitoring Standard Program when they meet or exceed both of the monthly thresholds program mentioned below:

- **USD 75,000** or local currency equivalent, fraud amount;
- **1%** fraud-to-sales ratio

Visa Fraud Monitoring Program Standard Timeline



Hi-Risk Program

When merchant is categorised as a high-risk business, it will be monitored under the Visa Fraud Monitoring High-Risk Program. It is focused on merchants categorized by Visa as High Brand Risk Merchant that are required to use one of the category codes, which are:

- 5122 - Drugs, Drug Proprietaries, Druggists' Sundries
- 5962 - Direct Marketing - Travel-Related Arrangement Services
- 5966 - Direct Marketing - Outbound Telemarketing Merchants
- 5967 - Direct Marketing - Inbound Telemarketing Merchants
- 5912 - Drug Stores, Pharmacies
- 5993 - Cigar Stores and Stands
- 7995 - Gambling Transactions

This scenario also relates to:

- Merchants who are not categorized as high-risk, but meet or exceed monthly thresholds, which are: **USD 250,000, or local currency equivalent**, fraud amount or **2% ratio** of fraud dollars to sales dollars;
- Merchant's activities caused undue harm to the Visa Systems' reputation.

Timeline For High-Risk Merchants



What happens when merchant is in the VFMP?

Visa Europe notifies the issuer that the transaction is identified by the Merchant Fraud Performance Program.

When a merchant is identified in the VFMP, an acquirer need to start corrective action (or to provide appropriate fraud tools or technologies); or address fraud risk attributed within certain time period.

Note: When merchant tries to change or modify its name or data to overcome the Visa Fraud Monitoring Program, Visa Europe may **permanently disqualify** the merchant from participating in the Visa Enterprise. It comes also with fine of € 8,750 per month.

Visa Chargeback Monitoring Program (VCMP)

Let's dive a bit deeper into VCMP and see what are the main changes.

Similar to Visa Fraud Monitoring Program, Chargeback Program is about monitoring under the both Standard and High-Risk program and it identifies merchants by chargeback-to-sales performance.

General requirements (from 1 July 2016) include:

- Chargebacks reported under reason code 93 in VFMP, will not be included with Visa Chargeback Monitoring Program;
- Program monitors all transactions that aren't domestic, but for UK and Germany both domestic and international transactions are monitored;
- Merchants who are under VCMP can exit the program, if they are below the program thresholds for three consecutive months.

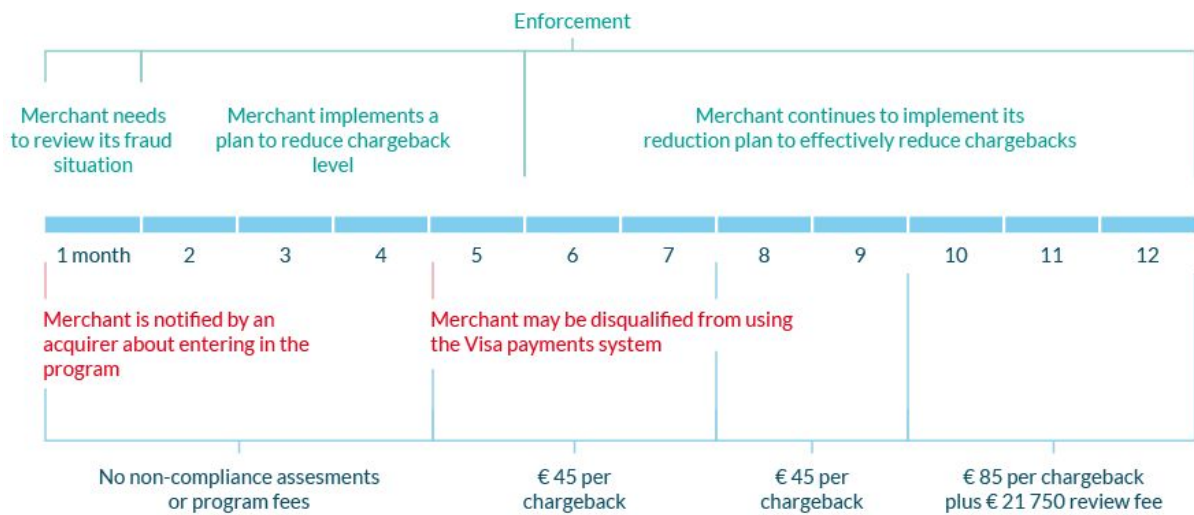
This program also assumes that if merchant change or modify its name or data to circumvent the Visa Chargeback Monitoring Program, it may be **permanently disqualified** from participating in the Visa Enterprise. It may also happen when merchant continues to meet or exceed the monthly chargeback thresholds without an effective reduction plan.

Standard Program

Regular merchant will be included by the Visa Chargeback Monitoring Standard Program, when it meets or exceeds both of the following monthly program thresholds:

- 100 chargebacks;
- 1% chargebacks-to-sales ratio

Standard Program Timeline

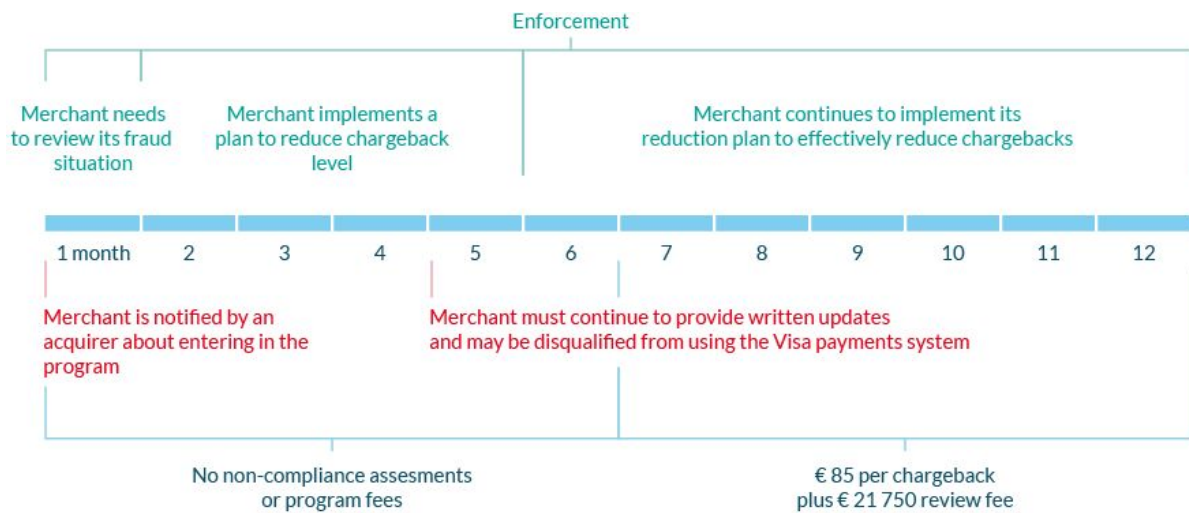


Visa Chargeback Monitoring High-Risk Program

Merchants categorized as high-risk businesses will be under the Visa Chargeback Monitoring High Risk Program (which is obvious), but also when:

- Regular merchants meet or exceed monthly program thresholds, which are **500 chargebacks**, and **2%** chargeback-to-sales ratio;
- Merchant activities cause the harm to the reputation of Visa Systems.

High-Risk Timeline



Visa provides information on a monthly basis, so you will receive notification when you'll meet the threshold. It means you'll have the chance to decrease fraud or charge level before you will be identified under Visa's program.

Note: If an acquirer submits transactions for a single merchant using multiple names or merchant accounts, Visa Europe may group the merchant activity performed under the multiple names.

Do you have any questions?

Feel free to contact us at support@securionpay.com.