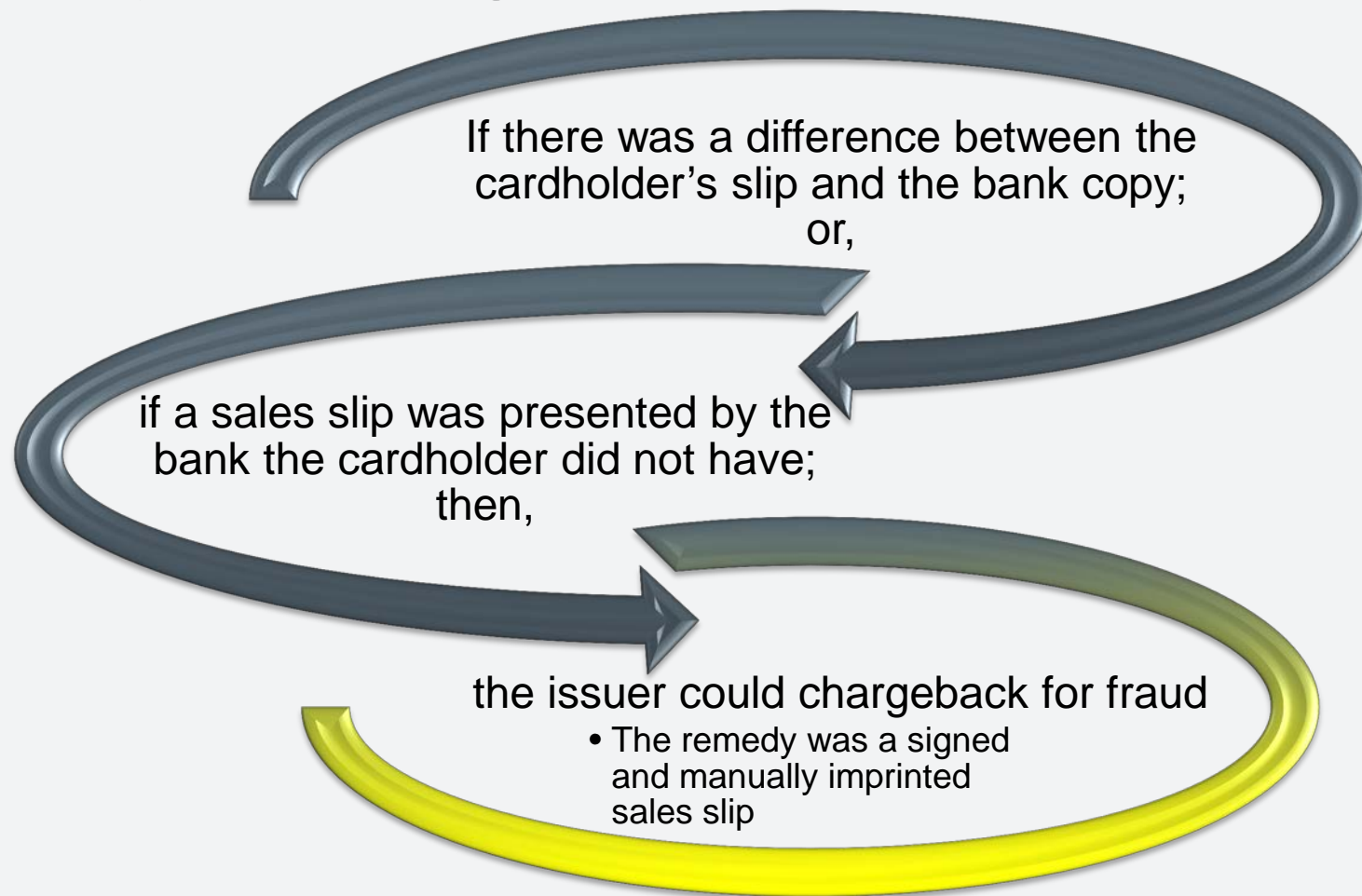


Tim Hopkins, Senior Business Leader
Dispute Resolution Management

The Ever Changing Fraud Chargeback

The Fraud Chargeback in the 70s

Country Club Billing was the norm in the US



The Fraud Chargeback in the 80's

Three Different Codes

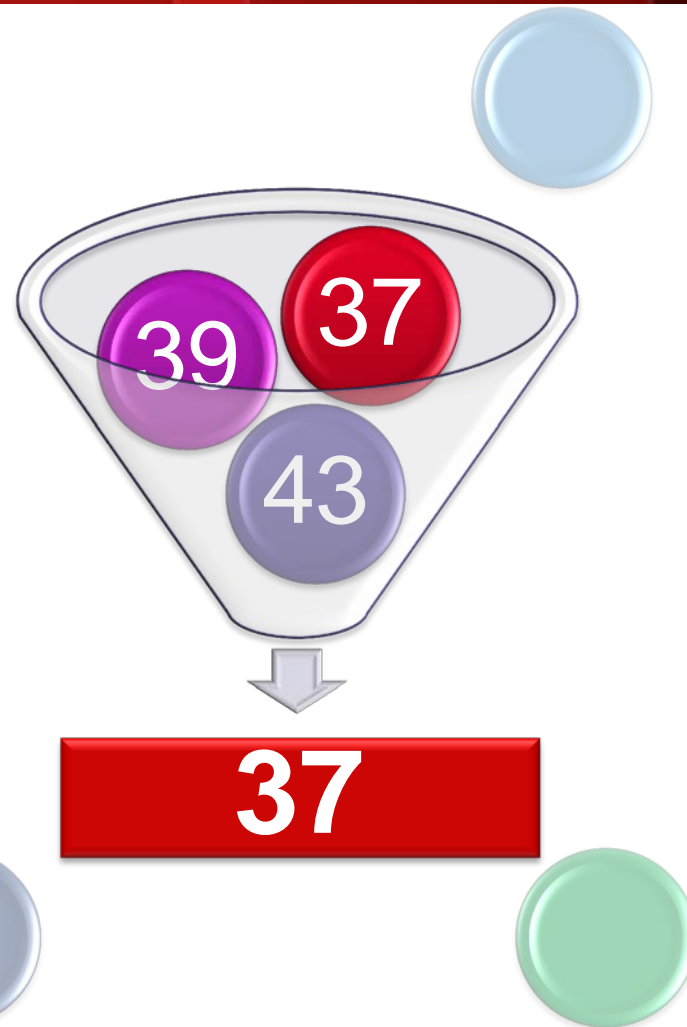
- Country Club Billing stopped, and statements showed charges
- There were three fraud chargebacks
 - 37 No Imprint
 - 39 No Signature
 - 43 Fraudulent Mail Order/Telephone Order (MOTO)
- A retrieval request was required prior to charging back face-to-face transactions to determine if the chargeback should be 37 or 39.
- If left unfulfilled, the issuer could chargeback for 01 – Non-Receipt of Slip as the issuer was unable to determine the proper chargeback



The Fraud Chargeback in the 90's

Code Reduction

- MasterCard combined the three chargeback codes (37, 39, 43) into one chargeback 37 – No Cardholder Authorization (later 4837 in IPM)
- The retrieval request was eliminated to reduce time for processing the chargeback.
- The remedy remained proof of card presence and signature



The Fraud Chargeback in the 2010's

The Concept Changes

- The authorization was greatly enhanced in the 2000s to address new technologies and provide issuers more information.
- Based on the authorization having more information as the sales slip, the rules changed for:
 - Attended terminal transactions where the cardholder and card were present
 - The card data was electronically entered into the terminal
 - The issuer approved the transaction

Transactions qualifying as above could not be charged back for fraud

The Evolution of the Fraud Chargeback

- The Fraud chargeback was put in place to investigate the acceptance of the card as there was limited data in authorization
- As authorization evolved, the issuer knew more about the transaction and could determine card presence
- With EMV, additional detail is available about the transaction to deter Counterfeit and Lost/Stolen if Chip is coupled with PIN
- As technology moves to Tokens and other PAN replacements, issuers are provisioning the PAN to the device. The issuer knows more than ever to help in stopping fraud from being authorized.
- Fraud chargeback remains for Key Entered transactions and must be remedied by proof of card presence and signature.



Mark Wiesman, Group Head, Product Development, MasterCard



The Paradigm of Fraud Detection

Evolution

Security

Magstripe/Card Not Present (CNP)



EMV, token, ...



Fraud

Counterfeit, ADC, Lost & Stolen



ID Theft



Fraud Monitoring

Transaction Monitoring



Identification & Verification (ID&V) + Authentication



Providing a Layered Approach

Spanning across all payments types & channels



Payment Security
4 Way Balancing Act



Fraud Score VS Decision Score

Increasing the Consumer Experience



Why is it Important?

Payments in the digital world should be safer and simpler than they are in the physical world

Physical



96% Approval Rate
0.1% Fraud Rate

Digital



83% Approval Rate
0.5 Fraud Rate

How do we do it?



Tokenization



EMV



Authentication /
Biometrics



Card Updater



Enhanced Data

Enhanced Data

Intelligent Network, Higher Approvals



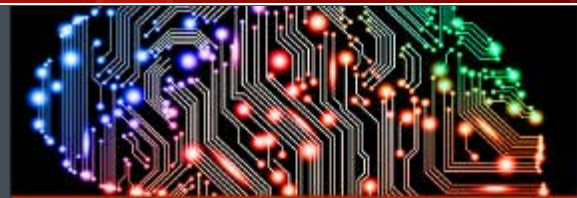
Decision score vs Fraud Score

Balance risk, consumer experience & profitability



The Transaction IQ Series
IQ Range of Products

- Auth IQ** Transaction insights at a segment-level (benchmarked)
- Device IQ** Digital device information (device ID) +1200 merchants
- Location IQ** Location data
- Travel IQ** Travel data (e.g. travel dates)
- Future** Other data / insight via partners and acquisition



Strongly Differentiated

Real-time data insights for dynamic consumer driven decisioning



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Global Risk Leadership

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Thank you!

