MasterCom® Dispute Resolution

Expedite resolution, reduce chargebacks and enhance the customer experience
Chargebacks are a significant and growing problem for financial institutions and merchants

**Financial Institutions**

- **46 days** to resolve standard chargebacks and **100+ days** for complex chargebacks on average
- **780 seconds** average call time for chargeback intake, costing **$2.7 billion** in expenses
- **$15 - $70** in internal operational costs per dispute
- Over **80%** of cardholders contact their bank instead of the merchant for a refund
- Chargeback and friendly fraud represents **71%** of total fraud losses
- Friendly fraud accounts for **80%** of all chargebacks of online sales, costing **$11 billion** per year
- Operating costs from chargebacks impact profits up to **20%**

**Merchants**

- **$5.9 billion** in losses due to chargebacks in 2016
- **$40 billion** in eCommerce losses and costs due to chargebacks in 2016

2. CHARGEBACKS911. 2016.
3. CHARGEBACK.COM. ECOMMERCE CAN EXPECT NEARLY $7 4 BILLION IN CHARGEBACKS IN 2016. 2016.
5. JAVELIN. THE IMPACT OF FRAUD AND CHARGEBACK MANAGEMENT ON OPERATIONS. 2015.
Rules-based chargeback decisioning reduces dispute complexity and processing time

Rules-based chargeback decisioning:

• Reduces complexity within dispute channel and shortens processing time frames
• Blocks invalid chargebacks from the network
• Reduces most first chargebacks from 120 to 90 days
• Eliminates arbitration chargeback cycle
• Implements pre-arbitration rules
Manage disputes from end-to-end throughout the lifecycle

**MasterCom Claims Manager:**

1. Creates and tracks disputes from end-to-end throughout the entire lifecycle

2. Manages all dispute cycles within single “claim” until closure, regardless of whether clearing records are required

3. Enables dispute initiation of chargebacks, representations and retrieval requests in place of customer-supported back-office systems

4. Integrates with customer platforms to provide multiple access options via user interface or Mastercard API

- **Issuer**
  - Rules enforcement
  - Transaction research
  - Dispute initiation
  - F&LD auto-updates
  - GCMS integration

- **MasterCom Claims Manager**
  - Forms automation
  - Dashboard and reporting
  - API enabled
  - Doc & non-doc disputes
  - Reversals/fee collections

- **Acquirer**
Streamline disputes from initiation to close

MasterCom Claims Manager:

- **Manages** all dispute types regardless of documentation support requirements
- **Reports** fraud accounts to Fraud & Loss Database automatically
- **Locates** and auto-populates details into chargeback record creation via transaction research tool
- **Provides** helpful validation/reminder prompts and auto-managed deadline controls throughout the dispute process
- **Applies** appropriate reason codes to prevent invalid chargeback initiation
- **Auto-populates** and selects Expedited Billing Dispute Form
- **Enables** users to supply support documentation at time of dispute initiation
- **Supports** reversal and fee collection record submissions
- **Supports** batched chargebacks within a single record submission
- **Provides** comprehensive dashboard reporting including summaries, trend analysis and case history
Avoid chargebacks by including merchants early in the dispute lifecycle

MasterCom Claims Manager:

1. **Bridges** communication between consumers, issuers, acquirers, and merchants during pre-chargeback stages

2. **Integrates** with issuer dispute websites to provide contact between consumers and merchants

3. **Enables** merchants to respond to consumer inquiries outside of chargeback cycles

4. **Supports** merchant issuance of consumer credits

5. **Arms** merchants with account data insights based on active fraud chargeback activity

6. **Provides** real-time chargeback data visibility to support merchants’ just-in-time shipping decisions
Open the lines of communication to eliminate invalid, preventable chargebacks due to friendly fraud

Pre-Chargeback Flow

Cardholder calls issuer to initiate dispute
- Supplementary info
- Credits
- Both

Issuer feeds disputed transaction to Mastercard
Response for review

Mastercard checks for merchant participation and routes

Request for additional information
Response options:
- Supplementary info
- Cardholder credits
- Both

MasterCom Claims Manager provides dispute insights into fraudulent chargeback activity.

Merchant Just-In-Time Shipping Decision

Query active fraud activity

Positive/negative response

Decision to stop pending purchases
Reduce chargebacks and improve the customer experience with prompt, efficient dispute resolution

Mastercom Dispute Resolution can help issuers and acquirers by providing:

- Reduced formal chargeback volumes, losses, and associated back-office costs
- Fewer costly chargeback cycles and less cycle processing time by pre-empting disputes from advancing to chargebacks
- Shorter resolution time frames—potentially solving disputes in hours or days instead of weeks or months
- Increased automation and productivity—integrating “swivel chair” dispute processing into a single solution
- Improved experience for consumers

Save on average 20% in chargeback processing costs per cycle by resolving invalid chargebacks outside of the formal chargeback process¹

Resolve chargebacks in 1-2 cycles instead of 3 (remove up to 90 days from the dispute lifecycle)

Resolve friendly fraud disputes within hours to a few days

1. JAVELIN. IMPACT OF FRAUD AND CHARGEBACK MANAGEMENT ON OPERATIONS. 2015.
Reduce chargebacks and improve the customer experience with prompt, efficient dispute resolution

Mastercom Dispute Resolution can help merchants by providing:

- Reduced formal chargeback volumes, losses, and associated back-office costs
- Fewer costly chargeback cycles and processing time by pre-empting disputes from advancing to chargebacks
- Shorter resolution time frames—potentially solving disputes in hours or days instead of weeks or months
- Greater loss avoidance with real-time account data insights that support just-in-time shipping decisions
- Reduced costs from third party service providers
- Improved experience and loyalty for consumers

Save on average 20% in chargeback processing costs per cycle by resolving invalid chargebacks outside of the formal chargeback process

Resolve chargebacks in 1-2 cycles instead of 3 (remove up to 90 days from the dispute lifecycle)

Save costs with auto-action responses based on customized parameters

1. JAVELIN. IMPACT OF FRAUD AND CHARGEBACK MANAGEMENT ON OPERATIONS. 2015.
## MasterCom is outpacing the competition

<table>
<thead>
<tr>
<th>Capability</th>
<th>Features</th>
<th>Mastercard</th>
<th>Visa</th>
<th>Third-Party Processors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chargeback Processing and Rules Streaming</strong></td>
<td>Pre-chargeback process</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rules-based chargeback and re-presentment validation checks</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td></td>
<td>All stakeholder access to functionality</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td></td>
<td>2 chargeback cycles</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shortened chargeback cycle from 120 to 90 days</td>
<td>Cardholder dispute reason codes – 120</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Auth-related reason codes – 90</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>POI error reason codes – 90</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Time for merchant to respond to chargeback</td>
<td>45 Days</td>
<td></td>
<td>30 days</td>
</tr>
<tr>
<td></td>
<td>Pre-arbitration requirements</td>
<td>Required on fraud, cardholder disputes and possibly some POI error disputes</td>
<td></td>
<td>Required on fraud, cardholder disputes and possibly some POI error disputes</td>
</tr>
<tr>
<td></td>
<td>Arbitration chargeback cycle removed</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dispute Initiation and Close</strong></td>
<td>API and user interface connectivity options</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All stakeholder access to functionality</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td></td>
<td>End-to-end case management</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Creating chargeback record</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Automated fraud reporting integration into F&amp;LD</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bridges communication between consumers, issuers, acquirers, and merchants during pre-chargeback stages</td>
<td>✔</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Real-time chargeback data for just-in-time shipping decisions</td>
<td>✔</td>
<td></td>
<td>Unknown</td>
</tr>
<tr>
<td></td>
<td>Supports merchant issuance of consumer credits</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tracking consumer credits and debits</td>
<td>Partial</td>
<td></td>
<td>✔</td>
</tr>
</tbody>
</table>
Implementation Configurations
Flexible implementation and participation to meet customer needs

**Implementation**
- MasterCom Hosted or Pro implementation configurations available based on customer needs
- Claims Manager functionality available with both MasterCom Hosted and Pro implementation configurations
- Customers can access Claims Manager functionality via API or User Interface

**Participation/Migration**
- No customer enrollment forms required
- Customers must migrate to Claims Manager in 2018 to begin driving efficiency and cost savings in their dispute resolution operations
- Customers should work with CIS teams to open an implementation project to migrate to Claims Manager functionality
- CIS teams engaged with product and development teams to address potential steps needed for migration and testing

**Customization**
- High degree of customization for rules
- Post implementation real-time account data insights and chargeback data
MasterCom offers two configurations based on your business needs

<table>
<thead>
<tr>
<th>Designed for...</th>
<th>MasterCom Hosted</th>
<th>MasterCom Pro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers with low dispute volume</td>
<td>Basic service for chargeback, retrieval processing, and case filing</td>
<td>Customers with mid to high dispute volume</td>
</tr>
<tr>
<td>Type of service...</td>
<td>Fully customizable service that leverages robust data integration</td>
<td></td>
</tr>
<tr>
<td>Option provides...</td>
<td>A cost-effective alternative with no start-up or implementation fees</td>
<td>An efficient and cost-effective solution to manage disputes—with a wide menu of value-added features to automate manual operations</td>
</tr>
</tbody>
</table>

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A cost-efficient option for low-volume disputes

**MasterCom Hosted**

Removes unsecured paper/fax exchanges of dispute documentation from the dispute process.

<table>
<thead>
<tr>
<th>Processing</th>
<th>Usability</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Quick, efficient dispute processing of retrieval requests, chargebacks</td>
<td>• Optimal image quality</td>
<td>• No implementation or setup fees</td>
</tr>
<tr>
<td>and case filing</td>
<td>• Multi-user access to documents at any time or from any location</td>
<td>• Browser-based option for fast and intuitive start up process with</td>
</tr>
<tr>
<td>• Flexible contingency processing options</td>
<td>• Archiving access to current and historical files</td>
<td>no hardware/software installation</td>
</tr>
<tr>
<td>• Claims Manager for end-to-end dispute resolution management</td>
<td>• Paperless transmission, document export and forwarding ability to local</td>
<td>• Easy access from any physical location with internet</td>
</tr>
<tr>
<td>• Optional Merchant Dispute Solution for pre-emptive resolution of friendly</td>
<td>media or staff</td>
<td>• Secure protection of every file transfer via Mastercard Connect®</td>
</tr>
<tr>
<td>fraud and chargebacks</td>
<td></td>
<td>data security protocols</td>
</tr>
</tbody>
</table>

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A consolidated, customizable application

**MasterCom Pro**

Consolidates processing for all dispute transaction types into a single, user-friendly application.

<table>
<thead>
<tr>
<th>Processing</th>
<th>Usability</th>
<th>Implementation</th>
</tr>
</thead>
</table>
| • Quick, efficient dispute processing of chargeback, retrieval, pre-arbitration, arbitration, pre-compliance, and compliance cases | • Detailed views of each transaction segment within dispute lifecycle history  
• Electronic forms for expedited requests  
• Customized data views and reports that may be tailored to users’ individual needs  
• Document libraries replace print/scanning  
• Single-step document attachment to multiple transactions  
• Tool tips such as hover-over help and hints  
• Personal alert notification of items requiring immediate attention | • Browser-based option for fast and intuitive start up process with no hardware/software installation  
• Easy access from any physical location with internet |
| • Contingency options in the event of work disruption |                                                    |                                                    |
| • Claims Manager for end-to-end dispute resolution management |                                                    |                                                    |
| • Optional Merchant Dispute Solution for pre-emptive resolution of friendly fraud and chargebacks |                                                    |                                                    |
Choose from two configuration options

<table>
<thead>
<tr>
<th>Feature</th>
<th>MasterCom Hosted</th>
<th>MasterCom Pro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing of retrieval requests and chargebacks</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Processing of pre-arbitration, arbitration, pre-compliance, compliance cases</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Contingency processing options</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Processing submitted in batch mode or by individual transaction</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>End-to-end dispute resolution management</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Pre-emptive chargeback avoidance</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Data and image export</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accepted image formats</td>
<td>.TIF, .PDF, .JPEG</td>
<td>.TIF, PDF, JPEG</td>
</tr>
<tr>
<td>Image manipulation/enhancement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Custom data views</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Image transmission directly from client workstation</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Archival access to processed transactions and documentation images</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Pre-defined (static) activity reporting</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Pre-defined reports and custom reporting options</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Browser application (requires no installation)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Processing from any personal computer with internet access</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Intuitive, quick, easy start up; no proprietary software/hardware required</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>No start up or implementation fees</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Customer support</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Claims Manager
Process Flows
<table>
<thead>
<tr>
<th>Icon Key</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Gear Icon" /></td>
<td>MasterCom Claims Manager Process or MasterCard clearing process</td>
</tr>
<tr>
<td><img src="image" alt="Building Icon" /></td>
<td>Sender Action or Notification</td>
</tr>
<tr>
<td><img src="image" alt="Building Icon" /></td>
<td>Receiver Action or Notification</td>
</tr>
<tr>
<td><img src="image" alt="Document Icon" /></td>
<td>Reports sent to Senders or Receivers from MasterCom</td>
</tr>
<tr>
<td><img src="image" alt="Search Icon" /></td>
<td>Searching Transactions</td>
</tr>
<tr>
<td><img src="image" alt="Envelope Icon" /></td>
<td>The Sender of a Case</td>
</tr>
<tr>
<td><img src="image" alt="Envelope Icon" /></td>
<td>The Receiver of a Case</td>
</tr>
<tr>
<td><img src="image" alt="Customer Service Icon" /></td>
<td>Dispute Resolution Management Staff</td>
</tr>
</tbody>
</table>
Sender searches for transaction to create a claim
Sender creates first chargeback without attaching document
Receiver creates a. Settlement report from GCMS to Sender & Receiver
Receiver creates b. Itemized (TQR4) report to sender
Receiver creates 2nd presentment with or without documentation or does not pursue
Sender evaluates the 2nd presentment to continue to an arbitration chargeback or does not pursue
Receiver receives the Arbitration Chargeback
Receiver evaluates Arbitration Chargeback and decides for next action (case)

First chargeback is processed and submitted to clearing system
The 2nd presentment is processed and submitted to clearing system
Arbitration Chargeback is processed and submitted to clearing system
MasterCom validates chargeback
MasterCom validates 2nd presentment
MasterCom validates Arbitration Chargeback
**Sender searches for transaction to create a claim**

**Sender creates first chargeback with a attaching document**

a. Settlement report from GCMS to Sender & Receiver
b. Itemized (TQR4) report to sender

**Receiver creates 2nd presentment with or without documentation or does not pursue**

a. Settlement report from GCMS to Sender & Receiver
b. Itemized (TQR4) report to sender

**Sender evaluates the 2nd presentment to continue to an arbitration chargeback or does not pursue**

a. Settlement report from GCMS to Sender & Receiver
b. Itemized (TQR4) report to sender

**Receiver receives the Arbitration Chargeback**

**Receiver evaluates Arbitration Chargeback & decides for next action (case)**

---

**MasterCom validates chargeback**

**First chargeback is processed and submitted to clearing system**

**MasterCom validates 2nd presentment**

**The 2nd presentment is processed and submitted to clearing system**

**MasterCom validates Arbitration Chargeback**

**Arbitration Chargeback is processed and submitted to clearing system**

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Start

End
RETRIEVAL REQUEST WORKFLOW

- **Sender** searches for a transaction to create a claim.
- **Sender** creates retrieval request.
- Itemized (TQR4) report is sent to Sender.
- Receipt retrieval request is sent to Receiver to be fulfilled with or without documentation.
- Receiver fulfills retrieval request.
- **Sender** is sent retrieval request for review. **Sender** accepts/rejects fulfilled request.

**Start**

- **MasterCom** validates retrieval request.
- Retrieval request is processed and submitted to clearing system.
- **Review Team** favors Sender or Receiver after Image review.
- If Sender rejects the retrieval request, then retrieval request is sent to Image Reviewer team for ruling.

**End**
Sender searches for transaction to create a claim

Sender creates a Dispute collection message (FC=700)

Itemized (TQR4) report to Sender

Receiver creates Fee collection Return (FC=780) or does not pursue

Itemized (TQR4) report to Receiver

Sender creates Fee Collection Resubmission message (FC=78) or does not pursue

Itemized (TQR4) report to Sender

Receiver creates Fee collection Arbitration (FC=782) or does not pursue

Itemized report is sent to receiver

Sender must accept receiver’s arbitration
Pre-Arbitration and Escalation to Arbitration

1. **Sender creates pre-arbitration case**
2. **Receiver has 30 days to accepts/rejects the case else MasterCom auto-rejects the case**
3. **If Accepted:** Case Resolved
   - **If rejected/auto-reject:** case can be withdrawn by Sender or Escalate to Arbitration Case
4. **Sender escalates case to arbitration case**

- Pre-Arbitration Case is entered into the Sender’s case filing queue
- Pre-Arbitration Case is received into the receiver’s case filing queue
Sender has 10 days to Accept/Reject or Rebut the case with additional documents else MasterCom auto-rejects the case.

Receiver has 10 days to Accept/Reject or Rebut the case with additional documents else MasterCom auto-rejects the case.

Receiver can Accept after auto-Reject.

If auto-rejected, case can be withdraw by Sender.

Dispute Resolution Management Staff reviews the case for fees and in case of reject provides ruling – Favor Sender or Receiver.
PRE-COMPLIANCE AND ESCALATION TO COMPLIANCE

Sender creates a pre-compliance case

Receiver has 30 days to Accept/Reject the case else MasterCom auto-rejects the case

**If Accepted:** Case Resolved
**If rejected/auto-reject:** case can be withdrawn by Sender or Escalated to Compliance

Sender escalates to compliance case

Pre-compliance case is entered into the Sender’s case filing queue
Pre-compliance case is received into the receiver’s case filing queue

*SENDER MUST INCLUDE DOCUMENTATION DURING PRE-COMPLIANCE CASE BEFORE ESCALATING TO COMPLIANCE CASE.*
*SENDER MUST INCLUDE DOCUMENTATION DURING PRE-COMPLIANCE CASE BEFORE ESCALATING TO COMPLIANCE CASE.*
Let’s get started

For more information on MasterCom Dispute Resolution, contact your Mastercard representative.