

**Meeting Between Federal Reserve Board Staff and Representatives of Visa
July 21, 2016**

Participants: Jeffrey Marquardt, Stephanie Martin, Susan Foley, Mark Manuszak, Jessica Stahl, Krzysztof Wozniak, Ian Spear, Aaron Rosenbaum, Slavea Assenova (Federal Reserve Board)

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Summary: Representatives of Visa met with Federal Reserve Board staff to discuss their observations of recent market developments in the deployment of EMV (i.e., chip-based) credit and debit cards in the United States. Representatives of Visa also provided an update on implementation issues related to customer and merchant choice in the routing of card transactions to payment card networks. Finally, Visa discussed their new efforts to improve the speed of EMV certification for merchants and to reduce the burden of chargebacks from counterfeit transactions on merchants.

Attached are related materials.

New Limits on U.S. Domestic EMV Liability Shift Chargebacks

U.S. | Acquirers, Issuers, Processors, Merchants



Overview: Visa is implementing a temporary \$25 minimum for card-present counterfeit fraud chargebacks and limiting the number of counterfeit fraud chargebacks per account to a maximum of 10 for U.S. domestic transactions.

While tremendous progress has been made in the U.S. migration to chip, with more than 300 million chip cards in market and 1.2 million merchant locations now accepting chip cards, there are still many merchants that need help to cross the finish line.

Some merchants have reported that they have been unable to accept chip cards due to delays in certifying their customized point-of-sale solutions. As announced in the 23 June 2016 *Visa Business News* article "[U.S. Acquirers Can Now Self-Certify Chip Point-of-Sale Devices](#)," Visa is introducing a series of initiatives to help accelerate EMV chip migration for merchants.

In addition, to help limit exposure to counterfeit fraud liability for merchants that are not yet chip-ready, Visa is implementing chargeback limits and corresponding system blocks on U.S. domestic card-present counterfeit fraud chargebacks (Reason Code 62 and Interlink Reason Code 2462).

To help mitigate the need for issuers to make temporary system edits for these changes, Visa will waive invalid chargeback fees for Reason Code 62 and Interlink Reason Code 2462 chargebacks through April 2018.

\$25 Minimum Transaction

Effective for BASE II chargebacks processed on or after **16 July 2016 through 13 April 2018**, and for VisaNet Integrated Payment (V.I.P.) System chargebacks processed on or after **22 July 2016 through 13 April 2018**:

- Visa will block Reason Code 62 and Interlink Reason Code 2462 chargebacks for amounts up to \$25.
- Visa will reimburse "Invalid Chargeback" fees billed to issuers for these chargebacks from 16 July 2016 through 15 October 2016. After 15 October 2016 (through 13 April 2018), Visa will not bill "Invalid Chargeback" fees for these chargebacks.
- Edit Package will be updated on 15 October 2016 to support the new changes to chargeback Reason Code 62 and Interlink Reason Code 2462 for amounts up to \$25.

Mark Your Calendar:

- \$25 minimum for BASE II card-present counterfeit fraud chargebacks and corresponding system block (**16 July 2016**)
- \$25 minimum for V.I.P. System card-present counterfeit fraud chargebacks and corresponding system block (**22 July 2016**)
- 10 maximum card-present counterfeit fraud chargebacks per account in a 120-day period and corresponding system block (**15 October 2016**)

Related Training From Visa Business School:

- [Dispute Resolution](#)

- Visa Resolve Online will implement a new warning on 15 October 2016 if a U.S. issuer attempts to create a chargeback for Reason Code 62 or Interlink Reason Code 2462 for amounts up to \$25.

10 Chargeback Maximum per Account in a 120-Day Period

Effective for chargebacks processed on or after **15 October 2016 through 13 April 2018**:

- Visa will block Reason Code 62 and Interlink Reason Code 2462 chargebacks over 10 per account in a 120-day period. The calculation of 10 per account in 120 days will begin for any Reason Code 62 chargebacks initiated on or after 15 October 2016.
- Visa will not bill "Invalid Chargeback" fees for these chargebacks.

Note: If the dispute is related to non-counterfeit Reason Code 62 (Condition 1), the system will block the chargeback, but the issuer can pursue compliance for "Transaction Violation-Chargeback Reduction Service" return. Issuers are reminded they will still need to support and meet the conditions for Reason Code 62 in their pre-compliance.

Visa also has stepped up chargeback monitoring and compliance to encourage proper chargeback processing practices and ensure issuers are submitting only valid chargebacks.

Background

Prior to October 2015, card-present counterfeit fraud liability resided with issuers. In October 2015, when the Visa EMV liability shift took effect, this liability shifted to the party that had not enabled chip (the merchant or issuer). In some cases, merchants claim that they have been unable to implement EMV terminals due to certification delays and are bearing the cost of counterfeit fraud while they wait.

The current updates will help alleviate the effect of the liability shift on merchants that have yet to implement EMV terminals as follows:

- **\$25 Minimum Transaction:** While less than 5 percent of issuers charge back transactions under \$25, some merchant segments are disproportionately affected by low-dollar EMV chargebacks. The \$25 limit covers 36 percent of U.S. domestic counterfeit chargeback transactions and 5 percent of counterfeit fraud payment volume. Limiting counterfeit chargebacks to at least \$25 through April 2018 provides some relief to these merchants while still providing incentive to implement EMV.
- **10 Chargeback Maximum:** Limiting chargebacks to 10 counterfeit transactions per account, with issuers assuming liability for all fraudulent transactions on the account thereafter, reinforces the responsibility issuers already have to detect and act quickly on counterfeit fraud. This change is focused on a small percentage of accounts with a high number of chargebacks and is expected to reduce counterfeit chargeback transactions by 4 percent and counterfeit fraud dollars by 11 percent.

Additional Resources

[Visa Core Rules and Visa Product and Service Rules: Limits on EMV Liability Shift Chargeback Rights \(Advance Copy\)](#)

[Interlink Network Inc. Operating Regulations: Limits on EMV Liability Shift Chargeback Rights \(Advance Copy\)](#)

"U.S. Acquirers Can Now Self-Certify Chip Point-of-Sale Devices," *Visa Business News*, 23 June 2016

For More Information

Contact your Visa Account Executive or call 888-847-2242 to speak with a Visa subject matter expert. Merchants should contact their acquirer.

U.S. Acquirers Can Now Self-Certify Chip Point-of-Sale Devices

U.S. | Acquirers, Processors, Merchants, Agents



Overview: Visa is introducing the Visa U.S. Chip Acquirer Self-Accreditation Program, which will enable U.S. acquirers to self-certify their chip point-of-sale (POS) devices.

Effective immediately, Visa is introducing a series of initiatives to help accelerate EMV chip migration for merchants. Visa has streamlined its testing requirements, amended and simplified the terminal certification process, and committed to investing further resources and technical expertise in a manner that can reduce time frames by as much as 50 percent. While tremendous progress has been made in the U.S. migration to chip, with more than 300 million chip cards in market and 1.2 million merchant locations now accepting chip cards, there are still many merchants that need help to cross the finish line.

In addition, to help limit exposure to counterfeit fraud liability for merchants that are not yet chip-ready, Visa is implementing limits on U.S. domestic EMV liability shift chargebacks, detailed in the 23 June 2016 *Visa Business News* article "[New Limits on U.S. Domestic EMV Liability Shift Chargebacks](#)" (available to clients, processors and merchants only).

Simplified Terminal Certification

Visa is introducing a new self-accreditation program for U.S. acquirers that will eliminate the need for them to use the Chip Compliance Reporting Tool (CCRT) to report Acquirer Device Validation Toolkit (ADVT) and Contactless Device Evaluation Toolkit (CDET) terminal test results when they deploy chip POS solutions. The Visa U.S. Chip Acquirer Self-Accreditation Program streamlines acquirers' chip-testing process and removes redundant terminal test result reporting. It also allows acquirers to adjust their test plans based on the POS solution and merchant vertical where the terminal is deployed, enabling them to perform the Visa-recommended minimum set of test scripts for both contact and contactless solutions. Refer to [U.S. Minimum Terminal Configuration ADVT Use Cases](#) for more details.

Eligibility Requirements

To ensure all U.S. acquirers can take advantage of simplified terminal certification, acquirers will need to:

- Partner with an accredited Chip Vendor Enabled Service vendor that can execute, analyze and validate terminal test results and has the capability to store test results, receipts and logs for up to five years or has the equivalent chip tool capability available in-house.
- Complete the [Visa U.S. Chip Acquirer Self-Accreditation Program Acknowledgement Form](#).

Attestation Process

In exchange for simplified certification, acquirers must:

- Upon request from Visa, provide logs, receipts and test results to resolve interoperability issues.
- Work with Visa to develop a remediation plan when interoperability issues are identified.

Outreach to Value-Added Resellers

On 16 June 2016, Visa announced its commitment to supporting both acquirers and the value-added resellers (VARs) that develop software to power chip terminals. Visa funding will be available to help acquirers with any specific resource constraints they may face, as well as to help VARs pre-certify their software solutions in a manner that will reduce acquirers' subsequent testing by up to 80 percent.

In addition, Visa will provide hands-on support to VARs that may need technical information, education, consulting and training. A dedicated team of Visa experts will be available to provide direct support in the form of webinars and one-on-one conversations, as needed.

VARs, independent software vendors and gateway entities also will have easy access to Visa for questions related to U.S. chip migrations. Send an email to USVAREMV@visa.com with any questions or requests for information about webinars and training sessions, and a Visa subject matter expert will respond to most questions within two business days. These experts can provide guidance on terminal development and configuration—including application management, terminal prompting, product design and re-architecture—as well as testing needs for U.S. deployments.

Additional Resources

Documents & Publications

[“New Limits on U.S. Domestic EMV Liability Shift Chargebacks,”](#) *Visa Business News*, 23 June 2016 (available to clients, processors and merchants only)

Online Resources

Check out [Visa Chip Bytes](#), visit the [Visa Chip](#) section at Visa Online and learn more at [VisaChip.com](#). Visa-confirmed tool vendors can access product toolkits documentation on the [Visa Technology Partner](#) website.

Visa will host a series of webinars and events for VARs that are building EMV solutions. These events will be announced in the coming weeks.

For More Information

Contact your Visa Account Executive or call 888-847-2242 to speak with a Visa subject matter expert. Merchants and third party agents should contact their issuer or acquirer.

Visa Clarifies Existing Rules: Merchants Have Flexibility for How They Implement EMV Terminals

U.S. | Acquirers, Issuers, Processors, Merchants, Agents



Overview: When designing the customer interface for their point of sale, acquirers and merchants have flexibility.

The EMV terminal certification process does not review or test the cardholder interface of the terminal and Visa does not require or mandate specific screens for terminals. EMV terminal certification is solely focused on interoperability between the card and terminal, and to ensure the terminal can properly originate a Visa transaction.

Further, merchants and their acquirers have flexibility for how they design the cardholder interface for their EMV terminals. Some merchants have deployed off-the-shelf terminals where the terminal displays "Visa Debit" and "US Debit" as options, which are read from the chip on the card. This configuration is not required by Visa. Other merchants have maintained cardholder prompts that align more closely with how they have historically provided options for cardholders paying in magnetic stripe implementations, such as the use of a "cancel" button, or "credit / debit" buttons. These solutions are perfectly acceptable. It is up to the merchant to decide how they design the cardholder interface.

While merchants can promote either verification method and route to their network of choice, merchants must ensure that a Visa cardholder can originate a transaction using their Visa Debit card using either a signature or a PIN. This is consistent with how Visa Debit cards have always worked in the U.S.

Visa's rules do not limit the merchant's ability to steer transactions to their preferred routing option. Visa encourages merchants to explore their available options and choose the configuration that best meets their needs and expectations, weighing all relevant factors including time to market, network routing options and consumer experience. We are committed to working closely with our acquirer and merchant partners to support the development of their EMV terminal implementations.

For More Information

Contact your Visa Account Executive or call 888-847-2242 to speak with a Visa subject matter expert. Merchants and third party agents should contact their issuer or acquirer.