



# ***EXCEPTION PROCESSING GUIDE***

***MASTERCARD/VISA/DISCOVER/AMERICAN EXPRESS***

**April 30, 2008**

**The guidelines summarized within are subject to change with updates to the Network rules and regulations**

# **EXCEPTION PROCESSING GUIDE**

## **Table of Contents**

| <b><u>Topic</u></b>                | <b><u>Page</u></b> |
|------------------------------------|--------------------|
| The Chargeback Cycle               | 3                  |
| Phase One: Draft Retrievals        | 4                  |
| • Retrieval Requests               | 4                  |
| • Retrieval Process                | 4                  |
| Phase Two: Prenotifications        | 6                  |
| • Prenotification Process          | 6                  |
| Phase Three: Chargebacks           | 7                  |
| Phase Four: Chargeback Reversals   | 7                  |
| Additional Information             | 8                  |
| • Chargeback Reconciliation        | 8                  |
| • Arbitration                      | 8                  |
| • Compliance                       | 8                  |
| • Illegibility                     | 9                  |
| Appendix A                         |                    |
| • Merchant Rebuttal Required       | 10                 |
| Appendix B                         |                    |
| • Cardholder Letter Required       | 11                 |
| Appendix C                         |                    |
| • Draft Retrieval Request Required | 12                 |
| Important Contact Information      | 14                 |

# THE CHARGEBACK CYCLE

The chargeback cycle generally takes place in four basic phases:

|           |                                   |
|-----------|-----------------------------------|
| Phase I   | Draft Retrieval                   |
| Phase II  | Prenotification                   |
| Phase III | Chargeback                        |
| Phase IV  | Chargeback Reversal (if possible) |

Typically most Draft Retrievals will be for Visa accounts, but our process is the same for retrieval stage on both MasterCard and Visa. The cardholder's institution will first request a draft retrieval from Fifth Third Processing Solutions (FTPS) which FTPS then forwards to the agency. The agency is responsible for providing a copy of the draft to FTPS within 10 calendar days after the draft retrieval request appears on the Visa/MasterCard Retrievals report (MD-414). After receiving the sales draft, FTPS scans the sales draft, matches the sales draft copy to the respective request, and transmits the fulfilled images to Visa and MasterCard.

If appropriate, FTPS will fulfill a retrieval request with a facsimile (substitute) draft. The retrieval request appears on the MD-414 report with a notation of FACS. It is an informational listing only and does not require action by the agency.

Once the networks forward the retrieval documentation to the respective cardholder's issuing bank, review of the sales draft may not provide sufficient documentation to prove that the transaction was indeed valid. At this point, the bank may initiate a chargeback to FTPS. If the agency has representment rights, FTPS may issue a prenotification of chargeback, depending on the chargeback reason code, to the agency requesting additional documentation to properly dispute and remedy the chargeback. The agency must provide this documentation to FTPS (via mail or online/scanning) within 30 calendar days after the report date on the Visa/MasterCard Chargeback Prenotification report (MD-413).

In some cases, the agency will have no recourse for disputing a chargeback initiated by MasterCard or Visa. For example, if the agency fails to provide a copy of the sales draft for a retrieval request within the time frames specified by the networks, all representment rights are lost. In this situation, the chargeback is immediately debited to the agency's CASHlink account and no prenotification (MD-413) is sent.

After receiving the additional documentation from the agency, the cardholder's bank may refuse to accept a reversal of the chargeback they initiated. At this point, FTPS issues the agency an advice of chargeback and debits the agency's CASHlink account for the amount of the chargeback. The agency will have 10 days from the date the advice of chargeback appears on the BankCard Advice of Chargeback Report (MD-901) to request a chargeback reversal. The agency must provide documentation to FTPS supporting the reversal request.

# I. **PHASE ONE: DRAFT RETRIEVALS**

## **I. RETRIEVAL REQUESTS**

A draft retrieval may be requested by a card-issuing bank any time, within the following time frames, from the posting date of the transaction:

| <b><u>Network</u></b> | <b><u>Time Frame</u></b> |
|-----------------------|--------------------------|
| Visa USA              | 12 months                |
| Visa International    | 12 months                |
| MasterCard            | 18 months                |

Most draft retrieval requests can be classified into two (2) categories:

1. Cardholder initiated requests
2. Fraud/Security requests

Cardholders may request a copy of a draft for several reasons (e.g. need a copy for personal records, verify a charge). Issuers' fraud/security departments may initiate requests to verify the information on the receipt, ensure that an imprint of the card was obtained if the transaction was key-entered and/or match the signature appearing on the sales draft with the cardholder's signature.

## **II. RETRIEVAL PROCESS**

FTPS transmits the **MD-414 Visa/MasterCard Retrievals** report to agencies seven (7) days a week. Each retrieval request is detailed, including the card account number, transaction date, transaction amount, agency location, and Draft Locator Number (Pay.gov tracking ID). Agencies have 10 days from the report date to get the copy of the receipt to FTPS. Each retrieval request will indicate what type of information needs to be provided to FTPS via the mail or online/scanning.

For example:

- COPY = FTPS is requesting a legible copy of the sales draft including imprint or magnetic stripe indicator.
- CPYA = FTPS is requesting a legible copy of the sales draft plus additional documentation as required by the chargeback reason code.
- ADDL = FTPS has the sales draft on file and is requesting additional documentation as required by the chargeback reason code.
- FACS = FTPS has already fulfilled the retrieval request with a Facsimile Draft copy. No action is required.

**PLEASE NOTE:** Failure to respond to the draft retrieval will likely result in a chargeback for "Non-Receipt of Draft". Agencies have no representation rights for this type of chargeback.

### **Faxing and Mailing Agencies:**

- A copy of the MD-414 containing the applicable retrieval request **MUST** accompany the copy of the draft/additional information.
- If an agency has more than one transaction on a report, the agency must make a copy of the report to accompany a copy of each receipt; one (1) copy per page. Black out any other account numbers. Do not highlight as they do not copy or scan legible.

- If the copies are legible, they may be faxed to 513-534-3450.

OR

- MAIL the copy of the draft/additional information and the MD-414 to:  
Merchant Services  
5050 Kingsley Drive  
1MOC2U  
Cincinnati, OH 45263-5300
- FTPS suggests keeping a copy of all chargeback correspondence in a "Chargeback File" for future reference.

## **PHASE TWO: PRENOTIFICATIONS**

### **I. PRENOTIFICATION PROCESS**

FTPS transmits the **MD-413 for First and Second Chargeback Prenotification for Visa/MasterCard** to agencies seven (7) days a week. In these summary reports, each Chargeback "prenote" is detailed, including the card account number, transaction date, transaction amount, agency location, and Draft Locator Number (Pay.gov tracking ID). In addition, the **MD-900 Chargeback Prenotification** report is transmitted to the agency. While the MD-413 report provides a summary of all prenotes for a given day, the MD-900 provides the agency with a single page advice for each prenote identified on the MD-413.

FTPS transmits the **MD-412 for Pre-Arbitration / Pre-Compliance Notification for Visa** report to agencies seven (7) days a week. In these summary reports, each "prenote" is detailed, including the card account number, transaction date, transaction amount, and agency location. In addition, the **MD-906 Pre Arbitration / Pre-Compliance Notification** report is transmitted to the agency. While the MD-412 reports provide a summary of all prenotes for a given day, the MD-906 provides the agency with a single page advice for each prenote identified on the MD-412. If you feel strongly about case and do not want to accept responsibility for the transaction, you will need to indicate this on your documentation. If the issuer bank files the case with Visa and Visa rules in the issuer's favor, you will be assessed the filing fees of \$400 to \$500 plus the transaction.

You have 30 days from the report date (on the MD-413 or MD-412) to respond to FTPS for the chargeback prenotification. Each prenote will indicate what type of information needs to be provided to FTPS via the mail or online/scanning. For example:

- COPY = FTPS is requesting a legible copy of the sales draft including imprint or magnetic stripe indicator.
- CPYA = FTPS is requesting a legible copy of the sales draft plus additional documentation as required by the chargeback reason code.
- ADDL = FTPS has the sales draft on file and is requesting additional documentation as required by the chargeback reason code.
- FAST = FTPS already has the documentation on file; the agency need only complete the Fast Track form.

#### **Faxing and Mailing Agencies:**

- A copy of the MD-413 or MD-412 containing the applicable prenote **MUST** accompany the copy of the draft/additional information.
- If a agency has more than one transaction on a report, you must make a copy of the report to accompany a copy of each receipt; one (1) copy per page. Black out any other account numbers. Do not highlight as they do not copy or scan legible.
- If the copies are legible, they may be faxed to 513-534-3450.

OR

- MAIL the copy of the draft/additional information and the MD-413 or MD-412 to:  
Merchant Services  
5050 Kingsley Drive  
1MOC2U  
Cincinnati, OH 45263-5300
- FTPS suggests keeping a copy of all chargeback correspondence in a "Chargeback File" for future reference.

## **PHASE THREE: CHARGEBACKS**

As indicated earlier, there are instances when the agency will have no recourse for disputing a chargeback initiated by MasterCard or Visa. If it is determined that the chargeback cannot be challenged with the documentation provided, the FTPS Chargeback Representative will debit the agencies CASHlink account. Again, failure to provide documentation within the appropriate time frames at the draft retrieval or chargeback prenotification stage will also result in a chargeback to your account.

The **MD-901 Bankcard Advice of Chargeback / Chargeback Reversal** is transmitted seven days a week. If a chargeback (or chargeback reversal) is keyed to the agency's CASHlink account, it will appear on this report. In addition to the transaction detail for the chargeback (card account number, transaction amount, transaction date, etc.), the MD-901 also provides a suggested remedy for a reversal of the chargeback that must be returned to our Merchant Service area to refute the chargeback.

## **PHASE FOUR: CHARGEBACK REVERSALS**

The agency in some instances may request a chargeback reversal. If the agency is able to provide a valid challenge to the chargeback within ten (10) days of the date of the chargeback (MD-901 report date), FTPS will review the merits of the case again. Specifically, we will look at the representment rights, time frames, and additional documentation. The reversal request will then be accepted or denied. If the reversal request is accepted and the chargeback is reversed, a credit will typically be keyed to the agencies CASHlink account within five business days of the receipt of the reversal documentation. The reversal will be indicated on the next MD-901 as a chargeback reversal. If the reversal request is denied, the denial and reason for the denial will be indicated on the next MD-901 as a chargeback reversal denial. Again, failure to respond to a retrieval request can result in a chargeback for "Non-Receipt of Draft". **You will have no representment rights for this type of chargeback.**

### ***Faxing and Mailing Agencies:***

- A copy of the MD-901 containing the applicable chargeback MUST accompany the copy of the draft/additional information.
- Please use the "Merchant Response" field on the Advice of Chargeback (MD-901) to indicate any special instructions or pertinent information for FTPS.
- If the copies are legible, they may be faxed to 513-534-3450.

OR

- MAIL the copy of the draft/additional information and the MD-901 to:  
Merchant Services  
5050 Kingsley Drive  
1MOC2U  
Cincinnati, OH 45263-5300
- FTPS suggests keeping a copy of all chargeback correspondence in a "Chargeback File" for future reference.

## **ADDITIONAL INFORMATION**

### **CHARGEBACK RECONCILIATION**

The **MD-410 Merchant Credit Card Processing Detail** is transmitted to agencies six (6) days a week. This report provides a detailed listing of each chargeback and adjustment once they have posted to the agencies CASHlink account. The purpose of this report is to assist the agency in reconciling the chargebacks and adjustments to your **MD-479 Summary of CASHlink**. All chargebacks and adjustments reported on the MD-410 will be netted against your credit voucher (SF 215) or debit voucher (SF 5515) reported on the MD-479 to show the agencies true voucher deposit amount for a given day.

### **ARBITRATION**

In most cases, Acquirers are given (45) days by MasterCard from the initial prenotification report date (MD-413) to arbitrate a chargeback. Arbitration may be filed at the request of your chargeback representative or at your request. If the agency loses the arbitration case, they must pay a \$150 filing fee and \$250 review fee (\$400 total). Contact your chargeback representative if you wish to arbitrate a chargeback.

**Please Note:** New evidence **cannot** be introduced at the arbitration stage. It is imperative to provide all pertinent information regarding the case during the prenote and chargeback phases.

For a Visa USA and Visa International transaction, if a Pre-Arbitration Notification is received and you do not want to accept responsibility for the transaction you will need to indicate this on your documentation. If the issuer bank files the case with Visa and Visa rules in the issuer's favor, you will be assessed the filing fees of \$400 to \$500 plus the transaction.

### **COMPLIANCE**

In most cases, Acquirers are given (30) days by Visa and MasterCard from the initial pre-compliance letter from the cardholder's bank to respond to a compliance case. Compliance cases will only be filed at the request of the cardholder's bank. If the agency loses the compliance case, they must pay a \$150 \ \$250 filing fee and \$250 review fee (\$400 to \$500 total).

You will need to supply the following information to FTPS **within 15 days** of the date of the compliance letter:

- A copy of the draft.
- A rebuttal explaining any specific challenges to the cardholder's dispute.
- A signed copy of the Compliance Request form, which can be provided by FTPS upon request.
- If the copies are legible, they may be faxed to 513-534-3450.

OR

- Mail information:  
Merchant Services  
5050 Kingsley Drive  
1MOC2U  
Cincinnati, OH 45263-5300

\*Please send copy of corresponding Report or Letter to insure proper routing

## **ILLEGIBILITY**

Illegible Item chargebacks can be initiated by the issuer if the image (draft) is not sufficiently legible to submit to the cardholder for review or to properly identify the cardholder account. In addition, if any of the required data elements on the receipt are unreadable, the issuer can chargeback for illegibility. It is very important not to send or scan copies that are too light, too dark, or smudged.

Make sure all sales drafts contain the following information:

- Store Name, City & State
- Transaction Date
- Transaction Amount
- Credit Card Number & Expiration Date
- "Ship To" Address for Mail/Phone Orders
- Approval Number
- Signature or the words "mail/phone order"
- Cardholder Name
- Description of Merchandise

**APPENDIX A: CHARGEBACK REASON CODES REQUIRING A WRITTEN MERCHANT REBUTTAL**

**Visa:**

Supporting documentation (sales drafts, contracts, proof of delivery) always strengthen the case.

- 30 Services or Merchandise Not Rendered
- 41 Canceled Recurring Transaction
- 53 Not as Described \ Defective Merchandise
- 57 Fraudulent Processing of Transactions (copy of sales drafts required)
- 75 Cardholder Does Not Recognize, if the sales draft isn't sufficient
- 80 Incorrect Transaction Amount or Account Number or Processing Error, if sales draft isn't sufficient to explain the difference
- 85 Credit Not Processed
- 86 Paid for By Other Means if sales draft isn't sufficient to explain

**MasterCard:**

Supporting documentation (sales drafts, contracts, proof of delivery) always strengthen the case.

- 4831 Transaction Amount Differs, if sales draft isn't sufficient to explain the difference
- 4837 Fraudulent Transaction No Cardholder Authorization if sales draft isn't sufficient to explain
- 4840 Fraudulent Processing of Transactions (copy of sales drafts required, too)
- 4841 Canceled Recurring Transaction
- 4850 Credit Posted as a Debit, if sales draft isn't sufficient to explain
- 4853 Not as Described \ Defective Merchandise
- 4854 Cardholder Dispute Not Elsewhere Classified (Claim or Defense)
- 4855 Non-Receipt of Merchandise (in the absence of signed proof of delivery)
- 4859 Services Not Rendered
- 4860 Credit Not Processed
- 4863 Cardholder Does Not Recognize, if the sales draft isn't sufficient

**APPENDIX B: CHARGEBACK REASON CODES REQUIRING A CARDHOLDER LETTER AND/OR SUPPORTING DOCUMENTATION**

**Visa:**

- 30 Service or Merchandise not rendered
- 41 Canceled recurring transaction
- 53 Not as described \Defective merchandise
- 57 Fraudulent processing of transaction
- 62 Counterfeit transaction
- 76 Credit posted as a purchase (sometimes)
- 81 Fraudulent transaction, Card Present Environment
- 82 Duplicate processing (sometimes)
- 83 Fraudulent transaction, Card Absent Environment
- 85 Credit not processed
- 86 Paid for By Other Means (sometimes)

Note: Issuers may use a Fast Track Form in place of a cardholder letter on all non-fraud reason codes. The Fast Track Form contains all the necessary information and the cardholder must still send supporting documentation.

**MasterCard:**

- 4835 Card Not Valid or Expired (sometimes supporting doc is required)
- 4837 Fraudulent transaction, no cardholder authorization
- 4840 Fraudulent processing of transaction
- 4841 Canceled recurring transaction (sometimes supporting doc is required)
- 4847 Fraudulent transaction exceeds floor limit, not authorized
- 4853 Not as described \ Defective merchandise
- 4854 Cardholder dispute not elsewhere classified (claim or defense)
- 4855 Non-receipt of merchandise
- 4857 Card activated transaction (sometimes supporting doc is required)
- 4859 Services not rendered
- 4860 Credit not processed
- 4862 Counterfeit transaction, magnetic stripe Point of Sale (POS) fraud

Note: Issuers may use an Expedited Billing Form in place of a cardholder letter on most reason codes. The Expedited Billing Form contains all the necessary information and the cardholder must still send supporting documentation, but the cardholder is not required to sign the form.

**APPENDIX C:**  
**CHARGEBACK REASON CODES REQUIRING A DRAFT RETRIEVAL**

**DRAFT RETRIEVAL ALWAYS REQUIRED:**

**Visa:**

- 60 Illegible Sales Draft
- 75 Cardholder Does not Recognize – For Card Present Environment
- 79 Non Receipt of Sales Draft
- 81 Fraudulent Transaction – Card Present Environment (International)

**MasterCard:**

- 4801 Non-Receipt of Draft
- 4802 Sales Draft Illegible or Missing Values

**DRAFT RETRIEVAL SOMETIMES REQUIRED:**

**Visa**

- 57 Fraudulent Processing of Transactions (sometimes)
- 80 Incorrect Transaction Amount or Account Number \Processing Error
- 82 Duplicate Processing
- 83 Fraudulent Processing – For Card Absent Environment
- 86 Paid for By Other Means

**MasterCard:**

None

**DRAFT RETRIEVAL NOT REQUIRED BEFORE CHARGEBACK:**

**Visa**

- 30 Services or Merchandise Not Rendered
- 41 Cancelled Recurring Transaction
- 76 Credit Posted as a Purchase
- 53 Not as Described \Defective Merchandise
- 62 Counterfeit Transaction
- 70 Recovery Card Bulletin
- 71 Authorization Request Declined
- 72 No Authorization
- 74 Late Presentment
- 75 Cardholder Does Not Recognize (if card Mail Telephone indicator on settlement)
- 76 Credit Posted as a Purchase
- 77 Non-Matching Account Number
- 78 Service Code Violation (International only)
- 85 Credit Not Processed

- 93 Risk Identification Service
- 96 Transaction Exceeds Limited Amount

**MasterCard**

- 4807 Warning Bulletin
- 4808 Requested/Required Authorization Not Obtained
- 4812 Account Number Not on File
- 4831 Transaction Amount Differs
- 4834 Duplicate Processing
- 4835 Card Not Valid or Expired
- 4837 No Cardholder Authorization
- 4840 Fraudulent Processing of Transactions
- 4841 Canceled Recurring Transaction
- 4842 Late Presentment
- 4846 Correct Transaction Currency Code Not Provided
- 4847 Exceeds floor Limit – Not Authorized and Fraudulent Transaction
- 4849 Questionable Merchant Activity
- 4850 Credit Posted as a Debit
- 4853 Cardholder Dispute – Defective/Not as Described
- 4854 Cardholder Dispute – Not Elsewhere Classified
- 4855 Non-Receipt of Merchandise
- 4857 Card-Activate Telephone Transaction
- 4859 Services Not Rendered
- 4860 Credit Not Processed
- 4862 Counterfeit Transaction
- 4863 Cardholder Does Not Recognize – Potential Fraud

## **IMPORTANT CONTACT INFORMATION**

|  |              |
|--|--------------|
| Chargeback and Retrieval Help - Barbara Hervey | 513-358-4437 |
| Chargeback and Retrieval Fax                   | 513-534-3450 |
| Compliance Fax-after                           | 513-534-3456 |
| General Agency Support                         | 866-914-0558 |

Mailing Address for Chargebacks, Retrievals and Compliance:

**Merchant Services  
5050 Kingsley Drive  
1MOC2U  
Cincinnati, OH 45263-5300**