



MasterCard
Worldwide

March 17, 2010

New MasterCard Debit (including Prepaid) Processing Requirements

Note: This presentation has been developed for acquirers to use in discussions with their merchants, vendors, VARs, and other constituents who will be impacted by the new requirements. Acquirers may “rebrand” this presentation with their own PowerPoint template. Source files will be provided for this convenience.

Disclaimer



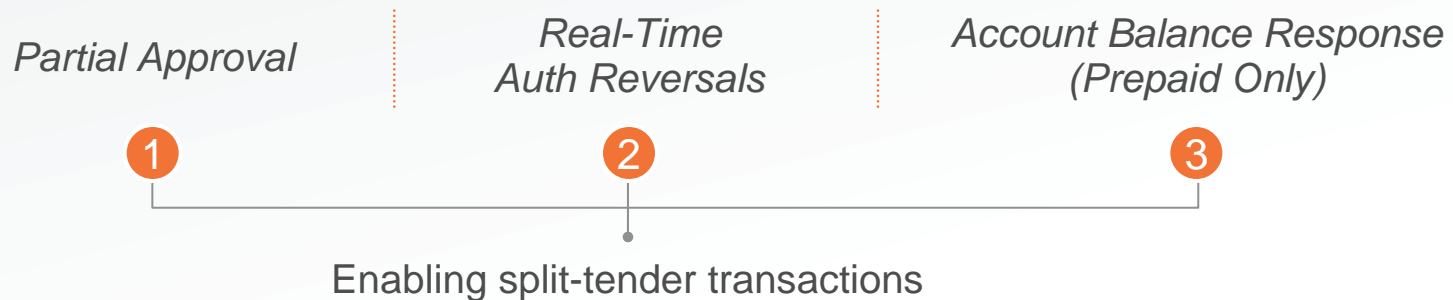
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Please note the site is under construction and will be available soon.

www.mastercard.com

New Acquirer and Merchant Requirements

Effective May 1, 2010*, acquirers must support these requirements for Debit MasterCard and Maestro cards, including prepaid products:



- The mandate is phased depending on a merchant's MCC and POS technology employed – eCommerce and other “card not present” merchants must support the requirements based on their MCC
- At present, scope of requirements is U.S. merchants only

*Changed from May 1, 2009)

Why these changes?

CURRENT ISSUE

Today, cardholders and merchants may experience declines at the point of sale when using their debit (including prepaid) products:

Customers not always aware of the available balance in their prepaid and debit accounts.

High decline rates caused by customers trying to purchase more than the balance available in their accounts.

Issuers tie up “open to buy” when authorizations do not result in a final clearing transaction as the cardholder changed their minds on purchases, etc.

BENEFITS AS RESULT OF NEW MANDATE:

Partial approvals will enable merchants to conduct split-tender purchases

by allowing issuers to approve a portion of the original transaction amount in the authorization request when the transaction amount exceeds the funds available on the card. The merchant can then initiate split-tender processing to obtain the remainder of the purchase amount via another form of payment.

Authorization reversals will free up cardholders’ “open to buy” (available balance), reducing declines at POS.

When prepaid issuers can transmit account balance information in an authorization response, customers will attempt fewer purchases that exceed their available balance, leading to fewer declines at point of sale and speeding the check-out process.

Partial Approvals

When a MasterCard Debit or Prepaid authorization request is sent, the issuer can respond with an approval amount less than the requested amount in field DE 6.

The appropriate flag must be set in the authorization request 0100 message to indicate that the merchant is capable of accepting and processing a partial approval amount (when field DE 48 / Sub-element 61.1 = 1 this indicates the merchant is partial approval-capable)

When the approved amount is less than the amount originally requested, the merchant should prompt the customer to pay the difference with another form of payment.

If the cardholder does not wish to proceed with the transaction, the merchant must initiate a “real-time reversal” transaction to immediately free up the customer’s “open to buy.”

Note: the merchant’s sales and systems staff may already be familiar with partial approvals, real-time authorization reversals, and account balance response if they process EBT transactions and/or private label prepaid programs.

Authorization Reversals

An “authorization reversal” is a real-time transaction initiated when the customer decides that they do not want to proceed with the transaction or if the merchant cannot complete transaction for any reason (e.g., item out of stock on MOTO transaction)

- The transaction must already have been authorized but not submitted for clearing
- If the transaction has been submitted for clearing, then the merchant should initiate a void, refund, or other similar transaction so that the customer’s “open to buy” is freed up and the available balance restored, as they do today

Account Balance Response

For some, but not all, prepaid Debit MasterCard cards, the issuer must include the remaining available balance in the cardholder's account in the authorization response message field DE54.

If included, the merchant must print it on the customer receipt or display it on a customer-facing terminal/device, or both.

Note: Not all authorization responses will include a remaining account balance value (e.g., none would be returned on a MasterCard Payroll card). If it is present, merchant must display and/or print the balance.

Scenarios and Transaction Flows

1.

Basic In-Lane Purchase
with Sufficient Balance

2A.

Basic In-Lane Purchase with
Insufficient Balance; Partial
Approval Offered by Issuer
and Accepted by Cardholder

2B.

Basic In-Lane Purchase
with Insufficient Balance;
Partial Approval Offered by
Issuer and Accepted by
Cardholder – PIN Transaction

3A.

In-Lane Purchase with
Insufficient Balance; Partial
Approval Offered by Issuer but
Declined by Cardholder
Resulting in Real-Time
Auth Reversal

3B.

In-Lane Purchase with
Insufficient Balance; Partial
Approval Offered by Issuer but
Declined by Cardholder
Resulting in Real-Time Auth
Reversal – PIN Transaction

4.

Basic Table Service
Restaurant Purchase with
Insufficient Balance; Partial
Approval Offered by Issuer
and Accepted by Cardholder

5A.

Purchase at Automated
Fuel Dispenser with Actual
Purchase Less than
Partial Approval

5B.

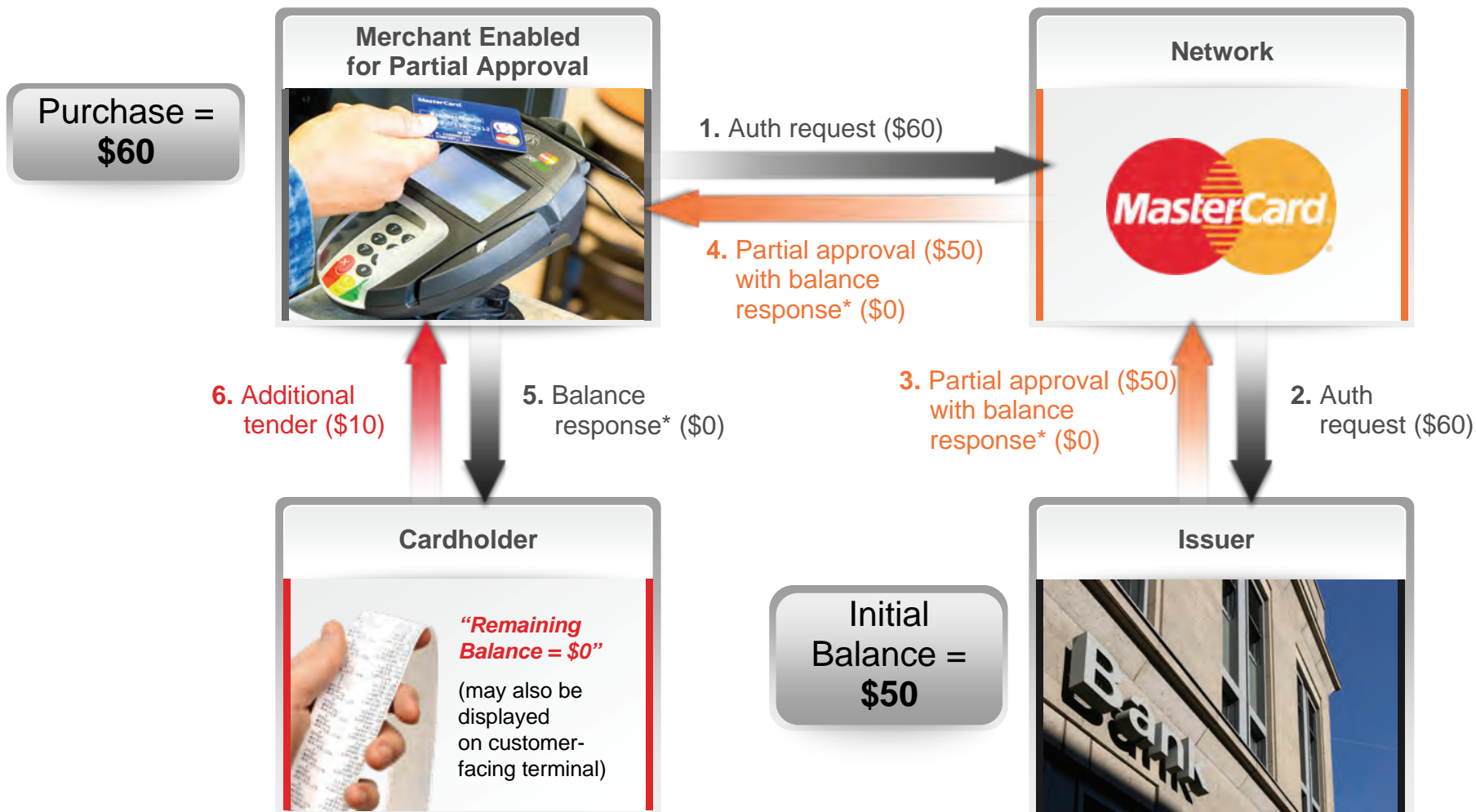
Purchase at Automated Fuel
Dispenser with Actual
Purchase Less than Partial
Approval – PIN Transaction

1. Basic In-Lane Purchase with Sufficient Balance



*If necessary for product type

2a. Basic In-Lane Purchase with Insufficient Balance; Partial Approval Offered by Issuer and Accepted by Cardholder

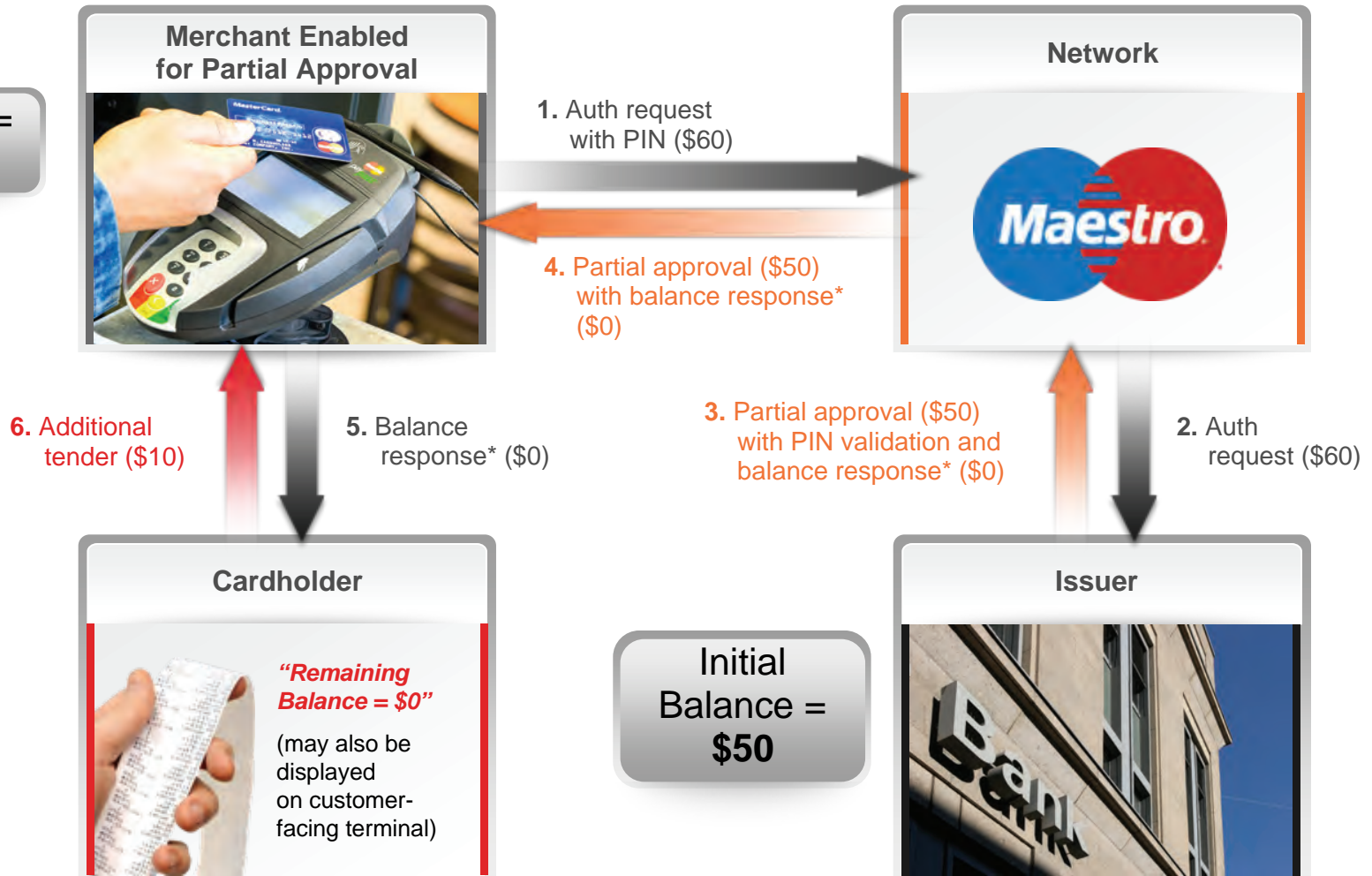


*If necessary for product type

2b. Basic In-Lane Purchase with Insufficient Balance; Partial Approval Offered by Issuer and Accepted by Cardholder – PIN Transaction



Purchase = \$60



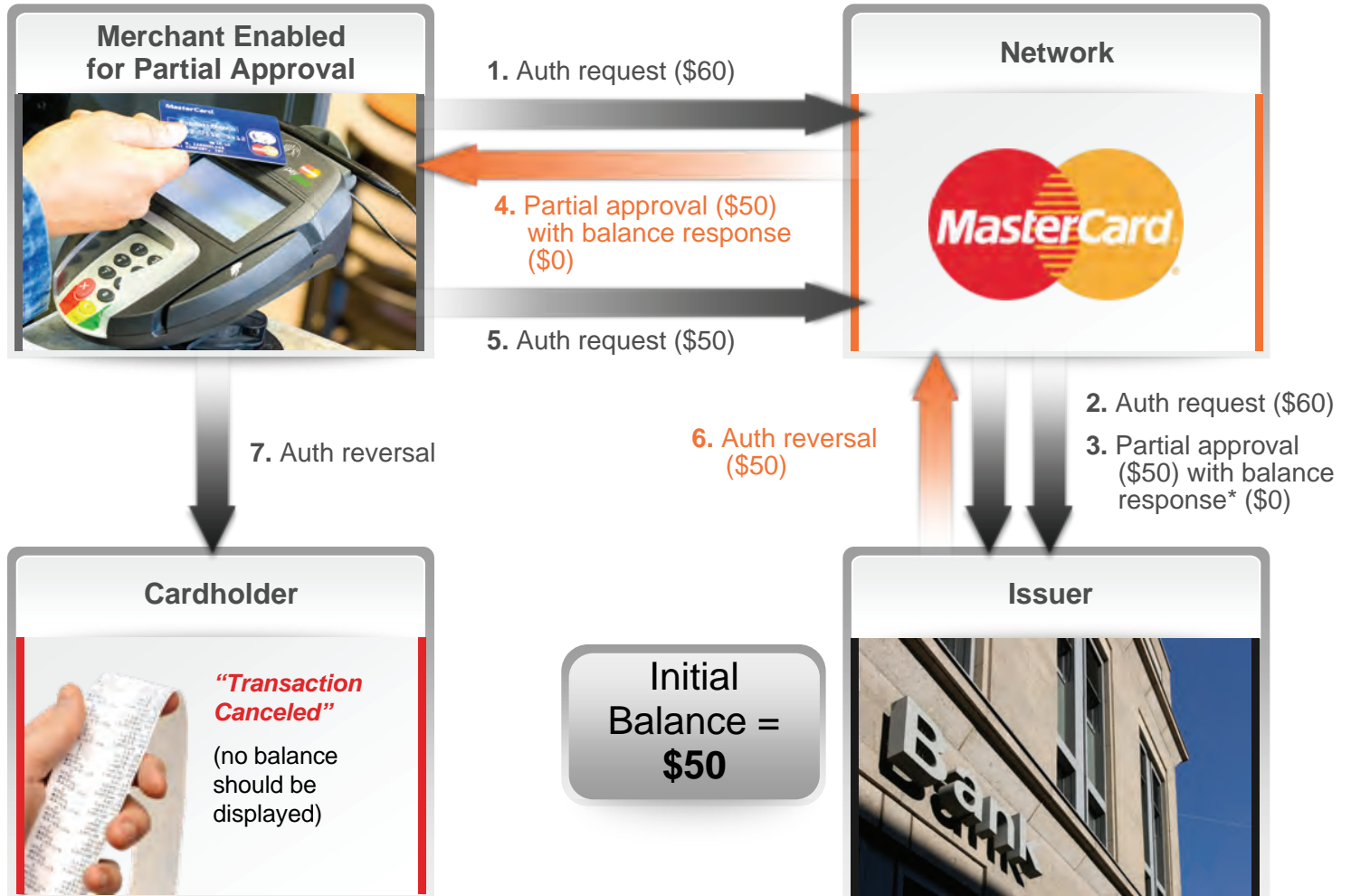
*If necessary for product type



3a. In-Lane Purchase with Insufficient Balance; Partial Approval Offered by Issuer but Declined by Cardholder Resulting in Real-Time Auth Reversal

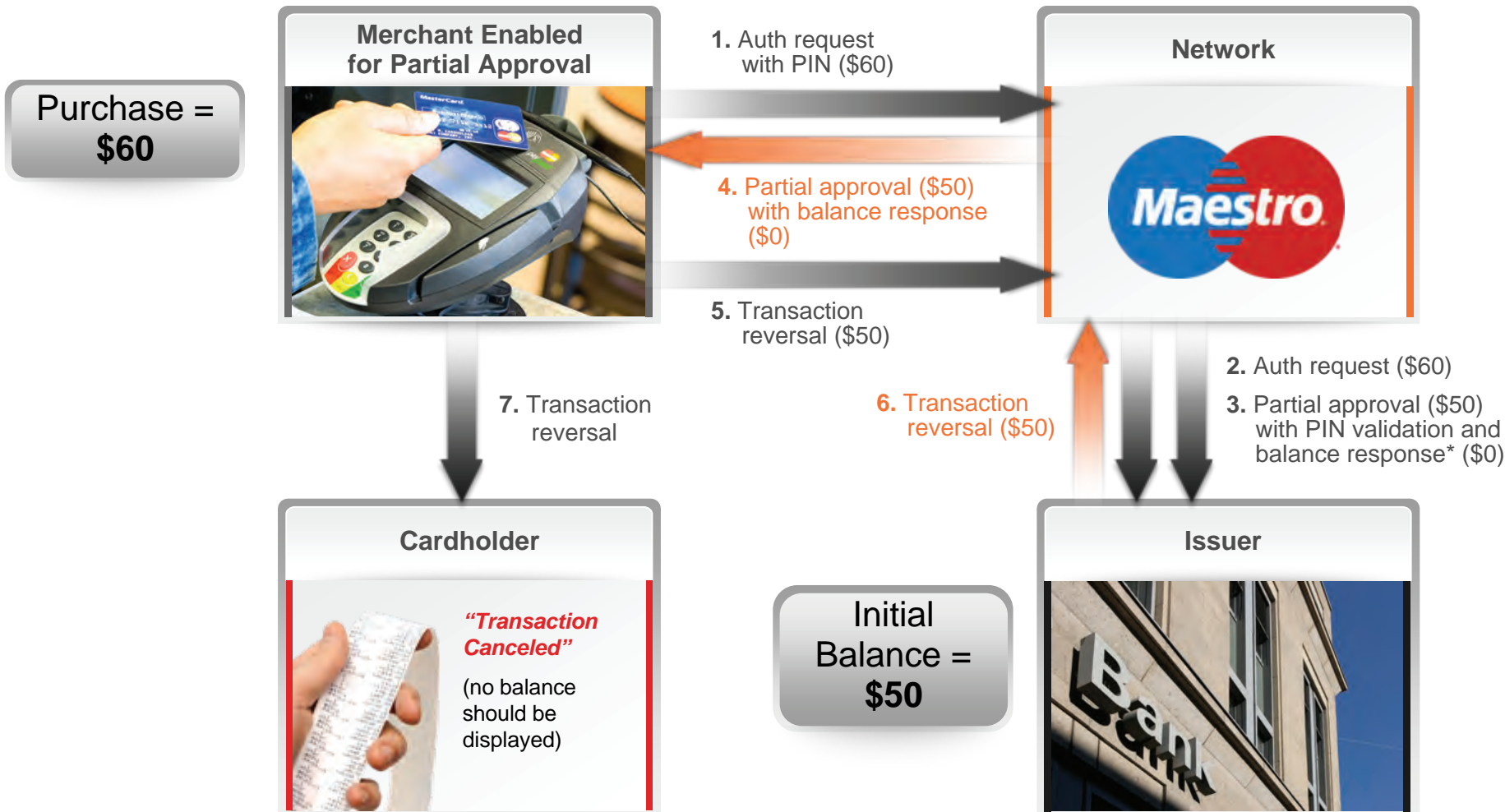


Purchase = \$60



*If necessary for product type

3b. In-Lane Purchase with Insufficient Balance; Partial Approval Offered by Issuer but Declined by Cardholder Resulting in Real-Time Auth Reversal – PIN Transaction



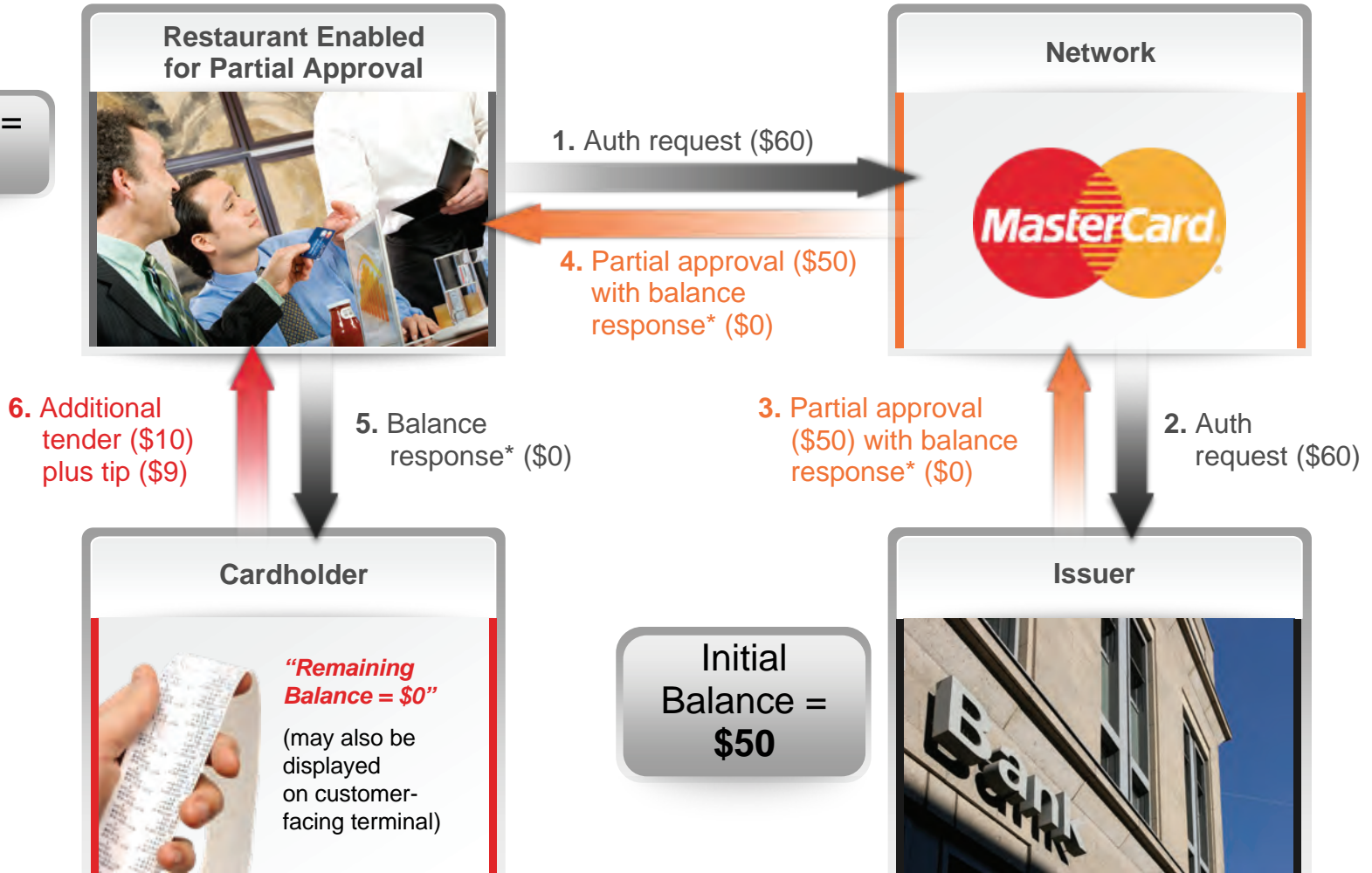
*If necessary for product type



4. Basic Table Service Restaurant Purchase with Insufficient Balance; Partial Approval Offered by Issuer and Accepted by Cardholder

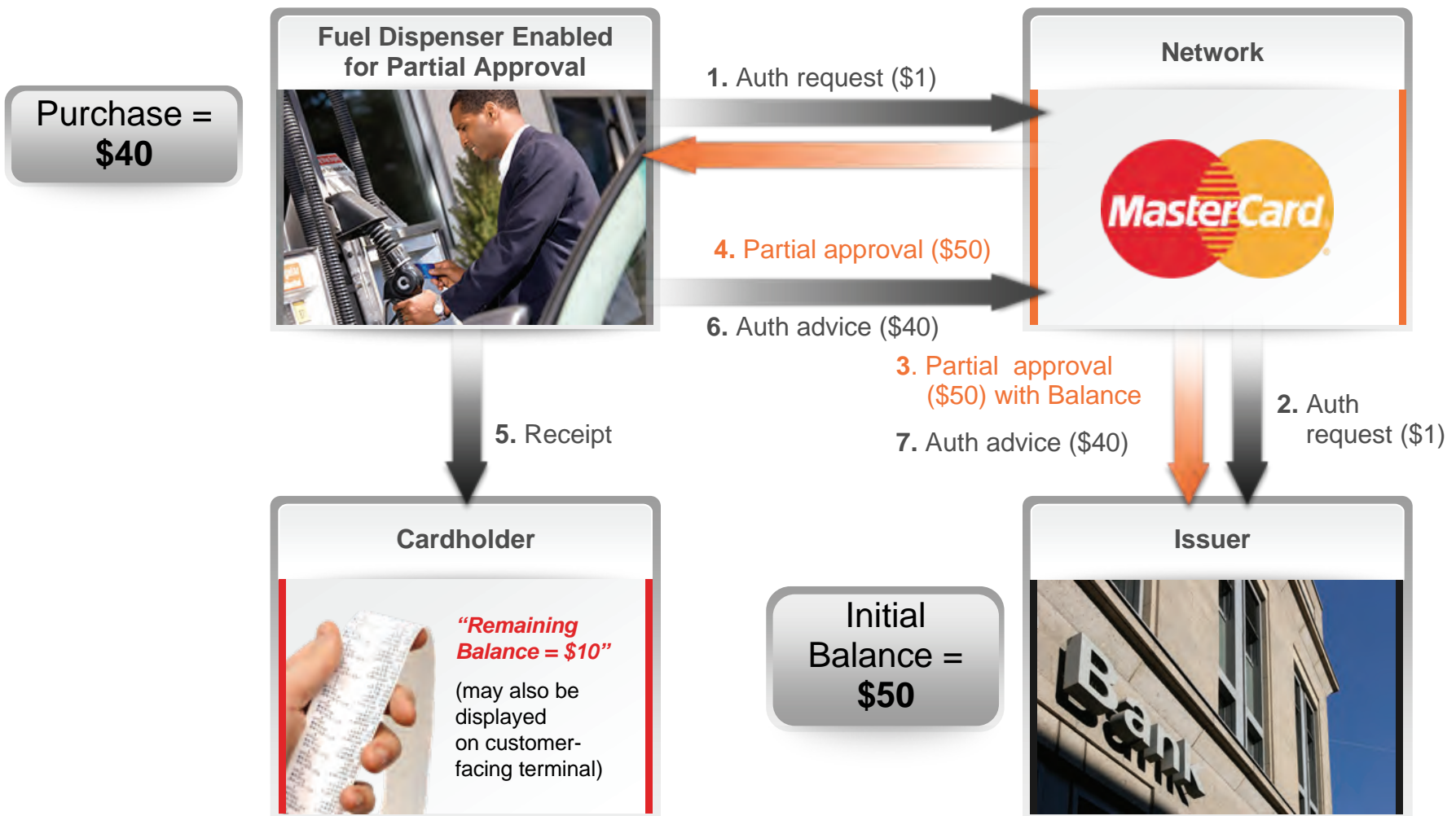


Purchase = \$60



*If necessary for product type

5a. Purchase at Automated Fuel Dispenser with Actual Purchase Less than Partial Approval

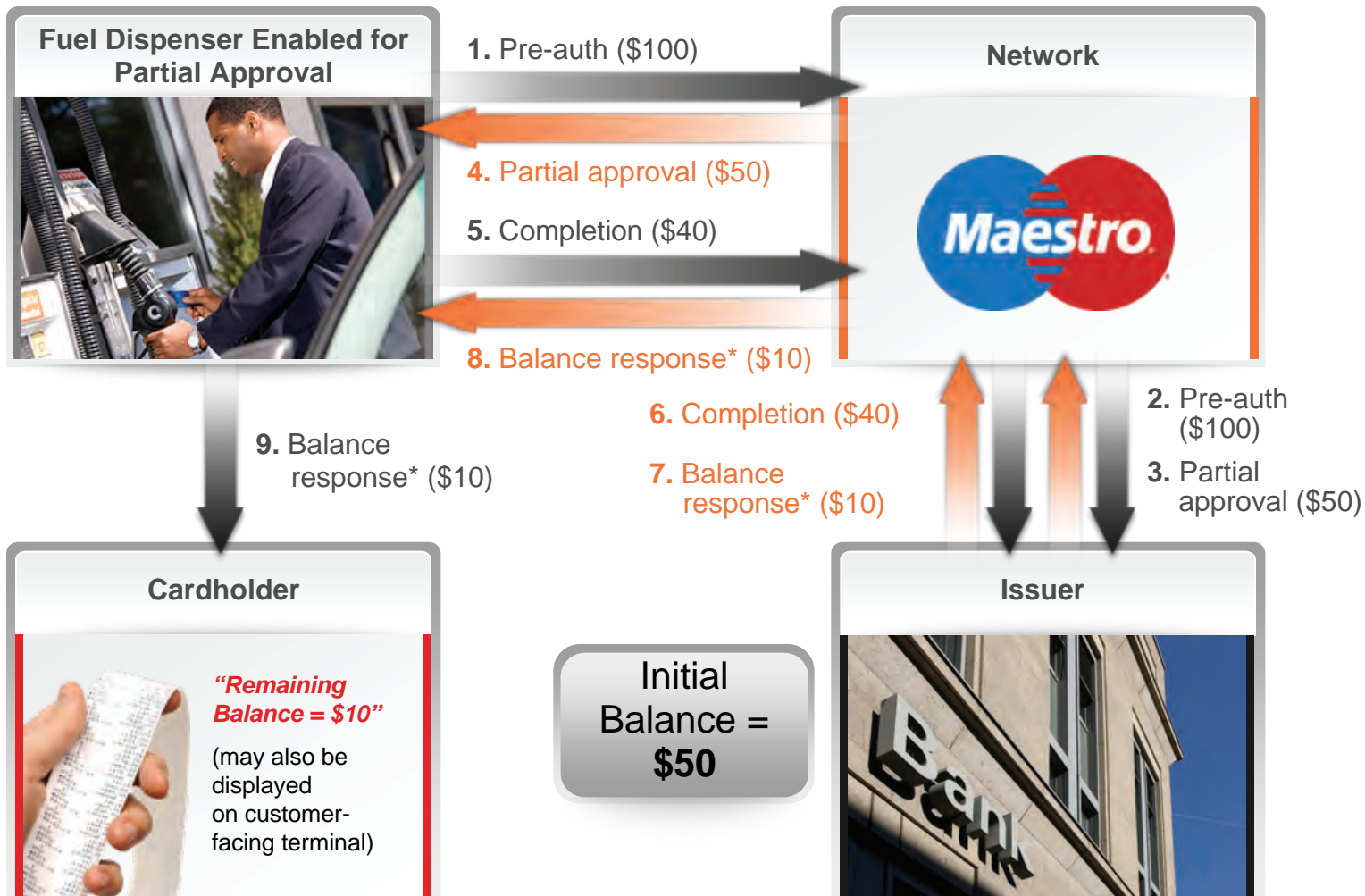


Note that Partial approval reflects reduction of typical issuer balance hold (usually \$100 at an AFD)

5b. Purchase at Automated Fuel Dispenser with Actual Purchase Less than Partial Approval -- PIN Transaction



Purchase = \$40



*If necessary for product type. Note that balance response reflects reduction of typical issuer balance hold (usually \$100 at an AFD)



Other Information and FAQs

MCCs Effective May 1, 2010

(previously scheduled for May 1, 2009)



5310	Discount Stores
5311	Department Stores
5411	Grocery Stores, Supermarkets
5499	Miscellaneous Food Stores — Convenience Stores, Markets, Specialty Stores and Vending Machines
5541	Service Stations (with or without Ancillary Services)
5542	Fuel Dispenser, Automated
5812	Eating Places, Restaurants
5814	Fast Food Restaurants
5912	Drug Stores, Pharmacies
5942	Book Stores
5943	Office, School Supply and Stationery Stores
7829	Motion Picture/Video Tape Production/Distribution
7832	Motion Picture Theaters
7841	Video Entertainment Rental Stores
8011	Doctors — not classified elsewhere
8021	Dentists, Orthodontists
8099	Health Practitioners, Medical Services — not classified elsewhere

MCCs Effective May 1, 2010

(previously scheduled for November 1, 2009)



5111	Stationery, Office Supplies
5200	Home Supply Warehouse Stores
5331	Variety Stores
5399	Miscellaneous General Merchandise Stores
5732	Electronic Sales
5734	Computer Software Stores
5735	Record Shops
5921	Package Stores, Beer, Wine, and Liquor
5941	Sporting Goods Stores
5999	Miscellaneous and Specialty Retail Stores
8041	Chiropractors
8042	Optometrists, Ophthalmologists
8043	Opticians, Optical Goods, and Eyeglasses

MCCs Effective May 1, 2010

(cont'd)



4812	Telecommunication Equipment including Telephone Sales
4814	Telecommunication Services
5300	Wholesale Clubs
5964	Direct Marketing — Catalog Merchants
5965	Direct Marketing — Combination Catalog/Retail Merchants
5966	Direct Marketing — Outbound Telemarketing Merchants
5967	Direct Marketing — Inbound Telemarketing Merchants
5969	Direct Marketing — Other Direct Marketers—not classified elsewhere
8062	Hospitals

MCCs Effective November 1, 2010 and after

MCCs Effective November 1, 2010

4111	4111 Transportation — Suburban and Local Commuter Passenger, including Ferries
4816	4816 Computer Network/Information Services
4899	4899 Cable, Satellite, and Other Pay Television and Radio Services
7996	7996 Amusement Parks, Carnivals, Circuses, Fortune Tellers
7997	7997 Country Club Membership
7999	7999 Recreation services — not classified elsewhere

MCCs Effective May 1, 2011

8999	8999 Professional Services — not classified elsewhere
9399	9399 Government Services — not classified elsewhere

MCCs not listed are encouraged, but are not required, to support the requirements at this time.

Exceptions for “Standalone” POS Terminals



“Standalone” terminals will be granted extensions

A “standalone” terminal is defined as a device that is not integrated into a merchant’s POS system, such that the sale amount has to be manually keyed into the terminal

The phase-in period for standalone terminals is as follows:

All terminals **deployed** after May 1, 2010 must support the requirements

All terminal **downloads** performed for any reason after May 1, 2010 must support the requirements

If a merchant’s MCC has a May 1, 2011 requirement date, the later date shall prevail to support the requirements

Impact on Acquirers, Processors, and Merchants



ACQUIRERS

- Ensure that front- and back-end processors and affected merchants understand and comply with their responsibilities and associated timeframes.
- As necessary and feasible, work with merchants to support training of affected staff (e.g., cashiers).

FRONT-END PROCESSORS

- Implement changes in host systems and message formats with merchants to support the real-time authorization reversal transaction, as described in Banknet Releases 05.2, 06.1, and 06.2 and MDS Release 06.2 as well as the CIS Manual.
- Implement changes in field DE48/Sub-element 61.1, an Authorization Request 0100 flag to indicate that a merchant's POS system is capable of partial approval-capable.
- Make changes to data element DE6 ("Amount, Cardholder Billing") and accept a response code of "10" in data element DE39 in an Authorization Request Response/0110 message to pass partial approval amount to merchants' POS systems.
- Implement requisite changes in data element 54 ("Additional Amounts") subfields to allow for transmitting account balance information in an Authorization Request Response 0110 message (both approvals and declines) to the merchant so it can be printed on the cardholder receipt and/or displayed to the cardholder.
- Processors responsible for merchants' terminal software must add the functionality to support processing and display of partial approval responses, processing of the new real-time reversal transaction, and display and/or printing of account balance response.

Impact on Acquirers, Processors, and Merchants (cont'd)



BACK-END PROCESSORS

- Processors' chargeback systems and procedures may need modification to recognize the fact that acquirers are protected from chargebacks **only** up to the amount of the partial approval.

MERCHANTS

- Merchants responsible for maintaining their own POS software (i.e., via in-house staff or third-party vendors) must add the functionality to support processing partial-approval responses, split-tender transactions, the new real-time reversal transaction, and display and/or printing of account balance.
- Cashiers and other relevant customer-facing staff must be trained in the new procedures for partial-approval/split-tender transactions, shown how and when to initiate a real-time authorization reversal, and made familiar with display and/or printing of remaining account balance for the cardholders' benefit.

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FAQs – What Is Changing?

MASTERCARD IS REQUIRING USAGE OF THESE THREE (3) TRANSACTION TYPES.

- **Partial Approvals** — Merchants can systemically conduct split-tender purchases by allowing debit card issuers (including prepaid) to systemically approve a portion of the original transaction amount in the authorization request when the transaction amount exceeds the funds available on the card. The merchant can then systemically initiate split-tender processing and obtain the remainder of the purchase amount in another form of payment.
- **Balance Response** — Prepaid issuers can transmit account balance information in an authorization response, cardholders will attempt fewer purchases that exceed their available balances, leading to fewer declines at the POS.
- **Authorization Reversal** — Authorization reversals will free up debit cardholders' open to buy amounts by reducing issuer holds on available balances when transactions were not completed, therefore reducing the declines at the POS and the amount of cardholder complaints that are unpleasant for all parties involved.

WHY IS MASTERCARD REQUIRING THESE CHANGES?

- Merchants have had to deal with cardholders trying to use various debit or prepaid cards unsuccessfully. Implementing and using these three transaction types (Partial Approval, Real-Time Reversals, and Account Balance Response) will ease that burden. Cardholders will be able to get partial approvals if account balances are not adequate to cover the original purchase amount, and will be prompted to pay the remaining balance by some other means. If “approved” transactions are cancelled at the merchant, the cardholder’s buying power will be restored with the cancel keystroke capable of sending a real-time reversal to the issuer. Prepaid Cardholders will be better informed of card account balances and may be inclined to spend more.

FAQs – What Is Changing? (cont'd)

ARE THE CHANGES GLOBAL IN SCOPE OR U.S. ONLY?

- At this point in time, the required changes are mandated for the U.S. only and do not include US Territories such as Puerto Rico. These changes may have impact on issuers and acquirers on a global basis and we strongly suggest supporting the transaction types as we review potentially expanding the US requirement to other regions.

WHAT ABOUT MAESTRO-BRANDED PROGRAMS?

- The debit and prepaid program requirements also apply to Maestro-branded PIN based transactions.

WHEN WAS THIS REQUIREMENT FIRST ANNOUNCED?

- MasterCard began implementing changes to the authorization messages in 2005 with Banknet Release 05.2, followed by changes in Releases 06.1, 06.2, and MDS Release 06.2. The mandate for all US Issuers to support these changes was announced in September 2007, which was then followed with an announcement for the Acquirer/Merchant mandate in February 2008. The list of affected MCCs and associated timeframes was announced in Global Operations Bulletin No. 2, 1 February 2008. However, the date for MCCs previously listed as May 1, 2009 and November 1, 2009 has been extended to May 1, 2010. This relaxation of the initial requirements was announced in the Global Operations Bulletin No.7, 1, July 2008.

FAQs – Who Is Affected?

WHAT ABOUT MCCS NOT LISTED IN THE GLOBAL OPERATIONS BULLETIN NO. 2, 1 FEBRUARY 2008?

- There is currently no timeframe requirement for MCCs not listed at this time, however, MasterCard reserves the right to update the policy as supporting these transaction types benefit both cardholder and merchant alike.

WHAT ABOUT STANDALONE TERMINALS?

“Standalone” terminals in market as of the effective date will be granted extensions. Our definition of a “standalone” terminal is as a device that is not integrated into a merchant’s POS system, such that the sale amount has to be manually keyed into the terminal.

- The Phase-in periods for standalone terminals are as follows:
- All terminals deployed after May 1, 2010 must support the requirements
- All terminal downloads performed for any reason after May 1, 2010 must support the requirements
- If a merchant’s MCC has a May 1, 2011 requirement date, then that later date shall prevail to support the requirements

ARE OTHER NATIONAL OR REGIONAL NETWORKS THAT MAY GATEWAY SOME MASTERCARD AND MAESTRO TRANSACTIONS REQUIRED TO SUPPORT THE CHANGES?

- Yes – if they process a Debit MasterCard or Maestro Card they are required to support these transactions.

FAQs – Who Is Affected? (cont'd)

IS MASTERCARD REQUIRING ISSUERS TO SUPPORT THESE CHANGES?

- Yes. Effective this past November 1, 2008, all Debit MasterCard and Maestro debit and prepaid issuers were required to process and respond appropriately to merchants that support partial approvals and real-time reversals (full and partial). In addition, prepaid Debit MasterCard and Maestro issuers must support the account balance response.

ARE THERE ANY “EARLY ADOPTERS” SUPPORTING THESE CHANGES CURRENTLY?

- Indeed, there are over 350 major merchant chains already supporting Partial Approvals. As of September 2009, approximately 20 percent in the US were being flagged as Partial Approval-enabled; and, in certain MCC segments, much higher rates of adoption are already evident.

FAQs – How Should It Work?

WILL MERCHANTS BE REQUIRED TO BOTH PRINT THE REMAINING PREPAID ACCOUNT BALANCE ON THE RECEIPT AND DISPLAY IT ON CUSTOMER FACING POS DEVICES?

- No. Merchants are required to choose to print the balance, or display the balance to cardholder, or both.

WILL THE BALANCE BE DISPLAYED/PRINTED FOR ALL DEBIT AND PREPAID PRODUCTS?

- No. Balances will only be returned by the Issuer for Prepaid Cards (and even then, only for select Prepaid Cards) to avoid, for example, printing checking account balances (DDA balances). If the “available balance” is present in the record, merchants are required to print and/or display it (cardholder facing), regardless of the dollar amount.

WILL MERCHANTS NEED ACCESS TO PREPAID BIN TABLES TO COMPLY WITH THE NEW REQUIREMENTS?

- No. By setting the appropriate flag in all authorization requests to indicate that the merchant can process partial approvals, merchants should be able to support the new requirements without using debit and prepaid BIN tables – e.g., process partial approval amount, as well as printing/displaying the remaining account balance only if it is contained in the designated fields in the authorization response message. The indicator in the authorization request message does not need to be present to receive an account balance response.

FAQs – Special Cases

ARE ECOMMERCE MERCHANTS REQUIRED TO SUPPORT THESE CHANGES AS WELL?

- Yes, eCommerce merchants are required to offer at least one opportunity for partial approval, etc. per the schedule of MCCs and associated timeframes listed in [Global Operations Bulletin No. 2, 1 February 2008](#), with the notable exception that the date for merchants listed in the Bulletin as May 1, 2009 and November 1, 2009 has been extended to May 1, 2010.

WHAT ABOUT ECOMMERCE AND OTHER CARD NOT PRESENT TRANSACTIONS – IF THE CLEARING MESSAGE HADN'T BEEN PROCESSED YET, CAN THE AUTH REVERSAL BE MADE SEVERAL DAYS AFTER THE ORIGINAL AUTHORIZATION REQUEST?

- Yes, the authorization reversal should be generated in eCommerce and other card not present transactions whenever a purchase transaction is not or cannot be completed and a clearing message has not yet been sent to the acquirer. The account balance response only needs to be supplied to the cardholder in an authorization response to a real-time authorization request. For recurring payment authorization requests and merchants utilizing batch authorizations, providing an account balance response is not required.
- Merchants should also be cognizant of the impact of split shipments. A clearing record submitted for a partial shipment will be matched against the original authorization and release the hold of funds in the cardholder's account. If the merchant expects to make a second shipment of goods, a new authorization should be taken against the card in the amount of the second shipment and cleared when the second shipment is sent.

FAQs – Special Cases (cont'd)

WHAT ABOUT INSTALLMENT PAYMENTS AND RECURRING TRANSACTIONS LIKE MONTHLY OR ANNUAL SUBSCRIPTIONS? SHOULD MERCHANTS ACCEPT A PARTIAL AUTHORIZATION FOR THESE TRANSACTIONS?

- Under MasterCard rules, merchants who have chosen to accept MasterCard debit products must accept debit and prepaid cards for all transactions (unless they suspect that the card is being used fraudulently). The merchant may, however, wish to consider the additional form of tender being provided, to complete the initial payment and consider obtaining an authorization before shipping goods or providing future services.

IS IT POSSIBLE TO HAVE A PARTIAL APPROVAL ON A PIN DEBIT TRANSACTION THAT INCLUDES CASHBACK?

- No. Such a situation might arise when the balance available on a card is sufficient to cover the purchase portion of the transaction but not the total amount including the requested cash back. In that instance, the issuer is permitted to respond in either of two ways: (i) offer an approval of the purchase amount but not the cashback; or (ii) provide a hard decline of the entire transaction.

FAQs – Special Cases (cont'd)

WHAT WILL HAPPEN WITH PETROL TRANSACTIONS (MCC 5542) WITH THE CHANGES COMING IN MAY 2010 REGARDING ADJUSTING HOLDS ON ACCOUNTS (OPEN TO BUY)?

- Recent legislative changes have required MasterCard to institute changes specific to MCC 5542 – Automated Fuel Dispensing (AFD) terminals CAT Level 2 effective May 2010. Petrol merchants and associated acquirers are required to submit an authorization advice/0120 message to issuers specifying the total amount of an completed AFD transaction no more than one hour (1) after the initial pre-authorization request.
- Likewise, issuers in the US and Canada regions must adjust the estimated hold amount on the cardholder's open to buy (OTB) to reflect the actual purchase price no more than one hour (1) after receipt of the Authorization Advice/0120 message from the Acquirer or a total of two (2) hours after the transaction completed.
- In spite of these changes, the account balance available at the time the receipt is printed will still not reflect the completed transaction amount from an AFD. Therefore, we are asking Automated Fuel Dispenser merchants NOT to print or display the remaining balance on the card. Cardholders will be best served to contact their individual issuer two hours after making an AFD purchase in order to obtain a current balance that reflects the final purchase amount.
- This exception, that AFD merchants NOT print or display the remaining balance, will apply to BOTH MasterCard and Maestro transactions.

FAQs – What If...?

WHAT IS MANDATORY AND WHAT IS OPTIONAL?

- The mandate applies to all US acquirers and merchants within select card acceptor business codes/merchant category codes (MCCs) and will be effective in three phases beginning on May 1, 2010. Merchants not falling within these MCCs are encouraged to do so, but are not required to support the new transactions at this time. Issuers in the U.S. were required to support as of November 2008, when the particular cardholder account warrants.

WILL THESE REQUIREMENTS BE EXTENDED TO MASTERCARD CREDIT PRODUCTS IN THE FORESEEABLE FUTURE?

- Extending the real-time reversal requirement to credit products is being considered, but it is too early to determine whether implementation is likely. It is suggested that merchants and acquirers make the necessary system changes without regard to the card type and let the issuer respond accordingly.

IS THERE A PROCESS FOR ENSURING COMPLIANCE WITH THESE CHANGES?

- As noted above, these changes are mandatory in the designated business codes/MCCs. Therefore, acquirers are obligated to support them and are required to ensure any merchants connected through them (regardless of the level of support provided to the merchant) make the appropriate changes to support these transactions. MasterCard will be performing quarterly “Compliance Monitoring” of these Rules changes and will follow-through with the appropriate parties “if” not in compliance.

WILL MASTERCARD BE GRANDFATHERING ANY SYSTEMS OR GRANTING ANY WAIVERS OR EXTENSIONS?

- As noted above, MasterCard has extended the date for merchants in the original first two MCC deployments until May 1, 2010. Apart from the change noted above for Automated Fuel Dispensers, no other extensions, waivers, or grandfathering are being considered.

FAQs – Other Reference Materials

- Banknet Releases 05.2, 06.1, and 06.2 and MDS Release 06.2
- Global Operations Bulletin No. 9, 4 September 2007
- Global Operations Bulletin No. 2, 1 February 2008
- Global Operations Bulletin No. 7, 1, July 2008
- Global Debit Operations Bulletin No. 7, 21 July 2008
- Global Operations Bulletin No.11, 3 November 2008
- Global Operations Bulletin No. 10, 1 October 2009
- Banknet CIS Manual
- MasterCard Rules Chapter 11- Other Regional Rules
- Maestro Global Rules Chapter 22- United States Region
- Authorization System Manual Chapter 4 – Acquirer and Issuer Responsibilities