



Today's Spotlight - COVID-19 Risk Impacts & Best Practices



As the situation surrounding COVID-19 continues to evolve, MAC wants to assure you that we are here to support you. All constituents in the payments industry are trying to get their house in order from a risk and underwriting perspective to weather the COVID-19 storm and are looking for information. Below are a list of observations, potential impacts and best practices from that group.

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Underwriting, and Portfolio Review:

- Acquirers and their banks are changing their underwriting criteria to restrict the signing of delayed delivery services
- It is a good idea for ISOs and PFs to review their credit policies, as well. Review your portfolio for the "at risk" industries (travel-related, sports-related, restaurants, salons, etc.) for decreased volumes and increases to their return and chargeback ratios

- Watch for merchants after being closed switching processors to then issue **ONLY** refunds through the new processor
- Merchants with increased volume like guns, ammo, and gold bullion - do they have the inventory on hand for the increased orders?

Changes in Merchant Fees and Advances

- Some ISO's/banks are considering suspending merchant fees and loan payments on advances.
- Visa/Interlink, all regions - Visa is postponing their Business Enhancement Release until July 17, 2020. Notifications on fee changes being implemented outside of their Business Enhancement Release are pending and expected shortly
- Mastercard/Maestro - Mastercard is postponing their Business Enhancement Release until July 17, 2020. Notifications on fee changes being implemented outside of their Business Enhancement Release are pending and expected shortly
- Discover/Pulse - pending announcement from Discover/Pulse
- American Express, all regions - changes to be implemented by Fiserv on July 17, 2020 with the exception of U.S. Opt Blue Program Assessment Fee & Inbound Fee changes. American Express advised that they will postpone those fee increases until October 16, 2020.

Monitoring Practices for Risk Management:

- Monitoring decreasing volume reports (especially for hospitality and food service) - an important addition to your risk management process if not already adopted
- Decreasing volume combined with increased chargeback ratios is now being monitored more closely - also an important addition to your risk management process if not already adopted
- Managing merchants running large amounts of returns should be monitored closely
- Increased monitoring of daily refunds, chargebacks, and high-risk merchant reviews
- Pay attention to business that charge membership fees (what is their refund policy and are they continuing to charge fees when they are not able to provide the service)
- Watch for merchants selling gift cards to raise cash to continue to do business. The risk is that the merchant goes out of business and they all come back as chargebacks.
- Work with card associations on the specifics of chargeback rules for services not provided and refund policies of airlines and travel

Fraud Trends to Watch:

- Encourage your merchants that use a gateway to review their gateway settings. Unfortunately, the fraudsters prey on times like these
 - Velocity filters on total transactions per hour, transactions on same IP

addresses, declined authorizations, etc.

- **Monitoring for price gouging for some necessities and closing merchants participating in this.**
 - **Monitor transactions for significant jump in average tickets over the last 7, 14, 30, and 60 days**
- **Monitor ecommerce merchant websites for non-compliant activities (doing price reviews of websites that are showing significant increased \$\$ volumes)**
- **Review of merchants in the underwriting process to ensure the pricing makes sense and are in line with the marketplace**
- **COVID-19 related scam products are popping up and need to be monitored for (existing and newly boarded merchants)**
- **Forced transactions - fraudsters are taking this opportunity to force sales with no authorizations in a typical bust out mode**
- **Refund Fraud - fraudsters are taking this opportunity to put refunds on cards with no offsetting sales and cashing out at the nearest ATM.**

Have some suggestions or items of your own to add to this list? Please email us and we will compile and share an updated list in a few weeks.

We are all in this together, be safe, and lets all try and keep our humor about us during this trying time.

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Get Involved!

Be a part of the only organization dedicated solely to risk, compliance, and security in the Payments Industry!

MAC is a volunteer organization, and as such, is always looking for people with a passion for payments to help bring our events and content to life. We'd love to have you involved and to hear your voice, as we help to ensure the integrity of payments industry. Our committees include the following:

- **Conference - Help plan MAC's annual conference.**
- **Education - Develop and present webinars and regional events to help bring information and awareness to the Payments Industry.**
- **Government Relations - Analyze and synthesize legislative and regulatory changes that impact our industry.**
- **Marketing - Create and shape the MAC message and brand.**
- **Outreach - Develop relationships with other professional organizations to reach more risk professionals.**

If you would like information on any of these committees, please [email us](#).

