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# Evolution of Compelling Evidence – Merchant FAQs

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## March 2023

### 1. What is the updated 10.4 condition (referred to as) Compelling Evidence 3.0?

First-party misuse occurs when cardholders report fraud on authorized transactions. To combat the risk and rising occurrences of first party fraud, as well as to establish a greater balance between issuers and merchants bearing the cost of cardholder behavior, effective April 2023, Visa is updating dispute rules relating to fraud condition code 10.4. This updated rule invalidates a dispute if evidence provided supports that the cardholder (or authorized person) participated in the transaction. With this change, when a cardholder initiates a fraud-related dispute on a card-not-present transaction, merchants will have two options to take advantage of the updated change.

During pre-dispute processing, merchants can leverage Verifi's Order Insight® service to respond with the required criteria in real-time prior to the creation and processing of the dispute within Visa Resolve Online (VROL). The same required criteria can be delivered during the post-dispute, pre-arbitration response process via a merchant's acquirer.

### 2. What are the update criteria needed to support Compelling Evidence 3.0?

When merchants provide compelling evidence the 3.0 update provides a remedy for merchants to defend against first party misuse when specific criteria are met and evidenced to the issuer.

#### Mandatory Fields

- Item description
- At least **two** of the following are the same in the dispute/undisputed transactions:
  - Customer account/login ID
  - Delivery address
  - Device ID/device Fingerprint
  - IP address
- One of two must be **Device ID, Device Fingerprint, or IP address**

#### Number and age of undisputed transactions

- Two transactions
- 120–365\* days prior to the dispute processing date

#### Liability

- Issuer liability

\* Exception is made for disputed AFTs, where any associated OCTs can be between 0–365 days from the dispute date.

### **3. What is the timeline for the rule change?**

The Visa rule change is effective for pre-arbitration attempts processed on or after 15 April 2023.

### **4. How will a merchant decide which two undisputed transactions to choose for the pre-arbitration, post-dispute response?**

When submitting pre-arbitration responses, merchants will find prior transactions based on rule criteria. The merchant should collaborate with their acquirer to ensure the undisputed transaction has no fraud activity. If the merchant has multiple eligible undisputed transactions for compelling evidence processing, choose the most recent undisputed transactions that meet the rule time frames.

### **5. Can PAN and tokenized transactions be used as historical transactions for the same customer?**

Visa will use the underlying PAN to confirm the merchant and cardholder pairing. If underlying PAN of the historical transaction is the same as the transaction being disputed, it can be used for the historical footprint.

### **6. Does CE3.0 work for recurring Merchant Initiated Transactions (MIT)?**

Yes, CE3.0 is available for recurring transactions. For subscription merchants processing recurring MIT, the IP address from the first customer-initiated transaction (CIT) can be populated for the subsequent MIT being used as evidence of a historic, non-disputed transaction.

### **7. For annual subscription merchants, how can they benefit if the limit on previous transactions is 365 days?**

If the merchant does not have multiple transactions for the cardholder within a 365-day time, then the rule will not be supported. Note: Subscription disputes are often classified as "Cancelled Recurring", rather than "Other Fraud – Card Absent Environment" (10.4).

### **8. Can a transaction that had a prior non-fraud dispute be considered as a historical transaction?**

Yes, if a prior transaction has a non-fraud dispute it would qualify as a historical transaction. It is ONLY prior transactions that DO NOT have any fraud activity that can be used to satisfy the new criteria.

## 9. Are there any MCCs that would be excluded from taking advantage of the new rule?

All MCC designations that are supported by VisaNet are eligible to take advantage of the new compelling evidence rules.

## 10. How can Acquirers ensure that Visa qualifies transactions as a match?

- Display merchant descriptors as consistent as possible
- If variation needs to exist, keep the leftmost characters the same
- If you're a standard merchant and use a "\*" in your descriptor, keep the characters to the left of the star the same. Anything to the right of the star can be unique.
- In the case of dynamic descriptors, make the rightmost characters variable, not the leftmost.
- Avoid "exception" or "data quality" errors in descriptors as they can lead to unwanted results.
- Ensure ARN's are unique for each transaction.

## 11. Can acquirers test CE3.0 pre- arbitration questionnaires prior to April 15th?

Yes, VROL's MTE2 environment will be updated on March 6th, 2023, with release 23.1 code. This code will include the CE3.0 changes, please refer to the VROL member Test Scenario document for details on how to test for CE3.0.

### Please ask your Visa Representative for other resources available on Visa Online:

- Test Scenario Document- Chapter 6
- VBN's re: rule changes June 22 & Sept 22
- Visa Net Business Enhancements Technical Letter -Section 2.2 VROL Mandatory Changes

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