Fraud and Chargebacks Policy

Version 2.9 | June 2025

Content

Introduction

This document contains the applicable fraud and chargeback thresholds for transactions deposited by Merchants and Payment Facilitators[1] ("PFs") acquired by Shift4 Limited, (hereinafter referred to as the "Shift4").

In order to protect merchants/PFs and the payment ecosystem against excessive fraud and chargebacks, Shift4 is applying fraud and chargeback management programs. The programs are based on incremental thresholds to allow merchants/PFs to identify, contain and protect against fraudulent transactions and chargebacks through different measures in a timely manner. The tables below reflect Shift4's current risk appetite and are in line with the card scheme risk control programs.

Breaching any specific threshold Level outlined in this policy may lead to remedial action up to and including termination measures, if Shift4 is exposed to a substantial financial loss or reputational impact as may be determined by Shift4 in its discretion.

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[1] Payment Facilitators are entities contracting and/or approving merchants on Shift4's behalf (referred to as sub-merchants). PF's are required to use a specific cardholder descriptor format: PF*merchant name. The aggregated volumes under such descriptor need to comply with the outlined thresholds. In addition, Shift4 expects the PF to manage the sub-merchants in line with the above thresholds and other card scheme rules.

Visa Acquirer Monitoring Program (VAMP)

The Visa VAMP program replaces historical Visa's fraud programs, including VFMP, VDMP and Digital Goods monitoring programs.

Each month, Visa reviews the performance of Acquirers and their Merchants in relation to card-not-present domestic and cross-border disputes and fraud based on the prior month's data. Entities that exceed the thresholds specified in the Visa VAMP thresholds are flagged in the VAMP program and are required to take appropriate corrective and remediation measures.

VAMP Performance Definitions

Visa utilizes information from the following VisaNet transaction data to calculate the performance of VAMP metrics, included by not limited:

- TC05s - all domestic and cross border card-absent sales transactions submitted and processed through Visa in the previous calendar month by Central Processing Date (CPD). For example, sales transactions processed through Visa in March will be reported in April's VAMP Identification notification.

- TC15 is all card-absent disputes (chargebacks, both fraud and non-fraud; condition categories 10,11, 12, 13) submitted and processed through Visa in the previous calendar month by CPD.

- TC40 is referring to all card-absent fraud transactions reported to Visa by issuers in the previous calendar month by fraud post-date.

VAMP Performance Metrics

To be considered in the VAMP program, the number of negative events must be ≥1500 (fraud chargebacks are counted twice as TC40 and as TC15).

If the above is met, then the VAMP calculation is as follows:

$$VAMP\ RATIO = \frac{Monthly\ Count\ of\ TC40s\ +\ Monthly\ count\ of\ TC15s}{Monthly\ settled\ transactions\ (TC05s)}$$

Important points:

- Dispute Resolved via Real-Time Resolution (RDR) cancels out TC15 only, but does not cancel out TC40.

- Compelling Evidence 3.0 (CE 3.0) via Order Insight cancels out TC40s.

VAMP identification

There are two ways an acquirer can be identified in the VAMP program:

- Acquirer exceeds the VAMP Ratio threshold or;
- Merchant under acquirer exceeds the VAMP Ratio threshold.

Criteria	Updated Program Design (Effective 1 June 2025)			
Definition	• Fraud • All disputes			
Single Ratio	No change (The core program metric continues to be a single, count-based ratio, the VAMP ratio.)			
Monthly Thresholds for Identification in Program	**Early Warning (Acquirer)**	**Above Standard (Acquirer)**	**Excessive (Acquirer)**	**Merchant Excessive**
	≥ 40 bps to < 50 bps	≥ 50 bps to < 70 bps	≥ 70 bps	≥ 220 bps ≥150bps[2]
Minimum Count of Fraud and Disputes	1,500			
Pre-Dispute Products	Disputes resolved through pre-dispute resolution products are excluded.			

Fees for Acquirer

Fees for acquirer	Early Warning (Acquirer)	Above Standard (Acquirer)[3]	Excessive (Acquirer)[4]
	No fee	USD 4	USD 8
Calculation criteria	Fees are assessed on merchant volume exceeding monthly threshold of ≥ 50 bps and VAMP count of ≥ 5		
Grace Period	Acquirers are eligible for a 90-day grace period for every 12 months they are not identified in the program.		

Fees for Merchant[4]

Fee for merchant	Merchant Excessive
Fee	USD 8 per monthly count of fraud and disputes
Minimum Count of Fraud and Disputes	1,500
Calculation criteria	Merchant fee is applicable only if the acquirer level is ≤ 50 bps

Internal threshold

To proactively monitor merchants approaching VAMP thresholds, Shift4 has established that any merchant reaching 150 basis points (1.5%), and 750 negative events will be designated as an "Early Warning" VAMP. These merchants will be contacted to help mitigate further increases in their VAMP rate. Shift4 reserves the right to pass through to the merchant any VAMP fees assessed for the acquirer by Visa.

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[2] Effective April 1, 2026, the excessive threshold for merchants in the Europe region will be reduced to 150 bps.
[3] Enforcement of the Above Standard threshold, including applicable fee assessments, will take effect on January 1, 2026.
[4] Excessive threshold enforcement, including fee assessment, will begin effective October 1, 2025.

Mastercard Fraud Management Programs

Mastercard Fraud Program

Mastercard has postponed the launch date of its fraud program to a future date, yet to be announced. Future charges will be made upon previous notice.

To promote reduction of fraud levels across the industry, Mastercard has put in place fraud management requirements. Industry players that do not comply with these standards will face higher fees and fines.

To support these requirements, Shif4 has set its own Fraud Management program as described below:

1. The program is applicable for merchants located in the following countries: Andorra, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Greenland, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland, Vatican City.[5]

2. Merchants are required to keep their fraud rates under 0.10%.

3. The calculation of the fraud rate includes all Mastercard domestic and intra-regional purchase transactions. The calculation is based on the following formula:

4. $Fraud\ rate = \frac{Total\ amount\ of\ fraudulent\ intra\ and\ domestic\ Mastercard\ transactions}{Total\ amount\ of\ intra\ and\ domestic\ Mastercard\ purchase\ transactions}$

5. The fraud rate is assessed monthly, three full months after the end of the assessed month. This ensures that most of the fraud notifications for the assessed month were already received, and the calculation is accurate (for example for transactions processed in February the fraud rate will be calculated during the month of June, and fees, if applicable will be charged accordingly).

6. Merchants who exceed the 0.10% fraud rate will be charged a fee according to the table below. The fee is a percentage of your total processed amount of domestic and intra-regional Mastercard purchase transactions:

Fraud tier	Min fraud rate	Max fraud rate	Fee
Tier 1	0.10%	0.50%	0.015%
Tier 2	0.50%	0.75%	0.030%
Tier 3	0.75%	1.00%	0.075%
Tier 4	1.00%	2.00%	0.100%
Tier 5	2.00%	and up	0.150%

7. The program applies to all e-commerce transactions (card-not-present), it is calculated monthly, and only for merchants that had more than 1,000 transactions in the respective month.

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[5] The program will become effective in Switzerland and Liechtenstein as of 1 April 2024.

Mastercard Excessive Fraud Merchant Program (EFM)

For merchant NOT incorporated in Andorra, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Greenland, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Slovakia, Slovenia, Spain, Sweden, Vatican City, the old Mastercard Excessive Fraud Merchant Program thresholds apply:

All fraud transactions	Threshold Regulated[6] Market	Threshold Non-Regulated Market	Control measure
Approaching (Shif4 Internal Threshold only)	1000 trn count $40,000 Fraud[7] CBK 0.40% Fraud CBK % 3DS % < than 50%	1000 trn count $40,000 Fraud - CBK 0.40% Fraud CBK % 3DS % < than 10%	Internal Fraud Alert Stage Further information on merchant fraud & chargeback tools in place and business practices might be requested on a case by case basis
EFM	1000 trn count $50,000 Fraud CBK 0.50% Fraud CBK % 3DS % < than 50%	1000 trn count $50,000 Fraud CBK 0.50% Fraud CBK % 3DS % < than 10%	Mastercard Official Fraud Alert Stage Notification letter to request implementation of authentication + an action plan required

Merchants in the following countries are excluded from the EFM Program:

•   Liechtenstein

•   Switzerland

Mastercard Fraud Chargeback Calculation Methodology

Shif4 applies the following methodology to calculate fraud chargebacks on cards issued globally:

•   The chargeback ratio is calculated at the beginning of each month.

•   The chargeback ratio equals the total chargeback count received during the previous month / divided by the total transaction count of the sales reference month.

For example: The February chargeback ratio is calculated by dividing the chargeback count received in February by the total transaction count for January. The assessment will be done the beginning of March.

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[6] The term regulated refers to those countries with a legal or regulatory requirement for SCA. (EU/EEA, Malaysia, Singapore, Nigeria)

[7] Monthly fraud-related chargebacks are defined as those chargebacks processed within a calendar month under either of the following reason codes:
• 4837 (No Cardholder Authorization)
• 4863 (Cardholder Does Not Recognize-Potential Fraud)

Timeline

When a merchant enters a program, they will only move through the program timeline for every month that they meet or exceed the program threshold. If the merchant is below the threshold, they do not move to the next step in the timeline. The merchant will proceed through the program timeline for each month in which they are identified in the program, until the required remediation period is met.

Months above Thresholds	Assessment
1	No Non-Compliance Assessment
2	USD 500
3	UDS 1,000
4 -6	USD 5,000
7 - 11	USD 25,000
12 - 18	USD 50,000
19+	USD 100,000

Disputes Programs

Mastercard Excessive Chargeback Program (ECP)

Mastercard Chargeback Threshold Table

All Chargebacks	Threshold	Control measure
Approaching (Former Internal Threshold only)	0.75% & 75 chargebacks	Internal Chargeback Alert Stage Notification letter
ECM - Excessive Chargeback Merchant	1.5% & 100 chargebacks	Mastercard Official Chargeback Alert Stage All the above measures + Revise reserves A 2nd month of breach may lead to termination. Scheme fines may apply
HECM - High Excessive Chargeback Merchant	3.0% & 300 chargebacks	Mastercard Official Chargeback Alert Stage All the above measures + Revise reserves. A 2nd month of breach may lead to termination. Scheme fines may apply

Mastercard Chargeback Rate Calculation Methodology

The chargeback ratio is calculated at the beginning of each month. The chargebacks ratio equals the total chargeback count received during the previous month/divided by the total transaction count of the month prior.

For example: The April chargeback ratio is calculated by dividing the chargeback count received in April by the total transaction count for March. The assessment will be done the beginning of May.

Timeline

Merchants will remain in the Excessive or High Excessive timeline for all future identifications until they complete their remediation by being below the threshold(s) for three consecutive months. *(Table appears in the next page).*

Months above Thresholds	ECM	HECM	Issuer Recovery Assessment
1	0	0	No
2	EUR/USD 1,000	EUR/USD 1,000	No
3	EUR/USD 1,000	EUR/USD 2,000	No
4 -6	EUR/USD 5,000	EUR/USD 10,000	Mastercard will charge €5/$5 for every chargeback over the first 300 chargebacks. *e.g.: A merchant with 1000 chargebacks doesn't pay for the first 300, and pays $3500 for the rest (1000-300 = 700, 700*5=3500)*
7 - 11	EUR/USD 25,000	EUR/USD 50,000	
12 -18	EUR/USD 50,000	EUR/USD 100,000	
19+	EUR/USD 100,000	EUR/USD 200,000	

Version Control

Version	Approval	Date	Description	Author
1.0	SVP Risk	2015	First Release	Fraud Team
1.1	SVP Risk	2017	Revision of Mastercard and Visa thresholds	Fraud Team
1.2	SVP Risk	10 - 2019	Visa's updated fraud program	Fraud Team
2.0	SVP Risk	02 - 2022	Update with Mastercard new Fraud Program	Fraud Team
2.1	SVP Risk	03 - 2022	Updated the effective date of the new Mastercard program Added additional countries the program now applies in.	PMK Team
2.2	SVP Risk	05 - 2022	Added countries to the list of the program by Mastercard mandate. Changed the start date of the program. Excluded inter.	PMK Team
2.3	SVP Risk	01 - 2023	Updated Mastercard fraud program starting date to April 2023 Updated the Mastercard fraud program thresholds EFM Program decommission for the countries starting the new program Expansion of Visa VDMP and VFMP to include domestic transaction as well	PMK Team
2.4	SVP Risk	09 - 2023	Added Visa's Digital Goods program to VFMP. Added enforcement timelines to all programs.	Risk Team
2.5	SVP Risk	10 - 2023	Added new effective date for VFMP digital goods and Mastercard fraud program.	Risk Team
2.6	SVP Risk	11 - 2023	Rebranded to Shift4 Added the following MCCs to the VFMP and VDMP: 6012, 6211, 5968.	PMK Team
2.7	SVP Risk	03 - 2024	Postpone of Mastercard Fraud Program to an unknown effective date.	PMK Team
2.8	Executive Committee	25 – 04 - 2025	VAMP Program is introduced. Effective April 2025. Existing programs VFMP (Visa Fraud Monitoring Program) and VDMP (Visa Dispute Monitoring Program) decommissioned and consolidated into VAMP. VAMP defined as Count of TC40 + Non-Fraud Disputes) / Count of Total Settled VISA Transactions Penalties or assessments based on noncompliance with the new VAMP thresholds.	Fraud & AML Team

Version	Approval	Date	Description	Author
2.9	Executive Committee	06-2025	Removal of VFMP (Visa Fraud Monitoring Program) and VDMP (Visa Dispute Monitoring Program) from the policy as it is decommissioned. Update of the VISA VAMP program according to 15th May VISA publication Article ID: AI15265	Fraud & AML Team

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