

# Dispute Administration Fee (DAF)—Clarification

Topic(s): Chargebacks, Rules/Standards

<b>May Apply To:</b>	Acquirers	Issuers	Processors
<b>Summary:</b>	MasterCard announced in the February 2015 <i>Europe Region Operations Bulletin</i> the introduction of a Dispute Administration Fee (DAF) that will be automatically credited to the successful party in the dispute and debited to the unsuccessful party using the MasterCard Consolidated Billing System (MCBS). This article provides clarification regarding improper collection of this fee.		
<b>Action Indicator:</b>	<b>M</b>	Mandate	
	<b>F</b>	Financial impact	
<b>Effective Date:</b>	<ul style="list-style-type: none"> <li>– 2 August 2015 for first chargebacks</li> <li>– 20 September 2015 for second presentments</li> <li>– 8 November 2015 for arbitration chargebacks and arbitration cases for MasterCard ATM and Maestro</li> <li>– 27 December 2015 for arbitration cases for MasterCard non-ATM</li> </ul>		

## Background

As announced in *Europe Region Operations Bulletin* No. 2, 2 February 2015, MasterCard will apply the following Dispute Administration Fee (DAF) paid to the sender and charged to the receiver after each dispute cycle (“gross” is the actual amount applied; “net” means “gross” minus DAF applied after previous dispute cycles).

Dispute Cycle	Issuer Impact	Acquirer Impact	Dispute Administration Fee billing	Effective Date
First Chargeback	+EUR 15 net and gross	-EUR 15 net and gross	Automated by MasterCard Consolidated Billing System (MCBS)	2 August 2015
Second Presentment	-EUR 15 net, -EUR 30 gross	+EUR 15 net, +EUR 30 gross	Automated by MCBS	20 September 2015
Arbitration Chargeback for MasterCard non-ATM	+EUR 30 net, +EUR 45 gross	-EUR 30 net, -EUR 45 gross	Automated by MCBS	8 November 2015

Dispute Cycle	Issuer Impact	Acquirer Impact	Dispute Administration Fee billing	Effective Date
Arbitration Case Filing for MasterCard non-ATM	-EUR 30 net, -EUR 60 gross	+EUR 30 net, +EUR 60 gross	Acquirer sends fee collection message (if applicable) <sup>a</sup>	27 December 2015
Arbitration Case Filing for MasterCard ATM and Maestro	+EUR 30 net, +EUR 45 gross	-EUR 30 net, -EUR 45 gross	Issuer sends fee collection message (if applicable) <sup>a</sup>	8 November 2015

<sup>a</sup> Since there is no clearing message for an arbitration case, the Dispute Administration Fee billing cannot be automated by MasterCard, for MasterCard non-ATM arbitration cases, the acquirer will send the fee collection message if favored in arbitration. For ATM and Maestro arbitration cases, the issuer will send the fee collection message if favored in arbitration.

The DAF is applied to all dispute messages (chargeback, second presentment, arbitration chargeback) sent to the MasterCard Global Clearing Management System (GCMS) and for all message reason codes.

In the event that an arbitration case is filed, the party being favored will be allowed to collect the above mentioned DAF from the loser using a miscellaneous fee collection message 1740-700 with reason code 7606, if applicable.

## Unjust credit of the Dispute Administration Fee

In the event that one party is unjustly credited with the Dispute Administration Fee, the other party will be allowed to recover the fee using the miscellaneous fee collection message. For example, if the acquirer or merchant credits the cardholder's account **after** receiving a chargeback and consequently the acquirer processes a second presentment. The issuer must accept the second presentment but will be allowed to collect the Dispute Administration Fee charged with the second presentment from the acquirer (EUR 30 in this case) using a miscellaneous fee collection message 1740-700 with reason code 7606.

## Overview of Revised Standards

Please review the revisions to the publication indicated in the table below and make appropriate plans to support the revised Standards.

Effective Date	Changes to Standards in...	Will be Published in...
As indicated	<i>Chargeback Guide</i>	Chapter 3—MasterCard Message Reason Codes—Dual Message System Transactions Appendix A—Chargebacks—MasterCard Europe ATM Transactions (MasterCard, Maestro, and Cirrus) Appendix B—Maestro POS Transactions

MasterCard will incorporate the revised Standards into a future edition of this manual. The manual is available on MasterCard Connect™ via the Publications product.

## **Revised Standards—Chargeback Guide**

MasterCard will revise the *Chargeback Guide* to include these Standards. Additions to the Standards are underlined. Deletions are indicated with a ~~strikethrough~~.

### **Chapter 3—MasterCard Message Reason Codes—Dual Message System Transactions**

#### **3.10 Intra-European and Inter-European Dispute Administration Fee (MasterCard POS)**

For intra-European and inter-European transactions, a Dispute Administration Fee will be automatically generated for each chargeback, second presentment and arbitration chargeback by MasterCard via the MasterCard Consolidated Billing System. The fees will be credited to the sender and debited from the receiver of the respective chargeback cycle as follows:

- First chargeback: The issuer is credited 15 EUR and the acquirer is debited 15 EUR.
- Second presentment: The acquirer is credited 30 EUR (15 EUR net) and the issuer is debited 30 EUR (15 EUR net).
- Arbitration chargeback: The issuer is credited 45 EUR (30 EUR net) and the acquirer is debited 45 EUR (30 EUR net).

In the event that an arbitration case is filed at the end of the cycles, the acquirer will be allowed to collect 60 EUR from the issuer (30 EUR net) if the acquirer is favored. This fee may be collected by the favored acquirer using a miscellaneous fee collection message 1740-700 message with reason code 7606.

The Dispute Administration Fee does not apply when the transaction is coded with MCC 5499, 7311, or 7399.

Should the fee be debited unduly, e.g. the acquirer collects the Dispute Administration Fee with a second presentment after processing a credit to the cardholder, the full amount of the unduly debited fee can be collected by the impacted party using the miscellaneous fee collection message 1740-700 with reason code 7606.

## ***Appendix A—Chargebacks—MasterCard Europe ATM Transactions (MasterCard, Maestro, and Cirrus)***

### **A.2.3.3. Intra-European and Inter-European Dispute Administration Fee (ATM)**

For intra-European and inter-European transactions, a Dispute Administration Fee will be automatically generated for each chargeback and second presentment by MasterCard via the MasterCard Consolidated Billing System. The fees will be credited to the sender and debited from the receiver of the respective chargeback cycle as follows:

- First chargeback: The issuer is credited 15 EUR and the acquirer is debited 15 EUR.
- Second presentment: The acquirer is credited 30 EUR (15 EUR net) and the issuer is debited 30 EUR (15 EUR net).

In the event that an arbitration case is filed after the second presentment, the issuer will be allowed to collect 45 EUR from the acquirer (30 EUR net) if the issuer is favored. This fee may be collected by the favored issuer using a miscellaneous fee collection message 1740-700 message with reason code 7606.

The Dispute Administration Fee does not apply when the transaction is coded with MCC 5499, 7311, or 7399.

Should the fee be debited unduly, e.g. the acquirer collects the Dispute Administration Fee with a second presentment after processing a credit to the cardholder, the full amount of the unduly debited fee can be collected by the impacted party using the miscellaneous fee collection message 1740-700 with reason code 7606.

## ***Appendix B—Maestro POS Transactions***

### **B.3. Message Reason Codes for Intra-European and Inter-European Transactions**

The following message reason codes are applicable to intra-European and inter-European POS, e-commerce, PIN-based in-branch, and Maestro contactless transactions unless otherwise indicated under the message reason code.

They apply to any type of Maestro transactions, such as Magnetic stripe or chip read transactions and Signature, PIN, or non-PIN based transactions, unless otherwise indicated under the message reason code.

For intra-European and inter-European transactions, a Dispute Administration Fee will be automatically generated for each chargeback and second presentment by MasterCard via the MasterCard Consolidated Billing System. The fees will be credited to the sender and debited from the receiver of the respective chargeback cycle as follows:

- First chargeback: The issuer is credited 15 EUR and the acquirer is debited 15 EUR.
- Second presentment: The acquirer is credited 30 EUR (15 EUR net) and the issuer is debited 30 EUR (15 EUR net).

In the event that an arbitration case is filed after the second presentment, the issuer will be allowed to collect 45 EUR from the acquirer (30 EUR net) if the issuer is favored. This fee may be collected by the favored issuer using a miscellaneous fee collection message 1740-700 message with reason code 7606.

The Dispute Administration Fee does not apply when the transaction is coded with MCC 5499, 7311, or 7399.

Should the fee be debited unduly, e.g. the acquirer collects the Dispute Administration Fee with a second presentment after processing a credit to the cardholder, the full amount of the unduly debited fee can be collected by the impacted party using the miscellaneous fee collection message 1740-700 with reason code 7606.

## Questions?

Customers with questions about the information in this article should contact Customer Operations Services using the Contact Information in this bulletin; or

Dispute Resolution Europe

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