



Pre-Compliance Debits

In layman's terms, a pre-compliance debit is a chargeback for a violation of the association's rules and regulations. This violation will not fit into a current chargeback reason code. A pre-compliance case, with merit, is accepted to avoid additional penalties/costs which would be caused by allowing a compliance case to be filed.

The card-issuing center may file a compliance case when **all** of the following conditions have been met:

- A center, whether directly or indirectly, has violated any of the Association operating rules or regulations.
- No chargeback reason code will remedy the violation
- The filing center sent a good-faith letter (pre-compliance) to the other center a minimum of 30 calendar days before filing the case with an association to give the opposing center an opportunity to correct the situation, and this effort was unsuccessful. The filing center must send the good-faith correspondence, citing the specific technical violation as well as documenting the incurred or potential financial loss, to the compliance contact of the association.
- The filing center can document a financial loss because of the violation and not simply assert a violation as a basis for filing the case. In other words, the loss could have been avoided if the opposing center had followed the association rules and regulations.
- The filing center files the compliance case for the correct disputed amount in U.S. currency (USD) with the association within the applicable time frame.

A compliance case is usually filed within 180 calendar days of the transaction settlement date.

But there are exceptions to this generally accepted time frame, most notably an exception which allows a compliance case to be filed if a valid transaction has resulted in a subsequent fraudulent transaction within 540 calendar days of notification.

Pre-Arbitration Debits

A pre-arbitration case, with merit, is accepted to avoid additional penalties/costs which would be caused by allowing an arbitration case to be filed.

If an acquirer believes that an issuer has processed an invalid arbitration chargeback, the acquirer may file an arbitration case with the association. The arbitration case filing must be submitted in U.S. currency (USD) for a disputed amount equal to or less than the arbitration chargeback.

An issuer may initiate dispute procedures if it believes the acquirer's second re-presentment was invalid.

The association will review the case and all supporting documentation and assign responsibility for the disputed amount to either the issuer or the acquirer.

When the association issues a ruling on an arbitration case, it will assess a USD 250 administrative fee against the member found responsible for the case. The USD 250 fee is in addition to the USD 150 filing fee.

The associations will also assess a fee of USD 100 per violation for technical penalties against any member found in violation. Technical penalties may include but are not limited to the following examples:

- Persisting with an invalid chargeback
- Submitting an invalid second presentment
- Submitting an invalid documentation indicator code
- Processing a chargeback cycle past the time limit

5405 Utica Ridge Road, Suite 110 Davenport, IA 52807 direct#: 563.359.9564 fax#: 563.359.0480

www.trisourcesolutions.com

TriSource Solutions™ LLC is a registered ISO/MSP of Merrick Bank Corporation, Woodbury, N.Y.