

# MAG Mid-Year Conference 2022

## Petroleum / Convenience Stores SIG Notes

Confidential

**MAG**  
MERCHANT ADVISORY GROUP®



## SIG Leaders

- Kelly Andrus (EG America)
- Brad Timbes (Exxon Mobil)
- Report provided by Linda Toth (Conexus)

## Action Items

1. MAG to provide the link through MLC for [debit routing optimization guide](#)
2. MAG to share information on [8-digit BIN concerns](#) and an [infographic](#)

## Notes – Virtual (January 27, 2022)

### Welcome & Introductions

1. Welcome to all attendees
2. Reminder that attendees are bound by the antitrust statement (shown virtually)

### Topics

1. Authorities are warning about QR Code fraud:  
*Watch out for fake QR codes at your favorite restaurant or shop. The FBI is warning that cybercriminals have been tampering with legitimate QR codes to try and trick unsuspecting users into loading up scam websites.*

*On Tuesday, the FBI issued the alert, warning that cybercriminals have been targeting both physical and digital QR codes. “A victim scans what they think to be a legitimate code but the tampered code directs victims to a malicious site, which prompts them to enter login and financial information,” the agency added.*

*The scheme exploits how QR codes have grown in popularity during the pandemic as a contactless way to access information. This can include scanning a QR code to view a restaurant’s menu or even place an order.*

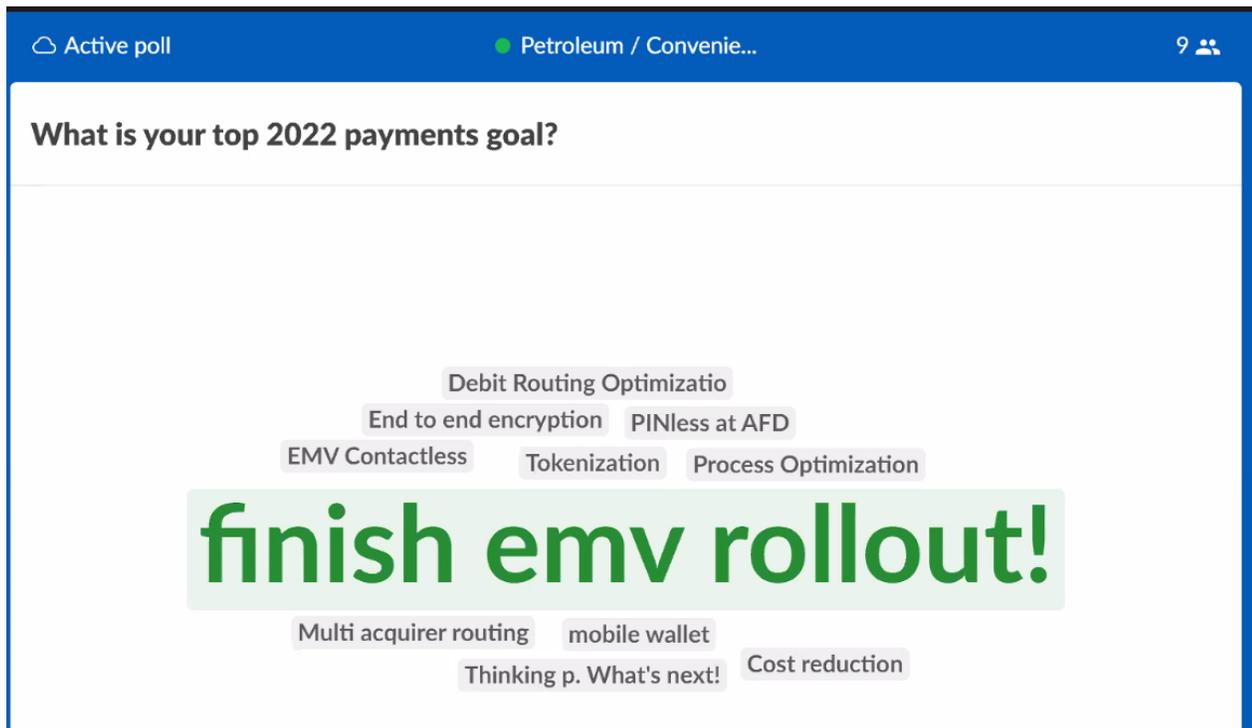
*“However, cybercriminals are taking advantage of this technology by directing QR code scans to malicious sites to steal victim data, embedding malware to gain access to the victim’s device, and redirecting payment for cybercriminal use,” the FBI said.*

X9 has new effort on security for QR Codes.

2. Update on PINless debit at AFD
  - Met with Gilbarco, Verifone, NCR to discuss roadmaps. They are saying they can't really do anything until they have specification from acquirer. While acquirers aren't consistently offering up specifications, they are aware of requirement.
  - The idea is to work with the US Payments Forum (where acquirers, POS providers, and debit networks participate.) The US Payments Forum will allow MAG merchants to participate in this group even if they aren't USPF members as long as they understand they must adhere to the MAG non-disclosure agreement each MAG merchant members signs. The effort will likely be joint work between the Petro WG & the Debit Routing WG. The Debit Routing WG will be valuable in defining what PINless is (lack of clarity on definitions)
  - The MAG had received a sample flow on how it could work from Gilbarco that can be used at US Payments Forum.
  - Individual merchants need to figure out their own ROI & cost savings.
  - MAG Debit Routing COP working to enhance the current [Debit Routing Optimization](#) guide to cover acquirer enablement and PINless with focus at the AFD.
  - STAR Select: New network segmentation from STAR with different fee structure. Merchants should talk to their STAR representative for more details.
3. Please register for MAG MY Feb14-17 in person conference in Atlanta.
4. What is ideal outdoor auth limit? 150 Consumer? 350 Fleet?
  - Discover recently told MAG pre-auth limit is increasing in April to \$125. MAG has inquired if Discover will have a different limit for fleet.
  - When choosing limits, make sure you are covered for fraud liability.
  - *One more note on the increased auth rates: be sure to check the details of the rules for eligibility criteria. Visa, for example, notes that the increased auth limits \$125/\$350 apply if you are chip on chip AND partial auth accepting.*
  - Is \$125 the right amount? While the MAG has been advocating to the card brands for \$125, with gas prices rising and other factors, is it really the right amount? Questions about this in the network best practice survey: <https://www.surveymonkey.com/r/2022NBPR> we ask all merchants to complete. The original objective was to ensure the amount of \$125 was consistent across brands.
  - Visa is talking about eliminating the limit altogether as EMV continues roll-out (consumer was the context.) But will this have higher interchange? What will PINless limits be?
5. EMV lowering fraud through tampering?
  - EMV is working. Those that haven't implemented are experiencing fraud. Malicious actors are attempting to find vulnerabilities. New fraud is occurring, but perhaps not widespread (yet.)

- Example of new fraud: Late last summer Bank of Chile issued cards with incorrect setup that didn't finalize sales correctly. Fraudsters used these cards (in Florida mostly but all over) to buy fuel and were never actually charged.
  - One merchant had problems with Visa issued prepay cards at the pump but couldn't remember details. Will continue to investigate.
  - One merchant seeing a 4x increase in chargeback for non-EMV related reason codes. Issuers moving fraud-based reason codes to non-fraud based reason codes. High number of chargebacks where the transaction was approved in technical fallback.
6. Covid impacting EMV rollouts
- GVR & Wayne both indicate supply chain issues. However, there seems to be light at end of tunnel for equipment. Site technicians are still a challenge. Some POS need upgrades for Windows 10 that require technicians on site. Others still seeing supply chain issues for kits and software. There are major delays for permitting.
  - As recertifications are needed, some vendors may question whether it is worth continuing to support legacy equipment.
  - Software as a service and remote upgrades, cloud based software delivery like VHQ or Insite360 - has anyone been successful? (mixed results) Some using VHQ with success. Some using Insite360. With Insite360, you use to have to download each patch individually. Working with Gilbarco to bundle those patches to make it more efficient. One merchant had success with injected keys. Could we ask the TECH side of MAG? Steve Cole will be joining MAG soon and he can help with this.
  - Expiry of contactless kernels an issue? At USPF, POS vendors indicated they wouldn't be ready for EMV contactless. Was nice to have the card networks in the room to hear it. Will take time to implement even after merchants get the software.
7. 8-digit BINs.
- MAG has been pushing VISA without much luck. Visa published a FAQ about paid for services for implementing 8-digit BINs.
  - In the MAG discussion with Mastercard, not hearing about any lack of readiness. Visa had same response: we aren't hearing lack of readiness, but here are some URLs to investigate.
  - MAG has a consolidated list of issues they are tracking regarding lack of industry readiness (ex. Clarification of PCI truncation changes and lack of test cards for merchants to figure out if there will be problems.) Eric will share the issue list.
8. Has anyone eliminated store & forward? Thoughts on future direction?
- One merchant still doing it. When 5G is more prevalent, may turn it off.
  - With end-to-end encryption, eliminates a lot of the risk
  - There is at least one POS provider whose SAF functionality is really stand in authorization. Have a conversation with your vendors!

## POLLS



## Notes – Day 1 In-Person (February 15, 2022)

### Welcome & Introductions

1. Welcome to all attendees
2. Reminder that attendees are bound by the antitrust statement

### Topics

1. Forecourt Fraud: One merchant, fraud at the diesel pumps. Fraudsters ran 2 test transactions early in the week. They returned late at night on a Saturday and had several trucks lined up to fuel. 70-80 transactions; all pre-authorized ok and these were EMV debit transactions. Overall, over \$20K in transactions. They then wired the money out the account immediately and transactions came back is insufficient funds. Why weren't they holding the funds? Issuing bank said they had a loophole. Velocity checks on debit may have prevented this happening. Is anyone doing debit velocity checks?

Some do debit velocity checks. But the issuer is saying there are funds, so why bother on velocity checks? A downside to velocity checks is that a frequent customer (ex. Car lot next door so lots of fill ups) may get turned away. Some merchants have white-listing at the host but can do on a case by case basis at the site itself.

No one else has seen this type of fraud, except one merchant had a Latin American issuer that was approving transactions, then charging it back. Velocity was on, but it occurred over several weeks. Determined it was an issuer problem.

2. Contactless Kernel Update: Today there are multiple contactless kernels for each of the card schemes. EMVCo draft standard proposes an additional contactless kernel that over time could eliminate the individual kernels. Eventually the individual kernels would roll off and we would be on one unified standard kernel. However, some networks may have issue migrating if they lose some functionality. This change only requires software changes; no terminal hardware upgrades.

EMV 3.0 will make use of lower power NFC technology for other payment form factors such as rings or watches that don't have the same power as a phone. This change may require terminal hardware upgrades.

3. Crypto ATM kiosk: One merchant has 5 buy/sell kiosks in pilot. Another allows them in franchise locations. Drives traffic. Merchant using Coin Source, which supports a lot of different kinds of crypto. Another is taking bitcoin & immediately converting to \$ using Flexa.
4. Mastercard EMV Fleet Specification vs Connexus Specification. The MAG has been told MC has decided not to move forward with the Connexus specification. Another merchant heard that MC was supporting it. Connexus has not heard one way or the other. Visa is working closely with acquirers to support EMV Fleet 2.0, many of which are not ready. Visa indicated they are not trying to punish merchants who can't be ready.
5. Remote upgrades: Is anyone successfully using Insite 360 or the like? Mixed reactions. "Petro is hard & complex." The legacy industry players have merchants in a chokehold. Moving to services in the cloud (example: forecourt as a service) and CI/CD may help.

Investigating change management as related to payments is eye opening to see how things are intertwined with other systems.

Be careful of security if moving to cloud. MNSPs are helpful to monitor to make sure nothing bad is happening.

6. Age Verification. Industry has had bad reputation historically. With JUUL settlements (state by state), NC going dark March 1, Arizona July 1 unless you have implemented RACS (Retail Access Control Standards) or TruAge (funded by CPGs, free to retailers).
7. Mastercard updated to AFD contactless transaction CVM requirements in the US. Passport hardcoding 100, but MC specifies 125. Forcing all contactless to credit rails because of their interpretation. White paper from USPF said CVM was 100 for all verticals. Maybe that's where 100 came from?
8. EV Infrastructure? May be exploring or installing and still going.
9. Debit Routing & Petro COP combining. PINless at the pump is still an issue with no specifications. Gilbarco will share flows at the USPF to explore what can be done.
10. With gas prices rising, consumers may not be able to completely fuel their vehicles. Brands take so much time to change limits. Reminder that Visa is talking about removing limits; perhaps this year. As prices fluctuate, networks can't respond quickly enough.

# Notes – Day 2 In-Person (February 17, 2022)

## Topics

1. MAG had conversation with MasterCard about Buy Now Pay Later. This is merchant opt-out (not opt-in). Merchants should have a discussion with their acquirer. Opt-out period started 2/16 and goes through 4/1. MC issues a virtual card number (VCN) in a digital wallet (e.g. the SRC wallet - click to pay) and it would only be displayed if the purchase qualifies. So technically, it may not show up at a c-store, but is still worth investigating. Some acquirers suggest they prefer to opt-out all merchants and then going back to merchants to opt-in. MC threshold would be **\$50** e-commerce to trigger it, but still may show up in issuer wallets. May not be economical for merchants, as interchange will be higher than credit products, but less than other BNPL options. Friends & family will start in April. Full rollout over summer. Acquirers will be meeting to represent merchants. Merchants were blindsided with a very short deadline to opt-out. MAG has a BNPL COP. MAG is still working with MC on clarification of this product.

SRC is an EMVCo specification to allow an easy path to purchase online. Similar in concept to browser auto fill, the EMVCo specification provides the consumer with payment choices. Smaller merchants find it useful to replace card on file, etc. Card preferences may affect which payment rails are used. No one in room has implemented SRC.

2. CNP for mobile transactions. Phone is present, customer is present. Not much fraud, but rates are much higher. How do you identify trusted customer? Omni channel COP is working through trying to get changes to chargeback rules because currently there is no fraud protection. Brands have invested to eliminate fraud so that is top of mind for them. But if the fraud for CNP mobile transactions is low, why are the rates higher? MAG can't direct change to interchange per se. Anyone who is passionate about this, please join omni channel COP.
3. Age verification with mDL starts to look like interchange. Card brands have hinted they would like a one click to both pay and check id. Yet, checking of an ID for payment is not allowed by some networks.
4. MC has confirmed since we met that the edit to prevent chargebacks of this nature appears not to be working properly, they are researching. Until corrected, merchants have representation / pre-arb rights for reason code 4870 entry method 80 chargebacks.
5. Continuing of MC EMV chargebacks for technical fallbacks. Tons of chargebacks. Long lead times getting those reversed. Acquirers doing good job on filtering these, but still getting some. Worth time & effort to look at and dispute.
6. Some POS software (one vendor in particular) is getting released without L3 cert and relying on ASC to read release notes. The financial liability ends up on merchant. Software has capability but doesn't have the final cert, but release to production. Merchant has waited so long for software. i.e., pump X is certified, but pump Y is not. Up to technician to determine if it's appropriate to install for pump Y. The techs don't read something short let alone the complex matrix, so really concerning. Merchant would like to get networks point of view.

Merchants expressed there is finger pointing when things go wrong. For example, one field gets changed by accident that breaks something else. Potential downgrades without notifications, etc.

7. Are we beating a dead horse on regulated debit interchange? The Fed is reviewing and there is still pressure on it, but everything is on hold until nominees are approved. Probably won't move rates anytime soon.
8. Learning series from MAG. Useful or missing items? 201 & 202 have been released. If you have limited time and resources to invest... 202 (card type) is best choice. It is well rounded and there is a specific section on petro. There is an enterprise value for large teams, even call centers for payment related calls. 300 in the works.
  - MP101 can be difficult for those not overly familiar with payments. Is there a need to go lower? That's why there is a modular approach on the 200 level.
  - MAG gives certificates and a LinkedIn badge. "Certification" means recurring and currently not available but under consideration. Others out there such as NACHA and ETA, with different lens other than merchants. Glenbrook is expensive but very good (live program over several days.)
9. MAG COPs (Community of Practice): These are used to solve specific problems. The end output is a white paper or webinar or some other action and then the group shuts down. You don't have to join at the start and you don't have to be a SME; just wanting to learn is ok. Active COPs include debit routing, EMVCo (Standards), Omnichannel, QR Codes, payments data.
10. The Petro SIG was on fire with EMV but seems to be struggling a bit to find the next "fire" topic to coalesce around. What are the hot topics? Petro is complex, costs us a fortune in life cycle upgrades. Debit routing choice should be happening; PINless adds complexity.