

Prepaid Cards Fact Sheet

- MasterCard offers prepaid payment card guidelines that are used by issuers, merchants and others to create a range of payment products including gift cards and personal spending cards.
- All prepaid programs operate on the same core premise: a positive balance is loaded into an account associated with a card and drawn down through purchase activity (note: the value is not literally loaded ‘on the card’).
- Prepaid programs are powerful solutions for facilitating access to and spending one’s money with greater security and efficiency than cash or cheques.
- The institutions that issue the specific prepaid products develop the detailed features including maximum and minimum value limits, fees and terms of use.
- Prepaid programs can be open-loop or closed-loop:
 - In an open-loop program, cards are accepted and processed at any location that accepts MasterCard;
 - In a closed-loop program, acceptance is limited to specific locations. An example is a gift card that is issued by merchants for use only in their store(s);
 - In hybrid “semi-closed” programs, a prepaid card may be accepted by a wider range of merchants, such as within a specific shopping mall.
- Prepaid cards may or may not carry the MasterCard brand. Those used in open-loop programs — in which the cards are accepted wherever MasterCard is accepted — usually carry the MasterCard brand. Cards in closed-loop programs, such as a store gift card, tend not to carry the MasterCard brand but rather feature the brand of the issuer.
- Prepaid cards can be reloadable or non-reloadable:
 - Reloadable accounts offer the cardholder the ability to replenish the value on the card as needs arise;
 - Non-reloadable or single use cards are used until the balance is drawn down to zero dollars and then discarded.
- Prepaid programs can be used in a variety of ways:
 - Gift giving;
 - Voucher replacement;
 - Per diem payment;
 - Business travel and expense management;
 - Personal spending cards;
 - Payroll and employee incentives payment;
 - Promotions;

- Insurance claims settlement;
 - Unbanked financial service;
 - Young adult (age 16 and older) controlled spending.
- Prepaid cards look and function like a credit card at the point-of-sale. Merchants handle the card just as they would a MasterCard® credit card.
 - MasterCard prepaid cards carry the same security protection features as other MasterCard payment cards, including Zero Liability, which protects cardholders from responsibility for unauthorized purchases. For more information on details and conditions visit www.mastercard.ca/zeroliability.
 - Card issuers also have the option of issuing non-personalized prepaid cards. The card issuer needs MasterCard approval to issue the card in this fashion. A Security Plan must be submitted for review by the Security and Risk function of MasterCard. All procedures must meet MasterCard requirements and MasterCard Security and Risk function has ultimate approval.

Advice to Consumers:

MasterCard provides the following advice to consumers considering a prepaid card:

- As programs can vary significantly, read the terms of the offer fully;
- Be sure to fully understand the fee structure;
- Be aware of any minimum or maximum value load requirements;
- Understand where the card is accepted. Is it accepted anywhere MasterCard is accepted or only at a specific merchant or group of merchants?: