



Frequently Asked Questions

MasterCard® PayPass™

GENERAL

Q. What is MasterCard PayPass?

A. MasterCard PayPass is a new “contactless” payment feature that allows you to make “Tap & Go™” payments for purchases under \$25. To pay, you simply tap your payment card or other payment device (such as a phone or payment tag), on the terminal or the reader at checkout rather than swiping your card or handing it to the cashier.



Q. How does MasterCard PayPass work?

- A. MasterCard PayPass cards and devices feature an embedded chip and radio frequency antenna.
- After you tap your MasterCard PayPass card/device at a PayPass-enabled terminal or reader, your card/device transmits payment details wirelessly, eliminating the need for you to hand over your card for a merchant to swipe it through a reader.
 - Account details are communicated to the terminal and are then processed through MasterCard’s highly trusted acceptance network in the normal manner.
 - Moments after you tap the terminal with your MasterCard PayPass card/device, you receive payment confirmation and are on your way.

Q. How can I get a MasterCard PayPass?

A. Contact your bank and ask them for a PayPass-enabled card or device. Alternatively, visit mastercard.com/paypass, and click on “Get a Card” to select among the various banks’ PayPass offerings.

Q. Who benefits from MasterCard PayPass?

A. MasterCard PayPass benefits all parties involved in the payment process—financial institutions, merchants, and consumers.

These potential benefits include:¹

For financial institutions, MasterCard PayPass is designed to:

- Increase Gross Dollar Volume (GDV) by attracting payments away from cash.
- Open up new acceptance opportunities with merchants who formerly only accepted cash.
- Increase cardholder loyalty for their card programs.

For retailers, MasterCard PayPass is designed to:

- Allow merchants to function more efficiently and serve their customers better. PayPass speeds consumers through the checkout process, reduces cash handling, improves efficiency, and provides competitive differentiation.
- Provide a reliable, trusted payment method that works well in quick-pay environments.
- Help attract new customers and increase their loyalty.

For consumers, MasterCard PayPass is designed to:

- Provide a quick, easy payment method, thereby improving the overall shopping experience.
- Provide consumers with a cash alternative that allows them to purchase what they need, when they need it, without being limited to cash on hand.
- Increase the feeling of security, as cardholders remain in control of the card/device during transactions.
- Provide better record keeping than cash.

Q. How is the *PayPass* feature on a card or device used?

- A.** Wherever consumers see a *PayPass* terminal or reader, they can simply tap their *PayPass* card/device on the *PayPass* terminal when the merchant asks for payment. No swiping or inserting of a card is needed. Visual and sound cues confirm that the card/device has been read. Within seconds, the transaction is authorized, and that's it. No signature is required for purchases that are the equivalent of \$25 or under—making this the simpler and faster way to pay.



Q. How close to a terminal must a *PayPass* card or device be to be read?

- A.** Typically, a MasterCard *PayPass* card/device must be within 1.5 inches (4 cm) of a *PayPass* reader to be read. When consumers have two *PayPass* cards/devices in their wallet, the card/device preferred for payment should be removed and tapped on the *PayPass* reader to ensure that it is read appropriately.

TRIALS/RESULTS AND CURRENT DEPLOYMENT

Q. Where has MasterCard *PayPass* been trialed and rolled out?

- A.** By the end of 2005, MasterCard issuers in the U.S. had issued approximately 5 million *PayPass* cards and devices, with approximately 25,000 merchant locations accepting *PayPass*.

Previously, MasterCard trialed and refined *PayPass* starting in 2003, in preparation for its successful 2005 rollout in the U.S. and Taiwan. The first consumer market trials conducted were in Orlando, Florida, and Dallas, Texas. The Orlando trial involved 16,000 cardholders from Chase, Citibank, and MBNA, and over 60 retailer locations. In Dallas, MasterCard worked with Nokia, AT&T Wireless, and JPMorgan Chase to incorporate MasterCard *PayPass* into mobile phones, allowing consumers to simply tap their phones to make payments.

MasterCard continues to introduce *PayPass* into new markets through a variety of limited trials and rollouts, including Canada, Asia, and Europe.

Q. What did MasterCard learn from its *PayPass* trials?

A. Consumers respond to *PayPass*

Trial results in Orlando indicated that consumers find MasterCard *PayPass* to be simple, fast, and convenient. MasterCard *PayPass* cardholders value the added security that they receive from retaining possession of their card while paying. Consumers also like the convenience of not carrying cash for everyday purchases and not having to go to the ATM as frequently.

Positive impact on card usage

One particularly interesting finding was that MasterCard *PayPass* prompted infrequent card users to pay with their *PayPass*-enhanced cards much more frequently—and in a greater variety of situations—than they had previously. This established a positive link between MasterCard *PayPass* and increased cardholder activation. In particular, over the nine-month trial, we realized nearly an 18% activation rate on formerly inactive accounts. These newly active accounts transacted consistently more than eight times a month through September.

We saw a top-of-wallet trend emerge among *PayPass* cardholders. Specifically, there was a nearly 23% increase in transaction volume versus the same period in 2002, and an even higher increase of nearly 28% in total weekly spend versus 2002. We also saw a pattern of frequent usage emerge. Month over month, we saw more than a 12% increase in transaction volumes at *PayPass* merchants.

Increased average transaction size

We saw clear evidence that consumers were using their *PayPass* cards where they once would have used cash.

The average *PayPass* transaction size during the trial was around \$21, and 80% of *PayPass* transactions were for purchases under \$25.

Q. How much does MasterCard *PayPass* technology speed up an average/standard cash and credit retail transaction?

A. Results of the Orlando trial also verify that MasterCard *PayPass* can offer significant time savings to retailers.

In some locations, MasterCard *PayPass* reduced purchase times so substantially that retailers should be able to support additional transactions and thus potentially increase revenues. The most significant time savings have been realized in the drive-thru environment, which shaved between 12 and 18 seconds off the purchase time as compared to cash.

Together, this all indicates the emergence of a strong issuance business case for MasterCard *PayPass*.

Q. What are MasterCard's most significant findings from its consumer payment trends research?

A. MasterCard conducted a national telephone survey in late 2003 and again in 2005 to gain additional insight into consumer payment trends and preferences. The surveys' results confirmed that consumers are using cash less often and using less cash these days as compared to five years ago. 60% of respondents had only \$20 or less in cash on hand—representing an 11% jump as compared to 2003. Nearly half (49%) of respondents said they carry less cash today than they did five years ago—representing a 9% jump as compared to 2003. More than six in ten (62%) use cash less often for purchases today, compared with five years ago and three of four (74%) said they no longer believe it is necessary to carry large amounts of cash.

MERCHANTS

Q. What types of merchants will benefit the most from MasterCard *PayPass*?

A. MasterCard *PayPass* is ideal for traditional, cash-only environments where speed is essential, such as fast-food restaurants, drive-thrus, convenience stores, movie theaters, self-serve gas stations, mass transit, vending, pharmacies, parking lots, and toll roads. During trials, the most significant time savings were recognized at drive-thrus, where MasterCard *PayPass* shaved between 12 and 18 seconds from the purchase time, as compared to cash.

Q. What are the benefits of installing MasterCard *PayPass* readers over a consumer self-swipe reader?

A. Both traditional self-swipe readers and the new MasterCard *PayPass* readers are designed to improve the overall consumer experience at the point of sale (POS). However, installing a *PayPass* reader at the POS offers consumers (and retailers) even greater convenience with a simpler way to pay. Key benefits include:

- **No signature required**—For purchases of \$25 or below made with MasterCard *PayPass*, merchants are not required to capture cardholder signature to retain chargeback protection.
- **Usability**—Cardholders need not worry about which way to insert the card (as with a self-swipe reader); they simply “tap and go.” A MasterCard *PayPass* card can be read in any direction when tapped, except perpendicularly to the tap zone.
- **Simple design**—With no openings for cards, the MasterCard *PayPass* reader mitigates the risk of service disruption and repairs resulting from wear and tear—especially helpful for outdoor locations (drive-thrus, gas stations, etc.).
- **Versatility**—MasterCard *PayPass* readers work equally well with MasterCard *PayPass*-enabled payment cards and with non-card payment devices like fobs, phones, and PDAs, allowing consumers an even greater range of payment alternatives to cash.



Q. How does pricing work for merchants? Are MasterCard *PayPass* transactions more or less than traditional credit and debit transactions?

A. The use of the MasterCard *PayPass* technology has no bearing on pricing. Pricing is a matter between the acquirer and the merchant.

Q. How does this “non-verified” transaction change the payment guarantee for the merchant?

A. The use of MasterCard *PayPass* does not change the payment guarantee for merchants. Existing rules in place for the product/merchant category in which the transaction takes place continue to apply when data is passed across a contactless interface. The exception is the extension of merchant chargeback protection for MasterCard *PayPass* purchases of \$25 when cardholder signatures are not captured.

Q. What are the costs involved?

- A.** To accept *PayPass* payments, merchants can choose to implement a plug-in, *PayPass*-only reader or a fully integrated system. Costs will vary depending on the selected solution.

ISSUERS

Q. How safe are these transactions? Can't someone intercept the data or get incorrectly charged for purchases when carrying the card?

- A.** These transactions are just as safe as, if not more safe than, traditional card payment transactions, as the *PayPass* feature incorporates special security technology to prevent "replay" fraud when a *PayPass* program is implemented as recommended by MasterCard. MasterCard *PayPass* also provides more consumer control, since the card doesn't have to leave the hands of the consumer to be swiped by the merchant. Additionally, the *PayPass* card or fob must also be extremely close to the *PayPass* terminal to be read—typically within one to two inches. MasterCard *PayPass* provides zero consumer liability in North America, just like all MasterCard payment programs.



Q. Is the signature requirement waived for MasterCard PayPass purchases? Is there a limit?

- A.** MasterCard *PayPass* transactions are targeted at low-value purchases that were formerly paid with cash. To ensure this type of transaction is a simpler and more convenient way to pay for both consumers and retailers, signature requirements are waived globally for *PayPass*-enabled transactions of \$25 or below. For purchases above that limit, cardholder signature or PIN is still required.

Q. Are MasterCard PayPass transactions authorized online?

- A.** MasterCard recommends that all transactions be authorized online. The decision to send transactions online is subject to existing rules for the payment application enhanced by *PayPass*, any participation in special merchant acceptance programs, and issuer-determined risk management parameters set within the chip on the card. The risk management rules will depend both on the technology and the underlying payment application (credit, debit, prepaid/stored-value, etc.).

Q. What if a PayPass card/device gets stolen? Does MasterCard's zero liability policy cover transactions made with MasterCard PayPass cards?

- A.** In the event of loss or theft of any MasterCard payment card, consumers should report it immediately to their issuing bank. This notification will prevent future authorization of transactions made against that MasterCard account. This is the same for all MasterCard payment programs, whether they are enhanced with *PayPass* or not. In any case, MasterCard cardholders in North America and Asia are protected by zero liability for any fraudulent transaction.

MISCELLANEOUS

Q. What type of technology is used for MasterCard PayPass?

- A.** In keeping with our overall strategy to create globally interoperable payment solutions, MasterCard *PayPass* was built following an open industry standard for radio frequency communications—ISO 14443.

¹Learnings cited drawn from a series of trials conducted by MasterCard International during 2002-2003.

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