Mastercard Installments with merchant participation

Frequently asked questions for merchants

Installments construct for markets with opt-out merchant participation

General Questions

1. What is the Mastercard Installments Program with merchant participation?

- The Mastercard Installments Program with merchant participation enables banks, lenders, fintechs and wallets the ability to offer secure installment payment experiences across Mastercard's network. Merchants of all sizes have the ability to easily enable flexible payment options for consumers and ensure security and transparency.
- The Mastercard Installments Program allows consumers to split a purchase into equal installments, giving them flexibility, control, and transparency in how to pay, online or in-store via mobile wallets, at millions of contactless-accepting merchants.
- Existing integration into Mastercard's trusted network enables merchants to instantly support secure installments and buy now, pay later (BNPL) payments backed by the security and peace of mind that comes with Mastercard.
- The Mastercard Installments Program:
  - Defines a new type of participant– the Installments Program Provider (IPP) that will act as the lender of the BNPL loan. This allows non–traditional Mastercard customers such as fintechs to operate as lenders in the Mastercard Installments Program.
  - Presents a bespoke set of rules:
    - Merchant Choice – Providing the facility for merchants to opt out of participating in Mastercard Installments Program
    - Brand – Related to the limited-use virtual Mastercard digital credential

- Requirements for the lender – Responsible data use and lending guidelines and transparency
- Dedicated product codes - A new set of products tailored for the installment category
- An installment program fee (IPF) which has been dedicated to Mastercard Installments Program product codes.

- The following minimum transaction sizes apply based on the market. Transactions below these amounts will automatically be declined by the issuer:

Country	Transaction Amount
United States	USD 50
Kingdom of Saudi Arabia	Riyal 100
United Arab Emirates	Dirham 100
Malaysia	RM 50

2. When will this be available to customers?

- The Mastercard Installments Program with merchant participation managed on an opt-out basis is enabled in the United States, Kingdom of Saudi, United Arab Emirates, and Malaysia, and we are working to enable the program in South Africa in the near future.

3. How does the Mastercard Installments Program work?

- The Mastercard Installments Program uses the power of Mastercard's trusted network to make BNPL available to consumers and merchants. It enables banks, merchants, fintechs, wallets and other lenders to offer a variety of flexible installment options to consumers – including a 0%-interest, pay-in-4 or 3 model – without onerous integration into a merchant's infrastructure, allowing them to quickly offer secure and competitive BNPL experiences at scale.
- The Mastercard Installments Program will enable consumers to digitally access BNPL offers, pre-approved through their lender's mobile app. Installment credentials issued under the Mastercard Installments Program can be used directly on a merchant's website, through digital wallets, both online and in-store where Mastercard contactless payments are accepted.

4. Where can the Mastercard Installments Program be used?

- The Mastercard Installments Program may be used in the domestic market where it is available, and the merchant has not opted out of participating in the Mastercard Installments Program.

5. What kind of payment method will be used by the consumer in connection with the Mastercard Installments Program?

- Consumers will be able to access their BNPL loan pre-purchase from their lender through a digital credential that may be provisioned into a digital wallet and used for ecommerce or in store via contactless; or that may be keyed in for guest checkout.

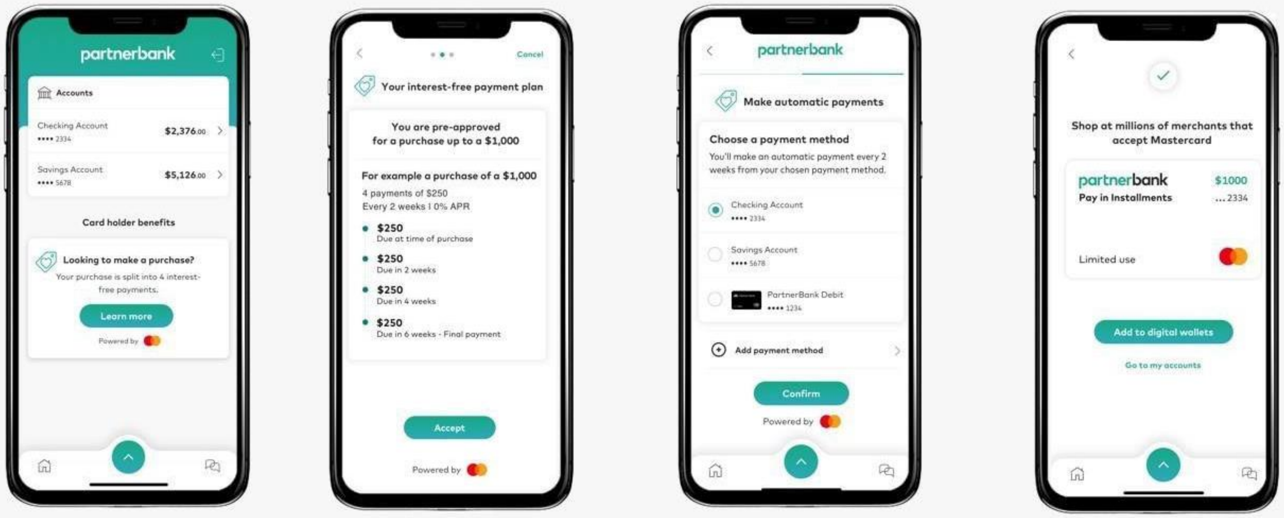
- The digital credential will be based on a new set of codes specifically designed for Mastercard Installments Program transactions. These new product codes will be visible throughout the authorization and clearing processes, just like any other Mastercard transaction.

- These product codes define three options to provide flexibility and choice:
    - SPP Product Code: Pay in 3 or pay in 4 (depending on market requirements) – 0% APR required.
    - SPS Product Code: Consumer to repay loan in multiple equal instalments over a longer period and subject to fee schedule, APR and tenure defined by the lender.
    - ETA-ETG Product Code: Consumer to repay loan in multiple equal instalments over a longer period and subject to fee schedule, APR and tenure defined by the lender. Merchants must opt-into these product codes through a lender of their choice with negotiated value exchange between the merchant and the lender (e.g.to give special offer to their consumers via broader and longer instalment terms and special discounts as applicable)
- With the SPP and SPS product codes, Lenders will provide the flexible payment options to their customers who will then be able to use the installment credential at all merchants who have not opted out.
- For more information on Mastercard Installments Program payment product codes, please refer to Announcement AN 4777 in the United States, AN 6780 in Malaysia, AN 5537 and AN 6778 in United Arab Emirates and Kingdom of Saudi Arabia, and AN 6775 in South Africa.

6. What is the user experience for consumers who have been pre-approved for a BNPL loan before a purchase?

- Consumers will be preapproved for BNPL offers through their lender's mobile app.
- Consumers will be able to access their BNPL loan through a digital credential that can be stored in digital wallets and can be used online or in store (contactless) at merchants participating in the Mastercard Installments Program. There is no further technical or operational impact to merchants.

An example of this user experience is shown below for illustrative purposes only. Lenders will customize user experiences based on market practices:

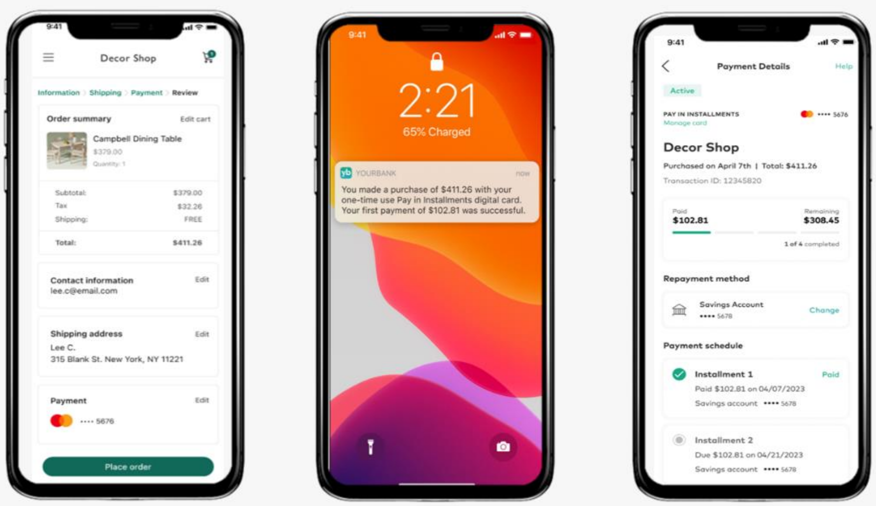


1 Consumers accesses lender's mobile app

2 Consumer is preapproved for a BNPL offer, accepts offer and T&Cs

3 Consumer selects repayment credentials from bank or by linking their checking account

4 Consumer can use virtual card online or in-store anywhere Mastercard is accepted



5 The virtual card is added to the checkout flow from a digital wallet or via manual entry

6 The BNPL provider can send confirmation of their purchase to see the payment schedule

7 The consumer can easily see their payment schedule and make any changes to repayment

7. What are the benefits of the Mastercard Installments Program for merchants?

- **Increased average order value, sales and revenue** – BNPL solutions have proven to enhance cart conversion, increase average order value and attract new consumers that would otherwise not be able to transact. 45% of BNPL users said they used these services to make purchases that otherwise would not fit their budget [Mastercard Payments Index, 2021].
- **Approval rates** –

  Merchants access to growing network of trusted lenders who bring pre-approved consumers – hence, Mastercard Installments transactions have a high likelihood of being approved, thereby improving conversion rates and avoiding disruption to the merchant experience.
- **Speed to market** – No integration or technical work needed for merchants, and no disruption to their existing customer experience.
  - Pre-purchase use case - No integration or technical work needed for merchants, and no disruption to their existing customer experience.
- **Competitive economics** –Highly competitive program economics for merchants – for more details, merchants should contact their acquirer.
- **Security** – Incorporates standards, and processes for disputes, returns and fraud liability which includes tokenization, dispute resolution, and zero fraud liability.
- **Returns and disputes** – Merchants can leverage their current infrastructure for other Mastercard transactions, making it easy and simple for merchants to handle disputes.

8. What do merchants need to do to participate in the Mastercard Installments Program?

- Merchants will be enabled to participate in the Mastercard Installments Program, with no additional enrollment or registration required.
- Research suggests that this new BNPL offering will benefit merchants through access to a broader set of consumers, increased average sales and reduced cart abandonment. If a merchant does not want to participate in the Mastercard Installments Program, they have the option to opt out of participating in the Mastercard Installments Program at any time by informing their acquirer.

9. What fees apply to the Mastercard Installments Program transactions?

- Mastercard assesses an installment program fee to acquirers that originate Mastercard Installments Program transactions that successfully clear and settle. These fees compensate the lender for operating an installments program and provide merchants with the opportunity to generate incremental sales revenue.
- The fees for transactions completed using the Mastercard Installments Program are competitive with that of other BNPL products in the market today.
- For more information on the fees associated with the Mastercard Installments Program, merchants may contact their acquirer.

10. What specific chargeback protections apply to Mastercard Installments Program transactions?

- The same liability and chargeback rules/processes will be applicable to Mastercard Installments Program transactions, as are applicable to transactions on other Mastercard products.

11. Are Mastercard Installments Program transactions compatible with 3D Secure authentication and fraud liability shifts?

- Yes, 3D Secure authentication can be performed on Mastercard Installments Program transactions, similar to other Mastercard transactions.

12. How can merchants opt-out of the Mastercard Installments Program?

- Merchants have the option to opt-out from participating in the Mastercard Installments Program at any time by informing their acquirer.
- Upon receiving a merchant's request to opt-out from participating in the Mastercard Installments Program, the acquirer must:
  - Submit a Merchant Participation Form to Mastercard. Acquirers can submit a request to opt-out either one or multiple merchants at a time through this form.
  - Promptly populate the applicable Mastercard-assigned identifier (MAID) for the merchant(s) into the merchant's authorization messages.
- Upon receiving and processing an opt-out request from an acquirer, Mastercard will:
  - Provide notice of the merchant's opt-out decision to lenders and digital wallets (when applicable) so that they can communicate to consumers where Mastercard Installments Program installment credentials can or cannot be used.
  - Decline authorization attempts on Mastercard Installments Program transactions presented at merchants that have opted out.

13. How long will it take for a merchant's opt-out request to be processed and become effective?

- Mastercard will process opt-out requests from acquirers between 1 and 5 working days after a successful acquirer submission.
- Note: In order for a merchant's opt-out request to be effectuated, acquirers must also ensure that the applicable Mastercard-assigned identifier (MAID) for the merchant is populated into the merchant's authorization messages

14. What happens if a merchant wants to opt-out and does not have their own MAID?

- If a merchant has decided to opt-out and has not been assigned its own MAID by Mastercard, the acquirer may insert a generic MAID value of 424153 as part of its opt-out submission (unless otherwise instructed by Mastercard).

15. Can merchants modify their participation status and opt back in participate in the Mastercard Installments Program?

- Yes, at any time, merchants that have opted out of participating in the Mastercard Installments Program may request their acquirers to opt them back in to participating in the Mastercard Installments Program.
- To opt a merchant back into the Mastercard Installments Program, acquirers must resubmit the Mastercard Installments Program Merchant Participation Form and indicate the modification of a prior opt-out request.

16. What are the implications if a merchant has opted out of participating?

- Mastercard will inform lenders of any merchants who have opted-out so that they can inform their consumers. These merchants will not be included in the ongoing marketing of a lender's Mastercard Installments Program offers.
- Once a merchant's opt-out request has been processed, Mastercard will decline any Mastercard Installments Program transaction authorization attempts that correspond to the merchant (based on MAID information in the authorization message).

17. Who do I contact if I have questions or need additional information?

- Please contact your Mastercard representative for more information