Mastercard Installments with merchant participation

Frequently asked questions for merchants

Installments construct with opt-in 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 addressing:
        - Merchant Choice – Providing the facility for merchants to opt-into the 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 Kingdom	GBP 30
Canada	CAD 50

2. When will this be available to customers?

- The Mastercard Installments Program with merchant participation managed on an opt-in basis is enabled in the United Kingdom, and Canada.

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 pay in 3 model (depending on market requirements)– 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 at merchants who have opted-in to participate in the Mastercard Installments Program 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 markets where it is available, at merchants who have opted-in to participate in the Mastercard Installments Program.

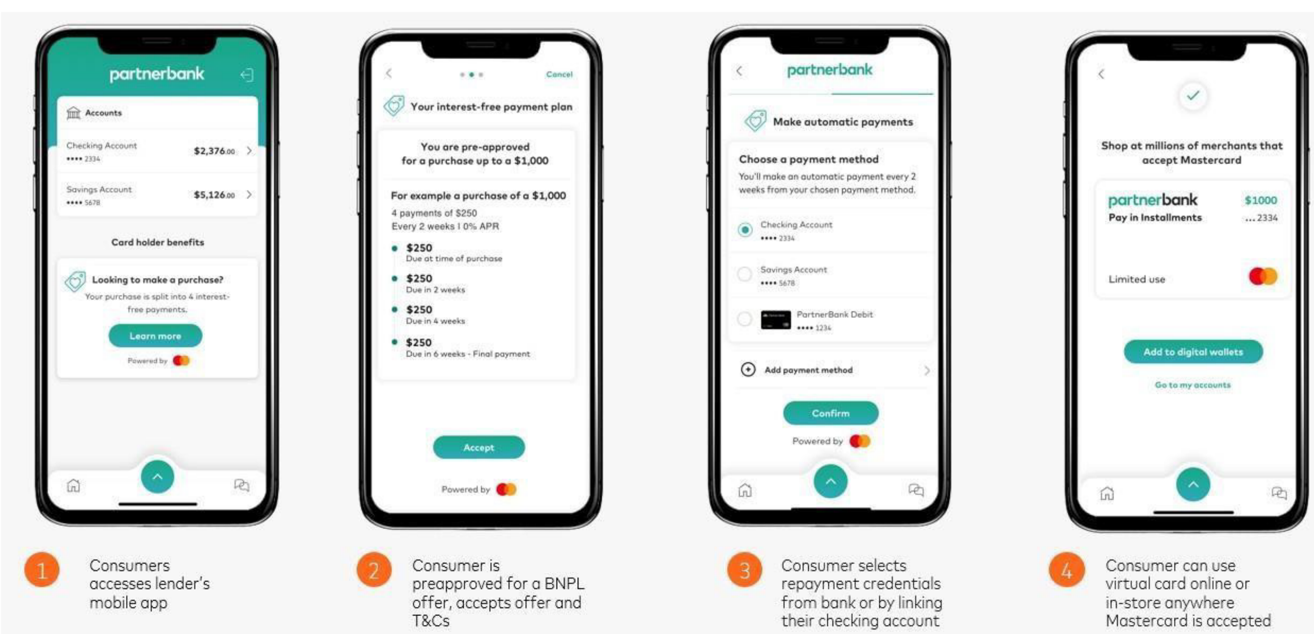
5. What kind of payment method will be used by the consumer in connection with the Mastercard Installments Program?

- There are two available use cases:
  - Pre-purchase: 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.
  - At checkout (in select markets): At a merchant's online checkout experience, consumers can apply for a loan from lenders participating in the Mastercard Installments Program and be approved in near real-time. In the background, a digital credential is created and returned to the merchant for final checkout.
- The digital credential will be based on a new set of product 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 installments 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 opted in.
- For more information on Mastercard Installments Program with merchant participation payment product codes, please refer to Announcement AN 5528 in the United Kingdom and AN 7092 in Canada.

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 who have opted-in to participate 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:



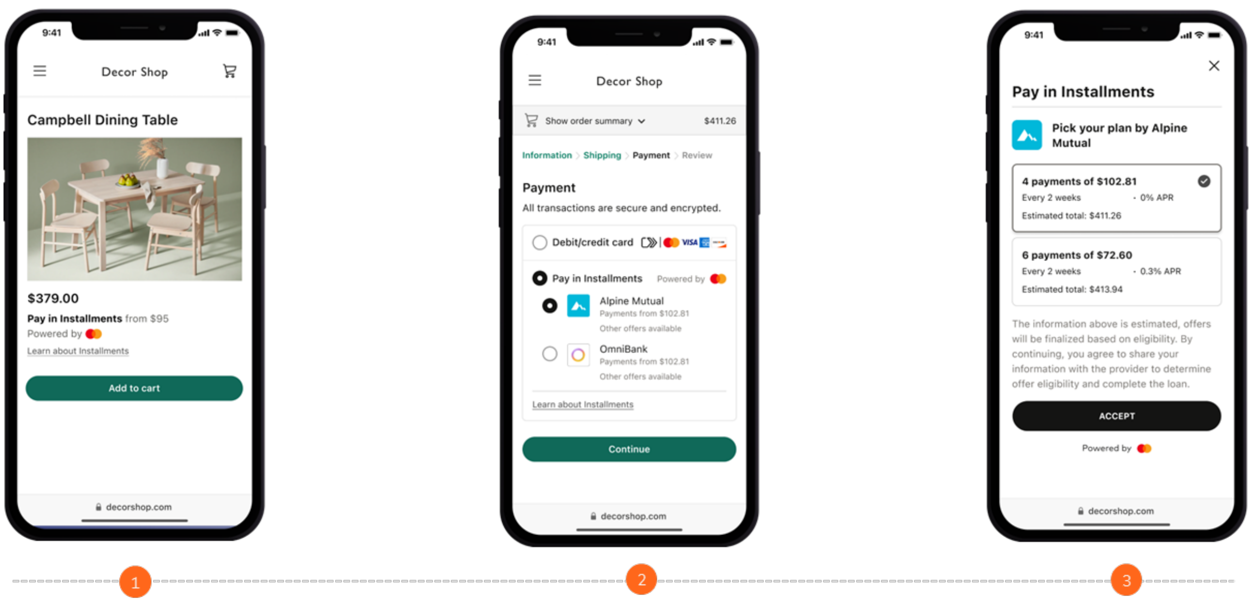
5 The virtual card is added to the checkout flow from a digital wallet or via manual entry

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 is the user experience for consumers during the at checkout use case?

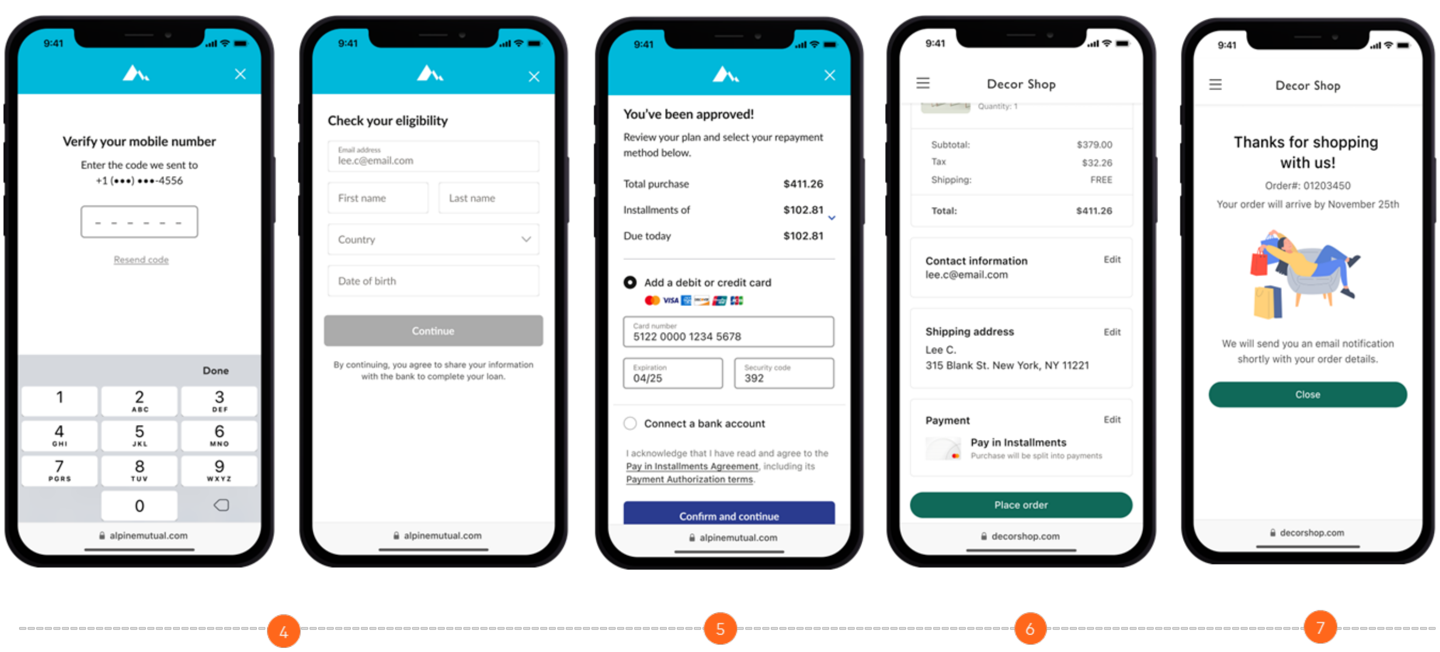
- At a participating merchant's online checkout page (in select markets), consumers will see an option to 'Pay in Installments.' They will then have the option to apply for a loan from Lenders participating in the Mastercard Installments Program. Upon approval, a digital credential is passed to the merchant to complete the consumer's checkout.
- An example of this user experience is shown below for illustrative purposes only:



1 Consumers adds item to cart and sees upfront **Pay in Installments** messaging

2 Consumer chooses **Pay in Installments** from a list various payment options

3 Consumer is presented with BNPL offers to apply for in real-time from Mastercard lenders.



4 Consumer enters information for lender to make real-time underwriting decision

5 Consumer is approved in real-time and selects repayment method

6 Payment credential returned to merchant for final checkout in background

7 Consumer successfully completes the purchase

8. 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.
    - At checkout and near instant approval use case (in select markets)– customers access a variety of offers from trusted lenders that participate in the Mastercard Installments Program. Having multiple lenders to choose from increases the chance of approval for customers.
- **Speed to market** –
    - Pre-purchase use case - No integration or technical work needed for merchants, and no disruption to their existing customer experience.
    - At checkout use case (in select markets)– simple integration with one SDK to access BNPL and multiple other services.
- **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.

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

- Merchants may choose to participate in the Mastercard Installments Program at any time by informing their Acquirer.

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

- Mastercard assesses an installment program fee to acquirers that originate the 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.

11. What specific chargeback protections apply to Mastercard Installments 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.

12. 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.

13. How can merchants opt-in to the Mastercard Installments Program?

- Merchants have the option to opt-in to the Mastercard Installments Program at any time by informing their acquirer.
- Upon receiving a merchant's request to opt into participating in the Mastercard Installments Program, the acquirer must:
    - Submit a Mastercard Installments Merchant Participation Form to Mastercard. Acquirers can submit a request to opt-in 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-in request from an acquirer, Mastercard will:
    - Provide notice of the merchant's opt-in decision to lenders and digital wallets (when applicable) so that they can communicate to consumers where Mastercard Installments Program installment credentials can be used.
    - Decline authorization attempts on Mastercard Installments Program transactions presented at merchants that have not chosen to participate.

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

- Mastercard will process opt-in requests from acquirers between 1 and 5 working days after a successful acquirer submission.

- Note: In order for a merchant's opt-in 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

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

Canada merchants

- If a merchant has decided to opt-in and has not been assigned its own MAID by Mastercard, as part of its opt-in submission (unless otherwise instructed by Mastercard) the acquirer may insert a generic MAID value of:
  - 427035 for merchants participating in the Qualified Small Businesses Interchange program, or
  - 428970 for merchants not qualified to participate in the Qualified Small Businesses Interchange program

United Kingdom merchants

- If a merchant has decided to opt-in and has not been assigned its own MAID by Mastercard, the acquirer may insert a generic MAID value of 427035 as part of its opt-in submission (unless otherwise instructed by Mastercard).

16. Can merchants modify their participation status in the Mastercard Installments Program?

- Yes, at any time, merchants that have opted-in to participate in the Mastercard Installments Program may request their acquirers to reverse their participation. Acquirers must resubmit the Merchant Participation Form and indicate the modification of a prior opt-in request.

17. What are the implications if a merchant chooses to participate in the Mastercard Installments Program?

- Mastercard will inform lenders of merchants who have opted-in so that they can inform their consumers. These merchants will be included in the ongoing marketing of a lender's Mastercard Installments Program offers.
- Once a merchant's opt-in request has been processed, Mastercard will approve any Mastercard Installments Program transaction authorization attempts that correspond to that merchant (based on MAID information in the authorization message).

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

- Please contact your Mastercard representative for more information.