

U.S. Region

Marketing

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Revised Standards—Limitation of Liability of Cardholders for Unauthorized Use (“Zero Liability”)

Suggested routing: Principal Contact, Risk Management Contact, Security contact

Topic(s): ATM, Cirrus Card, Corporate Card, Dual Message System, Fraud/Risk, Maestro Card, MasterCard Card, POI/POS Terminal, Security, Single Message System

Applies to: ✓ Issuers

Summary: MasterCard is revising its “zero liability” rule in the U.S. region by simplifying the language and applying the rule to all MasterCard® branded POS and ATM transactions.

Action Indicator: **F** Financial impact
A Attention warranted

Effective Date: 17 October 2014

Background

Rule 6.3—Limitation of Liability of Cardholders for Unauthorized Use of Chapter 14, United States Region, of the *MasterCard Rules*, limits a MasterCard cardholder’s liability for an unauthorized transaction.

The following revisions to the rule will be effective 17 October 2014:

- The rule will apply to all transactions conducted with a MasterCard® branded card, including PIN-based transactions at the POS and ATM.
- A cardholder will not be liable for an unauthorized transaction, as long as the cardholder has exercised reasonable care in safeguarding the card from risk of loss or theft, and, upon becoming aware, promptly reporting the loss or theft to the issuer.
- The rule will continue to apply to cards issued for small business programs, but not to other commercial cards. In the case of a prepaid card, the rule applies once the cardholder’s identity has been registered with the issuer.

Overview of Revised Standards

Please review the revisions to the publication indicated in the table below and make appropriate plans to support the revised Standards.

Effective Date	Changes to Standards in...	Will be Published in...
17 October 2014	<i>MasterCard Rules</i>	Chapter 14—United States Region

MasterCard will incorporate the revised Standards into a future edition of this manual. The manual is available on MasterCard Connect™ via the Publications product.

Revised Standards—*MasterCard Rules*

Effective 17 October 2014, MasterCard will revise the *MasterCard Rules* to include these Standards. Additions to the Standards are underlined. Deletions are indicated with a ~~striketrough~~.

Chapter 14—United States Region

6.3 Limitation of Liability of Cardholders for Unauthorized Use

The following applies with respect to United States Region ~~MasterCard~~ Cardholders.

An Issuer must not hold a Cardholder liable for a Transaction that was not authorized by the Cardholder if the Cardholder exercised reasonable care in safeguarding the Card from risk of loss or theft and, upon becoming aware of such loss or theft, promptly reported the loss or theft to the Issuer.

This Rule shall not apply to a Transaction conducted with a Card that is:

- a. issued to an entity other than a natural person;
- b. issued for a commercial purpose; provided, the Rule shall apply to a Transaction conducted with Card for a “small business” program as described on www.mastercardbusiness.com (under “Small Business,” select the “Products” tab);
- c. issued and/or sold to a person until such time as that person’s identity is registered by or on behalf of the Issuer in connection with such issuance and/or sale, which registration may include customer identification program requirements.

1. **Limitation on amount.** ~~The liability of a Cardholder for unauthorized use of a Card (regardless of the type of account to which Transactions initiated with such Card are posted, except as set forth in paragraph 5 below) shall not exceed:~~
 - a. ~~USD 0 if the conditions set forth in paragraph 2, below, have been met or;~~
 - b. ~~If the conditions set forth in paragraph 2 have not been met, the lesser of USD 50 or the amount of money, property, labor, or services obtained by the unauthorized use before notification to the Issuer.~~
2. **Conditions to USD 0 liability.** ~~The liability limitations set forth in clause (a) of paragraph 1, above, shall apply only if:~~
 - a. ~~The Cardholder has exercised reasonable care in safeguarding such Card from risk of loss or theft;~~
 - b. ~~The Cardholder has not reported two or more incidents of unauthorized use to the Issuer in the immediately preceding 12 month period; and~~
 - c. ~~The account to which Transactions initiated with such Card are posted is in good standing.~~
3. **Effect of other applicable law or agreement.** ~~If federal, state or local law, or an agreement between a Cardholder and the Issuer of a Card (regardless of the type of account to which Transactions initiated with such Card are posted) imposes lesser liability than that provided in this Rule, the lesser liability shall govern.~~
4. **Unauthorized use.** ~~For purposes of this Rule, “unauthorized use” means the use of a Card (regardless of the type of account to which Transactions initiated with such Card are posted) by a person other than the Cardholder who does not have actual, implied, or apparent authority for such use, and from which the Cardholder receives no benefit.~~
5. **Non-applicability.** ~~This Rule shall not apply:~~
 - a. ~~To Cards issued to an entity other than a natural person or primarily for business, commercial, or agricultural purposes, except that the Rule shall apply to the Card Programs for small businesses described on www.mastercardbusiness.com (under “Small Business,” select the “Products” tab); or~~
 - b. ~~If a PIN is used as the Cardholder verification method for unauthorized Transactions; or~~
 - c. ~~To any Card issued or sold to a person until such time as that person’s identity is registered by or on behalf of the Issuer in connection with the issuance and/or use of such Card, which registration may include appropriate customer identification program requirements.~~

For More Information

Customers with questions about the Revised Standards—Limitation of Liability of Cardholders for Unauthorized Use (“Zero Liability”) may contact:

Customer Operations Services

Phone: 1-800-999-0363
1-636-722-6176
1-636-722-6292 (Spanish language support)

Fax: 1-636-722-7192

Email: customer_support@mastercard.com

Standards

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Routing

MasterCard frequently recommends that persons having certain responsibilities read certain articles. Each customer is responsible for ensuring that it remains in compliance with MasterCard Standards at all times. Thus, it is the responsibility of each customer to determine who within its organization is afforded access to MasterCard information.

Revisions

In the event of a conflict between this document and a subsequently published edition, the subsequently published edition shall have precedence.

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