MasterCard® PayPass™
Device Program Guidelines
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1.0 INTRODUCTION

1.1 OVERVIEW

A MasterCard® PayPass™ device is one that can be used by a MasterCard cardholder as a convenient substitute for using the MasterCard card at merchant locations that use PayPass technology. The device is not a MasterCard card and does not conform to MasterCard card standards or to ISO Standard 7810, nor is it considered a MasterCard Alternative Card Form (MACF).

MasterCard PayPass devices use the same chip and terminal application as MasterCard PayPass cards, but the physical housing of the chip and antenna is on a device that is not a MasterCard card. A PayPass device is designed to be used in MasterCard PayPass acceptance environments as a companion device to an ISO Standard 7810 MasterCard card, which may or may not include PayPass technology.

These MasterCard PayPass Device Program Guidelines (“Guidelines”) primarily address standards related to the security, branding, issuance, and acceptance features of PayPass devices. As of the date of publication of these Guidelines, MasterCard permits the issuance of PayPass devices only pursuant to the express prior written consent of MasterCard. Any such issuance must be in strict conformance with these Guidelines. These Guidelines may be amended at any time and from time to time by MasterCard in its sole discretion.

For MasterCard PayPass Device Programs, MasterCard will monitor:

- Negative and positive impacts on the MasterCard brand
- Security and risk concerns
- Negative or positive merchant and/or cardholder experience at the point of sale (POS)
- Reliability of PayPass devices

These Guidelines address specific issues relating to PayPass devices and not the MasterCard PayPass program. It is essential that readers of this document familiarize themselves with all MasterCard PayPass specifications and documentation. Any issuer that wishes to issue MasterCard PayPass–branded devices must sign the MasterCard PayPass Program Agreement. For information about the MasterCard PayPass program or to receive a MasterCard PayPass Program Agreement, issuers may send an e-mail to specifications@paypass.com or talk to their MasterCard representative.
1.2 MAJOR COMPONENTS OF THE GUIDELINES

These Guidelines consist of five components that address the elements necessary to develop a MasterCard PayPass device program. These components are:

➤ Franchise Standards
➤ Security/Risk Standards
➤ Acceptance Standards
➤ Approval Process
➤ Communications Standards

Following is a brief description of each component:

Franchise Standards
This section addresses standards governing the issuance and acceptance of PayPass devices. Where standards are applicable to PayPass devices, the appropriate MasterCard card standard will be referenced, except as set forth in these Guidelines.

Security/Risk Standards
This section addresses the security features associated with the issuance of PayPass devices. While many of the physical security features on a standard card do not apply to PayPass devices, MasterCard has created other security features to help ensure a secure transaction. These security features are described in this section.
All MasterCard chargeback rights are applicable to PayPass device transactions.

Acceptance Standards
This section addresses standards intended to facilitate seamless acceptance of a PayPass device at the POS. Where appropriate, specific requirements associated with the PayPass device and its physical attributes and other “universal acceptance” considerations are addressed.

Approval Process
This section addresses minimum standards with respect to the physical characteristics and technical specifications of the PayPass device, as well as the approval process for PayPass device programs.

Communications Standards
All communications and training materials, including marketing materials (collectively the “Program Materials”), and merchant and cardholder education materials, are addressed in this section. This section also presents an overview of the MasterCard approval process for Program Materials.
2.1 GENERAL POLICY
Except as set forth in these Guidelines, MasterCard PayPass devices are subject to all MasterCard rules and other requirements (collectively, the Standards), which include, but are not limited to, the Bylaws and Rules, Chargeback Guide, and Security Rules and Procedures manuals.

2.2 CARD LINKAGE PARAMETER
The MasterCard PayPass device given to the cardholder must be linked to a MasterCard card account assigned to that same cardholder accessed by an ISO-compliant MasterCard card. As used herein, to be “linked” means that the PayPass device and the ISO-compliant MasterCard card must access a single MasterCard card account.

2.2.1 Expiration Dates
The expiration or “valid thru” date of the PayPass device must not be later than that of the card to which it is linked. If the MasterCard card is cancelled, the issuer must simultaneously cancel the linked PayPass device.

2.2.2 Recognition of MasterCard PayPass Devices
An issuer must be able to identify transactions made by the MasterCard PayPass device distinctly from those made by the MasterCard card, or indeed, another PayPass card held by the cardholder. This requirement is intended to help enable the issuer to determine, among other things, whether “pick up/capture” is possible, what are the chargeback implications, and whether the merchant will obtain the cardholder’s signature. Please refer to the MasterCard PayPass—Mag Stripe, Issuer Implementation Guide for information on how to identify these transactions.
Since MasterCard PayPass devices make use of exactly the same chip and terminal application as MasterCard PayPass cards, but the physical housing of the chip and antenna is different, PayPass devices will support many of the risk management measures in place for the card application, including the dynamic CVC3 designed to prevent the use of counterfeit devices. All MasterCard PayPass terminals will be “type approved” to ensure compliance with the MasterCard PayPass specifications. These specifications require all POS terminals to support the generation of the CVC3 value if so designated in the discretionary data by the issuer.

Accordingly, issuers of PayPass devices must implement, at a minimum, and in addition to that required for the use of “standard” MasterCard PayPass cards, the following security standards to protect account information and to ensure the integrity of transaction processing.

### 3.1 SECURITY STANDARDS REQUIREMENTS

Issuers must comply with MasterCard loss control and other published security standards, including those set forth in the Bylaws and Rules and Security Rules and Procedures manuals. PayPass devices must be manufactured and handled in compliance with all MasterCard vendor and manufacturer certification requirements.

### 3.2 MASTERCARD PAYPASS DEVICE TESTING AND TYPE APPROVAL

MasterCard PayPass Card Approval is a mandatory requirement which vendors wishing to supply PayPass cards and devices or their constituent components must complete before the product can be sold to MasterCard issuers and deployed in the field. The MasterCard PayPass Card Approval Process is based upon the assessments of an independent testing laboratory, resulting in a test report. MasterCard is the approval authority and will issue a conformity statement based on a positive test report. The assessment of a PayPass component is split over a number of different test areas; each test area has its own test report and conformity statement. When all the required conformity statements are available, the vendor can then apply for Approval with MasterCard. A positive evaluation by MasterCard results in the issuance of a Letter of Approval.

More information regarding the testing process, as well as the MasterCard PayPass Card Approval Process documentation, may be obtained by e-mail at testing@paypass.com
3.3 CUSTOMIZATION/SIGNATURE PANEL

If an issuer chooses not to use the approved MasterCard key fob and tag designs, the MasterCard PayPass device must be approved by MasterCard in advance of distribution and use. The device must accommodate a signature panel where possible. Those devices that cannot accommodate a signature panel must contain a “customization” area or unique identification number. A minimal space on small form factors is sufficient to provide cardholders with an opportunity to customize the device with their initials or another mark to identify it as theirs.

While it is not necessary for the PayPass device to display an account number, it must adhere to the account linkage requirements described above.

3.4 CHARGEBACK STANDARDS

Issuers need to be cognizant of the possibility of chargebacks and/or compliance cases resulting from the use of PayPass devices. All MasterCard chargeback and compliance rights apply to PayPass devices unless otherwise noted. Since the MasterCard PayPass device is not a MasterCard card, the following sections of the Chargeback Guide do not apply:

➤ Section 2.1.1 Acceptance Procedures for Purchase Transactions
➤ Section 2.1.6.3.1 Compare Signatures

It is possible for a credit given by a merchant to be issued to the PayPass device and not the PayPass device account number itself. Issuers may not initiate chargebacks for a credit not processed if in fact the credit was processed to the linked account.

The acceptance of PayPass devices does not impact an issuer’s chargeback rights. Merchants must continue to follow all MasterCard acceptance rules, except as modified below. Merchants must continue to obtain the signature of the holder of the PayPass device where required for any MasterCard cards.

MasterCard has expanded the merchant categories eligible to participate in the Quick Payment Service (QPS) program to include many merchant categories where PayPass is accepted. Under the QPS program, the acquirer is protected from responsibility for particular chargebacks. Please see the MasterCard Chargeback Guide and the Quick Payment Service Program Guide for further information.

3.5 MASTERCARD PAYPASS DEVICE “PICK UP OR CAPTURE”

The MasterCard PayPass device will generally remain under the control of the cardholder throughout the entire transaction process. Therefore, the opportunity for merchants to “pick up” or “capture” the PayPass device will be limited. MasterCard recommends that issuers not use the “capture card” authorization response code (value 04 in DE 39 of the 0/110 message) for PayPass device authorization requests.
4.1 MERCHANT ACCEPTANCE

MasterCard PayPass devices must be accepted without discrimination at all MasterCard points of interaction equipped with PayPass technology; however, a merchant is not obligated to install PayPass technology. A merchant that accepts PayPass devices must also accept MasterCard cards but not necessarily at all PayPass acceptance locations.

Merchants authorize PayPass device transactions by allowing the chip to be electronically read. If the PayPass device transaction cannot be read electronically, the merchant must offer the cardholder the opportunity to pay for the transaction with a MasterCard card.

Merchants must clearly indicate whether PayPass is accepted. If so, the merchant must display the MasterCard PayPass mark on all PayPass-enabled terminals to indicate acceptance of MasterCard PayPass cards and PayPass devices. Brand standards and artwork for MasterCard PayPass terminals and other POS signage is available on the CD-ROM containing the MasterCard PayPass Branding Standards.

With a PayPass device, the merchant may not have the opportunity to follow all usual card acceptance procedures such as checking physical security features (e.g., hologram and CVC2). In addition, and as discussed above, unlike MasterCard PayPass cards, some PayPass devices may not carry a signature panel as a cardholder verification method although the acquirer may require the merchant to obtain a signature. While MasterCard requires merchants to compare the signature on the TID with the signature on the card, merchants are exempt from this requirement when accepting a PayPass device.

4.2 ACCEPTANCE LIMITATIONS

MasterCard PayPass devices can only be used at merchant locations that accept MasterCard PayPass. As MasterCard does not require PayPass devices to conform to any particular design, it is incumbent upon acquirers to conduct merchant education to ensure that acceptance satisfaction is maximized.
4.3  MASTERCARD PAYPASS DEVICE ACCEPTANCE DISCLOSURE REQUIREMENTS

In addition, issuers of MasterCard PayPass devices must provide cardholders with clear and simple instructions:

➤ A statement that the PayPass device is intended for quick and convenient use and may be used only at face-to-face merchant locations that display the MasterCard PayPass mark.

➤ Instructions for using the PayPass device at MasterCard PayPass terminals.

➤ A statement that PayPass devices only work at PayPass-enabled terminals. While this may appear self-evident, it is recommended that issuers educate their cardholders about such acceptance limitations.

When the PayPass device is issued, the issuer must advise the cardholder to also carry the MasterCard card for use in locations where the PayPass device is not accepted.

Information regarding acceptance limitations must be communicated to the cardholder (see Section 4.2).
The review and approval process encompasses the MasterCard PayPass device design, program standards compliance, as well as marketing and communications materials. MasterCard has a right, in its sole discretion, to require modification to any aspect of the proposed PayPass device program or to require that a PayPass device program be terminated.

An issuer interested in issuing PayPass devices may choose to utilize one of the PayPass devices already developed by MasterCard or may elect to develop its own device. Use of any device is subject to MasterCard’s express prior approval. For the brand standards and design elements required for PayPass devices, please refer to the MasterCard PayPass Branding Standards.

All PayPass device programs must be approved by MasterCard in advance. Requests should be submitted in writing to:

Franchise Management—Rules
2000 Purchase Street
Purchase, New York 10577-2509

Issuers should include the following information in the request along with all required Program Materials:

- The number of PayPass devices the issuer plans to issue.
- The time period of issuance.
- Name of program associated with the PayPass device, if any.
- Name and address of PayPass device manufacturers.
5.1 **MASTERCARD PAYPASS DEVICE DESIGN STANDARDS**

For the MasterCard PayPass device program, MasterCard has introduced two designs that issuers may choose to use, as pictured below. Issuers may also introduce their own PayPass devices, subject to receiving express written approval from MasterCard.

MasterCard has created two non-card PayPass device designs that will be available for deployment:

**MasterCard PayPass Key Fob Design:**

![MasterCard PayPass Key Fob Design](image1)

**MasterCard PayPass Tag Designs:**

![MasterCard PayPass Tag Design](image2)
6.0 COMMUNICATIONS STANDARDS

6.1 GENERAL REQUIREMENTS

All MasterCard PayPass device program materials, including merchant and/or cardholder communications, advertisements, website content, and the like, must be submitted in advance of use for review to:

MasterCard Franchise Management—Brand Standards
2000 Purchase Street
Purchase, New York 10577-2509

All program materials must be expressly approved by MasterCard prior to distribution or display or other use. At its sole discretion, MasterCard reserves the right to conduct subsequent reviews of all program materials prior to use and require changes to program materials after the PayPass device has been tested or after the program material was initially approved by MasterCard.

6.2 BRANDING STANDARDS

Program materials, MasterCard brand requirements, and the PayPass device depiction all must comply with the standards set forth in MasterCard PayPass Branding Standards. The issuer of the PayPass device must be clearly identified in all program materials.

6.3 DISCLOSURE REQUIREMENTS STANDARDS

The potential limited functionality of the PayPass device must be clearly disclosed and explained to the PayPass cardholder in the program materials and in advance of or with the PayPass device issuance to the cardholder and in accordance with the standards set forth in the Standards for Use of the MasterCard Brand in Member Communications manual.
6.4 MASTERCARD BRAND MARK REQUIREMENTS

All program materials must include the MasterCard brand mark. The MasterCard brand mark must be reproduced using authorized artwork and must comply with the standards as provided by MasterCard in the MasterCard PayPass Branding Standards. Issuers in the U.S. who wish to issue MasterCard PayPass devices linked to debit cards should contact MasterCard for branding requirements.

6.5 MERCHANT TRAINING

MasterCard will provide acquirers, upon request, a written explanation of proper acceptance procedures for PayPass devices. Please refer to the MasterCard PayPass—Mag Stripe, National Merchant Implementation Guide for more information.