

Fallback Blocking for Transactions From U.S or Canada-Issued Cards in Brazil

Canada, LAC (Brazil), U.S. | Acquirers, Issuers

Visa, Interlink, Plus Networks



Overview: Due to continued fraudulent fallback attacks originating in Brazil, effective 16 October 2020, Visa will start blocking ATM and POS magnetic stripe fallback transactions from U.S. or Canada-issued cards.

The migration process to EMV® chip introduced the need for strategies to mitigate risk in both the magnetic stripe and chip environments. Fraudsters in Brazil have continued exploring fallback opportunities to conduct fraudulent transactions, in particular on U.S.-issued cards. To mitigate this type of attack, Visa granted a waiver, effective 22 August 2019 **through 31 December 2020**, allowing Brazilian acquirers to block ATM or POS fallback transactions from cards issued in the U.S.

Related Training From Visa Business School:

- Risk

As a next step to further protect the ecosystem, Visa will implement changes, **effective 16 October 2020**, to decline all ATM and POS magnetic stripe fallback transactions (POS Entry Mode 02 or 90) that are acquired in Brazil on cards issued in the U.S. or Canada, with the authorization Response Code 57 (Transaction Not Permitted to Cardholder) in Field 39 - Response Code.

What Is Fallback?



Chip Card

Service Code = 2XX or 6XX

The **Service Code** is on the magstripe and the chip and tells the terminal what the card capabilities are. For example, if a card is swiped and the Service Code is **2XX**, the chip capable terminal will advise the clerk or cardholder to "Insert Card" .



Chip Terminal

Terminal Entry Capability = 5

The **Terminal Entry Capability** is sent in the authorization message and tells the issuer what the highest level of card acceptance the terminal is capable of. If the terminal is magstripe only the Terminal Entry Capability will be **2** or if the terminal also accepts contactless it will be **8**.



Chip Transaction

POS Entry Mode ≠ 05

A transaction with a chip created cryptogram has a **POS Entry Mode** of **05**. Because the chip cryptogram has not been generated, the POS entry Mode will typically be "90" (magnetic stripe), in some situations "02" (magnetic stripe – CVV checking may not be possible) or "01" (key entered).

A magnetic stripe fallback transaction occurs when a chip card is used at a chip terminal, but the transaction does not result in a full EMV transaction and is completed as a magnetic stripe-read transaction. Issuers are liable for counterfeit fraud resulting from fallback transactions at chip-enabled terminals.

In general, issuers, merchants and acquirers have limited means to identify legitimate fallback transactions from the various forms of deliberate manipulation, and are therefore victims of this type of fraud scheme. The Brazil acquiring market is almost 100% EMV chip-enabled for POS and ATM transactions, so the likelihood of a poor terminal implementation leading to a fallback transaction is very low. The systematic magnetic stripe fallback block implemented by Visa will help mitigate fraud losses to North America issuers and will help reduce operations costs to Brazil acquirers, while causing minimal revenue impacts due to the relatively low transaction volume.

Acquirers should recommend that merchants receiving a decline after a fallback transaction advise the customer to contact their issuing bank in case the cause of the failure is due to a damaged chip card.

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For More Information

Merchants and third party agents should contact their acquirer.

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