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Verified by Visa

Version: October 2014

What does «Verified by Visa» mean?

«Verified by Visa» is an online system designed to make web purchases safe. It is achieved through the process of ownership identification of a cardholder which happens at the moment of a purchase, then a shop assistant passes an authorization request. The system «Verified by Visa» installed on the website of a merchant activates the interface of a cardholder during the verification.

This service is designed to increase confidence level both of a cardholder and a merchant while trading on the Internet as well as to decrease the amount of conflicts and fraud in the process of using Visa cards. Merchants gain profit from the cutdown of costs connected with the arrangement of the most common Internet conflicts.

The sign «Verified by Visa» comes up during the activation and every time the cardholder enters a password for personal identification while making a purchase.

«Verified by Visa» is used worldwide by Visa cardholders and those who deal with trade sales.

1.1. Platform Technology

«Verified by Visa» is designed on basis of a technological platform called 3-D Secure. This programme is aimed at allowing to check the authenticity of transactions via Internet. Such transactions might be conducted with the help of various gadgets allowing to get Internet access.

1.2. Supported Programmes

Plenty of gadgets with Internet access support «Verified by Visa» including personal computers as well as wireless gadgets such as mobile phones (in case a mobile phone is used as means of Internet access). «Verified by Visa» is able to work with several technologies of identification including passwords, digital certificates, chip-cards.

3-D Secure protocol is designed both for plastic cards with magnetic stripe and chip-cards (it concerns those countries where chip cards are used). When the bank which issued a card verifies a chip-card there are not any additional requirements to a merchant or a chip cardholder.

1.3. General Description of «Verified by Visa»

Due to the participation of banks issuing cards, «Verified by Visa» makes it possible to identify cardholders. With the help of identification a bank confirms that a cardholder is officially permitted to conduct transactions. Online purchases are confirmed only if a cardholder enters correctly all necessary data via Bank Access Control. Cardholders can activate a card in different ways.

Visa completely changed conditions regulating the functioning in order to shift responsibility for chargeback from not respectable customers buying a product to a producer in case a merchant has evidence that authenticity of a transaction was verified or a merchant tried to verify a cardholder using «Verified by Visa» system.

After receiving a response about verification, a merchant performs standard procedures of e-trading. As soon as the procedure gets a status "finished", a merchant sends an authorization request which includes identification information which is necessary in «Verified by Visa» and sends a request back to the customer. A deal is closed by means of standard processing via VisaNet programme, accompanied by authorization, clarification and identification.

1.4. Authorization and Authentication

These two notions are similar, however, the difference between them is essential.

Authorization – is a process which is used by cardholders to confirm or reject a payment of a deal. A query for a deal authorization usually comes from a merchant's point of sale device in case it is an operation with a card. Operations without a card (for instance, orders via telephone, mail or Internet) are conducted electronically through a bank which is obliged to pay the sum to a merchant possessing the data of a payment card. In both cases the purpose of authorization is to provide a merchant with a confirmation or rejection from a particular transaction of a cardholder.

Authentication is a process during which an issuer confirms the right to possess a payment card Visa. Authentication process includes a process during which an issuer confirms a password of «Verified by Visa» set beforehand or actuality of information provided by a cardholder.

Hence, due to the authentication process the issuer of a card receives a confirmation that a cardholder is a legitimate holder, whereas authorization performs a confirmation or a rejection from the usage of the card while making this or that deal.

1.5. Brief information about the advantages of «Verified by Visa»

«Verified by Visa» is designed to satisfy all participants of a deal conducted online. Brief information about the advantages of the system is presented below.

Advantages for cardholders:

- Firm confidence while making purchases on the Internet;
- No extra software is required to gain access to this programme;
- Easy to use;
- Control over the usage of a shopping card in the online mode.

Advantages for merchants:

- Firm consumer confidence while making online purchases which leads to sales growth;
- A risk of illegal transactions decreases;
- Operating costs decrease because of the decline of disputes concerning deals.

Advantages for issuers:

- The number of illegal transactions decreases;
- The level of visibility increases as the issuer is involved in every transaction which not only complicates the process but also strengthens the relations between an issuer and a cardholder;
- Allows issuers to check information necessary for authentication during the process of authorization inquiry.

Advantages for a servicing bank:

- The level of illegal transactions decreases;
- Operating costs decline due to the decrease of the amount of chargebacks;
- Efficiency for merchants increases due to the rise of a purchasing power and reduction of transactional disputes.

1.6. Benefits of «Verified by Visa» for merchants:

The possibility to accept credit cards for online transaction payment provides not only new perspectives but also brings up some concerns. For example:

- Unwillingness of cardholders to buy goods and services online because they consider such kind of purchases insecure;
- Costs connected with fraud of unauthenticated cardholders;
- Operating costs connected with dispute settlement.

Developers of «Verified by Visa» took into consideration the following problems and provided a list of benefits of this system dividing them into the following sections:

- The increase of consumer confidence

The study of consumers showed that concerns regarding the safety of payment card usage perform a considerable barrier for online shopping. That is why an improved safety will become the major driving force for the increase of online purchases.

Due to the upgraded safety the cardholders who only looked at goods on the Internet will turn into confident online buyers.

- Reduction of fraud cases

If during a transaction «Verified by Visa» is not able to make authentication of a cardholder, a merchant receives a signal of a possible fraud case. A merchant must not move to the authorization process if authentication has not been completed. Instead the merchant might request a cardholder to make a payment in another way. The system «Verified by Visa» assists to decrease cases of fraud while using Visa card.

- Protection from chargeback

Taking part in «Verified by Visa» you are protected from chargeback both at the moment of deals which passed authentication process and during the attempts to authenticate a transaction.

- Reduced operating costs

Costs of customer service connected with settlement of disputes can be vast for merchants. Even when a matter of argument was solved in favour of a merchant, the process of handling a disputable situation might be quite cost-based. The reduction of fraud cases and the level of operating costs connected with the elimination of a dispute provide an opportunity of direct economy.

2. 3-D Secure Technology

3-D Secure performs technical requirements developed by Visa company to improve online transactions and accelerate the development of e-trading. «Verified by Visa» is a system based on 3-D Secure technology and designed for authentication.

3-D Secure protocol is a technical platform which includes technical specifications and requirements for issuers, customers and merchants. 3-D Secure technology uses a data encryption system SSL (a protocol of secured connection) representing Internet technology which received global support. This technology is designed to protect payment card data during data transfer via Internet. Moreover, 3-D Secure protocol includes authentication of cardholders in order to establish authenticity of both sides involved in the transaction.

In this section you will obtain information regarding the role of different participants of «Verified by Visa» as well as the review of 3-D Secure technology components.

2.1. Participants of 3-D Secure protocol

Below is given information about the role which this or that participant performs in 3-D Secure protocol.

Issuers — financial instruments which provide Visa cards to cardholders. Issuers guarantee the participation of a cardholder in «Verified by Visa», check authenticity of a cardholder every time while processing online operations as well provide a response to a merchant with a digital signature during every authenticated transaction. Issuers are responsible for authentication of cardholders as well.

Cardholders — account holders and Visa payment card holders. They use cards in order to go shopping online, provide a password

when they are shopping and activate «Verified by Visa».

Servicing bank – a financial institution which renders services of credit cards acceptable by shopping units. Servicing banks register shopping units in the system «Verified by Visa», check whether a merchant who begins a transaction adheres to the Trade Agreement, works according to business rules and technical claims maintained by «Verified by Visa».

A salesperson offers goods and services on websites, accepts payments of Visa cardholders who go shopping online. Moreover, a salesperson uses software to support «Verified by Visa». This software is known as software of an online-shop or as a server Merchant Plug-in (MPI). A salesperson can develop and use his/her own server Merchant Plug-in (MPI) or opt for technological products and consultations (including software integration into a trading commercial area) and receive it from a provider of this technology. Shopping units which are participants of «Verified by Visa» must display the sign of this programme in order to make the customers aware of it.

VisaNet – systems and services which include an interoperation domain of «Verified by Visa» system, a united system of payments Visa and Base 2. The programme verifies genuineness of authentication results provided by issuers, sends an issuer an inquiry for authorization and directs responses to a servicing bank in order to send it back to a salesperson.

2.2. Components of software

3-D Secure protocol divides the process of authentication into three parts or domains according to who is involved into the process:

- The domain of an issuer – issuers, ASC processors and cardholders;
- The domain of a servicing bank – servicing banks, communication/trade servers and shopping units;
- The domain of interaction – Visa systems uniting the domains of an issuer and a servicing bank.

