



External information on high-risk merchants

Swedbank Pay is in the business of trust, we need to protect the consumer's trust in the payment infrastructure as well as the merchant's trust. To safeguard the trust in the payment infrastructure we as well as our governing bodies and the card schemes are constantly evolving the rules and regulations on how to run a payment business. It is with this in mind certain sectors and certain types of transactions are assessed as high risk. We as payment providers and you as a merchant have a common task to minimise the risks involved to safeguard the consumer's trust in the payment system.

What is high risk?

We usually talk about three types of risk; risk for service not rendered (SNR risk), risk for money laundering/terrorism financing and brand risk. Each of these risks will be explained further below:

High risk of services not rendered, or services not as described (SNR-risk)

This risk can be described as the risk that a consumer does not receive the purchased goods or service due to for example that the merchant enters bankruptcy. Typically, the longer the time is between purchase and expected receipt of goods/service, the greater the risk. Examples of sectors are travel and event-tickets. This risk is also generally higher for online purchases than instore (where the consumer often receives the purchased goods at the same time as the purchase takes place. In both the VISA and Mastercard payment ecosystem (as well as most other card schemes), a card acquirer being the party enabling the acceptance of card payments with the merchant is bearing this risk and need to mitigate it. There are several ways this can be done involving both fees, payout intervals and thorough due diligence of the merchant's financial status.

Money laundering/terrorist financing risk

We, as part of our normal business, conduct measures to combat money laundering and terrorist financing. Money laundering refers to transactions or other measures aimed at concealing that money or other property are derived from criminal actions.

High brand risk

As described above the payment industry relies upon a base of trust, things that may compromise this trust are fraud, high levels of consumer complaints (chargebacks) or other negative incidents that could damage the brand reputation of the involved parties including VISA, Mastercard and other card-schemes. To safeguard for this risk, the schemes have implemented stricter regulations, and more rigorous due diligence and surveillance measures for these merchants which in turn may result in higher merchant fees. All sectors where payments are accepted are divided in to so called "Merchant Category Codes" (MCC). A

subset of all MCC's are then labelled as high risk and may change from time to time. It is the card acquirer that identify and determine the correct MCC, based on the merchant's business.

As a reference the most common current high risk MCC's are listed below:

MCC	Description
4816	Computer network/Information system
5122	Drugs, drug proprietaries, druggists' sundries (non-face-to-face transactions)
5816	Digital goods games
5912	Drug stores, pharmacies (non-face-to-face transactions)
5966	Direct marketing – outbound, Telemarketing
5967	Direct marketing – inbound, TM merchants
5968	Direct marketing - Continuity/subscription merchants
5993	Cigar stores and stands (non-face to face transactions; nicotine, tobacco & e-cigarettes products)
6012	Financial Institutions
6051	Quasi cash, non-financial institutions, foreign currency
6211	Security brokers/dealers
7273	Dating, Escort
7841	Video entertainment rental stores
7994	Video games Arcades/Est
7995	Betting including lottery tickets, gambling etc. (non-face-to-face transactions)
4722	Travel agencies, tour operators
4511	Airlines, airline tickets
8699	Consumer discounts, so called Deals
8651 and 8661	Organisations, political and religious
7392, 7399 and 8999	Financial services
5941	Weapons for recreational or sport purpose
7012	Real estate rental, time sharing included
6050	Debt collection services
8099	Merchants in the medical sector, Health preparations, medicines
5047	Medical devices, heart starter, Powder surgeon gloves
4899	Black boxes/satellite & cable TV-descramblers
7512	Car rental
5921	Export/import of alcohol/wine (non-face-to-face transactions)
7922	Event tickets
5094, 5732, 5944	Capital goods with high average amounts
5933 and 5932	Pawn and antique shops
4225	Storage space rental

Prohibited sectors/industries

For some sectors we have taken the decision that these have inherently a too large risk, not in line with the values we adhere to or is illegal and are therefore deemed as a prohibited sector, these are:

- Merchants that provide trade in virtual currencies
- Illegal drugs and illegal weapons
- Weapons industry or military goods
- Counterfeit goods or any type of goods that violates legal restrictions.
- Pyramid sales/multi-level marketing
- Escort services/adult
- Crypto currencies such as bitcoin
- Non-licensed gambling or betting companies
- Money-transfer bureaus and foreign exchange transmitters
- Equipment to enable counterfeiting
- Package tours, if the travel agency have not put collateral, e.g., travel guarantee, pledged funds to, and in accordance with relevant National Board of Trade's decision
- Charity and donations (defined as Payment with no exchange of services/goods) without supervision of Insamlingskontroll ("90-konto") or equivalent in merchant country.
- Crowdfunding
- Sales on Facebook and similar platforms
- Services and goods for anonymity such as Proxy servers or Virtual Private Networks (VPN)
- Illegal wildlife, e.g., ivory

Please note that all sectors cannot be categorized in terms of MCC's.