



PRIORITY FORUM

PRIORITY PAYMENT SYSTEMS EMV STRATEGY

There is a lot of discussion in the market place about EMV and how and when will it impact merchants.

Priority Payment Systems has developed a game plan to ensure our mutual merchants and clients are prepared for this initiative. We are offering educational tools about EMV facts, and providing our merchants and ISO/Agents with important future dates and options regarding EMV implementation. Priority's focus is to remain on the leading edge of payment technologies, which includes the evolution of EMV technology.



WHAT IS EMV?

EMV (which stands for the original founders Europay, MasterCard and Visa) is a global card-security standard that has been widely adopted outside the United States to combat counterfeit cards and fraud. The U.S. is in the process of migrating from traditional magnetic stripe technology to chip technology following EMV standards. EMVCo, which is owned by American Express, JCB, MasterCard and Visa manages and maintains the EMV specifications.





At a very high level, from the merchant's perspective, there are two basic types of EMV certified transactions: "Contact" and "Contactless." A "Contact" EMV transaction is a chip card that must be inserted into the terminal. A "Contactless" EMV transaction (using a card or Smartphone) can be tapped on the POS terminal or a peripheral device. Within each of these two types of EMV transactions, there are multiple cardholder verification methods. One common method is to have a PIN entered (referred to as "Chip and PIN") which is what most other countries employ.

Another common method is to require a signature (referred to as "Chip and Signature").

These different methods mentioned above have the potential to change the payment transaction flow. As such, there are many decisions yet to be made between issuers and the card associations. Along with potential government regulations of EMV technology, these will impact the widespread migration from magnetic stripe to EMV chip technology in the United States.

WHAT ARE IMPORTANT DATES TO KNOW?

EMVCo members who are MasterCard, Visa, American Express, JCB and other Payment Systems have established the following dates:

APRIL 2013

Acquires/processors are required to support merchant acceptance of EMV chip transactions. *Priority Payment Systems has met this requirement.*

OCTOBER 2015

Liability for fraud shifts to merchants that do not process 75% of their transactions through an EMV enabled terminal. (Exception: for fuel dispensers, the liability shift is October 2017). *Priority Payment Systems will work with merchants to meet this requirement.*

HOW WILL EMV IMPACT MERCHANTS?

The 2013 deadline applied to acquirers and processors has set the stage for the October 2015 milestone. The card Brands (VC/MV/Amex/DC) want systems upgraded to support EMV transactions.

The October 2015 date refers to PCI Compliance and the shift in fraud liability. Merchants that have not adopted contact chip technology by that time will be liable for losses linked to card fraud, if EMV chip technology could have prevented the fraud. Merchants are strongly urged to upgrade their equipment at some point before the liability shift. Visa states that Visa issuing banks have started to issue chip-enabled cards at the average rate of 5,000 per day and as of March 31, 2013 there were 3.5 million chip-enabled cards in the U.S. market¹.

Regions that have transitioned to EMV already have seen drastic reductions in fraud losses. As the amount of fraud continues to rise in the U.S., an investment in payment technology is inevitable in order to provide a more secure environment for consumers to pay for goods and services.

Priority Payment Systems will keep merchants and agents informed of changes in the conversion to EMV.





REFERENCE SOURCES

EMVCo

http://www.emvco.com/best_practices.aspx?id=217

Visa

<http://blog.visa.com/tag/emv/>

MasterCard

http://www.mastercardadvisors.com/_assets/pdf/emv_us_aquirers.pdf

First Data

http://www.firstdata.com/downloads/thought-leadership/EMV_US.pdf

TSYS

<http://www.tsys.com/acquiring/engage/white-papers/United-States-EMV-Adoption.cfm>

VeriFone

http://lp.verifone.com/media/2146788/emv_key_dates_chart_021213.pdf

FOOTNOTES

¹[http://blog.visa.com/2013/05/28/with-3-5-million-visa-chip-cards-issued-since-2011-emv-continues-to-gain-momentum /](http://blog.visa.com/2013/05/28/with-3-5-million-visa-chip-cards-issued-since-2011-emv-continues-to-gain-momentum/)

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