

# Getting ready for the EMV<sup>®</sup> liability shift on October 1, 2015.

## Clear answers to common questions about EMV.

Did you know that merchants who have not adopted EMV technology will be liable for counterfeit fraud losses when chip cards are used? That's why it's important to prepare now for chip card technology. This new industry standard is coming to the U.S. on October 1, 2015, and will make accepting card payments more secure than ever.

We're here to help make the process easy and understandable, and have prepared this fact sheet to answer some questions you may have.

### What is EMV?

EMV<sup>®</sup> stands for EuroPay, MasterCard<sup>®</sup> and Visa<sup>®</sup>, who originally formed the joint effort. It is now managed by EMVCo, which is overseen by EMVCo's six member organizations — Visa<sup>®</sup>, MasterCard<sup>®</sup>, Discover<sup>®</sup>, American Express<sup>®</sup>, JCB and UnionPay.

EMV chip card transactions help improve security against fraud, compared to magnetic stripe card transactions, which rely on the cardholder's signature and visual inspection of the card to check for features such as hologram.

- The chip carries security credentials, business rules and authentication methods that the card issuer has determined.
- Payment transactions can be processed either by a card reader physically contacting the chip (contact transactions where the card is inserted into the terminal) or by the reader being sufficiently close to the chip to detect it and exchange data (contactless transactions).
- During a payment transaction, the chip performs cryptographic processing. This provides a unique code for each transaction, which prevents the data from being fraudulently reused.
- The security credentials prevent card cloning. In practical terms, this means that chip card-based payment information cannot be skimmed; dynamic values are introduced for each transaction.
- The chip on EMV cards is a microprocessor capable of both storing information securely (as encrypted data) and performing processing functions.

EMV<sup>®</sup> stands for EuroPay, MasterCard and Visa, the global standard for contact and contactless point-of-sale terminals and peripherals, as well as automated teller machines.

"With the total cost of fraud in the U.S. estimated at \$8.6 billion per year, preventing fraud growth has become a priority."

-EMVCo

EMVCo's primary role is to manage, maintain and enhance the EMV specifications with the objective of ensuring interoperability and acceptance of EMV-based payments on a worldwide basis.

### What's coming and when?

All of the card organizations have chosen October 1, 2015, as the date when liability for counterfeit fraudulent transactions will shift to the merchant if the merchant has not adopted POS solutions that are capable of processing EMV chip cards.

### What is the penalty for electing not to support EMV?

Debit and credit domestic and cross border counterfeit liability at all POS devices (excluding Automated Fuel Dispensers) takes place October 1, 2015. If a dual interface or chip card is presented to a merchant who has not adopted an EMV terminal, the liability for counterfeit fraud will shift from the issuer to the merchant.

### How does EMV protect my point-of-sale?

EMVCo manages, maintains and enhances the EMV Integrated Circuit Card specifications for chip-based payment cards and acceptance devices. According to EMVCo, with the total cost of fraud in the U.S. estimated at \$8.6 billion per year, preventing fraud growth has become a priority. In response, all card organizations have committed to migrating to chip technology, which means that soon, your customers will be presenting a new type of payment card — one with an embedded microchip.

## How do I recognize chip cards?

Chip cards (also known as Contact chip) will have a visible chip embedded in the plastic card.



Contactless cards will have the symbol visible on the front of the card.



Both kinds of cards will also have a magnetic stripe to allow acceptance at merchant locations that are not equipped with the special devices that are required to read the chip.

## How are chip transactions different?

Instead of the swiping your customer's card through a terminal or waving the card in front of a device, the customer retains possession of the card, and inserts it in the EMV slot. For contactless transactions, the consumer experience will not change.

## How does EMV benefit my business?

EMV helps protect against fraud, resulting in fewer disputes and chargebacks, and presents a consistent payment experience for credit and debit.

## What is the certification process for EMV?

The certification process you follow to support EMV is dependent on the type of POS solution you're using and the EMV requirements that will be supported. Types of POS solutions include standalone terminals, integrated POS systems, multi-lane POS and unattended cardholder activated terminals (UCAT). A typical EMV certification will require both hardware and software modifications.

## How do I know what modifications I'll need?

We will help you. If you process using a standalone POS terminal, we'll contact you to load new software to your device or speak with you about terminal and peripheral upgrade requirements. Standalone POS terminals that cannot support EMV will no longer be supported for downloads beginning on the liability shift date. You may require an equipment upgrade.

If you process using an integrated POS solution, you'll need to contact your provider to discuss the requirements and next steps.

## What happens if an incorrect PIN is entered?

It is likely the issuer will decline the transaction. If not, a signature line will print on the bottom of the receipt, requiring the merchant to ask the cardholder to sign for the receipt.

## What happens if the cardholder has forgotten his or her PIN?

Because this safeguard is critical, we strongly recommend that you ask for another form of payment.

## What if the transaction doesn't work?

First, make sure the card is inserted chip side up, chip in first. If that is not the problem, remove the chip card and swipe it through the card reader. If the transaction is approved, a signature line will print on the receipt. If the transaction is declined, request a different form of payment.

## When is a signature required with a chip transaction?

There will be two kinds of chip cards in circulation, plus cards that require PIN or signature. From your perspective (and the cardholder's), nothing changes; the terminal will determine whether the card requires a PIN or signature, and you simply follow the prompts. When a signature is required, a line is printed on the receipt and you'll need to obtain a signature.

## When is no PIN or signature required with a chip transaction?

When the card and terminal determine that the cardholder does not need to be verified, no PIN or signature will be required (common with quick-service establishments).

**To learn more, or to get started with EMV preparations right away, contact your Bank of America Merchant Services representative.**

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