



Do You Really Need an EMV Chip Card Terminal?

"The chip cards are coming! The chip cards are coming! By land and by sea. Organize the merchant militia!"

If you haven't already heard, the instatement of EMV cards is imminent in the US. Suddenly all of those sales pitches from agents over the past few years ("You really need this future-proof terminal" "EMV cards are the future, you might as well upgrade now") are beginning to sound less like pushy gimmicks and more like ignored prophecy, with your soon-to-be useless credit card machine hanging around your neck like the mariner's albatross.

It's not all gloom and doom, though. Yeah, a lot of merchants are going to need to upgrade soon (maybe a good time to buy stock...), but the real headache is going to be for the merchant service providers who need to make sure all of their clients are using the right equipment and convincing the clients that an upgrade is necessary. There's a little bit of *The Boy Who Cried Wolf* in this scenario: We're constantly bombarded with the upsell (*Would you like fries with that?*), so we're wary of this sort of thing, especially from payment processing companies, who most of us regard as on par with used car or insurance sales reps (no offense to these professions).

But I'm here to give it to you straight. Yes, you really do need a new fancy credit card machine soon. It's not the end of the world if you don't start running with the rest of the lemmings right away, but you will be at greater risk for fraud liability if you process a counterfeit chip card come October 2015. Also, at some point your processing company can and will force you to upgrade.

What is an EMV Chip Card and Why Do I Care?

For starters, EMV stands for "Europay, MasterCard and Visa," which set out to create world-wide standardized protocols for so-called "integrated circuit" cards and the hardware necessary to accept these cards. This was no easy task, but by 2005 – almost a darn decade ago – chip cards became status quo in the EU. By 2012, Canada also joined in on the EMV party.

These cards are manufactured with a small integrated circuit (or "chip") in the card. Payment data is read from this chip instead of from the magnetic stripe. This protects against fraud in two ways. First, the chip itself is more difficult and expensive to counterfeit. Second, the way the data is transmitted varies each time it is read, making it dynamic instead of static. Thus, while info from a magnetic stripe can be "skimmed" easily, chip information is much more complicated to glean.

While the effectiveness of EMV cards in thwarting fraud is debated (it does nothing for card-not-present fraud, for instance), this is kind of beside the point as far as we are concerned. We don't get to decide; we just have to obey. The good news is that the EU and

Canada and basically the rest of the developed world were the guinea pigs here, so the US should have a smooth transition in theory. (Is the metric system next?)

You Can't Make Me (Right?)

So I know what you're thinking, "Who's gonna come here and force me to do this? I don't have to if I don't want to." And, in essence, you are correct. If you want to keep on processing cards with the magnetic stripe and say *screw it* to the whole EMV protocol, you are currently free to do that. You won't lose any business, since smart cards still have a magnetic stripe as a back up. You will not be fined, and your transactions will still process as usual. But there will be one incredibly important difference: **Starting in October 2015, you and your processing company will be liable for any counterfeit smart card transactions.** This is what they call a "liability shift." Since having the EMV terminal could have theoretically prevented the fraud, the **liability is now on acquirers and merchants (you).**

The Timeline for EMV Chip Card Liability Shift in the US

- **April 19, 2013** – Maestro shifted liability for international chip cards used in the US.
- **October 1, 2015** – Visa, MasterCard, American Express and Discover liability shift for POS terminals.
- **October 1, 2016** – MasterCard liability shift for ATMs.
- **October 1, 2017** – Visa, MasterCard, American Express and Discover liability shift for pay-at-pump gas stations, as well as for Visa and AmEx at ATMs.

So, as you can see, **October 2015** is the big date most merchants need to keep in mind. By that point, your processor will probably have already forced you to upgrade in order to protect itself against fraud liability.

"But no one is using chip cards, this doesn't even matter." Well that might be true today, but the times, they are a-changin. Get ready to see a **massive increase in chip cards at your register** as the card networks begin to implement the change.

What Should I Do About Smart Cards Now?

At this point, **you should be seriously thinking about it.** And I do mean *seriously*. Make no mistake – **you really do need to protect yourself from fraud liability.** The few hundred dollars a new terminal will cost you is worth the peace of mind. However, this is America, the land where we have the right to make our own choices, however stupid, and you are also free to roll the dice if you prefer (and your processing company allows you to). After all, there is always the chance that no one will ever present a counterfeit chip card at your register. Is it worth the worry to save a little cash? If you're Scrooge McDuck, maybe. For me, no.