

MAKE WAY FOR THE

EMV CREDIT CARD

*What You Need to Know for
a Smarter POS Strategy.*



CUSTOM BUSINESS SOLUTIONS, INC.

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A QUICK SUMMARY



By fall 2015, most debit and credit cards issued to U.S. consumers will have been reissued as EMV-enabled cards with embedded microprocessor chips that add a layer of protection to the purchase to deter credit card fraud.

For retailers, the switch to EMV means adding new in-store technology and internal processing systems. Restaurateurs need to review their point-of-sale (POS) systems with their provider, including hardware and software, and determine an upgrade strategy that works best for them.

Read on for some background and some key points to think about.



The transition to chip cards is the largest overhaul since the introduction of the magnetic stripe to the credit card industry in the early 1970s

EMV BACKGROUND

EMV – named for developers Europay, MasterCard and Visa – is a global payment system that has been widely used in Europe and Asia and will soon become the standard type of credit card used in the United States.

The system was developed to ensure a consistent experience worldwide, or interoperability, between next-generation, chip-and-pin based payment cards and terminals. According to the Smart Card Alliance, more than 80 countries globally are in various stages of EMV chip migration¹, including Canada and countries in Europe, Latin America and Asia. In parts of Europe, more than 95 percent of terminals are chip-enabled.

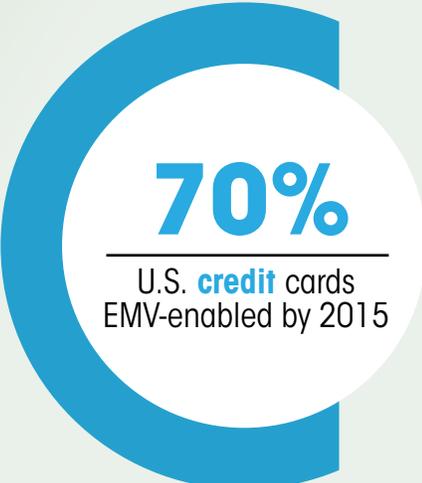
The United States is one of the last countries to migrate to EMV. But Visa, MasterCard, Discover and American Express are all moving to an EMV-based payment infrastructure here². The transition to chip cards is the largest overhaul since the introduction of the magnetic stripe to the credit card industry in the early 1970s.

1. "EMV Chip Payment Technology Frequently Asked Questions," Smart Card Alliance

2. Ibid

In the United States annual costs of card fraud are estimated to be \$8.6 billion per year

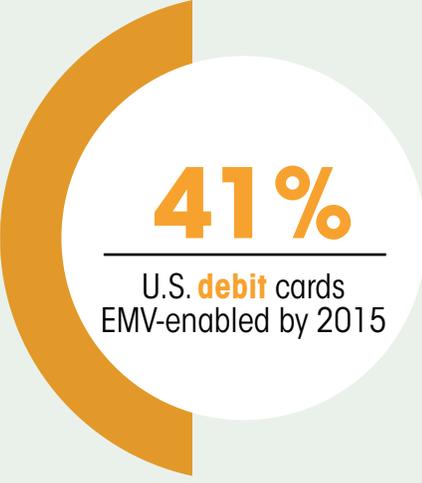
EMV BACKGROUND



70%

A blue circular graphic with a white center containing the text '70%' and 'U.S. credit cards EMV-enabled by 2015'. The graphic is partially cut off on the left side.

U.S. **credit** cards
EMV-enabled by 2015



41%

An orange circular graphic with a white center containing the text '41%' and 'U.S. debit cards EMV-enabled by 2015'. The graphic is partially cut off on the left side.

U.S. **debit** cards
EMV-enabled by 2015

Although U.S. consumers have been receiving reissued cards with the chips, only about 1% of the 1-billion-plus credit, debit and prepaid cards in the United States currently have an EMV chip³. But, it's predicted that by the end of 2015, 70 percent of U.S. credit cards and 41 percent of U.S. debit cards will be EMV-enabled⁴.

EMV debit and credit cards are embedded with a microprocessor chip that provides strong transaction security features and other applications capabilities not possible with traditional magnetic stripe cards. Traditional cards, with a magnetic stripe, hold static information that does not change once encoded by a card's manufacturer. EMV smart cards, with the chip, generate dynamic data for each transaction, which makes it harder for criminals to pick up useful payment data pieces and use them again for another purchase.

This is significant in the United States as annual costs of card fraud here are estimated to be \$8.6 billion per year⁵.

3. "EMV Commercial Card Issuers May Herald PIN Dominance With Consumers," Digital Transactions, May 20, 2014

4. "70% of US credit cards to be EMV by end of 2015 – Aite," Finextra, June 10, 2014

5. "Will Retailers be Ready for EMV by Oct 2015?," Payments Leader



EMV BACKGROUND

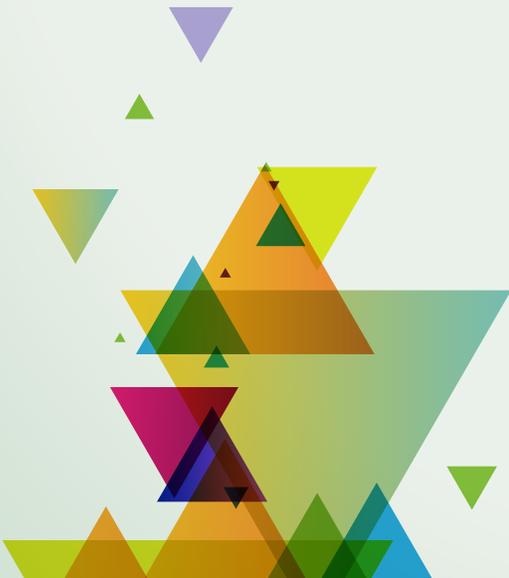
*October 1, 2015,
liability shifted
to whoever is
the least EMV-
compliant party
in a fraudulent
transaction.*

There is no mandate for a merchant to implement EMV but this October there will come an important milestone in the U.S. transition to EMV when the Payment Networks' Liability Shift associated with EMV is due to take effect. The major card brands – Visa, MasterCard, Discover and American Express – have announced new rules where the liability for counterfeit transactions will shift to the party that has not implemented EMV capabilities. Additionally, MasterCard, Discover and American Express have announced a liability rules shift as it relates to lost and stolen chip cards.

Consider this scenario, as described by the Smart Card Alliance:

Today, if an in-store transaction is conducted using a counterfeit, stolen or otherwise compromised card, consumer losses from that transaction fall back on the payment processor or issuing bank, depending on the card's terms and conditions.

Following an Oct. 1, 2015, deadline created by major U.S. credit card issuers MasterCard, Visa, Discover and American Express, card-present fraud liability shifted to whoever is the least EMV-compliant party in a fraudulent transaction.



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