MERCHANT CHIP CARD GUIDE

BE READY FOR EMV.

Here's what you need to know about chip cards—
including how to get your employees up to speed.

DISCOVER®

TRANSNATIONAL™
PAYMENTS • TECHNOLOGY • TRUST

ACCEPT CHIP CARD PAYMENTS—WITH CONFIDENCE.

Around the world, EMV or chip cards are the standard to help secure point-of-sale (POS) transactions. With the U.S. home to nearly half of the world's credit card fraud[1], migration to EMV is a critical step to help prevent card-present fraud.

To encourage the timely adoption of EMV, the leading payment networks initiated an EMV Fraud Liability Shift that took effect in October 2015. From that point forward, merchants and acquirers who are unable to process chip card transactions because they haven't upgraded to EMV-enabled terminals may be liable for card fraud that could have been prevented with EMV technology.[2]

[1] *Business Insider,* March 2014.
[2] EMV Fraud Liability Shift for automated fuel dispensers takes effect in October 2017.

EMV FRAUD LIABILITY SHIFT SNAPSHOT

- EMV fraud liability hinges on the type of card presented at POS and the capability of the merchant terminal.

- In general, if a magnetic stripe card is counterfeited from a chip card and is presented at POS, the liability shifts to the merchant/acquirer when the terminal is non-EMV-enabled.

- In general, if a PIN-preferring chip card is presented at POS, the liability shifts to the merchant/acquirer when the terminal is not enabled to accept chip and PIN cards.

BEFORE
OCTOBER 2015

In most cases, the issuer bore the responsibility for the fraudulent activity if a lost, stolen or counterfeit card was used at POS.

LIABILITY
ISSUER

AFTER
OCTOBER 2015

COUNTERFEIT FRAUD LIABILITY

TYPE OF CARD		TYPE OF TERMINAL
		Non-EMV-Enabled Terminal
	Chip and PIN Card	MERCHANT OR ACQUIRER[3]
	Chip and Signature Card	MERCHANT OR ACQUIRER[3]

LOST OR STOLEN FRAUD LIABILITY

| TYPE OF CARD		TYPE OF TERMINAL	
		Chip and Signature Terminal	Non-EMV-Enabled Terminal
	Chip and PIN Card	MERCHANT OR ACQUIRER[3]	MERCHANT OR ACQUIRER[3]

[3] Liability is transferred to the party with the direct relationship with Discover®.

PREPARE YOUR TERMINALS TO ACCEPT CHIP CARDS.

Before you can begin taking chip card payments, you'll need to enable your terminals—and this process differs based on the type of terminal you have. If you currently use a **stand-alone terminal**, you will need to obtain a terminal from your acquirer or POS provider that has been certified and enabled for EMV. If you use **semi- or fully integrated solutions**, you will need to contact your terminal provider(s) to ensure EMV enablement. Once you've readied your terminals for EMV transactions, it's important to familiarize yourself and your employees with the new checkout experience.

INSERTING

When a chip card is presented at checkout, the customer should follow these steps.
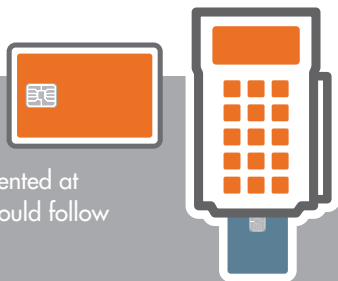
1. Customer inserts chip end of card face up into terminal. *(Card should not be removed until prompted.)*

2. Terminal processes the transaction, while customer follows on-screen prompts and provides signature or enters a PIN as requested.[4]

3. Once transaction is completed and/or receipt is printed, customer removes card.

TAPPING

If your store accepts mobile or contactless payments, the customer should follow these steps.

Look for this symbol on the card.

Look for this symbol on the terminal.

1. Customer taps chip card or mobile device on terminal.

2. Terminal processes the transaction, while customer follows on-screen prompts and provides signature or enters a PIN as requested.[4]

3. Once transaction is completed, receipt is printed.

SWIPING[5]

If the terminal fails to read a chip card due to a technical issue, the merchant should follow network rules— having the customer swipe the card to complete the transaction. If customers don't have a chip card, they should also follow these steps.

1. Customer swipes card.

2. Terminal processes transaction, while customer follows on-screen prompts and provides signature or enters a PIN as requested.[4]

3. Once transaction is completed, receipt is printed.

[4] If purchase is less than $50, verification may not be required.
[5] If consumers are unsure of what to do, instruct them to swipe their card and follow the prompts on the terminal.

YOUR EMPLOYEES ARE ON THE FRONT LINE. ENSURE THEY'RE PREPARED FOR CHIP CARDS.

To encourage a smooth transaction experience for your employees—and customers—we recommend conducting ongoing training sessions to make sure the chip card checkout process is top of mind. Chip cards will have both an EMV chip and a magnetic stripe, so your employees should be prepared to guide customers through whatever transaction steps are required. Specifically, it's important for employees to be familiar with:

- **Terminal procedures**—Both cashiers and customers need to acquaint themselves with inserting chip cards in payment terminals and leaving them there for the entire transaction. They also should familiarize themselves with the on-screen prompts for action. If the terminal is EMV-enabled, the terminal will prompt customers to insert their card. If the chip card doesn't work when inserted, those prompts may direct customers to revert to swiping the magnetic stripe on their card.

- **Lost-and-found card policies**—As customers get used to the new process, they may be more likely to leave their cards in the terminal following a transaction. So now may be a good time to update your lost-and-found procedures and let employees know they should always remind customers to take their card after checking out.

To help ensure you and your employees are fully prepared for the new checkout process, Discover is offering the following downloadable EMV-readiness resources.

- Merchant Chip Card Guide
- Employee At-a-Glance POS Guides
- Employee Break Room Signage
- Employee Training Video
- In-Store Customer Awareness Materials

Connect with DISCOVER®

To access these resources, please visit discovernetwork.com/chip-card. For additional information about EMV, contact your Account Representative or visit gochipcard.com.

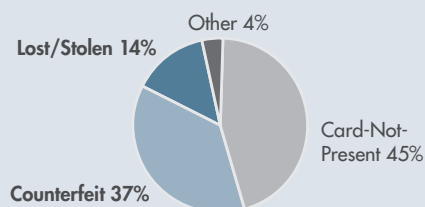## THE FACTS ON CARD FRAUD

50% OF ALL FRAUD

While the U.S. accounts for approximately **25% of global credit card transaction volume**, it struggles with **50% of the fraud**.[6]

$11B

U.S. fraud costs banks, merchants and consumers approximately **$11 billion per year**—and that number continues to rise.[7]

U.S. CARD FRAUD BY TYPE

Other 4%
Lost/Stolen 14%
Card-Not-Present 45%
Counterfeit 37%

Lost or stolen and counterfeit cards account for **51% of credit card fraud** in the U.S.[8]

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[6]*Business Insider,* March 2014.
[7]Javelin Strategy & Research: *2014 Identity Fraud Report.*
[8]Aite Group: *Interviews with Card Executives from 18 of the Top 40 U.S. Issuers and Payment Networks,* April and May 2014.

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