

ARE YOU READY FOR CHIP CARDS?

WHAT YOU NEED TO KNOW ABOUT YOUR LIABILITY



In October 2015, a new technical standard for credit cards will be introduced. The standard is known as Europay, MasterCard® and Visa®, or EMV, after the developers of the technology. It is designed to ensure that microchip-embedded payment cards (chip cards) are compatible with the terminals of merchants that accept them. Chip cards are nearly impossible to duplicate — when combined with additional layers of security like encryption, tokenization and other strong authentication techniques, chip cards can significantly reduce opportunities for card payment fraud.

The chip card standard was first introduced in Europe in 1993, and since then, most countries have adopted it. The U.S. is the last major world economy to migrate to chip cards. A road map for migration in the U.S. was introduced in 2012. This will culminate in a shift in financial liability in October 2015.

At that time, financial liability for card-present counterfeit card losses will shift from issuing banks to merchants if merchants receive chip cards but have not yet installed chip-capable terminals. This liability shift will apply to all merchants, regardless of size.

Some progress has been made toward chip card migration, especially among large retailers. For example, Target announced in April 2014 that it plans to collaborate with MasterCard to complete the conversion of its store-branded credit and debit cards to chip technology by early 2015. Target's chairman stated that moving to chip technology was a top priority in the wake of the retail giant's well-publicized data breach last year.¹ In addition, many small- to medium-sized merchants are updating their POS terminals in advance of the liability shift to better protect their businesses against counterfeit fraud.

HOW DO CHIP CARDS AFFECT HEALTHCARE PROVIDERS?

As merchants, healthcare providers will incur the liability shift in October if they have not installed chip card-capable terminals for card-present transactions. A recent informal survey of PNC's Healthcare Client Advisory Board, whose members represent large provider systems across the United States, found that the majority of those providers currently experience very low rates of credit card fraud, compared to other industries that accept consumer payments. Physician offices, hospital emergency rooms, and other points of service for patient care were considered to be low risk. Areas of higher risk included parking lots, gift shops and pharmacies.

The environment is changing for practices accepting card payments. Business managers need to evaluate how their card processing provider is helping prepare for the EMV migration.

WHAT SHOULD MY ORGANIZATION DO TO PREPARE FOR CHIP CARDS?

First, identify all credit card collection points and systems used by your organization, including any subsystems operated by vendors for which your organization is the merchant, such as parking lots and cafeterias. Talk to your merchant services provider and subsystem vendors to understand their strategy for chip cards. Then assess your organization's potential risk, based on credit card volumes, current fraud experience and areas of potential

exposure, versus the cost of new chip-capable credit card terminals or other technology. You will need to budget for new credit terminals or system upgrades as needed. Should your organization be unable to meet the October 2015 deadline, you may want to investigate whether potential losses due to fraudulent card transactions will be covered by corporate insurance policies. "The environment is changing for practices accepting card payments. Business managers need to evaluate how their card processing provider is helping prepare for the EMV migration. They should carefully consider and implement advanced solutions designed to strengthen practice security and uphold patient privacy," says David Shorten, PNC Bank senior vice president and treasury management segment executive for Merchant Services.

For more information about chip cards/EMV, call PNC Merchant Services at 1-800-742-5030, or contact your PNC Healthcare representative.

ABOUT THE AUTHOR

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¹ Bank Systems & Technology, "Target Partners with MasterCard on EMV." <http://www.banktech.com/payments-cards/target-partners-with-mastercard-on-emv/240168046>.

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