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Businesses Have Stake in Enhanced Credit Card Security

By Missy Galle, Operations Officer, Los Alamos National Bank

Major credit card processors are imposing tougher security measures on credit card issuers in the industry's ongoing efforts to combat credit card fraud.

These global standards — called EMV for Europay, MasterCard and Visa, the companies collaborating on the new system — include embedding computer chips into “smart” credit cards that offer greater security for point of sale (POS) transactions than the magnetic strips on traditional credit cards.

Many chip-embedded cards require a personal identification number (PIN) instead of a signature to complete the POS transaction and close the security loop; these “chip-and-PIN” cards are the norm around the world, though they've been slow to catch on in the United States.

One incentive for the changeover is the soaring cost of fraud. According to the payment industry's Nilson Report, credit card fraud cost banks and merchants more than \$5 billion in the U.S. alone in 2012. By contrast, credit card fraud in face-to-face sales has dropped dramatically in countries around the world that have adopted the new technology.

Deadline Looms

The deadline for credit card issuers to offer chip-embedded cards is Oct. 1. After that, the party with the less-secure technology will be liable for fraud that wouldn't have happened with a chip-enabled POS system.

Who pays to convert the machines — about \$200 to \$600 per terminal — depends on the relationship each merchant has with his or her bank or merchant services provider. Merchants who rent equipment from LANB, for example, will receive chip-enabled equipment as part of their service agreement, but merchants who own their POS machines will need to purchase upgraded card readers.

Businesses that accept credit cards should contact their provider of merchant services to discuss their options and potential business impact in the coming years as the chip card transition picks up steam.



That provider is the bank or other financial institution that handles the business's accounts, or it might be a third party or payment gateway, such as PayPal, Square Up and Intuit GoPayment. These companies also issue business customers card readers that plug into iPhones, iPads and Android devices, and these readers are being upgraded to process chip-embedded cards.

The chip-enabled cards don't solve the problem of fraud in card-not-present, or CNP, sales, such as those conducted online or over the phone.

In the Meantime ...

During the transition to EMV, chip cards in the U.S. will retain a magnetic strip so customers can use their high-tech cards at businesses that haven't upgraded their technology.

Businesses that want help with equipment setup and support are encouraged to develop a relationship with a local bank, which can offer more personalized service and faster turnaround when resolving transaction-related problems. LANB works to resolve all problems the same day, whenever possible. If a customer cannot process due to equipment issues, LANB will get new equipment ready to go and delivered to the customer. Rarely does a problem require more than one business day to correct.

To learn more about merchant services, visit www.lanb.com/Merchant-Processing1.aspx.

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