

Will Canada accept American Express?

Canada is about to become synonymous with chip and pin cards. Our northern neighbor is well on its way to full implementation of the EMV standard. We have written about this before, but to recap, the focus is to replace the current magstripe-based card system in the country with the chip and pin card program that is currently in use in Europe. Chip cards are plastic cards equipped with a microchip adhering to the standard developed by EuroPay, MasterCard, and Visa (hence EMV). The objective is to upgrade card security in Canada and to provide conformity to a standard that is a growing security initiative worldwide. If Europe is any indication, the technology works as card-present fraud has been significantly reduced. (There are many factors involved and the ABA Banking Journal feature article in July 2011, "New gold standard", offers a good overview.)

• • •

Here's the timeline. By 12-31-12, magstripe (the magnetic strip on the back of your card) debit card transactions will no longer be accepted at Canada's automated banking machines. By 12-31-15 magstripe debit card transactions will no longer be accepted at point-of-sale (POS) terminals in Canada. The message is clear: Debit cards without EMV capability will not work nor will they be accepted in Canada.

What about credit cards? In essence, EMV capable credit or charge cards are the same as debit cards; thus the card based payments landscape in Canada is changing dramatically and fast. It has already changed in Europe and in other places around the world, so it can be said the United State is lagging far behind when it comes to the global evolution relating to card-based payment systems. Every major card company, Visa, MasterCard, and American Express, have published their EMV card issue program to their Canadian customers—only. (Visa announced last week several steps intended to accelerate the migration to EMV standard in the U.S.)

Domestically (within the U.S.), a number of financial institutions have announced a range of EMV card strategies. Some institutions have decided to issue EMV cards to all of their customers while others have decided to issue cards to a limited number of customers that travel internationally, but the international profile most likely pertains to significant international travel not casual or occasional travel.

I do travel internationally from time to time. I recently received a Visa branded EMV card (thank you, US Bank.). I carry more than one card brand (I always have a Plan B). When I contacted American Express about their domestic EMV strategy, I was informed that they do not have one and that my current card is good enough. I asked what to do if my card was not accepted and the response was that I could use cash or travelers checks. I'm serious--that was the response! Let's take a tremendous step backward!

Ok, if you have been reading my blogs you can imagine where the conversation went from there. I explained to the customer service representative my travel scenario and why I have the American Express card. I asked if I could be placed on a waiting list for the card when it became available and the response was "American Express does not have an EMV card issue strategy" and that there was not a list I could be placed on. I said thank you and ended the call. Now I am beginning to question my Plan B! Is it reliable? Will I be able to use it?

Hmm... Where do we go from here? I do travel internationally, including Canada. Assessing the situation, I have concluded that international travel, be it for business or pleasure, places the traveler at risk if you do not have an EMV card. No matter how you look at it, magstripe-only cards outside the U.S. are going to be increasingly denied when you

least expect it. I can just see travel companies adding a card warning to their travel packets for customers travelling outside the United States.

An important factoid: U.S. Embassies do not provide travel assistance. They don't cash checks, either.

The Wombat!

About the Author

Dan Fisher is president and CEO of The Copper River Group, a consulting firm headquartered in Fargo, N. D., that focuses on technology and payment systems research and consulting for community financial institutions. For nearly 30 years, Fisher has worked in the financial industry using technology to improve the bottom line. He was CIO of Community First Bankshares (now part of BancWest), has served as a director of the Federal Reserve Board of Minneapolis, the chairman of the American Bankers Association Payment Systems Committee, and was a member of the Independent Community Bankers of America Payments Committee. Fisher has written numerous articles on banking technology and the payments system. He has authored or co-authored six books and recently published a book titled, "Capturing Your Customer! The New Technology of Remote Deposit." You can contact Fisher at dan@copperrivergroup.com.

P.S. To understand Dan's nickname, check out "About the Wombat" on his website, www.copperrivergroup.com