

## MasterCard enters the U.S. EMV arena

MasterCard last week joined Visa in issuing a plan—termed a “roadmap”—for the widespread introduction here of the Europay-MasterCard-Visa standard for electronic payments. That is, using cards embedded with computer chips instead of relying on the magnetic stripe.

The company so far only issued broad areas for attention, promising details at some time in the near future. The most detailed its announcement gets is setting April 2013 as the target date for overall infrastructure readiness.

Still, it’s a big and long-awaited step. Elements of MasterCard’s EMV roadmap include:

- Solidify EMV as the foundation of the next generation of payments.
- Immediate focus on acquirer infrastructure—work with acquirers to ensure infrastructure readiness by April 2013.
- Encourage greater security and cardholder verification—provide consumers with greater control to reduce fraudulent transactions.
- Provide benefits for merchant terminalization—true financial benefits as merchants implement EMV-compatible terminals.
- Cover all channels—address all touch points where consumers will interact with MasterCard, including ATMs, the physical point-of-sale, online, and mobile commerce.
- Commit to leadership and collaboration—foster industry collaboration to deliver the next generation of payments into the U.S. marketplace.

In addition to encouraging issuers and merchants to adapt to the change, and getting customers accustomed to the new system, MasterCard’s roadmap explicitly says it wants to lay the “foundation for the next generation of products and services developed to enhance the way consumers pay.”

"We're moving toward a world beyond plastic, where consumers will shop and pay in a way that best fits their needs and lifestyles with a simple tap, click, or touch in-store, online, or on a mobile device," says Chris McWilton, president, U.S. Markets, MasterCard. "Our roadmap represents a transformational shift in the approach to payments and is not simply about EMV, chip, and PIN. We're focused on readying the ecosystem to drive future innovation and provide new consumer experiences to enhance the value of electronic payments."

MasterCard's pick of the April 2013 target date corresponds with the date given in Visa's EMV announcement last August. To recap, Visa's EMV plan includes:

- Effective Oct. 1, 2012, Visa will expand its Technology Innovation Program to the United States, eliminating the requirement for eligible merchants to annually validate their compliance with the PCI Data Security Standard for any year in which at least 75% of the merchant's Visa transactions originate from chip-enabled terminals.

- Visa will require U.S. acquirer processors and subprocessor service providers to be able to support merchant acceptance of chip transactions no later than April 1, 2013. Chip acceptance will require service providers to be able to carry and process additional data that is included in chip transactions, including the cryptographic message that makes each transaction unique.

- Visa intends to institute a U.S. liability shift for domestic and cross-border counterfeit card-present point-of-sale transactions, effective Oct. 1, 2015. Fuel-selling merchants will have an additional two years before a liability shift takes effect for transactions generated from automated fuel dispensers. Currently, POS counterfeit fraud is largely absorbed by card issuers. With the liability shift, if a contact chip card is presented to a merchant that has not adopted, at minimum, contact chip terminals, liability for counterfeit fraud may shift to the merchant's acquirer.

Early reaction to MasterCard's announcement has been fairly predictable. VeriFone, which provides EMV-compatible hardware around the world, welcomed the announcement, saying it "signals that the United States is inevitably embarked on a path to embrace the global standard for authenticating credit and debit card transactions and further reduce the potential for fraud."

More specifically, Verifone endorsed adoption of what it calls the most secure option, that of EMV chip plus PIN.

And of course, security is what it all comes down to. The Smart Card Alliance has a handy set of FAQs regarding EMV, including a description of why EMV is considered so secure. Briefly, EMV incorporates enhancements in card authentication, cardholder verification, and transaction authorization.

Still, the lack of details forthcoming from MasterCard leave some blogging analysts a little skeptical. Bradley Cyprus of VendorSafe Technologies, says: "Here is the reality of the announcement. MasterCard is joining Visa in trying to push this new technology to American merchants who have been notoriously slow to embrace change. The card

companies know that they will not be able to get consumers interested in the technology of NFC if there are no readers out in the market place. In some ways it is a chicken and egg problem. Merchants do not want to spend the money on infrastructure if no one will use it, and consumers will not embrace the technology if no one has it available. With all of the hype and marketing money being spent to push EMV with NFC, it is probably only a matter of a few years before we see a greater distribution of the technology. It will be interesting to see whether or not consumers follow suit and embrace it.”

Clearly, though, the last shoe has not dropped on this issue. MasterCard demonstrably has a big, thought-out vision for the payments scene of the future, and it’s only a matter of time before details are disclosed.

McWilton gets the last word: “Customers from across the payments ecosystem have been asking for a roadmap. We believe we’ve provided issuers and merchants with a vision to future proof their businesses and the flexibility to manage their technology decisions to best meet their goals and priorities.”

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Sources used for this include:

MC EMV blueprint announcement

Verifone statement

Smart Card Alliance faq

Visa announces plans to accelerate chip migration and adoption of mobile payments

VendorSafe blog

## About the Author

John Ginovsky is contributing editor of ABA Banking Journal and editor of the publication's TechTopics e-newsletter. For more than two decades he has written about the commercial banking industry. In particular, he's specialized in the technological side of banking and how it relates to the actual business of banking. He previously was senior editor for Community Banker magazine (which merged with ABA Banking Journal) and was a staff writer for ABA's Bankers News.