



PREVIEW



EMV Merchant Planning and Strategy Guide



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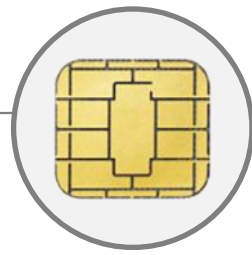
Report Overview - Preview

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What Is EMV? - Preview



Liability Shift: Counterfeit Card Fraud

Visa, MasterCard, Discover and American Express

Pre-EMV	Post-EMV (October 2015)
<p><u>Issuer liable</u></p> <p><i>A variety of factors play into liability, such as if the full track data was provided but for simplicity purposes using the current general scenario.</i></p>	<p>For chip cards, <u>merchant liable</u> <u>if non-chip terminal</u></p>

Counterfeit Card Fraud Liability Examples

Same applies for all brands

Counterfeit Card Fraud Liability Examples					
Same applies for all brands					
Current	Mag stripe card	+	Mag stripe terminal	=	Issuer liable
October 2015 & Beyond (October 2017 for AFD)	Mag stripe card	+	Mag stripe terminal	=	Issuer liable
	Mag stripe card	+	Chip terminal <i>With or without PIN capabilities</i>	=	Issuer liable
	Chip Card <i>With or without PIN capabilities</i>	+	Mag stripe terminal	=	Merchant liable
	Chip Card <i>With or without PIN capabilities</i>	+	Chip terminal <i>With or without PIN capabilities</i>	=	Issuer liable

Liability for fraud shifts **to the merchant** when a **counterfeit mag stripe from a chip card** is used at a **mag stripe terminal** after October 2015/2017

Source: EMV Migration Forum; TSG Analysis and Commentary; Federal Reserve; Retail Info Systems (RIS); Card brands



Practical Steps For Planning for The EMV Migration

Step 6 - Finalize Your EMV Chip Implementation Decisions

Meet as a project team to finalize EMV chip implementation decisions, which can include, but are not limited to, the following:

- Should POS equipment be replaced?
- Does POS software need to be upgraded or replaced?
- What PIN pad devices are needed?
- Which stakeholders should you partner with?
- Which is most appropriate EMV solution: Integrated, Semi-integrated, Standalone (see below)
- *Review submitted proposals from potential stakeholder partners.*
- *Make decisions/recommendations and obtain internal approvals:* Identify select stakeholder partners and outline their role and responsibilities. Develop service level agreements. Ensure all legal requirements have been met.

For standalone payment acceptance terminals, typically used at small merchant locations, or semi-integrated POS systems, chip technology implementation and certification introduces the least amount of complexity. On the other end of the spectrum, it is common for mid-size merchants' payment acceptance solutions to combine "sales" and "payment" onto one platform, called the integrated POS system, where there is little separation/isolation of the sales function and the payment function. In these environments, all sales and payment applications are integrated into a single system that can manage inventory, scanning products, accepting and processing payments, and reporting. This situation presents a challenge for the integration of EMV functionality.

POS Type	Description	Use Cases
Standalone	POS composed of an isolated payment acceptance-dedicated device that connects directly to host processor	Solution typically used by ISOs, acquirers and processors for small tier 3 merchants. This system can be provided with full EMV certification.
Semi-integrated	POS composed of a hardware terminal supporting all payment acceptance software; connected to a sales system for payment initiation and reporting.	A "best practice" solution for small to medium sized merchants that want some level of integration and automation without the challenge of integrating EMV payments software on their POS systems.
Integrated	POS that combines payments and sales into a single system. There are many type of integrated POS systems.	Used by merchants that have specific operational requirements and require a high level of process automation.

Source: Visa; MasterCard; TSG Analysis and Commentary; Smart Card Alliance; FIME

Merchant Strategies To Overcome EMV Hurdles - Preview



The Chargeback Issue

Chargeback Management 101

Unfortunately, retrievals and chargebacks are a standard part of running a business. Understanding the difference, and what goes on behind the scenes is key.

Retrievals: Innocent until proven guilty

When a customer issues a retrieval, it's generally a request for information about an unidentifiable charge. At this point, funds are not removed from the merchant's bank account, but the merchant must respond with the requested documentation or face a possible chargeback.

Chargebacks: Guilty until proven innocent

The customer has initiated a dispute. Depending on the reason for the dispute (fraud, processing errors or authorization problems) the issuing bank will debit the transaction amount. The debit can be reversed, however, if the dispute is found to be invalid.

Notification and Response

Both retrievals and chargebacks require an immediate response. It's important to know how your processor will notify you: electronic (email or online), fax or letter. Dedicate a set time each week to review notifications. Also diligently adhere to card brand dispute times to minimize the risk of dispute losses.

Card Brand Retrieval Response Times



Card Brand Chargeback Response Times



Source: Heartland; TSG Analysis

About TSG

The Strawhecker Group (TSG) is a management consulting company focused on the electronic payments industry. TSG works with clients from all aspects of the industry, including merchant acquirers, card networks, investment firms, banks, technology companies, and major merchants. The Electronic Transactions Association named TSG as Business Partner of the Year in 2010.

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