

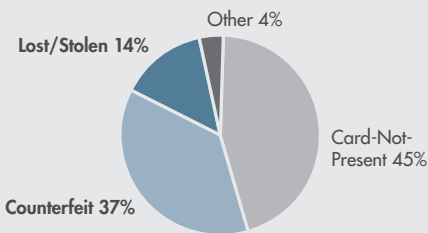


While the U.S. accounts for approximately **25% of global credit card transaction volume**, it struggles with **50% of the fraud**.¹

\$11B

U.S. fraud costs banks, merchants and consumers approximately **\$11 billion per year**—and that number continues to rise.²

U.S. CARD FRAUD BY TYPE



Lost or stolen and counterfeit cards account for **51% of credit card fraud** in the U.S.³

600 MILLION 

In 2014, approximately 120 million chip cards were issued in the U.S. market, with **600 million** estimated to be issued by the end of 2015.⁴

¹Business Insider, March 2014.

²Javelin Strategy & Research: 2014 Identity Fraud Report.

³Aite Group: Interviews with Card Executives from 18 of the Top 40 U.S. Issuers and Payment Networks, April and May 2014.

⁴EMV Migration Forum.

⁵Business Insider, March 2014.

⁶EMV Fraud Liability Shift for automated fuel dispensers takes effect in October 2017.

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COMBATING CARD-PRESENT FRAUD IN THE U.S.

The EMV Fraud Liability Shift—and What It Means for Your Business

Around the world, EMV or chip cards are the standard for secure point-of-sale (POS) transactions. Unlike magnetic stripe cards, chip cards are very difficult to counterfeit because of an embedded microchip that exchanges unique, dynamic data with a terminal each time it's used. With the U.S. home to nearly half of the world's credit card fraud⁵—resulting in billions lost each year by financial institutions and merchants—it's important the market migrates to EMV.

To encourage the timely adoption of EMV, the leading payment networks initiated an EMV Fraud Liability Shift that took effect in October 2015. Now merchants/acquirers who are unable to process chip card transactions because they haven't upgraded to EMV-enabled terminals could be liable for card fraud that might have been prevented with the more secure technology.⁶












UNDERSTAND YOUR RESPONSIBILITIES

Before October 2015, if a lost, stolen or counterfeit card was used at POS, the issuer bore the responsibility for the fraudulent activity in most cases. Effective October 2015, these guidelines changed as a result of the EMV Fraud Liability Shift. It's important that merchants/acquirers understand when and why they may be accountable. Here are a few general guidelines:

- EMV fraud liability hinges on the type of card presented at POS and the capability of the merchant terminal.
- If fraud occurs, the party—the issuer or merchant/acquirer—that has the less secure EMV technology will generally bear the liability.
- By supporting EMV-enabled terminals, merchants/acquirers can avoid EMV liability for counterfeit card transactions when processing an EMV transaction.
- By supporting EMV-enabled terminals that accept Chip and PIN cards, merchants/acquirers can avoid liability for lost and stolen card transactions.

The chart below highlights the most common liability scenarios.

		COUNTERFEIT FRAUD LIABILITY			LOST OR STOLEN FRAUD LIABILITY		
							
		Chip and PIN	Chip and Signature	Magnetic Stripe	Chip and PIN	Chip and Signature	Magnetic Stripe
CARD TYPE	 Chip and PIN	ISSUER	ISSUER	MERCHANT OR ACQUIRER ⁷	ISSUER	MERCHANT OR ACQUIRER ⁷	MERCHANT OR ACQUIRER ⁷
	 Chip and Signature	ISSUER	ISSUER	MERCHANT OR ACQUIRER ⁷	ISSUER	ISSUER	ISSUER
	 Magnetic Stripe	ISSUER	ISSUER	ISSUER	ISSUER	ISSUER	ISSUER

- When a Chip and Signature card or Chip and PIN card is used at a traditional magnetic stripe terminal, the merchant/acquirer generally bears the liability.
- When a lost or stolen Chip and PIN card is used at an EMV-enabled terminal capable of processing Chip and Signature transactions, the merchant/acquirer generally bears the liability.

NOTE: This chart indicates which party is typically liable. There may be exceptions in certain cases. For example, the issuer remains liable if an EMV-enabled terminal fails to read a chip card due to a technical issue and the merchant follows network rules—having the customer swipe the card to complete the transaction.

⁷Liability is transferred to the party with the direct relationship with Discover®.

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We want to help make the migration to EMV as seamless as possible. If you have any questions, please contact your Account Representative or visit discovernetwork.com/chip-card and gochipcard.com for EMV training resources.