

Navigating the EMV Liability Shift

WHAT DOES THAT MEAN FOR MY BUSINESS?

You’ve likely heard the noise about the impending liability shift surrounding the secure processing of EMV chip cards. Some sources claim you need to implement EMV-enabled payment terminals as soon as possible, while others advise a wait and see approach. Determining the best course of action for your business can be confusing.

We have created this tool to help you understand the basics of the liability shift, as well as the finer details of liability after October 2015.

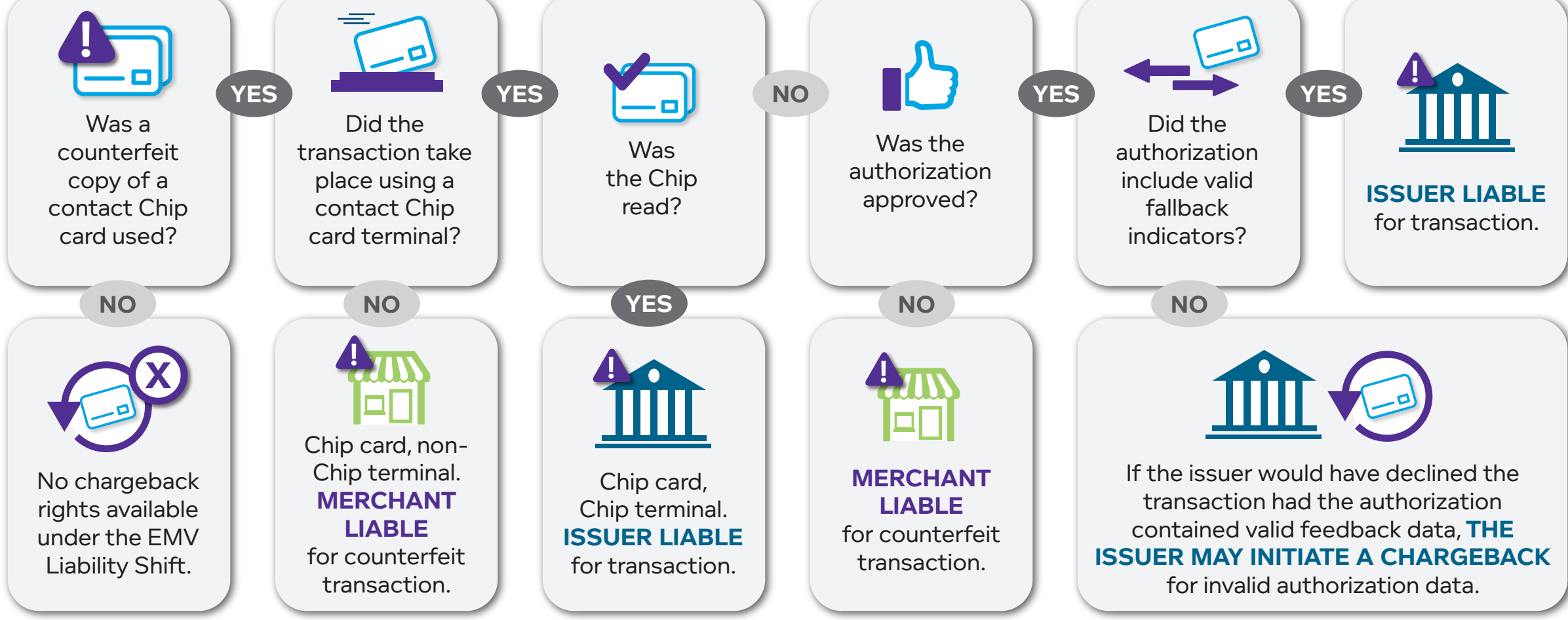
U.S. Liability Shift

Chip technology is becoming the global standard for credit card and debit card payments. To increase the adoption of chip technology, Visa, MasterCard, Discover and American Express will implement a liability shift for domestic and cross-border counterfeit transactions effective October 2015. Once this goes into effect, merchants who have not made the investment in chip-enabled technology may be held financially liable for card-present fraud that could have been prevented with the use of a chip-enabled POS system.

Liability Shift Dates			
The table below outlines the effective date of the liability shift by region and card brand.			
			
April 2013 Processors must support EMV	April 2013 Processors must support EMV	April 2013 Processors must support EMV	April 2013 Processors must support EMV
April 2015 3rd party ATM must support EMV	International ATM liability shift	October 2015 Liability shift of counterfeit transactions	October 2015 Liability shift of counterfeit transactions
October 2015 Liability shift of counterfeit transactions	October 2015 Liability shift of counterfeit transactions	October 2017 Liability shift for AFD	October 2017 Liability shift for AFD
October 2017 Liability shift for automated fuel dispenser (AFD)	October 2016 Liability shift for ATM		
October 2017 Liability shift for ATM	October 2017 Liability shift for AFD		

U.S. Liability Flowchart

The flowchart below serves as a high level guide to determining liability for disputed transactions under EMV liability rules. It is intended to be used only as a reference tool in association with the card brand’s rules.



U.S. Liability Scenarios

The below scenarios serve as a guide to determining liability and need to be used in association with the card brand’s rules.

MasterCard and Maestro Transactions

If Issuer has...	And Merchant has...	Then this party holds the liability	For this fraud type
Chip card w/PIN	Non-Chip Terminal	Merchant	Lost, Stolen or NRI
Chip card w/PIN	Chip Terminal with no PIN pad	Merchant	Lost, Stolen or NRI
Chip card	Non-Chip Terminal	Merchant	Counterfeit
Non-chip card	Chip Terminal	Issuer	Counterfeit
Chip card	Chip Terminal with PIN-pad	Issuer	Counterfeit, Lost, Stolen or NRI

Visa and Interlink Transactions

If Issuer has...	And Merchant has...	Then this party holds the liability	For this fraud type
Chip card w/PIN	Non-Chip Terminal	Merchant	Card-Present Counterfeit
Chip card w/PIN	Chip Terminal with no PIN pad	Issuer*	Non-Counterfeit Card-Present Fraudulent Transactions
Chip card	Non-Chip Terminal	Merchant	Counterfeit
Non-chip card	Chip Terminal	Issuer	Counterfeit
Chip card	Chip Terminal with PIN-pad	Issuer*	Non-Counterfeit Card-Present Fraudulent Transactions

* Transaction was chip-initiated, correctly processed to completion and correct acceptance procedures have been followed.

American Express

If Issuer has...	And Merchant has...	Then this party holds the liability	For this fraud type
Chip card w/PIN	Non-Chip Terminal	Merchant*	Lost, Stolen or NRI
Chip card w/PIN	Chip Terminal with no PIN pad	Merchant*	Lost, Stolen or NRI
Chip card	Non-Chip Terminal	Merchant*	Counterfeit
Non-chip card	Chip Terminal	Issuer*	Counterfeit
Chip card	Chip Terminal with PIN-pad	Issuer*	Counterfeit, Lost, Stolen or NRI

* This is assumed based on American Express’s Fraud Liability Shift (FLS) policy transferring liability for fraudulent transactions away from the party that has the most secure form of EMV technology. Merchants should contact their American express account manager for specific details on the Fraud Liability Shift (FLS) policy per their contract agreement.

Discover and Pulse

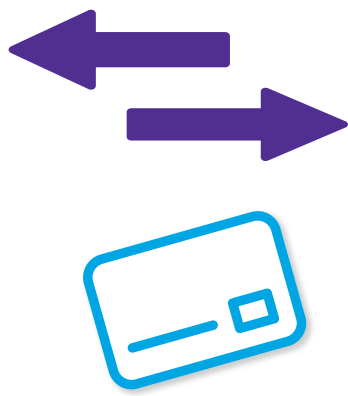
If Issuer has...	And Merchant has...	Then this party holds the liability	For this fraud type
Chip card w/PIN	Non-Chip Terminal	Merchant	Lost, Stolen or NRI
Chip card w/PIN	Chip Terminal with no PIN pad	Merchant	Lost, Stolen or NRI
Chip card	Non-Chip Terminal	Merchant	Counterfeit
Non-chip card	Chip Terminal	Issuer	Counterfeit
Chip card	Chip Terminal with PIN-pad	Issuer	Counterfeit, Lost, Stolen or NRI

Note: When the same level of network-supported EMV technology is invoked by both parties, or when the Card Transaction is conducted as a Contactless Card Transaction, the EMV fraud liability shift policy will not determine liability for the transaction.

PIN Debit Networks

If Issuer has...	And Merchant has...	Then this party holds the liability	For this fraud type
Chip card w/PIN	Non-Chip Terminal	Merchant*	Lost, Stolen or NRI
Chip card w/PIN	Chip Terminal with no PIN pad	Merchant*	Lost, Stolen or NRI
Chip card	Non-Chip Terminal	Merchant*	Counterfeit
Non-chip card	Chip Terminal	Issuer*	Counterfeit
Chip card	Chip Terminal with PIN-pad	Issuer*	Counterfeit

* This is assumed based on the PIN Debit networks Liability Shift policy transferring liability for fraudulent transactions away from the party that has the highest level of available payments security.



Fallback Transactions

Fallback is the term used when a normal chip transaction cannot be completed at a chip-capable terminal. This occurs when the chip-reading device or terminal is malfunctioning and the transaction is completed using magnetic stripe or key entered. All fallback transactions must be authorized online and properly identified as fallback. The issuer assumes liability for properly formatted fallback transactions, approved by the issuer.

Transactions which are declined by the issuer or the card or where all available AIDs on the chip are blocked must not be attempted in fallback.

Contact Vantiv for more information about EMV and the October 2015 liability shift.



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