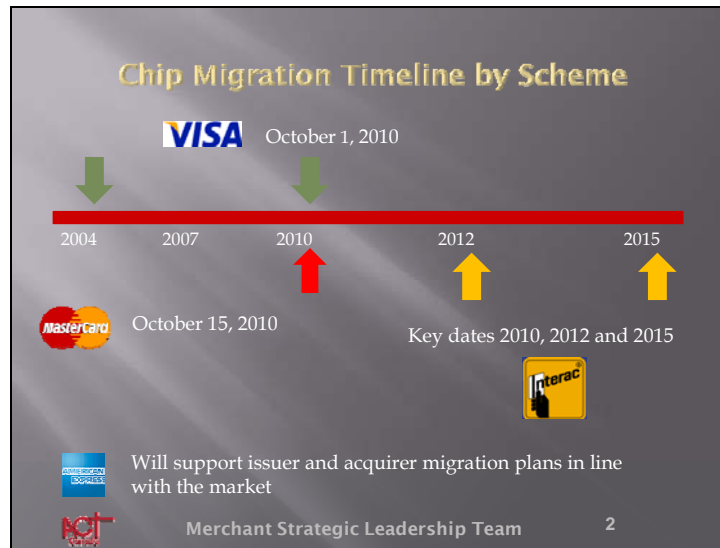




As EMV rolls into the Canadian market, it could accelerate the introduction of new payment and non-payment applications. As retailers, we are being asked to invest, so it is timely to look at how we can best be engaged in the introduction of these and future changes.

Because each retailer's business differs, the following is information you should know about EMV, a checklist of items you should review, questions you should ask and places to go for more information. Many of the items on the checklist will be relevant not only for EMV conversion, but for when you are considering other payment products, interfaces, form factors or applications.

Let's start with timelines and liability shifts.



Liability shift dates: These dates determine when you will assume liability for credit card fraud, if the card presented is chip based, but you cannot process the transaction from the chip. The Interac debit dates are when you can no longer process from the magnetic stripe.

MasterCard: 2010, Oct 15

Visa: 2010, Oct 1

*Trilateral (chip, non Canadian cards) shift: 2010, Oct 1

*PIN required at POS (some exceptions exist): 2011, October 1

Interac – At ATM: 2012, December 31, AT POS, 2015, December 31 (no mag stripe if it is a chip card after these dates)

American Express: none

*Please note that trilateral and PIN required dates may change by payment scheme

Best Practice #1 You Need a Team

- Business Drivers
- Incentives
- Costs
- Potential changes
- Changes at the POS
- Conversion
- Timelines
- Additional considerations
- Future Proofing the POS
- Customer Interface



Whether you have not yet started to evaluate your EMV plans, or are underway, you need a team to look and assess each of these.

The information they gather will assist you in making decisions and planning a conversion project. At the end of this presentation, we'll list some places where the team can find information.

Let's take a look at each of these.

Best Practice #2

Business Drivers – external and internal

Incentives – check to see whether there are any incentives for early conversion or other assistance from payment associations or your acquirer. This is time limited.



Merchant Strategic Leadership Team

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Business drivers:

External drivers would be the liability shift dates. In assessing the cost of fraud, you need to look at, not just your existing charge backs, but factor in the estimated cost of fraud that could migrate to you from other retailers that make the move to EMV.

Internal – do you have plans that could benefit from changes to the POS? For example, are you thinking of launching a loyalty program or gift cards?

If you need to replace existing terminals or pin pads for maintenance or expansion reasons, does it make sense to do the upgrade?

Best Practice #3

- Costs
 - What are the hard and soft costs?
 - When do you need to make each investment?



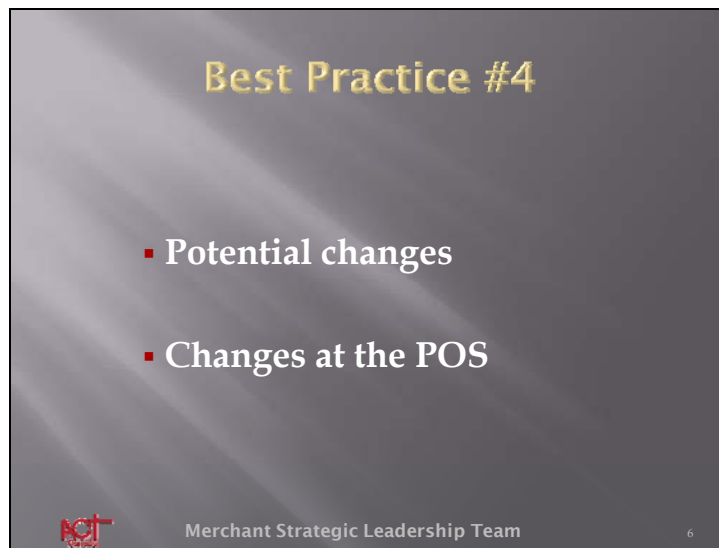
This is where the team may spend a lot of time and here are components they should consider.

- What are your net new costs
- If you only take credit currently, do you have to replace your programmable Cash Registers
 - Do you have to move from Datapac to an IP connection
 - Are any of these costs offset by normal replacement cycles
 - What costs are involved for POS software and back end changes
 - That may also involve integration: talk with your middleware supplier and your acquirer
- How many new PIN pads do you need?
- Training – what is the cost to design, produce and deliver training? This includes the cost of staff time.
- Travel to stores to install new pin pads

There are other considerations where you should talk with your acquirer

- Test tools – what does your acquirer recommend?
- Certification and testing: determine whether you are required to do this
- Consider outsourcing (talk with acquirer)
- PCI certification – determine whether this changes anything and you need to take action
- Equipment lease versus purchase

Not all costs need to be incurred at the same time. In fact, some items should wait – such as staff training. You will want to train when you have enough customers presenting Chip cards that your cashiers will be able to use their new knowledge.



Potential changes: A move to chip and PIN may impact more than one area of your business.

Transaction times – how long does it take to process a credit card transaction versus a debit transaction at your point of sale? Today credit requires you to have a pen for the customer and for some merchants, a stapler. Both these tend to slow down the payment process. When credit becomes PIN based, like debit, how much will this increase input for you? You need to assess whether this changes your cashier requirements during peak times?

You will also need to assess fraud migration at two levels.

- If you have a retail store and an online business, you need to assess whether fraud will migrate to your online business and make adjustments.
- If your competitors move to EMV and you do not, how much of their fraud will migrate to you?

You may have other changes that occur at the POS. You need to determine the following:

- PIN pad placement: do you need to take the POS to the customer, not the customer to the POS (for example, restaurants)
- how EMV may or may not affect all POS transaction e.g. refunds
- how to handle customers who cannot remember their PINs
- how to process during power outages or other POS down scenarios
- Prompts on the PIN pads – how can you help staff and customers understand prompts that differ from merchant to merchant



Can you stage the steps?

How many lanes and stores can you convert per day?

What do you need to test when the new hardware / software is installed?

How do you ensure current transactions are not impacted during testing and conversion?

Timelines: Determine when you need to:

- Be compliant (hint – see the liability timelines slides)
- Start working with your acquirer: can you get in their priority queue. It can take up to 6-8 months for development & 4 months for testing. If you do not pass certification the first time, you need to know how long it will take to get through the queue the second time.
- Conduct an in-store pilot
- Start store conversion, installation and testing (15 stores per night or more depending on # of lanes and geographic locations)
- Develop new training material
- Train staff
- Start ordering less till paper (based on "PIN not signature")



Your team should also consider any plans you have for the following:

- Gift cards
- Private label credit cards
- Decisions concerning which payment types to take
- Decisions on interfaces: contact and / or contactless
- What happens when the power goes out? – will you be able to use imprinters?

Will offline processing be available in the future?

- Do you have choices in terms of acquirers to get better rates?
- In training, dealing with the customer who recognizes that your PIN pad accepts chip, even though you are not yet ready to process on chip

You can help to future proof your EMV POS investment by considering the following:

- Mobile payment considerations
- NFC marketing
- Contactless and dual interface
- Multi-application cards and application selection
- Offline transactions
- Hybrid Readers

Customer Interface

Work with your acquirer to provide your input on the customer interface. This helps with your customer's buying experience and with staff training.

Best Practice #7


SEEK OUT INFORMATION

- ACT Canada
- Your acquirer
- Retail associations

TESTING AND CERTIFICATION BEST PRACTICES
SEE [HTTP://WWW.EMVCANADA.COM/certification.pdf](http://www.emvcanada.com/certification.pdf)

FOR A GLOSSARY OF TERMS,
SEE [HTTP://WWW.EMVCANADA.COM/definitions.pdf](http://www.emvcanada.com/definitions.pdf)

FOR A GUIDELINE FOR PIN TRANSACTIONS
SEE [HTTP://WWW.EMVCANADA.COM/guidelines.pdf](http://www.emvcanada.com/guidelines.pdf)

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The following are additional sources of information. You are also invited to participate in the ACT Canada Merchant Strategic Leadership team.

Testing and Certification Best practices

See <http://www.emvcanada.com/certification.pdf>

For a glossary of terms,

See <http://www.emvcanada.com/definitions.pdf>

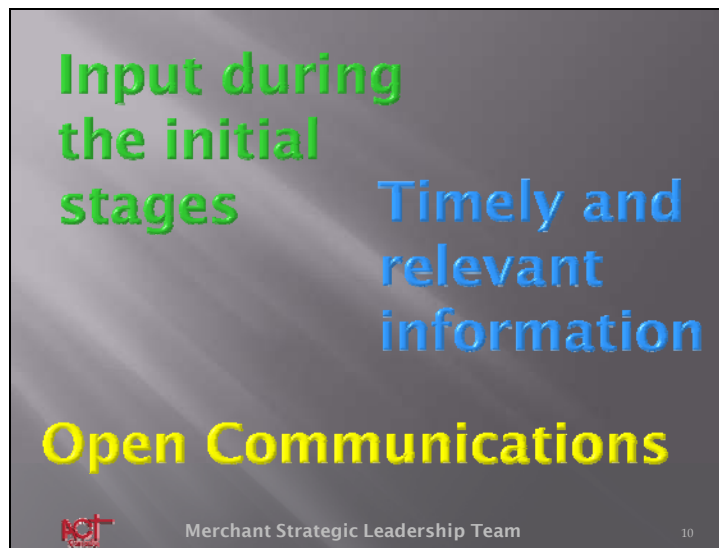
For a guideline for PIN transactions

See <http://www.emvcanada.com/guidelines.pdf>

For over 50 frequently asked merchant questions in the categories of Business Concerns; Customer Transactions; Cashier/Staff Education; What Happens When...; Hardware Related, Card-Not-Present; & General

See <http://www.emvcanada.com/forum.pdf>

You can submit questions anonymously by emailing them to info@actcda.com. The questions and answers will be posted on emvcanada.com.



Knowing that EMV is simply the current change to the payment landscape, with others already in the pipeline, here is what retailers need from other stakeholders in the payment sector. You can help make this happen, through reaching out to other stakeholders.

The ACT Canada Merchant Strategic Leadership team will continue to work with all stakeholders to open lines of communication.

Thank you.