

LEGAL ALERT

GRIESING LAW LLC
PERSONAL ATTENTION | PROVEN RESULTS

What Every Business Owner Needs to Know About EMV Technology

September 17, 2015

A rite of passage for any cashier is mastering the plastic bag trick to get a few more swipes out of that worn out magnetic strip on a credit card. Perhaps for the best, this practice will soon be coming to an end as magnetic strips on credit cards are being replaced by EMV chip technology. Unless you work at one of Philadelphia's charming BYOBs where cash is king, chances are your business accepts credit cards. Smart business owners need to be prepared because the plastic bag trick is quickly going the way of carbon copies.

Why the Change?

In the wake of numerous and large scale data breaches and the increasing presence of credit card fraud, credit card issuers in the United States are fighting back and migrating to EMV chip technology. Further, with a concurrent increase in the use of mobile technology for payment, the time is ripe to adopt a new system that works globally. As EMV technology is standard in Europe, and is becoming standard in Canada, Latin America and the Asia/Pacific region, U.S. business owners are now under increased pressure to catch up with the times. As a result of these two forces, all businesses that accept credit cards are encouraged to accept EMV technology by October 1, 2015.

What is an EMV Chip?

EMV stands for "Europay, MasterCard and Visa." It is a global standard for cards that use computer chips to authenticate credit card transactions. Many European countries already use this system which utilizes a chip instead of a magnetic strip. When using an EMV card there are two different types of readers, contact readers and contactless readers. In contact readers a card is placed over the terminal and read (like those utilized at self-check out at some stores). In contactless readers a user "dips" the card instead of swiping. Some ATMS in the U.S. already utilize dipping technology which requires you to insert your card into a terminal where your card is processed.

Depending on the type of card, signature or the utilization of a pin may also be required in tandem with the new chip.

Why are EMV Chips Better?

It is true, EMV chip technology takes a little longer than the traditional swiping method, but this is not necessarily a bad thing. EMV transactions take longer because every time a card is used, the chip creates a unique one-time transaction code. If a hacker steals that information and tries to use it, the transaction will fail. Currently, magnetic strip data is static, meaning there is only one transaction code that is utilized every time you use a particular card. This makes stolen data easy to duplicate, and also makes it easier for a hacker to profit from stolen data. EMV chip technology will not necessarily stop all data breaches and credit card fraud, but it will make it much harder for stolen data to be exploited.



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Alva Mather is a commercial litigator and trial attorney with over a decade of experience representing a wide range of clients from start-up commercial enterprises to Fortune 50 companies. Alva focuses her practice on helping her clients protect their businesses by working with them through the many facets of the legal process, proving that she works as hard as they do. Alva forms a partnership with her clients, dedicating herself to their business and litigation needs in order to develop the best case strategy possible. Her work in numerous complex cases has provided her with the experience and capacity to develop the best case strategy possible, going to trial as necessary but settling when appropriate.

You can read Alva's full bio by clicking [here](#). She can be reached at (215) 501-7844 or amather@griesinglaw.com. You can also follow her on Twitter [@alcohollawyer](#) or check out the Alcohol Lawyer Blog by clicking [here](#).

Griesing Law represents Fortune 500 corporations and closely held companies in complex business transactions, high stakes litigation, intellectual property, employment and white collar criminal matters. Our clients are predominately in the biotechnology, chemical, communications, financial services, alcoholic beverage, foodservice, hospitality, insurance, internet commerce, manufacturing, technology, pharmaceuticals, professional services, real estate and retail industries. The Firm received the National Association of Minority and Women Owned Law Firms 2013 Law Firm MVP Award and the SmartCEO 2014 Philadelphia Law Firm of the Year Award. Prior to launching Griesing Law, LLC, the founding team at Griesing Law worked at top AmLaw 100 firms.

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What Does Your Business Have To Do To Prepare?

For businesses, the switch to EMV technology requires new internal processing systems and new in store technology. A business will have to decide what type of reader to obtain to be EMV compliant. A conversation with your POS software provider and your credit card processor is a good first step to determine what your options are, and what would work best for your business.

Employees and customers will also likely require some education on how to use the new system. The new payment system is also slower, and will likely lead to longer transaction times. Longer transaction times coupled with adjustment to the new system will likely lead to some initial customer annoyance and employee exasperation. It is important to be prepared so that your employees can be trained to respond appropriately and provide helpful customer support.

What Are The Risks If My Business Misses The October Deadline?

By failing to be compliant your business runs some significant financial risks. If your business does not obtain EMV compliant technology, you may be liable for the resulting credit card fraud. Under the new liability rules, either you or the issuing bank will be responsible based on who is the least EMV compliant in the fraudulent transaction. Regardless of the size of your business or the amount of the transaction, failing to be EMV compliant could make you liable for misuse of the information. Additionally, if credit card fraud continues on the non-compliant system, Visa and MasterCard may revoke the business owner's ability to accept electronic payments. As many business owners rely on the ability to process credit card payments, any loss in processing privileges could lead to serious financial harm for a business owner.

Further, about 120 million Americans already have EMV chip technology in their wallets, and that number is expected to grow to half a billion cards issued in the United States by the end of 2015. Cards issued with EMV chip technology currently have both EMV capabilities and magnetic strips to make the transition into the new technology go as smoothly as possible, and prevent users from the embarrassment and resulting personal insecurity of credit card denial. However, once the shift to EMV technology sticks, magnetic readers will be phased out.

Conclusion

EMV chips are the way of the future, and traditional magnetic strips will soon be a thing of the past. A business that does not shift to the new technology could potentially be responsible for any resulting card fraud and could lose customers as well as customer confidence by failing to appropriately transition to an EMV compliant payment processing system. Finally, as Tim Chew of BC Technologies notes, "Small to mid-sized retailers should not be fooled into thinking that hackers are solely targeting large corporations. In fact, sometimes hackers realize that it is easier to steal data from smaller targets. Hackers are not going away anytime soon, and it is important to be prepared."

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