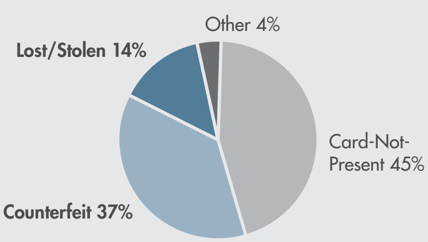

While the U.S. accounts for approximately **25% of global credit card transaction volume**, it struggles with **50% of the fraud**.[1]

**$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]

## 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 fraud[5]—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 have initiated an EMV Fraud Liability Shift that will take effect in October 2015. From that point forward, 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]

[1] *Business Insider,* March 2014.
[2] Javelin Strategy & Research: *2014 Identity Fraud Report.*
[3] Aite Group: *Interviews with Card Executives from 18 of the Top 40 U.S. Issuers and Payment Networks,* April and May 2014.
[4] EMV Migration Forum.

[5] *Business Insider,* March 2014.
[6] EMV Fraud Liability Shift for automated fuel dispensers takes effect in October 2017.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## UNDERSTAND YOUR RESPONSIBILITIES

Today, if a lost, stolen or counterfeit card is used at POS, the issuer bears the responsibility for the fraudulent activity in most cases. Effective October 2015, these guidelines will change 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.**

- 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.

| | COUNTERFEIT FRAUD LIABILITY | | | LOST OR STOLEN FRAUD LIABILITY | | |
|---|---|---|---|---|---|---|
| | MERCHANT POS DEVICE CAPABILITY | | | | | |
| CARD TYPE | Chip and PIN | Chip and Signature | Magnetic Stripe | Chip and PIN | Chip and Signature | Magnetic Stripe |
| 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 |

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.

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

**Connect with DISCOVER®**

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.