
Visa Announces U.S. Participation in Global Point-of-Sale Counterfeit Liability Shift

Visa is announcing plans to accelerate the migration to contact chip and contactless EMV chip technology in the U.S. The adoption of dual-interface chip technology will help prepare the U.S. payment infrastructure for the arrival of Near Field Communication (NFC)-based mobile payments by building the necessary infrastructure to accept and process chip transactions.

Not only will chip technology accelerate mobile innovations, it is also expected to enhance payment security through the use of dynamic authentication. Chip technology greatly reduces a criminal's ability to use stolen payment card data by introducing dynamic values for each transaction. Even if payment card data is compromised, a counterfeit card would be unusable at the point of sale (POS) without the presence of the card's unique elements. By eliminating static authentication, we reduce the value of stolen cardholder data, benefiting all stakeholders.

Visa's plan includes merchant incentives to upgrade to EMV chip-enabled terminals, requirements for acquirer processors to support chip acceptance and the introduction of U.S. liability shift policies.

Specifically, Visa will waive Payment Card Industry Data Security Standard (PCI DSS) compliance validation requirements to encourage merchant investment in contact and contactless chip payment terminals. Visa will also require acquirer processors to ensure that their systems support dynamic data acceptance (i.e., chip) and will institute a domestic and cross-border counterfeit liability shift.

Visa's Counterfeit Liability Shift Policies

Visa intends to institute a liability shift in the U.S. for domestic and cross-border counterfeit transactions **effective 1 October 2015**. Visa's global POS counterfeit liability shift policies are designed to encourage EMV chip card issuance and acceptance in participating geographical regions, effectively creating a more secure environment for transactions within and between each participating Visa region. **Note:** The liability shift encourages chip transactions because any chip-on-chip transaction (i.e., a chip card read by a chip terminal) provides dynamic authentication data, which helps to better protect all parties.

With this type of liability shift, the party that is the cause of a chip-on-chip transaction not occurring (i.e., either the issuer or the merchant's acquirer) will be financially liable for any resulting card-present counterfeit fraud losses. When a transaction occurs using chip technology, any liability for counterfeit fraud, though unlikely, would follow current Visa Operating Regulations.

The policy assigns liability for counterfeit fraud to the party that has **not** made the investment in EMV chip cards (issuers) or terminals (merchants' acquirers). The policy encourages wider deployment of EMV cards and terminals.

EMV chip implementation is accelerating globally. Today, excluding the U.S., 44 percent of all cards are EMV chip cards, and 74 percent of all terminals are EMV chip-capable, with 62 percent of cross-border transactions conducted with a chip card at a chip terminal.

U.S. Participation Introduced in Global Counterfeit Liability Shift Policy

Visa plans that effective 1 October 2015, the U.S. will be included in the Global POS Liability Shift Policy, which will apply to all issuers and merchants' acquirers in the U.S., with the exception of transactions at Automated Fuel Dispensers (AFDs). Transactions made at AFDs will be excluded from the liability shift for a period of two (2) years due to the challenges faced by the petroleum industry in upgrading terminals to accept EMV chip cards. Similarly, **effective 1 October 2017**, transactions made at AFD terminals will be included in the Global POS Liability Shift Policy.

Note: This liability shift policy change excludes counterfeit fraud at U.S. ATMs. Visa will continue to evaluate the potential for an expansion to include ATMs.

Preparing for Payment Technology Evolution

As the U.S. point-of-sale payment infrastructure continues to evolve from the static magnetic stripe to intelligent devices such as EMV chip cards and Near Field Communication (NFC) mobile phones, this liability shift policy change will help ensure that the acceptance infrastructure is ready. It will also allow acquirers, merchants and issuers to invest in new technology to ensure that cardholders can continue to make secure and frictionless transactions across all channels.