



NEWS RELEASE

For Immediate Release

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Time to Get Smarter About "Smart Cards"

Moves to Improve Card Transaction Security To Accelerate As Fraud Liability Deadline Nears

September 23, 2015 – According to the Idaho Department of Finance (DOF), now is a critical time for businesses and consumers to better educate themselves about changes that are occurring in the credit and debit card payments market.

"While prevalent in Europe, smart cards are approaching a critical point in their adoption in the United States. These changes will have broad implications in the fight against the criminals and thieves that seek to engage in card payment fraud targeting businesses and consumers alike," said Gavin Gee, director of the Department of Finance.

What is a "Smart" Card? – Smart credit and debit cards, also referred to as "EMV" cards, Chip Cards, Chip and Signature, Chip and PIN, etc. are the next generation of payment cards. Each card is embedded with a computer chip making this form of payment card significantly safer, more secure and "smart" compared with traditional magnetic stripe cards. The development of smart cards is another step in reducing consumer and merchant fraud.

What Problems do Smart Cards Solve? - By some estimates, over 40 million Americans have had personal information stolen as a result of credit card breaches. Beyond just the theft of personal information, counterfeit U.S. credit card transactions exceeded \$3.6 billion. Smart Cards have been used in Europe, Canada and other countries for a number of years and it has been shown that this technology significantly reduced point of sale credit card fraud. Even though smart cards cannot stop every kind of card related fraud, efforts remain underway to reduce online, mobile device and other forms of fraud.

How Does it Impact Business? - Effective October 1, 2015 the liability for many point-of-sale fraudulent credit card transactions will shift to the business or merchant which is the least compliant with the new Smart Card technology – financial institutions will generally no longer always be taking the "hit" for losses. As a result of that shift in liability, it is believed that most financial institutions and businesses will be motivated to make the necessary changes to issue and accept the new cards as soon as possible.

How Does It Affect Consumers? – Many consumers may have already received new cards with a "chip." Consumers can also expect to see their other cards being replaced as smart card technology implementation accelerates. Consumers and businesses will both need to familiarize themselves with new point-of-sale terminals at participating merchants.

What's Happening in Idaho? - A recent DOF telephone survey indicates that nearly all Idaho-based financial institutions have issued or plan to issue Smart Cards. The survey also addressed the Smart Card readiness of the institutions' business and retail customers. The results were inconclusive, but generally mirrored recent nationwide survey findings that only 20-25% of small retail businesses are currently Smart Card compliant. That number is expected to increase to 50% to 60% by year-end, with higher adoption in coming years. The Department of Finance will continue to work with financial institutions and businesses to educate them and their customers about these and other developments that aim to reduce fraud and create safer and better payment options.

More information about Smart Cards and other information can be found on the Internet at <http://finance.idaho.gov> and by contacting the department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.