What Does EMV Mean for Your Business?

We have heard from some Tribute clients that they have been bombarded with questions from their processor or ISO regarding their posture with EMV and the looming liability shift to the merchant. The call volume to both the 3Delta Systems and Tribute customer support teams has increased with clients seeking guidance on the EMV topic. We are here to help calm your fears about EMV and look forward to seeing you at the upcoming June 2015 Tribute conference.

EMV stands for Euro Master Visa and speaks of chip technology to identify a credit card offered at the point of sale. In most of the world it is called “chip and PIN” as the cardholder will be entering a PIN to go forward with the transaction. In the US, it will be known as “chip and choice” as there will be no requirement for a PIN although a few issuers will support that feature.

The EMV liability shift will occur on Oct. 1, 2015. What does that mean for you as a merchant? It means that if someone pays with a chip-enabled card at point of sale and you are unable to process that new EMV card, you as the merchant will be on the hook for the purchase if the cardholder disputes the charge and it goes to chargeback. What kind of merchants is that going to affect? Mostly it will impact those that sell general consumer merchandise that has high value to anyone but the original purchaser. This could be electronics, jewelry, or any other item that can be sold on eBay or a Craigslist-type website. It is unlikely to be a significant issue for B2B merchants in the fluid control or conveyor system space.

Please note that EMV in and of itself only protects the merchant from a counterfeit card — the card data comes out of the device in clear text, i.e. not encrypted. This unencrypted card data from the terminal is what was stolen in the Target and other big breaches in 2014. Thus, EMV does little to reduce the B2B merchant’s biggest risk which is having card data intercepted or stolen via malware.

Another area of concern to the merchant community is the cost of the EMV certification. Let’s walk through what is needed in an EMV certification implementation. The certification includes these factors: the devices at point of sale, the POS systems like Tribute or TrulinX, the gateway (3Delta Systems Inc.), the processor (Elavon as one example) and the card brands. Change any of those components and the certification is voided starting a new implementation. If 3DSI and Tribute were to move forward with an EMV certification, it would require that we choose one supported device that all Tribute users agree on. We estimate a minimum fee of $500 per device and considerably more if additional features are desired. Once the device selection phase is completed, Tribute would have to modify their applications (Tribute/TrulinX) to accommodate that new device and the PIN for those circumstances that require it. When phase two is completed 3DSI would move to phase three, the certification part of the equation.

At 3DSI, we estimate that an EMV certification would create an internal cost per processor of $75,000-$90,000 for our effort, plus the cost charged by the card brands, which averages about $30,000. The estimated total cost would average $105,000-$120,000, which we would have to recover from the Tribute community using a particular processor. How does that cost impact you? It depends. For example, if we had 50 Tribute clients on a processor, the average cost would be $2,000 per Tribute client for the certification plus the cost of the device, or a total of $2,500. For those Tribute clients that are the only one on a given processor, they would have to bear the entire cost of the certification totaling $105,000-$120,000.

So if it is going to be expensive and not provide a lot of protection, why should you do it? First, we advise you to check with your MSP or ISO to insure that we are not mischaracterizing the risk to your business. If you had $100 worth of card present fraud last year, it will take a long time to recoup that $2,500 fee we mentioned above and for those boarded on a processor by themselves even longer. If the Tribute clients as a group feel that the risk is significant enough to pursue an EMV certification, then 3DSI will of course support that effort. 3DSI is here to partner and grow with your business as credit card industry standards change.

Finally, we would like to mention an additional solution that does protect the card present environment — Point to Point Encryption. P2PE encrypts the track data right within the device and there is no clear text card data to intercept. 3DSI has partnered with Bluefin Payments to offer their Decrytpx P2PE as a service functionality. The encrypted data comes to 3DSI and we call Bluefin to decrypt the data before sending it out to the processor from our PCI certified payment environment. This capability, which can be used in parallel with EMV, is another tool to remove card data from your environment just like the CardVault tokenization service our Tribute clients use today. We would suggest that a comprehensive approach to card present security would include P2PE. Visa agrees as well — those merchants with more than 80 percent card-present transactions using a validated P2PE solution like Decryptx have descoped their POS environment sufficiently to reduce their PCI DSS compliance requirements. See the link here.

If you would like more information on the EMV, P2PE, or CardVault topics, please contact Mike Holmes at 703-234-4618 or Cindy Horoho at 703-234-6317. We look forward to speaking with you.