

Introducing Chip & Pin Cards to your point-of-sale



Chip & PIN card technology is an evolution of the electronic payments industry that will make an already safe payment system even more secure. Chip & PIN is being introduced to Canada's payment industry and soon Interac, MasterCard and Visa Chip & PIN cards will be a common form of payment at your business.



Chip & PIN cards have an embedded microchip that works with a Personal Identification Number PIN instead of a cardholder signature. Chip technology offers the single most important benefit in payment transactions – enhanced security. The chip ensures that the card is authentic, and the PIN ensures that the cardholder is the rightful cardholder.

This guide will help you and your staff familiarize yourselves with what Chip & PIN is and how to process Interac, MasterCard and/or Visa Chip & PIN transactions at your point-of-sale (POS) terminal.

If you have any questions regarding Chip cards that are not answered in this guide, we would be happy to provide you with additional information. You can visit us online at moneris.com/chip or call us 24 hours a day, 7 days a week at **1-866-319-7450**.

Important things to know about Chip & PIN Cards

Chip Card Transactions

- 1** Begin the purchase transaction.
- 2** Check for the Chip.

- 3** Insert the Chip Card when prompted.

- !** **IMPORTANT: DO NOT** remove the card until prompted!
- 4** Follow the Prompts.
- 5** Remove the Chip Card when prompted.
The transaction is Complete!

- If you observe that the card presented has a chip, insert or have the cardholder insert it into the POS terminal as illustrated.
- Don't worry if you don't recognize the Chip on the card up-front, if the chip card is swiped on the POS terminal – the terminal will prompt you to insert the card. Simply insert the card and follow the prompts.
- With Chip & PIN cards, the cardholder will be prompted to enter a PIN, much like a debit transaction today. **Refer to Q & A #8 for exceptions.**
- A chip card must remain inserted in the POS terminal for the duration of the transaction. Do not remove the card until the terminal prompts you to do so. Removing the card before the transaction is complete will cancel the transaction. The transaction will need to be re-initiated from the start.
- As a best practice, we recommend that you look at the bottom of the receipt and circle the text "VERIFIED BY PIN" – this, along with the "APPROVED" message is your guarantee that the cardholder is authentic and the transaction has been approved. **Refer to Q & A #9 for reasons why we recommend this best practice.**



www.moneris.com/chip

Important Information for Restaurant Merchants:

- Process Chip & PIN credit cards the **same way you would a debit card** (i.e., perform a purchase instead of a pre-auth and complete the transaction in one quick, easy step!)
- If a **pre-authorization is attempted with a chip credit card** the terminal will prompt: "DO A PURCHASE WITH CHIP CARD / REMOVE CARD". Simply: remove the card, press OK, re-insert the chip card and begin a credit purchase transaction.
- You can enable the terminal to **prompt for tip entry on debit and credit purchases** so the cardholder enters the tip as well as their PIN on the keypad.

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Q & A's

1 What is a Chip Card?

The 'chip' in Chip Card refers to a small microchip embedded on the front of the payment card. The microchip securely stores payment application information such as the cardholder's account number. Chip technology provides merchants and cardholders with increased protection against fraudulent transactions, which should result in fewer chargebacks for fraud.

2 Why Chip? Why Now?

Counterfeit fraud in Canada on debit and credit totalled almost \$250 million in 2006 and has been growing at almost 25% annually. Preventing fraud growth is the main driver behind Chip migration in Canada. Fraud is largely the work of large, organized criminal organizations and is an international problem. The implementation of Chip & PIN makes it more difficult for fraudsters to commit fraud domestically. Interac, MasterCard and Visa have all committed to migrate to Chip. It is expected that within the next 3 years the majority of POS terminals and credit & debit cards will be Chip & PIN enabled.

3 What Changes with Chip & PIN?

The introduction of Chip & PIN will result in some changes at the point of sale:

- The card will no longer be swiped by the merchant but will be inserted into the terminal by the consumer.
- A Chip & PIN card must remain in the terminal for the duration of the transaction.
- Instead of a cardholder signing for a credit transaction, they will enter a PIN – much like a debit card transaction today.

4 Is Chip & PIN accepted in countries other than Canada?

Today, Chip cards can be found in over 65 countries and the number of Chip cards and terminals deployed continues to grow. There are over 440 million Chip cards and 6.3 million Chip capable terminals deployed worldwide.

5 What are the benefits of Chip & PIN for Merchants?

The benefits of Chip for merchants include the following:

- Fraud reduction
- Consistent payment experience for credit and debit
- PIN is a stronger method of authentication than signature
- Instead of a cardholder signing for a credit transaction, they will enter a PIN – much like a debit transaction today
- Potential to increase POS checkout speed
- Potential to reduce credit card disputes, charge-backs, Requests for Information (RFIs) and associated costs

6 What happens if an incorrect PIN is entered on a Credit Chip & PIN Card?

There are two possible outcomes:

- The transaction will be declined by the Issuer, or
- The issuer may approve the transaction. In this situation a signature line will print on the bottom of the receipt. The Merchant MUST obtain a signature from the cardholder.

7 What happens if the cardholder does not know or remember their PIN?

Like with debit today, the PIN is an essential part of authenticating the cardholder. If the person presenting the card does not know their PIN, ask for an alternate form of payment & recommend they call their financial institution.

8 When is a signature required with a Chip transaction?

While the vast majority of Chip cards will require a PIN, some Chip cards may be configured to allow for a signature. The merchant and/or cardholder do not need to do anything special or unique, the terminal will determine whether the card requires PIN or signature, and staff simply need to follow the prompts. In the case where a signature is required, a signature line is printed on the receipt. and as per current practice – a signature must be obtained for these transactions.

9 Why is it a best practice to circle the "VERIFIED BY PIN" text on the bottom of a Chip & PIN receipt?

Circling "verified by PIN" will help to ensure that transactions requiring a signature are not missed by point-of-sale staff. **Not obtaining a signature when a signature is required could result in a chargeback.**

10 If the Chip card is inserted and the transaction doesn't work, what do I do?

- Ensure that the card is inserted chip side up, chip in first.
- In the unlikely event of a technical failure with the POS terminal or the Chip card:**
- Credit cards with a chip should be removed and swiped through the card reader.
 - If the transaction is approved by the Issuer, a signature line will print on the receipt. The merchant should verify the signature by checking the signature on the back of the card.
 - If the transaction is declined, request a different form of payment.
 - Debit cards with a chip should be removed from the reader and a different form of payment should be requested.

11 What happens if the Chip card is removed before the transaction is completed?

The transaction that is in progress will fail and the transaction will need to be re-initiated from the start.

12 How does chip affect mail, on-line or telephone order transactions?

Mail, on-line and telephone purchases will not require a PIN. The way a merchant processes these types of transactions today remains unchanged with the introduction of Chip & PIN.