

Unlike Visa, Merchants Pushing PIN for Chip Cards in U.S.

Merchants are adamant that any initiative in the United States for accepting chip cards backed by the EMV security standard establish the chip-and-PIN method — instead of the chip-and-signature option [that Visa Inc. supports](#).

Attention to EMV cards in the U.S. went into overdrive in August when Visa announced its incentives and deadlines for merchant acceptance of smart cards and contactless technology.

"The card networks know their brand experience is uneven across markets and that it is time to do something about it," says Mark Horwedel, the chief executive of the Merchant Advisory Group.

Moreover, industry experts know that fraud artists are migrating their attacks to the U.S. because the country has no chip-and-PIN fraud protection in place, he adds.

The fact that other card networks have been slow to show public support for Visa in the push for chip card technology is a troubling aspect for the merchant group because it illustrates a lack of consensus, Horwedel says.

The Merchant Advisory Group, which is based in Minneapolis, seeks common ground on a migration road map while emphasizing chip-and-PIN with branded networks, banks, acquirers and processors, Horwedel says.

"Visa made the initial announcement, but the merchant group looks to create a consensus that would have influence on all of the card networks," Horwedel says.

Merchants are eager to convert from magnetic stripe card acceptance to smart cards, but they do not want to feel forced into other payment technologies such as near-field communication if they do not feel it is economically feasible, Horwedel says.

Merchants may find reaching a consensus a slippery slope because of the complexities involved in the conversion, says Paul Martaus, an acquiring consultant with Martaus & Associates in Mountain Home, Ark.

"Visa wants tap-and-pay so they can remain in the payments game, relative to chips being set in mobile phones," Martaus notes.

"Merchants," he continued, "have to accept that the PIN portion may not really be relevant in that case."

Merchants believe that signature devices tend to wear out and have to be replaced, and that consumers writing signatures slows down the checkout lines, Horwedel says.

In addition, merchants accepting signature cards must keep receipts in case of chargeback claims, which in some cases could mean rummaging through reams of paper receipts, he says.

"It's difficult for a consumer to deny he made the purchase if his PIN was submitted," Horwedel says.

Merchants contend that for every dollar lost in PIN transactions, \$1,000 is lost on signature transactions because of charge-backs, Horwedel says.

In general, merchants favor chip-and-PIN because they do not want to make a huge investment in point of sale preparation without the return on that investment of the security PIN provides, Horwedel says.

"The group feels it is a small step for issuers [to distribute chip-and-PIN cards] compared to the [point of sale] upgrades the merchants will have to make," he adds.

The Merchant Advisory Group also supports the notion that liability in fraud cases should be placed on whichever party fails to adopt the fraud-prevention measures of chip-and-PIN, Horwedel says.

In addition, the group supports technology advancing chip-and-PIN use in online purchasing, Horwedel says.

He cited the announcement from the Shazam network last week for PIN use in mobile payments as a positive development.

The Merchant Advisory Group has increased its lobbying efforts in light of indications that not everyone in the industry sees eye to eye on the topic.

Mostly, the group would prefer that the U.S. payments industry reach a consensus on a plan for processing and security reasons, much in the same manner as Canada did during its five years of planning for conversion to EMV technology, Horwedel says.