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## January 11, 2012 MAG Payments Roadmap

The Merchant Advisory Group (MAG) is pleased to announce its recommendations for a U.S. electronic payments roadmap.

MAG members represent a broad cross-section of the merchant community which accounts for the majority of payment card transactions in the United States. Because MAG members are key stakeholders in the existing payments infrastructure, as well as any new payments infrastructure, their views and perspectives must be taken into consideration.

The MAG has consistently advocated a collaborative approach to developing a long term, mutually beneficial payments strategy for the United States. Any large scale transition to a nascent payments acceptance infrastructure, such as Chip and PIN, will require significant financial investment by all payments stakeholders. Therefore, any initiative to develop a new payments infrastructure should include representation from all stakeholders, each having a voice in formulating a systematic, coordinated plan to create a more secure electronic payment acceptance environment. To that end, the MAG has facilitated numerous discussions with a cross-section of all payments stakeholders with the goal of laying the foundation of a comprehensive and inclusive payments roadmap. The recommendations below are a result of those conversations:

- The U.S. payments industry should undergo a coordinated migration to Chip and PIN transactions which should support a broad range of payment types (contact, contactless, dual interface, debit, credit, stored value, private and 'white' label, etc.) and devices (cards, mobile devices, fobs, etc.).
- Merchants and issuers should have the right to determine the range of payment types, communication protocols and devices they will support. They should also retain the right to select, from a broad range of supported protocols and devices, the particular payments technologies in which they will invest, rather than having such decisions forced upon them.
- PIN authentication is a proven means of reducing fraud. Merchants and issuers who create a more secure payments environment by supporting PINs should reap the benefit of their investments. Pursuant to an agreed-upon timeline, those who migrate to Chip and PIN should enjoy the benefit of full liability shift protection. Merchants that provide PIN-acceptance capability at the point-of-sale should no longer bear responsibility for providing proof of signature. Flexibility should be maintained to allow exceptions when both merchants and issuers agree not to require PINs, as is the case today for some transactions under \$25.



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- Those who do not invest in Chip and PIN, or who decide to not perform cardholder authentication at the point-of-sale for customer convenience reasons, should bear the liability of any fraudulent activity that occurs as a result of their business decisions.
- To ensure merchant choice in routing transactions and to encourage innovation, Chip and PIN card and system designs must provide an open architecture that is developed with meaningful input from all stakeholders. All payments system participants must either be provided with equal opportunity to join EMVCo and be provided an equal voice within the organization at a cost that does not prevent all parties from participating, or the Chip and PIN standards development and maintenance process must be migrated to an open standards body that does meet these criteria.
- Chip and PIN deployment in the United States should be done concurrently with integration of technologies that would secure eCommerce transactions. While card-not-present transactions have traditionally been considered riskier than card-present transactions, there are a number of proven technologies that provide reliable methods for securing these transactions. While the MAG does not endorse any specific solution, it believes that a robust eCommerce security solution must shift liability to any party that does not adopt the solution. The determination of such security standards for eCommerce should be done in such a way that all industry stakeholders have an opportunity to participate.
- The implementation of Chip and PIN should in no way infringe upon the ability of issuers to choose network affiliations or upon merchant routing opportunities as prescribed under the law.
- The roadmap should acknowledge the diversity of the marketplace by developing collaborative and realistic implementation timelines for all stakeholders including issuers, acquirers, hardware manufacturers and merchants. Many of these stakeholders, notably petroleum merchants, will be particularly challenged with an immediate Chip and PIN migration. In light of such diverse circumstances, a collaborative effort to determine a realistic implementation timeline is critical.

The MAG feels it is imperative that the United States align with the international standard of Chip and PIN to ensure global consumer payments interoperability. In today's U.S. magnetic stripe based payments system, MAG members continue to spend millions of dollars to protect against security breaches. The results have been significant and deleterious for MAG members, as they have lost sales and struggled through customer confusion resulting from international cardholders' inability to use their Chip and PIN cards in the United States.



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Markets where Chip cards with PIN verification have been adopted have been much more successful in reducing fraud than those which have adopted Chip cards with signature verification. The MAG believes consumers, along with merchants, suffer significant, avoidable damage from fraudulent transactions conducted with insecure magnetic stripe, signature card products.

The MAG is concerned with the migration of fraud from the card-present business environment to the card-not-present business environment and notes that this migration has accelerated in markets in which the transition to Chip and PIN for card-present transactions was not accompanied by a transition to a truly secure environment for card-not-present transactions.

The MAG continues to work with the prominent card networks, issuers, and merchant acquirers towards the development of a uniform standard to promote the evolution towards Chip and PIN technology in the United States. Despite historical differences of opinions among the stakeholders in the payments system, the MAG remains hopeful that the initiative of securing the payments system is one that is sufficiently transcendent as to allow all parties to come to a meaningful consensus.

Payments have historically been a dynamic component of the consumer-merchant relationship and will continue to evolve over time. While, at the moment, Chip and PIN appears to be the best option to secure payments at the point-of-sale, the MAG acknowledges the need to plan for the future and is committed to the roadmap process as a vital necessity to a secure and robust customer payment experience.