

EMV: The U.S. Roadmap and Guidebook

September 2013

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Agenda

- The issuer perspective
- The merchant perspective
- Lesson learned from other geographies

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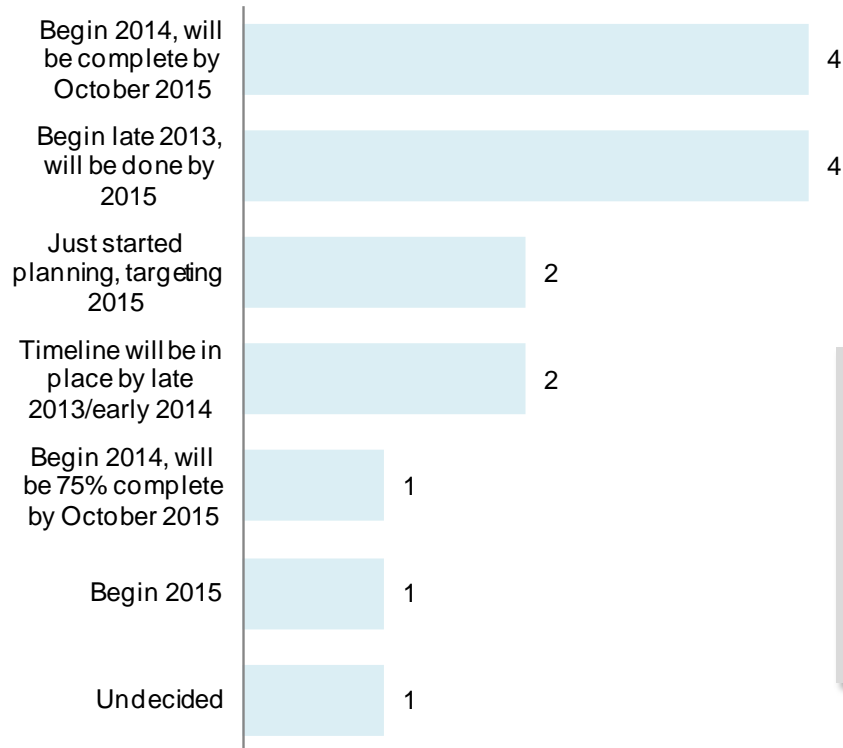
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EMV: Why now?

- Interoperability
- Mobile payments
- Increasing fraud
- Decreasing costs

“The U.S. is in the midst of the most expensive upgrade to its payment system in history”

U.S. Issuers' Planned Timeline for EMV General Issuance (N=15)

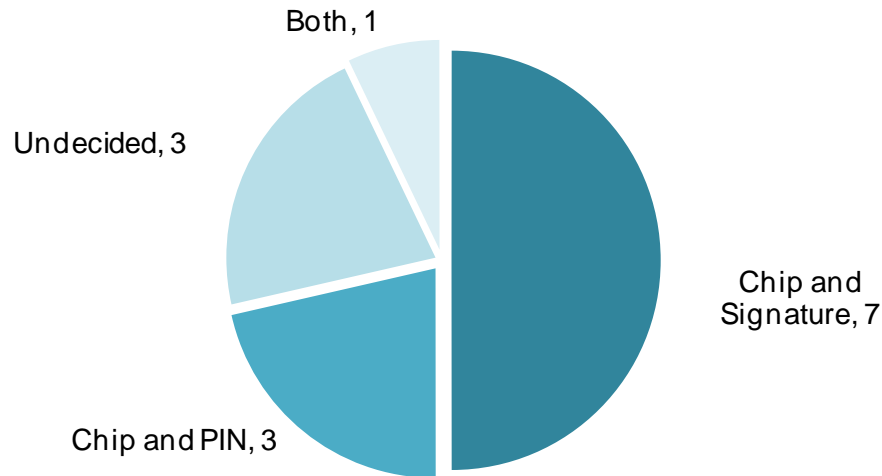


Nine of the 15 issuers interviewed expect to have the majority of their portfolios upgraded by 2015

Source: Aite Group interviews with 15 large U.S. issuers, January to May 2013

CVM strategies vary

Planned Cardholder Verification Method (n=14)

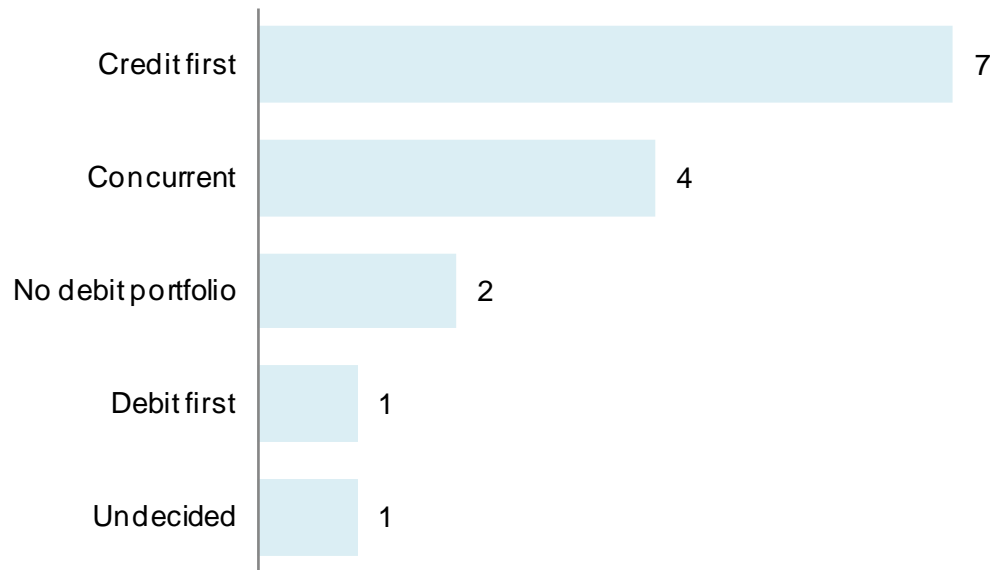


The diversity of CVMs will cause consumer confusion, while the widespread reliance on chip and signature will cause issues for international travelers

Source: Aite Group interviews with 15 large U.S. issuers, January to May 2013

Credit will come first

Portfolio Prioritization for EMV Migration (N=15)

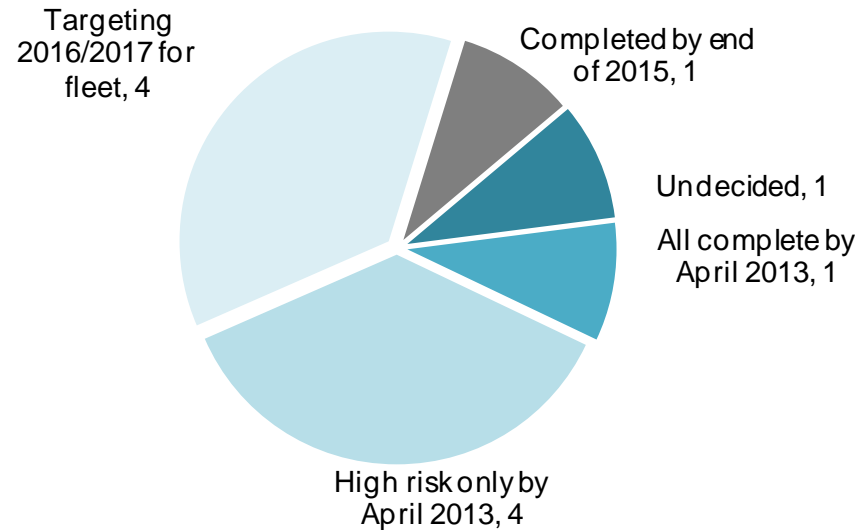


Credit cards are being prioritized due to greater exposure, as well as technical challenges presented by the Durbin Amendment dual routing requirement

Source: Aite Group interviews with 15 large U.S. issuers, January to May 2013

Yet another change for the ATM

EMV Migration Strategy at the ATM (N=14)



Source: Aite Group interviews with 15 large U.S. issuers, January to May 2013

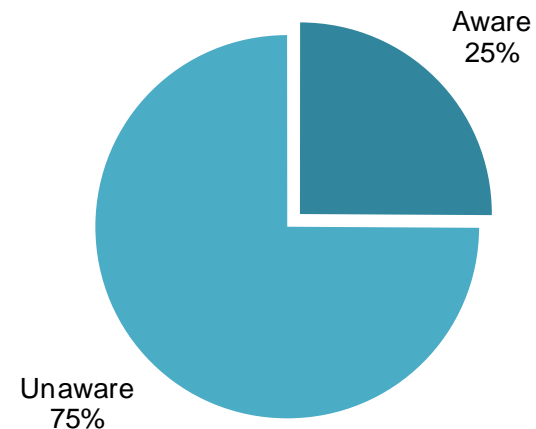
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As in other countries, small merchants in the U.S. will lag in migrating to EMV

“The major credit card networks have announced a program to transition to EMV cards by October of 2015. These cards utilize a computer chip to transmit card information to the card terminal in place of the current magnetic stripe. They provide improved security but require new terminals.”

Merchant Awareness of EMV Initiative (N=372)

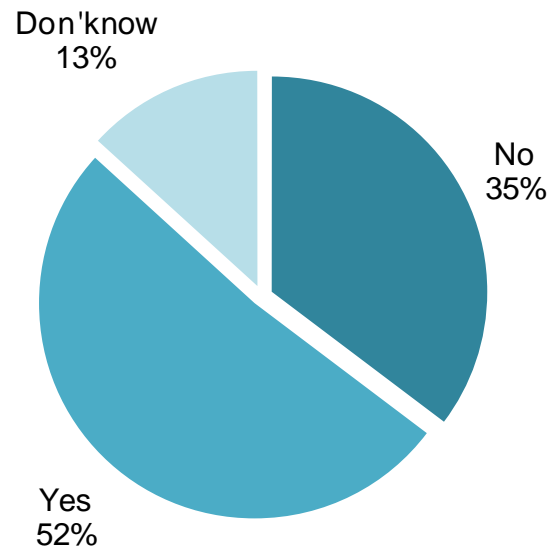


Source: Aite Group survey of merchants, March to April 2013

No significant differences in awareness among the various sizes of merchants.

Of the merchants who are aware of EMV, half plan to upgrade by October 2015...

Merchants That Intend to Upgrade to Support EMV by October 2015

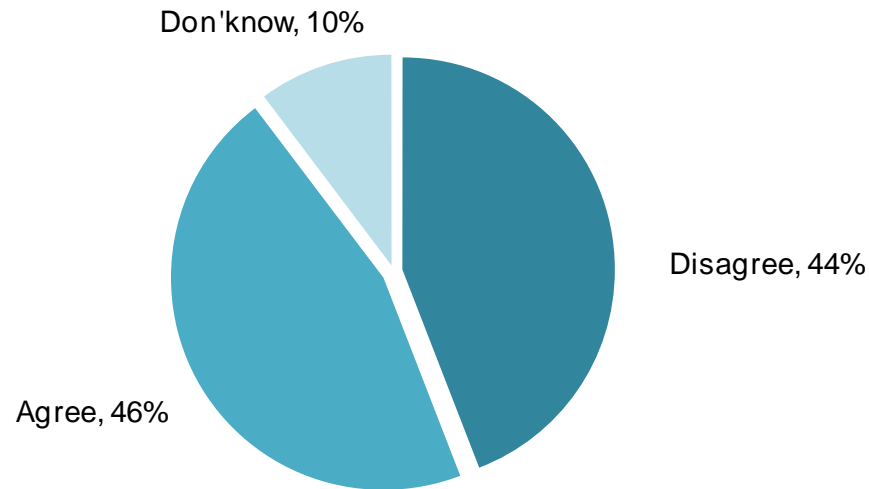


Source: Aite Group survey of merchants, March to April 2013

67% of merchants will \$1 million in revenues and above plan to upgrade

...while half don't plan to upgrade at all

Merchants That Do Not Intend to Upgrade Equipment to Support EMV



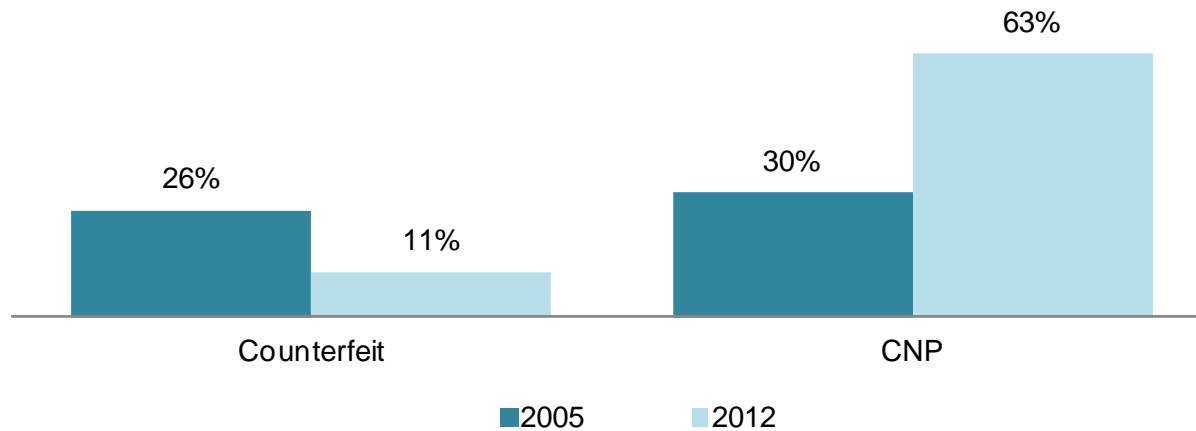
67% of merchants with \$1 million in revenues do intend to upgrade

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Prepare for the fraud shift

Change in U.K. Card Fraud Composition, 2005 to 2012



Source: Financial Fraud Action UK

Lessons learned from other geographies

- Education and coordination is key
- Make the PIN painless
- The devil is in the details
- Make use of the chip
- Adjust your fraud defenses
 - App fraud
 - CNP fraud
 - Cambridge exploit

Key takeaways

- EMV is now a matter of “when” not “if”
- The U.S. migration promises to be painful, thanks to our fragmented market
- Engage your plastic provider in the planning process
- Fraudsters will capitalize on the ensuing chaos
- Education will be key—somebody needs to step up to make it happen!

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