



Chip Technology and the Transformation of the Canadian Payment Card Industry

An Interac Association Perspective



PWGSC Banking Colloquium
March 5, 2007



Why Chip and Why Now?



Security



Innovation



Efficiency



Why Chip and Why Now?



Security

- Debit card fraud losses
 - Up 35% to \$95 million in 2006
 - Up 60% over past two years
- Cardholder impacts
 - 119,000 fraud victims in 2006
- Media coverage
- Cardholder response through changes in behaviour



Why Chip and Why Now?



Security

- Data on the chip is extremely difficult to copy or change
- Reduce losses and increase confidence
- Reduce fraud management costs
- Pre-emptive strike against fraud migration to Canada

EMV chip technology is the best long-term solution to skimming fraud



Why Chip and Why Now?



Innovation

- Technology platform for new product and service offerings from Issuers, Acquirers and merchants
- Payment and non-payment opportunities
- Keep pace with global movement in card payment technology



Why Chip and Why Now?



Efficiency

- Multiple applications on same chip - debit, credit, other payments and non-payment services
- With credit move to PIN, consistent payment experience for credit and debit



The Chip Commitment



Interac Association announced a commitment to chip in February 2005



Decision based equally on financial and reputational factors



Migration timeline based on fraud risk factors



Beginning the Chip Migration



Picture: www.chipandpin.co.uk

Target first INTERAC chip transaction in 2007

- ➡ Interac Association is chip-ready
- ➡ Coordinated market trial in Kitchener-Waterloo, ON
- ➡ After December 31, 2007, new ABM and POS models must be chip capable



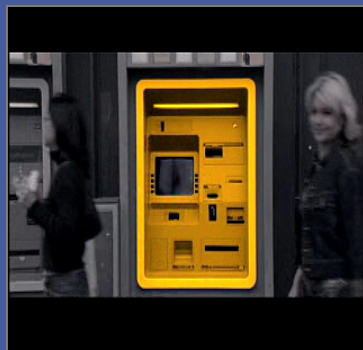
Chip Migration Timeline

Segment	Dec 31 2010	Dec 31 2012	Dec 31 2015
Deposit-taking ABMs	90%	100%	--
Other ABMs	50%	100%	--
POS Devices (excluding "Debit at the Pump")	35%	60%	100%
"Debit at the Pump" Devices	0%	25%	100%
Debit Cards with PINs	65%	100%	--



End Dates for Full Chip Migration

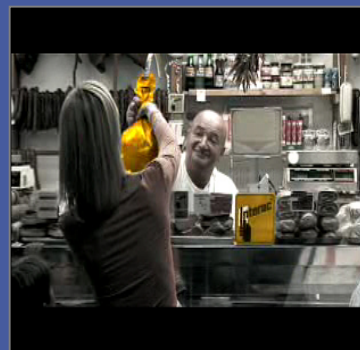
Shared Cash Dispensing



December 31, 2012

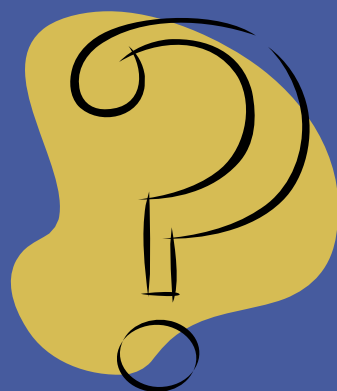
*Excludes credit card
cash advances*

INTERAC Direct Payment



December 31, 2015

Magnetic stripe transactions will not be permitted
in INTERAC Services after these dates



Questions?

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