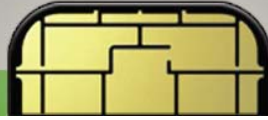


# Making *safe* payments *safer*™

RELIABLE . SECURE . EASY .



June 10, 2009

## Frequently Asked Questions

REVISED: June 9, 2009

### What is a chip card?

A chip card, sometimes referred to as a “smart card”, is a credit or debit card containing an embedded computer chip that gives the card the ability to store and process data.

Chip cards and chip terminals work together to ensure a highly secure transaction by validating the card and the cardholder. The computer chip makes cards more difficult to copy, thereby reducing counterfeit fraud.

The move to chip technology is the latest innovation in the rapidly changing payments environment and demonstrates the industry’s efforts to prevent fraud and further secure Canadian electronic payments.

### What are the benefits to consumers?

The primary benefit is added security. Chip cards provide additional protection to avoid disclosure of personal information and are very difficult to copy.

### Is the problem of fraud big enough to justify the expense of moving to chip?

Yes, because it is the consumer who ultimately pays as financial institutions must find ways of recouping losses to fraud.

According to Interac Association, losses to debit-card fraud rose from \$44 million (affecting 27,000 cardholders) in 2003 to \$104.5 million (and 148,000 cardholders) in 2008. Losses from credit card counterfeiting and other fraud have also continued rise.

Incidents of skimming and other debit and credit card fraud have dropped dramatically in jurisdictions that have implemented chip technology. This is good news for electronic payments systems like ours that are converting; it is bad news for systems that do not plan to convert, as card criminals prey on the least secure systems.

## **How do chip cards work?**

The chip card is inserted into a chip terminal and left there for the duration of the transaction. The cardholder simply follows the prompts to complete the transaction.

The big change is for credit card holders: the credit card stays in the device for the duration of the transaction and is authorized with a PIN, not a signature.

## **Where can I use my chip card?**

Chip cards can be used anywhere in the world where credit and debit cards are accepted today. Chip technology has already been or is being implemented in Europe, Asia, Latin America, the Middle East and Africa, and Canadian chip cards will be fully compatible with their systems.

In countries like the U.S. that have yet to switch to chip or do not plan to, you will still be able to use your card, as a functional magnetic stripe (mag-stripe) will still be on your card.

## **With chip, will I need to do anything to protect my card?**

Yes! Protect your Personal Identification Number (PIN). As with a mag-stripe card, if someone obtains/steals your chip card and has your PIN — or if you lose your wallet/purse and your PIN is written down in it somewhere — they will be able to make purchases and withdraw funds from your account.

In short, keep doing the things you do now to keep your card and your PIN safe.

Chip cards represent the highest level of security available to protect payment information by employing a range of security features and measures that work in concert with each other to create a multi-layered defence against fraud.

## **When and how will I receive and activate my chip cards?**

Your credit union will be informed well in advance of when it is scheduled for rollout, at which time you will begin to receive information that will let you know when you can expect your card and what you should do when you receive it.

You will receive your PIN number by mail and your chip card will follow in a second mailing shortly thereafter. Once you have received both items you can start using your new chip card.

If you wish to change your PIN, you will be able to do so in-branch at your credit union.

## **I've seen ads for wallets that block the chip signal so people can't steal my money. Should I get one?**

No. The chip used in debit and credit cards does not emit a signal. The only way to get information from the card is by inserting it into a chip-enabled point-of-sale terminal or ATM.

"Wave and pay" types of devices, where a customer swipes their value-loaded pass in front of a sensor for quick payment at gas pumps, for example, do have radio transmitters that, theoretically, could be compromised.

## **Why are credit unions introducing chip cards later than some banks?**

Given the vast number of ATMs, point-of-sale devices and cards that have to be converted, the time line reasonably reflects all of the work required to prepare for and deliver a smooth migration for members and merchants. In fact, credit unions have been working with banks through Interac on market trials and other preliminary work, and are not far behind the banks on conversions.

Credit unions will meet or beat the following timelines mandated by Interac:

- 90% of deposit-taking ATMs must be chip-enabled by year-end 2010; 100% by year-end 2012.
- 35% of Point-of-Sale (POS) devices must be ready by year-end 2010, 60% by 2012 and 100% by 2015; and
- 65% of debit cards must be chip-ready by year-end 2010; 100% by year-end 2012.