

Contact

Business-building ideas for TD Merchant Services customers

Getting ready for the chip card

In the last issue of this newsletter, we focused on the *Visa*[®] chip card – a payment card embedded with a microcomputer chip that stores encrypted information such as the cardholder’s account number and Personal Identification Number (PIN).

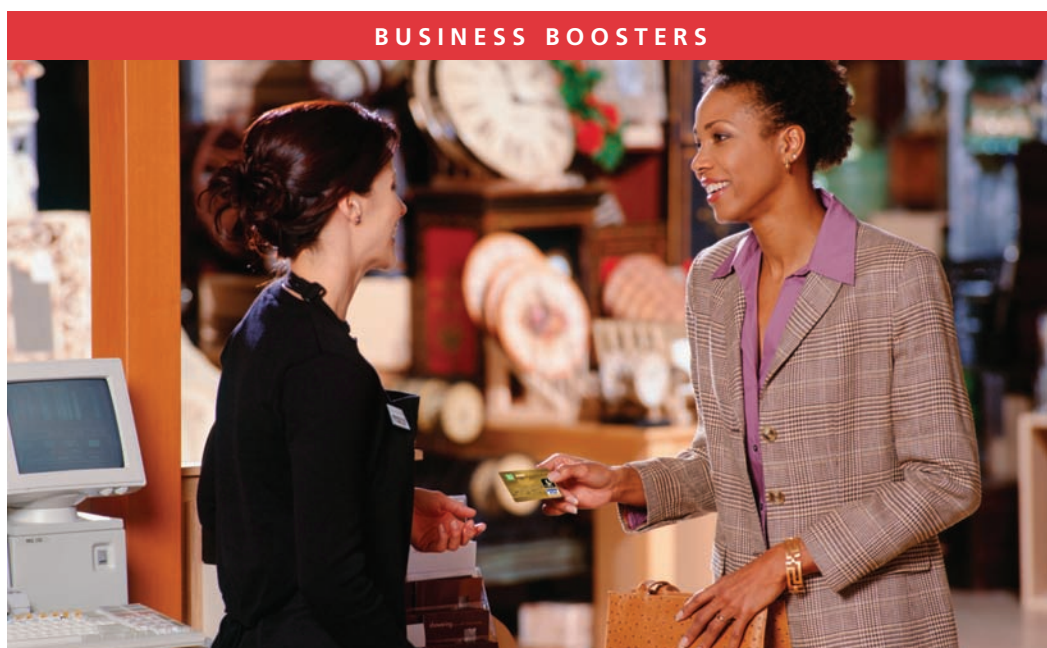
Chip credit and debit cards are key elements in a major industry-wide initiative to lay the groundwork and put the infrastructure in place for the introduction of chip technology into Canada over the next five to seven years.

Bringing the security and efficiency of chip cards to Canada will help us to keep pace with the global movement toward chip payment technology.

Major chip migration programs are well under way in more than 45 countries – including France, the United Kingdom, Italy and Germany – involving millions of credit and debit chip cardholders around the world.

A major effort

The first step in bringing chip to Canada involves a multilateral effort from all the major Canadian payment associations. In recent months, *Visa* Canada, MasterCard Canada, American Express Canada and the *Interac* Association have been meeting with the major Canadian banks, and other payment industry participants, to develop a unified strategy for the intro-



BUSINESS BOOSTERS

duction of chip technology into Canada. The goal? To provide a consistent and secure acceptance network for chip cards in Canada. This high-level group will

continue to work together on an ongoing basis for the next several years, until chip technology is well established in Canada.

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Getting ready for the chip card

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Setting the standards

One of the key elements of the payment associations' joint strategy is to make sure all of the major payment systems employ the same technical standards.

Since 1999, EMV® technical specifications have been considered the global standard for chip technology. EMV standards were collectively developed by Europay, MasterCard®¹ and Visa International. EMVCo (the body that manages these standards) is currently operated by Visa International, MasterCard International and JCB International.

Uniform requirements

Through the EMV partnership, all of the major payment systems are committed to the same chip card technical standards. Adherence to the EMV standards ensures that chip cards and chip-accepting devices function with one another on a worldwide basis.

For merchants, this means that they will be able to process transactions involving chip cards issued by different financial institutions around the globe.

In Canada, the major credit and debit card issuers will continue to work with other payment systems and technology suppliers to establish the EMV standards as the foundation for chip cards.

Implementing chip cards in Canada

The first stage in the roll-out of chip cards across Canada will be a launch planned for the Kitchener-Waterloo area in late 2007. This roll-out will gradually see the introduction of chip-enabled credit and debit cards to consumers in that region, and provide chip-enabled Point-of-Sale (POS) terminals to many merchants. Before the national roll-out (currently planned for 2008)

is implemented, this initial industry market launch in Kitchener-Waterloo will represent the first time a significant volume of chip cards will be introduced in the Canadian marketplace.

TD Merchant Services will keep you

fully informed as more information about the launch becomes available.

For more information on Visa chip cards, please visit www.visa.ca/chip; for more information on Interac®² chip cards, visit www.interac.org ■

Checking in on our chip conversion

TD Merchant Services has taken significant steps to help ensure you have the best technology, training and service support available for a smooth transition to chip technology.

In fact, TD Merchant Services expects that many of its merchants will choose to convert to chip technology well in advance of the 2010 and 2015 target dates set by Visa Canada and the Interac Association, respectively.

Here's our chip card progress report to date[†]:

- ✓ TD Merchant Services is involved in the ongoing Canadian payment-industry discussions on chip technology (see story on Page 1).
- ✓ TD Merchant Services is currently planning the introduction of its chip-device conversion program. In this multi-year program, chip-accepting POS terminals and PIN pads will be available to merchants as they plan for their conversion to chip technology.
- ✓ We are continuing to provide updates on our chip-readiness via this newsletter.
- ✓ We are working with our software vendors to develop new software to support chip technology based on payment-card association requirements. Our chip-enabled terminals will feature easy-to-follow prompts to help you minimize training time for your staff.

- ✓ Visa chip cards will continue to have a magnetic stripe, allowing merchants with chip devices to process both chip and non-chip card transactions until at least 2010.

Watch for updates on our conversion to chip technology in future issues of this newsletter.



[†] There may be fees for some services outlined above.

How to handle the gift of *Visa*

Many stores now offer gift cards. But your customers may present you with another type of gift card — the *Visa* gift card, which works differently than the store-branded cards.

What is a *Visa* gift card?

The *Visa* gift card is a prepaid card that can be used anywhere *Visa* is accepted, unlike store-branded cards, which can only be used at the store specific to the card. The person who purchases the *Visa* gift card chooses the amount loaded onto the card (which typically ranges from \$25 to \$500), while the recipient signs the back and uses the gift card to make purchases until either the balance is used up or the card expires, whichever comes first. If you accept *Visa* at your business, you can accept *Visa* gift cards. No special setup is necessary.

Gift card processing

When processing a *Visa* gift card transaction, merchants should follow the same standard procedures used for a *Visa* credit card – swipe the card and obtain an online authorization. Once you've obtained the online authorization, ask the cardholder to sign the purchase receipt.

The signature on the receipt should match the signature on the back of the card. If the *Visa* gift card has not been signed, have the cardholder sign the back of the card. **(Please note: The cardholder's name may not be printed on the front of the card. It may read "Gift Card Recipient" or be left blank.)**

Verifying the card balance

Cardholders need to know what their remaining *Visa* gift card balance is *before* they shop, because merchants cannot tell what the card limit is, nor determine the



remaining balance. **If there isn't enough of a balance to cover a purchase, the card will be declined for insufficient funds.** To find out the balance, cardholders can call the toll-free number on the back of the gift card.

Split-tender sales

A cardholder may ask to use an additional payment method when purchasing an item exceeding the balance on the card. Before you process the authorization request, ask the cardholder how much he or she wants deducted from the *Visa* gift card and process the split-tender transaction in accordance with your business policies.

Chargeback protection

Since most *Visa* gift cards are unembossed (see sidebar for details), you need to capture the magnetic stripe information electronically and obtain an immediate online authorization to help avoid chargebacks (and you need to get a positive authorization).

For more information about *Visa* gift cards (or unembossed cards), visit www.visa.ca or call TD Merchant Services at 1-800-363-1163. ■

What you need to know about unembossed *Visa* cards

Unembossed *Visa* cards are new to the Canadian market and, because of their smooth surface, may look unusual and cause some confusion at first. Rest assured that these cards are valid *Visa* cards and, as such, can be used by customers to pay for goods and services. Here's some information merchants should know:

- A standard, embossed *Visa* card has raised numbers, letters and symbols, while an unembossed *Visa* card is smooth and flat with numbers, letters and symbols printed or engraved on the card – not raised. Both types of cards are the same size and shape.
- "ELECTRONIC USE ONLY" is printed on the front of unembossed *Visa* cards. This means that these cards are intended for use only at electronic terminals that can obtain immediate online authorization for each transaction. The smooth surface of the unembossed *Visa* card makes it impossible to take a manual imprint. You must swipe the card to authorize the transaction.
- Using handwritten paper drafts when accepting these cards is done at the merchant's risk. Should the transaction be disputed, you risk receiving a "Missing Imprint" or "Card Not Present" chargeback.
- Unembossed *Visa* cards may be used at any merchant location that has electronic terminals, and are processed the same way as embossed cards. If electronic terminals are unavailable, another form of payment should be requested.

How to prevent debit card skimming

Canadians used their debit cards to make purchases 3.1 billion times last year, according to the *Interac* Association. While *Interac* Shared Services are among the most secure in the world, debit card fraud resulting from skimming can occur.

Skimming refers to the fraudulent practice of capturing account information from the magnetic stripe of a debit or credit card in order to make a counterfeit card. When debit cards are involved, Personal Identification Numbers (PINs) are also stolen. Here are steps you can take to help prevent skimming:

- Inspect your POS equipment regularly, including serial numbers, wires and cables. If any equipment looks unfamiliar, appears altered, or is missing, notify TD Merchant Services immediately.
- Check ceilings, walls or shelves near PIN pads for holes that could conceal a small camera.



- Install your debit terminal so that customers have enough room to comfortably shield the PIN pad when entering their number. The most common way of stealing a cardholder's PIN is by "shoulder surfing" – looking over the cardholder's shoulder.
- Make sure that any security cameras on your premises don't capture customers entering a PIN.

- Never enter a PIN for a customer, even if asked to do so.
- Remember to give customers a copy of their transaction receipt (their signature is not necessary) and return the card to them.
- Allow the customer to hold the PIN pad until the transaction is complete.
- Keep all transaction records on file (for the length of time specified in your service agreement), along with employee shift schedules and supplier information.
- Help increase public awareness of debit card fraud by displaying the *Interac* Association's special "Protect Your PIN" decal (shown here). These PIN-protection decals are available from TD Merchant Services by calling 1-800-363-1163.

For more information on *Interac* security and cardholder protection tips, please visit www.interac.org ■

Preferred paper suppliers

Merchants are advised not to place an order with anyone who calls claiming to be a paper supplier. Instead, we recommend initiating the order and placing the call yourself to ensure you are dealing with a reputable dealer. The following companies are preferred suppliers of paper for TD Merchant Services POS terminals.

- Main-Tech Industries, 1-800-268-5120
- Maxwell Media Products, 1-800-561-6406

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