

Added security

Chip technology gives purchasers a new tool to combat consumer fraud

INTERVIEWED BY MARK SCOTT

Credit and debit cards using chip technology (also known as EMV) are becoming the security standard in the U.S., offering another layer of protection for both individual and corporate consumers.

Used in more than 130 countries around the world — including Canada, Mexico and the United Kingdom — it also provides consumers with greater acceptance when traveling internationally.

“Chip technology has been around for over two decades and is already the security standard in many countries around the world,” says Jarrod Long, Vice President and Treasury Management Officer at Westfield Bank.

“Many merchants across the U.S. are beginning to accept chip card transactions and this will continue to grow within the coming years.”

Smart Business spoke with Long about how chip technology works and what consumers should know about it.

What is a chip card and how does it work?

A chip card is a standard-size plastic debit or credit card that contains an embedded microchip, as well as the traditional magnetic stripe.

The chip protects in-store payments because it generates a unique, one-time code that is needed for each transaction to be approved. It's virtually impossible for fraudsters to replicate this feature in counterfeit cards, providing greater security and peace of mind when making transactions at a chip-enabled terminal.

You may hear chip cards referred to as ‘smart cards’ or EMV cards. These are different ways of referring to the same type of card. Similarly, an EMV terminal is the same as a chip-enabled terminal.

A chip card is not the same as PayPass

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or payWave, systems where you wave or tap your card in front of a device to make a payment. A chip card must be inserted face up into a chip-enabled merchant terminal and then left in the terminal while the transaction is processed.

You'll be prompted to enter your PIN or provide a signature as you normally would to verify the transaction, although you may not be asked for a PIN when traveling internationally.

If the retailer isn't equipped to read the chip card, just swipe as you do today. However, if you swipe your chip card at a chip-enabled terminal, the terminal may prompt you to insert your chip card into the terminal. Transactions made over the phone or online will not change.

Are chips safer to use than magnetic stripe cards?

All cards offer protection from unauthorized use of your card or account information. Chip technology offers another layer of security when used at a chip-reading terminal because it generates the aforementioned unique, one-time code that is needed for each transaction to be approved.

This makes the transaction more secure by ensuring that the card being used is authentic, a process that makes the card more difficult to counterfeit or copy.

Should chip cardholders notify their bank before traveling internationally?

It is recommended that you set a travel notice on any card you plan to use while traveling so your card access is not interrupted. For your protection, your bank should continue to monitor card activity even when a travel notice is set.

Have there been any problems for businesses adopting to chip technology?

When traveling outside the U.S., some card readers at unattended terminals such as public transportation kiosks and gas pumps require a PIN. However, this type of PIN technology is different than what you normally use for PIN transactions in the U.S. and the card won't be accepted. In these situations, you should locate an attended terminal to complete your transaction or plan for an alternative payment method such as local currency.

Will chip cards allow others to track your location?

Chip card technology is not a locator system. The chip on your card is limited to supporting authentication of card data when you make a purchase. The chip card is intended to provide you with the same benefits and services that you get with your debit or credit card, but does so with an added level of security. ●