

Your Credit Card Is Changing: What You Need to Know

Oct. 1 is a big day in the credit card world. Find out what's happening and whether you'll be affected.



With the introduction of chipped credit cards, U.S. consumers will have to grow accustomed to inserting instead of swiping at the cash register.

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Sept. 25, 2015 | 12:53 p.m. EDT

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Did you get a replacement [credit card](#) in the mail recently? Are you confused as to why?

You're in good company. The U.S. is adopting a significant change in how credit card payments are processed in stores, which will have consumers inserting cards equipped with a special chip rather than swiping at the checkout counter, but many people are still in the dark.

Nearly 3 in 5 of the 1,000 consumers surveyed by payments solutions company ACI Worldwide have not yet received a chipped card. Among those who already have their new card, only 32 percent said they understand the U.S. is moving to a new card processing system.

To get up to speed, here are seven things you need to know about the transition to chipped technology.

The U.S. is the last major country to transition its cards. The U.K. was the first to adopt the new payment system, known as the EMV standard. Developed by and named for Europay, MasterCard and Visa, EMV requires cards be outfitted with a chip that transmits a unique code for each transaction. The

technology dramatically reduces the ability of thieves to use stolen credit card numbers in stores.

The U.K. adopted the standard in 2006, followed by Australia in 2008 and Canada in 2012. However, the U.S. has lagged behind implementing chip technology and is the last industrialized country to adopt EMV. According to EMVCo, Western Europe had nearly a 84 percent EMV adoption rate as of 2014, while the U.S. adoption rate was about 7 percent.

"There was a perception that perhaps a better technology would come along," says William Bondar, senior vice president of retail payment at PNC Bank.

What's more, until recently, experts say there hasn't been a pressing need to increase card security. "Our banks are very good at detecting fraud right after it happens," says Deborah Baxley, principal of cards and payments at Capgemini Financial Services, noting institutions have developed systems to [quickly flag questionable transactions](#) and minimize losses.

EMV standard hoped to deter foreign fraudsters. However, as other countries migrated to the EMV system, thieves and hackers have increasingly turned their attention to the U.S. In 2013, The Nilson Report found that while the U.S. accounted for only 24 percent of global transactions in terms of dollars, the country represented 47 percent of global fraud losses.

"As we know, fraudsters have been pretty successful at breaching card data," says Allison Edwards, director of product delivery for the card services division at financial services technology firm Fiserv.

Major data breaches at giant retailers such as Target in 2013 and Home Depot in 2014 highlighted how hackers were able to [steal sensitive information](#) undetected. Without EMV technology in place, it was then a relatively simple process to turn stolen data into useable credit cards.

Counterfeiting cards will be more difficult. Chip technology will not eliminate data breaches since it is a security measure for cards and not for database systems, but it can minimize the damage."Even if fraudsters gain access to some of the data, they can't counterfeit cards," Edwards says.

That is because even if criminals could figure out how to duplicate the unique codes transmitted by a chip, replicating and producing cards would be expensive. In addition, EMV prevents someone from taking the number from a chipped card and putting it on a traditional, magnetic swipe card.

"If a criminal counterfeited a card with a chip on it, the system will know that card is supposed to have a chip," Baxley says. If the chip can't be read, the card will be declined.

Online fraud may be increasing. Since chipped counterfeit cards are impractical to make, EMV adoption often has the unintended side effect of increasing online fraud. Criminals typically opt for Web transactions, which don't benefit from the protections afforded by chip technology.

"The data shows that fraud will migrate online at alarming rates as criminals and cyber thieves shift their approach to exploit the weakest target," a spokesperson for e-commerce security provider Trustev wrote in an email.

The firm notes that fraud related to "card not present" transactions (usually those completed online or over the phone) jumped 100 percent in both Australia and Canada after those countries embraced EMV. Meanwhile, the U.K. saw an 89 percent increase in fraud in the years after its implementation of chip technology. Trustev says it's bracing for a predicted 106 percent increase in online fraud in the U.S. in the coming years.

But not everyone is convinced we'll see a spike of that magnitude. Randy Hopper, vice president of credit cards for Navy Federal Credit Union and a member of the of the industry-created Payments Security Task Force, says online fraud protection measures have matured significantly since other countries adopted EMV.

"The e-commerce market has become more complex," he says. That complexity makes it more difficult

for criminals to conduct online fraud.

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