

What You Should Know About Chip-Enabled Credit Cards

If you are like most busy consumers, perhaps you haven't paid too much attention to the technology behind your credit cards. That is why I want to review an important technology update with you. Beginning in October 2015, credit card issuers were required to switch their credit cards from the long-used magnetic strip technology to the new chip-enabled credit cards. The chips are called EMV chips where EMV stands for EuroPay, MasterCard and Visa.

What's All the Fuss?

As with so many consumer and business products and services, fraud is a constant threat. We regularly read about credit card fraud and many of us have been victims of it. With smarter criminals and newer technology, the decades-old magnetic strip credit cards are simply an increasingly easy target. This long-term, damaging trend demanded that we find a better way. The EMV chip-enabled card is the answer. Joseph Steinberg, in a recent [article](#) in Inc. explains why the EMV technology is superior to the conventional credit card technology:

“EMV chips make it harder for criminals to abuse credit card information stolen at a point of sale. Unlike magnetic stripes that present the same data to credit card readers every time a particular card is used, EMV chips create a unique code for every transaction; codes cannot be re-used. Intercepting the information sent from a card's chip, therefore, does not allow criminals to create fake credit cards and commit fraud with the same ease that magnetic stripes provide.”

A New List of Pros and Cons

New technology usually comes with lots of pros and sometimes a few cons. That is no less true for the EMV chip-enabled credit cards. On the pro side, here is what we will enjoy:

- Significantly improved security of each transaction.
- No change in your personal fraud liability (\$50 maximum, waived by most banks).
- Increased retailer acceptance due to a particularly strong financial incentive. Retailers that do not procure the new card processing equipment assume full responsibility for any fraudulent activity processed.

On the con side, here are a couple items to keep in mind:

- EMV chips cannot eliminate online fraud via stolen credit card information. Obviously, you still want to guard your card data meticulously.
- Because the American EMV chip-enabled credit cards do not yet incorporate PIN authentication (but eventually will), businesses in Europe might refuse to accept them. Therefore, do some research before any international travel.

Navigating the Card Transition

Patience will be the word for the day in navigating this major card transition as [Taylor Tepper](#) explains:

“In the U.S., which is the last big developed economy to introduce this payment system, adoption of EMV technology has been slow. Reissuing all of these cards has cost banks a decent chunk of change, and buying and installing new terminals capable of reading your new card are a big cost for small and big merchants alike.”

The good news is that as consumers become more comfortable with the new system and as businesses marshal their resources to upgrade their equipment, everyone will benefit, except of course for the fraudsters (but that’s the idea, right?).

Do you have any follow-up comments or questions? Let me know!

CITED RESOURCES

<http://www.inc.com/joseph-steinberg/9-things-you-should-know-about-your-new-chip-enabled-credit-cards.html>

<http://time.com/money/4040808/credit-card-chip-fraud-emv/>