



Checking in on the EMV Migration

Agilysys CTO offers an update on the switch to EMV in hospitality

THE DEADLINE for the EMV liability shift was October 1, 2015, but not surprisingly, many merchants are still in the midst of a migration. In this Q&A, Larry Steinberg, Agilysys senior vice president and CTO, offers an update on progress in the hospitality industry.

HT: How at-risk are hotels and restaurants for fraudulent purchases?

LS: Hotels, resorts and restaurants typically see only a fraction of a percent of fraudulent transactions. Retail systems and gift cards, which are the primary targets of counterfeit card fraudsters, have been the initial focus for EMV. Hospitality-focused EMV workflows are being developed and certified and are expected to see greater adoption in 2016 and beyond.

HT: What will be the timeline for migration?

LS: While October 1, 2015 represented the liability shift, very few merchants supported EMV on that date, and the payments industry is still working to support EMV across all markets. The U.S. is seeing a migration pattern similar to other countries for EMV adoption, with large retail merchants switching first. By the end of 2015, only 5 percent of merchants are expected to be EMV capable, with more businesses gradually adopting EMV over the next five years.

HT: As the country moves towards adoption, there's suggestion that fraud will increase over the short term. Why would this happen?

During the early adoption of EMV, fraud rates will initially increase because fraudsters will look to capitalize on their stolen data before channels get locked down. Although overall hospitality counterfeit fraud rates will likely remain low, the benefits of EMV adoption will continue to grow over time as guests come to expect EMV and the security it provides.

HT: Can you walk us through the workflow for Chip & PIN, versus Chip & Signature?

LS: Absolutely. U.S. merchants have a choice when it comes to managing their EMV workflows, and the decision can vary based on the line of business and clientele.

The Chip & Signature workflow is similar to the workflows supported today. It allows merchants to accept the EMV card using their existing processes while maintaining similar device layouts. This option simply replaces the magnetic card 'swipe' with the EMV 'dip' (or

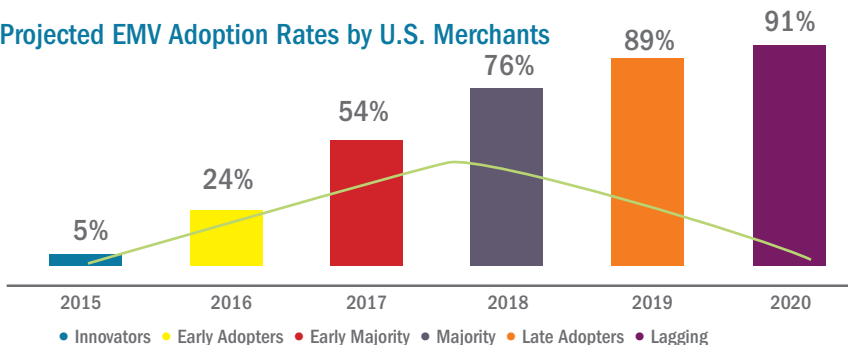
insertion into the payment device). The guest or employee can perform the 'dip', allowing table service restaurants to accept the card and process the payment at the central terminal. For the vast majority of U.S. cards, liability will remain with the card issuer, and the chip authentication will still reduce the risk of counterfeit fraud. Using this workflow, guests still sign the receipt manually or on the payment device to complete the transaction.

For Chip & PIN, the guest maintains possession of their EMV card, and the payment device is made accessible to the guest. In order to process the payment, guests dip their cards into and interact with the device to complete the transaction. Tips can be added directly into the device, and the guest acknowledges the total. The PIN number is then entered, much like a debit transaction, to complete the payment.

HT: What else should merchants do to protect the entire data environment?

LS: While EMV authenticates the card purchase and reduces transactional fraud risk, it isn't enough. Merchants need to address what is arguably a bigger threat today – large-scale data breaches. A validated, Point-to-Point Encrypted (P2PE) solution provides the highest level of security and truly protects guest data. Comprehensive payment solutions that offer EMV and validated P2PE will maximize risk reduction for both merchants and their guests. **HT**

Projected EMV Adoption Rates by U.S. Merchants



Larry Steinberg is senior vice president & chief technology officer at Agilysys. He champions a number of groundbreaking projects for the company and directs the development of leading solutions for the hospitality industry. These solutions include a state-of-the-art payment gateway, rGuest® Pay; next-generation and mobile point-of-sale solutions rGuest® Buy and InfoGenesis®; and powerful property management solutions, Visual One®, Lodging Management System® (LMS) and rGuest® Stay.



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