A close-up photograph of a person's hands holding a credit card over a payment terminal. The background is blurred, showing what appears to be a retail or service environment. The lighting is soft, highlighting the textures of the card and the person's clothing.

What's my EMV risk, really?

Understanding what EMV non-compliance
could cost your c-store in October 2020



**"More than
70%
of U.S. customers
pay at the pump,
and they're unlikely
to change
that behavior."**

Convenience Store News, 2019

The Convenience Retailer's Challenge

As a convenience retailer, you have a huge year ahead. Not only are you dealing with lower fuel margins and shifting consumer preferences—you're also faced with a mandate from the card issuers to be EMV compliant by October 2020. This mandate shifts the fraud liability from the issuer to you, the merchant, if your payment terminals aren't EMV compliant. But what is the possible impact of fraud to your business?

“Card skimming fraud is rampant at gas stations across the United States, exposing consumer payment data to thieves, hurting fuel retailers' reputations and costing card issuers an estimated \$400 million per year.”

– Convenience Store News, 2019

“As of November 2018, the U.S. Secret Service was seizing as many as 30 skimmers a week, each holding stolen data from an **average of 80 cards.**”

– Convenience Store News, 2019





Impact of the Deadline

The EMV liability shift is designed to better protect all parties. While other retail verticals have adopted EMV-compliant technology, many convenience stores are yet to update their pumps to keep up — making their business vulnerable to skimmers who install devices that steal information. Let's look at the impact of October 2020 deadline in a bit more detail.

"Issuers assume counterfeit fraud related liability if a non-chip card is presented at a chip-capable terminal."

"Acquirers assume counterfeit fraud-related liability if a counterfeit chip card is presented at a non-chip-capable terminal."

- VISA Guidance

This means you will be responsible for chargebacks from fraudulent transactions from October 2020 if your payment terminals are not EMV compliant.

According to CSP, the directive is that, "Retailers must upgrade their dispenser and point-of-sale (POS) equipment to reduce fraud in the forecourt or be held liable for fraudulent activity that occurs because the dispenser has not been upgraded."

The State of the Threat **Today**

Fraud has been around for a while. What's changing is where it's going. Most retail stores in the U.S. have adopted EMV. That means fraud is shifting to areas that still aren't EMV compliant—like outdoor payment terminals. These are the most vulnerable, and they invite fraudsters directly to your forecourt. And they're only getting more sophisticated. In the next section, we'll show you how specific retail brands are being targeted based on vulnerability—those who haven't protected themselves with EMV compliance.

One retail chain reported that it had recently detected unauthorized activity on some of its systems across different states, and immediately engaged a cybersecurity firm to launch an investigation.

– Convenience News August 2019

Nearly 80% of credit card skimmers in the state were found at one gas station chain ...that station is now the most popular gas station chain in the state for fraudsters to install card skimmers at fuel pumps.

– azcentral, November 2018

Credit card skimmers at Florida gas pumps are becoming harder to stop ...State inspectors are on pace this year to find the skimmers in about 1,000 gas pumps across Florida. That's up from more than 650 pumps last year and nearly 220 in 2016.

– South Florida Sun Sentinel, April 2018

The [U.S. Secret Service] recovers about 20 to 30 skimmers a week...with the average skimmer having information from about 80 cards on it, according to one agent.

– NBC News November 2018



Understanding Your Risk by the Numbers

Number of Dispensers

There are more than 350,000 dispensers in the United States that still need to be upgraded to EMV.

How many dispensers do you have across your stores?

Acquirer Cost

Visa announced they're lowering the current dispute to transactions ratio of 1% to 0.9% for lower-risk merchants. For higher-risk merchants, it's going down from 2% to 1.8%.

What is your current monthly and annual chargeback cost?

Number of Transactions

Nearly ¼ of Americans have been victims of credit card skimming over the past year. Many of those cases have come from swiping their cards at the gas pump.

How many of your customers fall into this category?

Location Risk Factor

High risk states include Florida, Chicago, Louisiana, Indiana, Colorado, Wisconsin, Utah and New Mexico.

How many of your stores are in high-risk locations?



Average monthly chargeback due to fraud over the last 12 months — per location* **A**

Multiply that by 10 to arrive at your per location chargeback post October 2020** **Ax10**

Defining Your Chargeback Risk From Credit Card Fraud

Monitoring and analyzing your current chargebacks is a great place to start. Card issuers' chargeback reason codes run into the hundreds. But according to Chargeback.com, at a high level, they can be classified into five areas: Fraud / No Authorization, Cancel Recurring Billing, Products / Services, Liability Shift and Other. Overall, across all credit card transactions, Fraud / No Authorization chargebacks account for 52% of all disputes. This percentage goes up when you look at high risk areas like gas stations. Another data point to note is how chargebacks from fraud increased for gas stations after the October 2015 liability shift. It was one of the areas not mandated to have EMV chip enabled payment terminals. Here's how one large retailer approached their fraud risk assessment post October 2020.

Retailer specific remarks for the above approach

*Counterfeit card chargebacks accounted for 90% of all chargebacks

*96% reduction in indoor fraud since Dec 2016 with EMV

**Payment card industry experts predict fraud will multiply 10 times after October 2020

Overall Cost of EMV Non-Compliance

Chargeback is only one component of your fraud cost. Card issuers have defined fraud chargeback thresholds to determine a merchant's risk category. Higher level of chargebacks means you're considered a higher risk and your acquirer costs go up, adding to your overall cost. Then you have to consider the lost revenue from impacted customers and bad press that comes along with a data breach. Lastly, there's the cost of recovering your brand reputation—whether investing in advertisements, special offers to bring customers back or the cost of fixing the issue, both legal and technical.

Higher acquirer costs for high risk merchants

Chargeback from credit card fraud

Overall cost of EMV non-compliance

Lost revenue from impacted customers

Cost of recovering brand reputation

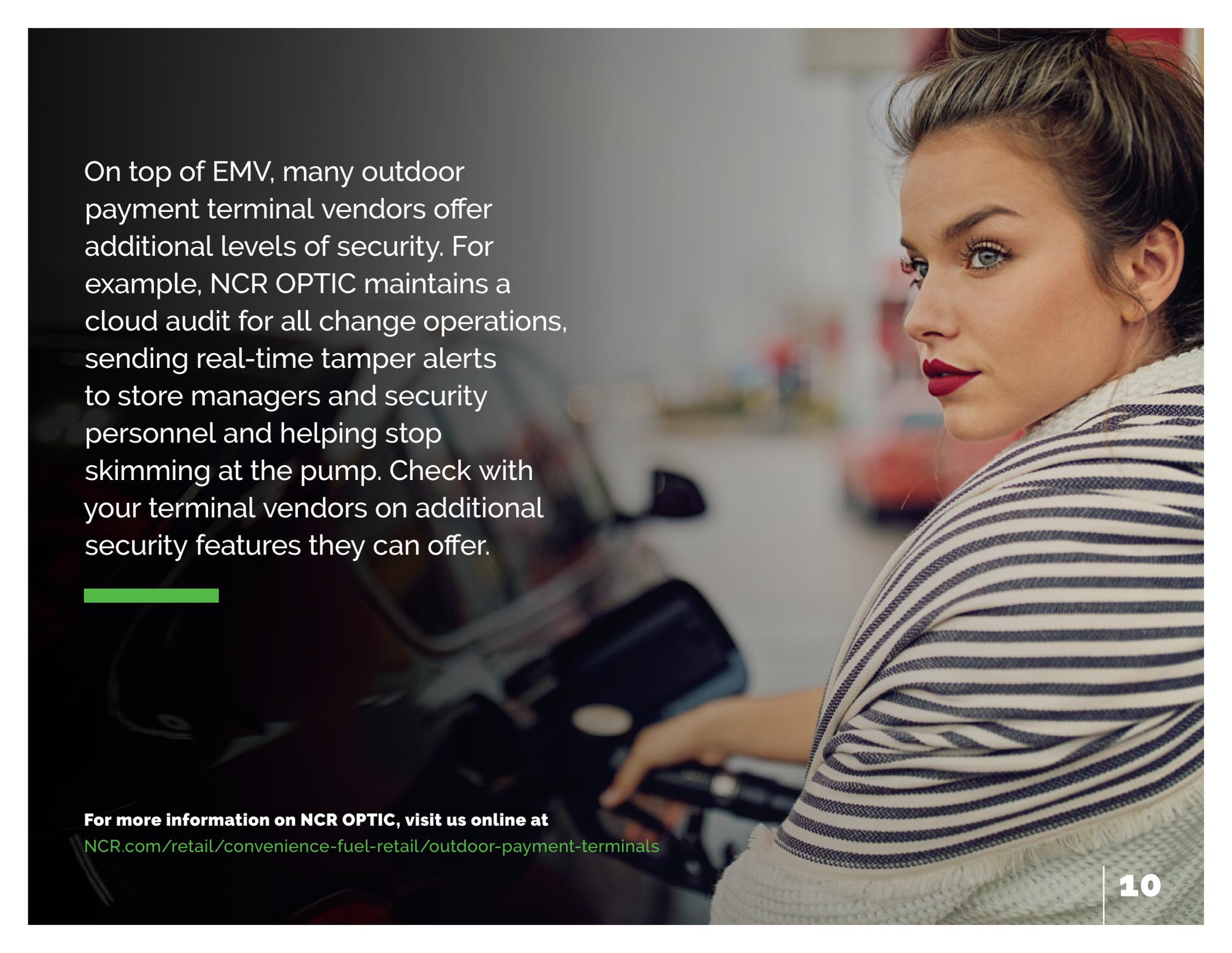


A hand holding a blue credit card near a gas pump nozzle. The background shows a gas station with a building and a car's rear light.

CSP said:

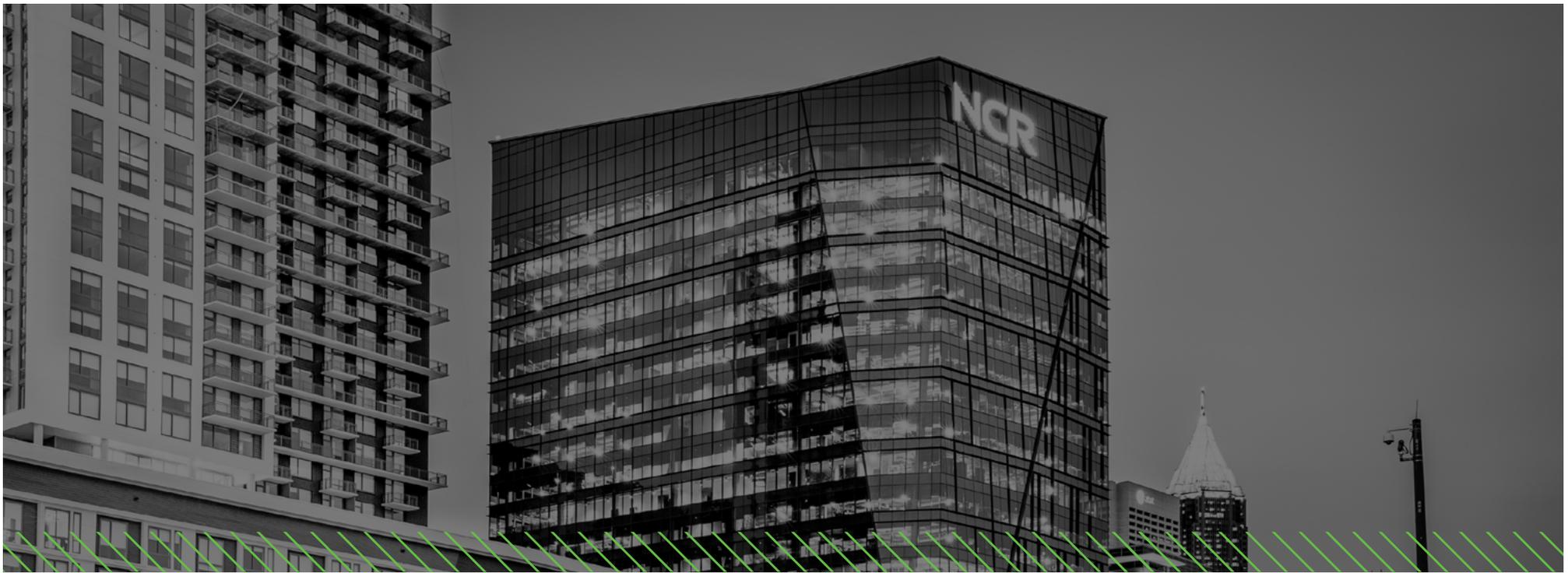
75%

Amount counterfeit fraud dropped in March 2018 compared to September 2015 for merchants who have completed the chip upgrade.”

A woman with blonde hair tied back, wearing a blue and white striped poncho, is shown in profile from the chest up. She is looking back over her right shoulder towards a gas pump nozzle. The background is a blurred outdoor setting, likely a gas station. The text is overlaid on the left side of the image.

On top of EMV, many outdoor payment terminal vendors offer additional levels of security. For example, NCR OPTIC maintains a cloud audit for all change operations, sending real-time tamper alerts to store managers and security personnel and helping stop skimming at the pump. Check with your terminal vendors on additional security features they can offer.

For more information on NCR OPTIC, visit us online at
[NCR.com/retail/convenience-fuel-retail/outdoor-payment-terminals](https://www.ncr.com/retail/convenience-fuel-retail/outdoor-payment-terminals)



Why NCR?

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