

# Chip Card Technology and the Transformation of the Canadian Payment Card Industry

National Bank of Canada

March 5th, 2007



# An evolving industry

*1970's: Birth of Credit cards*

*1980's: ABM and banking cards are implemented*

*1990's: Interac Association launch Interac Direct Payment*

*2000's: Burst of Electronic Payment Methods*

**1970**



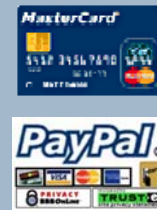
**1980**



**1990**

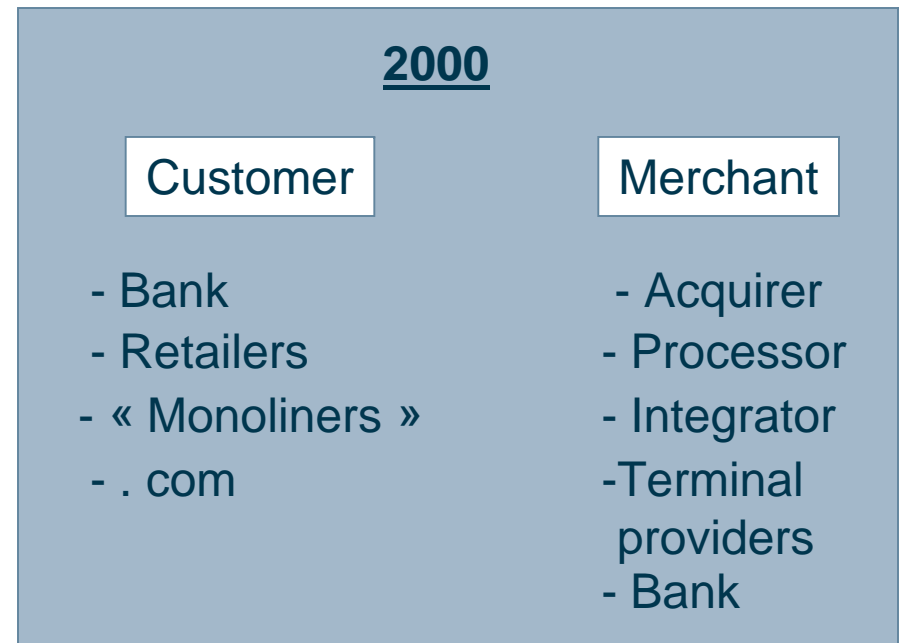
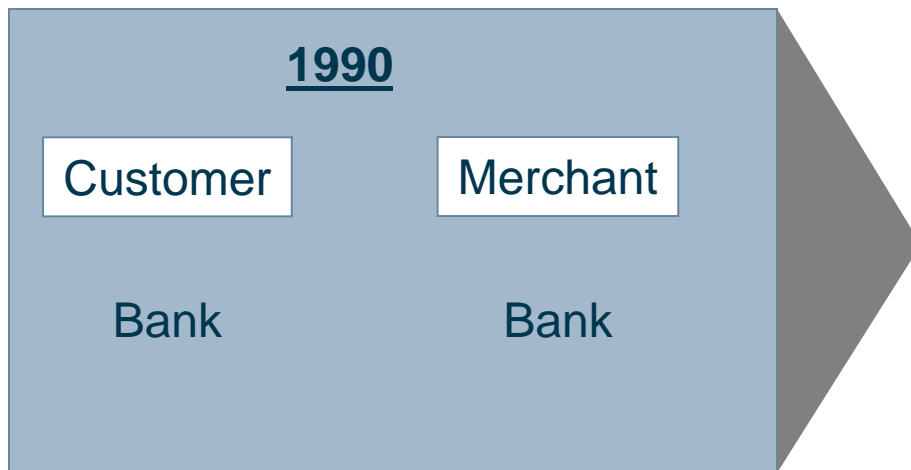


**2000**



# An evolving industry

The new millennium confirms the disintermediation trend in the Payments World.



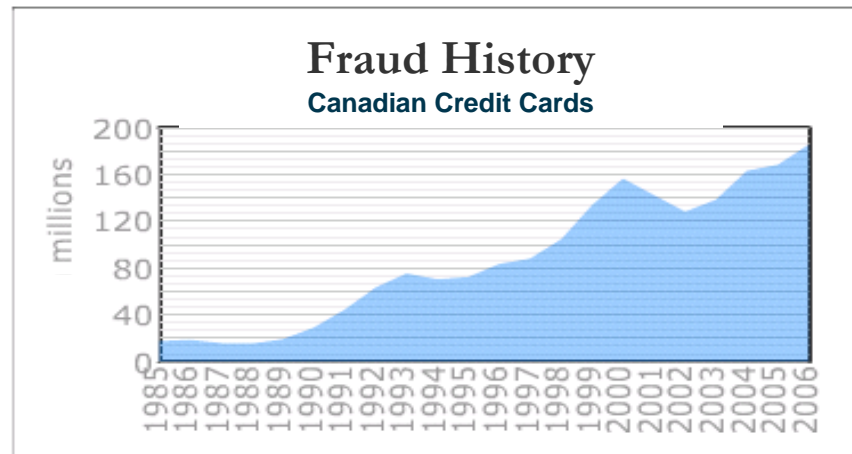
•Banks manages the complete Generic credit card Payment flow.

•Banks focus on card issuance

# Chip Card Migration – Rational

The decision of Canadian associations to migrate toward Chip Cards is based on different factors

1



Source: www.cba.ca

2

## Associations mandates

- Interac
  - 100% of cards for 2012
  - 100% of ABM for 2012
  - 100% of POS terminals for 2015
- Visa
  - Liability Shift for 2010

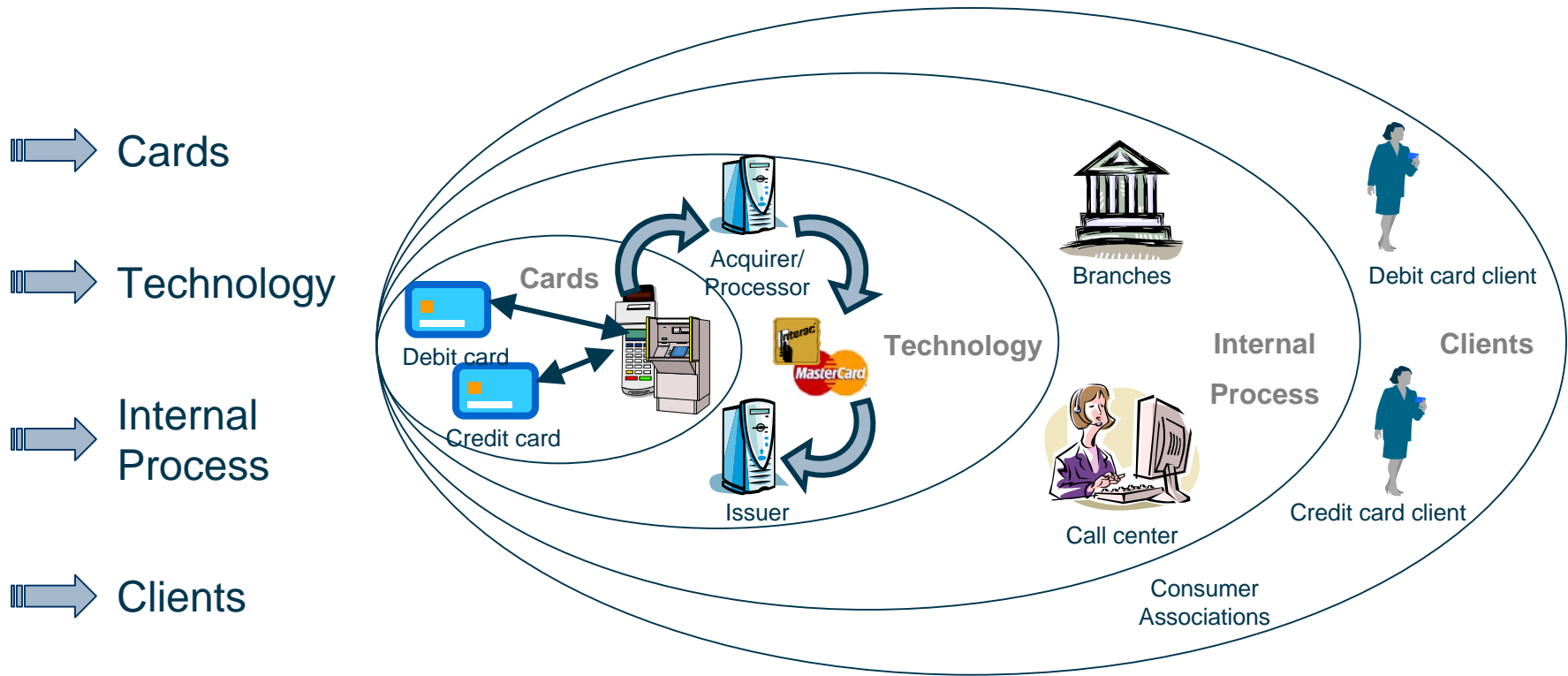
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Source : EMVCo Stats

# Banks Impacts

The Chip Card migration have impacts on issuer activities



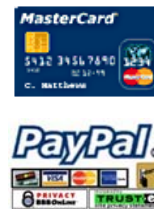
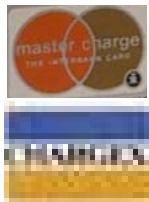
The fraud projected savings will not cover the cost of migration

# Customers Impacts

- Authentication method (Credit cards)
  - A PIN will replace the signature as customer identifier
- PIN management
  - PIN change require a complex infrastructure
- Transition Period
  - Customer will use both signature and PIN
  - Merchant and customer information will be key
  - Issuer's goal is to offer a seamless transition

The adoption of Chip Card technology will consolidate the customer's trust in the Payment system

# The evolution continues



Contactless payment  
Near Field Communication (cell phones)  
Remote Authentication  
Multi-application  
...