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Retail Pushback

Visa delays PIN pad fine threat to 2012, retail technology website says

**PURCHASE, N.Y.** -- After some serious retail pushback—particularly in the gas station sector—Visa has relented and agreed to back off an earlier deadline PIN pad compliance deadline for July 1, 2010, reported retail technology and e-commerce website [StorefrontBacktalk.com](http://StorefrontBacktalk.com). The new policy is not threatening fines until August 1, 2012, it said.

One organization that had been pushing the change, the National Association of Convenience Stores (NACS), applauded the change. "This is huge for our retailers, as many have expressed their inability to financially swallow PCI compliance, which costs an average location \$20,000, and upgrading dispensers to TDES at an average cost of \$3,000 per dispenser," Michael Davis, NACS vice president of member services, told the website. "Our average site operator made \$40,000 pre-tax last year. For them to invest in all mandates this year means operating at break-even. This allows retailers to take the more cost effective approach of installing TDES capable PIN pads during pump upgrade cycles, rather than a blitz."



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But the changes were mostly fueled by strong retail lobbying efforts, said the report. Beyond the convenience retailers that NACS represents, several of the nation's largest retail chains—including at least one major department store—were threatening to abruptly cut off PIN debit at the deadline, possibly switching to signature debit to temporarily sidestep the issue.

The tactic is not dissimilar from what Best Buy did this summer when it threatened Visa over contactless payment debit charges, the report said. That move was in the form of a media statement it issued on July 16, where Best Buy said it "is constantly looking at ways to reduce the cost of check lane tender. As part of this exercise, we are evaluating the continued acceptance of Visa-issued contactless payment cards in our stores in light of recent price increases; however, at this time we have not completed our analysis."

Under pressure from multiple retailers, Visa this time chose to back down, the website said. Technically, the deadline for next summer is still in place, but the threatened punishment has been pushed back a few years.

According to a Visa document detailing the change obtained by StorefrontBacktalk, the new threat date's objective is not to raise revenue. "Visa's goal is not to fine clients, but to encourage adoption of triple data encryption standard (TDES)," said the PDF, based on a slide presentation made by two Visa payment system risk managers: Stoddard Lambertson and Ross Snailer.

Another NACS representative was quoted on the NACS website as suggesting that the move was also in the best interest of Visa because the extra time would allow for consideration of more retail-friendly payment strategies, said the report.

"Our analysis of card costs has shown that signature debit, while much less secure for our customers, is

now the same cost as PIN debit but without the cost of having to upgrade PIN pads," Gray Taylor, payments consultant to NACS, told the website. "We are concerned that PIN debit interchange—which has risen an average of 15% on a compounded basis since 1996—will price itself out of our market, and shift significant transaction share to Visa and MasterCard while eliminating access to new payment card concepts that bring competition to the card payment market. Of course, if the latest Maestro PIN debit interchange hike—78%—is any indication, EFT networks will price themselves out of our market without the TDES mandate."