



# Information

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## Chip and PIN - Frequently Asked Questions

### **What is chip and PIN?**

Chip and PIN is a secure card payment system to help prevent fraud. For cardholders the main change will be that instead of identifying themselves by signature when paying by plastic they will be asked to input a personal identification number (PIN), much the same as they do at cash machines. Chips or microchips embedded on cards will do the job of the magnetic stripe (of storing cardholder information) only much more securely.

The UK banking industry began its roll-out of 'smart' chip cards in Spring 1999. The industry is complementing this with the introduction of a fraud-fighting programme to ensure that by 2005 all UK credit and debit card transactions, where a cardholder has been issued with a chip and PIN card and is present during the transaction, will be verified by the customer keying in their PIN rather than by signing a receipt.

### **What is chip?**

The chip or microchip is embedded into a debit or credit card to provide highly secure memory and processing capabilities. In addition to holding the same personal data as that on the magnetic stripe (e.g. cardholder name, card number and expiry date), the microchip provides additional security features to safeguard against counterfeiting.

### **What is PIN?**

A PIN (Personal Identification Number) is a four-digit code either assigned to or chosen by a cardholder to help prove they are the rightful owner of a card when making a chip and PIN based transaction. For UK cardholders this code consists of four digits. For foreign cardholders this code may be longer.

### **When will PIN be introduced in the UK?**

PIN will be gradually introduced over the next two years aiming for a critical mass by 2005.

### **Why is chip and PIN being introduced at the point-of-sale?**

PIN is being introduced to ensure the user of a card is the true owner.

PIN used with chip cards will significantly reduce the serious level of card fraud in the UK. Card fraud losses have increased substantially over the past few years reaching over £424 million in 2002. To combat card fraud two things need to be established at the time of the transaction - that the card is the genuine item and that the person using it is the true owner.

**Why has there been such a big growth in card fraud?**

Organised criminals are largely to blame for the surge in plastic card fraud, particularly a counterfeiting method called skimming. Criminals often use sophisticated methods of card crime as a comparatively low-risk way of raising revenue to fund more violent crime.

**How can the chip and PIN card be so secure?**

Chip card technology makes counterfeit fraud attempts so complex and expensive that it would vastly exceed the potential reward to the criminal.

**Are other countries planning to use chip cards with PIN?**

Yes, chip and PIN is expected to become a global standard. The Chip and PIN Programme relates to card issuance and terminals in the UK. However, the same system is to be introduced in countries around the world so that consumers can use their plastic anywhere in the world with equal safety.

France has been using a domestic chip-based PIN system for several years and has committed to upgrading its systems to EMV (Europay – MasterCard – Visa), the standard specifications agreed by banks worldwide. Countries expected to implement this system include Austria, Belgium, Denmark, Finland, Germany, Iceland, Ireland, Israel, Italy, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden and Switzerland.

**Will new cards be issued?**

Yes. All your payment cards (even those with chips already in them) will need to be replaced in order to allow you to use PIN when you pay. In most cases your card will simply be replaced when it expires, as usual. You will be advised by your card issuer if and when a new card is PIN enabled.

**What will my card look like?**

Chip cards can be recognised by the silver or gold coloured square on the front left-hand side of the card. Some cardholders already have cards with a "smart" chip and in these cases the new chip and PIN card will look exactly the same.

**Will my new chip and PIN card still need to be signed on the reverse?**

Yes. This will still be necessary, as the signature will continue to be used for verification in certain situations (e.g. traveling abroad to a country where chip and PIN is not used / where a retailer has not upgraded to chip and PIN / where the card is used as a cheque guarantee card).

**What will happen to my old cards?**

When you receive your new chip and PIN card you should cut up and dispose of your old card securely as you do now.

**Will I be able to keep the same PIN or choose new ones?**

You will be able to keep the same PIN as you have now or change your PIN to a new four digit number at most UK ATMs.

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**What will happen if someone with a chip and PIN-enabled card tries to use it in a non chip and PIN-enabled terminal - for instance if I go abroad?**

Chip cards will still have a magnetic stripe on the back for a number of years to ensure that cards can continue to be used in those places where technology hasn't yet been adopted.

**In what cases would cardholders not have to use a PIN?**

Those cardholders that currently use an alternative identification method to signature due to certain disabilities will be able to continue making transactions the way they do now, if still appropriate, when the PIN system is introduced.

Services for people with disabilities will be enhanced with the chip and PIN system. Not only will some disabled customers be able to pay with cards for the first time, but using the power of the chip we can ensure that customers with a disability who are unable to use PIN will still be able to make card payments securely.

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