

Why banks are upgrading your cards

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Did you get a reminder from your bank to replace your existing debit or credit card with a new one, and are wondering why? The Reserve Bank of India (RBI) has mandated banks to replace all existing magnetic stripe-only cards with EMV chip cards by 31 December 2018. EMV stands for Europay, Mastercard, Visa. Banks are replacing the cards free of cost.

The directive is applicable to all domestic as well as international cards, and the older magnetic stripe-only cards will not be valid after the December deadline. The cards need to be replaced even if their validity date ends after 31 December 2018. The RBI had earlier made it mandatory for banks to issue EMV chip cards to all new customers acquired after 31 January 2016.

As of June 2018, there are 39.4 million active credit cards and 944 million debit cards in the country, according to RBI.

So how are chip-based cards different from magnetic stripe-only cards?

HIGHER LEVEL OF SECURITY

Chip-based cards, also called chip and PIN cards, use higher standards of data encryption and storage technology compared to magnetic stripe cards. Unlike magnetic stripe cards that require just a swipe on a point of sale (PoS) device to complete a transaction,



chip and PIN cards require a PIN as well to complete the transaction. This provides an extra level of security.

"Chip and PIN cards provide enhanced level of security compared to magnetic stripe cards. These cards help prevent card skimming or cloning and are effective in mitigating fraudulent 'card present' or PoS transactions. They offer secured usage by way of mandating second factor authentication through a PIN for every transaction at a PoS," said Hardayal Prasad, managing director and CEO, SBI Cards and Pay-

ment Services Pvt Ltd.

So how does this enhanced security work? Murali Nair, head of client relationship management, India at Visa Inc, said that though EMV chip-based cards also have a magnetic stripe, sensitive customer data is stored on a chip in these, making it difficult for fraudsters to access customer information. The information in the chip is encrypted and so is the transmission of information thereon.

The shift to chip-based cards is driven globally due to increased risks of card cloning. "Cloning stems from magnetic stripe cards that have static information which is easily captured if the card is used at an ATM where a cloning device is installed. Having an EMV card helps as it has dynamic information instead of static information. Hence, regulators all over the world have been asking banks to move to EMV cards," said Ritesh Raj

Saxena, business head in retail banking, digital and payments domain, Indus-Ind Bank.

But will this eliminate the risk completely? In a physical card cloning scenario, EMV chip and PIN cards eliminate the risk to a large extent. But in case of online payments, the risk

of fraud continues to exist. Make sure you never share sensitive card-related information with anyone.

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