



Canada Payment Security Roadmap



No Fallback

Payment card fraud losses continue to grow in Canada, driven by a growth in card not present (CNP) fraud. Visa continues to advocate for a layered approach to security to address fraud. EMV chip is one of the key layers that has helped reduce card present fraud in Canada significantly.

A 'fallback' transaction occurs when a chip card being used at a chip-enabled terminal cannot be read due to a technical issue with the chip, or issues with the terminal. When the chip cannot be read, the technology "falls back" to a magnetic stripe transaction. This situation occurs infrequently since EMV chips on cards rarely fail. In some situations, a fraudster may create a counterfeit card with an intentionally damaged chip in order to invoke this scenario, which is why Visa is making changes to address the risk of fallback transactions.

To further protect transactions in the card present space, Visa is implementing a change that will require Visa issuers to decline chip card transactions at a chip enabled terminal that are processed as a magnetic stripe transaction.

What does it mean?

As of October 14, 2017:

- If an EMV chip card is not functioning properly at a chip enabled merchant and the merchant attempts to process the transaction by swiping the magnetic stripe, the issuer must decline the transaction.
- This rule change only applies to Canadian issued Visa chip cards at merchants in Canada

FAQ

Why is Visa making this change?

By not allowing fallback to magnetic stripe, we can prevent fraud from being committed on cards with chips that were deliberately compromised, or terminals that have been compromised.

Have other payment cards eliminated fallback?

Currently, at least one other major network does not allow fallback. As more networks begin to decline fallback transactions, it will help create a more consistent consumer experience.

When does no fallback go into effect?

No fallback goes into effect October 14, 2017 for all domestic chip card transactions in Canada.

Does this mean that a merchant can no longer process a magnetic stripe transaction in Canada?

No. There are still certain Visa cards in Canada that are magnetic stripe only, such as prepaid or gift cards that will continue to be processed as a magnetic stripe transaction. Cards issued outside of Canada and used in Canada may still be processed as a magnetic stripe transaction, subject to issuer approval.

What does the merchant do if the chip card is declined because it was a fallback transaction?

If a chip card doesn't function properly, the merchant should ask for another form of payment.