

## Durbin and EMV: “Don’t Panic”

25 October 2013

This past week, I had the opportunity to speak at and attend the [ATM, Prepaid, and Debit Forum](#) in Las Vegas. The event featured a number of excellent keynote speakers, including representatives from [MCX](#) and its participating merchants, [Wells Fargo](#), [NACHA](#), and the top debit card issuers.

But the most interesting keynote speaker session that I attended was the final session on Monday, featuring panelists from the top debit card networks in the U.S. Panelists included representatives from the full spread of debit networks, including MasterCard, Visa, PULSE, Star, NYCE, and the CO-OP Network. The topics they discussed – EMV and Durbin – came as no surprise. But their comments on the subjects were pretty shocking. The Durbin amendment was clearly disliked by all members of the networks, who unanimously agreed that the legislation has had massive impacts on all aspects of the payment industry. The smaller networks heatedly warned against the dangers of Durbin and [Judge Leon’s recent ruling](#) that the Fed’s rules didn’t go far enough to meet the amendment’s requirements.

But Visa’s response was far more simple and succinct: “Don’t panic” because changes can be managed. Quickly, I noticed that many audience members whipped out their smartphones to begin tweeting this memorable quote. A major network saying don’t panic?! Has the world turned upside down?! Actually, Bob Whyte, Visa’s Head of Consumer Debit Products in North America, made some excellent points: Yes, Durbin has caused difficulties and networks need to maintain a contingency plan in order to be ready for the worst. But there’s no need to panic about the future of debit just now, as debit is still widely popular with consumers and these consumers aren’t privy to the regulatory fight going on in the background. Whyte made it a point to say, “You can’t anger the customers,” and I fully applaud him on his customer-focus and poise under pressure.

But the bigger Durbin-related discussion centered on the regulation’s impact on the [looming implementation of EMV](#). Clearly, the networks were polarized on their view of EMV, with the smaller, U.S.-centric networks voicing skepticism of EMV, and the larger international networks showing support for chip and PIN technology.

Here’s an overview of some of the more memorable lines from each network representative:

- **PULSE** – Discover/PULSE supports the domestic rollout of EMV; however, at its core DNA, EMV was not set up with merchant routing in mind. EMV is the classic solution in search of a problem.
- **Star Network** – EMV is a dated solution set up for parts of the world that relies more on in-store purchasing and ATM use than the U.S. The goal is to reach a solution to figure out how to integrate debit requirements with EMV, but so far there isn’t a workable solution.
- **CO-OP Network** – The judicial situation has exponentially complicated the EMV roll out. Is EMV the right technology, or is there something else out there? Might be a good time for merchants and issuers to “punt” a bit and reassess the situation.
- **NYCE** – EMV will likely take some shape and form in the U.S., but that shape is beginning to take less effect every day.

Mobile is offering a competitive alternative to EMV, and wherever EMV is going the networks will have to be out there in front with a mobile solution. While the smaller networks consistently expressed their doubts about EMV, [Visa](#) and [MasterCard](#) were adamant supporters of the technology. Both representatives talked about how the dynamic data of EMV supports mobile technology, rather than suppresses it. Counterfeit fraud protections were pointed out, and MasterCard made the case that the integrity of the U.S. payments environment is in question if the U.S. fails to implement EMV like the rest of the industrialized global world.

But at the end, Visa dropped a bombshell: Visa is evaluating the EMV situation based on information at hand, as Durbin has put revenue in question as well as expense. Visa indicated that they are re-evaluating the currently proposed EMV rollout dates and will release something about it soon. Does this mean that the so-called “looming” EMV rollout date might be pushed out? What will the future hold for U.S. EMV technology? We’ll have to watch Visa and MasterCard

closely in the coming months to see just what changes are in store.

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