

# CardFlight EMV Migration Tracker – October '16

A full year has now passed since the U.S. EMV liability shift took effect on October 1, 2015. The shift disrupted the credit card industry, directly influencing merchants' businesses and the level of fraud liability risk to which they are exposed. Over the past year, a lot has changed and both consumers and merchants are adapting to the new payments environment.

The CardFlight EMV Migration Tracker assesses the impact of EMV chip card migration within the payments industry and serves as a resource for other companies to understand how it will change their own businesses and the market overall.

The data presented comes from a sample of hundreds of thousands of transactions processed through the CardFlight payment gateway since the liability shift. These transactions occurred at thousands of merchants in all 50 states from October 2015 to September 2016<sup>1</sup>.

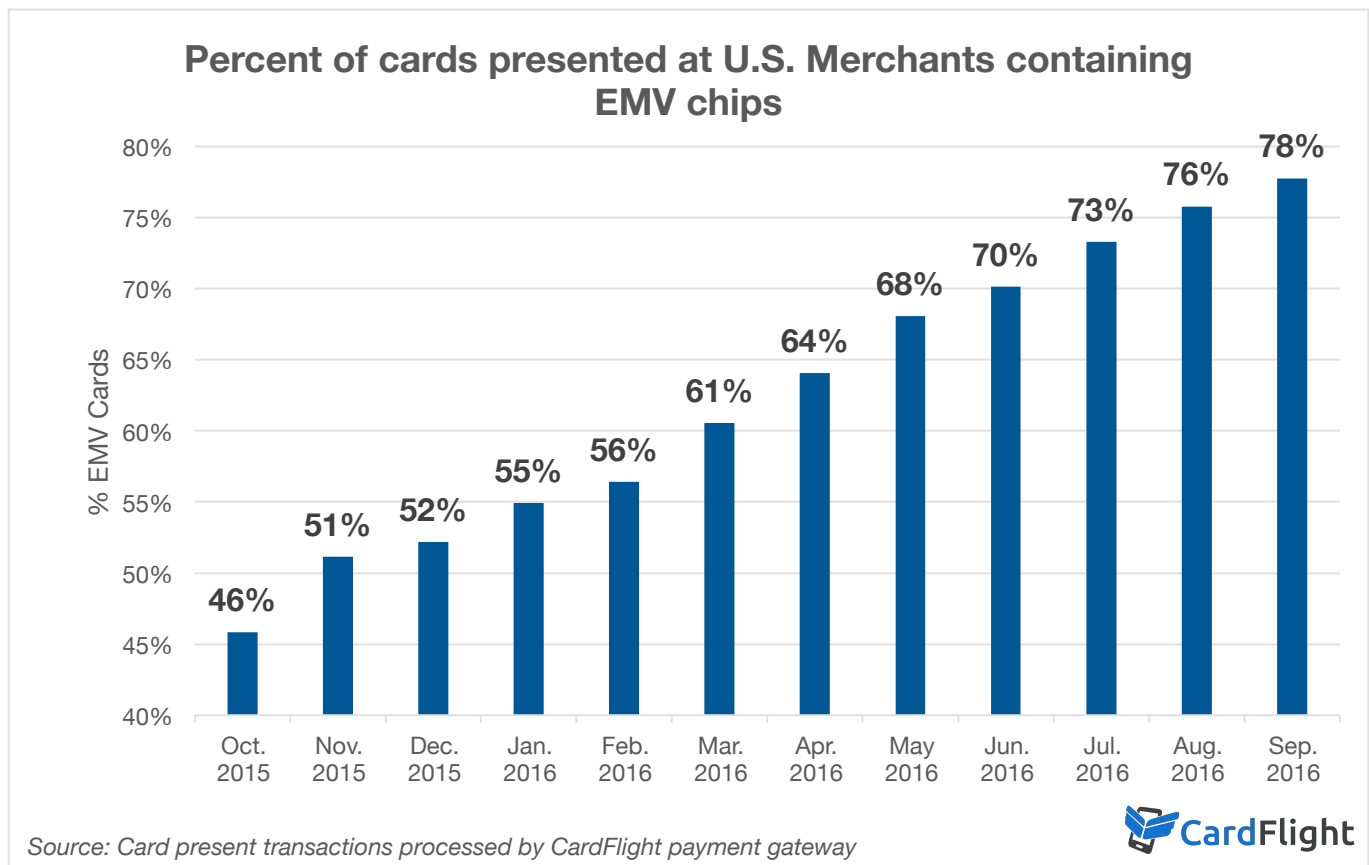
All merchants, including those without EMV solutions, have been included in the data to better represent the cards being presented regardless of the merchants' choice to upgrade to an EMV solution. The data demonstrates to merchants and merchant acquirers how exposed they are to EMV-related chargeback liability. The analysis of actual transactions run through our gateway, and the weighting of percentages based on that, allows this analysis to exclude inactivated or dormant cards and be more representative of cards that are actually in use.

CardFlight was one of the first mobile point-of-sale providers to offer EMV-enabled solutions in the United States, helping us solidify our status as a leader in bringing EMV solutions to merchants. As such, the CardFlight EMV Migration Tracker shares our data, insights and best practices regarding EMV migration to provide other companies with a better understanding of the shift to EMV technology in the U.S. market.

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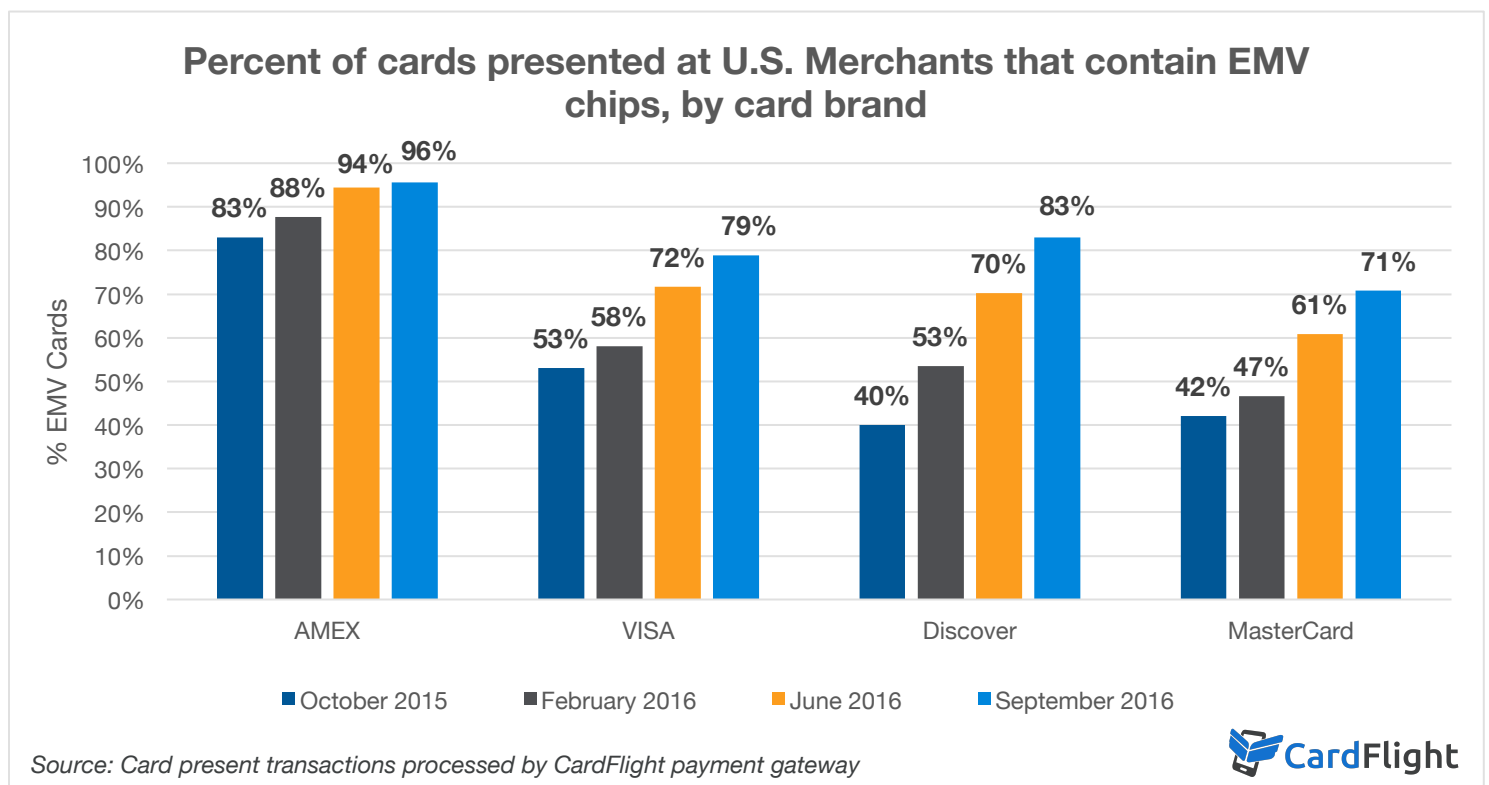
<sup>1</sup> September 2016 data based on transactions processed by the CardFlight gateway between 9/1/16 and 9/21/16.

As of September, more than 3 out of 4 cards presented to CardFlight merchants contained EMV chips



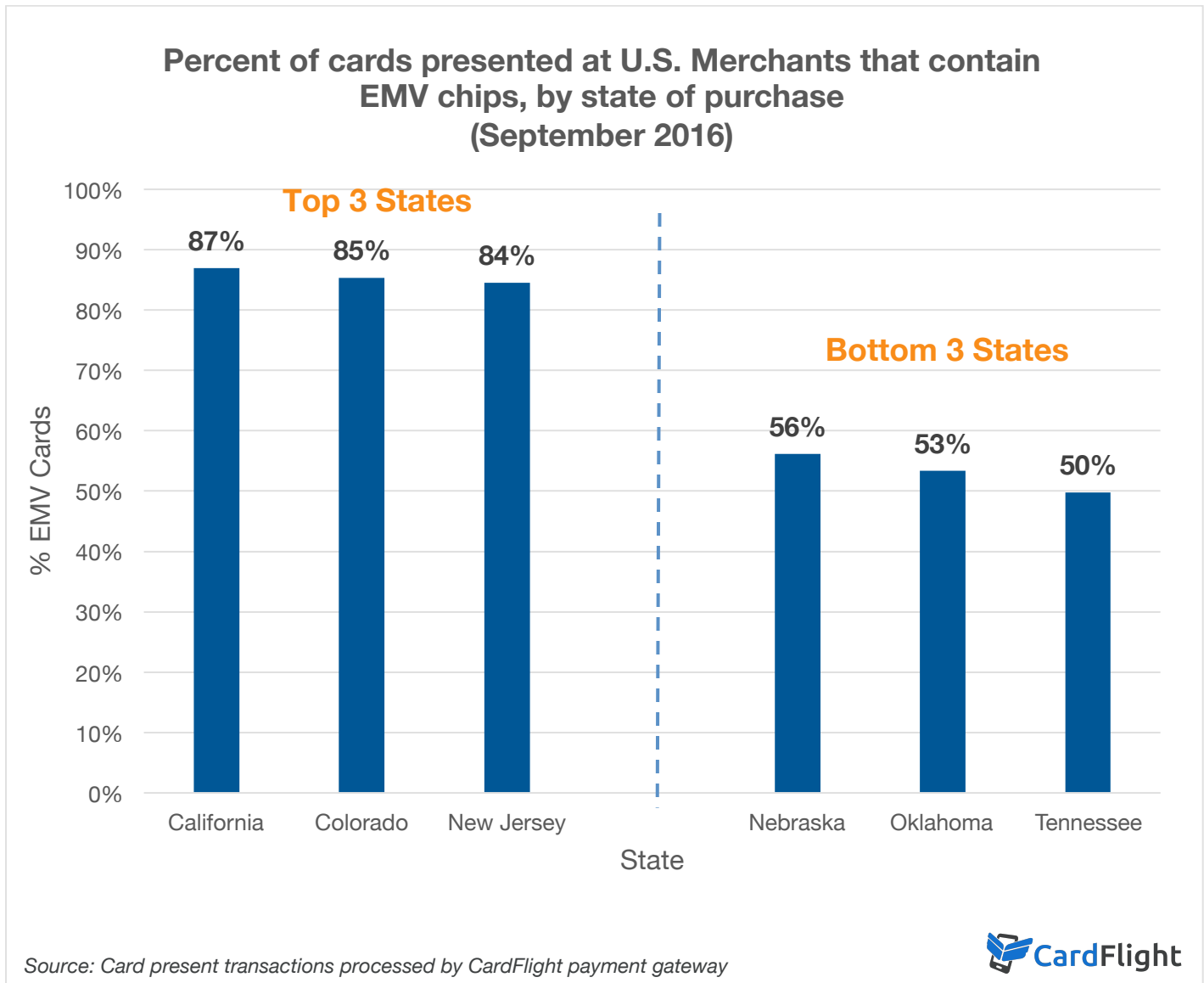
Cards with EMV chips continue to flood the market with over three-quarters of all cards presented to CardFlight merchants containing an EMV chip. Based on the average monthly growth rate of 3% per month since October, over 85% of the cards presented at CardFlight merchants will contain EMV chips by the end of 2016.

American Express continues to lead the way with 96% of cards containing EMV chips, as MasterCard lags at 71%



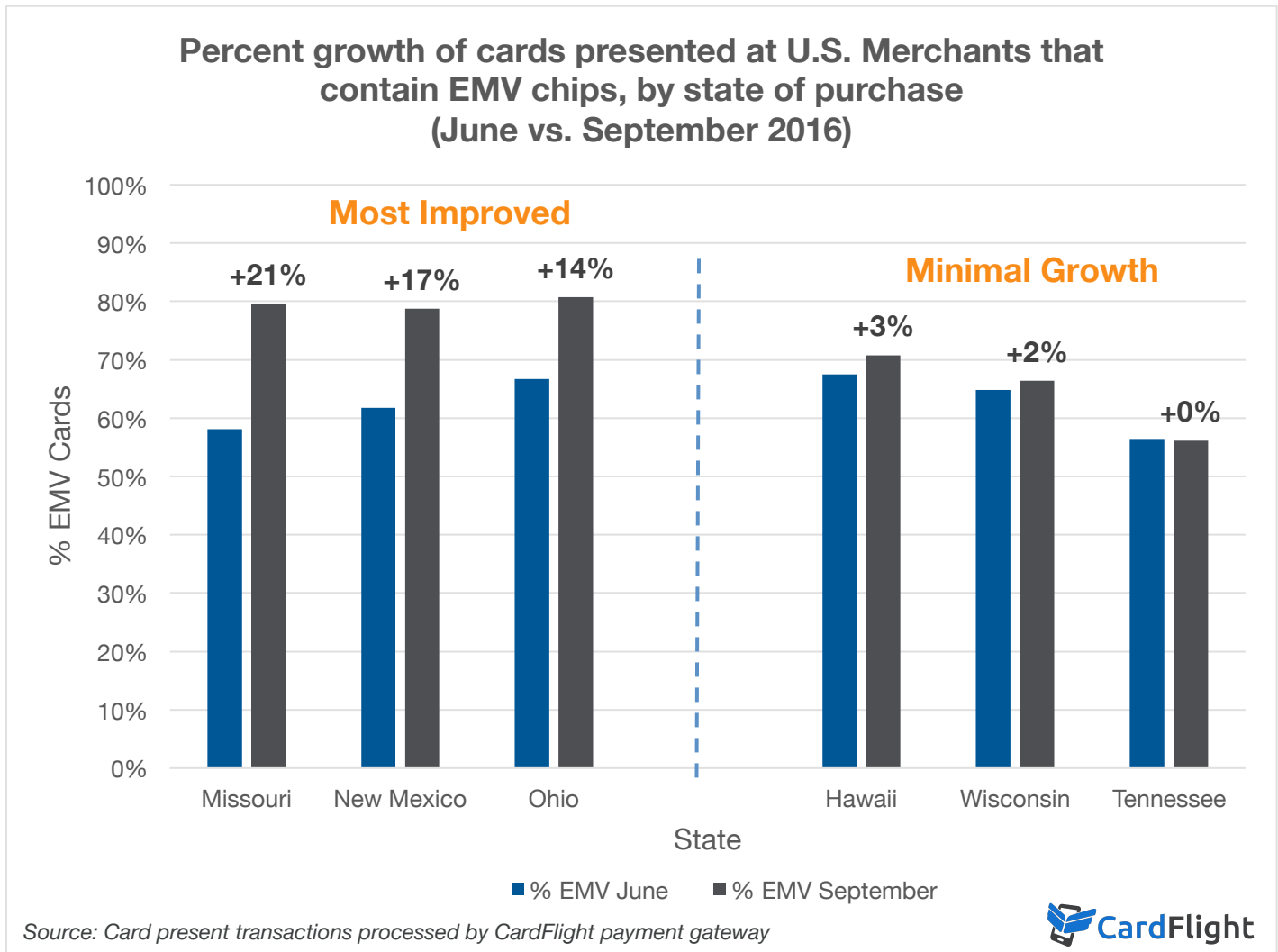
Since the liability shift in October 2015, American Express has consistently led other major card brands in chip card issuance. Despite lagging behind American Express, Visa, Discover and MasterCard have all made significant strides in EMV adoption, increasing the percentage of cards presented with EMV chips by 26%, 43% and 29%, respectively, since October 2015.

## California, Colorado and New Jersey lead the way in EMV issuance



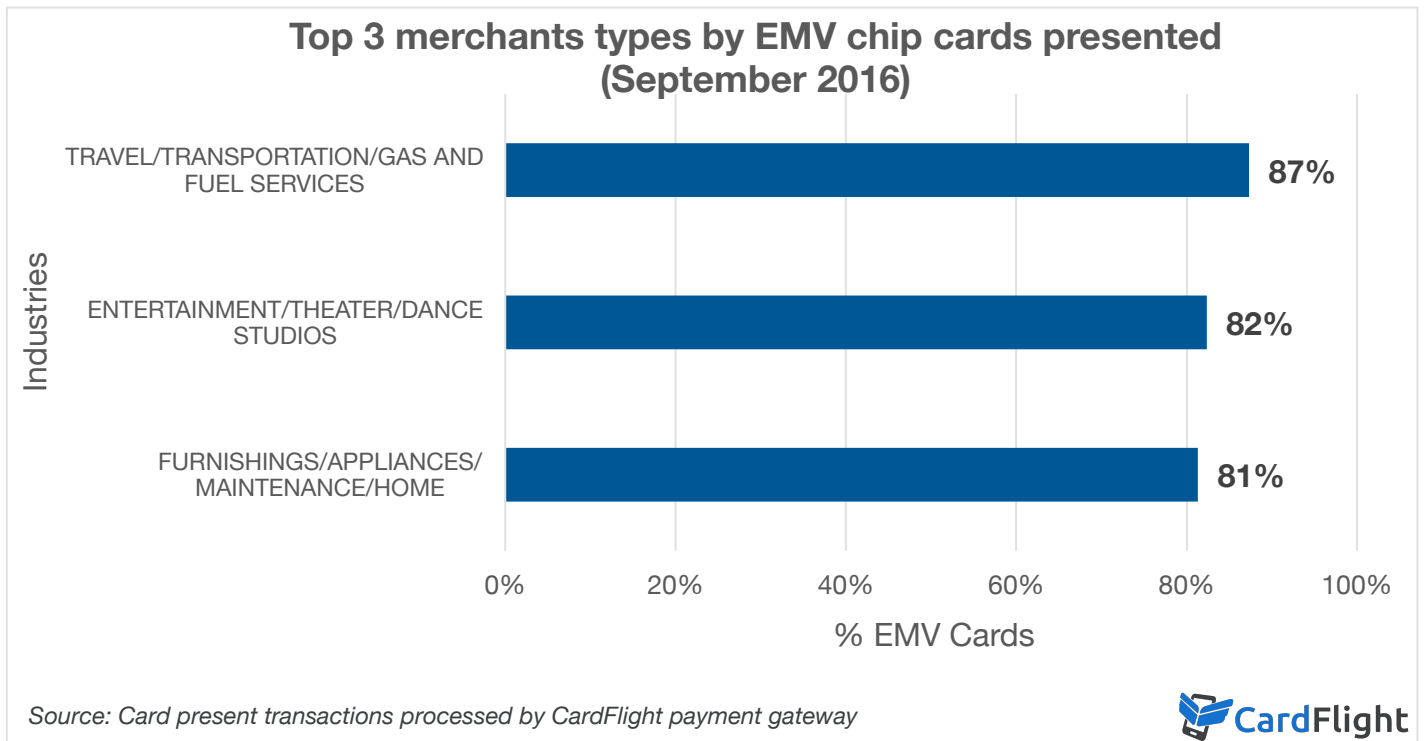
With almost 90% of cards presented containing an EMV chip, California continues to lead the pack in terms EMV cards presented in a given state. Colorado and New Jersey, both with over 80% of cards presented containing EMV chips, have replaced New York and Massachusetts, respectively, in the top three as compared with June data. Oklahoma is the only state remaining in the bottom three states in EMV issuance as compared with June data with Maine and Mississippi having been replaced by Nebraska and Tennessee.

## Missouri, New Mexico and Ohio are most improved in EMV issuance



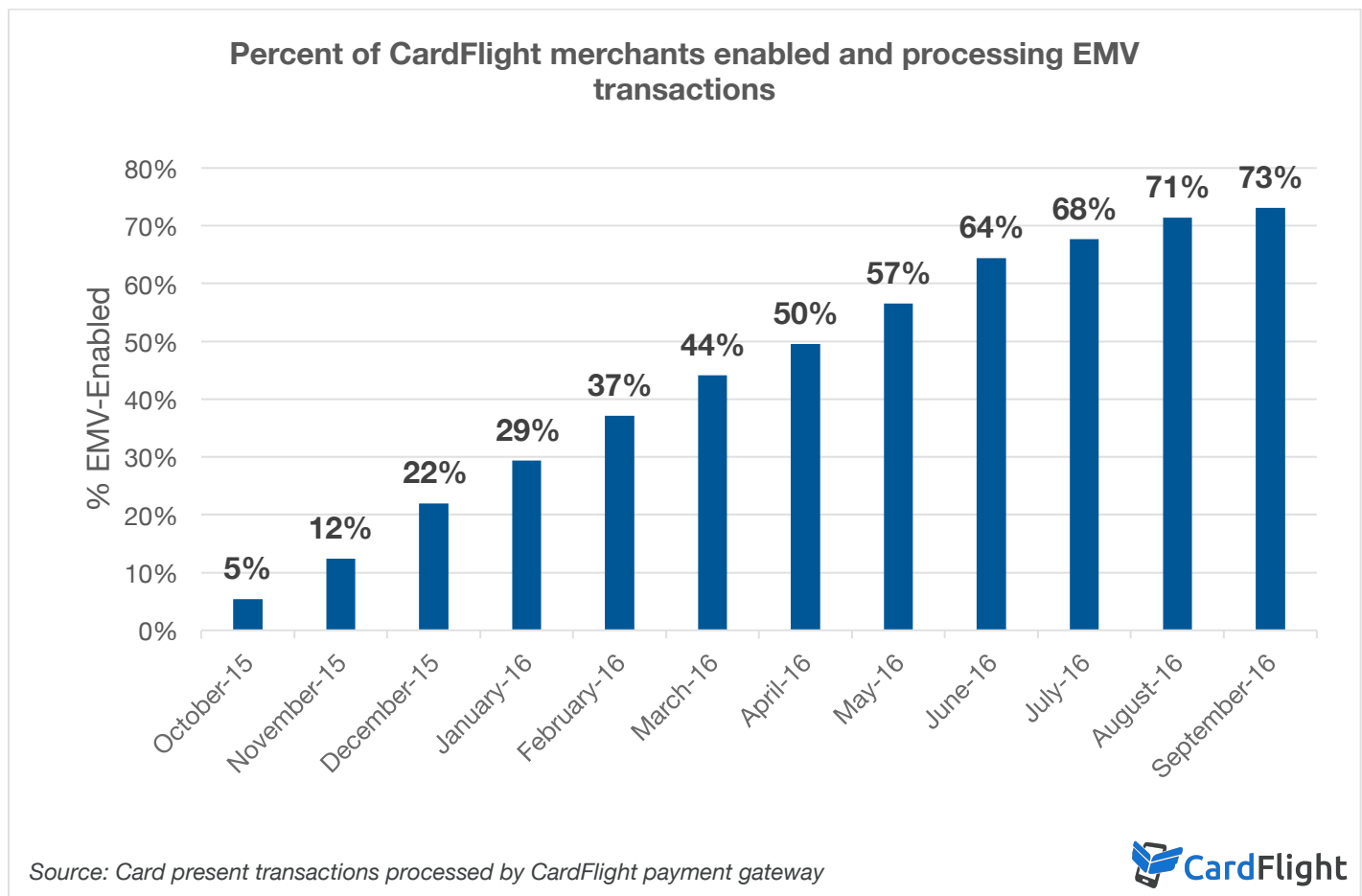
Even as the percentage of cards presented in the U.S. with EMV chips approaches 80%, the adoption rates continue to vary widely by state. Missouri, New Mexico and Ohio experienced the highest growth of EMV chip card issuance since June 2016, while Hawaii, Wisconsin and Oklahoma have seen relatively flat growth in their issuance of EMV chip cards over the past few months. In fact, Hawaii has grown twice as slowly from June to September (3%) as compared to its growth from February to June (6%). Additionally, Tennessee, ranked last in EMV adoption at 50% of cards presented containing an EMV chip, has experienced the flattest growth between June and September at essentially 0%.

Travel and transportation businesses continue to be most at risk since the EMV liability shift



With over 85% of cards presented containing EMV chips, merchants in the travel and transportation segment should focus on becoming EMV-enabled to avoid exposure to fraud liability under the card networks' new rules. Merchants in the furnishings, appliances, maintenance & home services segments as well as entertainment, theater and dance studios segments are also more highly exposed to fraud liability than those in other industry segments.

At 73% EMV-enablement, CardFlight merchants are 2.5x more likely than the average U.S. merchant to be EMV enabled



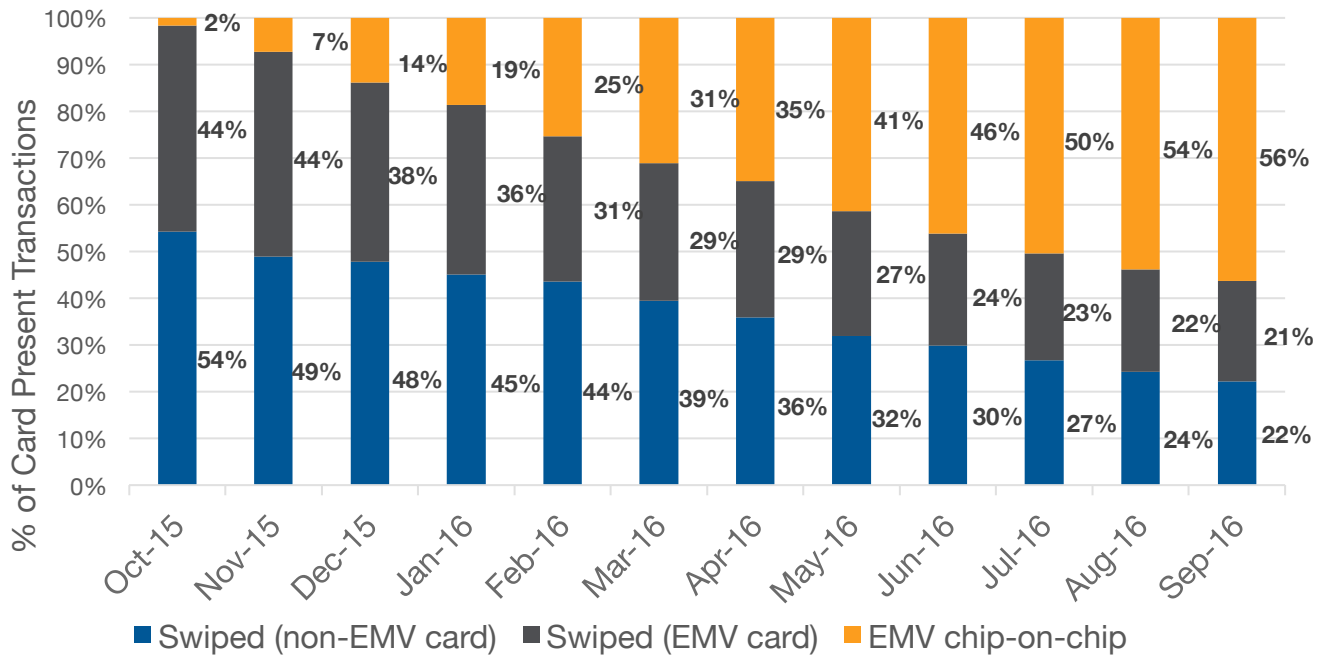
Based on Visa data from June<sup>2</sup> and MasterCard data from August<sup>3</sup>, CardFlight merchants are almost 2.5x more likely to be EMV-enabled than the average U.S. merchant, ~30% of which are EMV-enabled. In fact, the number of EMV-enabled CardFlight merchants has grown continuously by an average of 6% every month since the liability shift in October 2015.

<sup>2</sup> <https://usa.visa.com/content/dam/VCOM/global/visa-everywhere/documents/chip-technology-infographic-jun16.pdf>

<sup>3</sup> <http://newsroom.mastercard.com/press-releases/eighty-percent-of-mastercard-u-s-consumer-credit-cards-have-chips/>

56% of cards presented were processed as true EMV transactions in September, up 10% from June

**Percent of card present transactions at CardFlight merchants, by transactions method**



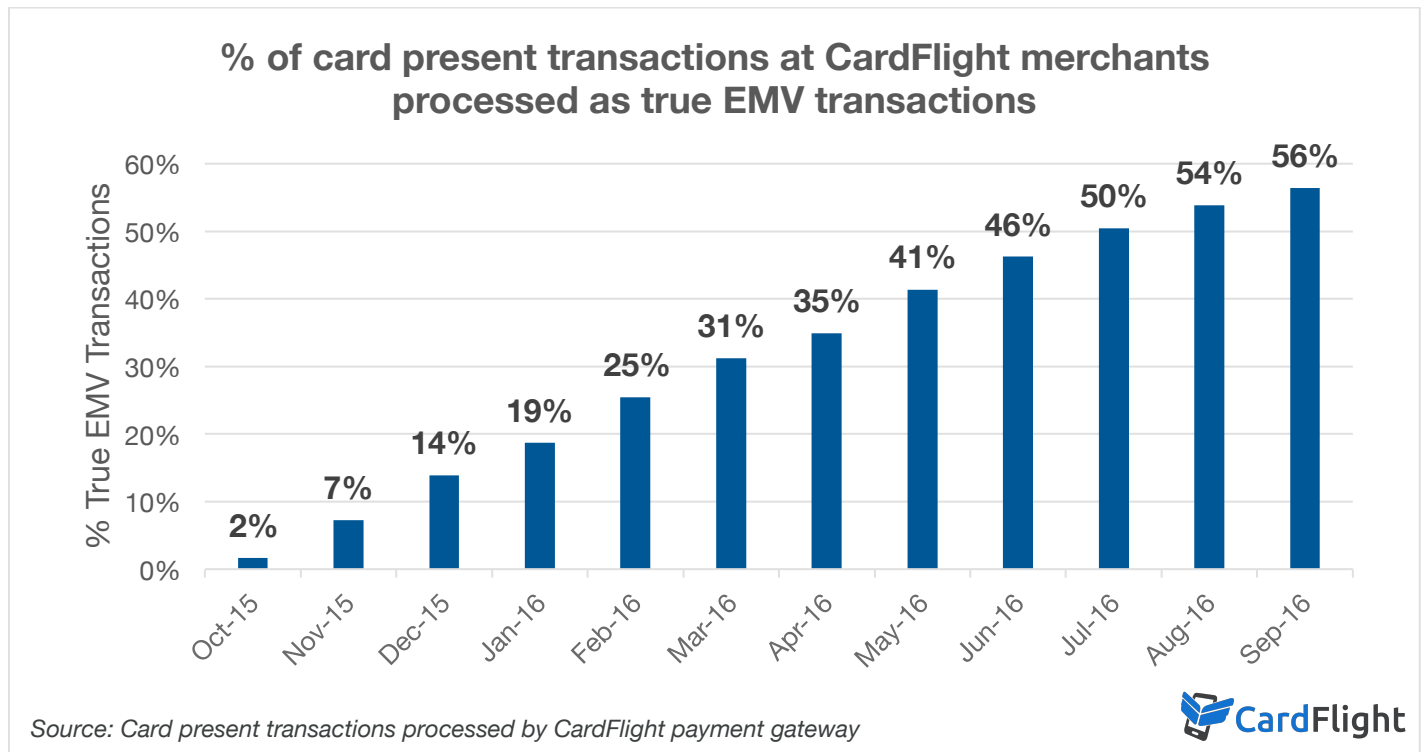
Source: Card present transactions processed by CardFlight payment gateway



A year has passed since the liability shift and the transition is still ongoing; however, both consumers and merchants continue to become more compliant with the new payments environment. EMV chip-on-chip transactions now represent over half of all card present transactions, up 54% from October 2015. Swiped non-EMV cards and EMV cards processed as swiped due to the merchant not being EMV-enabled continue to linger at 22% and 21%, respectively, of all card present transactions in September.

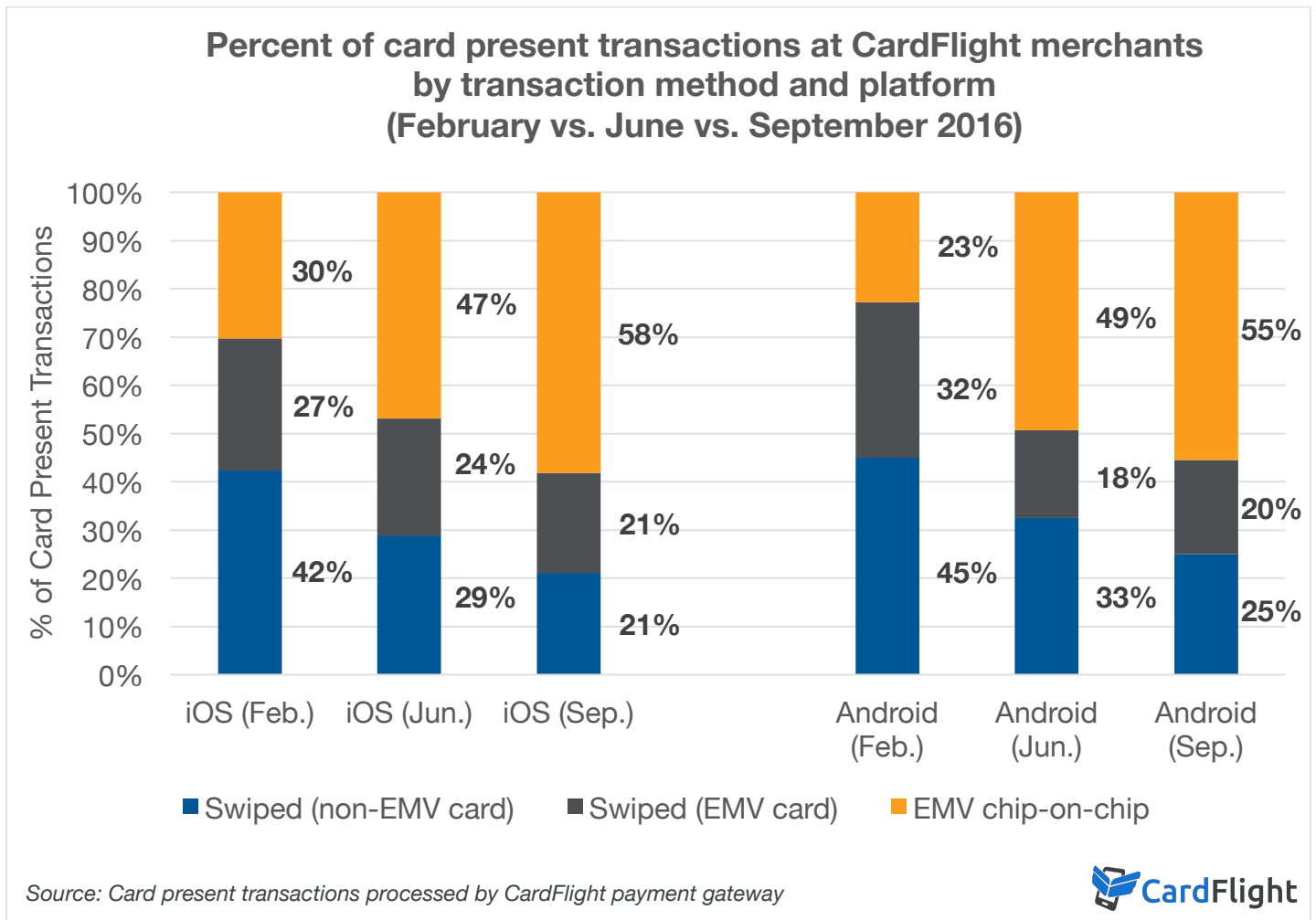


The percent of cards presented that were processed as true EMV transactions has grown by over 28x since October



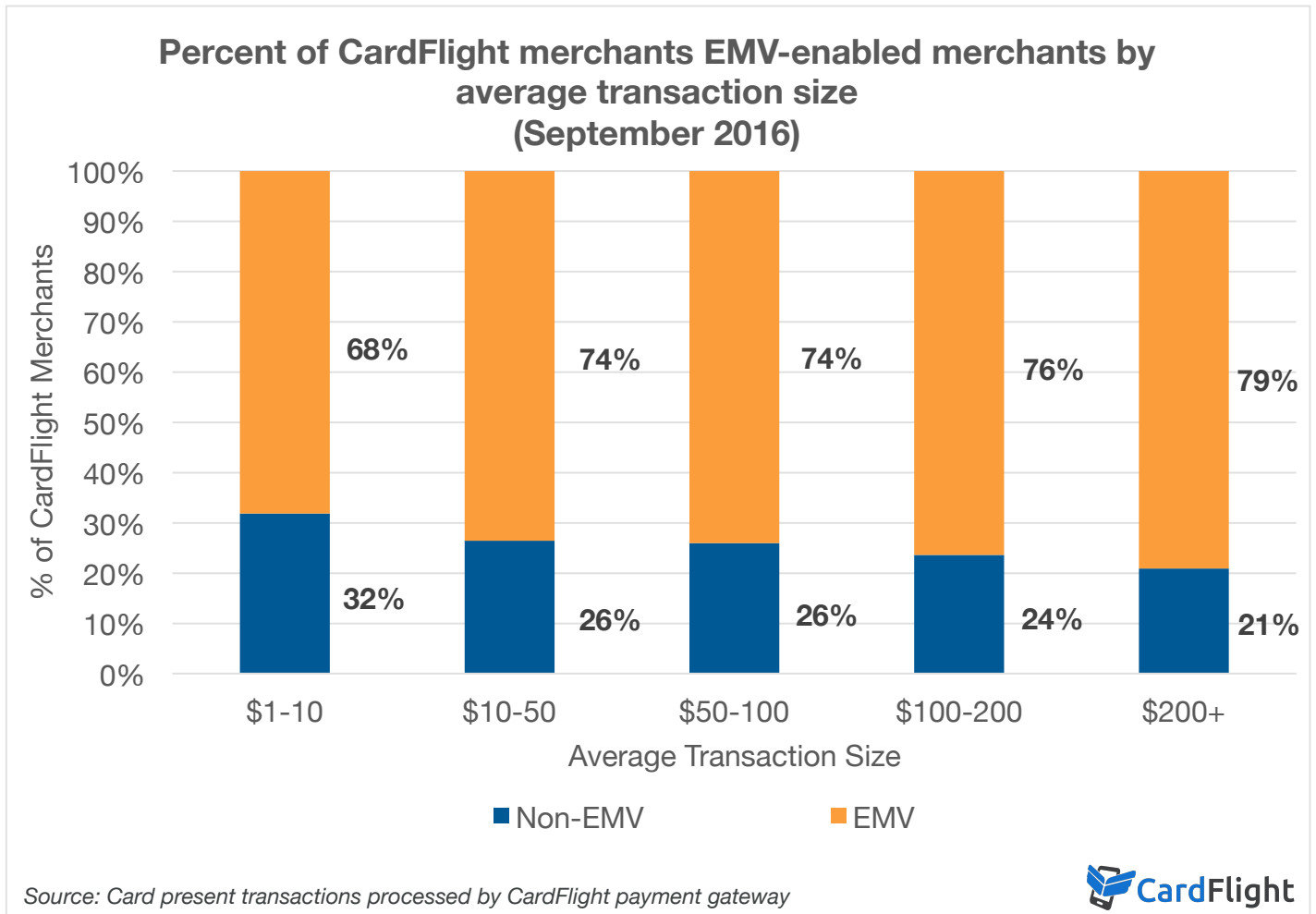
As of September 2016, over half of all transactions at CardFlight merchants are being processed as true EMV chip-on-chip transactions. Additionally, over 72% of all EMV cards presented are processed as true EMV transactions.

# iOS takes back the title of leading platform for true EMV transactions at CardFlight merchants



In a shift from June, CardFlight merchants using iOS devices are now more likely to be EMV-enabled. Both platforms, however, continue to become trusted by merchants for supporting true EMV transactions as now over half of all cards presented at merchants using either an iOS or Android device are processed as true EMV transactions.

## CardFlight merchants of all sizes are becoming EMV enabled



Similar to June, CardFlight merchants with an average ticket size of over \$200 continue to be more likely to be EMV-enabled with 79% of merchants having made the transition as of September; however, there have also been gains in EMV-enablement across the board in terms of average ticket size. In fact, at least 68% of CardFlight merchants in each average transaction size bucket are now EMV-enabled.

## About Us

CardFlight is a software-as-a-service company offering mobile payments technology and point of sale solutions to enterprises. We offer a Software Development Kit for developers to integrate payments acceptance in their existing app and SwipeSimple, a turnkey mobile solution for Independent Sales Organizations and Merchant Service Providers to offer to their merchants. Our technology platform is EMV chip card enabled with encrypted card readers, and a PCI Level 1 compliant payment gateway supporting major U.S. processors.

As industry leaders, we take pride in building the latest mobile payments technology and establishing partnerships to enable more companies to accept mobile payments. We have partnered with 15 of the top 60 merchant acquirers in the U.S and are currently working across a variety of verticals with companies like Artsy, Flywheel, Indochino, and Peloton, making mobile point-of-sale easy for our clients and their users. For more info, visit us at [www.cardflight.com](http://www.cardflight.com).