



March 23, 2015

Ms. Elizabeth Karl
Vice President, U.S. Payments Consultants
American Express Company
200 Vesey Street
New York, NY 10285-3106

Mr. Rob Tourt
Chief Risk Management Officer
Discover
2500 Lake Cook Road
Riverwoods, IL 60015

Mr. Bruce Rutherford
Senior Vice President Fraud Management Solutions
MasterCard
2000 Purchase Street
Purchase, New York 10577

Mr. Karteek Patel
Senior Vice President Product and Innovation Risk
Visa
900 Metro Center Boulevard
Foster City, CA 94404

Dear Sirs and Madam;

The Food Marketing Institute's¹ member companies range from large multinational corporations to single store family-owned grocery stores. While there may be vast differences among the operations of our members, improvement of our nation's payments system is a priority for all of them. To that end, the grocery industry invests hundreds of millions of dollars annually to protect our customers' sensitive personal information, including payment card data. However, regardless of how strong the commitment or how many dollars invested, the reality is that the system will not be ready to meet the card networks' arbitrarily set mandate for the liability shift in October 2015. With this in mind, FMI and our member companies seek your willingness to work with the retail industry to provide a balanced and equitable approach to the transition.

FMI's retail members stand ready to migrate from magnetic stripe cards to the proven chip and PIN cards that have been adopted throughout Europe, Canada and Australia. Unlike other countries' transitions that in some areas took up to a decade, American companies have been given a

¹ Food Marketing Institute proudly advocates on behalf of the food retail industry. FMI's U.S. members operate nearly 40,000 retail food stores and 25,000 pharmacies, representing a combined annual sales volume of almost \$770 billion. Through programs in public affairs, food safety, research, education and industry relations, FMI offers resources and provides valuable benefits to more than 1,225 food retail and wholesale member companies in the United States and around the world. FMI membership covers the spectrum of diverse venues where food is sold, including single owner grocery stores, large multi-store supermarket chains and mixed retail stores. For more information, visit www.fmi.org and for information regarding the FMI foundation, visit www.fmifoundation.org.

compressed timeline that has been greatly stunted by outside factors -- factors beyond retailers' control.

First, there was a significant delay in the card networks' release of specifications, setting the software providers back in bringing solutions to market. The delay occurred in spite of the fact that there was already a free common specification offered to the market that the card networks refused to use. One FMI member company shared that it has already installed the EMV readers in lane and has worked closely with its providers to acquire the needed software, but recently were informed that it will not be certified until June 2015. Subsequently, it will take an additional two months to install EMV readers in each point-of-sale device throughout the company's stores. We understand that each point-of-sale device must be updated by hand; the devices cannot be upgraded remotely. This device-by-device update will require significant investments of both time and money. While many FMI members are fully committed to the transition and hope to be able to complete their updates to meet this arbitrary October deadline, any slight delay in the plan by hardware, installation or certification contractors will result in the stores' being held liable under the liability shift.

While some FMI members are as far along as having the EMV equipment already installed in their stores, many are still waiting in queue to receive their equipment. It has been reported to FMI that there is currently a sixteen-week lead time for delivery of orders for the new EMV-capable payments terminals. Compounding the delay in terminal delivery with the installation process and the certification requirements, some grocers already know the October deadline will be unattainable. As a result, FMI requests that you consider either a delay in the liability shift until 2016, or credit retailers who have taken steps to comply with the mandate and are in the process of becoming EMV compliant by not shifting liability to them.

In addition to the existing market challenges of acquiring new POS equipment and then having it installed, certified and fully enabled, the October deadline could not come at a more inopportune time for both consumers and retailers. Heading straight into the holiday season, the busiest shopping time of the year, retailers experience a significant uptick in consumer shopping and must be able to ensure the greatest line efficiencies and system reliability. Instead of swiping a card, the consumer will be required to "dip" a chip card and leave it in the reader throughout the authorization process. This will add time in lane for checkout and require significant consumer education that undoubtedly will be left to the checker as he/she walks the customer through this new process. Transitioning the entire American economy from a well-known experience of the magnetic stripe card purchase to EMV will not be a smooth and easy task. It will take time. While our member companies are committed to it, the timing of this transition should be revisited. As mentioned previously, not all retailers will be EMV-enabled by the deadline, so during the busiest shopping time of the year, customer confusion will only be exacerbated by using magnetic stripe in one store and dipping in another across the street. FMI

asks that you consider the time of year for which this shift is scheduled and allow a delay until August 2016, or a time that would work well in an actual retail setting.

Finally, once again, FMI and our member companies ask that card networks roll out chip and PIN technology, consistent with that which was done throughout the rest of the world --technology proven to be safer for the consumer that significantly reduces the amount of fraud. Chip and PIN would make great strides in addressing three specific types of fraud that continue to plague the American payments system: lost and stolen, counterfeit, and card not present. American consumers have widely adopted the use of PIN with debit cards and to access cash in an ATM. The addition of that layer of security in the credit market is the next step in the fight against fraud.

Furthering the customer and cashier confusion at the register, it has been reported that some banks will issue PIN corporate cards and signature consumer cards. This lack of consistency in the transition could lead to a customer having two cards issued from the same bank -- one PIN-enabled and one requiring a signature. FMI strongly encourages a uniform PIN-enabled chip card rollout, resulting in a simpler transition and a safer transaction for the consumer.

FMI and our member companies stand ready to work with you to find reasonable solutions to the challenges both retailers and consumers face in EMV migration. There is precedence for our requests, as in most other countries, merchants were provided with extensions, in addition to funding for the terminal testing and ultimately a reduction in interchange costs. American retailers seek the same considerations and eventual interchange relief as we migrate to EMV. We ask that you work with us because we believe both the consumer and our economy will benefit if this transition is done thoughtfully and with the strongest consumer protection tools available.

Thank you for your time and consideration of our request. I encourage you to please contact Hannah Walker, FMI's Director of Government Affairs, at Hwalker@fmi.org or at (202) 220-0630 with any questions or feedback.

Sincerely,

A handwritten signature in black ink, reading "Leslie G. Sarasin". The signature is written in a cursive, flowing style.

Leslie G. Sarasin, Esq.
President and CEO