

May 5, 2016

The Honorable Edith Ramirez  
Chairwoman  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington, D.C. 20580

Re: Increase in chargebacks for EMV compliant retailers since the liability shift

Dear Chairwoman Ramirez:

On behalf of the Retail Industry Leaders Association (RILA), I write to bring to the Federal Trade Commission's (FTC) attention the increased chargebacks retailers are experiencing following the EMV migration and liability shift.

RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufactures, and service suppliers which together account for more than 1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distributions centers domestically and abroad.

In the lead up to the liability shift on October 1, 2015, a number of RILA members were certified and ready to handle the new chip cards at point-of-sale (POS) terminals. Today, consumers are able to use their chip cards at many large retailers even though nearly half of cards lack a chip. In order to achieve this objective, our members made significant investments to provide a seamless transition to customers using their new chip-enabled cards at the POS. Reports on the cost for the industry to become EMV compliant are upwards of eight billion dollars.<sup>1</sup>

As retailers continue to complete the EMV migration, every aspect of the transition and its impact on our customers is monitored. Retailers are seeing a troubling trend—the marked increase in chargebacks since last fall. This is especially concerning for retailers who were EMV compliant on day one, and unfortunately this problem has been compounded for our members who have been waiting six months to a year to be fully certified.

In early April, RILA conducted an analytical survey of our members to gather and examine information on the EMV process and collect further information on anecdotal reports of the increase in chargebacks they are facing from card issuers since the liability shift. The results from the survey are distressing. Certain RILA members who were up-to-date with the proper

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<sup>1</sup> Reuters "Retailers face \$8.65 billion bill for New Generation credit cards" Fortune, March 3, 2015, <http://fortune.com/2015/03/03/retailers-face-8-65-billion-bill-for-new-generation-of-credit-cards/>

EMV specifications by October have experienced an increase in chargebacks by over 100% compared to the fourth quarter of 2014.

Additional members who are in the process of being fully EMV certified—many of whom are waiting on the card networks to approve the final stage of the EMV process—have also experienced drastic increases. RILA members in this phase have seen chargeback increases ranging from 100% to 400% compared to last year at the same time. There also seems to be a correlation with chargebacks coming from cards that allow a signature, versus ones that require a pin.

We understand the realities of the criminal activity we continually fight, but these numbers are significantly outside the pale and this trend deserves your attention.

In a growing, complex world of cybersecurity threats and malicious activity, retailers and the entire payment ecosystem are on the frontlines protecting consumer information. We encourage the FTC to look closely at the issue of increased chargebacks, and RILA stands ready to assist in any possible manner.

Thank you for your consideration of this important issue to the retail and merchant communities. If you have any questions, please contact Austen Jensen at [austen.jensen@rila.org](mailto:austen.jensen@rila.org) or 703-600-2033.

Sincerely,



Jennifer M. Safavian  
Executive Vice President, Government Affairs

cc:  
Maureen Ohlhausen, Commissioner  
Terrell McSweeney, Commissioner