Commercial Card Expense Reporting — An Introduction to Chip Card

User Guide

Together we'll go far

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Introduction

Recently Visa and MasterCard announced plans to accelerate chip card adoption in the United States. Banks in most foreign countries migrated to chip cards and chip-reading merchant terminals some time ago. Countries that did so experienced significant reductions in incidents of counterfeit card fraud. The United States will not realize these benefits until both merchants and issuers adopt this technology.

What's different about chip cards?

Chip cards look like traditional credit cards, except they contain integrated circuit chips to store encrypted card information. A chip's information is read when the card is in contact with a chip-reading merchant terminal.

Chip-and-PIN vs. chip-and-signature

Chip-and-signature cards process transactions much like standard credit cards do, with transactions verified by cardholder signature at the time of sale. While chip-and-signature verification is more secure than current magnetic card swipe authentication, the chip-and-PIN solution adds yet an additional layer of security and fraud deterrence.

Chip-and-PIN cards use a personal identification number to authenticate transactions, just like a debit card. Chip-and-PIN authentication is also more widely accepted outside the United States. This same PIN can be used to access cash, provided cash access is allowed by the program parameters.

Wells Fargo Commercial Card has decided to adopt chip-and-PIN authentication over the chip-and-signature solution.

Where can you use a chip card?

United States

While many U.S. merchants have equipped their stores with chip card-reading terminals, most have not yet activated the required software. It is expected chip card readers will not be widely used in the United States for several years. However, your Wells Fargo Commercial Chip Card can be used as a standard magnetic stripe swipe card until then.

Europe, Canada, Asia, and South America

Europe is one of the original adopters of chip card technology. Merchants in Europe use chip card readers almost exclusively, and standard swipe cards have become practically obsolete.

Canada, Asia, and South America are more recent adopters of chip cards. Many merchants in these countries utilize both technologies and accept both chip and mag stripe cards.

Cardholder point-of-sale experience

Merchants are given several options when setting up their terminals to read chip cards. Chief among these is whether to verify transactions via PIN or via signature. Merchants also choose whether to process transactions through standard online authorization channels or instead as offline transactions, where authorization occurs between the chip and the terminal only. Offline authorizations are typically used for relatively low-value transactions such as mass transit or fast food purchases. They are also used in countries where telecommunication channels are limited.

The Wells Fargo Commercial Card with chip technology is capable of handling all types of authorizations. However, a cardholder's experience will differ based on the authorization method the merchant chooses.

PIN vs. signature authorizations

If a merchant terminal is configured as chip-and-PIN, the cardholder is prompted to enter their PIN prior to receiving approval for the purchase. If the terminal is set up as chip-and-signature a printed sales slip is created and the transaction requires the cardholder's signature for authorization, not a PIN.
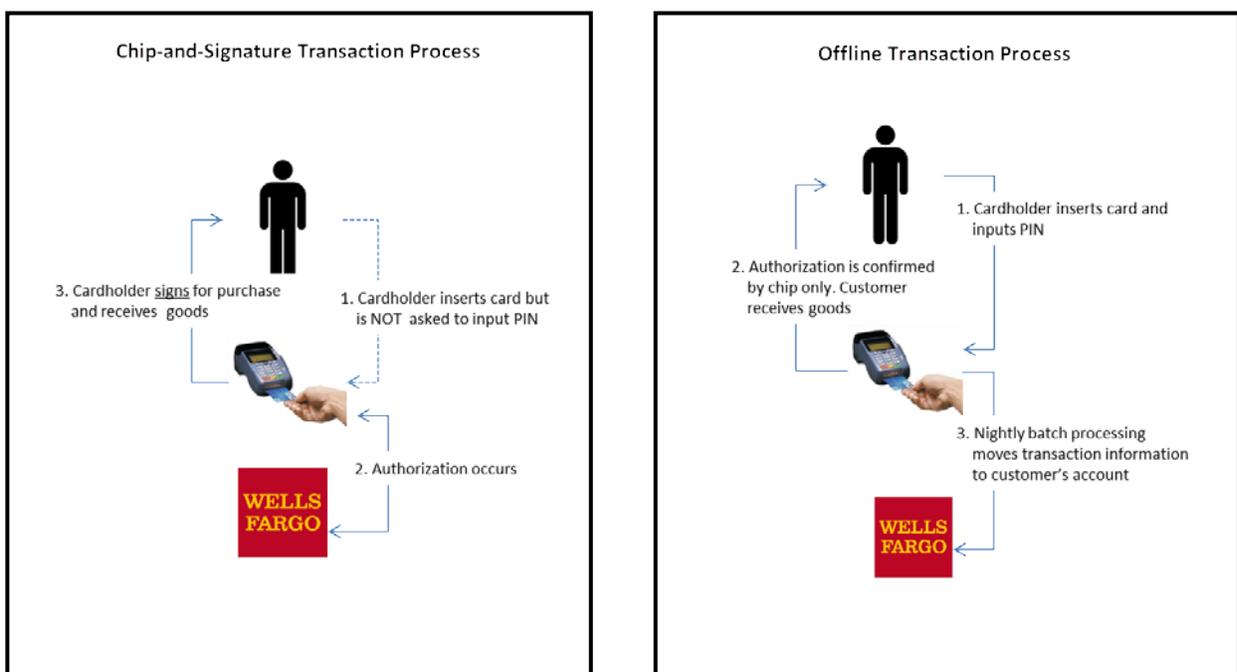
Online vs. offline authorizations

An online authorization is the standard process by which transactions are authorized in real time. The transaction is transmitted to Wells Fargo for comparison against your company's authorization parameters like merchant category code (MCC) exclusions, card restrictions, and credit limits.

An offline transaction is authorized by communication between the chip card and payment terminal using limiting parameters stored on the chip. These parameters include a cumulative offline transaction amount limit and a consecutive offline transaction limit. There is no real-time electronic communication with or authorization by Wells Fargo.

With offline transactions, the chip parameters allow for three purchases only, or a cumulative dollar amount of $250. Should either of these parameters be exceeded, the card will decline until the next online transaction occurs, which resets the limiting parameters stored in the card. The chip will force any terminal capable of real-time transactions to come online for authentication.

Merchant terminal configurations: online vs. offline

Activate your chip card

Step 1: Phone Wells Fargo with your unique ID and select your PIN

Call the Wells Fargo chip card activation number, 1-866-762-9121 to activate your card and select your PIN. If phoning from outside the United States or Canada, call the Wells Fargo international customer service number: 1-612-332-2224.

When you call to activate your card, you will be asked to enter your unique ID and will be prompted to create your PIN. Your unique ID assigned by your program administrator is required to authenticate cardholders calling to activate their card. You will also be prompted to create a separate four-digit number, the chip PIN.

It is important that cardholders select a PIN that can easily be remembered. The cardholder is prompted to choose a PIN during activation of their first chip card only. All replaced or reissued cards will be encoded with the same PIN as the first chip card. The cardholder will not be prompted again to choose a new PIN. However, if a PIN is forgotten after the first card activation, a new PIN can be selected by calling the general customer service line at 1-800-932-0036 and selecting option 1 (for automated services), then option 7.

Until merchants in the United States adopt chip card reader terminals widely, it is unlikely commercial cardholders will use their PIN to verify transactions, except in cases where a cardholder account allows cash access. However, Wells Fargo domestic chip cardholders are still required to self-select a four-digit PIN when they activate their cards.

Step 2: Initiate PIN-to-chip encoding at merchant terminal

After a PIN is registered at Wells Fargo through the activation number or customer service, it must be encoded on the chip embedded in the card. This process is called PIN-to-chip initiation and occurs when a cardholder first uses their PIN and chip card to make a purchase. Cardholders must make their initial transaction at a chip card-reading terminal that transmits transactions via online, real-time authorization. PIN-to-chip initiation does not occur when the card is swiped.

PIN initiation — United States
Until U.S. merchants adopt chip card technology more widely, cardholders will not have the opportunity to initiate and confirm their PINs in the United States. Continue to use the magnetic stripe still found on the back of the card. When merchant terminals are capable of accepting transactions via the chip, you will be prompted to insert your card rather than swiping.

PIN initiation — foreign country
When traveling in a foreign country where chip cards are widely used and PINs are required by merchants for verification, PIN-to-chip initiation is required before you can make purchases.

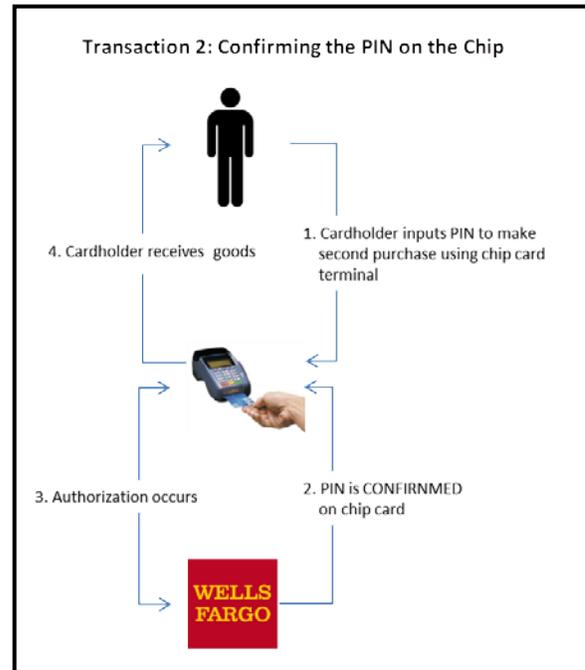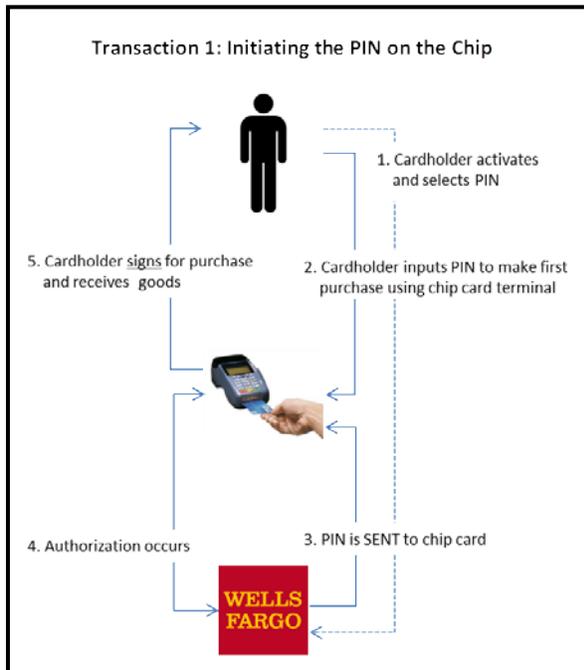## Step 3: Confirm PIN-to-chip encoding at merchant terminal

Cardholders must verify the encoding of their PIN on their chip card by making a second purchase. This step is called PIN-to-chip confirmation and occurs when a cardholder makes a second purchase using their PIN and chip card. Again, cardholders must make this second transaction at a chip card-reading terminal that transmits transactions via online, real-time authorization.

A customer's first and second purchases with a chip card should be made at a terminal attended by a store salesperson. This type of transaction is likely to be on online transaction with real-time authorization. It is best to avoid taxis, train stations, and kiosks when making these first purchases; these types of merchant terminals tend to support only transactions without real-time authorization.

Wells Fargo has found that larger establishments such as hotels, department stores, and chain restaurants tend to process their transactions through the standard online authorization process and are the best choice for initial chip card transactions.

Note: Cardholder experience will differ depending on how a merchant has configured their terminal, whether for PIN-and-chip or PIN-and-signature verification. Cardholders may not be required to enter their PIN but instead be asked to sign for the transaction. In other instances, cardholders may be required to both enter their PIN and sign for the transaction.

Initiate and confirm your PIN on your chip card

Transaction 1: Initiating the PIN on the Chip

1. Cardholder activates and selects PIN
2. Cardholder inputs PIN to make first purchase using chip card terminal
3. PIN is SENT to chip card
4. Authorization occurs
5. Cardholder signs for purchase and receives goods

Transaction 2: Confirming the PIN on the Chip

1. Cardholder inputs PIN to make second purchase using chip card terminal
2. PIN is CONFIRNMED on chip card
3. Authorization occurs
4. Cardholder receives goods

Reset your PIN

If a cardholder enters a PIN other than what was encoded in the chip card during initiation, the merchant terminal will display the message "Bad PIN." The PIN will be temporarily blocked at terminals that require chip-and-PIN authorization. Blocked PINs can be resolved by waiting until after midnight PST for the block to be removed during system updates, or by phoning customer service at 1-800-932-0036 in the United States and Canada, or 1-612-332-2224 for international calls.

After the previously blocked PIN has been removed and a new PIN selected by calling the Wells Fargo customer service. The PIN must be encoded again on the chip for the card to be used at an offline terminal. This again requires the cardholder to complete two successful online, real-time transactions.

Entering an invalid PIN at a point-of-sale terminal is the most common reason for declines. If a PIN is blocked, it is still possible to have the merchant swipe the card.