

## The Out Box

By Judith Ferring  
*April 2009*

### The Next Banking Challenge

When the economy is back on track and US banks return to business as usual, they're going to have to deal with another problem that's been put on the back burner for a few years, says Terry Wellesley, managing director of the Bank of Montreal. That's the issue of fraud in the online payment sector. Failure to address this issue could complicate international business travel.

Most travel managers are familiar with the problem of lost or stolen credit cards. They and their issuing banks have learned to deal with that problem quickly and efficiently. The compromised card accounts are shut down and replaced quickly, says Wellesley. The corporation is at no risk, he adds, but the traveler could be: failure to correct the situation quickly could leave the traveler stranded.

The greater danger has come to be fraud based on the theft of card information from the merchants' databases. There's a system to slam that door shut, says Wellesley: technology that puts a chip inside each card, tightening access to the exploitable information. Implementation of the system requires a different kind of card reader at the point of sale, as well as some retraining of the personnel operating those readers.

The new technology has been widely implemented in Europe. Canada is not far behind. But in the US, says Wellesley (note that his bank is Canadian), "All the issuers got together and objected to the cost of changing at the point of sale" — in other words, their merchants were not going to easily accept footing that bill. Rather than implementing the new technology early, he says, they gambled that it would be slow to catch on.

For US business travelers limited to the domestic market, card acceptance will not be a

problem. But when they go to Europe, says Wellesley, many clerks at the point of sale have been so deeply attuned to the new chip cards that they are not convinced they should accept the old magnetic-stripe version still issued in the US.

US banks will soon be forced to make the chip cards available, predicts Wellesley: "The point of no return came faster than they thought it would ... from the issuer standpoint, the cost to get in the game will be an issue."

Short-term, US business travelers bound for Europe are likely to find increased aggravation this year when they present their mag-strip cards for payment. The larger hotel companies and the airlines will have their staffs trained to accept the cards; smaller merchants probably won't. The interim solution? "Who knows?" says Wellesley, "maybe travelers' checks will make a comeback."