



News Release

February 22, 2007:

Canada's EMV Migration Program will Stimulate Growth of the Smart Card Market, but some Significant Challenges lie Ahead

(Oakville, Ontario - February 22, 2007) – The Canadian smart card market will get a huge boost from the migration of credit and debit card payments to the EMV smart card standard, but there are likely to be some tough times ahead, a new report published by Technology Surveys International Inc. warns. According to the recently released market research report titled **"EMV Migration in Canada: Opportunities and Challenges"**, the number of EMV payment smart cards in circulation in Canada is expected to reach 54.8 million cards by 2010, representing 43.6% of all payment cards in circulation in that year.

"By 2011, payment smart cards will account for 90% of the annual demand for smart cards in Canada", notes Christie Christelis, President of Technology Surveys International Inc. "EMV migration is by far the most significant smart card initiative on the horizon and will drive the smart card market in Canada for the next five to ten years".

"But EMV migration is a complex process," he says "and there are likely to be some difficult times ahead for merchants, acquirers and issuers, which will undoubtedly lead to delays in implementing EMV in Canada."

EMV Migration in Canada: Challenges and Opportunities

Key findings of the study are:

- The investment required to migrate to EMV will exceed \$1 billion
- By 2010, the date set by Visa Canada for the liability shift between issuers and acquirers in Canada, only 36% of all credit cards in Canada will have migrated to EMV-compliant smart cards
- There are a number of important opportunities for convergence with EMV-based payment applications emerging on the Canadian market, most notably in the areas of transit and loyalty
- There is significant potential for credit card payments to be displaced by debit card payments as a result of the introduction of chip and PIN payments in Canada
- Most retailers have not been engaged in the EMV migration planning process and are likely to resist migration when the cost and business process implications of migration become clearer to them
- Petroleum product retailers will have to incur substantial costs in order to upgrade their automatic fuel dispensers to accept chip and PIN debit and credit card payments
- The introduction of chip and PIN for credit cards will have some significant implications for consumers and is likely to reduce the number of payment options that consumers use on a regular basis
- White-label ABM owners will have to incur substantial costs in order to upgrade their equipment to accept EMV-compliant payment or banking cards.
- EMV migration will be slower than anticipated because of the numerous challenges facing issuers, acquirers, merchants and white-label ABM owners
- The most significant threat to EMV migration in Canada is in the area of contactless and wireless payments

The report titled: **"EMV Migration in Canada: Challenges and Opportunities"**, provides a comprehensive strategic assessment of

EMV Migration in Canada: Challenges and Opportunities

Canada's EMV migration program. It includes a detailed analysis of the Canadian payments landscape and establishes the payment context in which EMV migration will take place. The 115 page report identifies the most important threats to EMV migration in Canada, and the challenges that will need to be addressed by issuers, acquirers and different classes of merchants for migration to be successful. It also highlights some significant opportunities for convergence once the EMV infrastructure has been established. Detailed forecasts are presented for the migration of credit and debit cards to smart cards, POS terminals, ABMs and automatic fuel dispensers.

About Technology Surveys International Inc.

Technology Surveys International Inc. is a leading Canadian technology market research firm based in Oakville, Ontario. Established in 1995, the company has been tracking developments in the Canadian smart card and electronic payment markets for the past twelve years. For more information please see www.tsiglobalnet.com.

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