



US Conference 2024- Las Vegas

Session 5: Current Compliance & Legislative Issues

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TR-31 PIN Key Block Encryption & Cashless ATMs

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TR-31 PIN Key Block Encryption

TR-31 PIN Key Block Encryption

- A different way of encrypting the PIN from the terminal to the issuer
 - ASC X9 TR 31-2018: Interoperable Secure Key Exchange Block Specification
- **ATM Deployer PCI PIN Requirement**
 - Effective 1 January 2023, all PED devices must be version 2.0+ certified
 - No relationship to TR-31 requirements
 - Standard announcement of sunsetting older PIN Pads
 - Contact your manufacturer to determine what PIN Pad version meets this criteria **AND** will also support TR-31

Latest PIN Pad and Software Versions

Manufacturer	PIN Pad Version	Software Version	Auto TR-31
GenMega, Hantel/Tranax	B3	Not Released	No*
	B5	Not Released	Yes
Nautilus Hyosung	8000R (V3.0)	V06.03.00+	Yes
	X1 (V5.0)	V06.03.00+	Yes
Triton	T10	Contact Manufacturer	Yes
*TR-31 must be enabled at the terminal			

The Requirements

- **TR-31 PIN Key Block Encryption - Three Phases**
 - **First introduced by PCI PIN in December 2014**
 - **Phase 1** – 1 June 2019: Processors and acquirers are to Implement TR-31 Key Block encryption internally
 - **Phase 2** – 1 January 2023: Processors, acquirers, and issuers are to communicate PINs using the TR-31 Key Block encryption
 - **Phase 3** – 1 January 2025: Processors, acquirers, and issuers are to accept and process PINs from the terminal utilizing TR-31 Key Block encryption
 - **No impact to ISO/IADs**

What Visa Bulletins?

- **Visa Business News AI 12108 - Variant Key Block Formats Will Continue to Be Supported After 1 January 2023**
 - Applies to Acquirers, Issuers, Processors
 - Phase II, previously mentioned, was due 1 January 2023 – No More Extensions
 - Some processors still were not ready as of June 2022
 - That's okay. Visa will continue to take both
 - **No impact to ISO/IADs**
- **Visa Business News AI 13307 – Visa PIN Security Program Will Be Sunset**
 - Applies to Acquirers, Processors
 - Effective 1 October 2023
 - Visa will no longer carry the torch for PCI PIN security enforcement
 - No longer proactively validating PCI PIN security requirements
 - No longer maintaining PIN Transaction Security (PTS) devices or hardware security module (HSM) hardware purchases, usage and sunset dates
 - Visa Global Online Registry will no longer be maintained
 - All networks and sponsor banks are still enforcing PCI PIN requirements
 - **No impact to ISO/IADs**

What Does This Mean For You, The ISO/IAD?

- Everything you might have heard concerning TR-31, 1 January 2025, etc., **only** applies to the Processor, Acquirers, and Issuers
- There are currently no PCI PIN, card network, processor, acquirer, issuer, or sponsor bank requirements directed to the ISO/IAD in context with TR-31
- **BUT....**it would be wise to upgrade your PIN Pads and software to a version that supports TR-31 for the extra layer of PIN security
 - It will become PCI PIN required somewhere down the road that processors, acquirers, and issuers must only allow the new TR-31 PIN Block encryption
 - If a hack, Man in The Middle, etc., were to occur, you were not using TR-31 encryption, and it was determined that if you had, it would have prevented the incident, you would likely be held liable



Cashless ATMs



Cashless ATMs

- Cashless ATM – A POS device that is used for the purchase of goods or services, in this context, cannabis, presenting the transaction to the card networks/issuers as an ATM withdrawal
 - ATM Withdrawal – Merchant transaction code: 6011
 - POS transaction – Several merchant transaction codes, but none exists for cannabis
- Cashless ATM – An oxymoron. **An ATM MUST:**
 - Print a receipt
 - Display approved sponsor bank signage for all registered networks
 - Display ISO name and contact information
 - **Must 'Automatically' disburse cash for a withdrawal**
- Interchange:
 - ATM transaction: Interchange is paid to the merchant by the issuer
 - POS transaction: Interchange is paid to the issuer by the merchant
- Visa, MasterCard, Culliance, and FIS have denounced the usage of their card brand for the purchase of cannabis goods and the usage of Cashless ATMs as a violation of their network rules
 - ATMs, dispensing cash, is the only viable option for a cannabis location

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Questions?

- If you have any questions, feel free to contact me or your processor
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State Issues, Federal Pending Bills, & Federal Corporate Transaction Act (CTA)

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State Legislative Issues Review

1. ATMIA contracts with Stateside Associates to monitor State legislative activity to tracks bills introduced in both State houses until a bill either is adopted/passed (as amended, typically applicable) or dies.
2. Stateside Associates' Monitoring Services are extremely valuable...presently ATMIA has Stateside track proposed bills relating to: i. **ATM Crime**, ii. **ATM Licensing & Registration**, iii. **ATM User Security**, iv. **ATM Other**, v. **Americans With Disabilities Act**, vi. **Availability of Funds**, vii. **Cash Issues**, viii. **Crypto Currency (ATM/BTM)**, ix. **Government Assistance (TANF/EBT)**, x. **Overdrafts**, xi. **Robot Tax**, xii. **Signage & Notices**, xiii **Surcharges/Convenience Fees**, and xiv. **Taxes on Fees**.
3. Since January 1, 2024, there has been a deluge of proposed, pending State bills, legislative action.
4. During the month of January 2024, Stateside's Monitoring Services has tracked for ATMIA __ number of bills, either as new, updates to a previously tracked bill or passed bills/laws.
5. From February 1st through February 12th, an additional __ number of Stateside alerts have been received.
6. The vast majority of these Stateside alerts were with regard to **Crypto Currency, Cash Issues, ATM Crime, Government Assistance (TANF/EBT), & Overdrafts**, with the overwhelming majority dealing with some regulation, definition, of **Crypto Currency**.
7. California, South Carolina, Florida, Oklahoma, New York.

Federal Pending Bills

1. **Credit Card Competition Act.**
2. **Payment Choice Act.**
3. **Safe Access to Cash Act.**
4. **Safe Banking Act.**

Federal Law

CORPORATE TRANSPARENCY ACT 2021

- A. Approximately 3,000,000+/- corporations & LLCs are formed under laws of United States' States each year
- B. Most States require minimal information of the party filing the States' required registration documents
- C. Criminals have exploited State registration procedures to conceal their identities when forming their corporate entities
- D. Enforcement efforts to investigate entities suspected of committing illegal acts in the registration/formation of corporate entities have been impeded by lack of available entity **Beneficial Ownership Information ("BOI")**
- E. In July 2006, the International Organization Financial Action Task Force on Money Laundering ("**FATF**"), which the U.S. is a member, issued a report criticizing the U.S. for failing to comply with a FATF standard on need to collect entity BOI & urged the U.S. to correct this deficiency by July 2008
- F. In December 2016, FATF issued another evaluation of the U.S., which found little progress had been made by the U.S. over past ten years to address this problem
- G. In response to the 2006 FATF report, the U.S. urged States to obtain *equity* Beneficial Ownership Information for corporations & LLCs formed under their respective State laws
- H. **The** U.S. Federal Government determined Federal legislation was required for the collection of equity Beneficial Ownership Information of corporations & LLCs formed under State/Indian law.
- I. In response, the Corporate Transparency Act ("**CTA**"), as part of the National Defense Authorization Act, was passed in 2021.

Federal Legislative Issues Review

CORPORATE TRANSPARENCY ACT 2021

FIVE THINGS TO KNOW

1. Who Has To Report? 2. Who Does Not Have To Report? 3. How Do I Report, & Whose Information?

4. What Is Reported? 5. When Do I Report?

The CTA will require a significant number of companies to comply with the Act by submitting a “**Beneficial Ownership Information**” (“**BOI**”) report, which is a mandate from FinCEN!

A. Who is required to report **BOI**?

B. Who is exempt from reporting requirements?

C. What information must be reported? Company, Beneficial Owner, & Company Applicant Information

D. Who is a beneficial owner of a reporting company?

E. If a beneficial owner is a business entity, is there a requirement to report information?

F. Who is a company applicant of a reporting company?

G. What is an acceptable identification document?

H. Is there a fee for submitting the beneficial ownership report to FinCEN?

I. Is this an annual report?

J. Reporting dates. Are there violations/penalties if a reporting company fails to report BOI?

K. Where can I get more information on this topic?

Federal Legislative Issues Review

CORPORATE TRANSPARENCY ACT 2021

The CTA is not a part of the tax code.

It is a part of the Bank Secrecy Act, a set of federal laws that require record-keeping and report filing on certain types of financial transactions.

Under the CTA, BOI reports will not be filed with the IRS, but with the FinCEN.

Every company will need to determine its own filing requirement and complete its own reporting of BOI on FinCEN's website.

Adhering to these regulations may present a challenge for small businesses. It is crucial to note that failure to comply could result in companies and individuals facing both criminal and civil penalties. Therefore, companies should be prepared to file the report on time.

JANUARY 29, 2024 UPDATE

FinCEN is seeking Comments on the Information to be Collected *from* [by] Authorized Recipients Requesting Beneficial Ownership Information

Questions?

- If you have any questions, feel free to contact my office or your attorney
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Thank you for attending