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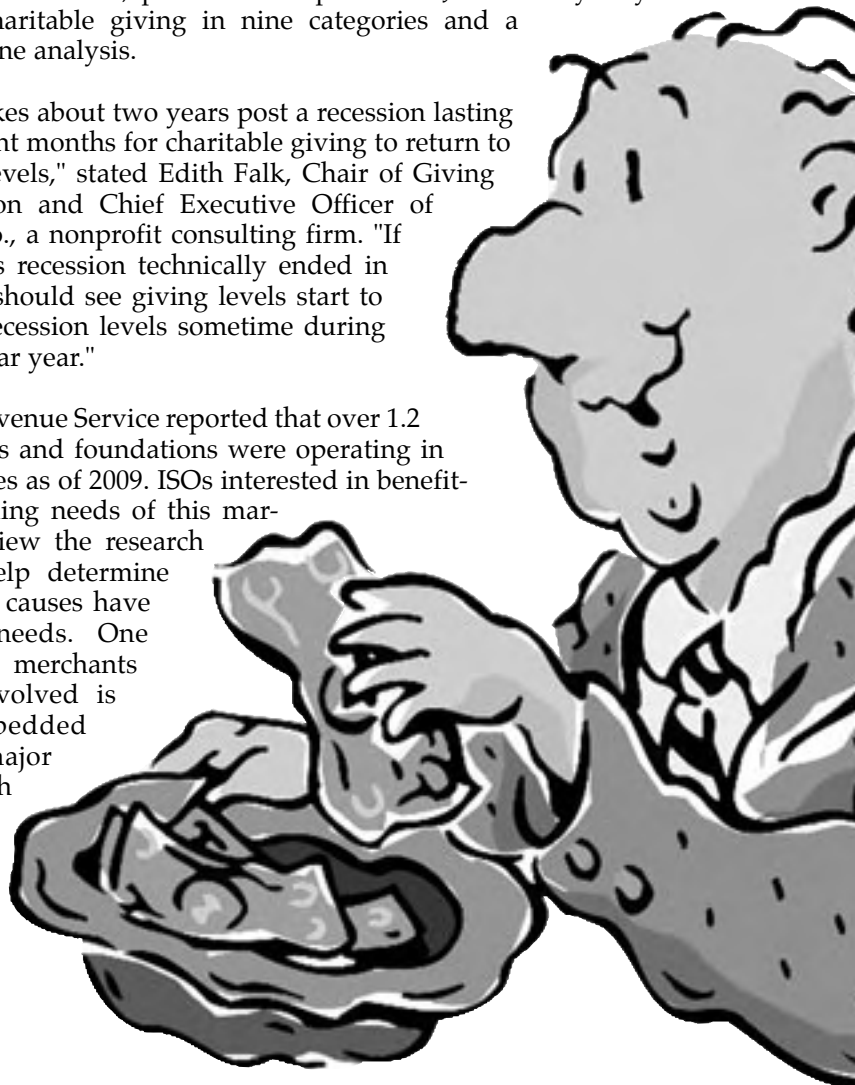
Giving has no season

In the aftermath of the longest recession in recent memory, U.S. nonprofits are keeping a watchful eye on year-end donations. While the verdict on charitable giving remains speculative, results from a survey by *The Chronicle of Philanthropy* indicate that America's largest charities are projecting a 1.4 percent increase in 2010 charitable contributions, following an 11 percent drop in donations last year.

Data collected by the Giving USA Foundation and the Center on Philanthropy at Indiana University revealed that U.S. residents, corporations and foundations gave \$303.75 billion to charities in 2009, representing an overall decline of 3.6 percent from 2008. The foundation, which has tracked American philanthropic trends since 1956, publishes a report each June with yearly statistics on charitable giving in nine categories and a 40-year trend-line analysis.

"It generally takes about two years post a recession lasting longer than eight months for charitable giving to return to pre-recession levels," stated Edith Falk, Chair of Giving USA Foundation and Chief Executive Officer of Campbell & Co., a nonprofit consulting firm. "If we assume this recession technically ended in June 2009, we should see giving levels start to return to pre-recession levels sometime during the 2011 calendar year."

The Internal Revenue Service reported that over 1.2 million charities and foundations were operating in the United States as of 2009. ISOs interested in benefiting the expanding needs of this market should review the research available to help determine which types of causes have the greatest needs. One way ISOs and merchants are getting involved is through embedded giving at major retailers through optional contributions at checkout or donations built into processing fees.





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- » Stuart Taylor—Hypercom Corp.
- » Scott Wagner—GO DIRECT Merchant Services Inc.
- » Dan D. Wolfe—Teledraft Inc.

Notable Quote

As you can see, gateways are more than just commoditized virtual terminals. Many have evolved into complete processing platforms that have more functionality and features than traditional solutions.

See story on page 59



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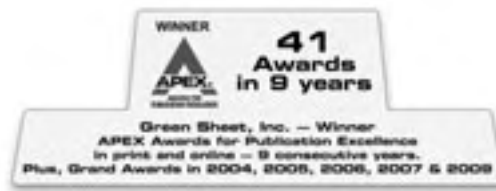
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and that’s
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page fifty
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Forum

Becoming a processor

I work in the merchant department of a bank. ... We partner with a national processor, and I'd like to know how we could become our own processor. If you could give me some information on how and who to contact to explore this, I'd appreciate it.

Michael Carroll
Banker

Michael,

We asked Doug Bolam of Planet Group Inc., a company that has experience in this area, for advice. His reply is paraphrased as follows:

For most bankcard transactions in the United States, processors are the entities that use the Visa Inc. and MasterCard Worldwide networks to offer technology and services to facilitate the processing of credit card transactions on behalf of the card issuers and the acquirers of credit card transactions.

Issuers are public and private companies and financial institutions that offer card-accessed lines of credit to consumers and businesses. Acquirers are federally insured financial institutions authorized by the major card brands to connect merchants to their authorization and settlement systems.

The first step to becoming a processor is to obtain sponsorship from an acquirer. To be able to acquire sales transactions from merchants and collect payments through the Visa and MasterCard systems, the bank must first be approved by the card brands. Said approval and subsequent sponsorship entail the first step to gaining access to the card networks.

The acquirer provides a bank identification number to the processor under sponsorship, under which all transactions done by the processor for the acquirer are submitted. The sponsorship is generally contingent on several aspects of the processor: proof of financial stability over a consistent period of time through financial audits, SAS 70 type I and type II audits and Payment Card Industry Data Security Standard compliance audits, to name a few.

A second step is to provide the technology and business infrastructure to service customers. Access to the Visa network is granted through the use of a Visa Direct Exchange device. This is a set of hardware and communication lines provided and managed by Visa over which

transactions move through the network. MasterCard provides a set of similar hardware called a MasterCard Interface Processor.

Other functions needed to provide a full set of processing services include merchant boarding and underwriting, risk management, customer service, merchant maintenance, merchant account management, full lifecycle transaction processing – from authorization to clearing and settlement to dispute management – statement generation, and reporting services.

Migration to become a full-service processor can be challenging. Consultancies exist that specialize in assisting companies with this transition, including help with software licensing to address the core technology needs of entities that have resold services of large, established processors and are now positioned to provide those services on their own.

Consultants can also assist with organizational and structural changes, software to handle full-service merchant accounting and transaction lifecycle management, products to tackle business process management for risk and underwriting, as well as secure means of corresponding with merchants.

I hope this has given you a sense of what becoming a processor entails. If you would like further information, Doug has graciously offered to help. Contact him at dbolam@planetgroupinc.com.

Editor

Global Payments sets our record straight

In "Reaching out to medical marijuana dispensaries," The Green Sheet, Nov. 8, 2010, issue 10:11:01, we erroneously stated, "Total Merchant Services Inc., in cooperation with Global Payments Inc., offers free equipment upon signing of medical marijuana dispensary accounts in states where it is legal."

Global Payments has informed us that it "does not approach, accept or board any medical marijuana dispensary merchants."

We apologize for the inaccuracy and have removed the mention of Global Payments from online versions of the article.

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A quick summary of key articles in this issue to help keep you up-to-date on the latest news and hot topics in the payments industry.

Cover Story

1

Giving has no season

Results from a survey by *The Chronicle of Philanthropy* indicate America's largest charities are projecting a 1.4 percent increase in 2010 charitable contributions, following an 11 percent drop in donations last year. Meanwhile, payment professionals are devising ways to ensure they and their merchant customers can be philanthropic with ease throughout the year.

News

44

NFC race heating up

The race to capture the U.S. market with a viable near field communication (NFC) payment product grows more compelling as prominent players in the payments, technology and telecommunications spheres move forward with NFC projects. The competing players have distinct strengths and weaknesses, and no one knows who will dominate the market.

View

24

Financing business startups: What ISOs should know

The best way to help merchants survive in a difficult economy is to help them increase cash flow so they have the funds required to stay in business. As ISOs and merchant level salespeople (MLSs), you can do this by developing contacts with sources of financing that small businesses don't typically have. This article will give you pointers on how it's done.

News

45

Proximity payments get closer

While the landscape for contactless mobile payments is anything but settled, a new pilot initiated by a five-party partnership of financial services and technology companies seems to have sharpened the focus on the high-stakes game of who will control how payments are made at the POS with smart phones.

Feature

34

Gift cards versus the government

Do state laws governing gift cards, and their available balances, conflict with the overriding rules of The Credit Card Accountability, Responsibility and Disclosure Act of 2009 (the Credit CARD Act)? It appears that way. Given the conflicts and complexity of the laws involved, how are merchants going to know which regulations apply to them?

News

46

VeriFone pays \$485 million in stock for Hypercom

VeriFone Inc. terminals account for about 62 percent of the domestic POS terminal market today. Now, with the news that VeriFone is acquiring its chief competitor – Hypercom Corp. – VeriFone is positioned to dominate the domestic and international markets for POS terminals and supporting systems.

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ISOMetrics

55

The top 25 U.S.-based charities

In December, along with holiday shopping, many individuals and businesses are making decisions about their year-end charitable donations. Have you ever wondered which nonprofits are getting the most support? Here is a chart of the 25 largest U.S. charities, ranked by *The Nonprofit Times* according to each organization's total 2009 income.

Education

60

Stay tuned to your needs when selling

While we all have diverse tastes in music and radio formats, there's one station everyone listens to: WII-FM, also known as What's In It For Me. However, too often MLSs lose their own signals while coming in for the close, and they leave with deals that neither fulfill their own financial needs nor satisfy their merchants. Don't let this happen to you.

Education

56

Street SmartsSM: Enlightening talk about gateways

What payment gateway do you use, and why? What are the pros and cons of a proprietary gateway? These two questions sparked an informative discussion about the evolution of gateways and what qualities are most important to members of GS Online's MLS Forum.

Education

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Ensuring sales and marketing success in 2011

The fourth quarter is typically when companies develop business plans and budgets for the coming year. But for many businesses, sales and marketing planning is difficult. This article provides key best practices and other tips to help you organize sales and marketing efforts in a way likely to foster positive results.

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Education

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PCI: The year in review, the year to come

With the new year approaching, it's a good time to step back and review what 2010 was like for the Payment Card Industry (PCI) Data Security Standard (DSS) compliance program, and look at what has gone right, what has gone wrong, and what ISOs, banks, and the rest of the payments industry should expect in the coming year.

Feature

74

BAI Retail Delivery 2010: All about retail banking in the 21st century

BAI 2010 demonstrated a renewed focus. The conference tracks were exciting, informative and focused on retail banking and, as one keynote speaker stated, on the "customer." The tracks – Marketing, Selling, Product Management and Innovation – reflected different positions, approaches and strategies for banking in the 21st century.

View

68

PCI changes, incremental step toward industry compliance

End-to-end encryption (E2EE) of payment card data is rapidly spreading throughout the payments industry, while fraud and breaches are on the rise. Within this environment, the PCI Security Standards Council released supplemental guidance about the technology behind E2EE and how it relates to the PCI DSS. And many stakeholders are cautiously optimistic.

Inspiration

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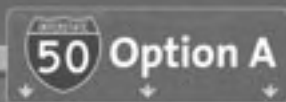
Give the gift of knowledge

The year-end holiday season is not the time when merchants will want to hear sales pitches, since the majority of retailers are busy making the bulk of their annual revenue at this time. But does that mean it's bad form to view Christmas parties and other seasonal gatherings as possible sources of leads and referrals? Absolutely not.

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NEWS

MAG plans for migration to mobile

The **Merchant Advisory Group** recently devised a set of recommendations to influence the evolution of the U.S. payment system. The policy and technology suggestions will be submitted to "stakeholder groups in the payments business to help them understand merchant needs and preferences transitioning to more secure and efficient transacting – especially with mobile devices," MAG said in a statement.

Dodd Roberts, MAG's President and Chief Executive Officer, said the document is intended to provide direction and help stakeholders in the payments ecosystem understand merchant needs in order to accelerate the progress of the emerging new payments infrastructure. Among MAG's recommendations are that investments be channeled to smart card payment implementations and that a national migration be undertaken to the Europay/MasterCard/Visa global security standard.

MRC appoints directors to boards

The **Merchant Risk Council**, which focuses on electronic commerce risk, made three additions to its boards of directors. Joining the Global Board of Directors was Mike Petitti, Chief Marketing Officer at Trustwave. He served on the MRC's Americas Advisory Board beginning in 2007.

Rik van 't Hof, Product Manager for GlobalCollect, joined the Americas Advisory Board. Joining the MRC's European Advisory Board were Jerome Petit, Head of Europe/Middle East/Asia Business Development at Snapfish by HP, and Kevin Smith, Senior Vice President, Fraud Management, at Visa Europe.

Army bell ringers go electronic, wireless

The **Salvation Army Metro Atlanta** is countering declining donations to its red kettles by equipping bell ringers with wireless card readers. The Atlanta chapter reported a recent 3 percent decline in donations. The charity has been hit by the drop in traditional retail shopping and a shortage of retail outlets willing to allow bell ringers to stand at entrances, according to Salvation Army Major James Seiler.

"Technology now affords us new ways to attract a more diverse group and larger gifts from those who wish to give," Seiler stated. The chapter hopes the strategy will allow it to more than double its holiday fundraising to \$200,000, from \$91,000 last holiday season.

ANNOUNCEMENTS

Health club biller launches payment processor

Arkansas-based ABC Financial Services Inc. launched **ABC Merchant Services**, a direct payment processor. Keith Trawick, Senior Vice President of ABC Financial, was appointed President of the new company. ABC Financial provides health clubs with billing services. ABCMS will process for merchants both within and outside the fitness industry.

CPI Card Group hits production milestone

CPI Card Group reported it produced 100 million contactless cards at its Colorado facility. The company said it has delivered contactless smart cards for leading payment card issuers in the United States and Canada.

EPX reaches 1 billion landmark

Card and electronic check processor **Electronic Payment**

- **Forrester Research Inc.**'s *Online Holiday Retail Forecast, 2010 (US)* predicts strong U.S. online holiday season sales growth in 2010, easily topping online holiday sales experienced in 2009. The November and December shopping season is expected to generate nearly \$52 billion in online sales, a 16 percent increase over 2009.
- **Shop.org**'s *eHoliday Study* conducted by **BIGresearch** indicates that four out of five online retailers (84.8 percent) will offer free shipping during the holiday season, and nearly one-third (31.4 percent) said these offers will begin earlier this year than in 2009.
- A survey sponsored by **Prospectiv**, owner of daily deal site **Eversave.com**, found that more than 88 percent of consumers said they plan to use, or would consider using, a daily deal site such as Groupon.com, LivingSocial.com and BuyWithMe.com for holiday shopping.

BOTTOM
LINES

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in·de·pend·ent

Pronunciation: _in-d_-pen-d_nt\

Function: *adjective*

1 : not dependent: as **a** (1) : not subject to control by others : **SELF-GOVERNING** (2) : not affiliated with a larger controlling unit **b** (1) : not requiring or relying on something else : not contingent (2) : not looking to others for one's opinions or for guidance in conduct

NOTE: *An independent organization or other body is one that controls its own finances and operations, rather than being controlled by someone else.*

Synonyms: absolute, autonomous, nonaligned, nonpartisan, on one's own, self-contained, self-determining, self-governing, self-reliant, self-ruling, self-sufficient, self-supporting, separate, sovereign, unconnected, unconstrained, uncontrolled, unregimented

Antonyms: dependent, subordinate, subservient

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Exchange said its payment data tokenization technology has been used for more than 1 billion financial transactions since 2001.

Ingenico highlights achievements

Ingenico reported executing its 500 millionth transaction with Axis, its centralized payment management platform; the company expects that number to hit 600 million by the end of 2010 due to the increase in transaction volume during the year-end holiday period. The company also delivered its millionth payment terminal from the iCT200 series, which was launched in mid-2009.

Merchant Warehouse gets bigger digs

Merchant Warehouse moved its headquarters to a new Boston location that is double the size of its previous offices. The ISO said it relocated because of its "unprecedented growth across its sales channels, within its employee ranks and in the number of transactions it completes annually." The number of staff grew 29 percent in 2010, and the growth rate on secured deals within agent and direct sales channels was 135 percent, the company noted.

Shift4 certified for EMV in Canada

Shift4 Corp.'s hosted payment gateway was certi-

fied by Chase Paymentech Solutions LLC for retail Europay/MasterCard/Visa (EMV) payments in Canada. Merchants and processors in Canada must convert to EMV by March 31, 2011.

SC Magazine names Trustwave an awards finalist

Information technology publication *SC Magazine* named **Trustwave** a 2011 awards finalist for achievement in information security. Trustwave is recognized in the Excellence Award Best Security Company category. Winners will be announced in February 2011.

TransNational Bankcard one of Chicago's best

TransNational Bankcard was listed as one of the Top 100 Workplaces 2010 by the *Chicago Tribune*. It was the only merchant processor named to the list, which was compiled from among 1,360 Chicago-area companies.

Tyfone awarded electronic wallet patent

Tyfone Inc. was awarded a patent for the company's mobile electronic wallet technology. The "mobile phone with electronic transaction card" technology enables certain phones to transmit transaction data to a reader device, Tyfone said.

USA ePay joins SVP network

USA ePay joined the Secure Vault Payments online payment network, which was developed by NACHA – The Electronic Payments Association and eWise. Membership allows USA ePay to offer the online payment option to its 40,000 clients.

ViVOTech NFC application up for award

ViVOTech Inc.'s near field communication (NFC) mobile phone software that enables mobile payments at the POS was named a finalist for a Sesames Award in the banking/retail/loyalty category. The awards were to be presented Dec. 6, 2010, at the Cartes IDentification 2010 event in Paris. ViVOTech's software and service enable mobile wallets and coupon management.

PARTNERSHIPS

Trustwave picked for PCI compliance

Software developer and value-added reseller **AccuCode Inc.** chose **Trustwave** to assist its clients with validating compliance with the Payment Card Industry (PCI) Data Security Standard (DSS). Trustwave's compliance services are now bundled into AccuCode's PCI compliance products. In addition, **CyberSource Corp.** contracted with Trustwave for PCI compliance validation services. The agreement gives CyberSource merchants access to Trustwave's compliance web portal.

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Industry Update

China UnionPay, AmEx explore new ground

American Express Co. and China UnionPay intend to expand their current agreements. The two companies already cooperate within China. A new memo of understanding may expand those activities outside of China.

Ariane Systems integrates with Hypercom

Ariane Systems, a provider of checkout kiosks for the hospitality industry, integrated its services with Hypercom Corp.'s SmartPayments Wynid integrated payment system. Ariane Systems in France supports kiosks at 1,600 hotel chain POS locations.

PAYware Mobile for iPhone gets Elavon support

Elavon Inc., a subsidiary of U.S. Bancorp, agreed to market and support VeriFone Inc.'s PAYware Mobile secure card payment system for the iPhone. The system turns the phone into a mobile payment device with a card encryption sleeve.

NRF, First Data study retailer security

First Data Corp. and the National Retail Federation are

conducting a joint research study of data security and fraud prevention strategies practiced at small to mid-sized retailers. Results of the study will be reported in early 2011.

In other news, First Data entered a referral agreement with Laru Corp., which develops automated clearing house (ACH) risk management and fraud detection software for financial institutions. The agreement provides ACH anti-fraud services to First Data's FundsXpress business online banking customers.

JV formed for expansion in Spain

Global Payments Inc. and La Caixa, a retail bank in Spain, created a joint venture to specialize in merchant acquiring and payment processing in the Southern European country. Global Payments will pay 125 million euros in cash and hold a 51 percent stake in the venture, and the bank will contribute its existing merchant acquiring business.

Pizza chain chooses BHI

The Mellow Mushroom pizza franchise chose BHI Advanced Internet Inc. as its preferred PCI compliance vendor. BHI's SecureConnect service provides franchisees with a managed firewall, centralized

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Industry Update

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Merchant360 integrates systems for Bling

Merchant360 Inc. was contracted by Bling Nation to integrate its mobile payments capabilities with POS systems. Merchant360 is providing the VeriFone Vx810 Duet contactless application; Micros system integration with an NFC/contactless reader enabled by OneInterface from Global Blue A.B.; and integration with Merchant360's Mobitrans gateway for switching transactions.

Nevada restaurants, TOPS rely on Heartland

The Nevada Restaurant Association (NvRA) endorsed Heartland Payment Systems Inc. as its preferred provider of card processing and check management services. NvRA is the 43rd state restaurant association in Heartland's alliance.

Additionally, TOPS Software integrated its property management software with Heartland Check Management, Heartland's check processing platform. The integration allows TOPS clients to access remote deposit capture (RDC) services directly through their existing software.

National Datacare picks RDC from RDM

National Datacare Corp. will offer RDC software and scanning hardware from RDM Corp. to its customers. National Datacare provides resident Medicaid billing services to long-term care facilities.

Veracode approves OLS processing engine

On-Line Strategies Inc.'s payment software earned Verified security marks from Veracode Inc., an operator of a software risk management platform. Verified marks are achieved through independent assessment, which was performed on OLS.Switch, a transaction processing engine, and OLS.Host, a managed services payment processing system.

Rhode Island residents pay local taxes online

Point & Pay LLC partnered with Opal Data Technologies Inc. to integrate electronic payment technology with Opal's tax administration and utility billing software. Opal is a major provider of financial software and services to Rhode Island municipalities. The agreement allows Rhode Island residents to pay local taxes and fees online or in government offices using payment cards.

Lime Light CRM integrates with Verifi

Payment gateway Verifi Inc. partnered with Lime Light CRM to streamline payment processing and fraud prevention for direct response merchants. The integration of Verifi's payment services with Lime Light's customer relationship management software automates the flow of payment transaction data, helping merchants reduce fraud and chargebacks.

Visa Europe, Corner Bank launch CodeSure

Visa Europe, in partnership with Corner Bank, launched Visa CodeSure, a payment card with an embedded PIN pad that generates passcodes. The card is intended to make Verified by Visa online transactions more secure, Visa said.

Voltage works with PwC

Voltage Security Inc. partnered with systems integrator PwC US, which will integrate Voltage data protection products with encryption and tokenization technologies. The purpose of the nonexclusive relationship is to supply data protection services to companies with complex payment supply chains and large merchants with legacy infrastructures, Voltage Security said.

ACQUISITIONS

Early Warning buys risk analytics from AI

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Industry Update

LLC acquired Austin Logistics' risk analytics business from **ALI Solutions Inc.**, including analytic products that identify high-risk or fraudulent payments. As part of the deal, Early Warning will enhance ALI's customer solutions for financial institutions.

TransFirst buys WSFS merchant portfolio

TransFirst acquired the merchant portfolio of **WSFS Bank** and became the exclusive payment processor for the institution. The deal included a referral agreement.

APPOINTMENTS

Cardtronics appoints board members

Cardtronics Inc. made changes to its board of directors. **Dennis F. Lynch** was named Chairman, succeeding **Fred R. Lummis**, who stepped down Nov. 10, 2010. Lynch has been a member of the board since 2008. The board also appointed **Mark Rossi** as a new independent director. Rossi is Senior Managing Director of Cornerstone Equity Investors LLC.

Payscape hires, promotes

Payscape Advisors appointed **Chris McDonald** to the position of Vice President of Sales. **Rob Kemmerer**,

formerly of Paychex Inc., was hired as a District Sales Manager. And **D.J. Gardner** was promoted to District Sales Manager.


SCA elects executive committee

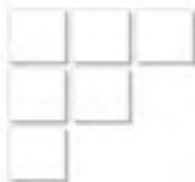
The Smart Card Alliance recently held elections for its 2010 to 2011 executive committee. Named as committee officers were **Neville Pattinson**, Gemalto, Chair; **Bryan Ichikawa**, Unisys Corp., Vice Chair; **Willy Dommen**, Booz Allen Hamilton Inc., Treasurer; **Garfield Smith**, Oberthur Technologies Inc., Secretary; **Brian Russell**, Giesecke & Devrient GmbH, Assistant Treasurer; and **John McKeon**, IBM Corp., Technology Vice Chair.

PAY.ON names new execs

Munich, Germany-based PAY.ON AG made two changes to its top brass. Chief Technical Officer **Markus Rinderer** was named Chief Executive Officer, while **Robert Kuzelj** was appointed Chief Sales Officer.

First Data makes promotion official

First Data appointed **Ray E. Winborne** Chief Financial Officer. He has been acting CFO since May 2010. Winborne joined the company in 2009. 



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Financing business startups: What ISOs should know

By Brandes Elitch

CrossCheck Inc.

Being an ISO is harder than ever as we enter, to use the title of a new book by Gary Shilling, *The Age of Deleveraging*. Shilling – who successfully predicted the 1969 recession, early 1970s inventory bubble, 1973 to 1975 recession, early 1980s disinflation, and 2000 dot-com collapse – has a new prediction: debt will be transferred to governments and central banks, resulting in slow economic growth (2 percent) for at least the next 10 years.

This is well below what economists feel is necessary to keep the unemployment rate stable, around 3.3 percent. How will this affect you as merchant level salespeople (MLSs) and ISOs? For one thing, U.S. consumers will shift their 25-year borrowing and spending party to a focus on saving.

They will buy less. Increased regulation will stifle innovation and efficiency. Consumers will put off purchases because they expect prices to drop. There will be fewer clicks at the POS and less revenue for you.

You can approach this situation two ways: continue to walk in the door and announce, "I can get you a better rate on your credit card processing," or be a proactive business advisor to your merchants – and help them survive.

A cash-flow crisis

The best way to do this is to help merchants find ways to increase cash flow to get the funds they need to keep their doors open. You can do this by making contacts in your community that small businesses don't typically have.

They are so focused on coming to work every day and turning out the product that they have neglected to make these contacts themselves.

For this, you must know what merchants go through to finance startups. In June 2010, Discover Small Business surveyed small business owners, and over half of them reported temporary cash-flow problems.

One small-business owner said, "Maintaining consistent cash flow is our number one challenge, because when sales are good, 60 percent of current assets is tied up in accounts receivable."

When asked their preferred method of business financing, merchants overwhelmingly say, "bank loan." The problem is many of them don't know a banker, don't know how to approach a bank or are not bankable – aptly summed

up in NatWest Small Business Chairman Peter Ibbetson's comment: "The lender kind of needs the money back at some stage."

Analyst Delphine Paterson said banks now need more information from borrowers than before. Here are tips for dealing with bank lenders she published in her e-zine *Forward Financials*:

- Approach the bank early.
- Be clear on what your business actually does and what it wants to do.
- Be clear on what you need the money for, specifically.
- Use a believable forecast of cash flow, income statement and balance sheet.
- Show the bank how you will repay the loan.
- Show a downside forecast, including Days Sales Outstanding.
- Demonstrate your track record and why you can do the things you say you will do.
- Use a rolling forecast to track actual results, and talk to the bank officer at least once a month.

One of the best contacts you can cultivate as an ISO or MLS is a local lender who specializes in Small Business Administration financing. Generally, this will be a "community bank," typically a small, local financial institution. A small business will almost always start at a community bank and only graduate to a larger bank because it needs a line of credit that is bigger than the bank's legal lending limit.

But even a community bank SBA officer may not be able to make a loan happen, which spurred the development of loan brokers and consultants who specialize in the SBA loan process.

Most entrepreneurs are not able to complete an SBA loan application without help from a loan broker, CPA or good bookkeeper. You can develop contacts with these types of professionals by being totally involved in your community, whatever that is, and it need not be only geographic.

Many startups are considered eligible only for an SBA loan, whereby the government guarantees the lender a certain percentage of the loan, typically 85 percent. However, most banks do not offer SBA loans.

Find one that does these loans – and does them well. The bank has to "sell" loans to the nearest SBA district office, and banks get a semi-permanent reputation there for

Most entrepreneurs are not able to complete an SBA loan application without help from a loan broker, CPA or good bookkeeper.

either understanding or not understanding credit risk. Required documents include a written document stating the reason for the loan request, history of the business, lease agreements, percentage ownership breakdown, estimated profits and cash flows, and projected opening day balance sheet.

An existing small business applying for an SBA loan needs to include three years' financials, aging of accounts receivable and accounts payable, and debt schedules. Keep in mind that most small businesses do not want to pay taxes, so they minimize profit – not good when you are applying for a loan. For the same reason, they will not have audited financials.

At some point, an entrepreneur has to shift focus from not paying taxes to being profitable enough for this to no longer be an overriding concern. That is when the business is really viable. When this happens, the firm can have a full order book and hire new people to keep up with the work, only to find it doesn't have enough cash to pay the bills and keep the doors open.

Some industries always have cash flow problems. For example, the garment industry has traditionally relied on factors, which are firms that buy your accounts receivable at a discount (typically 30 percent) and advance you the funds now.

Others who are unable to borrow via traditional bank-loans can use asset-based lending, in which a specific asset is used as collateral (inventory, machinery and equipment, or even intellectual property). Asset-based lending is subprime lending. Interest rates are higher than traditional prime-plus based loans. When you give financial advice, referring the client to a subprime lender is not optimal. Is there another way?

A new type of exchange

Recently, I attended a presentation by The Receivables Exchange. I have no connection with this company, financial or otherwise. I believe it has created an important source of financing.

It started with the idea that traditional business-finance solutions are based on cash flow, and most small businesses cannot meet their requirements. TRE realized that some kind of asset-based solution, standardized on receivables, would make more sense.

To use the company's words, "We concluded that the most liquid noncash asset on the SMB [small and midsize

business] balance sheet was receivables outstanding – a highly underutilized asset, collectively valued at about \$17 trillion annually in the United States. "The existing receivables market is highly fragmented and inefficient. There was no information share, such as factor-to-factor, or bank-to-bank.

"And for many small businesses, the constraints and cost of capital were more than their business [could] handle, and there was no easy way to benefit from responsible use of those solutions over time."

TRE's solution is so obvious you have to wonder why nobody had thought of it before. TRE started an auction – a centralized, transparent model to sell receivables and monetize them.

This represents the true sale of receivables; it is not collateral, and the proceeds are not a loan. The companies listing their receivables retain control over what they offer for sale, when and at what price.

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Originally, the target market was SMBs with from \$10 million to \$100 million in sales. TRE doesn't sell via ISOs now, but I think the company would be receptive to doing so. Here is what makes TRE's solution work so well:

- No personal guarantee of the seller is required.
- No all-asset liens are placed, only a lien on the actual item being sold.
- Pricing is market-based and shows seller's financial information and transaction history, information on seller's customer, and payment history.
- There are no minimum requirements to maintain a balance of outstanding invoices.
- Access to a large group of buyers lowers the cost of capital and diversified funding.
- There are no monthly fees or obligation to sell receivables in the future.
- TRE performs due diligence on the seller applicant – lien/bankruptcy searches, verification of fiscal-year and year-end financials, tax returns, bank statements, etc.
- Sellers set the buyout price (similar to eBay Inc. sellers).

- Sellers' privacy is respected; their customers are unaware of the sale.

On average, a seller can lower the cost of capital by as much as 30 percent after six months of trading on this exchange, according to TRE. SMBs need to know about this, and you can tell them. To learn more, go to www.receivablesxchange.com.

By providing valuable financial advice, you can become a trusted advisor and ongoing resource. If you will not or cannot, you'll be just another person who walks in the door and says, "I can get you a better rate on your credit card processing."

And there will be three more guys this week coming by with that same line. 📺

Brandes Elitch, Director of Partner Acquisition for CrossCheck Inc., has been a cash management practitioner for several Fortune 500 companies, sold cash management services for major banks and served as a consultant to bankcard acquirers. A Certified Cash Manager and Accredited ACH Professional, Brandes has a Master's in Business Administration from New York University and a Juris Doctor from Santa Clara University. He can be reached at brandese@cross-check.com.

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Visa makes pitch for U.S. microlending

Editor's note: These articles were originally published by Inside Microfinance in November 2010; reprinted with permission. © 2010 by Patti Murphy. All rights reserved.

The payment card giant Visa Inc. is throwing support, in the form of a \$1 million contribution, to help grow the U.S. footprint of Kiva, the online microloan marketplace. The announcement, released late last month, coincided with a major expansion of Kiva's U.S. operations through the signing of Accion Texas-Louisiana, the nation's largest microfinance institution, as a Kiva Field Partner.

"We see this partnership with Visa as a meaningful opportunity to empower small-business owners and help revive the U.S. economy, starting with a region in urgent need," said Premal Shah, President of Kiva.

Kiva's expansion into the Gulf Region comes one year after the organization began offering loans in the United States through its various field partners, a network of

about 160 regional organizations that act as agents, disbursing loans to borrowers and posting their stories and loan requests to the Kiva website, www.kiva.org.

The money from Visa will be put toward building awareness and network capacity, as well as research to identify gaps in the microfinance marketplace in the United States.

Visa familiar with microfinance

Visa is no stranger to microfinance initiatives in the United States. Its card brand is widely used in efforts to bank the underserved. In July 2010, for example, the company revealed a far-reaching marketing campaign intended to raise awareness and use of Visa prepaid cards among a financially underserved population it puts at 80 million Americans. Altogether, the company reports, Visa cards are being used in more than 10,000 prepaid card programs in 110 countries.

Despite the seemingly wide appeal of prepaid cards, however, very few unbanked and underbanked Americans are among those purchasing and reloading name-brand (Visa, MasterCard Worldwide) prepaid cards, according to Boston-based Mercator Advisory Group.

"This partnership advances a shared mission of both Visa and Kiva: helping small businesses grow and ultimately create jobs," William Sheedy, Group Executive for the Americas at Visa, said in announcing the contribution to Kiva.

"The Gulf Coast has been hit hard by the economic recession and several disasters," said Janie Barrera, founder, President and CEO at Accion Texas-Louisiana. "Small businesses are critical to recovery and with Kiva lenders we will be able to invest in even more entrepreneurs." ■

\$60 million to fuel small business lending

The Communities at Work Fund announced recently that it has approved financing for and is in the process of distributing \$60 million through community development financial institutions in hopes of fueling small business loans in economically disadvantaged communities throughout the United States.

The fund was launched in May 2010, with funding from the megabank Citigroup Inc., the Calvert Foundation and the Opportunity Finance Network. It provides financing to community development financial institutions (CDFIs) scattered throughout 39 states and the District of Columbia, which, in turn, lend money to nonprofit and

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CDFIs have been around for about 30 years. In 2008, the most recent year for which data is available, they provided \$1.6 billion in financing, with lower net chargeoffs than FDIC-insured financial institutions.

for-profit organizations in otherwise financially underserved low-income communities.

"Less than six months after establishing the Communities at Work Fund, millions of dollars are in the hands of local lenders and small businesses," Bob Annibale, Global Director of Community Development Projects at Citi, said in a statement.

Powering job creation

"The money that has been deployed will produce vital jobs in the economic recovery in these communities," said Lisa Hall, Interim President and CEO at the Calvert Foundation.

Organizations receiving monies through the Fund thus far have included Accion Texas, the New Mexico Community Loan Fund, Enterprise Cascadia, Self-Help Ventures and the IFF (formerly the Illinois Facilities Fund).

"Funding for CDFIs and community development projects is hard to come by these days," said Bob Schall, President of Self-Help Ventures, a nonprofit that serves those left behind by the financial mainstream. CDFIs have been around for about 30 years. In 2008, the most recent year for which data is available, they provided \$1.6 billion in financing, with lower net chargeoffs than FDIC-insured financial institutions.

One example of projects supported through the Communities at Work Fund financing: a company in Chicago's East Garfield Park (a low-income, largely neglected neighborhood) received funding from the IFF to develop a restaurant, catering and job training facility.

It's expected to create 12 new jobs and serve low-cost meals to about 3,500 local low-income families. ■

Patti Murphy is Senior Editor of The Green Sheet and President of The Takoma Group. E-mail her at patti@greensheet.com.

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
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Selling Prepaid



Prepaid in brief

NEWS

Breakage targeted by N.J.

A battle has begun over unclaimed property in New Jersey, with the unused balances on prepaid cards front and center in the controversy. A state assembly bill signed into law in June 2010 targeted for state coffers the breakage on gift cards and other financial instruments. But a federal judge temporarily blocked implementation of the law on the grounds that it may be unconstitutional.

The law, if implemented, would have reportedly netted the state government \$80 million in unused gift card, calling card and money order funds. On Nov. 22, 2010, the New Jersey Assembly passed a bill that "exempts gift cards or gift certificates usable solely for telephone services from the escheatment processes imposed by the budget signed into law," said a post on the New Jersey Assembly Democrats' Facebook page.

iCARD Systems offers incentives for wounded vets

Gift card issuer iCARD Systems recently renewed its partnership with Prevail Health Solutions LLC to offer incentive cards to wounded veterans of the U.S. armed forces as a way to help prevent Post Traumatic Stress Disorder (PTSD).

Through Prevail Health Solutions' Vets Prevail program, iCARD Systems offers vets \$25 and \$50 Visa Inc.-branded gift cards as incentives to complete online training courses that provide education on the signs of PTSD, which results from post-deployment combat stress.

ANNOUNCEMENTS

BillingTree branches out

On-demand payment processor BillingTree Inc. reported it plans to offer prepaid stored-value accounts under its Pre-fund brand as an alternative to upfront payments and to allow for service extensions to less creditworthy prospective customers at reduced risk of default.

First Data enables e-gifting via Facebook

First Data Corp. reported that Sears Holding Corp.'s

Sears and Kmart have become the first national mass merchant retailers to launch Facebook gifting programs using First Data's eGift Social solution, which allows Facebook users to send, receive and redeem the retailers' virtual gift cards.

Plastic Jungle scores \$10 million in funding

Online gift card exchange Plastic Jungle Inc. closed on \$10 million in Series C financing. The company expects to transact more than \$10 million in gift card value in 2010.

Blackhawk's Roche named Stevie finalist

Talbott Roche, the newly appointed President of Safeway Inc.'s prepaid card subsidiary Blackhawk Network, was named a finalist in the Best Executive – Service Businesses – with up to 2,500 Employees category in the seventh annual Stevie Awards for Women in Business.

ServeNation enters payroll sector

Advanced Content Services Inc. reported that its prepaid card subsidiary ServeNation Inc. will enter the prepaid payroll market, with a focus on corporate payroll solutions.

TransCard waives conversion fee

Prepaid card processor TransCard LLC said it waived the implementation fee for program managers and ISOs that switch to TransCard for processing prepaid card payments.

PARTNERSHIPS

ABSA Bank taps Oberthur for South Africa initiative

ABSA Bank chose Oberthur Technologies as the supplier of MasterCard Worldwide-branded contactless cards for the South African market.

Co-operative Bank, APS to service public sector

Advanced Payment Solutions Ltd. and Co-operative Bank partnered to provide public sector organizations with prepaid card programs, primarily to help public entities cut costs, APS said.

AmEx enters the Australia Post

American Express Co. selected Australia Post as the Australian distribution partner for AmEx's GlobalTravel Card, a new prepaid, reloadable foreign currency card.

Hello Kitty gets new player

Prepaid card distributor **InComm** teamed with **Sanrio Digital**, publishers of Hello Kitty Online, to offer game cards for the massively multiplayer online role playing game.

A new pair for unclaimed property reporting

The **Keane Organization**, a compliance and risk management specialist for unclaimed property reporting, made a pact with **Card Compliant LLC** for automated solutions that maximize gift and stored-value card revenues for businesses and minimize the risk of noncompliance with unclaimed property laws.

MTN Group, Western Union join for expansion

MTN Group, a mobile telecommunication company in Africa and the Middle East, partnered with **Western Union** to introduce mobile transfer services in the 21 countries where MTN operates.

Orascom Telecom, Obopay team for Pakistan relief

Orascom Telecom Holding SAE, the parent company of Pakistan telecom **Mobilink**, inked a deal with mobile money transfer company **Obopay** to establish a short message service-based text-to-donate relief effort to provide funds to the flood ravaged region.

T-Cash for Haiti

Wireless operator **Voilà**, the Haiti-based subsidiary of Seattle-based **Trilogy International Partners LLC**, signed an agreement with Haiti bank **Unibank SA** to launch a mobile money service in the island nation. The commercial name of the venture is T-Cash.

ACQUISITIONS

Flint Telecom expands with prepaid purchases

International telecommunication technology company **Flint Telecom Group Inc.** acquired **Ingedigit International Inc.**, an ISO that specializes in prepaid card programs, and its processing affiliate, **Gotham Ingedigit Financial Processing Corp.**, which will be renamed **Power2Process Inc.**

APPOINTMENTS

Vindicia taps Booth as Regional VP of Sales

Steve Booth joined on-demand biller **Vindicia Inc.** as a Regional Vice President of Sales.


Raja to helm ServeNation

Jasmine Raja was named Chief Executive Officer at **Mike the Pike's Venture's ServeNation Inc.**, a company that facilitates fundraising using prepaid cards.

Blackhawk makes promotions

Blackhawk Network promoted **Talbott Roche** to President and **Dan Dmochowski** to President of International.

Oberthur exec appointed to SCA board

Garfield Smith, Vice President, Marketing, Americas Region, for **Oberthur Technologies Inc.**, was appointed to The Smart Card Alliance executive committee as Secretary. 



Visa pushing prepaid cards for underserved

By Patti Murphy

Inside Microfinance

(Editor's Note: This article was published by Inside Microfinance Oct. 6, 2010; reprinted with permission. © 2010 InsideMicrofinance.com. All rights reserved.)

What does the credit card giant Visa Inc. see in markets where there are lots of unbanked and underbanked consumers? Transactions.

With more consumers keeping credit cards out of their wallets more often, the card networks need to replace that transaction volume. After all, payments is a scale business.

There's plenty of data to suggest consumers are using debit cards more frequently than ever, in part because it helps ensure they only spend what they have. Debit cards are good budgeting tools. Ditto for prepaid cards.

So the card giant Visa decided it's time to hitch its brand to this trend and invest marketing dollars in promoting Visa-branded prepaid cards among the unbanked and financially underserved.

"The campaign is designed to reach financially underserved consumers in particular – those without traditional banking relationships, access to a payment card or main-

Selling Prepaid

stream financial services, and who rely heavily on cash for everyday transactions," the company said in a July 2010 press announcement. Data collected by the consulting firm Mercator Advisory Group suggests that despite the popularity of prepaid cards generally, large numbers of underserved Americans aren't using the cards.

Mercator's Customer Monitor Survey Series revealed that, in 2009, "only a very small number of the unbanked and underserved" had purchased or reloaded general purpose prepaid cards in the previous 12 months, according to Tim Sloane, Director of Prepaid Advisory Services at the firm.

"This clearly indicates that the [card] industry has a significant opportunity to more strongly communicate the benefits of prepaid cards to consumers, as compared to alternatives that include cash and alternative financial services offerings," Sloane added.

Visa's multichannel campaign includes pages on Facebook and other social media websites, online display ads linked to participating card issuers, grassroots events, radio advertising, as well as in-store demonstrations, displays and promotions. The message: reloadable prepaid debit cards enable better money management and empower those consumers looking for an alternative to cash.

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"Core to this campaign is Visa's ability to reach consumers who may not realize they can enjoy the benefits of a Visa product, and experience a better alternative to a cash-and-carry lifestyle," said Hyung Choi, Head of U.S. Prepaid Products at Visa. "The campaign builds upon Visa's long-standing commitment to extending financial inclusion to more consumers, while at the same time driving opportunities for Visa, our partners and clients." 

Gift cards versus the government

By Thom Aldredge

World Gift Card

We have looked at the genesis and development (see "Gift cards: Value multiplier for merchants," *The Green Sheet*, July 26, 2010, issue 10:07:02), laws governing (see "Legislative fallout for gift card providers," *The Green Sheet*, Aug. 23, 2010, issue 10:08:02) and merchant uses of closed- and open-loop gift cards (see "Perspective on the 'gift' economy," *The Green Sheet*, June 28, 2010, issue 10:06:02 and "Suit the gift card to the merchant," *The Green Sheet*, Sept. 27, 2010, issue 10:09:02).

Now we address the issue of whether state laws governing gift cards, and their available balances, conflict with the overriding rules of The Credit Card Accountability, Responsibility and Disclosure Act of 2009 (the Credit CARD Act).

The popularity of gift cards continues to grow despite economic setbacks to the merchants that issue them. Gift cards provide an excellent method of increasing cash for merchants while deferring the outflow of inventory.

Even the accounting hassles that come with cards with outstanding balances, and the potential surrender of those balances given escheatment laws, are a minor downside for merchants.

So now the predicament for merchants is to understand the laws – federal, state and local – and how they affect gift card programs. Some of that predicament was cleared up with the passage of the Credit CARD Act in May 2009. For cards put into circulation as of Aug. 22, 2010, the expiration date must be at least five years from the date of activation or the last transaction that added value to the card.

In addition, a merchant may charge a fee against a balance on an unused gift card (a "dormancy" fee) provided that the dormancy period be not less than 12 months from the trigger date. Further, only one fee can be charged in a given month and it must be disclosed. Other disclosure requirements are also mandated.

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Cards that did not meet these requirements, but were already printed and deployed by merchants, received a reprieve from Congress that makes them valid under prior law until Jan. 31, 2011, essentially when the holiday shopping/redemption season concludes.

Federal versus state

Merchants are now busy purchasing gift cards for the 2010 holiday season that have been printed with the proper disclosures. However, the Credit CARD Act, although it mandated a minimum level of consumer protection, is superseded by state laws that are deemed to be more protective of gift card purchasers and recipients.

In that regard, merchants must become knowledgeable about the laws of the states in which they operate. It is not sufficient to merely adhere to the federal law to be compliant. Merchants must also determine if there are other conditions that a state will impose.

The concepts of expiration dates and usage fees on gift cards also apply to the states. Many states, reflecting rising levels of consumer protectionism, seek to prevent unscrupulous issuers from taking payment for a gift card and then absconding with the money.

But there has been no effort on the part of the states and the federal government to coordinate their actions in the interest of protecting the consumer.

So, if a state has what are considered to be more protective laws with respect to gift cards, merchants can be caught in a bind trying to discern what rules apply. If the federal law is complied with, then what is the state statute, and is a given merchant's program compliant with both?

State laws requiring minimum terms of expiration and the prohibition or restriction of usage fees may be similar to, but not exactly the same as, the federal law. For example, the federal law states that an expiration date may not be less than five years from the date of activation or "the last date that value was added to the card."

The state statute may only require a minimum five-year expiration from the card's activation. Let's say a merchant provides a promotional amount of value to the card for repeat business by the cardholder, then expires the card after five years from activation because the promotional value-add "didn't count." Does the federal law apply, or the state law?

The usage fees are more complicated in that there can be multiple state provisions with respect to fees that can be charged (if any), primarily regarding disclosure of those fees. States may prohibit certain fees that the feds permit (for example, dormancy), or have terms that vary with respect to the applications (for example, 24 months of card inactivity instead of 12).

In a more confusing context, if a card is purchased in one state (where the consideration is given), and the card is redeemed in another state (the state of the tender), and a law is violated, what state holds jurisdiction? Multistate retailers are correctly concerned with what the determination of law would be in this case.

Some states require that remaining balances be cashed out to cardholders who request this. Multistate retailers could possibly experience an influx of nonresidents wanting to cop a few bucks for the effort.

Program policies versus escheat laws

Many of our merchant customers have realized that, by eliminating expiration dates and fees, they can avoid the disclosure requirements of the federal law, and minimize the effect of any state law. But that method, in and of itself, does not prevent merchants from being bound by the "other laws" that affect their issuance of gift cards.

Most states have laws that protect unclaimed property, or escheatment laws. The federal government enacted unclaimed property laws years ago but leaves the issue mostly up to the states.

Gift cards, a recent phenomenon, are still being scrutinized as to how they will be handled. In short, an unclaimed balance owed to, or owned by, an individual can become a balance the state will attempt to match with its owner.

While most states have exempted gift cards and certificates, in a few states (such as Iowa), escheatment balances on gift cards can be considered abandoned before any expiration policy of the issuer, regardless of the federal statute.

If a state considers escheatment laws to be "more protective" of the consumer than the federal expiration and fee rules, that state could enforce the turnover of gift card balances for a search process that could potentially deny the use of a balance by a cardholder that would, in fact, be valid under the federal and state gift card laws.

Local provisions affecting gift cards are rarely seen. But one exists in Knoxville, Tenn., that prohibits employees from receiving gift cards as a gratuity.

As the federal and state gift card laws move toward an almost unpreventable collision, expect to see lawsuits in the next year or so that question the jurisdiction of enforcement. ☹

Thom Aldredge is President of World Gift Card, a turnkey gift and loyalty card program provider based in Plano, Texas. He is a spokesperson for the gift card industry and serves on the Electronic Transactions Association Government Relations Committee. Call Thom at 888-745-4112 or email him at thom@worldgiftcard.com.

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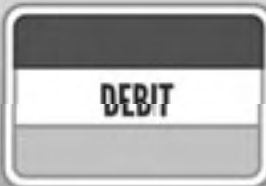
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CompanyProfile



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ISO/MLS benefits:

- Provides a simple, secure solution sales forces can sell
- Generates new hardware and services revenue
- Differentiates ISOs and MLSs with a private-label vECR
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- Routes transactions through ISO's preferred gateway/processor

POS in the cloud

Bill Pittman and Andy Chau gravitate toward the cutting edge of payments industry technology. "There's a little bit of gray hair and lots of experience at SoundPOS LLC," said Pittman, co-founder and President of SoundPOS.

Pittman founded GO Software in 1993 and developed PC-based processing software PCCharge, now owned by VeriFone Inc., that Pittman boasts is the industry standard. He sold GO Software to ShopNow.com in 1999. It was then that he met Chau.

Chau, Chief Technology Officer at SoundPOS, had been the Chief Software Architect at 4thPass (now a subsidiary of Motorola Inc.) where he designed the company's original mobile application server that now reportedly services over 250 million users. Chau had spent several years at Network Commerce Inc. as a Senior Software Architect designing and implementing a payment transaction processing system. He'd also worked at Microsoft Corp. on the Microsoft Money and Windows CE teams.

Together, Pittman and Chau founded TPI Software in 2001 and developed SmartPayments, client-server transaction processing software that today is used by many of the largest U.S. processors and payment gateway providers, Pittman said. After Hypercom Corp. acquired TPI in 2007, the dynamic duo asked themselves what they would do if they could do it all over again. Their answer was to develop a next-generation POS solution built on security, new technology and ease-of-use – all on a software-as-a-service (SaaS) platform.

They formed SoundPOS in January 2009 to advance retail efficiency by applying new technology that would enhance retailers' POS solutions. SoundPOS collaborates with value-added resellers and merchant services providers to reduce costs, while improving efficiency for small to mid-sized retail merchants, Pittman noted.

Cloud computing

Pittman and Chau built the software behind SoundPOS based on the virtual cash register (vECR) concept. They capitalized on technology advances to bring to market a secure POS system delivered over the Internet. The result is software that ISOs can sell to help differentiate themselves from the competition.

SoundPOS offers integrated processing for a range of transaction types, including credit and debit card, ATM and electronic benefits transfer. It also provides electronic check verification, guarantee and conversion, as well as electronic signatures and receipts and check image capture and retrieval. Its secure, on-demand SaaS model allows retailers to take advantage of the latest technology while remaining focused on maximizing their growth and profit potential, Pittman said.

SoundPOS was recognized as a leading POS innovator in a March 2010 report by Mercator Advisory Group. The Boston-based advisory firm identified SoundPOS as "the first cloud-based POS solution provider to fully embrace

Company Profile

the notion of the vECR," and thus realize the benefits of cloud computing. "Cloud computing is not really a new paradigm," Pittman said. "It's similar to the idea of using a mainframe where you share resources with dumb terminals, but it is an evolution of current products and technologies made possible by the Internet."

Pittman pointed out that payment terminals and cash registers only run payments, while SoundPOS provides software that leverages new web delivery technology. SoundPOS offers an open and secure hosted back-end infrastructure platform that provides these services to any device, on any operating system, at any time, Pittman explained.

Virtual electronic cash register

SoundPOS's vECR is a hosted, thin-client, browser-based solution that manages basic business processes such as sales history, receipts, cash drawer and so forth. The only setup requirements are a web browser and Internet connectivity, according to Pittman. The vECR solution is designed to be browser-based but actually functions on any web-enabled device. It's a simple-to-use graphical user interface built with the latest Ajax and rich Internet applications technologies, he said.

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running the program, Pittman added. Security issues are resolved by using SoundPOS' own architecturally distinct payment program, PayLink, which is Payment Card Industry (PCI) Data Security Standard (DSS) certified. PayLink routes transactions to PCI certified payment gateways for processing and leaves no sensitive payment information on merchants' servers.

Pittman believes any sales force can use SoundPOS to generate new hardware and service revenue. With the SoundPOS private-label program, applications look like an ISO's unique product, with its own brand and logo. Pittman said SoundPOS is priced for resellers, so ISOs can charge standard markup fees and still earn generous margins.

The solution is a competitive response to PC-based POS vendors offering bundled merchant services, Pittman added. It also allows ISOs to maintain control by routing transactions to their gateways/processors of choice. In addition, vECR is backed by dedicated sales and support managers trained to help customers grow, Pittman noted.

One satisfied customer is SureGate LLC. Cliff Gray, Chief Technology Officer at SureGate, said, "For us, SoundPOS' vECR represents the future and is a win-win for SureGate and our merchants. It's a modern, feature-rich product with all the benefits of cloud-based technology, including PCI de-scoping and maintenance-free upgrades for the merchant."

Mercator said more than half of the United States' 26.8 million small businesses are currently using computers. In the past, small businesses employed countertop terminals or browser-based solutions for MO/TO and low-volume walk-up sales. As the consultancy stated, the SoundPOS vECR solution is one of the first cloud-based retail solutions that helps small businesses utilize the benefits of cloud computing, including automated updates and low cost of entry.

Pittman emphasized that, with little information technology (IT) expertise required and only days needed for implementation, vECR is a win-win for ISOs and their merchants. It enables both parties to benefit from the latest technologies without having to invest in IT infrastructure and personnel. It is also geared for merchants conducting business in multiple places using multiple devices.

"We've designed this so it's turnkey," Pittman said. "If you have to read a manual to operate something, it's not worth it. Everybody wins if you don't need support, and you don't need support if it doesn't break down in the first place." This ease of use doesn't mean SoundPOS skimps on customer service, however: dedicated sales and support managers are at the ready to back the vECR service should any issues or questions arise.

Simplified payment integration

PayLink is a secure, hosted payment development tool

that integrates with virtually any POS system, Pittman said. It's constructed like an e-commerce shopping cart integration, only for the brick-and-mortar, card-present retail world. PayLink off-loads the payment processing from the POS, processes the payment and returns to the POS a token for secure retrieval and tracking of the transaction.

Pittman explained that PayLink has an application programming interface that simplifies the integration process and reduces development time, costs and maintenance.

He added that the cutting-edge technology provides secure, fast, efficient and affordable payment processing to customers, so developers can focus on their own POS applications without having to become payment experts.

PayLink is Payment Application DSS certified, which can significantly reduce the scope of PCI compliance for merchants who use it. With enhanced-security payment processing off-loaded to a secure PCI certified data center, development occurs more quickly and cost effectively, according to Pittman.

PayLink secures data remotely, so a merchant's POS system never "touches" the card information, he said, adding that since merchants don't store card data in their systems, there is nothing for hackers to steal. In addition, PayLink also sports enhanced support for new PIN pads and signature capture devices.

Wave of the future

Financial services consultancy Gartner Inc. predicts that, by 2012, 20 percent of IT services will be provided by hosted or "in the cloud" solutions. International Data Corp. predicts global sales of cloud computing products will grow from \$16.5 billion in 2009 to \$55.5 billion in 2014.

Pittman believes ISOs should start looking into cloud-based POS services. "ISOs are facing tremendous challenges these days, including eroding profit margins," Pittman said. "We've built a solution that this channel can sell, a

product to overcome the threats posed by the industry so the ISOs can be viable and successful in this arena."

ISOs maintain profitability by keeping their merchants profitable. Pittman said SoundPOS keeps its prices competitive for ISOs and merchant level salespeople so they can add revenue and profits but, more importantly, help their retail customers become more successful with products that will help them solve their business needs.

Pittman is confident that, with its solid back-end relationships with banks and other financial institutions, along with its cutting edge technology, SoundPOS can keep ISOs and their merchants competitive and growing. ■



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NFC race heating up

The race to capture the U.S. market with a viable near field communication (NFC) payment product grows more compelling as prominent players in the payments, technology and telecommunications spheres move forward with NFC projects.

Google Inc. revealed plans to release a new Android phone using its new operating system, Gingerbread 2.3, which will incorporate an NFC chip that, in addition to reading radio frequency identification tags, will communicate with other NFC-enabled phones and POS payment systems.

The announcement was made by Google Chief Executive Officer Eric Schmidt at the Web 2.0 Summit held Nov. 15 to 17, 2010, in San Francisco. In the same week, a group of companies that includes AT&T, T-Mobile USA, Verizon Wireless, Discover Financial Services and Barclays Bank confirmed it is forming a venture, called ISIS, to build a national mobile payment network.

News that this consortium was piloting an NFC project in several U.S. cities was initially reported in August 2010. Now, the project has been officially confirmed and its expansion beyond the pilot phase revealed.

ISIS intends to provide NFC capability to the 200 million mobile users who subscribe to either AT&T, T-Mobile USA or Verizon services, using Discover's payment network (which serves about 7 million merchants). Newly named ISIS CEO Michael Abbott, who was formerly Chief Marketing Officer of GE Capital, said the company anticipates having the network up and running within 18 months.

Questions to answer

It is not clear what options users of the ISIS network will have for paying – whether payments will require a Discover credit line or whether the network will open itself to other forms of payment, such as different payment cards or alternative payments settled with mobile carriers or other entities.

It also isn't clear if the network will confine itself to phone-based NFC or include card-based NFC, which would presumably require embedding an NFC chip into consumer credit and debit – or, perhaps, prepaid – cards.

And Google has not revealed plans to partner with a major payment provider nor its intended business model for payment functionality. Yet analysts say Google has such a reputation for canniness and innovation that its role in shaping the future of NFC payments can't be

How near is NFC?

Near field communication, or NFC, is a short-range, high frequency wireless communication technology which enables the exchange of data between devices over about a 10 centimeter (around 4 inches) distance.

Source: Wikipedia

underestimated. (The same goes for Apple Inc., which is rumored to be adding NFC functionality to its next iPhone.)

"That's a big factor entering into this mobile explosion: is Google getting involved in mobile payments and going to the point of sale instead of just selling card not present over the web?" said Linda Mahy, CEO of Texas-based payment consulting firm Connective IQ.

"Everybody's doing the round robin speculation, and I'm really anxious to know who the other titans are going to be who get into this, and I think we're going to find that out pretty quickly." Mahy described a "chicken and egg" scenario that has thus far prevented NFC from taking off in the United States and needs to be solved before any project truly breaks the stalemate.

It appears both consumers and merchants are waiting for the other party to acquire NFC capabilities: consumers aren't interested in NFC-enabled devices if few merchants are equipped to accept them as payment forms, and merchants don't want to overhaul their POS systems to incorporate technology that customers aren't widely using.

Some companies are addressing the problem with what most agree are transitional technologies – like short message service-based purchasing or three-dimensional bar codes that can be scanned with smart phones – that mimic phone-embedded NFC and are less expensive to implement. Mahy said phone-embedded NFC products will be driven by "consumer pull instead of merchant push," and the emergence of new mobile devices that have NFC chips might be moving things in that direction.

Mahy said the missing component from most big NFC ventures is the inclusion of a major payment acquirer and/or processor with broad access to U.S. merchants, which, she said, would be the best way to attack the merchant adoption puzzle.

Discover's unique strengths

"I think the real winner is going to be the one that signs up with an existing payment leader," she said. "I think that's the other shoe that needs to fall. NFC is just one of the form factors, and I think the real winner will be a partner to somebody that has the existing rails and is the automated trusted service manager and has got the merchant reach."

Mahy believes ISIS is poorly positioned because Discover lacks the kind of leverage with major processors that Visa and MasterCard have. She added that a company such as First Data Corp. would be "swimming upstream against their customer base" to sign up with a venture like ISIS.

But Ken Musante, President of Calif.-based ISO Eureka Payments LLC, which specializes in mobile payments, said Discover has one clear advantage: it issues cards directly to its customers, rather than working through various issuing banks.

Also, if it issues its new cards through consortium partner Barclays, that's a single bank already on board with its new project. That may allow Discover to bring NFC to market more quickly – and to broaden its user base – by embedding it in its new credit and debit cards in addition to the phones of its mobile partners.

"If Discover is connected to a wide customer base, which they are, they can in essence hatch the egg through immaculate conception, because they can then put the appropriate technology on all of their cards to enable them to work with NFC," Musante said. "Visa and MasterCard can't do that with a flip of the switch because they are working through issuing banks. Because Discover owns the cardholders, if they say, 'we're changing our cards,' it's a much quicker process for them to do so."

Musante said it was also likely that Discover would employ an "open" platform where different payment companies could use its network for a variety of payment applications and methods, which would help reach a broader audience and enable NFC growth. ■

Proximity mobile payments get closer

While the landscape for contactless mobile payments is anything but settled, a new pilot initiated by a five-party partnership of financial services and technology companies seems to have sharpened the focus on the high-stakes game of who will control how payments are made at the POS with smart phones.

The partnership involving Visa Inc., U.S. Bank, DeviceFidelity, Monitise PLC and Fidelity National Information Services Inc. (FIS) resulted in a pilot program begun in November 2010 and set to be expanded next year.

The pilot centers on DeviceFidelity's In2Pay microSD card – technically a chip holding the mobile payment enabling near field communication (NFC)

DeviceFidelity said the microSD card is compatible with almost 65 percent of smart phones and personal digital assistants on the market today. Additionally, the company cited statistics indicating the card will function on 82 percent of mobile phone models shipped in 2010.

technology. The technology on the microSD card is compatible with Visa payWave contactless readers, which can initiate payments when certain mobile phones are waved over them.

For the pilot, U.S. Bancorp subsidiary U.S. Bank is issuing the microSD card to its employees who have AccelaPayVisa prepaid payroll cards, said Dominic

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Venturo, Chief Innovation Officer of Retail Payment Solutions at U.S. Bank.

A cardholder inserts the microSD card that contains the prepaid account information into the memory slot of a smart phone and then places a call to activate the card; this action is followed by a download of the mobile banking and payment application to the phone, Venturo said.

Monitise is supplying the front-end application in formats compatible with different types of smart phones. It is through the application that users can turn the microSD card on and off, Venturo said. FIS, which is already a partner of Monitise, is processing the payments over its prepaid card network.

The flexible hub

According to a DeviceFidelity white paper, the crux of the pilot is in the microSD card. The technology provider said current mobile contactless payment solutions lack flexibility for issuers and do not account for the needs of mobile phone users or the capabilities of mobile devices.

DeviceFidelity said its solution allows smart phone users to make current phones into payment devices and doesn't force them to buy new phones with NFC technology embedded in them.

And since the microSD card is portable, when users switch to other smart phones, they simply insert the cards into the new phones and then go through the activation process as before. "Being able to add the chip to an existing device solves a lot of problems," Venturo said.

DeviceFidelity said the microSD card is compatible with almost 65 percent of smart phones and personal digital assistants on the market today. Additionally, the company cited statistics indicating the card will function on 82 percent of mobile phone models shipped in 2010.

Because the card is compatible with a variety of mobile phones, issuers don't have to wait for new, NFC-enabled handset models to come to market, according to DeviceFidelity. Furthermore, since the chip card is separate from the phone, issuers can control the branding and user interface, the company said.

Control and conquer

For Todd Ablowitz, President of payment consultancy Double Diamond Group LLC, this new strategy for the implementation of mobile payments at the POS is part of a larger issue of who will control mobile payment transactions: Visa and the banks, the mobile telecommunication companies or the smart phone makers.

Ablowitz said the recently announced ISIS consortium is the telecoms' attempt to dominate the mobile payments market, at the expense of the banks and the largest

card brands. Meanwhile, Google Inc. is apparently going to take another stab at mobile payments with the release of the next generation of smart phones that run on the Android operating system and will be embedded with the NFC technology. (See "NFC race heating up," *The Green Sheet*, Dec. 13, 2010, issue 10:12:01.)

Ablowitz said, "These are approaches to keep control of the card data ... and the banks aren't going to be left behind. They will go out, and they will compete. They believe they are in the best position to win." According to Ablowitz, the card brands and the banks have an advantage in that consumers already have strong banking relationships and preferences in what bank cards they use to pay for goods and services.

The challenge for the brands and the banks is in "making sure they get these chips on phones, that it works in a seamless way, that it's a good consumer experience, and that the people will end up with them and have them in enough numbers," he said.

On the other hand, ISIS has the advantage of its consumer base of 200 million mobile phone subscribers, Ablowitz noted. But if telecoms are to gain control over the mobile payments sphere, they will have to make an offer "so compelling that consumers will switch because they see value in the payment mechanism," he added. With both sides having strengths and weaknesses, Ablowitz called the battle for supremacy in the mobile payments arena a "very fair fight."

Venturo views the competition as a healthy development that spurs the ecosystem to evolve. "To me that's a good thing," he said. Ablowitz predicts that one side will ultimately prove dominant. "And when that advantage becomes clear, the party that has the advantage is recognized as the winner and the other parties cave in and glom onto it," he said. "And when that happens – let's estimate two years out – everything comes together in one place and the market is ignited." ■

VeriFone pays \$485 million in stock for Hypercom

VeriFone Inc. has deep roots at the merchant POS. VeriFone terminals were the first to support POS electronic draft capture in the United States, and today VeriFone terminals account for about 62 percent of the domestic POS terminal market.

Now, with the news that VeriFone is acquiring its chief competitor – Hypercom Corp. – VeriFone is positioned to dominate the domestic and international markets for POS terminals and supporting systems.

In a statement released on Nov. 17, 2010, the two companies said they had a "definitive agreement" under which VeriFone will acquire Hypercom in a stock transaction valued at about \$485 million.

The agreement, approved by the boards of each company, calls for Hypercom shareholders to receive 0.23 shares of VeriFone stock for each Hypercom share they own, as of Nov. 16, when Hypercom shares were trading at \$7.32. VeriFone also assumes Hypercom's outstanding warrants and stock options as part of the transaction.

Seeking international clout

VeriFone's Chief Executive Officer, Douglas G. Bergeron, noted in the statement that the acquisition is in keeping with the company's strategy of replicating its success in the U.S. market in key European markets.

"Hypercom has established itself in a number of important European markets, and this acquisition is an excellent and complementary way for us to accelerate our overseas growth, increase innovation and build value for our shareholders," Bergeron said.

Hypercom has been vying with VeriFone for a share of the U.S. terminal market since the mid-1980s, when Hypercom, with headquarters in Australia and a significant share of the Asia-Pacific terminal market, set up shop in Phoenix.

VeriFone, with its roots in California, consistently held sway, never dipping much below a 60 percent market share. But Hypercom did gain share and had some major brand name clients, too, including Citigroup Inc. and Home Depot Inc. For its part, VeriFone has been building its international client base and trying to bolster its presence in the nascent mobile payment market.

On an acquisition roll

VeriFone made an unsolicited offer for Hypercom in September that was valued at about \$290 million, and which Hypercom rejected. The deal that was just struck is expected to close during the second half of 2011, subject to regulatory approvals and a final OK from Hypercom stockholders.

The acquisition of Hypercom is just the latest in a string of deals achieved this year by VeriFone. In October 2010, the company disclosed it would be working with PayPal Inc. on a mobile payment app, and that it had acquired a software development firm in Italy.

In September, VeriFone acquired Way Systems Inc. Way Systems was founded in 2002 with seed money from Bill Merton, a former VeriFone chief executive.

Its specialty has been mobile POS terminals and supporting gateway systems. The Hypercom deal is also the

The agreement, approved by the boards of each company, calls for Hypercom shareholders to receive 0.23 shares of VeriFone stock for each Hypercom share they own, as of Nov. 16, when Hypercom shares were trading at \$7.32. VeriFone also assumes Hypercom's outstanding warrants and stock options as part of the transaction.

third acquisition of a competing terminal manufacturer since VeriFone was taken public in 2005. In 2006, the company acquired Lipman Electronic Engineering Ltd., a terminal manufacturer based in Israel that had a modest U.S. footprint. ☐

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Giving from page 1

As a nonprofit research aid, *The Blackbaud Index of Online Giving* offers an online fundraising index that reports the 12-month online revenue trends of 1,787 nonprofit organizations across multiple sectors; *The Blackbaud Index of Charitable Giving* reports overall charitable revenue trends.

Both indices are updated mid-month based on a three-month moving average of year-over-year percent changes in revenue.

ISOs rise to the challenge

A new breed of philanthropy has emerged, which many in the payments industry have embraced. "We're seeing more thoughtful and larger partnerships between nonprofit organizations and corporations, where there is a real match between the corporate social responsibility goals of the corporation and the work of the nonprofit organization," Falk said. "It's looking more closely at how the nonprofit organization is helping the corporation advance its social responsibility goals."

As a certified B Corporation, Dharma Merchant Services offers a unique business model. "The 'B' stands for benefit," said Jeff Marcous, Dharma co-founder and President.

"There are only maybe 400 B Corporations in the nation, but to become a B Corp., you have to prove that you are committed to sustainable business practices, proper employee programs, volunteer efforts – somehow giving back to the community in the forms of supporting either environmental or social causes."

Dharma employs sustainable business practices throughout its enterprise, whether using recycled office products or working with a solar-powered web hosting service. The company also adopted an aggressive charitable giving program.

"We take 10 percent of our gross processing profits from the bankcard sales, and at the end of the year, we honor whatever charities our merchants choose by sending year-end donations to the charities they've selected," Marcous said.

Marcous realizes giving back 10 percent may not be feasible for everyone. "That's our model," he said. "I recognize that in the early couple years of our company, it was a bit of a hardship on the business to honor that, but there is something very satisfying about being able to provide support to the community."

To illustrate the interconnectivity that can exist between merchants and nonprofits, Marcous described a restaurant chain he works with in the San Francisco Bay Area.

After introducing the restaurant owners to members of the Oakland, Calif.-based nonprofit From the Garden to the Table, a group that offers nutrition education to low-

income families and connects them with local, organic produce suppliers, the restaurant chain earmarked its Dharma processing donation for the group.

Finding the right cause

The right match for charitable giving often strikes close to home. After a family member successfully overcame breast cancer, one of the founders of Century Payments Inc. approached the Susan G. Komen organization about forming a charitable partnership.

"He was really looking for a way to give back, and Komen was certainly a very beneficial organization to them," said Dana Pettit, Vice President of Marketing for Century.

Every Swipe Counts is the brainchild and umbrella program developed by Century to manage its corporate giving. For every merchant boarded through the program, a one-time donation of \$25 is made to the nonprofit organization, with ongoing donations ranging from 3 to 5 percent, depending on the partnership.

Century said it added the American Society for the Prevention of Cruelty to Animals as a nonprofit partner in September 2010 and plans to include other organizations in the future.

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CoverStory

"We have guaranteed minimum donations to both Komen and the ASPCA right now," Pettit said. "Komen's is \$450,000, and we will exceed that by far. We are doing a minimum \$300,000 donation to ASPCA. We're on track with both of these programs to deliver beyond the minimum commitments."

A similar type of embedded giving is the Pennies for Humanity program available through United Bank Card Inc. "The sales rep assists in the process, but basically the merchant picks one or all four of the charities they want to contribute to and how much they want to donate per transaction, and usually it's a penny," said Jared Isaacman, President of UBC. "The merchant's statement indicates how much we donated on their behalf that month."

While a penny doesn't seem like much, Isaacman said the compound effect of having thousands of merchants process millions of transactions can literally translate into tens of thousands of dollars for charitable organizations, which has proven to be the case with the pennies program.

Putting a playful spin on giving

As the longtime host of the popular charity poker tournaments held at each of the regional acquirers' shows, UBC

has donated between \$60,000 and \$70,000 to charities like the Make a Wish Foundation and the National Cancer Coalition from the proceeds collected through player entry fees.

"The one that's always consistently our highest fundraiser is the Northeast Acquirers show, the winter show," said Isaacman. "And that's probably because people are locked into a snowy mountain. They can't go out and really do much, so they go to the party. But that's always our biggest fundraiser, and that's coming up soon."

Another venue for fun, spirited philanthropy at work are the blue jeans Fridays at Merchant Warehouse, where employees suggest a weekly charity and anyone making a contribution can demonstrate support by wearing jeans on Friday.

Marianne Rocco, Marketing Director at Merchant Warehouse, said the jeans days have raised about \$25,000 for mostly local causes, including Boston Cares, a community support organization for the homeless and indigent.

Rocco said the way it works is that employees add the names of charities to a company list. When a charity is drawn, an email is sent to employees to the effect that, "Joe Smith would like for you to contribute to this foundation or cause, with a blurb about why he thinks it's important," she said. "Typically there's a personal connection to it as well. On Friday, when we get in, everybody contributes. Merchant Warehouse also matches employee contributions."

Deploying effective technology strategies

Auric Systems International, a developer of card-not-present payment software since 1994, said it would donate one year of software and technical support to qualifying 501(c)(3) organizations through next year.

According to Auric, its CN!Express payment application allows even the smallest nonprofit to accept donations securely online in a Payment Card Industry Data Security Standard compliant environment.

"This charitable gesture will enable a higher degree of donation and organization acceptance," stated Ray Cote, Chief Executive Officer at Auric. "These are challenging times. We want to make accepting payments easier and secure for organizations." For this purpose, Auric has established a landing page at www.auricsystems.com/giving2011.

Sage North America also offers a fully integrated fundraising management system for nonprofits. And Blackbaud Merchant Services is now on board with an integrated payment and donation processing solution for nonprofits through its secure Blackbaud Gateway.



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CoverStory

Giving fosters innovation

The nonprofit-oriented brother and sister team of Ken and J.J. Ramberg paired up in 2005 with an innovative approach to philanthropy that has since blossomed into an online network involving over 94,000 nonprofits and schools nationwide.

"When we saw how much money search engines were making from advertisers, which at the time was \$6 billion, we thought, 'What if we could figure out a way to redirect some of that money to good causes,'" said J.J. Ramberg, GoodSearch co-founder. "We called up Yahoo, convinced them to do it with us, and created GoodSearch.com."

GoodSearch is a Yahoo-powered search engine that allows users to designate a charity or school. A donation to charity is made each time a search is generated through its search engine. Ramberg said GoodSearch donates 50 percent of what it earns to charities, which amounts to about a penny per search.

"We have a sister site called GoodShop.com, where we've partnered with about 1,600 retailers: Amazon, PetCo, Toys 'R' Us, basically anywhere you'd already shop," she said. Users designate a charity on GoodShop.com and click through to the retailer's website, where a percent of each

online purchase is donated to charity. Inventive players are also vying for space in the mobile giving sphere.

Among them, CharityCall LLC offers a mobile platform that enables donors to support charities and causes through its interactive, web-enabled smart phone application. Digital messaging software company Waterfall Mobile recently partnered with Mobile Accord Inc.'s mGive to deliver a platform that allows nonprofit organizations to accept mobile donations charged to the user's cell phone bill.

The reciprocity of giving

The general consensus among ISOs interviewed for this article was that linking payment processing with charitable giving can send a powerful message to everyone involved with the transaction. Most found that offering merchants an automated giving program tends to generate more initial interest in their services.

Once signed, participating merchants and their customers remained loyal to the program, due in part to the fact that every transaction benefited a charity, the ISOs reported.

"Social responsibility isn't about writing checks all the time," Marcous said. "It's about caring and giving back and getting involved." He estimates that 80 to 90 percent of the leads he receives are one-call closes.

Many merchants and nonprofits call to sign up after visiting Dharma's website, where he said they disclose everything from the pricing matrix to details about the company's charity program. "Most organizations probably spend a lot of money on lead generation," Marcous said. "We don't have to do any of that."

Pettit said Century Payments has "seen interest in this program go up, and that's what we're trying to understand and quantify. I think part of it is that people are in a position where maybe they can't donate like they used to and this becomes a way where you really can. There's no out-of-pocket expense, but yet you're still contributing. I really believe that that's part of what's driven the success."

Nonprofit consultant Falk agrees. Over the past two years, she's observed that most individuals have either scaled back or consolidated their charitable giving. She believes this trend will continue but is optimistic the American philanthropic tradition will prevail as people search for creative ways to balance spending.

Marcous urges those involved in the payments industry to make a commitment, whether it's a donation of time or donating a portion of profits, to a cause. "Businesses are taking debit and credit already," Pettit added. "So why not take that and make it into something that is more meaningful?"

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The top 25 U.S.-based charities

In December, along with holiday shopping, many individuals and businesses are making decisions about their year-end charitable donations. Have you ever wondered which nonprofits are getting the most support? Here is a chart of the 25 largest U.S. charities, ranked by *The Nonprofit Times* according to each organization's total 2009 income.



| Rank | Name | Category | Total 2009 income (\$ in millions) | Percent of total expenses spent on programs | Website |
|------|--|---------------------|---------------------------------------|---|--|
| 1 | YMCA of the USA | Social services | 5,843.9 | 84.1 | www.ymca.net |
| 2 | Catholic Charities USA | Social services | 4,270.3 | 85.2 | www.catholiccharities.org |
| 3 | United Way | Social services | 4,128.8 | 86.2 | www.unitedway.org |
| 4 | Goodwill Industries International | Social services | 3,676.0 | 81 | www.goodwill.org |
| 5 | American Red Cross | Social services | 3,301.8 | 91.9 | www.redcross.org |
| 6 | The Salvation Army | Social services | 2,611.2 | 81.7 | www.salvationarmyusa.org |
| 7 | Memorial Sloan-Kettering Cancer Center | Hospital/med center | 2,188.3 | 94.4 | www.mskcc.org |
| 8 | Boys & Girls Clubs of America | Youth | 1,470.0 | 81.8 | www.bgca.org |
| 9 | Habitat for Humanity International | Social services | 1,342.3 | 84.7 | www.habitat.org |
| 10 | Easter Seals | Health | 1,270.8 | 85.9 | www.easterseals.com |
| 11 | World Vision | Relief/development | 1,221.4 | 88.1 | www.wvi.org |
| 12 | AmeriCares Foundation | Relief/development | 1,192.7 | 99.1 | www.americares.org |
| 13 | Feed the Children | Relief/development | 1,189.2 | 93 | www.feedthechildren.org |
| 14 | Boy Scouts of America | Youth | 1,126.1 | 86.8 | www.scouting.org |
| 15 | Smithsonian Institution | Museums | 1,114.9 | 58 | www.si.edu |
| 16 | Planned Parenthood Federation of America | Health | 1,091.4 | 83.3 | www.plannedparenthood.org |
| 17 | Food For The Poor | Relief/development | 1,086.2 | 96.9 | www.foodforthe poor.org |
| 18 | Volunteers of America | Social services | 916.7 | 89 | www.voa.org |
| 19 | American Cancer Society | Health | 897.1 | 72 | www.cancer.org |
| 20 | City of Hope and affiliates | Hospital/med center | 891.2 | 83.2 | www.cityofhope.org |
| 21 | The Nature Conservancy | Environment | 856.2 | 77.8 | www.nature.org |
| 22 | Dana-Farber Cancer Institute | Hospital/med center | 816.5 | 85.7 | www.dfci.harvard.edu |
| 23 | Catholic Relief Services | Relief/development | 777.3 | 95.2 | www.catholicrelief.org |
| 24 | Girl Scouts of the USA* | Youth | 752.7 | 81.8 | www.girlscouts.org |
| 25 | United States Fund for UNICEF | Relief/development | 746.2 | 94.7 | www.unicefusa.org |

* Fiscal year end 2008

Source: The Nonprofit Times



Education

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Enlightening talk about gateways

By **Ken Musante**

Eureka Payments LLC

As payment professionals, we are all familiar with the gateways we use and recommend. Some of us make gateway decisions based on pricing, integration ability with third-party products, reseller support, customer service and our familiarity with the gateway.

In trying to learn more about gateways and their functionalities, I posted the following on GS Online's MLS Forum: "What payment gateway do you use and why? What are the pros and cons of a proprietary gateway? As always, feel free to expand the topic."

MGORGE responded first, stating, "I'm a big fan of Plug-n-Pay. They have the total package: All the bells and whistles, great documentation for integration with shopping carts and their APIs; connectivity to most front-ends; knowledgeable and accessible support staff; state of the art hardware.

"The only deficiency is their user interfaces aren't pretty. They work and are functional but could use a face-lift. As an added note, if there is a business case presented, they always go the extra mile to make the deal happen.

"There are many other great gateways out there. I have been impressed with eProcessing Network's feature set. ... I think the current trend of processors offering their own gateways will put some pressure on the independent gateways."

CCGUY agreed with **MGORGE** with respect to ePN. He said the company has "a lot of interesting offerings." He also noted that GoToBilling.com has "some great features, customer data base, API, invoicing, email marketing, reporting features, credit cards and ACH all in one cus-

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tomers profile ... many great features for ... MO/TO and Internet merchants."

JESTEP raised an issue oft considered when selecting partner vendors. Regarding his choice of Network Merchants Inc., he stated, "They don't compete against you, unlike [other gateways].

"Big reason. They are also lower cost for our customers, and they have all of the features of any other gateway (recurring billing, card vault, fraud screening, retail integration, check services, very good API [application programming interface]).

"Many of the features that gateways charge for are included (recurring billing being the most common), and the other ones are very reasonably priced."

AZMIKEY30 shared a processor's perspective and insight in comparing gateways. "As a processor and an ISO we support several different gateways," **AZMIKEY30** reported. "Part of this is out of necessity. Meaning ... agents and offices sell what they are comfortable with. By supporting multiple gateways, we can better support the agents.

"As a processor we take on the billing for the gateways, which helps provide the merchants with a streamlined month-end process as they get one debit, one statement.

"From a practical perspective, we break up the gateways based upon what we typically see as their areas best

served. Some gateway providers try to be everything to everybody and often end up just being average at everything.

"Auth.net/PayPal – both are for the mass market, low-volume merchant or those not needing much assistance in the development process. Many merchants already use these guys, so it makes sense from a conversion and support perspective to have these in the stable.

"Neither of these would be the first choice for new merchants, unless they already are using either of them. Auth.net because they are now owned by Visa, and PayPal because, well ... who knows what PayPal will be in two to three years, and do I really want to be sending merchants their way today?

"eProcessing – is a gateway that we are rolling out, primarily for support of QuickBooks, their virtual terminal and their JPOS virtual terminal solution swipe/nonswipe. To me, this becomes the leading option other than Auth.net or PayPal.

"TrustCommerce's sweet spot is the mid- to large-tier merchant needing custom integration, accessible technical support and P2P encryption for retail. Any merchant requiring developmental support, I have no problem turning over to these guys.

"They have some top-notch clients which help in securing the mid-large tier merchants. Not the least expensive, but they service the merchants and the attrition is low. I don't have the expertise to work the technical side; these guys do.

"Apriva – I'm not sure that anyone really does wireless better than these guys. They are not the cheapest, but the stuff works day in and day out, and their support is of great value."

DEE MALIK shared his appreciation for ePN, stating, "I like eProcessing Network because of their time in business, their commitment to our channel: meaning, not selling against us – and their technical innovation. Their new app looks to be a very exciting addition

to what they offer. ... The ability to visit their site and self-train is fabulous, and they seem to build apps with our channel in mind.

"Their services work with both check companies and the gift card company that I use. Even I can figure out their recurring billing program. The folks that I have contacted are knowledgeable and pretty easy to talk to. ... When you look at what they offer, it is amazing that they will deal with you at the ISA/MLS and not just the larger ISO/processor."

MAKETELINC gave shout outs to eProcessing and USA ePay. "I use ePN. ... I like it [and] for a little more money, USA ePay may do a lot more. Programmers like it better. I find it a different animal made for the larger merchant; it sells batches of 5,000 transactions" for a nominal fee.

CCGUY plugged his favorite gateway. "While the gateway gotoBilling is not widely used, the gateway has a great home page; everything is tabbed," he noted. "There are videos throughout the software so merchants can watch videos on how to do things.

"The invoicing feature is awesome. Customer data base and the import and exporting of customer data and sales data is something merchants love. Instead of a QuickBooks plug-in they have a QuickBooks Sync, and merchants love it."

SALESAMS listed what he seeks from a gateway, paraphrased as follows:

- There should be a quick link to the virtual terminal that's easy for the merchant to navigate.

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Education (continued)

- Fraud prevention technology should be built in and not at an additional expense.
- Automatic recurring billing is a nice feature if it's user friendly.
- Smart-phone integration is a plus, i.e., a smaller version of the virtual terminal so merchants can pull up the browser with ease and run transactions on their smart phone.
- A gateway that's compatible with check and ACH programs is also a plus.
- Not being a direct competitor selling merchants accounts (or farming them out the back door) is a must.

SALESAMS' criteria are excellent. Anyone out gateway shopping can use them as a punch list. I would add the following for my ideal gateway:

- **Ease of integration:** A strong integration API is key for developers and hosting service providers. A primary element is a strong developer's library that supports multiple programming languages, third-party developer application support, and carts and certified solutions support that we merchant level salespeople (MLSs) can direct developers to.

- **Gateway features:** Does the solution provide comprehensive tool sets to help merchants manage their business? Good gateway services build their value-added services around a customer management system or customer database. Customer databases that assist merchants in managing their business are much more crucial than stand-alone features that lack scalability.
- **Multiple processing platforms:** Due to the ever changing marketplace, a gateway should support more than one processor, transaction type and communication protocol. As markets change, it is important for these solutions to have diversity to work with multiple merchant types and opportunities.
- **Customer support services:** Providing quality customer support to merchants is critical. Does the provider make merchants jump through extra hoops to issue credits or pull older data?

The most surprising aspect of the replies is the absence of comments on certain unique gateway features. The only added feature I regularly use is a gateway for wireless processing. Again, both ePN and USA ePay (as well as Apriva and Authorize.net) have several solutions I recommend to merchants. Forum members did not discuss

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features like dynamic descriptors, convenience fees, fraud databases, Level III data or PIN debit.

To broaden the conversation, I reached out to a knowledgeable industry professional, Ido Meros, President of Check21.com LLC. I asked Meros to describe some of the unusual features he is building to differentiate his gateway.

Meros described the following planned additions:

- Automated card account updater service to notify merchants not only when a card is expiring or being replaced, but also of the new expiration date (and account number, if appropriate) – a tremendously useful feature for merchants with recurring transactions.
- An affiliate module to track chargebacks by affiliate and publisher. This will enable merchants to track and dynamically reject transactions from specific affiliates and/or publishers.
- Dynamic descriptors to allow merchants to comply with the card network descriptor rules, while still giving cardholders ample information in the descriptor line to identify or question charges.
- A fraud scoring system that rates transactions

based on a number of factors such as IP address, cardholder information, spending habits and other proprietary data points.

As you can see, gateways are more than just commoditized virtual terminals. Many have evolved into complete processing platforms that have more functionality and features than traditional solutions.

While the conversation focused on the more widely used gateway features, I hope this article provided each of you some basics on the criteria that MLSs are seeking in a gateway.

More importantly, those who contributed posts to this article are available on the MLS Forum. Should you have more in-depth questions, send them private messages through the forum.

Respondents have been very generous with their knowledge and even freer with their advice.

Until next time, when in doubt, sell something! 📺

Ken Musante is President of Eureka Payments LLC. Contact him by phone at 707-476-0573 or by email at kenm@eurekaypayments.com. For more information, visit www.eurekaypayments.com.

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Education (continued)

Stay tuned to your needs when selling

Jeff Fortney

Clearent LLC

For many of us, the radio is a constant companion. In the car, we preset our favorite channels; on road trips, we seek stations that play the format we most like to hear.

Our tastes range from pop to talk, country to smooth jazz. Many car radios even have a scan function so you can get a snippet of a station and decide if it's a keeper.

Just as we have favorites, we have formats we don't like. Often, we'll switch from a station simply because we have such strong feelings about the song being played.

If you've ever been on a road trip with teenagers, you know how selecting the radio station to play can cause constant arguments. When my wife was young, her father eliminated that issue by purchasing a car with no radio.

However, even though we all have different tastes, there

is one station everyone listens to, everyone recognizes and everyone seeks. It's WII-FM, also known by its full name, What's In It For Me.

Yes, everyone listens to this station, even the most philanthropic of us. What is in it for someone may be a warm feeling of helping someone, but it's still a consideration.

Losing your signal

Unfortunately, in the payments world, merchant level salespeople (MLSs) often lose the WII-FM signal. For example, you have an appointment with a retail store – not a large store, but one doing a sufficient amount of volume to make it a good prospect.

You have mentally prepared for the meeting and have set your expectations. You have even set your "walk away" price, the rate you won't drop below. You are confident both in your presentation and what you have to offer.

Upon entering the store, you start with admirable aplomb, but as the conversation progresses, you slowly lose control of the meeting. In fact, the prospective merchant customer is now in full control. The merchant tells you what he wants in service, equipment and even price.

You know the merchant's service expectations can be met, but there is a catch on the reporting needs. And even though you are familiar with the merchant's preferred terminal, you aren't sure it will do what the merchant wants it to do. And last but not least, the price is below your minimum.

Then you stray from your plan. You want the deal so badly that you answer yes to all of the prospect's requirements even though you know most of them are iffy at best.

The merchant signs a contract, and you walk away happy – or so you think – until you discover you can't meet the stated reporting needs, and the terminal won't do what you promised. You spend days trying to find a work-around, and it doesn't work to the merchant's satisfaction.

Instead of listening to WII-FM, you forgot that retailers listen to their versions of the same channel, and your prospect's signal was stronger than yours.

You became desperate, and in so doing you created serious problems. You also cut off future business from merchants this unhappy customer could have referred to you.

Even if you find a way to fix the reporting and the terminal issues, you are still making less than you intended. And you live with this until the merchant leaves your portfolio, which won't be soon since you are below the market price.

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Merchants will tell you everything they want, not necessarily what they need. It's your job to identify what they need, and if you deliver it, they will be satisfied.

Staying tuned

This example is all too common, yet scenarios like this can be avoided by following these three simple rules:

1. Keep in mind that your prospects' agendas are different than yours. Merchants aren't looking out for you; they are looking out for themselves.

No matter what they say, you are more of an expert in payment processing than they claim they are. Look out for yourself; no one else will.

2. Stick to your plan no matter how painful. If you are forced to drop below your profit floor, walk away. Don't let the excitement of the sale determine its value.

You set your bottom price for a reason, and that reason should be grounded in your business plan. If you move off that floor, it will move your goals farther away.

3. Remember that honesty is always best. A successful MLS doesn't lie or deceive to make a sale. Our industry is built on residual income. If a relationship begins with a lie, the long-term income it can provide is immediately at risk.

If a merchant asks for something you are unsure you can deliver, fess up, and say you will find out what is possible. And do this before you sign the agreement.

Merchants will tell you everything they want, not necessarily what they need. It's your job to identify what they need, and if you deliver it, they will be satisfied.

Meanwhile, WII-FM should be your "station" of choice, running all the time. Listen to it during every sales call, and you will avoid those "what did I just do?" moments. 📺

Jeff Fortney is Director of Business Development with Clearent LLC. He has more than 12 years' experience in the payments industry. Contact him at jeff@clearent.com or 972-618-7340.

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Ensuring sales and marketing success in 2011

By Peggy Bekavac Olson

Strategic Marketing

The fourth quarter is typically when companies develop business plans and budgets for the coming year. But for many businesses, sales and marketing planning is difficult. They struggle to create plans for growth that are actionable, easy to follow and aligned with business strategy.

The reasons companies struggle include the absence of a clear plan for growth, gaps in sales and marketing skills, a lack of sales and marketing alignment and a shortage of resources needed for execution, such as staff and money. So what can you do if your payment company is struggling with these types of problems?

Four key best practices

Here are four key sales and marketing planning best practices:

1. Base your sales and marketing efforts around a clear and singular view of the buying process (the

"buyer's journey") rather than focusing on the mechanics of your internal sales cycle.

2. Identify the number of prospects needed to funnel enough buyers through the steps of the buyer's journey.
3. Create a detailed, coordinated sales and marketing plan that identifies the tactics capable of moving buyers through these steps.
4. Measure the actual progression of prospects on the buyer's journey so tactics that work can be fortified, while those that don't can be shelved.

Let's look at some specifics on addressing the difficulties around sales and marketing planning.

Remedy the situation

Bring key members of your team together in a planning session to:

- Review corporate strategy, define business objectives and develop revenue goals
- Outline or diagram the buyer's journey or funnel process for your business
- Review your marketing mix (product, price, place and promotion) and select the best possible tactics to employ from both sales and marketing perspectives to support each step and accelerate the buyer's journey in an integrated approach (this can include advertising, events, publicity, social media, direct mail, telemarketing, email marketing, content marketing and so much more)
- Describe what success looks like for every tactic chosen by setting goals and objectives and developing metrics
- Predict potential gaps in sales and marketing skills, effectiveness and resources for every stage of the buyer's journey and identify ways to shore them up
- Develop budgets and secure funding for all tactics selected
- Objectively and systematically review your plan to gain across-the-board agreement before rolling it out companywide

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Once your plan is approved, have your sales and marketing leaders create detailed timelines, deliverables and milestones for each campaign, activity and initiative in the plan. This helps ensure that only approved activities receive needed human and financial resources. This rigor brings complete transparency, accountability and alignment into the planning process by providing all stakeholders full visibility around objectives and schedules.

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Education

You'll want to manage and fine tune the implementation of your sales and marketing plan throughout the year, reviewing your progress at least quarterly and adjusting the plan as needed.

Next, take all necessary actions to prepare for the execution phase, such as securing any new employees or vendors to support your efforts or conducting training to improve sales and marketing skills. You'll want to manage and fine tune the implementation of your sales and marketing plan throughout the year, reviewing your progress at least quarterly and adjusting the plan as needed.

Need more help?

Take a look at some of my previous articles in *The Green Sheet* for additional help. "The annual marketing plan," Dec. 14, 2009, issue 09:12:01, and "Sales and marketing: Allies, not foes," May 10, 2010, issue 10:05:01, contain great tips to help you effectively tackle important aspects that affect the sales and marketing planning process.

To start the year off right and make sure your plan is solidly in place, you may even want to seek professional

help and guidance. Sales and marketing planning is critical to achieving your business and revenue goals, and there's no time better than today to get started.

Having a clear plan for growth that everyone in your organization understands and can execute on, securing adequate staff and financial resources, addressing deficiencies in sales and marketing skills, and aligning sales and marketing will plot the course for your success in 2011. So what are you waiting for? It's time to step up and plan to get results. ■

Peggy Bekavac Olson is the founder of Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payments companies, after serving as Vice President of Marketing and Communications for TSYS Acquiring Solutions for more than five years. She can be reached at 480-706-0816 or peggyolson@smktg.com. Information about Strategic Marketing can be found at www.smktg.com.

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PCI: The year in review, the year to come

By Tim Cranny

Panoptic Security Inc.

With the new year approaching, it's good time to step back and review what 2010 was like for the Payment Card Industry (PCI) Data Security Standard (DSS) compliance program, and look at what has gone right, what has gone wrong, and what ISOs, banks, and the rest of the payments industry should expect in the coming year.

2010 in review

The year 2010 was basically one of steady, unspectacular progress: the standard itself was expanded and refined to some degree, and the industry as a whole saw incremental improvement in the compliance and validation rates across the board.

Also, another year's worth of exposure made PCI more familiar to merchants, their banks and ISOs, and security issues became a more routine "part of doing business" for everyone. All of this is real progress that directly serves the ultimate goal of PCI: to protect cardholders, their privacy and their transactions.

As described, this might sound like a fairly mediocre year in many ways, but it's probably unrealistic to ask for much more.

A program such as PCI is very hard to implement; it asks busy people to do difficult, inconvenient things for obscure reasons, all in the middle of tough economic times. (And you can't implore merchants to take time to understand the relevant issues because the challenge is getting them to devote any time to PCI in the first place.)

A core issue with PCI remains the fact that it demands expertise from merchants, and the majority of merchants simply do not have that expertise, nor do they have an easy way of obtaining it.

This is particularly a problem for Level 4 merchants, and while some companies know how to solve this problem, the industry as a whole is still trying to come to grips with it.

A matter of speed

During 2010, other trends also became more visible. One such trend is that as PCI matures, it gains weight and inertia as a growing set of expectations, documentation and processes, and that makes it harder to make changes nimbly and swiftly. Doing so would confuse a lot of people in the industry and would likely be seen as a show of inconsistency, not a show of initiative.

Pushing too hard to change course too quickly at this point is guaranteed to create nothing but a backlash, which would be counterproductive.

Thus a genuine structural problem exists because on the one hand, the standard can't change too quickly without giving everyone whiplash.

But at the same time, the underlying reality can and does change quickly. (This relates to the speed with which technology changes and the fact that security is always an arms race or fight between the "good guys" and "bad guys.")

The security situation changes continually for the same reason football players move around all the time: they're trying to get past or to stop the opposition.)

This all means there are only two simple choices for PCI: "too slow" or "too fast" – either move too slowly to deal with the real threats and changes to the security world, or move too quickly to be acceptable as a formal process.

The response to this from the PCI Security Standards Council in 2010 – and it's the right one – has been to gradually evolve PCI away from either of these simple choices toward something that is more complicated, but also is consistent and flexible enough to deal with these issues.

This risk-based approach will take some years to coalesce, but when it does, the standard will be structurally better at dealing with this core issue.

What worked and what didn't

Another change that we saw in 2010 is that the industry now has enough history with PCI for first-generation solutions and approaches to have built up a track record, and we can see which ones work well and which do not.

Understandably, significant change or disruption has occurred in the Qualified Security Assessor (QSA) space, because consulting is a fairly mature, stable type of busi-

A core issue with PCI remains the fact that it demands expertise from merchants, and the majority of merchants simply do not have that expertise, nor do they have an easy way of obtaining it.

ness; however, dealing with Level 4 merchants is a complicated business, and one where old, established solutions do not exist.

There are signs that the early companies that moved into the QSA space are being supplanted by later, more sophisticated and feature-rich alternatives.

We see a steady migration of ISOs and banks away from these first movers and expect this trend to continue throughout 2011, with simplistic web-form based solutions being replaced by solutions that recognize that ISOs and banks need tools and resources to help them implement soup-to-nuts, long-term PCI programs.

What 2011 will bring

Ideally, the new year will be a continuation of the old, not because 2010 was such a wild success, but because continuity and incremental change is the only viable strategy for a maturing standard such as PCI.

The changes we expect to see to the standard and the industry include:

- A continued slow move toward a more risk-based approach to security
- An escalation in attacks against small merchants (This trend is driven, incidentally, by the success to date of PCI's efforts in improving security at larger merchants. Rather than go away, the attackers are shifting focus to the more vulnerable, smaller merchants.)
- A growing recognition that smaller merchants need PCI programs that are more sophisticated and comprehensive than some of the older solutions in use today
- Higher expectations on ISOs, acquirers and others regarding their PCI programs for smaller merchants
- A greater emphasis on explicit metrics for defining and tracking success with PCI programs
- Growth in the international

nature of PCI, with other parts of the developed world starting to catch up with the United States


PCI is a messy combination of technology, security, politics and money issues, but ISOs and others who prepare for the coming changes will have a simpler, more successful year ahead. ■

Dr. Tim Cranny is an internationally recognized security and compliance expert and is Chief Executive Officer of Panoptic Security Inc. (www.panopticsecurity.com). He speaks and writes frequently for the national and international press on compliance and technology issues. Contact him at tim.cranny@panopticsecurity.com or 801-599 3454.

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PCI changes, incremental step toward industry compliance

By Paul Rasori

VeriFone Inc.

End-to-end encryption of payment card data is rapidly spreading throughout the payments industry, while fraud and breaches are on the rise. Within this environment, the PCI Security Standards Council (PCI SSC) recently released supplemental guidance about the technology behind end-to-end, or point-to-point, encryption and how it relates to the Payment Card Industry (PCI) Data Security Standard (DSS).

Payment industry stakeholders are cautiously optimistic about the role the new guidelines will play in diminishing confusion associated with the PCI DSS. But this guidance does not appear to be moving quickly enough or offer sufficient details to keep up with rapidly evolving industry demands.

Overall, the release of the PCI SSC's *Initial Roadmap: Point-to-Point Encryption Technology and PCI DSS Compliance* signals a willingness of the standard-setter to help merchants make better decisions in evaluating their card payment processes and options. However, the "roadmap" is limited in scope and doesn't provide the specific requirements that organizations such as the Secure POS Vendor Alliance (SPVA) would like to see and have been working toward.

The update notes that methods to validate point-to-point encryption and PCI DSS compliance and implementation remain "immature"; it suggests that this infancy represents an opportunity for the industry to define requirements in 2011 when a more detailed requirements standard is expected to be released.

That effort will involve input from groups like the SPVA, among others – in particular, the special interest groups that have been providing significant comments since the early stages of drafting. The most work has been in the areas of scoping, Europay/MasterCard/Visa and tokenization, where SPVA members have been active, contributing many hours to provide guidance to the PCI SSC since releasing its white paper, *End-to-End Encryption Security Requirements*. Still, the PCI SSC has provided only high-level direction in these areas; nuts-and-bolts requirements work is pending.

More to come

The supplement to the PCI DSS includes updates, clarifications and guidance for key areas such as:

- Reinforcing the need for merchants to conduct

thorough "scoping" evaluations of their networks before security audits

- Adding a mandate for centralized logging to the Payment Application DSS
- Allowing organizations greater flexibility when conducting risk assessments in order to prioritize security vulnerabilities
- Clarifying the language of the standards

These represent minor adjustments. Merchants, processors, vendors and other industry players must once again wait for final specifics. Further guidance regarding scoping, point-to-point and tokenization is expected in the near future. Also, the PCI SSC did not release an overview document on tokenization. Given the influence tokenization is having on emerging best practices, it is important that the industry have better insight into where PCI is going.

Generally, the direction is on target. However, if the PCI SSC wants more merchants to be in compliance, it needs to move more quickly and get ahead of core security elements like data encryption, tokenization and mobile payments.

The update also notes that a reduction in scoping – at least as it applies to the transmittal of data – might limit and simplify the overall validation process. That also means more guidance is needed for qualified security assessors (QSAs). The SPVA highly recommends the PCI SSC improve its education and screening for QSAs to allow only a select group who understand encryption, key management and physical/logical security concepts to become auditors.

The SPVA applauds the PCI SSC's efforts, but with fraud accounting for millions of dollars in losses across major industries – such as financial, hospitality and retail – stakeholders can't afford to wait. According to the *2010 Breach Report* from Verizon Business, meeting PCI DSS compliance is critically important, given that "79 percent of victims subject to the PCI DSS standard hadn't achieved compliance prior to the breach." We need the PCI DSS to take the lead to help make PCI compliance a reality. ■

Paul Rasori serves as the Secure POS Vendor Alliance's Vice Chairman and CTO and is Senior Vice President, Global Marketing at VeriFone Inc., a founding member of the SPVA. He is a 20-year veteran of the electronic payments industry and has led the introduction of the industry's most comprehensive and successful portfolio of payment solutions that span diverse vertical markets, including financial retail, multilane, unattended, hospitality and wireless vertical segments. He can be reached at paul_rasori@verifone.com.

10 years ago in The Green Sheet



DSL at the POS

Hypercom Corp. reported its ePIC ICE card payment appliance had become equipped for high-speed DSL Internet. Thus, the corporation debuted the industry's first DSL-capable card payment terminals.

Vital EBT integration

Electronic benefits transfer (EBT) payments were integrated into Datacap Systems Inc.'s Lan Tran, a multilane electronic payment processing system. The initial product release supported EBT transactions through the Vital Processing Services (now TSYS Acquiring Solutions) payment host.

Secure, automated PIN selection

MagTek Inc. introduced the IntelliCat System, an automated and secure solution for customer-selected PINs and for national debit/ATM card issuance. MagTek developed the system to enable improved cardholder convenience and reduce card and PIN issuance costs.

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United Bank Card

Research Rundown

Micro-merchants unprepared for PCI DSS compliance

According to a report issued by Payments Source called *Diversity Reigns: The Second Annual Industry Survey of Level 4 Merchant PCI Compliance Trends*, the survey revealed that "micro-merchants" (businesses employing fewer than 10 employees and rarely processing more than 250,000 credit card transactions annually) think their lower transaction values and volumes make them less attractive to attackers and therefore less susceptible to data breaches.

This belief stands in contrast to another statistic cited in the report that 85 percent of all data compromise events occur at the Level 4 merchants. For more information on the survey, download the report at www.paymentssource.com/papers/control-3003860-1.html.

SpendTrend shows card spending growth

First Data Corp.'s *SpendTrend Mid Month Flash* analysis notes early November 2010 card spending volume growth improved from October due in part to consumers getting a jump on holiday shopping. "Early bird" holiday specials led to increased spending growth so far this month compared to October, the report said.

As consumers began shopping for holiday gifts during the first half of November, they increased the average amount spent, so average ticket growth improved from October. However, year-over-year growth remained negative.

SpendTrend tracks same-store consumer spending via credit, signature debit, PIN debit and electronic benefits cards at U.S. merchant locations. For more information, visit www.firstdata.com/infoanalytics.

AmEx identifies five new shopping trends

American Express Co.'s new research report on consumer spending behavior, *New Era of Pause and Purchase*, shows U.S. consumers are giving more thought to their purchasing decisions and redefining what it means to be a smart shopper.

The report classifies five key trends currently influencing consumer spending:

- **"Rurbanism"**: Urban consumers report that they are shifting their habits toward those of their rural neighbors, seeking more local, home-grown and community-focused interactions, both in-person and online. These "rurbanites" buy to be part of their local community and support sustainable products.

- **Give-a-nomics**: Consumers are choosing purchases that allow them to give back to charity, preserve the environment or help their communities. They are increasingly expecting brands to be socially responsible.
- **Co-created own brands**: Consumers are looking for greater creative input and personalization by co-creating with brands. In exchange, they expect rewards and benefits for helping design and market new product ideas.
- **"Commsumption"**: The rise of online shopping and social networking has allowed consumers to shop as groups and consume as communities, or "comm'sume." In turn, this has allowed brands to curate goods and services specifically for local consumers and reach those shoppers through their online social channels.
- **Check in to check out**: The use of mobile devices and the Internet has allowed brands to personalize location-based offers and perks to entice shoppers to "check in" to share deals with fellow shoppers and encourage group buying on the go before they "check out."

To download a PDF of the report, visit www.westglen.com/reports/18624_10_11_16_AmericanExpressUS_Report.pdf.

U.S. mobile bill payments to reach \$214 billion by 2015

A new report from Aite Group LLC provides a roadmap to mobile payments in the United States, defining and segmenting the mobile payments universe and examining the competitive and market trends shaping the space.

Based on more than 60 Aite Group interviews with industry representatives in September and October 2010, the report projects the growth of mobile payments in the United States over the next few years.

The United States is far more ahead of the curve than perceived, the report said. Over the past 12 to 18 months, U.S. mobile payments have gained popularity at an increasing rate.

Factors laying the foundation for mobile payments to grow in coming years include rapid consumer adoption of smart phones, carriers' and handset manufacturers' adoption of near field communication chips, consumers' continued embrace of mobile commerce, and a nationwide increase in mobile banking adoption.

All of the multiple categories of mobile payments defined in the report are expected to experience double-digit growth. Mobile payments will account for \$214 billion in

gross dollar volume by 2015, up from \$16 billion in 2010, according to Aite.

Reportlinker research on global debit card industry available

A new report issued by Reportlinker.com analyzes the worldwide market for number of debit cards, providing annual estimates and forecasts from 2009 through 2015 for 171 companies.

The report provides separate comprehensive analytics for the United States, Canada, Japan, Europe, Asia-Pacific, Latin America, and "Rest of World."

A six-year historic analysis is also provided for these markets. Some of the topics covered include:

- Market dynamics
- Major issues influencing the debit card market
- Debit card fraud
- Product introductions and innovations

For more information, go to www.reportlinker.com/p080470/Global-Debit-Cards-Industry.html.

Mercator highlights strategic directions for co-branded consumer credit cards

Mercator Advisory Group issued a report analyzing U.S. co-branded credit cards. The report summarizes leading trends and identifies potential strategic directions for these products. Trends highlighted in the report include:

- Co-branded and private-label credit card programs have been selectively sponsored by the top U.S. commercial brands. There is a limited supply of uncommitted leading brands with co-brand potential.
- Leading co-brand programs show differentiated pricing and reward profiles among the retail, airline, hotel, gasoline, and other travel sub-segments.
- Bonus on-us earn rates are an often-used tool for program differentiation.
- Many programs have taken on a similar formulaic approach.
- Ripe for change, new and refreshed co-brand programs may leverage merchants' increased power to influence payment acceptance.

For more information, visit www.mercatoradvisorygroup.com. 

Northeast Acquirers Association

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BAI Retail Delivery 2010: All about retail banking in the 21st century

By Ed McLaughlin

RemoteDepositCapture.com

Editor's note: This story was published by RemoteDepositCapture.com Nov. 5, 2010; reprinted with permission. © 2010 RemoteDepositCapture.com. All rights reserved.

BAI 2010 clearly demonstrated a renewed focus. The conference tracks were exciting, informative and focused on retail banking and, as one keynote speaker stated, on the "customer." The tracks – Marketing, Selling, Product Management and Innovation – reflected different positions, approaches and strategies for banking in the 21st century.

The focus on improving customer satisfaction, including the remote (primarily mobile) banking experience, was present in all sessions I attended, and followed three overriding themes: branch innovation, mobile connectivity and banks' ability to meet customer expectations across generations and across channels.

The changing behavior of bank customers is directly related to the ubiquity of mobile technology and the ever present mobile phone. The popularity of social networks, mobile connectivity and the desire to be able to do banking – and to make payments when, where and how – was examined from the bank perspective in the branch and from the customer perspective in and outside the branch.

Several sessions focused on the use of e-analytics to facilitate better understanding of customer demographics and behavior patterns, thus allowing banks to develop a multichannel approach to meeting the needs of a multigenerational customer base. One intriguing example was the potential for customers to do banking via Facebook accounts.

Sessions covered a spectrum of areas banks need to address, including the segmentation of retail and business customers, use of social networking tools and cross-selling tools, and awareness and training of front-line staff to better understand customers' needs.

The objective was to offer a similar user experience across all channels to make it easier for customers to take advantage of online, mobile, ATM and kiosk connections.

The branch of the future: With or without the teller

It was interesting to observe, both in sessions and on the exhibit floor, the interest in teller systems and in teller

image capture – all in the context of looking at the branch of the future.

First, will there still be branches in the future? Then, if branch networks will persist, will tellers staff them, or will they be teller-less? The role and functions of tellers were generally divided into three categories: transaction processing, customer service and selling of bank products and services.

Transaction processing – cashing checks, managing deposits, making loan payments, etc. – are low-value operations that, if automated, allow tellers to service customers better and provide time for cross-selling other bank products. In the exhibit hall, systems and solutions were demonstrated that would meet these needs.

This year was dubbed the "year of the teller" (teller image capture). It acknowledges that tellers, by handling complete transactions for customers, improve the quality of both service and the branch experience, thus providing justification for improving the tools available to tellers.

Tools include business process automation, image capture, and cash recyclers or dispensers. Teller systems themselves are going through a refresh to update appearance and functionality, complete with better, more comprehensive user interfaces and prompts.

The counterpoint to this is the teller-less branch, where customers who come to the branch will conduct all of their business at kiosks. If they want to make deposits, cash checks or make loan payments, the kiosks will handle all those functions.

One demonstration by uGenius was a variation on this theme: the kiosk included connectivity with video via the network to a teller at a central hub available to help customers process transactions. To complement this, Cisco demonstrated high-definition interactive video conferencing solutions that added a dimension currently missing at the drive-through teller. Image quality was so high, it looked like the teller was right there.

Will we see teller-less branches in the United States? The consensus of people I talked to was no, but a middle ground will endeavor to take advantage of technology to improve the customer experience and the productivity of teller transactions.

Mobile connectivity – the future of banking

The most exciting sessions and discussions at the conference were around mobile connectivity and the use of

Scanner manufacturers' understanding of the need to supply a check scanner with the receipt printer built in, in a compact, easy-to-use device, reflects the research manufacturers are doing to support this growing market.

social networking tools in banking. The use of these, as described in the sessions, can help banks to better know their customers and connect with them in ways customers choose to connect.

A multigenerational approach includes addressing the needs of gen Y, gen X and millennials, many of whom have never written a check. Yes, they have checking accounts, but they use electronic bill pay. The DDA account was also identified as the "stickiest" relationship a bank has with its customers.

Mobile connectivity is a tool for banks to be more engaged with their customers through all of its forms: SMS for alerts, inquiries into the bank for balances, etc.; applications for mobile deposit and P2P; and web browser interface for a variety of informational services.

Winning "Best of Show" were mobile deposit for Mitek and USAA, and Bluepoint (also using Mitek) for credit unions. P2P mobile solutions are another way for banks to meet customers' needs, and services are being offered by multiple solutions providers to banks for inclusion in their service offerings.

Those in the conference spotlight included PayPal (FIS), iPay (Jack Henry), ZashPay (Fiserv), Obopay, and CashEdge (Pop Money) – to name a few. The PayPal offering also included the capability to do mobile deposit through its partner BankServ.

As seen on the show floor

Remote Deposit Capture (RDC) in all forms was on display on the show floor. RDC is the enabling technology showcased in mobile deposit (for consumers and businesses), teller image capture, and in the image ATM solutions.

The exhibit hall included a range of technology providers. Branch automation tools, in addition to teller capture, included ATMs that provided the transaction services for the customer and business process tools and document automation for account setup and loan applications.

A notable ATM/kiosk solution I saw was not in a booth but in a meeting room. The NCR next generation ATM is exciting. The ATM is able to take an envelope-less deposit of both checks and cash in a mixed deposit. The speed was impressive, as was the user interface.

The items are inserted in any order, and they do not have to be all face up or face down. The intelligence within the unit can interpret the items, OCR them, sort them, display the items as they were being processed and deliver the results on the display screen.

If a check cannot be read or if an amount needs to be verified, the customer is asked to complete the information required, and if an item cannot be resolved, it is returned to the customer – just the item, not the whole deposit. The scanners on display to support teller capture were just as impressive.

Scanner manufacturers' understanding of the need to supply a check scanner with the receipt printer built in, in a compact, easy-to-use device, reflects the research manufacturers are doing to support this growing market. Panini introduced a modular system where the bank can purchase the scanner and add on the receipt printer, a smart card reader and a document scanner in a single package.

Digital Check, Burroughs, and CTS showed their entries into the teller scanners market, each with receipt printers built in. These companies join Epson and Cannon in the teller scanner/receipt printer market.

Mobile deposit was demonstrated on the show floor as a standalone application with a downloadable app for multiple smart phones (iPhone, Droid, Windows and BlackBerry) and as an integrated solution with various mobile banking platforms (mFoundry, Clairmail, Sybase) again with downloadable apps.

Solution providers like Fiserv, FIS, Wausau, Cachet, ProfitStars, VSoft and Open Solutions were showing mobile capture on the exhibit hall floor. One component these solution providers offer with their mobile deposit offerings includes comprehensive risk management and risk mitigation tools.

Teller systems from Wausau (their branch without walls booth added a signature pad on the Apple iPad), FIS, Fiserv, Alogent (it's good to see that name back along with their systems), Bluepoint, Open Solutions and Argo were among the systems and solutions that I was fortunate enough to see in action.

The conference sessions covered many areas for consideration by banks for branch automation. The exhibit hall was a reflection of the sessions addressing many of the items being covered by the session presentations. I would have to say, this was the year for both the "teller" and "mobile connectivity." 📱

NewProducts

Preparing for 1099-K

Product: CompliAssure

Company: Data Delivery Services Inc.

A major change is looming for merchants and their acquirers with the introduction of a requirement that merchants' gross credit and debit card receivables be reported by their settlement entities to the Internal Revenue Service beginning in 2012 for card sales on Jan.1, 2011, and onward.

Reporting and data management solutions provider Data Delivery Services Inc. unveiled an online service that it said will make that process a lot simpler by helping to calculate card sales on a month-by-month timetable, identify deductions and avoid errors that can prove costly to merchants. The service is available both to merchants and to the settlement entities responsible for reporting their revenue.

Report sales data, identify deductions

Called CompliAssure, the service is a web-based reporting tool that helps acquirers and other settlement entities (which can be ISOs, processors, or other third-party payment providers) track, organize and record the pertinent card sales data of their merchants for delivery to the IRS.

"We believe call volume for our ISOs and acquirers is going to go through the roof come January 2012 when they start sending out these 1099s," said John Nix, Senior Vice President, International Sales & Marketing for DDS. "We thought through a lot of the issues and this allows them to start educating their merchants now so there's not a surprise a year from now."

The program also provides a reconciliation of card sales on the 1099-K form to those on the monthly statements merchants receive from their processors, showing merchants what fees were paid each month (discount fees, interchange, chargebacks, etc.) so they can track them and itemize their deductions in preparation for tax filing.

"[The settlement entities] are just reporting the gross salary for the merchant, and there's no underlying detail that explains why it really wasn't \$100,000 in [taxable] sales – why it was really another amount," Nix said. "We're providing really two reporting tools: one is to build a 1099 report for the IRS, and the second is providing a reporting tool to merchants, ISOs and acquirers to help their merchants when it comes to filing their taxes."

Nix said DDS already provides online reporting of credit and debit card statements for over 1 million U.S. mer-

Features of CompliAssure include:

- Calculates and reports monthly merchant card sales to the IRS
- Reconciles card sales on the 1099-K to sales on the merchant's monthly statement
- Matches merchant TINs to those stored on the IRS database
- Supplies a statement of deductions to merchants to lower taxable income



© 2010 Data Delivery Services Inc.

chants (though, generally speaking, merchants who log in to view such statements see the names of their ISOs or acquirers, as the DDS-run portal is private-label branded), and that their 1099-K tax reporting offering can simply be added to that suite.

Furthermore, the 1099-K statements of merchants who get their online statements through providers other than DDS can be integrated into that service without having to subscribe to DDS' entire reporting suite, Nix said.

Nix noted the program displays receivables and chargeback information on a month-by-month timetable, and that users can drill down to get receivables information within more specific categories, such as by different card types.

The importance of accurate TINs

For acquirers, the program displays merchant and tax identification numbers (TINs) for each client, which are especially important because the IRS can impose severe penalties through "backup withholding" (mandating that a certain percentage of merchant receivables be withheld by the acquirer every day until the TIN is corrected) if the TIN that's reported doesn't match the government's records, according to Mike Kiernan, Chief Financial Officer at DDS.

CompliAssure compares TINs on an acquirer's database to those on record at the IRS to ensure accuracy and helps merchants correct mistakes. Tiernan said data compiled by DDS indicates that as many as 28 percent of the TINs that acquirers have on file are inaccurate. ■

Data Delivery Services Inc.

888-302-0296
www.dds-data.com

DateBook

Visit www.greensheet.com/gs_tradeshow_events.php for more events and a year-at-a-glance event chart.



Northeast Acquirers Association

2011 Winter Seminar and Outing

Highlights: The longest-running regional show in the payments industry, this event offers payment veterans the chance to gain new information and insights that will assist them in taking their businesses to the next level. It also provides those new to the industry resources to help them learn what it takes to succeed in this sphere.

Days will be filled with educational presentations by industry experts. Attendees will also have ample time to network with their peers in the exhibit hall, during opening and closing receptions, over meals and at other events, including a night at the Snow Barn sponsored by Electronic Merchant Systems.

All vendors will have stationary displays; no roaming vendors will be allowed.

When: Jan. 25 – 27, 2011

Where: Grand Summit Resort, Mt. Snow, Vt.

Registration: www.northeastacquirers.com/event.htm



ATM Industry Association

ATMIA 12th Annual Conference & Expo

Highlights: This three-day gathering is billed as the only dedicated ATM industry conference slated for the United States in 2011. In addition to boasting the largest ATM-focused exhibit hall in the United States, this 12th annual conference promises to center on networking, industry issues and regulatory updates, as well as knowledge and insights shared by industry experts and peers.

Offerings will include a keynote address by Jimmy Sawyers, author of the book *Top Trends Impacting Bank Technology for 2010*; international payments workshop; panel discussion on U.S. legislative and regulatory issues; presentations on prepaid opportunities and data security; the 2010 Global ATM Industry Awards; and several breakout sessions on specific ATM business tactics and conditions affecting the industry.

When: Feb. 22 – 24, 2011

Where: Doral Golf Resort & Spa, Miami

Registration: www.atmiaconferences.com/Events/ATMIAUSAConference/Registration/Index.cfm



SourceMedia

National Collections & Credit Risk Conference

Highlights: Through workshops, case studies, interactive panel discussions and presentations, attendees of this conference will hear the most relevant information relating to regulatory changes affecting the collections and credit risk industry. They will also be apprised of best practices capable of propelling collections processes into future growth and profitability.

The conference will be of interest to those making critical decisions concerning credit and collections from all facets of financial services including cards; mortgages; demand deposit accounts/overdrafts; home equity, auto, commercial, small-business, personal and student loans; and alternative lending.

When: March 13 – 15, 2011

Where: Fontainebleau Miami Beach, Miami Beach, Fla.

Registration: www.collectionscreditrisk.com/conferences/nccr11



Southeast Acquirers Association

2011 SEAA Annual Conference

Highlights: The Southeast Acquirers Association's Annual Conference provides information on current issues of concern to merchant level salespeople (MLSs) and ISOs in the electronic payments industry.

Each year, the meeting brings industry leaders to the Southeast region of the United States for the purpose of helping the feet on the street become more successful.

This year's event will include a variety of networking opportunities with vendors and attendees. The exhibit hall will feature many of the leading payment processors, equipment manufacturers, leasing companies and other third-party vendors in the industry.

Breakout sessions will provide a small forum in which attendees can learn and share information. Panel discussions, which have been some of the most heavily attended sessions in previous years, will be led by industry leaders.

When: March 21 – 23, 2011

Where: Hyatt Regency Bonaventure Hyatt Conference Center and Resort, Weston, Fla.

Registration: www.southeastacquirers.com/conference

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- Anton Chekhov

Give the gift of knowledge

It's second nature for ISOs and merchant level salespeople (MLSs) to always be thinking of that next lead. Even during the holidays, when others are celebrating and giving thanks, salespeople join in, but they are also scoping out current and future selling opportunities.

Of course, this is not the time when merchants will want to hear your pitch, since it is that hopefully merry time of year when the majority of them are busy making the bulk of their annual revenue.

But does this mean it's bad form to view Christmas parties and other social gatherings as possible sources of leads and referrals? Absolutely not – if you apply tact and sensitivity to the challenge. Meaning: instead of selling services, subtly sell yourself by becoming a kind and trustworthy subject-matter expert.

Insights in abundance

As you're sipping eggnog at the family gathering, it's probably not appropriate to ask to see your uncle's credit card statements from his auto dealership. But maybe you can share insights on how rewards programs are helping dealers incentivize their salespeople for selling excellence and thereby keeping those dealers in business.

This approach might plant a seed that could result in blessings somewhere down the line. Maybe you'll get a call from your uncle six months later where he says,

"Remember when we talked about that rewards program? I'd like to hear more."

The same goes for the general talk of the economy that will likely arise at holiday parties. Many people are a little anxious these days and wondering, Will I have a job next year? Will the economy turn around?

Well, the feet on the street have as good a handle on what is happening as anyone. Once talk turns to jobs and the economy, payment pros can offer their insights into what is really happening, where the jobs are, what businesses and sectors are doing reasonably or even extraordinarily well under current economic conditions.

A bounty of know-how

It is knowledge you are offering, not products and services. And you're not attempting to sell someone right then and there; you're taking a longer, more holistic view of how you can help others, and how they can help you in turn.

People need reassurance and direction, especially during the hectic holidays. By offering your expertise and knowledge in a conversational and relaxed manner, you can establish yourself as a trusted resource for when the time comes. That time might be a year down the line, when you meet an acquaintance at the next Christmas party and he or she says, "I know a souvenir shop owner who doesn't like his processor. What do you offer?"

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Paul H. Green, President and CEO



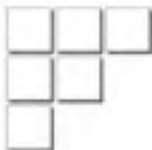
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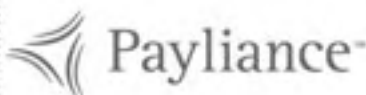
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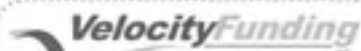
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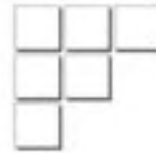
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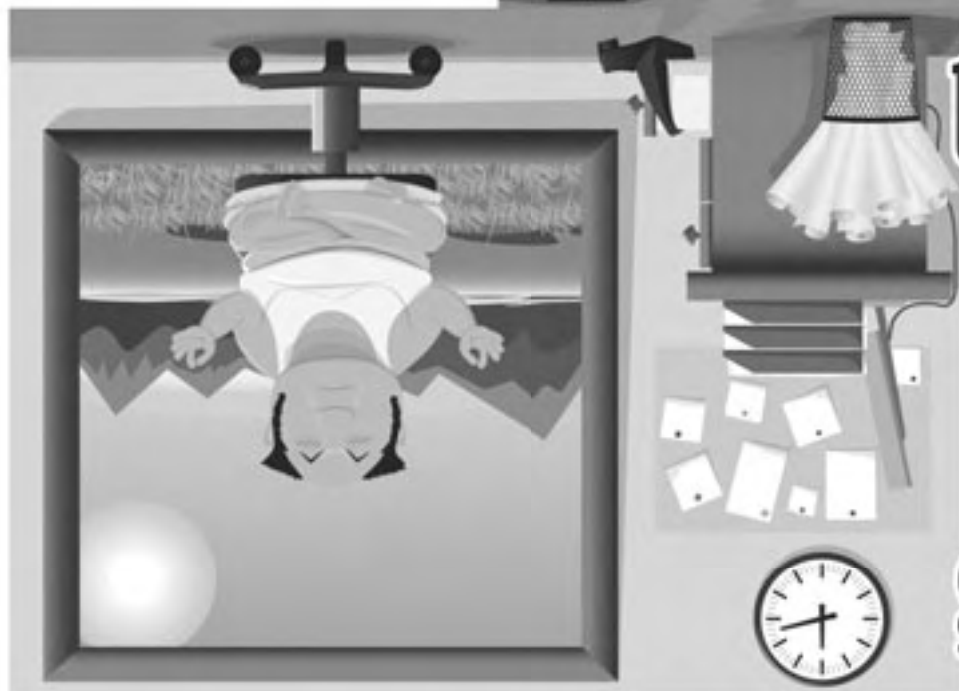


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Sometimes things appear



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10. Sun added to background

7. Snow missing from mountains
8. Handcuffs is missing from man
9. Name plate missing on the picture frame

4. Clock missing on lower drawer
5. Shoe is placed on the floor instead of in drawer
6. Flowers missing from grass

1. The clock is a different time
2. Frame is missing from oak desk
3. Floated up paper missing from behind printer

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You guys are the best! Thanks for making me the success I am today.

Shawn A. - Iowa

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