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April 25, 2011 • Issue 11:04:02

# Getting a bead on mobile merchants



**A**s niche markets in the United States go, the one for mobile merchants may be the largest. You know it's formidable when no one can agree on its size. Anywhere between 6 million and 15 million such merchants roam the nation, and a very small, equally nebulous percentage of them take payments electronically. It is therefore a market ripe for the picking for ISOs and merchant level salespeople (MLSs).

As is true with any niche market, boarding mobile merchants takes patience and attention. It also may take ISOs of a certain size and maturity to navigate the risks associated with mobile merchants. But, as all ISOs know, with scale comes reward.

## Who they are

Mobile, on-the-go merchants are easily defined but hard to pin down, literally. They conduct business out of their cars and trucks; they can be pool cleaners, general contractors, plumbers or door-to-door salesmen. They also include mobile vendors, like purveyors of hot dogs and coffee. They might also be brick-and-mortar merchants who sell their wares at flea markets, farmers markets and tradeshow on weekends.

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**Notable Quote**

**Currently, the payments industry enjoys a public perception similar to that of the public utility industry, which is seen as an integrated part of the overall infrastructure that enables us to live modern lives.**

See story on page 32



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# Forum

## Feedback on our SEAA coverage

I just read *SEAA is 'the bomb'* online [*The Green Sheet*, April 11, 2011, issue 11:04:01]. Wow! What a great article. Thank you for such a nice piece on the show. We really had a great time putting the show on this year.

I cannot believe you printed Dee's quote: "As Dee Karawadra, Chief Executive Officer of Impact PaySystem said, 'SEAA is the bomb!'" That was awesome. I laughed for five minutes (I am still giggling just thinking about it).

Thanks for everything. By no means do we think we have this tradeshow thing figured out yet, so we are always looking for suggestions to improve. The goal is to provide an optimal mix of topical presentations and quality time with industry leading vendors in a cost-efficient and time-efficient manner. We know time spent in a seminar is time spent away from selling.

We have used a number of the suggestions we have received over the years to bring a little more value to the show. For example, we open the exhibit hall for a couple hours in the afternoon. We used to feel that it was counter-productive because it provided a conflict with the speakers. However, some attendees told us that they do not go to every presentation, and they would like to be able to spend more time with the exhibitors. This has turned out to be a big hit with both attendees and exhibitors, and we have been told that it is when some of the most productive meetings take place.

Not all of the suggestions we receive can be worked into the two-day time frame, but we do look at all the feedback and look to improve the show each year.

John McCormick  
General Credit Forms

John,

*Thank you for sharing your enthusiasm for our article on the Southeast Acquirers Association's recent annual meeting. We look forward to reporting on the event for many years to come.*

Editor

## Capital coverage catches the eye

I have been a reader of *The Green Sheet* for several years and have always found the articles to be timely and educational. It is a real fine publication.

With this economy we have had to work with for several years now, your articles on how small businesses can obtain capital have been very interesting. I hope to see more articles on the capital that is available to grow a small business.

Peter Remington  
True Bankcard Services LLC

Peter,

*We, at The Green Sheet, are delighted the publication has been helpful to you. We will continue to report on developments pertaining to the capital needed to help small businesses thrive.*

Editor

## Call us, write us

.....  
Would you like us to cover a particular topic? Is there someone you consider an industry leader? Did you like or dislike a recent article in *The Green Sheet*? What do you think of our latest *GSQ*? Email your comments and feedback to [greensheet@greensheet.com](mailto:greensheet@greensheet.com) or call us at 800-757-4441.



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# QSGS

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

## Getting a bead on mobile merchants

The U.S. niche market for mobile merchants is large and diverse. The one thing most of them have in common is they are still stuck in the antiquated world of cash and writing down card numbers. To board mobile merchants takes savvy and three basic components: mobile payment device variety, fair pricing and customer service that rocks.

View

32

## Circumvent cyber theft through education

Even as technological advances promise to make payment networks more secure, fraudsters are keeping pace with ever more sophisticated attack vectors. To reduce the likelihood that the industry will be held ultimately responsible for the next big breach, proactive education of merchants and the public about how to keep data secure is ever more important.

View

26

## ACH finds volume in consumer apps

The automated clearing house (ACH) is multifaceted and busy. With more and more consumer-initiated and business-to-business transactions being processed over the ACH, NACHA – The Electronic Payments Association suggests the ACH is a growth engine for a faster, better, safer way to pay.

Feature

36

## The secret to selling gift card programs

Back in 1995, at the beginning of the prepaid card industry, First Data Corp. launched the first closed-loop gift card program with Blockbuster Inc. With 16 years of industry experience now under its belt, First Data knows a thing or two about how ISOs and MLSs should sell gift card programs.

View

30

## What a bank core processor means to you

Nothing happens with bankcard transactions until they arrive at processors for back-end capture, authorization and settlement functions. Bank core processing is therefore central to how the payment system operates; ISOs and merchant level salespeople (MLSs) should know what they do.

Feature

46

## The experiences of an entrepreneur

Ken Musante, President of Eureka Payments LLC, wanted to know about startup ISOs, so he interviewed David Leppke, President of Transaction Services. This Q&A details Leppke's thought process for creating his ISO, what he keeps by his bedside at night and why he took that leap of faith.

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*- Rhoda Steward, Director of Strategic Partnerships and Marketing*



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News

50

### Latest interchange increases - waving a red flag?

MasterCard Worldwide released its spring 2011 changes to interchange rates and assessments. The interchange rate for a widely used rewards card category called World Merit III has increased. That rate hike will affect merchants' monthly processing costs.

News

51

### Durbin Amendment regs delayed temporarily

After being flooded with over 11,000 comment letters, Federal Reserve Chairman Ben Bernanke put the brakes on issuing final regulations to implement the Durbin Amendment to the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. Bernanke said staffers needed more time to review and consider issues concerning debit card interchange regulation.

News

50

### And the breach goes on

The most recent major data security breach occurred at Epsilon Data Management LLC, an online marketing unit of Alliance Data Systems Corp. Customer data was reportedly exposed by an unauthorized entry into Epsilon's email system. This affected approximately 2 percent of its global client base of 2,500 companies.

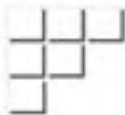
Education

64

### Street Smarts<sup>SM</sup>: Spring cleaning the ISO house

Dishonest ISOs and MLSs give the industry a bad name and lead to angry merchants and a greater demand for government regulation. Practices like offering "free" terminals, misinforming merchants about compliancy issues and making false claims about processing terms and pricing got GS Online's MLS Forum buzzing.

## Netcom PaySystem



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Education

70

### Smart phones, dumb habits

Are we better off with technology like smart phones and tablet computers? Have these devices helped us achieve work-life balance, or is the proverbial tail wagging the dog? To avoid technology overload, be mindful of six warning signs.

Education

78

### Old fraud schemes resurfacing?

Old fraud tactics appear to be making a comeback. The schemes involve exploiting vulnerabilities in online entry forms, such as those people fill in when applying for credit cards online, as well as skimming card data at self-service gas pumps. One way to prevent such fraud is as old as the fraud itself: education.

Education

74

### Memorable ISO legal catastrophes

Navigating the legal minefield of ISO and agent contracts is the task of every ISO and MLS. Sometimes, however, offices and agents get trapped in it. This article describes five real-world examples of pitfalls payment professionals have encountered, and how you can avoid them.

Inspiration

95

### Pause before you walk the tradeshow floor

Tradeshows can be stressful. The secret to controlling stress is to take care of yourself, get organized and visualize your goals for the show. With a game plan in your mind and calmness in your body, you can step out onto the tradeshow floor with a smile and engage your colleagues with confidence.

## Are you tired of getting steamrolled by your current processor?



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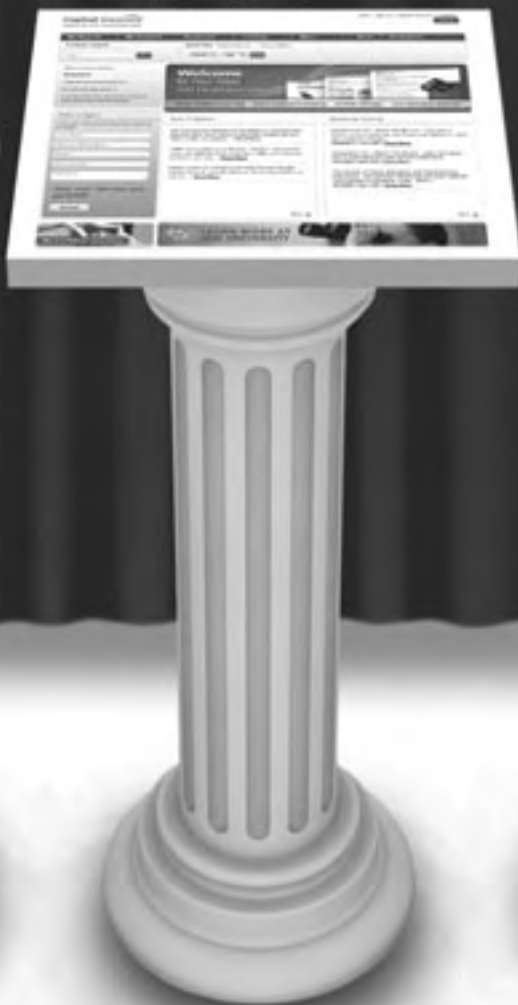
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# IndustryUpdate

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## NEWS

### Smart Card Alliance website updated

The **Smart Card Alliance** unveiled new resources, including multimedia and expanded search capabilities, to its website, [www.smartcardalliance.org](http://www.smartcardalliance.org). The new features are designed to give visitors easier access to the SCA's extensive content on the latest trends in technology for the payments, health care, physical access, identity and transportation markets.

The new multimedia center features video interviews of experts talking about the industry's hottest topics. The first set of interviews covers a wide range of topics, including near field communication (NFC) and mobile payments, transit agency acceptance of open bankcard payments, the National Strategy for Trusted Identities in Cyberspace, health care information exchange, and biometrics and smart card technology.

Also new are slideshows on such topics as smart card technology and the National Cybersecurity Strategy, chip-enabled mobile marketing and chip-enabled Europay/MasterCard/Visa (EMV) cards.

In addition, the site now has enhanced search capabilities so visitors can readily access the SCA's latest news, white papers, industry publications, market research reports, industry certification and education resources, and more.

### VeriFone celebrates 30 years

On April 14, 2011, **VeriFone Inc.** heralded the 30th anniversary of its founding by Bill Melton in Hawaii. **Douglas G. Bergeron** is also celebrating his 10th year as the company's Chief Executive Officer this year.

VeriFone reported that during Bergeron's tenure, its annual revenue has grown from \$300 million to more than \$1 billion.

The company has created a website, <http://momentum.verifone.com>, to spotlight its employees, innovation and global reach. VeriFone will also be posting trivia throughout the year about its achievements to date, as well as its plans for the future.

### ECCHO, partners launch check certification program

The **Electronic Check Clearing House Organization** launched the National Check Payments Certification program to help financial institutions enhance critical check knowledge.

The **Upper Midwest Automated Clearing House Association**, **Viewpointe** and **Wisconsin Automated Clearing House Association** partnered with ECCHO to prepare training for an annual certification exam to be administered by ECCHO. Other partners include **EPCOR** and **The Bankers Bank**.

Changes to the check payments system improved efficiency but have resulted in staff reductions that dilute the industry's collective expertise, stated ECCHO President David Walker. The exam will test individuals in four subject areas:

- Rules, laws and regulations
- Fraud and risk mitigation
- Check operations
- Check products

The first exam will be held in the spring of 2012; preparation for the exams will begin in 2011. For more information, visit [www.eccho.org/about\\_press.php](http://www.eccho.org/about_press.php).

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- Sales of building materials and garden equipment and supplies rose 2.4 percent, year over year, in March 2011, according to data from the **U.S. Department of Commerce**.
- E-commerce posted its fifth consecutive month of double-digit growth, rising by 16.1 percent in March 2011, according to **MasterCard Worldwide's SpendingPulse** report.
- In a survey conducted by **The NPD Group**, 74 percent of consumers strongly agreed that they expect coupons and special deals will be much more important in coming months when grocery shopping to help offset rising food prices.

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## Industry Update

### Trustwave supports collegiate cyber competition

The University of Washington won the **Sixth National Collegiate Cyber Defense Competition** April 11, 2011. The NCCDC pitted nine teams of full-time college students against each other to test cyber security skills. The event was presented by Deloitte Development LLC.

The competition required the teams to correct problems on their networks and perform regular business tasks while defending against a Red Team that bombarded them with live, hostile activity throughout the three-day competition. **Ryan Jones**, a security professional in Trustwave's SpiderLabs division, participated for the sixth time as a member of the Red Team.

### French association certifies Ingenico for contactless

France-based **Groupement des Cartes Bancaires** certified **Ingenico** for contactless payments by card and mobile phone.

The specifications for deploying contactless payments were based on those used in mobile trials in the French cities of Caen, Strasbourg and Nice. Ingenico's mobile payment technology is based on NFC.

### Hypercom completes EMV certification in Dubai

**Hypercom Corp.** completed full EMV certification of its Artema Modular self-service payment system and countertop terminals at 49 Metro stations in Dubai, United Arab Emirates. Metro passengers can use the system for secure payment using their chip and PIN cards. **Thales Group** served as integrator in charge of the project.

### J.P. Morgan Treasury ranks first in ACH origination

**J.P. Morgan's** Treasury Services business was ranked first in automated clearing house (ACH) payment origination, according to **NACHA – The Electronic Payments Association**. Rankings are determined by computing all ACH-formatted transactions that financial institutions sent to or received from an ACH operator or other financial institution in 2010.

### Max Advance secures credit line for ISO investment

Small business financing firm **Max Advance LLC** secured a multimillion dollar credit line from a hedge fund, enabling the firm to extend financing to brick-and-mortar merchants. Max Advance is looking for processors and ISO partners to invest the capital with their merchants.

### MSG reached new cash-advance heights

**Merchant Solutions Group** reached a milestone in providing cash advances to the dining industry. The group recently provided working capital to its 400th restaurant. MSG has provided \$40 million in capital to restaurants since the company's inception in 2007.

### Asian banker conference honors Obopay

California-based **Obopay Inc.** was awarded the 2011 Asian Banker Technology Implementation Award at a banking conference in Hong Kong for its work in India.

Along with YES Bank, Obopay was honored as having the best multichannel capability project. Obopay's mobile money technology drives partner-branded mobile money services.

## ANNOUNCEMENTS

### Truck wash chain taps Precidia

**Blue Beacon Truck Washes** implemented the POSLynx 220 payment router with TransNet from **Precidia Technologies Inc.** at 100 locations throughout North America. TransNet's Level 2 certification with Blue Beacon's processor Elavon Inc. enables the retail service chain to reduce transaction fees.


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## Industry Update

### Payvision opens HK office

Netherlands-based processor **Payvision**, which specializes in the card-not-present market, opened an office in Hong Kong to advance its presence in the Asia-Pacific region. Payvision has secured a dedicated bank identification number sponsorship with a Hong Kong financial institution. The processor already has offices in New York, Utah, Spain and Singapore.

### Pivotal launches HD3 processing platform

**Pivotal Payments** launched its enhanced processing and reporting platform called HD3, which stands for highly diverse, dependable and deliverable. Pivotal stated that by eliminating the middle-man, HD3 will allow the company to further tailor its merchant services to meet the needs of its partners and clients. HD3 features tougher fraud-prevention measures and is designed to provide real-time access to data for faster client-care response and rapid problem resolution.

### Summit relocates to Carrollton, Texas

**Summit Merchant Solutions** moved to the new headquarters of parent company Certified Payment Processing in Carrollton, Texas, from Summit's location in Richardson, Texas. The 80,000 square foot campus

includes video production facilities to expand the company's number of training videos.

### SWACHA, industry alliance promote PayItGreen

**SWACHA – The Electronic Payments Resource** participated in the **PayItGreen Alliance** by hosting a specially designed car to tour the state of Texas during the month of April 2011.

A Facebook page will promote the campaign through May 31 at [www.facebook.com/getonboardwithswacha](http://www.facebook.com/getonboardwithswacha). The PayItGreen alliance launched the initiative to make consumers aware of the environmental benefits of choosing online banking and electronic bill pay over paper-based transactions. For more information, visit [www.payitgreen.org](http://www.payitgreen.org).

### Vanco launches utility payments site

**Vanco Services LLC** launched a website for utility companies. The site, <http://epaymentsbyvanco.com>, provides new payment options and helps utilities manage online banking payments. Vanco is a Payment Card Industry (PCI) Data Security Standard (DSS) Level 1 Compliant Service Provider and has 17,000 clients.

## PARTNERSHIPS

### First Data releases fraud detection service, NFC platform

In collaboration with fraud-prevention software provider **Accertify Inc.**, **First Data Corp.** launched Fraud FlexDetect, its e-commerce fraud detection and prevention service. It offers card-not-present merchants a detection and management tool that operates directly within each transaction's authorization flow.

Fraud FlexDetect is accessible through several of First Data's processing platforms. The service includes a real-time scoring engine that evaluates the risk level of transaction data based on merchants' parameters. More than 100 merchants signed up for the service prior to its release.

In addition, First Data and mobile-commerce developer **SK C&C USA** heralded the commercial release of a trusted service manager (TSM) platform that enables NFC devices for issuers. The TSM allows account issuers, including merchants and mobile network operators, to avoid multiple complex integrations with a single integration to the platform.

### Cardtronics enlists Lexcel for network testing

Kiosk provider **Cardtronics Inc.** implemented the TestSystem Network from **Lexcel Solutions Inc.** The



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## Industry Update

network is a platform for testing transaction authorizations against regional and global ATM/POS networks. The Lexcel system allows processors to gain network precertification.

### CheckAlt certified on Govolution system

CheckAlt Payment Solutions completed certification on the Velocity Payment System from Govolution LLC. Velocity customers can now process transactions through CheckAlt's remote deposit capture system with data integrated into the Velocity system.

### FrontStream teams with Suburban Software

FrontStream Payments Inc. expanded payment services to propane distributor clients of Suburban Software Systems Inc. FrontStream provides Suburban's clients with software integration support, giving Suburban a streamlined POS system for processing payments.

### Ingenico offers terminal-cleaning cards from KICTeam

Ingenico signed an original equipment manufacturer agreement with KICTeam for cleaning cards designed for Ingenico POS terminals. Five products using KICTeam's Waffle technology cards are available to customers worldwide directly from Ingenico.

### Shift4 integrates gateway with Microsoft Dynamics RMS

Shift4 Corp. integrated its Dollars On The Net gateway with Microsoft's Dynamics Retail Management System. The combination makes Shift4's products, services and security features available to Dynamics RMS users.

The integration was implemented by a Microsoft certified partner and is marketed by Shift4 under license.

### Everlink, Zebra partner with SmartSoft for EMV

Concurrent with its launch in North America, SmartSoft US LLC partnered with Everlink Payment Services Inc. and Zebra Technologies Corp. A payment software developer, SmartSoft provides financial institutions with EMV card products and processing.

Everlink delivers electronic transaction switching and POS services and deploys EMV chip-enabled ATMs. Zebra manufactures card printing devices.

### CU League broadens partnership with CO-OP

Tennessee Credit Union League expanded its partnership with CO-OP Financial Services. The league added three services from the CO-OP payment processing line,

including signature debit processing, ATM/PIN POS debit processing and ATM terminal driving.

### Trustwave SSL selected by Tucows, endorsed by ABA

Trustwave is working with Tucows' wholesale Internet division, Open SRS, to offer Trustwave Secure Sockets Layer (SSL) products to Tucows' reseller network. Tucows manages over 10 million domain names through the network. Tucows will use Trustwave's digital, wildcard SSL and extended-validation SSL certificates. Tucows reportedly is the first to offer Trustwave's QuickTrust SSL certificate, which includes malware detection and other security checks.

In other company news, the American Bankers Association extended its endorsement of Trustwave to include a data security suite that protects financial institutions from insider threats and abuse of proprietary information. Trustwave's DataControl integrates data leakage prevention with Smart Tag encryption.

### WMP selects Cynergy

Wholesale Merchant Processing chose Cynergy Data LLC as its new processor. Wholesale is participating in Cynergy's LaunchPad, an advocacy program.

## ACQUISITIONS

### ISD merges with ACI Worldwide

Payment systems provider ACI Worldwide Inc. bought ISD Corp. to broaden the functionality of its payment products for retailers. ISD provides payment management software to retailers in North America. The merger added 140 customers to ACI, bringing its client base to 220 retailers worldwide.

ACI intends to integrate ISD's features with ACI's Retail Commerce Server. ISD's in-store integration components and tokenization of consumer data, combined with ACI's hosted service, are expected to reduce costs to retailers related to maintaining PCI compliance.

### Pivotal Payments buys merchant portfolio

Pivotal Payments acquired a merchant portfolio from American National Payments of St. Louis.

The purchase adds over 2,000 merchants to Pivotal's North American portfolio and an established ISO partner to its sales channel.

## APPOINTMENTS

### Mercator hires Aller

Mercator Advisory Group named Alison Aller its



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## Industry Update

Digital Media Consultant. She has 20 years of experience in sales, advertising and business development.

### Industry vets join ACI Worldwide

ACI Worldwide hired two payments industry veterans. **Alan Forgione**, who was appointed Sales Account Executive, has 25 years' experience in merchant services, acquiring and risk management. **Dan Caniglia** was named Senior Solution Consultant. He has worked in merchant card portfolio management and client relationships for 20 years.

### Heartland hires Goff and Rueda

Heartland Payment Systems Inc. made senior management appointments and changes to support the company's growth. **Heidi Goff** was named Chief Marketing Officer. Most recently, she was President and Managing Director for the Americas at Hypercom. Goff also held executive positions at Transaction Network Services Inc. and MasterCard International.

**Maria Rueda** was appointed Chief Financial Officer. Previously, she was CFO at ING Direct and Bloomberg Tradebook LLC. President and former CFO **Robert H.B. Baldwin Jr.** continues as President, taking on broader responsibilities in strategy and operations.

### MasterCard hires Jalandoni to lead marketing in AMEA region

MasterCard Worldwide appointed **Maripi S. Jalandoni** Group Head of Marketing for the Asia-Pacific, Middle East and Africa region.


She is based in Singapore. Most recently, Jalandoni was Managing Director at Barclaycard in the United Arab Emirates. Previously, she was Country Chief Executive of ABN-AMRO Bank in Hong Kong.

### Reich joins SignaPay

SignaPay LLC hired **Jason Reich** to manage regional operations in North Carolina. He previously worked for Central Carolina Bank, now known as SunTrust Banks Inc.

### Brighterion hires Woodward

Payments industry veteran **Keith Woodward** joined transaction fraud prevention specialist Brighterion Inc. as Director of Business Development.

Previously, he worked in Visa Inc.'s commercial product and partnership group and at American Express Corporate Services. 



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Insider's report on payments**ACH finds volume in consumer apps****By Patti Murphy***The Takoma Group*

**T**he automated clearing house (ACH) system was used to move just over 19.4 billion payment transactions in 2010, representing a 3.44 percent increase over 2009, according to the latest tabulations by NACHA – the Electronic Payments Association. Combined, those transactions represented \$31.74 trillion in value, NACHA reported.

Consumer-initiated transactions were key drivers of overall ACH growth, NACHA said, outpacing more traditional payments. Online consumer bill payments grew 15.62 percent, year over year, while other consumer web (e-commerce) transactions grew 7.4 percent over 2009.

Business-to-business (B2B) ACH payments, which have been long in taking off, showed strong growth also. The B2B transaction known as CTX, which supports the most robust use of addenda items (for invoicing details), grew 11.12 percent, year over year.

Check-to-ACH conversion transactions – which drove substantial ACH growth for much of the past decade – were a mixed bag. Transactions known as accounts receivable check conversion (ARC) totaled just over 2.2 billion, down 8.47 percent from 2.41 billion items in 2009. Back office check conversion (BOC) transactions grew 12.88 percent, from 160.5 million in 2009 to 181.2 million last year.

Government-initiated transactions, which had been an early driver of ACH volume, were just 7.9 percent of the 2010 network total, NACHA reported.

**NACHA comments**

Janet O. Estep, NACHA's President and Chief Executive Officer, suggested the ACH may have found a growth engine as consumers and businesses alike demand faster, better, safer ways to transact business.

"The advent of mobile payments has increased this mindset, and native [older] electronic payments are certain to continue an upward climb, mirroring the evolving preferences of those making payments," she said in a statement.

If that is the case, and ACH transactions continue to grow at 2010 rates, payments by ACH should finally exceed check payments (in terms of sheer numbers) this year.

The Federal Reserve reported that 24.4 billion checks worth a total of \$31.6 trillion were paid by banks in 2009, down from 30.6 billion in 2006 (for more information, see "Checks give way to debit cards," by Patti Murphy, *The Green Sheet*, Dec. 27, 2010, issue 10:12:02).

Not included in the Fed's paid check numbers are approximately 3.3 billion checks that were written in 2009 but converted to and paid as ACH items.

**Slow upward climb for the ACH**

Despite the promising numbers, it's been a long, hard climb for the ACH from its beginnings in the early 1970s, when a group of California bankers convinced the Fed to help them build an electronic alternative to the check clearing system, which was being challenged by ever-increasing check volumes.

What emerged was not a network that anyone under the age of 30 today would think of as "electronic." Throughout the 1970s, and well into the 1980s, banks would collect ACH payment data and download it to large computer output tapes, which then would be collected by couriers and trucked to local Federal Reserve Bank offices for clearing and settlement in much the same way checks were cleared in those days. (A running joke at the time defined electronic funds transfer in the context of the ACH as "ever faster trucks.")

It wasn't until the Fed set a deadline for all financial institutions to implement computer connections to the Reserve Banks' ACH operations, in 1994, that the ACH could truly be considered an electronic payment network.

Today, in addition to the Fed's ACH network operations, financial institutions can process ACH payments through EPN, a bank-owned network that was built from the start as a fully electronic ACH network.

EPN is owned by The Clearing House Payments Company LLC, which also operates SVPCO, a check image exchange network that competes with the Reserve Banks. In 2009, 16.3 billion checks were converted to image files and cleared through either SVPCO or the Reserve Banks.

**Checks aren't going away**

Despite all that the ACH has achieved, it hasn't exactly excelled at supplanting the check. It's taken 40 years for ACH payments to exceed checks, and most experts now agree that the check (or some reasonable electronic fac-



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## View

smile) is destined to be part of the payments space for the long haul.

That's one good reason for NACHA to look toward 21st century payment requirements (especially consumer applications like mobile) to support future ACH growth.

Corporations have been slow to wean themselves off of checks, especially with trading partners. According to a detailed analysis of the Fed's 2010 Payments Study, consumer-to-business checks fell 10 percent between 2006 and 2009 (from 10.7 billion to 8.6 billion).

Overall, B2B checks fell just 2 percent during that period; B2B remittance checks (a subset of that 2 percent) grew from 5.4 billion in 2006 to 6 billion in 2009.


The Fed's data also suggest large-dollar payments continue to dominate check payments, which represented 44 percent of the value of noncash payments in 2009, but just 22 percent of the number of noncash payments.

### Debit displacing credit, not checks

Based on the Fed's data, debit cards made up 35 percent of all noncash payments in 2009, but just 2 percent of the dollars spent. Meanwhile, there were 151 million fewer credit card transactions in 2009 than in 2006. In terms of value, credit card payments totaled just \$1.9 trillion in 2009 down from \$2.1 trillion three years earlier.

The average signature debit card payment was \$37 in 2009, down from \$40 in 2006, while the average debit card payment authorized by PIN grew from \$37 to \$39, the Fed reported.

Many want to know how the impending regulation of debit card interchange will be reflected in the continued adoption of debit card payments. I'm also curious to see what recently enacted rules curbing bank overdraft policies will mean for debit card usage. Many people opted out of overdraft protection once they considered the true costs.

Meanwhile, results of a consumer poll recently published by the website Bankrate.com suggest a majority of Americans would consider switching banks if their financial institutions raised checking account fees: those most likely to bolt (75 percent) are consumers earning over \$75,000 a year, followed by the \$50,000 to \$75,000 bracket; 60 percent of those earning \$30,000 or less said they'd stop doing business with banks that raised checking account fees. 

Patti Murphy is Senior Editor of The Green Sheet and President of The Takoma Group. She is also the founder of InsideMicrofinance.com. Email her at [patti@greensheet.com](mailto:patti@greensheet.com).

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# What a bank core processor means to you

By Brandes Elitch

*CrossCheck Inc.*

I wrote "What does a processor do?" for *The Green Sheet*, Feb. 14, 2011, issue 11:02:01, to address a subject that is central to ISOs and merchant level salespeople (MLS). Everything you do ends up at a processor. It is often said that nothing happens until someone makes a sale; the corollary to that is nothing happens with a bankcard transaction until it gets to a processor for capture, authorization and settlement.

Now I want to tackle something a bit outside of the traditional ISO realm: What does a bank "core processor" do? Recently, I saw "core" defined as "centralized online real-time exchange."

This cannot be accurate because the term "core processor" has been around since the days when all transactions were entered in batch mode at the end of the day, and there was no intra-day memo posting. For the purpose of this article, "core" refers to the actual data processing platform a bank operates on.

In March 2011, I attended the annual users group conference hosted by Jack Henry & Associates Inc., one of the major core processors. As an ISO or MLS, you should know what a core processor does. It's likely one of your clients will need a financial product – such as check or automated clearing house (ACH) processing – that cannot be obtained from your credit card processor.

## A banking overview

To explain, I'll start with a brief overview of the banking system, and by that I mean commercial banks. A commercial bank is one that takes deposits and makes loans primarily to businesses. Slightly more than 8,000 Federal Deposit Insurance Corp. insured commercial banks are in the United States; 95 percent have less than \$1 billion in assets.

Looking at the list of top 100 banks, I see that the 100th-ranked bank has about \$11 billion in assets. The curve falls off steeply after that. Very large banks, called "money center banks" or "superregional banks," have large, internal information technology departments, but small banks do not have the resources to maintain such departments.

Many small banks, called "community banks," operate without a reader-sorter to process checks; they send their checks to an "item processor" to be encoded and cleared.

This is a big business, since 25 billion checks are expected to be cleared in the United States this year. And banks are motivated to clear checks quickly, because check float (checks in the process of presentment) constitutes a non-earning asset to banks, which hampers banks who are measured, in part, by return on assets.

When forming a bank, the hardest decision to make is choosing a vendor to serve as a core processor. This entity must process and clear checks and run all of the standard banking and accounting functions, such as the deposit, loan and liabilities systems for time deposits. This includes platforms for typical cash management services, such as ACH processing, wire transfer and so on.

To further complicate this, some banks use "upstream correspondents," which are larger banks that specialize in a particular product or service; foreign exchange is an example. And many large cities have a "bankers' bank" to provide wholesale services.

Then there are independent, third-party vendors. There is a lot of activity here because banks spend billions of dollars on core processing every year. Probably fewer than 20 players occupy this space, and the market is dominated by three companies: Fiserv Inc., Fidelity-Metavante and Jack Henry.

I would like to share insights about this arena from the Jack Henry conference. First of all, if you have enough customers, you can form a user group. In this case, ProfitStars (the Jack Henry subsidiary) presented over 170 individual sessions during the conference, with 73 approved for continuing professional education credits and 13 for ACH Professional credits.

Jack Henry is approaching \$1 billion in annual revenue, with 20 percent of that attributable to ProfitStars. According to Celent LLC, ProfitStars is the most widely installed provider of remote deposit capture (RDC). It serves over 150,000 clients, including over half the top 100 U.S. banks.

It processes nearly 2 billion transactions annually. In 2009, ProfitStars purchased Goldleaf Financial Solutions Inc., the dominant third-party ACH processor for small banks; Pemco Technologies; and IPay Technologies. This brings the number of companies it has acquired since 2003 to 17.

## Conference keynote highlights

Lee Wetherington, Director of Strategic Insight for ProfitStars, was the keynote speaker at the conference. He also taught a couple of classes. To say he is a dynamic speaker would be a really gross understatement. With his permission, I am going to relate several of his most compelling comments:

- Prepaid card usage, particularly open-loop prepaid, is growing rapidly.

- Prepaid is not only the fastest growing payment mechanism, but general-purpose, reloadable prepaid cards are exempt from Durbin Amendment interchange regulation.
- 87 percent of all checks are presented at the counter (creating an opportunity to sell RDC).
- For each customer a bank converts to online banking, the bank saves up to \$167 annually.
- We have moved from being PC-centric to being smart-phone-centric.
- Two-thirds of all businesses lack a business checking account or cash management system.
- 70 percent of small businesses earn less than \$500,000 per year.
- The average lifetime of a commercial bank relationship is eight years. The average bank churn rate is 12 percent, which is offset by new-customer acquisition for an average annual net attrition rate of 1 to 2 percent. The cost of client acquisition is five times the cost of client retention.
- PayPal Inc. dominates 87 percent of alternative payments; Amazon Inc. and Google Inc. get the crumbs.
- Durbin Amendment predictions: banks will expand prepaid card issuing and offer merchant-funded rewards programs; regional debit networks will thrive.
- Opportunities in payments include RDC, general-purpose, reloadable prepaid debit cards, expedited bill pay, mobile person-to-person payments, alternative payments (for example, eBillme), merchant-funded rewards, online statements and payments via personal financial manager.
- Bill pay is the gateway to full blown cash management with usage right-sized for small businesses.
- With VeriFone Inc. acquiring Hypercom Corp., all new POS terminals will be near field communication (NFC) capable; the Apple Inc. iPhone 5 is expected to have NFC capability.
- 84 percent of consumers are actively engaged in social media; only 11 percent are currently connected with their banks; 36 percent would like to be.
- Smart phone applications will optimize usability; the priorities will be personalization, widgetized

features, standard symbology, data visualization, better bill pay and cash flow forecasting, and a dedicated presentation for small and mid-sized businesses.

- The income hit to banks from the Durbin Amendment and Regulation E overdraft regulations is expected to be \$16 billion.
- Convenience always trumps security. People become addicted first and address security issues later. The smart phone will effectively fight fraud because it will deputize consumers to be vigilant in real time.
- 600,000 payment-related applications are available. You may have an app store in your ISO website for real-time view, bill pay, credit monitoring, top-up for prepaid cards and even comparison shopping.
- Mobile is now the hottest topic. ProfitStars mobile RDC, a partnership with Mitek Systems Inc., offers reliable image capture in a mobile environment.
- 4G phones do not need as much information to reside on them as earlier phone models, so the optimal architecture becomes a hybrid between the wireless application protocol and the app.

### Avoiding RDC mistakes

Jerry Federico, National Sales Director for Enterprise Payments at ProfitStars, also gave an excellent presentation titled *Ten Ways to Get Remote Deposit Capture Wrong*. We don't have the space to print it here, but if you email me, I will send this to you. If you are selling RDC, it contains information you should know.

Finally, here are the watchwords for the conference. They provide good guidance for the ISO and MLS community as well:

- Understand profitability and act on it.
- Cut costs and empower customers.
- Generate new revenue.

ProfitStars, a leader in both RDC and ACH processing, is actively searching for ISOs.

For more information, contact Chris Brammer at 559-324-8702 or by email at [cbrammer@profitstars.com](mailto:cbrammer@profitstars.com).

*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](mailto:brandese@cross-check.com).*

# Circumvent cyber theft through education

By Tony Griffith

*Integration Specialist*

**A**s the payments industry strives to ensure the safety of consumer payment information and negate the potential for fraud, criminals are hard at work devising new and more powerful exploits aimed at gathering that valuable cardholder data. The new breed of fraudsters, armed with an impressive array of web-based tools, is cause for alarm.

While the Payment Card Industry (PCI) Data Security Standard (DSS) and Payment Application (PA) DSS have helped make data more secure, these methodologies, policies and procedures alone will not be able to help in all possible and emerging scenarios. As technology improves data security, fraudsters will adapt to the advances and inevitably introduce new attack vectors that will create new vulnerabilities in security systems.

So the question is, what can be done to counter future threats and keep data safe? Well, it seems the answer is both the oldest known and least technological defense: education.

## The public's need to know

The year is 2011, and the evolving payments landscape demands technologies such as Bluetooth 802.15, which is used in mobile payment hardware; radio frequency identification (RFID), used in credit and debit cards; wireless 802.11, used in mobile ATMs; and embedded operating systems, also used in ATMs.

The same landscape demands that those wishing to gain access to sensitive data use equal or superior technology, including high-speed field programmable gate array chips, which are used to crack encryption algorithms; flash storage devices,

used to reprogram ATMs; RFID sniffers, used to lift account information off of cards; and even decoy installations, which include fake ATMs, fake readers and their ilk.

While it is astounding to realize how many ways to both steal and protect sensitive data exist, it is even more astonishing to know how little is being done in the way of public education to help avoid problems in the first place.

Examples of common vulnerabilities that could be negated by more effective consumer, and even merchant, education include:

- RFID-enabled credit cards should not be carried in conventional wallets and purses without special blocking sleeves, as unshielded cards are easily read by sniff devices from short distances.
- Bluetooth-enabled devices should not be left in the typical default mode (available for public discovery) once confidential information is loaded to them.

Both of these common security failures offer attack vectors that are popular with criminals. This is a direct result of users not being sufficiently educated on exactly how to properly protect themselves when using those technologies.

To further understand this, consider the following: bankcard fraud will cost more than \$1.5 billion again in 2011, and it will be up to issuers and cardholders to foot the bill. Most of the information used to generate that prodigious dollar figure will be obtained secretly – and without detection – on unsecured networks.

Equally detrimental to security is that the general population doesn't

even understand why it is a bad idea to drop a credit card purchase receipt into the nearest waste bin without ripping it to shreds first. Again, education can help here.

## Education as countermeasure

Now, let's take a look at the potential industry effects, as well as simple solutions, to these types of emerging threats using the concept of education as a countermeasure.

It is well known that public perception can be shaped and largely controlled through marketing. It is also a fact that using marketing as a perception control mechanism has its limitations. Public perception can be shifted by anyone with enough knowledge to exploit the Internet or other forms of mass communication.

Currently, the payments industry enjoys a public perception similar to that of the public utility industry, which is seen as an integrated part of the overall infrastructure that enables us to live modern lives. Everyone knows that you need public utilities and that they come with some associated cost.

However, when an entity described as a "public utility" is found or perceived to be disadvantageous to the public, it may have to deal with the resulting adjustments to the general public perception.

There has recently been a shift in the public perception of several "public utilities," such as financial institutions, as a result of the global financial crisis and the discoveries that have come to light following investigations into its root causes. The public has made adjustments to its perception and has changed (at least for now) its behavior related to the affected industries.

A good example of this is how many people have decided to let their adjustable mortgages lapse, walk away from the associated properties and not worry about the resulting

***The payments industry's collective reputation can't be put into the hands of hackers who operate from the corners of coffeehouses, shopping malls, schools and even sporting events. We need to make it very hard for that type of crook to operate, and the way to do this is to educate potential victims.***

lowered credit scores. On top of that, many young people no longer trust the lending industry.

### **The vulnerability of payments**

It is obvious that if people do not trust an industry to keep them safe (even from themselves), they may choose alternate lifestyles that do not involve that industry.

While that may sound like something that could not affect the payments industry, understand that just such a shift in perception could stifle our business from every angle. A shift in public opinion can spread like wildfire because of global connectivity and social networking.

As you read this, the following thought should have crossed your mind: the PCI Security Standards Council has done a fantastic job with the PCI DSS, PA DSS and PIN Transaction Security DSS and everything else to help us operate as securely as possible, but it is usually the end user that is the root of security problems.

If you had that thought, you were right. But now think about this: End users will not blame themselves if the RFID card they have in their pocket gets skimmed. They will blame the issuer, then the technology and then, if things have gone really bad, the industry.


The payments industry's collective reputation can't be put into the hands of hackers who operate from the corners of coffeehouses, shopping malls, schools and even sporting events. We need to make it very hard for that type of crook to operate, and the way to do this is to educate potential victims.

### **The effectiveness of simple solutions**

A mandated minimum level of data security education for every card-carrying patron could include provisions for short, recorded security tips to play when a user calls an interactive voice response system to activate a card. The messages would not need to be exhaustive, just informative.

This type of simple solution could save time and money in the long run, as well as help to boost and strengthen consumer confidence without the industry having to resort to expensive media barrages to force-feed information.

After all, reaching people at the precise right time with pertinent information is always more effective than bombardment. An example of this would be "Close cover before striking," which appears on most matchbooks. It is helpful reminder at just the right time.

By training customers properly, you are performing high-level customer service, and you will directly benefit over time. The payments industry, as a whole, stands to reap great benefits from taking on this mission and arming its consumers with the ultimate countermeasure: education. 

*Tony Griffith is an Integration Specialist with a leading integrated payments company and has over 20 years of experience in technology, management, customer service and training. He can be reached via email at hardnova01@hotmail.com.*

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# Selling Prepaid



## Prepaid in brief

### NEWS

#### Payroll cards touted in TMG white paper

While marketing reloadable prepaid cards to consumers is one strategy, banks may find selling businesses on prepaid cards to be a more effective approach.

That is the finding of *Getting Down to Business: How Financial Institutions Can Attract and Retain Business Clients with Reloadable Cards*, a white paper written by Konrad Christensen, The Members Group Retail Payments Product Manager.

According to Christensen, businesses make inviting targets for prepaid cards because they are "linked to hundreds of customers, employees, partner firms and suppliers – each representing a group of prospective reloadable card users. ... Rather than expend the resources it would take to market to these prospects as individuals, FIs can reach out to them more efficiently through business clients."

#### Checking accounts still better than prepaid?

Nonprofit consumer watchdog Consumers Union released a report that claims most prepaid cards charge higher fees than what consumers can expect to pay for basic checking accounts offered by the top five U.S. banks. In *Adding It All Up: How Prepaid Card Fees Compare to Checking Account Fees*, Consumers Union said that, while some banks are beginning to charge new fees, basic checking accounts still compare favorably to prepaid cards in costs to consumers.

To access the report, go to [www.defendyourdollars.org/pdf/adding-it-all-up.pdf](http://www.defendyourdollars.org/pdf/adding-it-all-up.pdf).

#### New Grameen America bank branch up for grabs

An online contest is underway to select a city where a new **Grameen America** bank branch will be located. Visitors to [www.tocatchadollar.com](http://www.tocatchadollar.com) can vote for Atlanta, Chicago, Los Angeles or Washington as the new loca-

tion for the global microlender to the financially underserved. The contest runs through April 2011.

### ANNOUNCEMENTS

#### Mocapay mops up at Paybefore Awards

**Mocapay** won for best business-to-consumer or business-to-employee prepaid card at the Paybefore Awards at the 2011 Prepaid Expo USA held in Orlando, Fla. The award recognizes Mocapay's implementation at Lettuce Entertain You Enterprises' restaurant Wow Bao.

#### NBPCA hails The Power of Prepaid

The **Network Branded Prepaid Card Association** will hold its inaugural NBPCA Annual Congress, called *The Power of Prepaid*, June 3 through 5, 2012, at the Gaylord National Hotel and Conference Center in Washington. The congress is a forum for prepaid industry professionals and customers, as well as government representatives.

#### Optimal Payments secures contracts, wins award

**Optimal Payments PLC** (formerly Neovia Financial PLC) said it inked five new merchant contracts for its Neteller eWallet. The merchants are Atlas FX, FX Central Clearing, Pan-Index, Regent Markets and Trading Point.

Additionally, Optimal's Neteller Net+ prepaid card won three awards at the 2011 Prepaid365 contest. The card won in the following categories: Best Prepaid Card Overall, Best Gaming Prepaid Card and Best Prepaid Card Innovation.

#### PFS triumphs at 365

At the 2011 Prepaid365 Prepaid Card Awards, program manager **Prepaid Financial Services** won Best International Prepaid Card for the PCS Prepaid MasterCard and garnered recognition for its Camden COOL Prepaid Card in the youth category.

#### Mobile wallet RFP awarded in Ecuador

Utiba Pte. affiliate **Utiba Americas!** won the request for proposal process for a mobile wallet implementation via the Central Bank of Ecuador.

There are reportedly more mobile phones in circulation in Ecuador than there are people; most Ecuadorans do not have access to bank accounts, Uitiba Americas! said.

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## PARTNERSHIPS

### Prepaid for the chain in Spain

Ceridian Stored Value Solutions teamed with Spain's supermarket chain Eroski to create a new gift card program for consumers. The gift cards will reportedly be available in Eroski's 120 "hypermarkets" (department/grocery stores), with plans to extend the program to the company's 1,000 supermarkets.

### Mobile top-up provider gets new team

Prepaid card processor SelectCore Ltd. signed a three-year processing agreement with an international mobile phone top-up provider. SelectCore said its PrepaidONE platform facilitates real-time mobile top-up remittances across Latin America.

### What's up with new game payment option

Quepasa Corp.'s Quepasa.com, the online social network and game platform for the Latino community, inked a deal with Tutudo Inc. to make Tutudo's e-wallet payment solution available on Quepasa games, such as SnapMeUp, Satisfashion and Xfire Arcade.

## ACQUISITIONS

### REDtone China enters prepaid with QBA purchase

REDtone Asia Inc., through its subsidiary Shanghai Hongsheng Net Telecommunications Company Ltd. (REDtone China), entered the Shanghai prepaid card market by purchasing Shanghai QianYue Information Technology Co. Ltd.'s prepaid card distributor Shanghai QianYue Business Administration Co. Ltd. (QBA).

### Wright Express buys rapid! PayCard

Wright Express Corp. acquired the assets of rapid! PayCard in an all-cash deal. The rapid! PayCard is a provider of prepaid products focused on small and medium-sized businesses.


## APPOINTMENTS

### Hynes named MasterCard exec for prepaid division

MasterCard Worldwide tapped Ron Hynes for the position of Group Executive, Global Prepaid Solutions. Hynes will be responsible for leading the development of global prepaid programs and creating a competitive advantage for MasterCard and its customers.

### Pierce joins SparkBase as CTO

SparkBase, an ISO-focused, white-label prepaid pro-

gram provider, hired Doug Pierce as Chief Technology Officer. SparkBase seeks to leverage Pierce's experience in POS integration and loyalty systems to ensure the company's leadership in the market. 



## Features

## The secret to selling gift card programs

**T**he conversations ISOs and merchant level salespeople (MLs) have with small mom-and-pop merchants about gift card programs should be about marketing, not price, according to Michael Hursta, Vice President of First Data Prepaid Services.

"Gift card is not a payment product; it's a marketing product," Hursta told *SellingPrepaid* at the 2011 Prepaid Expo USA held in Orlando, Fla.

"And so what an ISO needs to be thinking about when they go in to have a conversation with a small merchant about gift is that they're not in there talking about rates, basis points and how much they are going to pay in interchange."

Instead, the conversation should be focused on how gift card programs help businesses grow through increased foot traffic and brand awareness.

"[ISOs] need to change the mindset of how they come into that conversation, because if they think it's just another payment type, they're having the wrong conversation," Hursta said.

Dan Farrell, Vice President of Card Products and Services at First Data, advised ISOs and MLs to view gift cards as "top-of-mind" marketing tools for merchants. "Every gift card that is out there in the wallet is an advertising impression," he said. "And this is where we think about marketing."

"These companies look at the money they'll spend in advertising impressions and those impressions may go past someone's face once versus actually in their wallet. Every time you open it you actually see it."

So there's a real soft value that a small mom-and-pop or an ISO has a hard time embracing because they haven't looked at gift cards from that perspective."





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## Selling Prepaid

### Mindshare leader

Hursta said First Data is leveraging its experience in the prepaid card sphere – going back to 1995, when it launched the first closed-loop gift card program at Blockbuster Inc. – to become a consultant to its retail clients. It will bring to bear its breadth of proprietary information, some of it released in its monthly *SpendTrend* analyses, to inform merchants on how to more effectively market prepaid card programs.

"We're just responding to the demand we see," Hursta said. "We are at a point now where it's not just can you make this work, but how do you help us make it work as well as possible."

To further that goal, First Data has made strides recently. The newest addition to its eGift Social marketplace on social media giant Facebook is Dairy Queen. The marketplace allows Facebook users to gift friends with virtual cards from participating businesses, including Cold Stone Creamery and Joe's Crab Shack.

In March 2011, First Data launched mVouchers, virtual coupons funded by merchants and designed to deliver discounts, incentives and rewards to consumers via mobile phones.

The acquirer also reported in March it was granted a patent for technology that allows merchants to activate packs of gift cards with one scan at the POS, thereby saving time at checkout. Hursta and Farrell see it as primarily a business-to-business implementation.

"We've got companies that want to provide benefits to their employees, maybe to salespeople, maybe to vendors of theirs, and it makes sense for them to purchase cards like this in a mass quantity," Hursta said. "Walking into a store, any store, with a stack of 25 cards and have each one swiped individually, that's normally not a good experience for anybody."

When implemented, the web-based technology will allow corporations to purchase bulk quantities of prepaid cards directly from retail stores. Farrell offered the example of an ISO that wanted to hold a sales meeting for 50 MLSs.

"I can literally go down to my Starbucks potentially or a McDonalds, even a restaurant, and say I need 50 cards, whatever the denomination is, right there at the store," he said. "I don't have to call the corporate office and wait for [the cards] to be shipped to me."

### First in payroll

Hursta noted First Data operates closed-loop gift card programs in 41 countries and has made strides in the general-purpose, open-loop reloadable card category. He said First Data is the world's largest processor of payroll cards through its Money Network Payroll Distribution

Service, which is used by such retailers as Wal-Mart Stores Inc. for its unbanked employees.

"We're seeing a great adoption rate from employers around the payroll products," Farrell said. It's the ultimate win-win, he added, as unbanked employees save money in not having to use check cashing businesses to convert paper checks into usable cash. Additionally, employers save on the expensive proposition of check cutting and distribution. "And for companies that don't do direct deposit, managing that business, we can make a lot of that go away," he said. ☺

## MetaBank's cautionary tale

**T**he reasons behind the tumultuous year for network-branded prepaid card issuer MetaBank were made public at the 2011 Prepaid Expo USA. Meta Financial Group Inc. Executive Vice President Brad Hanson said the problems for the bank began when it was discovered MetaBank-issued payroll cards were tied to an assassination of a Hamas leader in Dubai, United Arab Emirates.

The consequences of that ill-fated linkage have been severe and far reaching for MetaBank, and Hanson, Executive Vice President of the bank and President of Meta Payment Systems, cautioned it could have happened to any business in the prepaid card industry.

Following Gen. Colin Powell's keynote address on March 7, 2011, Hanson took the stage to update industry professionals on MetaBank's travails. In April 2010, it was reported that MasterCard Worldwide-branded payroll cards managed by online payroll provider Payoneer Inc. were used to fund the Jan. 19, 2010, assassination of a leader of the Palestinian militant group Hamas. Hanson told the audience that the suspected assassins used nine payroll cards to buy airline tickets and hotel rooms.

Although MetaBank had no reason to suspect the cards were being used for nefarious purposes, "everything just started the ball rolling with that event," Hanson said. Government regulators came calling, demanding that MetaBank oversee its third-party partners as assiduously as regulators oversee banks; among the demands were on-site inspections.

According to Hanson, the regulators informed MetaBank that, given all the requirements being put on MetaBank, they did not believe the card issuer's business model was sustainable. Hanson did not specify if and how the regulators' opinion related to MetaBank's future troubles.

### The iAdvance issue

However, by October 2010, MetaBank released news

that the Office of Thrift Supervision, a federal agency charged with regulating banks, issued a directive for MetaBank to discontinue its iAdvance loan program. The program, begun in 2008, was offered to consumers through NetSpend Holdings Inc.'s prepaid cards.

According to a Securities and Exchange Commission filing, NetSpend said the OTS determined that MetaBank engaged in "unfair or deceptive acts or practices in connection with its operation of the iAdvance program."

Hanson did not address this statement. Instead, he characterized the iAdvance matter as related to the pricing of the product. "It was a pricing issue, and every single other thing that happened stemmed from that in my opinion," he said.

Subsequently NetSpend, the second largest prepaid card provider behind Green Dot Corp., severed its relationship with MetaBank – a significant blow to MetaBank since approximately 71 percent of NetSpend's active cards were issued by MetaBank.

Then, in December 2010, Payment Data Systems Inc., the parent company of prepaid card processor FiCentive Inc., reported it was in the process of terminating its bank sponsor relationship with MetaBank.

In March 2011, Bank Freedom, a subsidiary of Prepaid Card Holdings Inc., said it would not renew its similar contract with MetaBank, which expires in November 2011.

### Lessons learned

Hanson shared what the experience taught him. "The regulators, they expect perfection," he said. "They don't want to take any risk. They have zero tolerance for risk." Additionally, he believes regulators take a negative view of the prepaid card industry overall.

"It really kind of becomes a self-fulfilling prophecy for these regulators," he stated. "They think that prepaid cards are bad. They think they're dangerous. They think that third parties that participate in this industry ... create risk to the financial institutions."

To prevent that self-fulfilling prophecy from occurring, the industry needs to ensure that "we're doing everything we can in order to prevent those kinds of situations," he said. He recommended that all prepaid card companies join the Network Branded Prepaid Card Association to stay informed of legislative and regulatory issues that may affect the industry.

"Remember, it only took one small event for us," he said. "It took nine cards ... nine cards out of about 200 million cards that we've issued over the last five years." 📧

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# Research Rundown

## Research suggests enhanced security can increase online transactions

A research brief by the Aberdeen Group reported that high-performing companies with e-commerce sites are 1.7 times more likely than lower-performing companies to have current deployments of extended validation (EV) secure socket layer (SSL) certificates. Because EV SSL certificates require a more rigorous vetting process before issuance, they provide end-users with a higher level of confidence in conducting online transactions, the brief stated.

The EV SSL certificate standard calls for certain conditions to be met on the part of the company requesting the certificate. Among the conditions are that the company be a legally recognized entity created by an appropriate legal filing, have a registered agent or registered office within the jurisdiction of incorporation, and have a verifiable physical existence and business presence.

According to Aberdeen, the greater level of security required to obtain the EV SSL certificates translates to greater customer trust and ultimately to a higher level of online sales. An EV SSL-certificated site is denoted by a green address bar displaying the name of the organization that owns the certificate and the name of the certification authority.

"Over time, more and more end-users are becoming conditioned to 'look up' to the green address bar, which gives them higher assurance that their personal data is being encrypted while in transit and that the website they are connecting with has been authenticated based on a more rigorous industry standard," the report stated.

For more information, go to:

[www.aberdeen.com/aberdeen-channel/it-security/itsa.aspx](http://www.aberdeen.com/aberdeen-channel/it-security/itsa.aspx)

**"Quite simply, the market needs alternative networks, which breathe new life into payment solutions, provide new value propositions for consumers and merchants, and incubate technologies outside of traditional development channels."**

— Patricia Hewitt, Director of Mercator Advisory Group's Debit Advisory Service

Source: *Alternative Payment Networks: A Matrix Model* by Mercator Advisory Group

## DDoS popular with hackers

Distributed denial of service (DDoS) attacks jumped to the number one attack method targeting computers and network servers. DDoS attacks were up 22 percent during the second half of 2010, compared with the first half of that year, according to Trustwave's *Web Hacking Incident Database* semiannual report.

## Fraud decreases in U.K.

For the second year, the U.K. has seen a significant drop in the value of online and MO/TO fraud, which fell by an estimated 10 percent to £239 million in 2010, compared with £266 million in 2009, said a press statement from Retail Decisions, a payment fraud prevention and detection company.

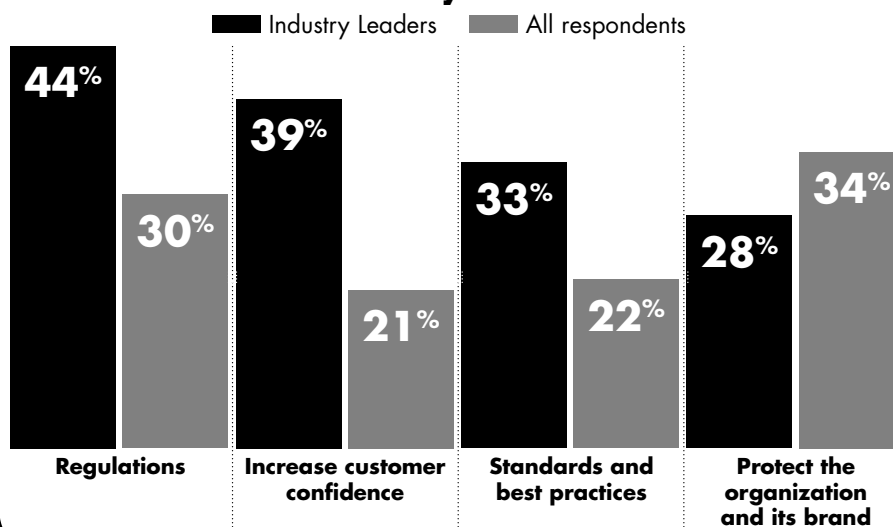
## Americans ready for online health bill payment

Seventy-three percent of Americans would use a secure online communication solution to make it easier to pay medical bills, get lab results, request appointments and communicate with their doctors' offices, according to a survey conducted by Intuit Health.

## Agencies to double paperless payments

In the next three years, businesses, government entities and nonprofit organizations plan to double their use of paperless payment technologies, according to a survey of more than 280 accounts payable professionals by U.S. Bank, the International Accounts Payable Professionals and the APQC.

## Leading pressures driving current data security investments



Source: Aberdeen Group, Research brief entitled *Extended Validation SSL Server Certificates: Both End-Users and Site Owners Look Up to the Other 'Green' IT*.

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# Company Profile



## Innovating from the start

### MagTek Inc.

#### ISO/MLS contact:

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#### Company address:

1710 Apollo Court

Seal Beach, CA 90740

Phone: 888-808-8465

Fax: 562-546-6301

Website: [www.magtek.com](http://www.magtek.com)

#### ISO/MLS benefits:

- Encryption is based on open standards and provides a safer, lower-cost transaction
- Users are not locked into a proprietary system
- Mutual authentication identifies rogue terminals and illegitimate host systems
- DUKPT key management is simple, easy and cost-effective
- Dynamic data makes stolen data useless
- Card authentication identifies fraudulent cards in real-time
- Tokenization replaces sensitive card data with alternate data that has no value by itself

**M**agTek is a well-known name in the payments industry, having manufactured card readers since 1972. From the start, the company has emphasized innovation and focused on offering one of the world's first effective mag stripe readers. Today, it continues to innovate, particularly in the area of data security.

"We have been in the magnetic stripe card business for almost 40 years and helped to establish this industry from the start," said Andy Deignan, Vice President of Global Marketing and Strategy at MagTek. "Magnetic stripes were becoming more mainstream, and we wanted to build a device that processed transactions more accurately and faster. Many of the alternatives were very expensive."

In 1969, when ATMs were arriving on the scene, Tom McGeary and Lou Struett, who founded MagTek in 1972, could see a future in mag stripe technology. So they joined a company with significant venture capital hoping to help it capitalize on the new payment technology. Within a couple of years, the company dissolved, and the two men decided to form their own company.

Over the years, as the ways in which customers can make electronic payments have evolved, so have MagTek's products and services. From POS terminals to card readers for smart phones, and from mag stripe cards to smart cards, MagTek has continually looked for ways to expand its products and services.

Recognized as a leading provider of electronic transaction technology, MagTek has sales offices throughout the United States, Europe, and Asia, with independent distributors in over 40 countries. Being privately owned allows the company to set its own agenda for research, collaboration and development. MagTek noted that this has enabled it to add products and systems used for issuing and personalizing bank cards, entering PINs, and reading and scanning checks.

According to MagTek, its products and components are in use today at branch banks and thousands of POS locations around the world. They're also incorporated into kiosks and ATMs, as well as restaurant and hospitality equipment.

### Multiple levels of security

In addition to manufacturing various types of hardware, MagTek has focused on developing ways to secure transaction data – to the point that it has also become known as a provider of anti-fraud solutions.

The company introduced MagneSafe, a digital identification and authentication technology, in 2006. The MagneSafe I-65, is used in ATMs, vending machines and self-service kiosks. It can read both mag stripe and smart card data.

MagneSafe offers a layered approach to transaction security that consists of four key pillars to validate and protect the entire transaction and each of



## Company Profile

its components: open encryption standards such as Triple Data Encryption Standard and Derived Unique Key Per Transaction (DUKPT), secure tokenization, authentication and dynamic data.

MagneSafe exceeds all 14 points of Visa Inc.'s 2009 published best practices for data field encryption, according to MagTek. In addition, the technology was recognized by Pricewaterhouse Coopers in Emerging Technology Research, a September 2009 report to the PCI Security Standards Council, as the only solution to combine all five of the following technologies: dynamic payment card data, magnetic stripe imaging, end-to-end encryption, tokenization and virtual terminals.

MagTek reported that MagneSafe has enabled it to create the industry's first secure card reader authenticators (SCRAs). SCRAs provide end-to-end encryption, which occurs within the reader.

The reader also has tokenization formatting capabilities. Encryption and tokenization help protect cardholder data at rest and in transit, as well as at various points through the payment infrastructure. As the name suggests, SCRAs not only provide data security, but they can also detect counterfeit cards.

A key feature of MagneSafe is MagnePrint card authentication, another patented technology that identifies counterfeit payment cards at the point of swipe, thus preventing fraud on the spot. MagnePrint was discovered by researchers at Washington University in St. Louis. MagTek is the sole licensee of MagnePrint and has invested heavily to commercialize the technology for worldwide deployment.

When this technology is employed, the magnetic stripe on the back of a credit or debit card combines billions of magnetic particles scattered in a random pattern. The particles (and their inherent pattern) are permanently sealed in when the card is made, creating a unique "fingerprint."

With MagnePrint, when a legitimate card is swiped for the first time, the reader captures the card's unique fingerprint and stores it in the host database, which also reviews and accepts or rejects card transactions. If the card's data is stolen and then copied, the MagnePrint technology detects the counterfeit version, and the transaction is declined.

The technology behind MagnePrint has been developed to fit within industry standard magnetic read heads found in all POS terminals.

MagnePrint secured devices include card readers, card-issuing equipment and encrypting PIN pads, all of which are available as components, or licenses, for incorporation into any manufacturer's products, including ATMs, gas pump terminals and POS devices.

According to the company, MagnePrint also has the potential to detect counterfeit driver's licenses and credit, debit, stored-value, identity, health care and physical access cards. It is also available for home use to improve e-commerce security and privacy on the Internet.

### A headache eliminator

In 2010, MagTek released QwickPAY, a system for secure mobile POS transactions. QwickPAY uses a combination of a MagneSafe-enabled reader called the iDynamo, coupled with an application, to enable payments on the most prevalent types of personal computers and smart phones.

According to MagTek, QwickPAY can lower the cost of card acceptance by as much as 30 percent by offering authentic card-present transactions.

This reduces the scope of Payment Card Industry (PCI) Data Security Standard (DSS) compliance, limits the number of



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chargebacks and provides the capacity to decline counterfeit cards in real time.

MagTek's partners, including Sage Payment Solutions, appreciate MagTek's multilayer approach to security. Suzanne Ugast, Director of Marketing for Sage Payment Solutions, said, "MagTek's secure line of readers have allowed us to stay focused on serving our customers, and that makes them a valuable partner to Sage Payment Solutions.

"Their MagneSafe readers, in particular, make transactions more secure at the point of entry, which is critical for our merchants in their pursuit to become and remain PCI compliant."

The company's partners also acknowledge how easy MagTek's solutions are to implement. "We looked at several options and chose MagTek's IPAD product and MagneSafe solution to support our end-to-end encryption and transaction security strategy and rollout," said Dave Baldwin, President of Value Pay Services LLC, which manages Subway's Cash Card program. "MagTek's solution was the easiest to implement, primarily because they employ industry standard encryption and key management programs."

### Potential to save billions

For the company's leaders – Annmarie "Mimi" Hart, President and Chief Executive Officer; Lou Struett, Executive Vice President; and Sarah Irato, Senior Vice President Sales and Marketing – security remains a passion and priority.

"We are fanatical about security and fraud prevention," Hart said. "I am proud to say that MagTek is the only company that offers secure readers that emit dynamic data with every swipe and have counterfeit detection built inside the head.

"While others focus on compliance and single layer encryption, we use four layers of security, all of which use dynamic data. It's the power of dynamic data that allows you to wipe out fraud and take the worry out of data breaches."

According to the company's website, \$4 billion is lost each year in counterfeit card fraud. In an open letter published on MagTek's website, Hart asserted that encryption, by itself, is not enough to ensure security and fraud prevention because it doesn't address the problem of cloned cards.

"True consumer protection demands that the payment community authenticate the payment card and the data on it," Hart said.


"If fraudsters cannot use the pirated data, the fun and profit are removed from the equation along with the

incentive to steal it. Dynamic authentication does just that. It makes stolen data useless to criminals. Encryption, while useful, cannot carry the day."

Hart believes that with the means to determine both a card's authenticity and the account data's integrity, fraud can be stopped in its tracks.

MagTek has launched a crusade, dubbed Campaign to Wipe Out Counterfeit Card Fraud, urging the payments industry to bring a higher level of security to transaction processing.

"We just need the banks to capture the magnetic fingerprint of their cards, and the merchants to capture the magnetic fingerprint of the cards they swipe, and for real-time secure check to be performed, to simply compare the two," the company's website states. "By adopting this system as an industry, we make payments safer for consumers, while better protecting our critical infrastructure from foreign threats."

With a history of pushing the security solutions envelope, MagTek aims to stay ahead of the game, extend the life of its products and enhance the long-term value of its customers' technology investments. And those sound like worthy goals. 

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# The experiences of an entrepreneur

By Ken Musante

*Eureka Payments LLC*

**E**very day I learn something new. There are so many aspects to this business and so many ways to succeed. I enjoy speaking to others within the industry to learn from their experiences. Recently, I spoke with David Leppke, President of Transaction Services ([www.trxservices.com](http://www.trxservices.com)) to learn about his experiences in launching a startup company.

Leppke recently started a full-service ISO designed to serve his direct sales force and contractors. Transaction Services (TRX) automates many of the functions designed to support ISOs.

## Q: What prompted you to engage in a startup?

**A:** All through my career, I've reported to someone else. The first time you ever disagree with a superior, you have a framework of how you would like to do business. Also, starting from scratch allows you to depart from the legacy systems and processes. The converse of that is, all responsibility, fault and credit now resides with you.

One of the cornerstones of my business is that all core functionality would be brought in-house. An industry veteran taught me one lesson that has stuck with me throughout my career: we are a services business, and if you get bad service, you are not going back. Many processors simply outsource the transaction processing side. But if our service is electronic authorization processing, then we should bring the technology in-house.

## Q: Describe the services and advantages of Transaction Services:

**A:** TRX is based on an in-house-designed processing system; we're a full-service ISO with an emphasis on full service. One focal point is a complex residual hierarchy system that allows an unlimited number of levels and types of payouts. This system allows us to ensure that each merchant, at the merchant level, is profitable.

We can track this at the transaction level as well, and the marginal residual splits can be calculated. We also want to ensure repetitive processes, such as residual payouts, are automated.

We use TSYS as a back-end (and at the front-end), but we calculate interchange in real time to independently validate costs relative to income, as well as to compare our costs to what TSYS bills us. I can know my costs at the first minute of the next month rather than 15 days after the close, when my bill arrives.

Although TSYS is our only front-end support, we are exploring other front-ends and will depend upon market opportunity. Because of the level of integration we have with our processor, we have much greater functionality with that processor, although achieving this high level of interconnectivity does come with an expense, and we want to be sure the cost is justified before setting up a second front-end.

TRX performs its own underwriting and risk. Customer service is being built out, but is currently supported by TSYS. TRX or sales representatives enter their accounts into an internally developed sales contact database (similar to SalesForce.com) that interfaces directly with

TRX's systems to allow for upload of merchant account data to minimize redundant keying. Chargeback processing is currently outsourced, but is expected to be brought in-house within six months as our number of chargebacks increases.

Our technology will auto check MATCH [the Member Alert to Control High-risk list], credit report and OFAC [the Office of Foreign Assets Control]. TRX first makes a credit decision, then the bank will approve the file so long as we followed our underwriting policy.

The bank sponsors are Merrick Bank and Meridian. Merrick is a well-established and well-capitalized bank while Meridian is entrepreneurial and small enough to allow for direct access with senior execs.

TRX has its own independent direct bank identification number/interbank card association (BIN/ICA) with both banks. Although this was a greater upfront expense, it will allow for better flexibility and reporting. This will also allow for true portability because you could move the entire BIN/ICA without impacting merchants individually.

One of the unique aspects of TRX is that we wrote direct terminal software for both Hypercom and VeriFone. Although this limits the terminals we support, it allows us to gather fully end-to-end encrypted data. Having

**An industry veteran taught me one lesson that has stuck with me throughout my career: we are a services business, and if you get bad service, you are not going back.**



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the data from the point of sale allows us to control and utilize that data for service and profitability purposes.

We can calculate interchange, validate interchange, limit attrition and provide better service. One example that will stem attrition is that a merchant on a terminal will instantly see their transactional activity on their payment gateway for no additional costs. This is because the tool we will make available is the same tool we use for customer service. Over time, this technology will allow us to build our own statements because we are already doing our own calculations. We will be able to provide these statements less expensively and via email.

**Q: What was your timeline?**

**A:** Planning for 15 years [he laughs]. I actually started in November of 2009. I obtained funding in January 2010. I was registered with the card brands and had our own BINs/ICAs in May 2010. From May of 2010 through October, we were building our platform. We obtained our PCI certification in October. We boarded our first customer in October as well.

This long timeline and development allowed for many conversations with merchants so we could meet their needs. We were pre-selling prior to our launch, which

allowed us to board many merchants in October, in part, because of pent-up demand. Because of our quick ramp-up and low overhead, by December, we covered our operating costs on a monthly basis.

**Q: Discuss your security:**

**A:** We built end-to-end encryption of PAN [primary account numbers]. This has resulted in high upfront costs. We had to be PCI Level 1-certified and have fully redundant back-end systems before we launched.

**Q: What was the biggest variation between the actual and the plan?**

**A:** First, the unexpected higher percentage of our volume from fewer larger merchants. Second, the unexpected delay from vendors. Though these delays set us back, we were saved by larger merchant customers who caused our growth to exceed our sales goals. Although startup was much later than planned, the large accounts more than doubled our expected volume.

**Q: What would you do differently next time?**

**A:** Altered expectations for third-party vendors. I also would have started this 10 years ago.

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**Q: What is your investors' perspective?**

**A:** On a scale of 1 to 5, 4 out of possible 5. The knock-down is that some features are not yet complete, but we've been fortunate that our investors recognize that these setbacks have been unavoidable. A good strategic investor has been one of our biggest assets as a startup.

**Q: What percent of your company is owned by outside investors?**

**A:** In order to raise the capital needed, we needed to sell a good portion of TRX, but it was important not to sell a majority share. I didn't simply want to work for a different type of employer.

**Q: What was the most difficult part of the process?**

**A:** Doing things that were previously set up as a process and done by a department, such as HR, hiring employees directly, payroll and IT. One smart thing we did was obtain health care from our local chamber of commerce to get a volume discount. [TRX has 10 employees.]

**Q: What advice do you have for other startups?**

**A:** I read a number of books before I embarked on this project. They all said, and I've found it to be true, "Be very flexible. Expect your business plan to change."

**Q: What was your wife's opinion of this venture?**

**A:** When First National Bank of Omaha [David's former employer] sold to TSYS, I went from a secure position to a severance package – within two days!

I did not want to be in that same boat, and although I went through an interview process with a competitor, I did not agree with the direction of that company and did not see that organization as a place where I could work.

Even though I did not have a finalized commitment from our investors yet, and I had other job offers, I took a leap of faith. My wife was very supportive.

**Q: What keeps you awake at night?**

**A:** As the principal of a startup, all strategic and operational responsibility falls to me and my team.

Unlike many corporations, you cannot hide in middle-management, knowing someone else will pay the electric bill.

I keep two things on my nightstand, a notepad and my cell phone charging. After a full day, I sleep sounder than I ever have in my career. But if I do wake, I either make a note or take a call.


**Q: How will the Durbin Amendment impact your business?**

**A:** The Durbin Amendment was reactionary politics, poorly thought-out and now heavily scrutinized before implementation. It is hard to say how it will impact my business. But staying flexible, and owning both the technology and decision-making process, I am confident we can adapt much quicker than any larger competitor.

**Weighing the rewards and risks**

Leaving behind a paycheck in exchange for a startup can sound very appealing; calling your own shots and capturing your own ship can be extremely gratifying.

Yet failure is more likely than success, especially in this economy. But if David can be successful given the economic climate we are in today, imagine how he will prosper as the economy picks up steam.

Drop me a note if you know of someone I should interview for the next article. 

*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](http://www.eurekaypayments.com).*



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## Latest interchange increases - waving a red flag?

**M**asterCard Worldwide recently released its spring 2011 changes to interchange rates and assessments. Included among them is an increase in the interchange rate for a widely used rewards card called the World Merit III, which for some retail merchants constitutes a large portion of their credit card volume, according to Phil Hinke, Founder of MLS Advocate LLC.

"World Merit III can be 20 to 30 percent of a retail merchant's MasterCard transactions," Hinke said. "So this increase could have a noticeable impact on a retailer's monthly processing costs."

### Interchange hikes

Effective, April 15, MasterCard will increase the interchange rate for its World Merit III card from 1.73% + \$0.10 to 1.77% + \$0.10.

Also among the interchange increases disclosed by MasterCard were:

- World Full UCAF (the rate for a world card e-commerce credit transaction conducted with merchant security and cardholder verification) will increase from 1.83% + \$0.10 to 1.87% + \$0.10.
- World Merchant UCAF (the rate for a world card e-commerce credit transaction conducted with merchant security only) increased from 1.73% + \$0.10 to 1.77% + \$0.10.
- The Supermarket Base and Enhanced Supermarket Base rates will increase from 1.48% + \$0.05 to 1.48% + \$0.10.

In addition, MasterCard will increase the assessment fee (a flat transaction fee added to the cost of processing each credit card sale) from 0.11 percent to 0.12 percent on consumer and commercial credit volume for transactions of \$1,000 or more. For a complete list of interchange and fee changes released by MasterCard in April, please go to [www.mastercard.com/us/merchant/support/interchange\\_rates.html](http://www.mastercard.com/us/merchant/support/interchange_rates.html).

Also in April, Visa Inc. reportedly added an Interregional Super Premium Card with a rate of 1.97% + \$0.00 and four new Interregional Full Chip Cards with an interchange rate of 1.10% + \$0.00. All of the new cards also have the 0.40% and 0.45% international service and acquirer fees associated with them.

### Mixed reactions

Announcements about interchange increases typically

meet with different reactions, depending on who is hearing the news.

Hinke, whose firm provides independent interchange statement analyses for merchant level salespeople, works only with sales agents who use an interchange plus approach to pricing. He considers information on interchange rate increases a sales tool.

"I educate my salespeople to go to their merchants and say, 'Because you are with us, and you are on interchange plus, you'll be getting a fair rate increase,'" Hinke said. "You don't have to worry about us giving you a wholesale increase across all card types ... the only prices that will change are on the specific cards that MasterCard or Visa changes."

### Potential merchant ire

Brandes Elicht, Director of Partner Acquisitions at CrossCheck Inc. suggested raising rates on credit card interchange could be tantamount to waving a red flag in front of merchants, who have already gained traction in their battle to reduce interchange rates on debit transactions via the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

He anticipates that merchants, already "smelling blood" because of legislative progress made toward implementation of debit interchange caps, may soon turn their ire on credit card interchange.

"I think why these rates are important is that every time MasterCard or Visa raises their interchange, it's a poke in the eye to the top 200 retailers - and really all retailers," Elicht said. "And they are bound and determined to get caps on these rates. After the dust settles on Durbin with debit card caps, that won't be the end of it. The top 200 retailers will then go to their legislators for caps on credit card transactions." ■

## And the breach goes on

**A**slew of recent data breaches have security experts and government authorities scrambling to fix security loopholes and identify possible sources. In the most recent attack, Epsilon Data Management LLC, an online marketing unit of Alliance Data Systems Corp., reported customer data was exposed by an unauthorized entry into Epsilon's email system, affecting approximately 2 percent of its global client base of 2,500 companies.

Epsilon detected the breach on March 30, 2011, and notified clients that the information obtained was restricted to email addresses and customer names. Since the incident occurred, a growing number of companies affected by



the breach have stepped forward. Citigroup Inc., HSN Inc., Kroger Co., Walgreen Co., and Walt Disney Co.'s travel subsidiary, Disney Destinations, are among the affected companies.

In a follow-up statement Alliance Data also confirmed that, "No personal identifiable information (PII) was compromised. PII includes such data as Social Security numbers, credit card numbers and account information. Epsilon is working with authorities and external experts to conduct a full investigation to identify those responsible for the incident while also implementing additional security protocols in its email operations."

### Post-attack threats

According to Nicholas Percoco, Senior Vice President and head of Trustwave's Spiderlabs, once a breach occurs, culled data can be used in further attacks. "The attackers have that data," he said. "There is likely a lot of data here, probably 100 million names and email addresses, if you add up all these major vendors who were affected. The attackers right now have a mound of data they need to sift through and decide what their next steps are."

Percoco said follow-up attacks might include low-level phishing and spam attacks to gather additional information. "They can hone their attack even further by sending crafted emails to just the people they know who are customers of Merchant X or Card Issuer Y," he said. "That becomes even more targeted, something along the lines of what we call 'spear fishing,'" which involves attackers targeting specific consumer groups or high-profile names in government or corporations.

Anticipating increased email activity within the customer and client environment impacted by the breach, Epsilon President Bryan Kennedy stated, "We apologize for the inconvenience that this matter has caused and for the potential unsolicited emails that may occur as a result of this incident."

Percoco advised merchants to step up their fraud monitoring through third-party fraud alert systems that identify abnormal activity. And for those affected by the breach, he recommended communicating with customers to prevent furtherance of the attack. He suggested, for example, that merchants provide guidelines so customers know what kind of communication to expect from them; these could be simple statements such as, "We will not send you an email and ask you to click on a link to update your profile information or log into our site."

### A persistent trend

Statistical data from the Privacy Rights Clearinghouse, a nonprofit consumer organization that reports data breaches and provides consumer education, suggest that data breaches will continue to persist as a trend. In 2010, a total of 595 breaches were reported by the PRC, with 12,313,609 records exposed.

In the first quarter of 2011, PRC reported that 144 breaches have exposed 4,953,195 records. As the Epsilon breach unfolds, the number of records exposed this year will likely surpass 2010's total. Further, Epsilon is not the first to have its email system breached. In February 2011, hackers extracted 60,000 business emails from HBGary's network, potentially exposing sensitive information about its customers. The Sacramento, Calif.-based security company provides continuous cyber-security protection for government agencies and Fortune 500 companies. ■

## Durbin Amendment regs delayed temporarily

**D**on't count on the Federal Reserve Board issuing final regulations implementing the Durbin Amendment by the April 21, 2011, deadline Congress set under the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. After being inundated with more than 11,000 comment



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letters, Fed Chairman Ben Bernanke said in a recent letter to Congress that staffers need more time to review and consider issues raised by those letters before they can finish the rule-making process.

But hold the applause. Bernanke also said the Fed is committed to having regulations in place before July 21, when the debit-interchange-cap law takes effect, according to news service reports. The letter was sent to leaders of the House Financial Services and the Senate Banking committees.

### The potential consequences

The Durbin Amendment, among other things, instructs the Fed to issue rules to cap debit card interchange fees charged merchants at rates deemed "reasonable and proportional" to costs incurred by issuers. Community banks – those with assets below \$10 billion – are exempt from the legislation. So are prepaid debit cards.

A set of proposals for implementing Durbin was drafted by the Fed's staff and released for public comment in late December; interested parties had until February 22 to submit comment letters.

They proposed two scenarios for capping debit card interchange, either of which would result in a 70 percent hit to issuing banks' debit interchange revenues, based on 2010 assessments.

Opponents argue the proposal could have serious unintended consequences for consumer spending and bank balance sheets.

It also could stymie efforts to bank the unbanked by forcing banks to raise other fees, thereby making checking accounts unaffordable to more Americans, several economists have warned. ■

## Durbin Amendment draws opposition

**W**ith debit interchange regulation looming, 33 national and state-level advocacy groups, think tanks and center-right activists have joined to lobby against premature implementation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which could cap debit interchange fees starting as early as July 2011.

The coalition includes the Americans for Tax Reform, Competitive Enterprise Institute and 60 Plus Association.

In an April 2011 joint letter to Congress, the coalition stated, "Consumers and seniors on fixed incomes will likely bear the brunt of these regulations directly, as card issuers struggle to cover the cost of artificially low price controls on interchange fees.

"For cardholders, this means higher fees, fewer card rewards, the elimination of banking services such as 'free checking'." The coalition also stated that smaller banks and issuers could be forced "to eliminate services or exit the market altogether."

Industry expert Ross Federgreen, founder of CSRSI, The Payment Advisors, disagrees with the notion that reward and other card programs would be restricted due to debit interchange regulation.

He said that with reward card programs, merchants are charged a fee every time a card is presented. He believes merchants will continue to pass along those costs to consumers just as they are doing today.

"I don't see the need for a change to the Durbin bill is required to protect the consumers from the banking environment," he said. "I think it's going to be more adverse to the banking environment than to the consumer environment."



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## News

**Dubious benefits to regulation**

According to Federgreen, an often overlooked fact is that even though a consumer can pay a merchant with a debit card, many times the debit card is being run as a credit card because the consumer's not entering the PIN. "It's not like all of a sudden these debit cards or check cards are going to be handled as credit cards with higher interchange rates," he said. "That's what's happening now."

Referencing The Reserve Bank of Australia's regulation of interchange in 2002, the letter said, "Already, the Government Accountability Office found that when similar transaction fee caps were enacted in Australia, the cost was passed on to consumers in the form of reduced rewards and higher annual fees for payment cardholders. Contrary to the rhetoric of price control proponents, none of the savings merchants received in Australia were passed on to consumers."

Federgreen agreed that regulation in Australia hasn't achieved its originally stated goals. "This was all the rage to save merchants a ton of money and to help business," he said. "Well, none of that ever came to pass. They just changed the rules again, and banks figured out ways to get around it. It didn't help the masses. Now, almost 10 years later, it's a forgotten fact of life." ■

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**Ingenico gaining slice of U.S. market**

**V**eriFone Inc. and Hypercom Corp. agreed on April 4, 2011, to sell to Ingenico S.A. Hypercom's U.S. payment systems business, which reportedly achieved revenues of about \$61 million in 2010. The aggregate purchase price is \$54 million in cash, subject to post-completion price adjustments.

Pending regulatory approval, the transaction is expected to close immediately before completion of VeriFone's acquisition of Hypercom, which is expected to occur in the second half of 2011. The sale represents part of the divestiture previously described by VeriFone in a January 2011, filing in which VeriFone stated it would divest Hypercom's U.S. assets following its acquisition of Hypercom. The proposed acquisition of Hypercom by VeriFone was disclosed in November 2010; it was approved by Hypercom shareholders in February 2011. The merger is expected to enable VeriFone to expand its business in the European market.

ViVOtech, a near field communication (NFC) solutions provider, indicated in a March 31, 2011, statement that it had also approached VeriFone about acquiring Hypercom's U.S. payment systems assets.

**Benefits for VeriFone and Ingenico**

"VeriFone will retain the U.S. network products operations of Hypercom, and Ingenico will take over the former Hypercom payments systems business here," stated Pete Bartolik on behalf of VeriFone Media Relations. To facilitate integration of the affected Ingenico and Hypercom operations, industry veteran Thierry Denis was appointed President of Ingenico North America. For the past 17 years, Denis has been responsible for Ingenico's business expansion in the Asia-Pacific region.

"The acquisition of Hypercom's U.S. business is a major step in our strategic development notably aimed at accelerating the adoption of contactless NFC technology," Phillipe Lazare, Chief Executive Officer of Ingenico, said in a statement. "This will enable us to accelerate our presence in the U.S. through a promising combination of innovative product offers, expertise and extensive customer base."

Lazare added that the acquisition will strengthen and expand Ingenico's presence in the U.S. payments sphere, which is one of Ingenico's "key strategic target markets." According to Ingenico, Hypercom has built a strong customer base across such channels as bankcard, multi-lane retail and value-added services, and these will benefit from Ingenico's Telium product line, which includes contactless solutions. ■

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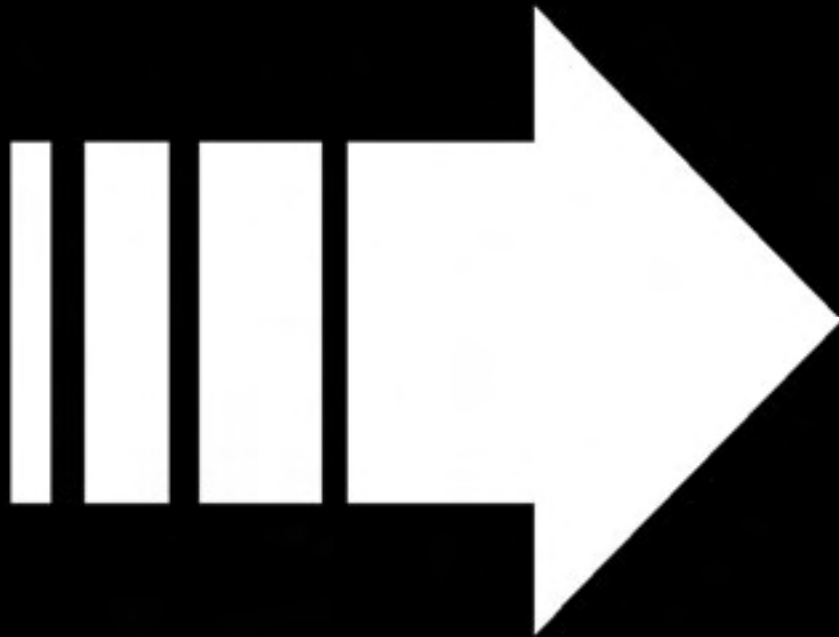
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## **Reason 3 - Unparalleled Support**

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## Mobile from page 1

More likely than not, mobile merchants' businesses are on the smaller size and not transacting great volumes or selling large-ticket items. Additionally, such merchants are often new to business ownership; they may have gone into business for themselves after being downsized out of corporate jobs, or they may be young entrepreneurs just out of college. But what all mobile merchants have in common is their lack of tethering to traditional POS equipment.

The ongoing revolution in wireless telecommunication is the ultimate driver behind mobile payments. The ubiquity and increased functionality of smart phones has resulted in payment companies new and old rolling out "sleeves" and dongles that convert phones and other handheld devices into payment terminals that accept traditional bankcards. As the price for owning a smart phone has decreased, so has the general cost of using the devices to process transactions.

### Variety and price

The unanimous opinion of industry leaders and award-winning ISOs contacted for this article is that the secret to closing mobile merchants rests on three components: a variety of solutions, a fair price for processing and excellent customer service.

ISOs must supply an array of devices to fit merchants with differing needs. ProPay Inc., winner of the 2010 ISO of the Year award at the Electronic Transactions Association's Annual Meeting & Expo, offers proprietary devices like the MicroSecure Card Reader and the just introduced ProPay Jack, as well as VeriFone Inc.'s PAYware sleeve. ProPay also has a dedicated 800 number for mobile merchants to conduct MO/TO payments.

"Giving them a family of readers to choose from is important because some of them would like having that sleeve," said Bryce Thacker, Executive Vice President, Sales and Marketing at ProPay. "Others don't want to go to that expense and so buy a much less expensive reader."

Other issues involve the sites where mobile merchants are conducting business. "They could be in a convention center, at a flea market or a craft fair," said Scott Nelson, Vice President, Marketing at ProPay. "At a convention center, you just don't have data access. So the MicroSecure Card Reader is a good solution," because you can swipe a card, encrypt the data and process it later when you can access a secure connection.

CoCard Marketing Group LLC offers payment sleeves for smart phones. The sleeves are from ROAM Data Inc., VeriFone, First Data Corp. and National Processing Co. That variety allows CoCard to maneuver the selling process away from a one-size-fits-all approach.

"It makes us more consultative in our sales rather than product pitch people," said Rick Pylant, President

and Chairman of CoCard, as well as President of the ETA. "We can go in there and find out what the merchant wants [and] get the right plan and program put together specifically."

Eureka Payments LLC, which specializes in mobile merchants, offers USAePay's PaySaber sleeve (with receipt printer), PaySaber Jr. (without receipt printer) and VeriFone's PAYware.

"You want to have a solution that works for merchants that have phone lines but no power," said Ken Musante, President of Eureka Payments. "You want to have a solution for merchants who have iPhones. You want a low-cost solution available, and you want to have a very robust solution for fleet vehicles. And you want to have solutions for one-off merchants. So the trick is not to say, 'Yeah, we have one mobile solution, or this is our mobile solution,' but to have a variety of solutions available."

Musante said Eureka Payments starts with the assumption that most merchants new to the mobile space will be processing payments via a smart phone or tablet computer, such as Apple's iPad. Startup costs for those devices are minimal. And fees that successful ISOs charge are equitable and easy to understand.

ProPay has found its boarding rate remains high and its attrition rate remains low because of the company's simple, transparent pricing. "The people typically aren't finance people," Nelson said. "They don't understand the payments industry. And we make it very simple for them. We don't load up their account with a bunch of fees for this and for that – statement fees, monthly fees, equipment fees, etc.

"It's basically a simple, blended rate, a simple online sign-up process – that they can essentially go to our website and literally, within minutes, have a full-blown merchant account and be ready to accept credit cards. That's what these people like about it. It's simple, straightforward pricing."

Pylant agreed pricing is very important to CoCard's success with mobile merchants, especially with the competition provided by Square Inc. With its free dongle that plugs into the audio jack of iPhones, iPads and smart phones that run on Google Inc.'s Android operating system, Square has generated significant media attention.

But there are concerns about the security of the device, and it may be taking advantage of new, ill-informed merchants by offering no monthly fees but charging 2.75 percent of the purchase amount for each swiped transaction. When CoCard comes across merchants who process with Square, Pylant tells them, "You're dealing with Square? You've got to be kidding me." Contrary to Square, CoCard prices mobile merchants like traditional merchants and undercuts Square "by a mile," Pylant said.

## CoverStory

The same applies to Eureka Payments. "We try to give merchants a very fair lower rate," Musante said. "There is going to be a monthly fee associated with it. And with that, if it makes sense for them to stay with Square, or some other form of solution until they get to a size that it makes sense that they have a monthly fee – great."

### The best kind of advertising

Of course, good customer service is fundamental to the success of any business. But offering great solutions at affordable prices, without backing it up with great customer service, is akin to being a great dancer who shoots himself in the foot. However, having all three achieves a whole greater than its parts and compounds a company's success.

"We provide a very valuable service, and our customers like us," Nelson said. "They tend to stay with us for long periods of time. And those people who are obviously happy customers, they talk about us."

"In our research, when we talk to our customers about how they found out about ProPay and what was compelling, a large percentage of the time it's because they were referred by a business associate or a friend who had been using a ProPay account and was very satisfied with it."

Nelson estimated that 75 percent of ProPay's business is generated through referrals. The face of the organization for those referred mobile merchants is not usually a ProPay agent, but its website.

"We rely heavily upon the website to make that sales pitch for us and obviously having them come to the website from a referring customer helps," Nelson said. "They are prepped. And then when they get there, I think we reinforce the message from a referring customer to make it very easy for them to get them through the sign-up process to get a merchant account."

Eureka Payments also relies heavily on its website to generate business. "We don't hit the street for mobile merchants," Musante said. "

For the most part, it's direct marketing, or specific direct marketing, and follow-up sales." He added that there are not enough mobile merchants in the Eureka, Calif., area to make "hitting the streets" practical.

"If someone is clicking you off the Internet, you've got to really work to build that trust up," Pylant said. "If they're coming from your lead sources, you've got that respect and trust prebuilt before you even have to do the sales process."

### Not for everyone

Despite the promise of the mobile merchant arena, it is not for everyone, especially ISOs new to the business. Mobile

merchants often do not process enough transactions to generate significant residuals.

"The way traditionally that ISOs have started is by living off of the equipment money for the period of time until they can finally get residuals rolling," Pylant said. "If you still follow that same model, there isn't much money on the new mobile services that are out there." He added that boarding mobile merchants will build residuals slowly, not quickly.

Thacker believes entering the mobile sphere can be particularly challenging for new ISOs. "They may spend a ton of time and not see much in compensation back," he said. "It took years for us to reach a critical mass."

ProPay, which has serviced e-commerce merchants for 14 years, jumped into mobile merchant processing several years ago. That foundation in e-commerce allowed ProPay to weather the ups and downs that come with the mobile merchant sector.

"To be able to board people like we do and underwrite people as quickly as we do and avoid the risk, that's taken years to figure that out," Nelson said. "That's sort of the secret sauce."

Mobile merchants that jump into electronic payments may also find it difficult to grow. "An awful lot of these merchants start up a company and go out and have a product they want to sell, and they never make it," Pylant said. "That's the downside to it. There's an awful lot of very, very small merchants that start up this way."

"If these folks have been in business for awhile, it's no big deal. It's pretty much the same as we always do. But a lot of these folks are just brand spanking new and, if they aren't doing a tangible product, it gets a little tough."

Thacker said, "I think there's opportunity here, but I don't think we should wear rose-colored glasses about it. It takes some savvy."

### Don't look now

The landscape for mobile payments is rapidly evolving, however. Dongles and sleeve devices may be intermediary (or perhaps secondary) solutions as ISOs like ProPay leverage their scale to create online social commerce marketplaces. ProPay's service is called Zumogo. With Zumogo, customers put bankcards on file to be used for purchases at participating Zumogo merchants.

"What it eliminates is the cost of any terminal," Thacker said. "You don't have to have a terminal plugged in either on a sleeve basis or the audio jack."

The smart phone application allows customers to find localized Zumogo merchants and pre-order goods and services. "They say, oh, I think I want to go get a beer at this



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## CoverStory

pub, at this restaurant, they simply announce they are on their way," Thacker said. When the merchant adds up the tab, the funds are taken out of the customer's prefunded ProPay account.

The Members Group, a payment solution aggregator and integrator for banks, recently launched a similar solution. Dwolla Spots is an app that takes advantage of geo-location satellite positioning technology on smart phones to allow customers to easily find local merchants.

"Think about a farmers market," said Jeff Russell, Executive Vice President at TMG. "No real fixed infrastructure. And now all of a sudden I have an iTouch or

an iPad, and someone wants to walk up and buy whatever I'm selling – produce or some good."

There is no need for a physical terminal, as business is conducted over the Dwolla network between consumers' prefunded, free-to-sign-up-for Dwolla accounts and merchant accounts.

TMG charges merchants a flat fee of 25 cents per transaction. It can charge that negligible amount, independent of the size of the transaction, because the transactions are bank-to-bank money transfers processed over the automated clearing house network and, therefore, bypass the more expensive networks of the card brands.

Russell reported that since Dwolla was introduced in early March 2011, over 1,000 merchants, particularly in the Midwest, have already signed up for the service.

### Change a'comin'

A trend recognized by Pylant is that traditional brick-and-mortar merchants are converting their payment mechanisms to smart phones simply to lower processing costs. These types of merchants are also apparently getting outside in search of new business.

"One of the interesting things we're seeing is occasional mobile merchants," Russell said, such as coffee shops setting up booths at farmers markets or pizza joints traveling around to local sports events and selling pizza by the slice.

"The bottom line is they need affordable, easy-to-use solutions when they're out and about, or cash will remain king.

"You're seeing people trying to reach out in different ways and build new business models," Russell said. "And as they do that, they've got to find new ways to get paid."

With mobile payment solutions in your arsenal, backed by cutting-edge pricing and superior customer service, you may not have to find mobile merchants; they may, in fact, find you. ■



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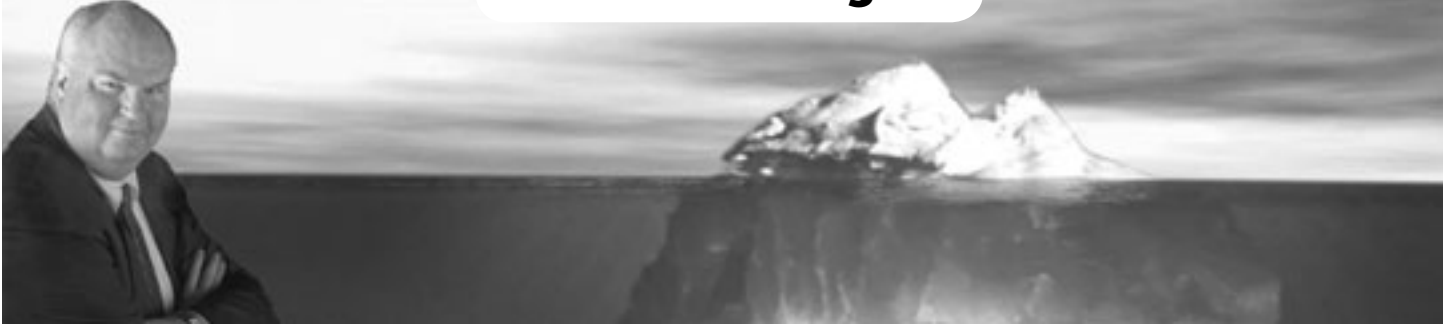
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# Education

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## Spring cleaning the ISO house

By **Bill Pirtle**

*MPCT Publishing Co.*

**W**hen dishonest ISOs and merchant level salespeople (MLSs) use deceptive practices to trap business owners into signing unfair processing agreements, the merchants feel cheated. And this gives us all a bad reputation. Such practices also invite complaints that can lead to government regulation.

My pet peeves are the gimmicks and intentionally fraudulent scams. Have you ever seen or used the line, "If I can't save you any money, I'll give you \$x?" This is usually offered with the intention that \$x will never be paid. Some MLSs deviously apply one rate across an entire statement, disregarding such things as mid- and non-qualified downgrades and other fee categories. Thus, it looks like the agent is offering major savings to the merchant (and no payment is due on the bet).

I also consider "free" terminals to be a gimmick. ISOs and MLSs make up for the giveaway in other ways.

### Lies that hurt us all

Intentional fraud is something that we, as honest ISOs and MLSs, need to grab by the roots and remove from our own backyards before someone does it for us. Intentional fraud includes lying to get accounts, for example:

- Telling merchants their equipment is not PCI compliant when the equipment is compliant
- Making unauthorized changes to contracts, including lining things out or making changes after contracts are signed
- Making calls to merchants that begin with, "This is your processor and we need ..."
- Providing lower rates than a merchant is qualified

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to receive and applying surcharges to cover the real cost

- Telling merchants you are calling from MasterCard Worldwide or Visa Inc.
- Claiming that your company offers "direct pricing"

Inducing artificial merchant churn is another example of intentional fraud. For instance, getting a merchant to change processors multiple times to earn a bonus for each switch, as well as telling merchants they can leave their old processors without penalty when the merchants will, indeed, be penalized for switching.

### The schemes we've seen

I asked GS Online's MLS Forum about the scams (or potential scams) they have encountered.

**BER** mentioned agents who promise to cancel leases and merchant accounts for their clients and take the leased machine to "settle up."

**JOHN GALT?** said he sees the prominent headline, "Rates as low as 1.1 percent on all credit cards\*" with the explanation, "plus interchange fees," following an asterisk at the bottom of the postcard in three-point type.

**SECONDDLANCE** brought up another common practice: "One flat fee monthly for all of your processing, no additional fees!" **LOPAND1** described an agent orchestrating



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***When I wrote *Navigating Through the Risks of Credit Card Processing*, I advised merchants to sign with local agents because I believe they can provide better service with a more personal touch.***

Bill Pirtle, MPCT Publishing Co.

just such a scenario: "Here at XXX Merchant Services we have no contract and no hidden fees. Now please sign here, saying that you agree to the contract terms and conditions that I have not provided that also include all the hidden fees that I'm not mentioning to you."

"It still amazes [me] how many merchants I speak to that brag that they have no contract," **LOPAND1** added. "But when you ask them what they had to sign in order to get started with accepting credit cards, they go into a big defensive mode. I know I signed a contract, but it wasn't a contract like your contract. It was a 'no contract-contract with a free terminal,' and I have a flat rate of 1 percent on my \$1,500 a month in volume."

A harmful practice I had not seen before was sent in by **K-WAGS**, who mentioned encountering an agent who signed a single merchant and sent the same contract to multiple ISOs.

MLSs and ISOs are not the only ones perpetrating fraud. "I don't know if this has been mentioned, but the most common scam/fraud attempt is happening now with inbound calls," **CLEARENT** posted. "A merchant calls wanting information on payment processing.

"They are an easy sell and even provide you with all of the paperwork. It seems so easy. You don't ask why they called across country, why they chose you, etc. The next thing you know, it's a bust out. They knew exactly what it took to get approved, and they knew what it took to slam through the transaction quickly."

When I wrote *Navigating Through the Risks of Credit Card Processing*, I advised merchants to sign with local agents because I believe they can provide better service with a more personal touch. Plus, it is a way for MLSs to ensure that the merchants they sign are legitimate.

My largest client resulted from an incoming call. The business is located a couple of hundred miles from my home. I let the underwriting department know that I had not seen the company's office or met the owner, but I would be doing the training in person. Working with your underwriters should help reduce fraud caused by "merchants" shopping for agents cross-country.

### **What we can do**

How can we combat the gimmicks, scams and fraud?

Several options come to mind. We need to determine which will work the best while causing the least interference.

Education would be a good start. New MLSs need to know how to deliver service the right way. Let the ISOs handle company-specific training like apps and underwriting, but the basics should be taught in some uniform manner. Many inexperienced agents are simply instructed to start knocking on doors and call if they need help. Even worse, some are taught to do improper or fraudulent things.

Educating business owners is also important, and we can get the word out. Write blogs, start classes at local chambers of commerce, and work with business startup and accountant groups. Learn how to approach media outlets. Teach business owners what to watch out for without trying to sell to them.

Once you are seen as a trusted adviser, they will approach you. One jewelry store used to say in its commercials, "An educated consumer is our best customer."

In researching "Straight talk on professional certification," *The Green Sheet*, April 11, 2011, issue 11:04:01, I found that most members of the MLS Forum do not believe certification will help because it brings no barrier to entry for new agents and will not penalize those who refuse to follow the rules.

If certification is rejected, we will need to consider registration of not only ISOs, but also MLSs. With registration, the likely barriers to entry would be fees and some type of training and testing. The details of the registration process could vary depending on who is leading the charge.

If the cause were led from within the industry, the purpose would be to clean up the industry and allow healthier margins. With government entities leading the campaign, you would have different rules in different states, and some would use registration and licensing to enhance state coffers and "protect" merchants without regard to the health of the industry.

Twelve years ago, I sat in an insurance licensing course. The most important point conveyed was to not mess with old people. Ethics in the processing industry needs to be stronger. People shouldn't have to be told not to cheat others. Ethics training would emphasize acting in the merchant's best interests and making a fair profit in doing so.

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## StreetSmarts

Violations in ethics should be dealt with severely. When we fail to take action, we invite mandates. And the government is already getting involved. Many have railed against the Durbin Amendment to the Dodd-Frank Wall Street Reform Act of 2010.

Those who have heard the Sen. Richard Durbin, D-Ill., media interviews, including the March 28, 2011, interview on CNBC, know the man has no clue about how credit card processing works or who receives interchange. His "intel" is coming from retail organizations like the National Retail Federation and the National Association of Convenience Stores.

In the absence of our own grassroots organization to reform our industry, Durbin and others who have no idea of how this industry works are stepping in to do it for us.

### Remedies to consider

There are a few mandates I could live with. These include requiring that:


- The merchant signature appear on all pages of the contract
- The section stating that the contract, as written, supersedes all changes – whether oral or in

writing – be printed in all capital letters and initialed by the merchant

- All merchant fees appear on a statement sent to the merchant, with all fees being for the same month in which they are incurred
- Statements show the reason for all downgrades listed in them

I will provide a PDF with further details on these requirements to any reader who requests it.

Please share the scams you are seeing with others on the MLS Forum. Create your own database on these practices, and educate the merchants you meet with. Help your customers avoid fraudulent schemes and the agents that present them.

As always, I welcome your ideas. Remember that what you do today defines your tomorrow. 

*Bill Pirtle is the President of MPCT Publishing Co. and author of Navigating Through the Risks of Credit Card Processing. He is also a merchant level salesperson for Clearent LLC, Electronic Payments Inc. and Electronic Merchant Systems Inc. Bill's website is [www.creditcardprocessingbook.com](http://www.creditcardprocessingbook.com), and his email address is [billpirtle@yahoo.com](mailto:billpirtle@yahoo.com). He welcomes all connections on Facebook and LinkedIn.*

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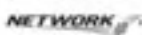
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## Smart phones, dumb habits

By Dale S. Laszig

Castles Technology Co. Ltd.

If time-saving technologies have produced a surplus, how are we investing the hours we have gained? Have these technologies helped us achieve a work-life balance, or are we having more difficulty disengaging from work in an always-on, always-connected world? Are we in control or have our smart phones, tablets and assorted PDAs become the tail wagging the dog?

Let's consider how technology is impacting our lives and professions, forever changing the way we interact and accept payments at the POS.

Smart phones offer merchants and consumers an array of modern conveniences, including the ability to make and receive payments, check email, set calendar reminders, navigate with global positioning system technology, use text and video conferencing and interact on social media.

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### Take time to recharge

Ironically, the electronic assistants that absorb so much of our time also measure it with digital clocks. How do we maintain the upper hand when interacting with devices that continue to send us email long after we've left our physical workplaces?

Can we turn them off and be totally present while driving, eating, attending meetings, watching movies, and spending time with our friends and families? Do we recharge ourselves as effectively as we recharge the batteries of our assorted robotic friends?

### Leave 24/7 to your help desk

Studies have shown that failure to occasionally unplug and take a break can adversely affect workers' health and productivity. This is especially true for sales professionals, who tend to equate missed calls with potential loss of sales or accounts. We're so afraid of losing connection with our customers that some of us are available to our customers 24/7, working 90 hours a week during off-season and up to 120 hours during peak times, sacrificing sleeping, eating and entertaining. Is any job worth that?

Extreme overtime can wreak havoc on the physical and mental health of workers who go for extended periods without the rest, nutrition or mental breaks necessary to bring a renewed and fresh perspective to their jobs. This type of lifestyle may work for awhile, but ultimately it's just not sustainable. Career veterans perform at an evenly measured pace that's more suited for a marathon than a 60-yard dash.

### Work smart, not hard

In her international bestseller, *Ten Thoughts about Time*, Swedish philosopher Bodil Jönsson describes extreme work habits as so last century. She wrote, "One system we must replace as soon as possible is the one we have inherited from industrialization. Its central notion was that work was crucial, and what you did when you were working mattered, too.

Being employed was synonymous with being needed. Leisure time was when you did things like entertain yourself or look after your private life, including children and older relatives, and chores such as cooking, cleaning and laundry. The post-industrial society must get rid of this work-based outlook."





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## Education

***While economic recovery has been uneven and slower to reach some areas, we can all do our share in building a better future, and we can start by intelligently managing our electronic devices.***

Here are six warning signs that you may be over-connected:


- 1. Work overload:** If there's too much work on your plate and you don't prioritize tasks, you may find yourself working constantly to keep pace with your workload. Work will continue to pile up, and you'll keep working and responding to all those incoming emails. See if you can delegate some tasks or ask for assistance.
- 2. Failure to delegate:** If you're taking on more than your fair share of work, you're not a hero. Delegate tasks, bring the work overload to the attention of your management, or if you can't do either, make the tough decision on what to drop.
- 3. Absence of clear-cut goals:** Before you start replying to an email or diving into that pile of papers

on your desk, think about what matters most. Try to organize tasks in order of importance, and make it easy for yourself and everyone on your team to prioritize their tasks.

- 4. Absence of work life balance:** Not taking a much-needed break can put you at risk for potential health issues and impaired judgment. Exhausted people don't make good decisions. You may perform poorly at work or drive erratically. Your relationships may also suffer.
- 5. Disconnected from core values:** Overwork is not aligned with most individuals' and companies' core values. Most of us place importance on work-life balance, and we perform best when we have clear separation between our lives and our jobs. Even when we love our jobs, we have to learn how to let go.
- 6. Loss of personal identity:** Workers are increasingly basing their identities on the jobs and work they perform. The workplace has replaced the social outlets of many modern workers, who used to congregate in neighborhood pubs or bowling alleys and enjoy activities organized by churches and civic groups. Now these same employees are finding comfort in working late and staying connected in-person and online with their extended family of coworkers.

### Let go of extreme habits

Clearly, our recent global recession, advances in technology, and a culture of fear and uncertainty have contributed to a worldwide epidemic of extreme work habits and compulsive connectivity. While economic recovery has been uneven and slower to reach some areas, we can all do our share in building a better future, and we can start by intelligently managing our electronic devices.

Let's be smarter than our smart phones, leave the 24/7 to our Help Desks and occasionally take time to unplug. It's the quality, not quantity, of our interactions that will continue to drive innovation. What matters most is not how much time we save; it's how we choose to spend it. 

*Dale S. Laszig is Senior Vice President of Sales in the United States for Castles Technology Co. Ltd., a manufacturer and global provider of smart card, contactless and POS solutions. She can be reached at 973-930-0331 or dale\_laszig@castech.com.tw.*



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Legal ease

# Memorable ISO legal catastrophes

By Adam Atlas

Attorney at Law

**P**erhaps the most valuable thing I can do in this article is to inform readers of the greatest pitfalls I have seen ISOs and merchant level salespeople (MLSs) fall into, in legal terms, over the years. I have pared down my list to five that I feel are especially educational. I hope none of these ever happens to you.

In this article, I have often used the term "ISO" to refer to both ISOs and MLSs because both should be equally concerned with the scenarios described herein. I have also omitted names to protect the identities of the victims.

## 1. Surprise liability

Believe it or not, some ISOs and agents do not know, with complete certainty, whether they carry liability on merchant losses. In other words, if one of their merchants were to incur a few hundred thousand dollars of chargebacks, these ISOs and MLSs do not know whether they would be asked to carry that liability.

In one case, an ISO was carrying liability under the ISO agreement, but since large losses had never occurred, the processor was not in the habit of passing the liability through to the ISO. Then came a merchant who was in the business of selling fancy electric beds to elderly buyers for \$7,000 apiece.

One day, the merchant sold 20 beds, took the money from the sales and never delivered the beds. This time, the processor did not absorb the liability and turned to the ISO to pay nearly \$150,000 in chargebacks when the elderly customers did not receive their beds. The payment obligation in this scenario decimated the ISO's children's college fund – and more. The lesson here is to know when you carry liability and when you do not and to plan accordingly.

***Believe it or not, some ISOs and agents do not know, with complete certainty, whether they carry liability on merchant losses. In other words, if one of their merchants were to incur a few hundred thousand dollars of chargebacks, these ISOs and MLSs do not know whether they would be asked to carry that liability.***

## 2. Divorce

When a husband and wife who jointly operate an ISO are getting along, their business can thrive. When divorce comes along, however, one spouse can be left holding the short end of the ISO business. I am not a family lawyer, so I cannot make recommendations as to prenuptial agreements, and so on, but I can recommend that all spouses in ISO businesses make provisions for a breakup scenario.

I also recommend that spouses arrange for each to have a similar level of access to their company's information and reporting. This will make it harder for one spouse to control the business to the detriment of the other after a divorce.

Also, like all ISOs, spouse-operated ISOs should have legally sound agreements with their MLSs so they cannot move the ISO's merchants elsewhere. This will, for example, help prevent spouses from siphoning merchants out of a disputed ISO business.

## 3. Portability sand-trap

It's a plus to have language in an ISO agreement that allows the ISO to move merchants to a different acquirer. Have you ever thought about how you might actually accomplish that move if you had to? Would your processor be reasonable and cooperative?

In one especially sad scenario, the processor for the original acquirer was unwilling or unable to provide data concerning the merchants in a format that was easily transferrable to the new acquirer.

The ISO had to hire data-entry staff to re-enter basic information concerning thousands of merchants, some of which was accessible only through paper files. The "portability right" in that scenario resulted in the loss of huge swaths of the portfolio to the detriment of the ISO.

So, if you have portability, meaning the ability to cause your acquirer to assign your merchant agreements to another acquirer, take time with your acquirer to think about how you might actually implement such a migration or deconversion. You are better off facing the hurdles well before you are asked to jump through them and are up against a deadline to extricate your merchants from an acquirer's platform.

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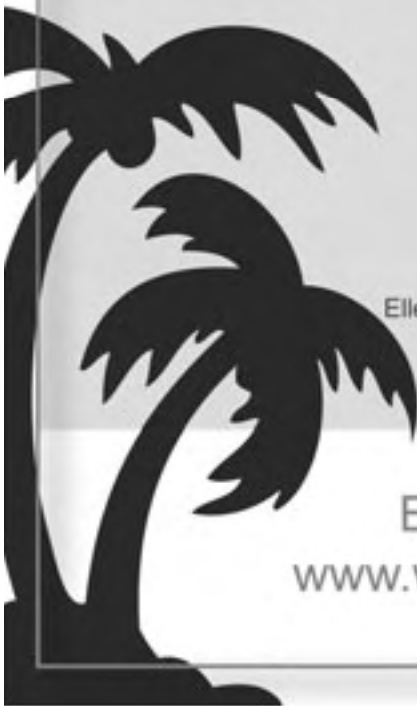
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## Education

### 4. Security breach

We sometimes pity merchants who unwittingly store thousands of credit card numbers that are then stolen, leading to business-ending fines from Visa Inc. and MasterCard Worldwide.

But what about ISOs? Some ISOs that are either large enough to carry some of the processing burden themselves or too small to know that aggregating is not a wise business practice may end up storing cardholder data and be forced to face the costly consequences of a breach. ISO security breaches are crippling not only because of potential association fines, but also because of the reputational damage to an affected ISO's merchant base.

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The Payment Card Industry Data Security Standard push in recent years has brought ISO education on security to a new level, but one should always be prudent not to collect unnecessary data and to secure all data that is collected. Incidentally, ISOs should be concerned not only with card company fines, but also with civil and penal claims from state regulators under privacy statutes.

### 5. Salary thievery

The ability to make a lot of money by fudging the numbers one way or another in our industry has served as an invitation to those who lack moral fiber to run wild. The classic example of this is a salaried employee of an ISO (and I have seen it at the major processor level as well), who has an agent agreement "on the side."

In this situation, the employee draws a salary from an ISO to work full time for that ISO, but during working hours, the employee is also using office computers, phones and faxes to sign merchants with another ISO.

As outrageous as this may sound, I have seen it happen. In some cases, these individuals are caught, prosecuted and expelled from the industry. However, in other cases, they carry on undetected.

The culprits sometimes blame low salaries that do not provide enough money to pay their personal expenses, but most of the time the motivation behind these scenarios is just plain greed.

I apologize if I have been too melodramatic in this article, but I think ISOs should be aware of mistakes other payment professionals have made so they can prevent costly and potentially irreversible mistakes. 📧

*In publishing The Green Sheet, neither the author nor the publisher is engaged in rendering legal, accounting or other professional services. If you require legal advice or other expert assistance, seek the services of a competent professional. For further information on this article, email Adam Atlas, Attorney at Law, at atlas@adamatlas.com or call him at 514-842-0886.*

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## Education (continued)

## Old fraud schemes resurfacing?

By Nicholas Cucci

Network Merchants Inc.

**A**re old fraud schemes a thing of the past? Actually, it looks like fraudsters have resumed old tactics in France and the United States, according to one U.S. credit union's report of suspicious low-dollar charges coming from European toll-booths. International Airline Employees Federal Credit Union of Briarwood, N.Y., reported the suspect transactions to the National Association of Federal Credit Unions.

### Easy to create card numbers

These schemes rely on online applications commonly known as "credit master" or "credit wizard" programs. These applications are used to create a legitimate card number for a given bank identification number (BIN), which is easy for fraudsters to find online. The card number created might be an active card number, but could also be a possible or potential card number. They test the BIN by just running it through to help them create an algorithm.

The algorithm is then checked when a card is submitted at the POS before authorization measures (such as confirming the Card Verification Value or Card Verification Code and expiration date) occur.

An unattended payment terminal, a tollbooth for example, is the perfect place for fraudsters to test cards, especially since no card authorization is required. They use this as their loophole because it provides the perfect opportunity to use fake cards.

Recently, only small charges have been attempted using this method, but this old scheme could make a strong comeback.

### Skimming makes a comeback

In the United States, pay-at-the-pump skimming scams are also increasing. Warm weather and easy targets have made self-service gas pumps in Arizona and Florida attractive targets. Card fraud at gas stations is popping up more and more in tourist locations.

The challenge with pay-at-the-pump terminals is that compromised terminals are extremely difficult to detect. Unlike ATM skimming, which involves placing a skimming device over an ATM's external card reader, a skimming device at a pump terminal is placed inside the pump's enclosure, making it visibly undetectable.

With gas prices on the rise, this scheme will probably grow rapidly. As gas gets more expensive, it will force customers to make sure they are using a credit card with enough credit for the month or, better yet – in the eyes of a fraudster – a debit card.

Gas terminals are more vulnerable to attacks simply because they are easy for the criminal element to access. The use of universal keys, which open pump enclosures, remains a mainstay in the petroleum market. Anyone with a key to a pump can open up any pump of the same make and model.

The reason why ATMs are less vulnerable than gas pumps is because ATMs are required to have unique access codes for enclosure access for service and maintenance.

Once gas pump skimming devices are installed on pumps, they collect card numbers and transmit card data wirelessly, usually via Bluetooth, to nearby fraudsters. Some instigators have even developed devices that scan for local Internet access via Wi-Fi and then, leeching off the current connection, forward the card information to a proxy server.

John Buzzard, who oversees client relations for the FICO Card Alert Service, which provides decision management and predictive analytics for card issuers, said increased PIN-debit usage at self-service gas pumps, as well as

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## Education

**Typically Arizona and California are in the top five states for identity theft every year. This correlates with the demographics and high unemployment rates in those states; it is easier for the ringleaders to find mules to do the dirty work.**

other unattended self-service terminals, also has fueled card fraud. "Debit usage is at an all-time high," Buzzard said. "More and more consumers are using PIN debit at the pumps, so this makes for a rich harvest for the criminals."

### The economy and geography play a role

Two main factors in these fraud schemes are the location and economic conditions there. Typically Arizona and California are in the top five states for identity theft every year. This correlates with the demographics and high unemployment rates in those states; it is easier for the ringleaders to find mules to do the dirty work.

As long as merchants continue to believe that controlling access to pump stations is not their problem, they will not be proactive in protecting the pumps from intrusions. These pump attacks are at least a decade old, but hackers have just started cashing in on them within the past few years.



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Economic conditions and the proliferation of fraud schemes demand that security measures be stepped up. Merchants and consumers need to feel confident that personal information is being taken care of by the policies currently in place.

### ISOs should be proactive

It all starts with the ISOs. Selling secure solutions will help restore trust for merchants and consumers, strengthening the foundation of their relationships. Credit and debit card fraud is the number one fear of Americans in the midst of the global financial crisis. According to the Unisys Security Index, concern about fraud supersedes that of terrorism, computer viruses, health viruses and even personal safety.

To help clarify respective responsibilities in regard to fraud, I posed the following question to veteran law enforcement official Roy Derby, who is now the Director of Risk Management for ABA LLC: "What are some steps merchants and ISOs can take to cut back on fraud?"

In response, Derby stated, "The credit card processing industry is based on risk, and it's our duty and obligation to mitigate the risk for our merchants. One of the most overlooked and basic ways to help your merchants is prevention through education."

Remaining proactive is essential to reducing one's risk. One way to achieve this is through training. Most merchant sales staff receives entry-level instructions on how to use the credit card processing equipment and minimal education on how to identify and prevent fraud.

More specific, ongoing fraud training and established policies defining what to do when suspicious activity occurs will be central to minimizing data theft. The small price of keeping staff updated on the latest scams and trends can have a positive impact on your merchants' profit margins, as well as your own, while also enhancing your clients' reputations for zero tolerance. ■

*Nicholas Cucci is the Director of Marketing for Network Merchants Inc., a graduate of Benedictine University and a licensed Certified Fraud Examiner. Cucci is also a member of the Advisory Board and Anti-Fraud Technology Committee for the Association of Certified Fraud Examiners. NMI builds e-commerce payment gateways for companies that want to process transactions online in real time. anywhere in the world. Contact him at [ncucci@nmi.com](mailto:ncucci@nmi.com).*

# 10 years ago in The Green Sheet



## Big plans for small transactions

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## CyberCash goes to highest bidder

Due to a Chapter 11 bankruptcy reorganization, the assets of CyberCash were auctioned off. Pending final approval, VeriSign Inc. and First Data Merchant Services placed the winning bid of \$20.4 million, which was submitted jointly by the two companies.

## Blackstone and Hypercom partner in prepaid

Blackstone awarded Hypercom Corp. a \$50 million contract to roll out Hypercom's ePic ICE card payment terminals and web appliances in support of Blackstone's POS activation program. The program allowed retailers to sell Blackstone's prepaid calling services and products using Hypercom's credit card terminals.

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# NewProducts

## An RDC solution for the Apple Mac

**Product: RDC Select for Panini I:Deal**

*Company: Panini*

**P**anini, a global provider of check capture solutions, recently partnered with Cachet Financial Solutions, a remote deposit capture (RDC) solutions provider in creating the first Apple Inc. Macintosh interface RDC solution for Mac-based businesses.

According to Net Applications, the U.S. market share for Mac OS X as a desktop operating system grew to 11.41 percent in October 2010. "We knew this was an important and growing segment for our banking customers," said Michael Pratt, Chief Marketing Officer at Panini. "We know that they represent small business owners who want the same benefits from RDC that any other business owner would want."

Panini's RDC solution for Mac is suitable for small merchants and other small enterprises, including home-based businesses, Pratt said. Vertical markets for the Mac in the past were limited, but today, "Apple Mac now runs the full suite of office applications, so any of the files that the business owner was using or wants to continue to use are available in the Mac," he added.

Panini's Mac interface supports the Mac OS X operating system based on Vision API version 3.6, which is compatible with Panini's Vision X and I:Deal check scanners. Pratt said the Vision X scanner serves high-volume branch or treasury office customers with substantial batch and bulk feed processing requirements, while the Panini I:Deal check scanner is a compact, single feed unit designed for small business environments.

### What makes it I:Deal?

Pratt noted that the reliability of Panini's core products is also evident in the I:Deal. "It's just going to flat out work,


and that's important in small business because it might go into a tire shop or a florist or all these different environments," he said.

Another concern Panini addressed was that when check capture is transferred from the security of a bank operation center to a small business environment, the level of knowledge about check processing vanishes. In describing Panini's solution, Pratt said, "If you put a check into the I:Deal scanner, it will automatically align the check so that the image and the MICR line are straight; the user doesn't have to worry about that."

Pratt said that when a check is converted to a digital file for deposit, the last thing a merchant wants is for the check to be rejected due to poor image quality. "That creates a lot of frustration for that small business owner because cash flow is everything to them in most cases," he said. "Often, they're prepared to write checks based on that deposit that they've made."

According to Pratt, merchants can configure the system to store scanned documents in exit pockets until they're ready to file them. "You can configure it with a franking mechanism, which is essentially a way to stamp the front of the item as deposited to prevent duplicate presentation or fraud," he said.

The I:Deal check scanner offers "true front and back, high quality image capture; MICR reading; and franking – everything you would expect in a robust check capture solution," Pratt said.

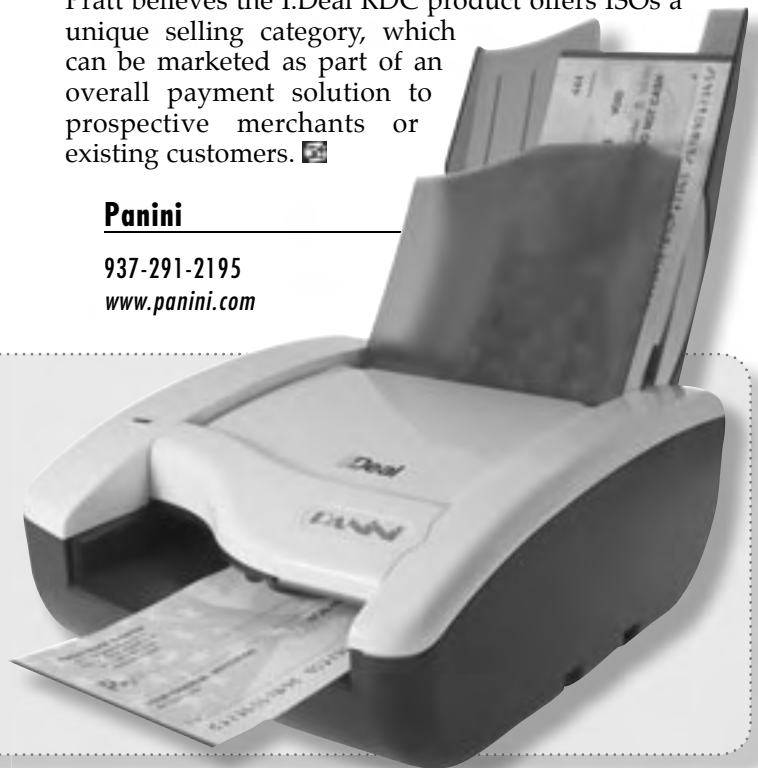
Pratt believes the I:Deal RDC product offers ISOs a unique selling category, which can be marketed as part of an overall payment solution to prospective merchants or existing customers. 

### Panini

937-291-2195  
www.panini.com

#### Features of RDC Select for Panini I:Deal include:

- Dual-sided digital image capture
- MICR reading and franking capabilities
- Flexible exit pockets for sequential document storage
- Compact, user friendly design
- Affordable price point for small merchants



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## NewProducts

# Drive compliance with a PCI dashboard

**Product: MyPCIDashboard**

*Company: Panoptic Security Inc.*

**O**nline Payment Card Industry (PCI) Data Security Standard (DSS) compliance solutions provider Panoptic Security Inc. recently launched MyPCIDashboard, an interactive, real-time PCI and risk management dashboard for ISOs, merchant level salespeople (MLs), processors and banks. Using key performance indicators and real-time business intelligence data, the dashboard guides users through all phases of merchant PCI compliance.

"We start at a B2B level relationship," said Leslie Norris, Executive Vice President of Panoptic. "I think some of the other providers look at a merchant level relationship that happens between them, and the ISO is merely bringing merchants into the equation, which we all know is not a healthy way to manage PCI compliance, because these ISOs have a huge responsibility on them and a potential huge cost factor that can be placed on them."

### Features of MyPCIDashboard include:

- Manages PCI compliance for entire portfolio
- Actionable items prompt merchants throughout compliance
- Offers ISO or Panoptic-supported management options
- Tracks compliance milestones and remediation issues

More troubling, she said, is that many ISOs lack the tools necessary to manage a PCI compliance program. "We provide an online custom dashboard that enables our customers to manage instantly all of the things that are taking place in their PCI compliance program," Norris said. "When you empower the ISO with better tools to communicate directly with their own merchants, supplemented by communications from us," compliance is easier to achieve.

### Four quadrants

Panoptic's dashboard is structured around four quadrants geared toward delivery of real-time dynamic data, metrics at a glance and actionable information, whether delving deeper into data or performing outreach efforts based on collected data.

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Quadrant one, compliance and validation, evaluates the entire portfolio, measuring compliance milestones for each merchant. "You can literally see by milestone where every merchant is in relationship to the compliance process, either as a group or type of groups," Norris said, adding that groups can be segmented by geography, POS system type or specific agents.

Quadrant two, merchant progress, provides tactical information. "We preload all of their accounts in advance," Norris said. "You've got these tactical progress metrics you can look at to see how well they're doing through the process, and at any time you can reach in, snag a search and filter group, and you can dynamically communicate with them on the spot. You can either do it yourself as a customer or you can tell us you'd rather have us doing it and your account manager basically monitors your population through the system."

As part of portfolio management in quadrant three, ISOs can manage outbound communications to individuals or merchant groups with preloaded templates for email, phone or direct mail that are triggered automatically as merchants progress through each stage of compliance.

The fourth quadrant allows users to download real-time, formal, industry-required reports based on payment

brands, processor-specific items or customized information determined by ISO preference. Norris said ISOs can click on a payment brand to generate a payment brand report in the proper format and with the most current information.

### The SAQ simplified

To expedite completion of the Self-Assessment Questionnaire (SAQ), Panoptic maintains a library of equipment templates. "We actually go in and take the variables on the SAQs that would fit that customer's merchants, and we pre-populate based on the terminal connectivity type and the system that merchant is using," Norris said. "Based on your selection of how you're processing, we have just a handful of pre-SAQ questions to make sure that you haven't reconfigured your system."

Norris said the dashboard typically pre-populates anywhere from 75 to 90 percent of the SAQ answers based on how the terminals are connected and system type, which not only improves the accuracy of answers, but reduces completion time for most merchants. ■

### Panoptic Security Inc.

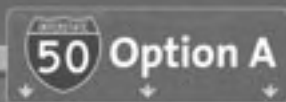
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# ISOMetrics

## The future of mobile payments

**A**ccording to a report by Aite Group LLC titled *U.S. Mobile Payments: The Time Has Come*, the United States has begun to move significantly closer to the popularization of mobile payments. Following are highlights from the report that point toward upcoming opportunities in the mobile payments sphere. ■



For more information on the report, please go to [www.aitegroup.com/reports/reportdetail.aspx?recorditemid=722](http://www.aitegroup.com/reports/reportdetail.aspx?recorditemid=722).

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# DateBook

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## Women's Network in Electronic Transactions

Super LINC Annual Event

**Highlights:** Women's Network in Electronic Transactions (W.net) will host its annual Super Local Interest Network Circle (LINC) event with the theme "Next Gen Leaders: Navigating the Road to the 'Corner Office'."

The event will feature a panel discussion with Angela Brown of MasterCard Worldwide, Beth Paul of TrustCommerce and Nancy Gross of Heartland Payment Systems Inc., as well as an interactive networking session and reception.

W.net's LINC meetings occur periodically throughout the United States and provide a forum for women in the payments industry to empower and inspire each other through networking opportunities.

Upcoming LINC meetings are scheduled in Atlanta; Scottsdale, Ariz.; and Purchase, N.Y. For more information on these, go to <http://w-net.biz/news>.

**When:** May 9, 2 to 5 p.m.

**Where:** Hilton San Diego Bayfront hotel, San Diego

**Registration:** <http://w-net.biz/pagedisplay.asp?p1=7834>



## Electronic Transactions Association

ETA 2011 Annual Meeting & Expo

**Highlights:** A definitive annual event, this gathering is known as the ultimate networking and educational forum for professionals from every segment of the electronic payments industry.

More than 3,000 attendees, 200 exhibitors and 400 companies are expected to participate in this year's meeting. Strategic sessions will cover a range of topics including alternative payments, sales force development, industry regulation and global opportunities.

Slated pre-conference events include ETA Compliance Day, for all things compliance; Prepaid Day, where attendees will learn from leading experts how to prosper in the prepaid market; and the educational ETA University.

Other highlights include a president's dinner, golf tournament and entrepreneurial guest speakers.

**When:** May 10 – 12, 2011

**Where:** Hilton San Diego Bayfront hotel, San Diego

**Registration:** [www.electran.org/content/category/6/35/118/](http://www.electran.org/content/category/6/35/118/)



## SourceMedia and American Banker

Mobile Banking & Emerging Applications Summit

**Highlights:** The event covers a range of topics, from the basics of mobile banking and payments to emerging applications that will take financial institutions into the next phase of mobile financial services.

It brings together the various constituencies in the mobile financial services value chain, including banks, payment networks and processors, manufacturers, retailers, mobile vendors and service providers, who will be sharing perspectives and experiences.

Workshops will cover the mobile marketing channel, mobile devices as a payment tool, security and fraud management, content and application development, mobile commerce, and other topics.

**When:** June 5 - 7, 2011

**Where:** Hilton New Orleans Riverside, New Orleans, La.

**Registration:** [www.americanbanker.com/conferences/mobile11](http://www.americanbanker.com/conferences/mobile11)



## International Quality & Productivity Center

5th Prepaid Cards and Mobile Payments Conference

The world of prepaid cards is undergoing continuous change, particularly in terms of government regulations, emerging technologies and improved methodologies. This conference promises to help attendees learn how to effectively capitalize on the dynamic shifts within the industry to take their businesses to the next level.

With a dual focus on prepaid cards and mobile commerce, the event's offerings will include the following sessions:

- The Next Level in Prepaid Cards: Integrating Card Benefits into E-Commerce and Mobile Platforms
- Staying Ahead of the Game: Understanding Prepaid Regulatory & Compliance Trends to Advance Prepaid Card Strategy and Development
- Maximizing the Value of Prepaid Cards through Integrated Merchandising
- What's Next in Payments? Insight into Driving Payment Innovation through Mobile Solutions

**When:** June 20 – 22, 2011

**Where:** Denver (venue to be determined)

**Registration:** <https://secure.iqpc.com/srs2k.dll/chooseregistration>

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# 2011 Calendar of events

To submit your event to this calendar, email a press release to [press@greensheet.com](mailto:press@greensheet.com). Please include the name, date and location of the event, as well as highlights of planned activities and registration contact information.

2011 Event	Date	Location	Web site
Smart Card Alliance Annual Conference	May 2 - 5	Chicago	<a href="http://www.smartcardalliance.org/pages/activities-next-conference">www.smartcardalliance.org/pages/activities-next-conference</a>
TAWPI, IARP, IARP and NAPP, Fusion 2011	May 8 - 12	Orlando, FL	<a href="http://www.tawpi.org/Events.aspx">www.tawpi.org/Events.aspx</a>
W.net, 2011 Super LINC	May 9	San Diego	<a href="http://w-net.biz/pagedisplay.asp?pl=7834">w-net.biz/pagedisplay.asp?pl=7834</a>
ETA 2011 Annual Meeting & Expo	May 10 - 12	San Diego	<a href="http://www.election.org/content/category/6/35/118">www.election.org/content/category/6/35/118</a>
Glenbrook Partners, Payments Boot Camp	May 18 - 19	San Francisco	<a href="http://www.glenbrook.com/bookcamp-merchant.html">www.glenbrook.com/bookcamp-merchant.html</a>
Federal Reserve Bank of Chicago, Annual Payments Conference	May 19 - 20	Chicago	<a href="http://www.chicagofed.org/webpages/events5th%20Annual%20Mobile%20Banking%20&amp;%20Emerging%20Applications%20Summit">www.chicagofed.org/webpages/events5th Annual Mobile Banking &amp; Emerging Applications Summit</a>
NACHA, Global Payments Strategies Conference	June 7 - 8	San Francisco	<a href="http://www.nacha.org">www.nacha.org</a>
CSFI, 6th Annual Underbanked Financial Services Forum	June 8 - 10	New Orleans	<a href="http://csfinnovation.com/events/article/440652">http://csfinnovation.com/events/article/440652</a>
W.net, LINC Northern California	June 14	San Mateo, CA	<a href="http://w-net.biz/Pagedisplay.asp?pl=7985">http://w-net.biz/Pagedisplay.asp?pl=7985</a>
IGPC, 5th Prepaid Cards and Mobile Payments Conference	June 20 - 22	Denver	<a href="http://www.prepaidcardsevent.com/Event.aspx?id=482550">www.prepaidcardsevent.com/Event.aspx?id=482550</a>
ACI, 4th Annual Forum on Prepaid Card Compliance	June 23 - 24	Washington	<a href="http://www.americanconference.com">www.americanconference.com</a>
MWAA 9th Annual Conference	July 27 - 29	Oak Brook, IL	<a href="http://www.midwestacquirers.com/latest_news.php">www.midwestacquirers.com/latest_news.php</a>
W.net, Career & Leadership Summit	Sept. 12 - 13	Atlanta	<a href="http://w-net.biz/Pagedisplay.asp?pl=8607">http://w-net.biz/Pagedisplay.asp?pl=8607</a>
WSAA 2011 Annual Conference	Sept. 21 - 22	Burlingame, CA	<a href="http://www.westernstatesacquirers.com">www.westernstatesacquirers.com</a>
GACHA, Solutions 2011	Sept. 21 - 23	Atlanta	<a href="http://www.gachasolutions.org">www.gachasolutions.org</a>
BAI Retail Delivery	Oct. 11 - 13	Chicago	<a href="http://www.bai.org">www.bai.org</a>
Payments Authority, Concepts 2011	Oct. 12 - 14	Mt. Pleasant, MI	<a href="http://www.paymentssource.com/conferences/ahdebit/Epcor">www.paymentssource.com/conferences/ahdebit/Epcor</a>
Epcor Payments Conference, Fall 2011	Oct. 25 - 27	Kansas City, MO	<a href="http://www.epcor.org/imis15/epcor">www.epcor.org/imis15/epcor</a>
Payments Source, 19th Annual ATM, Debit & Prepaid Forum	Nov. 2 - 4	Las Vegas	<a href="http://www.sourcemedia.com/events">www.sourcemedia.com/events</a>
AFP Annual Conference	Nov. 6 - 9	Boston	<a href="http://www.tradeshowsregistrar.com/regsystem18/?event=AFP2011">www.tradeshowsregistrar.com/regsystem18/?event=AFP2011</a>



May 10 - 12



June 7 - 8



July 27 - 29



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# Inspiration

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- Bob Burg

## WaterCoolerWisdom:

## Pause before you walk the tradeshow floor

**Y**ou've just entered your hotel room, tradeshow registration packet in one hand, suitcase handle in the other. The opening reception begins in two hours. Let's assume you've prepared in advance: you've written down your overall goals, researched the companies and individuals you want to develop relationships with, and set up several promising appointments.

Let's also assume you don't have to rush right down to the exhibition hall to help set up a booth.

What now?

### Take care of yourself

Travel, even when all goes smoothly, is stressful. Put down your gear and take several deep breaths. Inspect the room, and make sure everything is clean and in working order.

Take note of physical sensations you are feeling, and if you're thirsty, drink a few sips of water. Then, before you unpack, unwind through movement and stretching. Here are some possibilities: shake your hands at your sides to release tension. Stand on one leg and shake the other and vice versa. Stretch tall and reach for the ceiling. Then bend at the waist and touch your toes (bend your knees if you need to).

If you're hungry, eat a healthy snack.

### Get organized

People are comfortable with different levels of organization. Some folks basically live out of their suitcases when traveling; others tuck their clothing and accessories away in

closets and drawers and neatly line up their toiletries in the bathroom. Do whatever makes you feel most at home.

Set up your work area. Put your registration materials, calendar and files, if any, on the desk or table provided, and set up your computer. Thus, when you return from the opening reception, you can spend a few minutes making notes and doing the highest priority follow up. If all of your tools are still packed away, you might easily decide to postpone this until the morning.

### Visualize your goals

Take out your list of goals and review them, so your objectives will be clear in your mind before you begin networking.

Next, sit in a chair or lie down on the bed, and visualize what you want. For example, picture yourself shaking hands with an attendee you want to do business with.

Picture your conversation with that person going very well. See yourself getting a contract signed on the spot. And imagine how good that will feel.

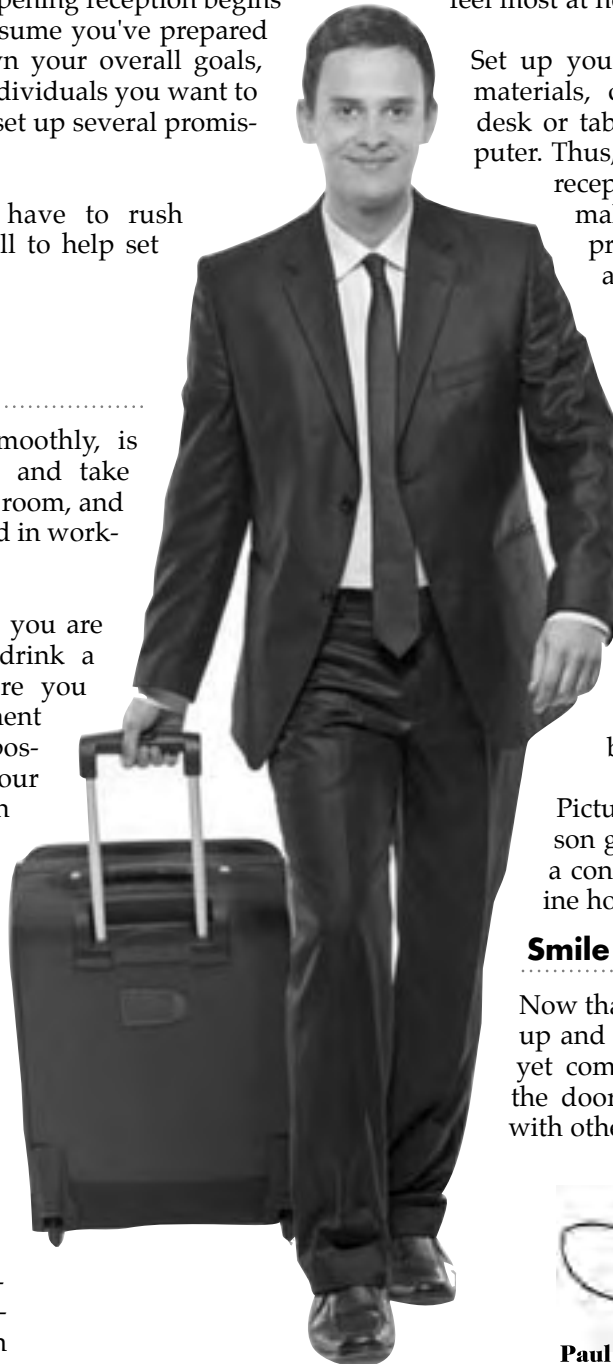
### Smile and step out

Now that you have a game plan, get cleaned up and put on clothing that is professional, yet comfortable. Then smile and walk out the door, prepared to have fun connecting with others.

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**Paul H. Green, President and CEO**



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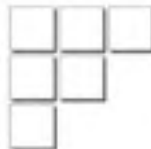
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or visit [chargecardsystems.com/gsadvisoryboard](http://chargecardsystems.com/gsadvisoryboard)

[www.chargecardsystems.com](http://www.chargecardsystems.com)







**We're going to  
make you an offer  
you can't refuse**

**NOW MORE MONEY MAKING CHOICES THAN EVER BEFORE!!!**  
**NEW! 2 PROGRAMS TO CHOOSE FROM!!!**

Our ORIGINAL Program featuring heavy up front bonuses, free equipment and up to 70% split  
*OR*

Our NEW program featuring the industry leading FREE ECR (electronic cash register)  
PLUS Harbortouch POS and BONUSES!!

PLUS up to 60% split with lower than ever transaction fees and NO PRODUCTION COMMITMENT!!

**PLUS!!! THE MOST LUCRATIVE VALUE ADDES IN THE INDUSTRY!!!**

Do CASH ADVANCES for your E-COMMERCE merchants!!!

90-DAYS SAME AS CASH!!! Give your merchants the ability to offer 90-days same as cash to their customers!!!  
SMART PHONE MOBILE APP!!! PAYROLL CARDS!!! PRE-PAID!!! GIFT CARDS!!!

**UP TO 60% SPLIT  
& LOWER  
TRANSACTION FEES  
WITH NO PRODUCTION  
COMMITMENT!**



**ELECTRONIC CASH  
REGISTER PROGRAM**

*Place for Free,  
Sell or Lease  
and Set  
Appointments!*

**HARBORTOUCH POS!**



Commissions, Residuals  
and Leasing Revenue!



For further details, contact:

Tina Gregory, CEO - 888.228.1011 ext. 220 or direct 586.216.4255

Sherry Lia, President - 888.228.1011 ext. 221 or direct 519.819.2962

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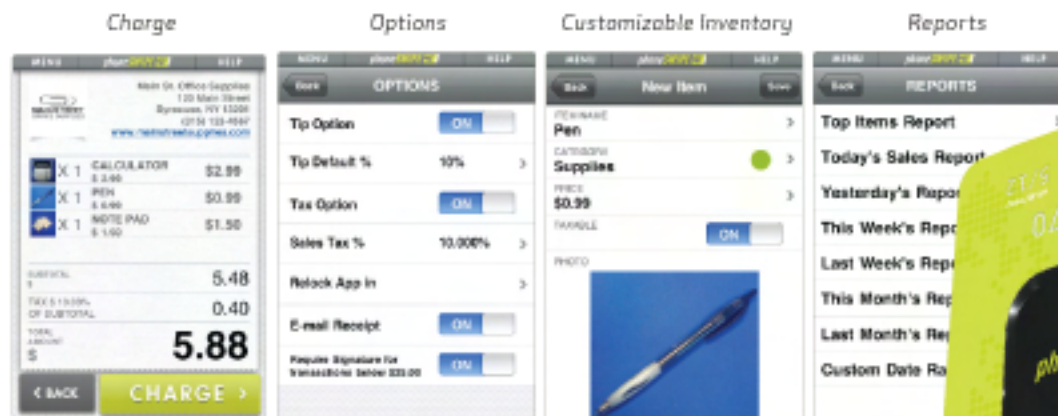
# SMARTPHONE + FREE PHONE SWIPE READER = MORE PROFIT FOR YOU

Your merchants demand up-to-the-minute credit card processing solutions, and that's exactly what North American Bancard is delivering. NAB's Phone Swipe will help you significantly:

**Expand your customer base • Increase your sales • Grow your revenue**

# TURN YOUR MERCHANTS' SMARTPHONES INTO TERMINALS AND START TURNING A HIGHER PROFIT TODAY!

Phone Swipe, exclusively from North American Bancard, lets your merchants accept credit card payments anywhere.



Close the deal by offering your merchants a mobile credit card processing solution with the features they really want:

- **Affordability** - Merchants won't be able to refuse a FREE Software App and Card Reader
- **Usability** - Merchants can accept payments with a user-friendly app and easily manage their business with enhanced features like real-time reporting
- **Flexibility** - With Customizable Inventory, E-mail Receipts with Google Maps™, Tips setting, Geo Tax and more, merchants can customize the app to fit their business needs
- **Reliability and Security** - Merchants can swipe transactions anywhere, anytime and from anyone with confidence, knowing Phone Swipe is backed by North American Bancard

TO PROFIT WITH NAB TODAY, CALL  
**877.765.4118**  
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# Boob?

[boob] *n. Slang*

A stupid person; fool; dunce.

*Avoid being one with Total Merchant Services.*

Who wants to get slapped with an  
undisclosed \$79 - \$99 Compliance Fee?

***Not your merchants!***

Who wants to get angry phone calls from  
merchants who feel they were tricked?

***Not You!***

Who is going to get a referral from  
those angry merchants?

***Not You!***

See the many ways  
Total Merchant Services  
protects you and  
your merchants!

# Hidden Compliance Fees? Angry Merchants? Don't take it anymore!



**We've got some better ideas! Take a look:**

**You can have it all!** You can still earn an 8x upfront bonus, 50%-65% revenue sharing splits, the best free terminal placement programs in the business, with an honest, transparent, reasonable Compliance Program.

#### **Total Transparency**

Total Merchant Services protects you and your merchants with total transparency. We take a reasonable approach in disclosing the financial details of our Compliance Program to every new merchant on our Schedule Of Fees in simple, clear language.

#### **Easy To Sell**

All our merchants receive the Compliance Program at no additional charge during the first year of their processing relationship with us and these services may be accessed immediately. On the 13th month of processing, and from that point forward, merchants will be assessed a fee of \$4.95 per month. We even offer a \$25,000 Compliance Reimbursement Program to make sure our merchants feel good as they are getting something in return.

#### **Honesty is our Everyday Policy**

At Total Merchant Services, you'll find no compliance fee trickery and zero surprises. We believe in being upfront, honest and ethical in all of our business dealings. We will not use bait and switch tricks or surprises to get over on merchants or sales partners. We know that doing anything less would be a recipe for disaster—not growth.

#### **Still not sure? Want to be convinced?**

If you'd like help comparing our program, including the true impact of the Compliance Program fees, please give us a call. We'll show you that chasing a deal that looks better is NOT going to make up for a Compliance Fee Program that destroys your reputation and your business.

**Who's going to have happier customers?**

**You!**

**Who's going to earn more money?**

**You!**

**Who's going to get more referrals?**

**You!**

**Who's going to break through in '11?**

**You!**



**total merchant services**

payment solutions for your business

**Give us a call or visit our website for more details.**

**(888) 848.6825 x9411**

**upfrontandresiduals.com**



# TransGuard® By TransFirst®

## A Lifeline To Secure Your Merchant Base



### Keep Your Customers from Going Overboard

Loyal, satisfied customers – they're the foundation of a high-performing merchant portfolio. But when merchants are planning to jump ship to other payment providers, **you can't catch them before they cancel.**

#### We Can!

TransGuard gives you the opportunity to reach out to build a relationship or satisfy a need before a permanent decision is made.

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us at

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MEETING & EXPO

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San Diego

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First In Secure Electronic Payments

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# TransGuard Catches Your Merchants Before They Jump Ship



## TransGuard provides:

- ✓ Daily at-risk merchant reports
- ✓ Analytical attrition modeling
- ✓ Proactive retention methodologies

## Stay a Step Ahead

With TransGuard, sales professionals like you can find out when your merchants are thinking about a change. Whether one of your merchants is shopping for a new processor or one of your competitors is making advances, TransGuard's proprietary technology helps you find out – and puts you a step ahead.

## Valuable Protection – Only from TransFirst

TransGuard is just one of TransFirst's proprietary products that make it easy for you to build and protect your merchant portfolio – and maximize your profits. And it can be yours when you join TransFirst as a sales partner.



TF0344

BOOTH  
212

Stop by our booth to get your free PayFox™ iPhone cover\* (for generation 3 or 4) – sail away from paper processing and navigate through PayFox, our exclusive mobile app

\*Limited quantities of iPhone covers; available on a first-come, first-served basis

Want to know more about TransGuard and TransFirst's sales partnership opportunities?

Call **877.343.4372** or e-mail [SalesRecruiting@TransFirst.com](mailto:SalesRecruiting@TransFirst.com)



First In Secure Electronic Payments

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The next wave  
in the payments industry is here!



INTRODUCING  
UNITED BANK CARD'S  
**FREE\***  
POS PROGRAM

The next wave in the



payments industry is here!



# UNITED BANK CARD'S **FREE\*** POS PROGRAM

United Bank Card changes the game yet again with our newest initiative: our sales partners are now able to offer merchants a free\* Harbortouch point of sale (POS) system with integrated payments! Harbortouch accounts offer higher than average residuals, up-front commissions and virtually non-existent attrition while providing a valuable tool to your merchant customers.

*Why would a merchant opt for a standard credit card terminal when they can receive a full-featured, touch-screen POS system for free?*

	TERMINAL	HARBORTOUCH POS
Process credit cards	•	•
Print receipts	•	•
Comprehensive reporting		•
Inventory tracking		•
Employee scheduling		•
Built-in time clock		•

- ✓ Merchants benefit from streamlined operations, detailed reporting, inventory tracking, labor management and many other time and money saving features
  - ✓ State of the art software combined with top of the line hardware
  - ✓ Simplified setup process and intuitive user interface offer an easy transition for merchants
  - ✓ Comparative systems sell for tens of thousands of dollars, while you can offer them for free
- PLUS:**
- ✓ \$300 up-front commission per POS terminal. An average merchant utilizes three terminals, providing a typical commission of \$900 per deal!
  - ✓ Free "Harbortouch Sales Center" software allows you to demo the system and sign up a merchant from start to finish on your laptop



To participate in this program, our sales partners must complete Harbortouch University, a comprehensive online training course intended to provide a fundamental understanding of POS systems. This training course has been developed to ensure that you have the knowledge about Harbortouch to succeed.

## **FREE HARBORTOUCH LEADS!**

To help bolster your new pipeline of deals, we are also providing complimentary leads to all active participants in the free POS program! Each month you will receive pre-set appointments with merchants in your area that are specifically interested in a Harbortouch POS system.

***With free POS systems, free leads, residuals and up-front commissions, this program offers the complete package: a truly unparalleled sales tool the likes of which has never been seen in the ISO community!***

\* To receive a Harbortouch POS system as part of this program, merchant must sign a credit card processing agreement and equipment service contract. Other charges may apply.

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For more information, contact:

Brian Jones, EVP Sales and Marketing: 800-201-0461 x 136

Jonathan Brandon, National Sales Manager East: 800-201-0461 x 145

Max Sinovoi, National Sales Manager West: 800-201-0461 x 219

Brian Fitzgerald, National Sales Manager Central: 800-201-0461 x 257

or log on to [www.isooprogram.com](http://www.isooprogram.com)

**United Bank Card**