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June 13, 2011 • Issue 11:06:01

# Wising up about smart phone security

**I**t seems inevitable that mobile smart phone payments will become commonplace. On the one hand, the ubiquity and popularity of the devices make them an obvious payment application for consumers. On the other hand, smart phones offer small, mobile merchants an inexpensive way to leap into bankcard acceptance at the POS.

But smart phones come with inherent security vulnerabilities since they are not specifically designed to make or accept payments. Mark Rasch, Director of Cybersecurity and Privacy Consulting for Computer Sciences Corp.'s North American Public Sector business unit, addressed smart phone security in "Mobile: The New Weak Link," a blog post published on retail technology and e-commerce news site StorefrontBacktalk.

"As retailers of all sizes migrate to mobile-type payments and leverage existing mobile technologies ... the problems of PCI DSS compliance and protection of credit card information increase," Rasch wrote. "That is because these mobile platforms are inherently insecure, making the payment systems that reside on them insecure, too."

## Playland for hackers

According to Cisco System Inc.'s 2010 Annual Security Report, the consequence of PC vendors building more secure and fraud-proof computer systems is that cyber criminals have shifted their focus to the "ever-expanding legion of mobile users."

That legion employs smart phones for myriad purposes beyond old school voice-to-voice communication; it's now an entertainment console, a shopping companion, a mailbox and a personal assistant all in one. But the devices lack what Rasch termed rudimentary security protocols, such as firewalls, authentication devices, password protection schemes, monitoring software, antivirus or anti-malware programs, and access controls.

From a consumer standpoint, fraudsters can take advantage of mobile phone security weaknesses in a number of ways, including the most obvious. "Somebody could just pick up my phone, use it to make a payment or make a transfer, put the phone back, and I wouldn't know that anything had happened," Rasch wrote.

But it goes far beyond the obvious. An article in the January-February 2011 issue of the *AARP Bulletin* entitled "The Spy in Your Hand" pointed out that inexpensive spyware purchased online gives hackers a way to "hijack" cell phones. "This allows them to hear your calls; see your text messages, emails, photographs, and files; and track your location through constant GPS updates," the article stated.

But for merchants, the challenge may be even greater. "Smart phones were

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- » Theodore Svoronos—Merchant University
- » Scott Wagner—GO DIRECT Merchant Services Inc.
- » Patricia Walters—Hypercom Corp.
- » Dan D. Wolfe—Teledraft Inc.

**Notable Quote**

**There has been much noise about the Durbin Amendment in our industry, but my opinion is that the real "affected parties" are the large debit issuers (such as Bank of America Corp., which could take an annual hit of \$2 billion on interchange revenues) and the card brands, which will lose switch revenues.**

See story on page 26



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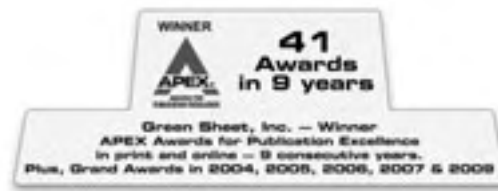
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pedal to  
the metal  
and flip  
to page  
sixty-  
eight!”



**Danielle Thorpe**  
Asst. VP of Advertising Sales  
danielle@greensheet.com  
707-586-4737



**President and CEO:**

Paul H. Green .....paul@greensheet.com

**General Manager and Chief Operating Officer:**

Kate Rodriguez .....kate@greensheet.com

**CFO/Vice President Human Resources & Accounting:**

Brandee Cummins .....brandee@greensheet.com

**Assistant VP, Editorial:**

Laura McHale Holland .....laura@greensheet.com

**Senior Editor:**

Patti Murphy .....patti@greensheet.com

**Associate Editor:**

Dan Watkins .....dan@greensheet.com

**Staff Writers:**

Jim McCaffrey .....jim@greensheet.com

Ann Train .....ann@greensheet.com

**Assistant VP, Production and Art Director:**

Troy Vera .....troy@greensheet.com

**Production Manager:**

Lewis Kimble .....lewis@greensheet.com

**Assistant VP, Advertising Sales:**

Danielle Thorpe .....danielle@greensheet.com

**National Advertising Sales Manager:**

Rita Francis .....rita@greensheet.com

**Advertising Coordinator:**

Kat Doherty .....kat@greensheet.com

**Circulation Assistant:**

Vicki Keith .....vicki@greensheet.com

**Correspondence:**

The Green Sheet, Inc.

800-757-4441 • Fax: 707-586-4747

6145 State Farm Drive, Rohnert Park, CA 94928

Send questions, comments and feedback to .....greensheet@greensheet.com

Send press releases to .....press@greensheet.com

NOTE – Please do not send PDF versions of press releases.

**Print Production:**

Hudson Printing Company

**Contributing Writers:**

Vicki M. Daughdrill .....vickid@netdoor.com

Brandes Elich .....brandese@cross-check.com

Donna Sesto Neary .....d.neary@payvision.com

Peggy Bekavac Olson .....peggyolson@smktg.com

Bill Pirtle .....billpirtle@yahoo.com

Jeffrey Shavitz .....jshavitz@chargecardsystems.com

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# Forum

## Getting off to the right start

After a couple of years of reviewing books, articles and myriad other publications on merchant selling – and being laid off – I've decided to enter the payments arena. I'm not young, having just passed my sixth decade on this earth, and I'm confused as to how to proceed.

I've read where the "street shoes" aren't to be walked in any longer, but when I talk to merchants while using their services, I find they dislike the phone calls and emails that constantly bombard them, along with so many empty promises. They feel behind in their knowledge of the technology they use and are very unreceptive to any salesperson that approaches them. However, I'm still going to proceed, as I see education of merchants as a way to help them adapt to the changes business and society will undergo.

What would be the best way to approach business prospects? The ISO reps I've talked to tell me to forget about reading anything and just go out and get "statements" and fax them to the office. They say, "You'll learn as you go." If I were younger, I would perhaps be willing to do that, but with so much information on this area of selling available, it seems more than ignorance should be used to convince a businessperson to listen to you.

Is vertical selling in one particular area better, or should I just walk down the street and talk to everyone? Any help would be appreciated. I'm very excited to do it, but at this age, I would just like to make a good first impression. I read each new issue of *The Green Sheet*, and I constantly learn something new every issue. Is that enough?

Mike Morris

Mike,

We asked Jason A. Felts, Chief Executive Officer of Advanced Merchant Services to provide you some guidance. Following is his advice:

*First, I'd like to congratulate you on finding this amazing industry; it has certainly been good to me! I agree that many merchants are weary of phone calls, cold calls and empty promises. However, sales is a numbers game, so remember to stay focused on the prospects who are receptive, while accepting that they may not be a high percentage of your total contacts.*

*My suggestion for any new merchant level salesperson (MLS) is to cover the basics first. Find a good company to represent that offers the following: a solid agreement that protects you for the long haul; a strong compensation plan coupled with a great offer to your prospects; and, ideally, a full-scale training program to really show*

*you firsthand how to succeed in this incredible industry. I believe training is crucial. At AMS, we developed an entire curriculum. In addition, we often pair new MLSs with experienced agents for in-field training to see deals written live.*

*Your best bet in calling on merchants is to develop a unique approach that presents them with a clear value proposition. You want the approach to be dynamic, catchy and to capture their attention quickly. I wrote an article entitled "Make low price low priority," The Green Sheet, June 9, 2008, issue 08:06:01. I believe it will shed more light on your questions.*

*Good luck, and if you would like further assistance, feel free to reach out to me directly at 888-355-8472, ext. 211.*

*Thank you for relying on The Green Sheet as you embark upon your new MLS career, Mike. And, Jason, thank you for answering Mike's questions in your inimitably encouraging way.*

Editor

## Buyers Guide phone numbers to fix

The Green Sheet has corrected the following phone numbers in the online version of the "2011 Buyers Guide," GSQ Vol. 14, No. 1, April 2011. The companies and their correct contact numbers are:

Cardware International: 740-522-2150, ext. 220  
MSI Merchant Service Inc: 800-351-2591  
Network Merchants Inc: 800-617-4850  
USA ePay: 866-872-3729

We listed these corrections in our May 23, 2011, issue and are spotlighting them again so as many readers as possible can amend their copies of the guide. We sincerely regret the guide went to print before the errors came to our attention.

## 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

## Wising up about smart phone security

Smart phones seem a no brainer as a payment acceptance device. They're already mailboxes, game consoles, TVs, newspapers and personal assistants. Why not take payments with them as well? The answer is that, of all the things smart phones can do, accepting electronic payments is the one thing they were not designed to do.

News

38

## Google introduces mobile wallet, PayPal sues

A day after Google Inc. introduced its new mobile wallet venture, PayPal Inc. sued the search engine giant for allegedly stealing the payment company's human and intellectual capital.

View

24

## A slice of ETA 2011

Back in the early 1990s, the Electronic Transactions Association's Annual Meeting & Expo consisted of a few folding tables in a hallway outside a meeting room. How things have changed. Business and educational opportunities abounded at ETA 2011.

News

40

## Tester proposes cutting debit fee study time

Sen. Jon Tester, D-Mont., wants to amend the Debit Interchange Fee Study Act to shorten the bill's proposed study period from two years to 15 months. If the bill passes Congress, it will delay implementation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 until the study is completed.

Feature

33

## Florida investigates prepaid card industry

The Florida Attorney General recently issued subpoenas to five prepaid card providers as part of an investigation into whether the companies defrauded consumers with deceptive and unfair practices. At issue are alleged hidden fees the companies charge cardholders.

News

42

## Feds move to halt VeriFone purchase of Hypercom

The Department of Justice alleges VeriFone Inc.'s proposed acquisition of Hypercom Corp. violates the Clayton Antitrust and Sherman Antitrust acts and that licensing part of Hypercom's U.S. business operation to Ingenico would cause unhealthy codependence. The defendants stated they will work with the DOJ and consider divestiture alternatives.

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



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News

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### ETA annual docks in San Diego

The 2011 ETA featured talks by Apple Inc. co-founder Steve Wozniak and former Sen. Christopher Dodd, D-Mass. "The Woz" provided insights into Apple and mobile payments, while Dodd commented on interchange reform and how payment professionals need to engage local politicians to keep future legislation at bay.

Education

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### How to use email marketing to boost leads

Have you thought about email marketing but don't know where to begin? Do you worry that email marketing might be too technically challenging and time intensive for your business to handle? This primer should help you get up to speed on email marketing best practices and provide practical guidelines for getting started.

Education

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### Street Smarts<sup>SM</sup>: Become the go-to expert on merchant services

A common thread on GS Online's MLS Forum reverberates across the industry – with margins tight, how do payment professionals make money? Many forum members believe ISOs and merchant level salespeople (MLSs) must offer value-added services in addition to payment processing to make themselves indispensable to merchants.

Education

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### Oh, what the right mentor could do for you

It might be difficult to put the brakes on your entrepreneurial spirit. But before you start your own ISO, it might be wise to consult a mentor first. An experienced colleague or seasoned professional can help you see the big picture and avoid the mistakes that can prove fatal in this hypercompetitive and volatile business climate.

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Education

68

### Acquiring merchants - at what cost?

It's crucial for MLs to know how much it costs to acquire a merchant account, as it determines the financial feasibility of their businesses, prospecting plans, sales and marketing agendas, and their ability to hire subagents and maintain compensation programs with ISOs.

Feature

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### Views on regulation and registration - Part 2

Federal and legislative targets leveled on payments have spurred the industry to get serious about self regulation. In part 2 of our advisory board questionnaire, industry leaders provide insights on what must take place to prevent external regulation from curtailing the independence and profits payment professionals now enjoy.

Education

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### A view from abroad

In Europe, ISOs are known as payment service providers (PSPs), and they usually work for banks, are salaried staff and do not hold liability. But the biggest difference is that PSPs are studying their U.S. counterparts closely, while the opposite is not true. Can U.S. ISOs ignore international markets any longer?

Inspiration

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### Retrain your brain

Poor decision-making may not necessarily be a referendum on our relative competence. Other factors come into play, such as stress and how it mixes with the chemicals in our brains to affect our behavior. By recognizing this complexity, we can make changes in our lives that can have a profound, positive impact on the choices we make.



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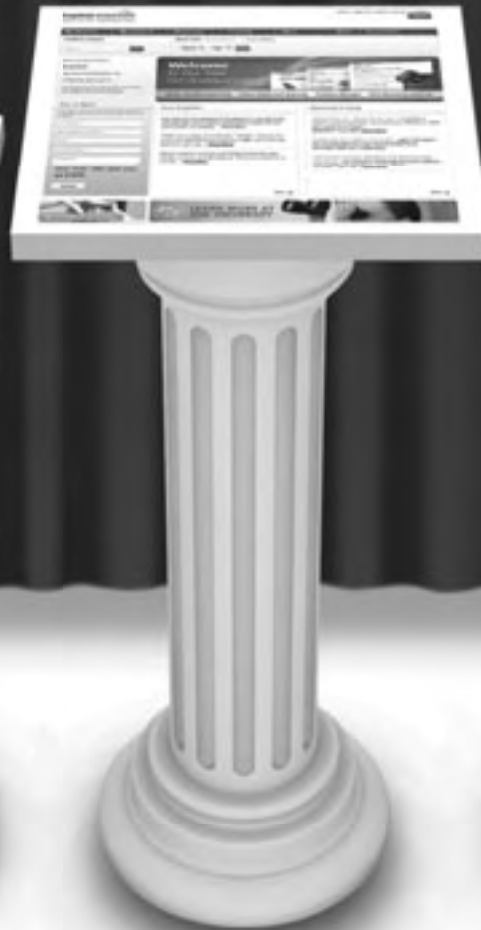


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# IndustryUpdate

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## NEWS

### Mobile wallet venture debuts in U.K.

**Barclaycard**, the payment arm of Barclays Global Retail Banking division, teamed with telecommunications provider **Everything Everywhere** to launch the Quick Tap service, called the U.K.'s first contactless mobile payment system. The mobile wallet solution features free money transfers for consumers, as well as a 100 British pound loading capacity per account, Barclaycard said.

The mobile wallet venture relies on Samsung Tocco Quick Tap handset technology embedded with MasterCard Worldwide PayPass contactless payment software in the phone's SIM card – technology that Barclaycard and Everything Everywhere agreed offers the best protection of sensitive consumer data. The new solution builds on existing contactless payment technology already found in over 11 million credit and debit cards issued by Barclaycard and Barclays.

Regarding the launch, Gerry McQuade, Chief Development Officer at Everything Everywhere, said, "This is the beginning of a revolution in how we pay for things. It's a cultural shift that is as important as the launch of the personal credit card or ATMs." McQuade added that Barclaycard and Orange customers will be the first in the U.K. to use mobile phones to make payments wherever contactless payments are accepted. More than 40,000 retailers in the U.K. are equipped with near field communication (NFC) contactless readers, Barclaycard said.

Everything Everywhere is a partnership between the French-owned telecom operator Orange and Germany's T-Mobile, a subsidiary of Deutsche Telekom AG.

Barclaycard and Orange formed a strategic alliance in 2009 to explore the possibilities of NFC in the banking industry.

### Hacker tutorials proliferate online

A study released by the international marketing firm **CPPGroup PLC** (CPP) revealed how quick and easy it is to steal data online. As part of the study, volunteers with limited technological competence followed instructions from a free 14-minute online tutorial. They then downloaded hacking software that allowed them to hack into email accounts, social network profiles and online shopping accounts belonging to other volunteers.

Participants were taught a hacking technique known as "man-in-the-middle," through which hackers intercept communications and detour usernames and passwords to their computers. CPP estimated that over 20,000 videos exist on YouTube that provide hacking tips and directions on how to compromise social media profiles, email, smart phones and PayPal Inc. accounts.

"The wide availability of free hacking tools is a real concern, and everyone is a target," said Firebrand Training Ltd. Chief Executive Officer Robert Chapman, who conducted the study's online tutorial. "These resources are only going to grow and become more advanced, meaning that organizations and individuals must take steps to protect themselves. It's imperative to keep anti-virus and firewall software up to date and change passwords to online accounts regularly."

CPP said that with increased usage of public Wi-Fi networks and smart phones equipped with Wi-Fi connectivity, hacker incidents will likely surge unless governments intervene to stop the proliferation of Internet hacking tutorials.

BOTTOM  
LINES

HEADLINES  
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WORLD

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- In a **Harrison Group** and **American Express Publishing** first-quarter 2011 survey of affluent U.S. consumers, 39 percent of interviewees said they plan to redeem coupons/direct offers, up 7 percent from 2010; 38 percent plan to delay purchases until the items go on sale this year, versus 31 percent a year ago.
- According to a **BIGresearch** report, special outings with fathers will be among the most popular gifts this Father's Day, with 40 percent of research respondents planning to spend an average of \$46 for the occasion. Other top items on the gift-giving list include clothing, gift certificates/cards, and books or CDs.
- New York-based **Easy Analytic Software Inc.** projected consumer spending on outdoor dining sets will continue to grow at a steady pace of 10 percent over the next five years. Total U.S. spending on dining sets is expected to increase from \$2.9 billion in 2010 to \$3.2 billion in 2015.



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## IndustryUpdate

### Three banks launch P2P solution

Bank of America Corp., JP Morgan Chase & Co. and Wells Fargo & Co. revealed what they termed the first bank-owned person-to-person (P2P) payment solution, called clearXchange. The service, which went live on May 25, 2011, allows customers of the three banks to send money transfers directly from checking accounts using recipients' email addresses or mobile phone numbers.

One reported advantage of the new system is that customers will not be required to disclose checking account or routing numbers when conducting money transfers, which reduces the risk of sensitive cardholder information being exposed.

"We want our customers to be able to easily send money to anyone without having to establish a new account outside their primary bank," said Wells Fargo Vice President Mike Kennedy. "All our customers need to know is the email address or mobile number of a friend or family member, and we will take care of the rest utilizing clearXchange."

The banks plan to expand the free service, which is initially available only to customers of the three respective

banks, to other financial institutions and endpoints. The goal is to eventually create a money movement capability across the entire financial services industry, the banks said.

## ANNOUNCEMENTS

### CardWare to expand POS service center

By moving to a new POS system service facility in Kingsport, Tenn., **CardWare International** is expanding its capacity to service broken POS systems and devices. As part of the expansion, the company plans to hire additional factory-trained technicians to staff its QuickFix program, which provides free packaging for shipment of broken POS units to the facility for servicing.

### Parking meter time extended via text message

**Digital Payment Technologies** unveiled the Extend-by-Phone service for the Luke II, DPT Luke and Shelby parking pay stations. Consumers who opt to pay for parking with credit cards at self-service pay stations can receive mobile phone text messages that alert them when their parking meter time is set to expire. Consumers can then send text messages to remotely top up parking meter time, DPT said.

### Heartland at your service

**Heartland Payment Systems Inc.** launched Heartland Tip Manager, a new restaurant tip distribution management service that interfaces with Heartland's Plus One Payroll system. Tip Manager helps ensure IRS tip reporting compliance and integrates payroll data, credit card sales and credit card tip data from POS systems, according to Heartland.

### Hypercom's speedy next gen network

**Hypercom Corp.** said its new IntelliNAC high-density, multifunction POS network access controller facilitates transaction processing for financial institutions and merchants with high-volume processing needs. The high-density digital signal processor network authenticates transactions via public key infrastructure standards required for Payment Card Industry (PCI) Data Security Standard (DSS) compliance, Hypercom noted.

### Palisade launches DLP solution for SMBs

A new data loss prevention system (DLP) solution, **Palisade Systems'** PacketSure DLP 8.5, is designed to safeguard enterprise network protocols and protect confidential information, enabling organizations to monitor network perimeters and endpoints for data leaks. The system meets all security compliance requirements for the health care and financial services industries, Palisade Systems said.

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## Pronto! rebranded as Kickanotch

**Pronto! mobile**, a mobile marketing technology company, changed its name to **Kickanotch mobile** to better reflect its core business. The company's one-stop mobile marketing program focuses on monetizing mobile advertising applications and services for radio, television and publishing companies.

## PARTNERSHIPS

### 7-Eleven gets new service

**Avangate** integrated its e-commerce platform and partner-management system with **PayNearMe's** cash payment network to allow customers to pay cash at nearly 6,200 U.S. 7-Eleven Inc. stores for purchases of downloadable software. Avangate software packages offer anti-spyware, Blu-ray file conversion and data recovery systems. Orders placed at 7-Eleven locations are completed by the delivery of software to the customers' email accounts.

### Fifth Third and NAFCU renew

**Fifth Third Processing Solutions** and **NAFCU Services Corp.**, a subsidiary of the National Association of Federal Credit Unions, extended an agreement making Fifth Third the exclusive partner for NAFCU's electronic funds transfer services, which include ATM, debit and credit card processing, as well as network gateway transaction processing.

### FrontStream docks with Kord

**FrontStream Payments Inc.'s** PCI DSS compliant gateway for electronic payment processing now links to **Kord Information Systems LLC's** Total Marina Package business software suite. The joint solution will enable managers of marinas, yacht clubs, city harbors and port districts to process payments online and track daily marina functions, including reservations, leases and occupancy.

### ID Tech, Charge Anywhere mobilize chip and PIN

Payment hardware solutions provider **ID Tech** entered into a partnership with **Charge Anywhere LLC**, a secure mobile payment applications and gateway provider, to create a chip and PIN acceptance solution for mobile device platforms. The all-in-one product will enable EuroPay/MasterCard/Visa, magnetic stripe and PIN debit transactions.

### Micros launches payment gateway

**Micros Systems Inc.** inked an agreement with multi-currency payment processor **Planet Payment Inc.** to launch the Micros Payment Gateway, a secure, integrated payment solution that targets the retail and



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## Industry Update

hospitality industries. The gateway supports Micros' Opera, Symphony, 3700 and 9700 products.

### Phoenix pilots Hypercom's IntelliNAC

Phoenix Managed Networks will pilot Hypercom's next generation IntelliNAC network access controller to securely transmit high-traffic, transaction-oriented payments through its global payment communications network. Phoenix expects to complete the product evaluation in summer 2011.

### TeamUnify swims with Process Pink

TeamUnify integrated its business optimization software platform for swim instruction schools with the payment processing capabilities of Process Pink Payments LLC. TeamUnify reported that over 1,000 swim merchants use the management software, with the company adding 40 new swim teams monthly. The partnership allows TeamUnify users to streamline payment processing by accepting credit, debit and automated clearing house transactions.

### WhiteConcierge achieves compliance with ForeScout

WhiteConcierge, a U.K.-based business-to-business

lifestyle management and concierge service, selected ForeScout Technologies Inc.'s CounterACT platform to achieve and maintain PCI DSS Level 1 compliance. WhiteConcierge said it chose ForeScout Technologies to protect the information of its core customer base of financial institution executives.

### Xpient adds First Data's TransArmor

Xpient Solutions integrated First Data Corp.'s TransArmor tokenization and encryption solution into its restaurant POS software. With over 93,000 terminals installed in over 25,000 restaurants, Xpient serves large brands in the food service industry, such as quick service restaurants Arby's, Denny's and Panda Express.

## ACQUISITIONS

### DSS acquires ExtraDev

Document Security Systems Inc. acquired private cloud computing company ExtraDev Inc. to expand its presence in the multibillion dollar cloud computing market. With the acquisition, DSS will deliver its patented AuthentiGuard DX information security technology and software as a service (SaaS) product to accounting firms, law firms, government agencies and professional clients.

### Cerberus to purchase 3i Infotech unit

3i Infotech Ltd., a global information technology company, has agreed to sell its U.S.-based Global Billing and Payments unit, consisting of Regulus Group and J&B Software, to the private investment firm Cerberus Capital Management LP. Subject to regulatory approval, the unit will continue to deliver on-site, SaaS and outsourced solutions to select industry markets.

### TriNovus to buy eBank Systems

Financial technology solutions provider TriNovus LLC will acquire Texas-based eBank Systems LLC, a company that provides turnkey core processing solutions to community banks. The two companies, which combined serve over 300 institutions in 36 states, plan to retain data center operations in Lubbock, Texas, and open a new processing center in Birmingham, Ala.

## APPOINTMENTS

### Chau joins SPVA board

The Secure POS Vendor Alliance, a nonprofit business organization dedicated to fostering data security best practices and compliance, appointed PAX Technology Ltd. President and Chief Executive Officer Andy Chau as a general member director on its board.


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## Industry Update

### UBC taps Cibley for Harbortouch

United Bank Card Inc. named **Jerry Cibley** National Sales Trainer of its Harbortouch POS Systems Division. With over 25 years of experience in the POS industry, Cibley will be responsible for training sales partners on deployment of the company's free Harbortouch POS program.

### Fisher joins FTNI

Financial Transmission Network Inc. appointed **Doug Fisher** to Executive Vice President of Software Solutions to oversee the company's products and services development in a variety of vertical markets. Prior to FTNI, Fisher served as Vice President of Sales for RDM Corp.

### GS welcomes Goldman to advisory board

Capital Access Network Inc. President and Chief Executive Officer **Glenn Goldman** was appointed to *The Green Sheet's* Advisory Board. Recipient of Ernst and Young's 2009 Entrepreneur of the Year award for Financial Services, Metro, N.Y., Goldman brings over 25 years of consumer and commercial finance experience to the panel of industry experts.


### Century Payments expands leadership team

Two industry veterans joined the executive team at Century Payments Inc.: **Chris Justice** as President and **Tom Bannon** as Chief Operating Officer. Justice previously presided over Ingenico North America and will be responsible for driving Century Payments' business expansion efforts. Bannon, formerly Group Executive at Chase Paymentech Solutions LLC, will guide Century Payments' business, technology and service operations.

### Lane to lead Merchant Link

Payment gateway and data security solutions provider Merchant Link promoted **Dan Lane** to President and Chief Executive Officer. Lane, one of the company's founders, previously held the position of Chief Technology Officer at Merchant Link.

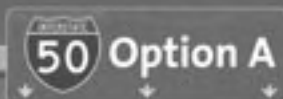
### PCI SSC appoints Nunez VP

The PCI Security Standards Council appointed **Mauro Nunez** to Vice President of Operations. As a member of the executive team, Nunez will lead the creation and strategic implementation of business programs and processes for the global data security standards body. 

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# A slice of ETA 2011

By Brandes Elitch

*CrossCheck Inc.*

I attended my first Electronic Transactions Association meeting at the Palmer House in Chicago in the early 1990s. The vendor space was a few folding tables set up in the hallway outside the meeting room. The major card brands were conspicuous by their absence.

How things have changed! The 2011 ETA Annual Meeting & Expo had over 3,000 attendees, and the vendor area had so many exhibitors that, if you attended the sessions and had some meetings, it was overwhelming.

A show this size takes a whole year to plan, and the logistics are formidable – just ask anyone who had to put up and take down a booth. Following are highlights from what I observed at the event this year.

## Views from an industry stalwart

First, here are excerpts from a presentation by Robert O. Carr, Heartland Payment Systems Inc.'s Chief Executive Officer:

- "There are many billions of dollars looking to be placed in the payments industry. There have never been so many opportunities for entrepreneurs, with the plethora of money and the difficulty of platforms that have to be developed. All those big, kludgy touch screen terminals are going to be replaced sometime soon.
- "There are plenty of people who are developing companies, and when they reach EBITA [earnings before interest, tax and amortization expenses are deducted], they will be able to sell their company for a multiple of 8 or 9 times.
- "Front-end processing is a commodity. If you have your own front-end, you have control of your products.
- "Equipment manufacturers are becoming processors.
- "Expanded product suites include mobile apps, web apps, loyalty, form factors, and enterprise integration.
- "Gateways provide functions that merchants want at reasonable cost.
- "Merchants hate getting multiple statements – they just want 'one throat to choke.' The big merchants (particularly petroleum) have funds coming in from all over the place, and back in the 1970s

they built systems to handle the posting. And now they have floors of accounting people trying to perform reconciliation. Small merchants hate this, too. We have four brands and all the alternative systems (PayPal is leading the pack by a mile), and they will have to cave to a consolidated statement. Merchants want a daily deposit; they want to know that it gets there and that it is correct. All the disparate loyalty programs will crash together, and someone will have to handle it.

- "Data security themes include end-to-end encryption, tokenization, EMV [EuroPay/MasterCard/Visa] and dynamic authentication. If any data is in the clear, it will be exploited. The cycle has five zones, and certain solutions ignore some of them. Tokenization has its place, but is not a protection for merchants who are passing transactions in the clear. EMV is coming, and the contactless chip will happen before the end of the year. PCI standards do not protect the merchant or processor."

In addition, Bob compared 1994's top processors with today's reigning processors: of the former top 36, only 7 are left. He named 14 that are now owned by First Data Corp. and said this kind of consolidation will continue. I found this sobering.

## An insider's take on the financial crisis's evolution

Second, former Sen. Chris Dodd (sponsor of the Dodd-Frank Reform and Consumer Protection Act of 2010) told the back story to the legislation's Durbin Amendment. I went into the talk prepared to dislike what I heard, and I was wrong. You would expect him to be a good speaker, and he is.

He brought the reality of what happened into the room. Back on Jan. 7, 2008, the large financial institutions were saying, "If you don't deregulate, we're going elsewhere," and that mentality was pervasive.

While a financial services reform bill had been talked about for decades, there were 75 hearings on the mortgage crisis, but little or no appreciation of the growing systemic problem. March 2008 brought the Bear Stearns crisis; if this had not been solved, the next day (Monday) would have become a bank holiday, Dodd said.

He described Sept. 18, 2008, as the most incredible evening in his more than 30 years in the Congress: the Federal Reserve Chairman told the 14 people in the room that unless they acted immediately, the entire financial system would melt down. Two days later, \$700 billion was allocated to bail out the financial institutions (FIs) that had created the mess in the first place.

Dodd said this was the right action, and I think most economists agree. His point was that in our society, major

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## View

**Regarding the Durbin Amendment's cap on debit fees, Dodd predicted the Fed will raise the number from 12 cents to 40 cents; he predicted the Debit Interchange Fee Study Act introduced by a bipartisan group of senators in March 2011 will not be adopted, but that modifications to Durbin are likely.**

issues have a shelf life of about one week and are then forgotten. Certain factors needed to be addressed: the idea that large FIs were too big to fail; the need for transparency on exotic instruments (derivatives became a \$600 trillion market); and oversight so problems can be fixed before, not after, the fact. Historically, the Fed had a supervisory role in monetary policy but never exercised it.

Another piece to address was consumer financial protection, and the opposition to that was "stunning," Dodd said. The goal was to craft a legislative framework for a fair regulatory environment that fosters freedom and innovation. As Dodd said, "You don't have the luxury of dreaming; you have to fashion something that would move us off the dime to stabilize the financial markets."

Regarding the Durbin Amendment's cap on debit fees, Dodd predicted the Fed will raise the number from 12 cents to 40 cents; he predicted the Debit Interchange Fee Study Act introduced by a bipartisan group of senators in March 2011 will not be adopted, but that modifications to Durbin are likely.

He said most members of Congress don't understand financial services. "This is an obscure subject matter for Congress, compared with other issues," he said.

He pointed out that partisanship built this country and it is critical, but in the end, you have to negotiate to settle the issues and not believe in "my way or the highway" governing, which, unfortunately, seems all too common today. He also noted that in the 1990s, the debate was over the Community Reinvestment Act, not Glass-Steagall reform, which nobody was interested in at the time.

There has been much noise about the Durbin Amendment in our industry, but my opinion is that the real "affected parties" are the large debit issuers (such as Bank of America Corp., which could take an annual hit of \$2 billion on interchange revenues) and the card brands, which will lose switch revenues.

Lost in all the hoopla is that merchants, particularly large merchants, will reap significant benefits, as will merchant-funded rewards networks and alternative payment networks.

### **Innovation around every corner**

Third, here are other ideas gleaned from presentations I attended.

- By 2015, mobile POS and interchange reform will lead to expanded options for plastic cards and will boost acceptance by utilities, telecoms and other verticals that don't accept plastic now.
- There will be a convergence of offline, mobile and online commerce; for example, Red Laser, a phone app that lets you scan



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- PayPal Inc. and Amazon Inc. are not controlled by the card companies. U.S. brands spend \$300 billion a year on advertising – acquirers could be part of that value chain. Think about it.
- Card networks are expanding across the value chain to compete with acquirers; for example, Visa Inc. bought Cybersource Corp.
- Mobile payments hinge on applications, not cell phones. The technology is a dongle, sleeve, all-in-one unit, card-not-present virtual terminal – with Bluetooth, not near field communication capability (and contactless is coming). Mobile apps could replace physical wallets (if we solve dead battery and bad cell reception problems).
- There are 31 million small businesses, and only an estimated 8 million take credit cards now. Square Inc. makes boarding simple for small merchants, as well as for the underserved person-to-person (P2P) market.
- The P2P sphere has two revenue keys: loyalty and offer redemption. A land grab for who owns the e-wallet is going on now. Remember: he who enrolls controls. The two types of wallets are server side and stored credentials.

I also want to mention the ETA certification program. I sat through certification programs for the National Corporate Cash Management Association (now the AFP) and for NACHA – The Electronic Payments Association, and it's a lot of work. I never thought it would happen with ISOs, which are a different breed than bankers.

But certification is here, and I predict the large processors will eventually mandate that their salespeople take the exam, just as the banks did. I also predict this will be good for the industry.

Like all good conferences, the ETA was so packed with interesting presentations, vendor booths and new products that you could absorb only a small portion of what was offered.

Given the speed of change in the industry, maybe the ETA should return to more than one expo per year. 📺

*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.*



# Company Profile



## Kahuna ATM Solutions

### ISO/MLS contact:

Pamela Phillips  
 Vice President of Affiliate Development  
 Phone: 888-357-8472, ext. 206  
 Email: [pamela@kahunaworld.com](mailto:pamela@kahunaworld.com)  
 Fax: 309-829-1680

### Company address:

807 Arcadia Drive, Suite B  
 Bloomington, IL 61704  
 Phone: 888-357-8472  
 Fax: 309-829-1680  
 Email: [kasbusdev@kahunaworld.com](mailto:kasbusdev@kahunaworld.com)  
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## The big Kahuna in ATMs

**W**ith over 13,000 ATM installations under its belt and an average of 35 million transactions processed annually, Kahuna ATM Solutions is a dominant player in the off-premise ATM sphere. Based on feedback from its affiliates, the company endeavors to be the epitome of an adaptable, entrepreneurial ATM cooperative.

A master distributor for three leading off-premise ATM manufacturers, Kahuna also maintains relationships with four key ATM processors.

Prior to opening Kahuna in 1995, company founders had a thriving credit card ISO business. After selling their credit card portfolio, their focus shifted to ATMs. The move coincided with the lifting of the network ban on ATM surcharges. "It opened the floodgates for ATMs being placed in every gas station, convenience store, bar – every nook and cranny that they're in today," said Bryan Bauer, President of Kahuna.

No longer restricted to selling ATMs to financial institutions, off-premise ATM sales soared and, by 2009, comprised 68 percent of total ATM placements. "When we started doing ATMs, we were targeting retailers directly," Bauer said. "In early 2000, we developed the business model that we're operating today, and that's the distributor support model.

"Rather than having a direct sales force that markets to retailers and merchants and VARs [value-added resellers], today we certainly support other distributors, ISOs and operators."

Bauer said he hasn't seen another company doing what Kahuna does. "There are several ISOs out there that have a wholesale component like we operate, but all of them also have the side of the business that is targeting retailers directly on their own behalf," he said. "That's important to know, because it's easy to team up with a larger ISO for volume and get a better price, but you're supporting an engine that is competing with you on the street."

### ATM revenue channels

According to Bauer, ATMs provide two primary revenue streams: the surcharge access fee, which is charged directly to the cardholder for using the ATM, and interchange fees, which are paid by the cardholder's issuing bank to the acquirer of the transaction, which in this case is Kahuna.

"So interchange flows the other way," Bauer said. "The issuer pays the acquirer versus the other way around in the merchant business. You have the physical burden of loading the ATM with cash. That's the big difference and that's why the issuer pays the acquirer. Probably the biggest component of the overall operational and sales piece of ATMs is the cash logistics of loading the terminal."

Bauer pointed out that the ATM surcharge typically settles to three primary parties, and one entity could assume the role of all three parties. The first party is the ATM terminal owner, who purchases or leases the system and is respon-

## Company Profile

sible for the system's upkeep and maintenance; the second party is the location, or owner, of the property where the ATM is installed; the third party is the entity charged with loading cash into the terminal.

Bauer said cash-loading logistics falls under three categories: the merchant-loaded terminal, which is the most cost effective and represents about 90 percent of the terminals placed by Kahuna affiliates; the route operator, who either sets up terminal placements directly with merchants or partners with terminal owners and agrees to load them; and the armored carrier, who typically sets minimum volume and location requirements and is the most expensive option.

"What a lot of industry players are doing is they're keeping a small portion of the surcharge fee to help pay for the network fees and the administration and the telecom and the processing fee and all that," Bauer said. "That fee cannot only pay for expenses, but sometimes it can help pay for the on-site relationship logistics that an MLS might have to maintain a relationship, be a good contact and resource for the location."

### ATM security

Today's ATMs come equipped with multilayered security protection. "Every ATM is triple DES encrypted,"

**"They can detect when there has been a change to the software - when somebody is trying to apply a software patch or upload new software on it," he said. "It will shut the terminal down and send out a message."**

- Bryan Bauer, President of Kahuna

Bauer said. "We have key-handling procedures, so they are encrypted; they arrive secure. You have to have two key handlers. You destroy them when you're finished. So there are two components."

Bauer added that Kahuna also addresses Payment Card Industry (PCI) Data Security Standard (DSS) compliance. "It's a standard for our industry that any newly deployed terminal now has to come with a PCI-compliant PIN pad," he said.

Bauer noted that advances in terminal software technology make it possible to detect counterfeit bills and to lock down ATM peripherals when foreign devices, such as card skimmers, are detected.

"They can detect when there has been a change to the software - when somebody is trying to apply a software patch or upload new software on it," he said. "It will shut the terminal down and send out a message."

Bauer believes most skimming device crime targets on-premise ATMs, either walk-up or drive-up terminals. "In our industry that's not a real big problem, and the reason for this is because most of our locations are inhabited 24 hours a day," he said. "They're inside an establishment that has an attendant on duty at all times. They're typically inside, and they're well lit."

He sees a growing opportunity for ISOs to work with financial institutions that are outsourcing their ATM programs. He said financial institutions are supplanting their ATM departments to reduce costs and delegating the work to ISOs who either run them as turnkey operations, providing all the equipment and managing them from top to bottom, or as service providers for institutions that own the hardware or handle their own cash logistics.

### Support breeds loyalty

Kahuna affiliate Jeff Cotton, an ATM and credit card services provider since 1990, was one of the first to intro-

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duce off-premise ATMs to merchant locations throughout Hawaii. "The wonderful thing about the ATM business: generally it's a five-year contract, and if you can carry your people, you'll have another five, and another five, as opposed to other markets, for instance credit card processing, you never have that luxury of five years," he said.

Cotton appreciates that because of Kahuna's reputation, longevity and business structure, if he is not available, Kahuna is. "Their 24/7 customer support rollover takes care of just about anybody," he said. "I'll put it this way: by working with Kahuna my responsibilities have not been increased. If anything, they've decreased."

Harmon Frankenberg, President of Integrity ATM, who runs his ATM processing business through Kahuna, said, "They have all the equipment you could possibly want at their disposal to sell you, but their service is superior. At this moment, I'm moving much of my portfolio ATM accounts to their business because of that.

"If I need to change a surcharge or I have a dispute or an issue, they help me out. Other companies want you to pay for that, and these guys have been really good about going the extra mile for me."

Frankenberg offered an example: "I stay up late at night and I do a lot of paperwork, so I'll send them an application for a terminal ID for one of my machines. I'm out here in California, and they're back east.

"They'll have it on my website at 6:30 in the morning when I look at it, and I'm checking my other accounts, and that new TID [terminal identification number] is there. I used to have to wait a couple days with other companies, and even at their best, I'd have to wait a day to get it."

Frankenberg's business model includes more than ATM terminal placement. "I'm not just in the ATM business of selling and placing machines as far as the interchange goes," he said. "I'm also an investor. I own about 40 machines that I fill. That's going to till my way no

matter who I'm with, because I set the surcharge, and I set the percentage of it that I'm going to get and the location gets."

According to Bauer, Kahuna offers wholesale pricing to affiliate partners, with competitive markup guidelines. And as the price of ATMs is becoming more affordable, many merchants are opting to purchase rather than lease them.

He added that Kahuna will continue to expand in step with its affiliate base. "We're going to grow through our client base," Bauer said. "Our clients are the ones who grow, and they'll grow by soliciting more locations." ■

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# Selling Prepaid



## Prepaid in brief

### NEWS

#### Vets urged to enroll in Direct Express

As part of its phase out of government paper check payments over the next two years, the **U.S. Department of the Treasury** is including veterans and railroad retirees in its move to electronic payments via direct deposit and Direct Express prepaid cards.

The prepaid cards are MasterCard Worldwide-branded, issued by Comerica Bank and processed by Xerox Corp. subsidiary Affiliated Computer Services Inc. The Treasury began contacting new beneficiaries May 1, 2011, and all beneficiaries are expected to be receiving benefits electronically by March 1, 2013.

#### Fed proposes money transfer rule change

The **Federal Reserve Board** issued a request for public comment on a proposed rule to create new consumer protections on cross-border money transfers. The rule would require that money transfer providers make disclosures to money transfer senders, including information about fees, the amounts of currency to be received by recipients and the currency exchange rates between the countries of senders and receivers, the fed said.

The proposal is being made under the requirements of Regulation E, a cardholder protection measure that is part of the Electronic Funds Transfer Act of 1978, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Public comments to the proposal can be submitted to the fed up to 60 days after the proposal was published in the Federal Register, which occurred on May 23, 2011.

To access the published proposal, go to [www.gpo.gov/fdsys/pkg/FR-2011-05-23/html/2011-12019.htm](http://www.gpo.gov/fdsys/pkg/FR-2011-05-23/html/2011-12019.htm).

#### Cashplus touts prepaid as fraud deterrent

U.K.-based **Advanced Payment Solutions**, the program manager for the Cashplus Prepaid MasterCard, believes prepaid cards are superior to credit and debit cards in minimizing the risks of online fraud for consumers.

Unlike credit and debit cards, prepaid cards limit cardholders' exposure to fraud because the only funds at risk are the funds loaded onto the cards, APS said.

In contrast, online shoppers who use credit and debit cards are potentially exposing credit limits and bank accounts to fraud, APS added.

### ANNOUNCEMENTS

#### BillMyParents' media push continues

**BillMyParents**, the Socialwise Inc. subsidiary and teen prepaid card company, provided an update on its national marketing campaign. The strategy has involved event programming on the ESPN and MTV television networks and touts the benefits of its Spend Smart prepaid card. BillMyParents' slogan is "It's Safe. It's Smart. It's Money."

The brand's spokesman is professional skateboarder Rob Dyrdek.

#### BillShrink unveils new in-statement rewards features

Loyalty platform provider **BillShrink** added new functionality to its in-statement rewards service. The new features help consumers achieve greater savings, eliminate the need for customers to carry multiple loyalty and rewards cards, offer geolocation interactivity and integrate with social networks, BillShrink said.

#### Hawk Award winners revealed

Safeway Inc. subsidiary and gift card mall purveyor **Blackhawk Network** named the winners of the prepaid company's fifth annual Hawk Awards.

Among the winners are Regal Entertainment Group (best card design), Marriott International Inc. (most innovative product or service), Starbucks Corp. (industry achievement), Berwick Offray LLC's Seastone brand (most innovative prepaid product) and i3 Plastic Cards (industry innovation).

#### First Data opens social sweepstakes

Through its eGift Social application, **First Data Corp.** is giving away e-gift certificates in denominations of \$10 and \$50 for use at Dairy Queen, Sephora, Kmart, F.Y.E and Joe's Crab Shack. Additionally, one winner will receive a \$200 Sears e-gift grand prize. The promotion runs through June 12, 2011.

## June prepaid retreat to be held in Niagara Falls

The Global Prepaid Exchange announced that the 4th Annual Gift & Prepaid Retreat will be held June 15 and 16, 2011, at the Marriott Gateway on the Falls in Niagara Falls, Ontario, Canada. The event is focused on the gift and prepaid card markets in Canada and the United States. For more information, go to [www.actcda.com/calendar.html](http://www.actcda.com/calendar.html).

## Paycloud wins technology innovation award

White-label loyalty and stored-value card provider SparkBase won the Technology Innovation Award for Paycloud at the 2011 Electronic Transactions Association's Annual Meeting & Expo. Paycloud is a smart phone-enabled mobile wallet for loyalty and gift card programs that integrates with merchants' existing POS terminals.

## PARTNERSHIPS

### New twist: using gift cards to pay bills

Consumer bill payment portal provider ChargeSmart Inc. integrated its services with online gift card exchange Plastic Jungle to enable customers to use unredeemed gift cards to make utility, car and mortgage payments.

### Brazil gets prepaid partnership

Atlanta-based prepaid card distributor InComm signed an agreement with Brazil-based processor Unik to offer retailers in Brazil a prepaid card management and promotion solution.

The processor issued and processed over 3 million gift and rechargeable prepaid card transactions in 2010, Unik said.

### GPR card initiative underway

NBC Universal-owned Telemundo and mun2 (a U.S.-based television network and division of Telemundo) teamed up with The Western Union Co. to offer Hispanic consumers in the United States two types of MasterCard Worldwide-branded, general purpose reloadable prepaid cards.

### Valutec offers customers SNAP


Valutec Card Solutions, the gift and loyalty subsidiary of Fidelity National Information Services Inc., teamed with SNAP Services LLC, which connects loyalty programs with social networking sites, to allow Valutec clients the ability to expand upon their current in-store loyalty programs by rewarding customers for making automated online recommendations on Facebook, Twitter and foursquare.

## APPOINTMENTS

### FSV taps Middlebrook

Network-branded prepaid card provider FSV Payment Systems Inc. hired **Stephen T. Middlebrook** to serve as its General Counsel. Middlebrook, who was Senior Counsel at the U.S. Department of the Treasury, will provide legal expertise on regulatory and legislative issues that affect stored-value, prepaid and debit cards; mobile payments; and Internet-based collections and disbursements.

### eCommLink promotes Mota

Las Vegas-based prepaid card processor eCommLink Inc. promoted **Oscar Mota** from Senior Vice President of Operations to Chief Operations Officer. Mota is charged with leading eCommLink's software development division, as well as the company's planning, implementation and client delivery groups. 



## Florida investigates prepaid card industry

**F**lorida Attorney General Pam Bondi disclosed May 19, 2011, that her office's Economic Crimes Division has begun an investigation into the possible deceptive and unfair practices of five prepaid debit card companies – First Data Corp., Green Dot Corp., AccountNow Inc., Netspend Corp. and UniRush Financial Services LLC.

The attorney general issued subpoenas to force the companies to divulge information about hidden fees they possibly charge on prepaid debit cards.

The subpoenas aimed at San Ramon, Calif.-based AccountNow and Cincinnati-based UniRush ask the companies to support published statements that using prepaid debit cards help card users improve credit scores.

"Failing to disclose fees is essentially stealing money from consumers," Bondi said in a statement. "We will aggressively investigate these practices and ensure [consumers] are protected from hidden fees and charges."

## Selling Prepaid

The subpoenas gave the companies until June 20, 2011, to respond.

The attorney general's spokeswoman Jennifer Krell Davis told *Selling Prepaid* that consumer complaints, together with media and trade reports, convinced the attorney general to look at the prepaid card industry. Davis said the preliminary inquiry included buying prepaid cards from retailers and studying whether the products matched advertised promises.

### Initial fallout

Reaction to the news was swift. According to published reports, Green Dot's stock price fell 5 percent and NetSpend's declined 10 percent on the day the investigation was announced. First Data spokesman Andy Payment confirmed that the Greenwood Village, Colo.-based acquirer received the subpoena and is reviewing it. NetSpend spokeswoman Suzanne Dawson said her firm has nothing to hide.

"NetSpend's mission is the empowerment of its customers," she said. "We design all of our marketing materials and other consumer disclosures to meet or exceed all of the requirements of applicable federal and state law, and we are confident that any objective review of our programs and materials will result in the same conclusion.

"We are working cooperatively with the AG to answer their questions and help them see the quality of our disclosures to the customers we serve."

In a statement, the Network Branded Prepaid Card Association said it was disappointed to hear of the Florida Attorney General's decision to pursue an investigation of the prepaid card industry.

"NBPCA supports transparency in disclosure of fees to consumers, prior to purchase, so they clearly understand the terms and conditions associated with prepaid cards prior to purchase," the release said.

NBPCA President Kirsten Trusko added, "To ensure consumers enjoy their card experience and easily understand, in plain English, how prepaid cards work, NBPCA continues to work with federal regulators like the Consumer Financial Protection Bureau to develop educational and comparative tools to help consumers choose the best card, across a large group of competitive programs, to meet their specific needs."

### RushCard under scrutiny

Perhaps the company under the most pressure from the investigation is UniRush, the prepaid card company owned by Run DMC rapper Russell Simmons. UniRush markets general-purpose prepaid cards primarily to African-American and other minority communities in the United States.

"The RushCard is extremely transparent in terms of the presentation of its fees and its services," Simmons said in a statement. "All of the information is available for everyone to see on [rushcard.com](http://rushcard.com).

"Third-party research has shown that, for many customers, the best prepaid card services offer significant savings compared to what they would pay in traditional bank checking accounts, with savings of up to 50 percent.

"As I look at the payments landscape, I see the banks as the large record chains, and my RushCard is looking a lot more like iTunes. I welcome the public debate because the more educated the consumers are the more successful we become." 📱

## Is the hybrid card an asset builder?

**A**s financial and economic pressures mount on a growing cross section of U.S. consumers, new asset building strategies are being developed for low- and moderate-income households. One strategy for helping unbanked and underbanked individuals build credit histories without requiring access to credit cards or bank accounts is to employ hybrid prepaid cards.

One type of hybrid card allows for the card's monthly maintenance fee to be converted into a loan; that loan is then repaid over time via that monthly fee. When the loan is repaid, a report is made to a credit bureau.

"The credit building feature, where you can essentially borrow the amount of your monthly fees and then pay it back as a loan, I think is terrific," said Rachel Schneider, Vice President, Innovation and Research at the Chicago-based Center for Financial Services Innovation.

Another strategy that shows merit is a prepaid card with a secured collateral account attached to it, according to Schneider. Money loaded on the card can be transferred to the secured account to increase the amount of credit available to the cardholder.

"A secured card, by definition, offers the ability to build your credit history," she said. "One of the advantages of prepaid over credit is the ability to not spend more than you have."

### Alternative scoring

In the CFSI research paper, *The Future of Financial Services: Recommendations for Asset Building*, Schneider wrote that a core need for the unbanked and underbanked is to develop credit histories as part of an overall financial asset building strategy.

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## Selling Prepaid

"There's a lot of work in the U.S. around building credit histories, where the goal is for the transaction data on a prepaid card itself [to] be used to build a credit history," she said. "And I think that shows that that idea has promise, but it's still very early stage." Alternative credit scoring bureaus have been in existence for approximately 10 years, according to Schneider. Companies like PRBC Inc. and LexisNexis Risk Solutions score consumers' creditworthiness based on alternative data.

"They look at things like how long have you lived in the same place, how long you've had the same job," Schneider said. "They're looking at stability and other variables that point toward whether or not you are able to repay [loans]."

For example, traditional credit reporting agency Experian Information Solutions Inc. entered the alternative scoring space through its June 2010 acquisition of RentBureau LLC, a company that gathers rental repayment data. "Renters who pay their rent promptly every month on time, and they are never delinquent, can develop a credit history," Schneider said.

### The retreat of iAdvance

The most conspicuous example of a hybrid card in the United States was the iAdvance loan program offered to consumers via Netspend Holdings Inc. prepaid cards. In October 2010, federal regulators ordered MetaBank, the program's issuing bank, to discontinue iAdvance.

The regulators said MetaBank engaged in "unfair or deceptive acts or practices in connection with its operation of the iAdvance program," according to a NetSpend filing with the Securities and Exchange Commission. In the only public comment concerning iAdvance, a MetaBank executive told conventioners at the 2011 Prepaid Expo USA that the problem with iAdvance involved pricing.

Schneider said the annual percentage rate (APR) on short-term loans offered on the iAdvance program was high, but not as high as the APR on payday loans. "It was more like 120 percent APR versus 300 to 400, so it was a major improvement over traditional payday lenders," she said. "However, if you were rolling over the iAdvance, you would have encountered a larger APR than 120."

Despite the iAdvance issue, it seems hybrid cards have the potential to help the financially underserved re-enter the credit market by offering them small-dollar loans, which can in turn help them build positive credit ratings that may lead toward the achievement of larger financial goals.

For more information on hybrid cards, see "Under the hood of hybrid cards" by David Parker, *Selling Prepaid E-Magazine*, Jan. 8, 2011, issue 11:01:A. 📧

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# Google introduces mobile wallet, PayPal sues

**G**oogle Inc. introduced a new mobile wallet application for its Android phone May 26, 2011. The next day PayPal Inc., eBay Inc.'s payment subsidiary, sued Google for stealing trade secrets. The Google mobile payment application had rolled out in a campaign confettied with press releases, news articles and advertising.

Google Vice President of Commerce and Payments Stephanie Tilenius, a former PayPal executive and a central figure in the PayPal complaint, said, "Today, we've joined with leaders in the industry to build the next generation of mobile commerce. With Citi, MasterCard, First Data and Sprint we're building an open commerce ecosystem that, for the first time, will make it possible for you to pay with an NFC wallet and redeem consumer promotions all in one tap, while shopping offline."

## Wallet in testing

The Google Wallet is being field tested and is expected to be ready for customers this summer. Google Wallet is a mobile phone application that will enable consumers to leave cash, cards and checks at home when shopping. It allows consumers to either add cards co-branded by Citibank NA and MasterCard Worldwide to the application using First Data Corp.'s trusted manager service, or they can add cash to Google Prepaid cards with any payment card.

The Mobile Wallet's near field communication technology (NFC) allows consumers to make secure payments by tapping the phone on any MasterCard PayPass-enabled POS terminal.

The MasterCard PayPass POS network has more than 124,000 terminals in the United States and more than 311,000 terminals worldwide. Google said it is additionally working with VeriFone Inc., Hypercom Corp., Ingenico, ViVOtech Inc. and other terminal makers to create the next generation SingleTap technology that will allow consumers to simply tap a terminal to use a credit, debit or prepaid card; redeem promotions; receive coupons; and earn loyalty points.

## Bones of contention

PayPal sued Google in Santa Clara County's California Superior Court. The complaint alleges Google hired a pair of PayPal executives to steal PayPal technology and secrets for Google's new Mobile Wallet venture.

The lawsuit claims Tilenius, who left her job as PayPal's Senior Vice President of North America and Global Products in 2009 to join Google as Vice President of Electronic Commerce, recruited Osama Bedier, PayPal's Vice President of Platform, Mobile and New Ventures, for Google.

The suit alleges Bedier brought a number of PayPal employees with him to Google. Tilenius, Bedier, Google and up to 50 Google employees are named as defendants in the PayPal suit.

PayPal stated in its complaint that Google worked closely with PayPal between 2008 and 2011 to develop a mobile payment application for the Android. The suit

alleges that Bedier, at Tilenius' urging, began interviewing for a job with Google at the same time he was negotiating and finalizing the Android mobile applications deal for PayPal.

Just as the deal was ready to be signed, Bedier left PayPal and went to work for Google. The contract between Google and PayPal was never finalized.


"PayPal's long experience in online payment processing has allowed PayPal to develop a wide range of trade secrets in the areas of mobile

payment, point of sale, and digital wallet, which give PayPal an advantage over both existing competitors and new market entrants, such as Google," PayPal stated in its complaint. "Thus, despite the relatively recent development of the use of a smart phone as a point of sale transaction device, PayPal's trade secrets are particularly valuable in this emerging area."

PayPal maintains Bedier stole documents about PayPal's mobile payment and POS strategies and lured away critical employees working on its mobile payment application.

PayPal also alleges Bedier has access to privileged research and analysis of Google's mobile payments strengths and weaknesses and other trade and technology secrets encompassing areas such as market research, consumer preferences, merchant POS options, mobile payment and

**The Google Wallet is being field tested and is expected to be ready for customers this summer. Google Wallet is a mobile phone application that will enable consumers to leave cash, cards and checks at home when shopping.**



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## News

digital wallet strategies, and PayPal employees critical to PayPal mobile wallet development.

"Google bought the most comprehensive and sophisticated critique of its own problems available," the suit contends. "Google put Bedier in charge of its mobile payment business, virtually ensuring that Bedier would misappropriate PayPal's trade secrets concerning planning and competitive assessments in mobile payments."

Google responded to the PayPal suit in a statement saying, "Silicon Valley was built on the ability of individuals to use their knowledge and expertise to seek better employment opportunities, an idea recognized by both California law and public policy. We respect trade secrets, and will defend ourselves against these claims." ■

## Tester proposes cutting debit fee study time

**O**n May 18, 2011, Sen. Jon Tester, D-Mont., amended the Debit Interchange Fee Study Act (S 575) to shorten the proposed study period in the bill from two years to 15 months. The bill was introduced in the Senate March 15 and referred to the Committee on Banking, Housing and Urban Affairs.

Tester said he is amending the bill to incorporate feedback and capture the 60 votes needed for passage. The pending legislation proposes delaying implementation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 until completion of the study.

The Durbin Amendment, scheduled to go into effect in July, gives the government the power to limit debit interchange fees charged by banks. Tester said he believes the amendment needs more study to determine its impact on small businesses and rural America.

### 15 months bare minimum

In remarks on the Senate floor introducing the amendment, Tester claimed 15 months is the "bare minimum to get this study right." He said the study period breaks down to six months for agencies to conduct a study, six months for the Federal Reserve to rewrite the rules from the study results and three months to implement the final rules.

"For me, stopping and studying the unintended consequences of government price-fixing has everything to do with access to capital for small businesses and consumers in rural America," he said. "On the surface, the plan might make sense. But peel back the layers, and you'll see why

a whole bunch of folks – on both sides of the aisle – have raised a flag.

"I'm not asking to repeal these rules – or even change them. All I'm asking for is that we take a closer look – so that we truly understand all impacts, intended and unintended. Make no mistake, the big banks are going to do fine no matter what. That is why I opposed bailing them out."

### Small and rural banks hit

Tester indicated the Durbin Amendment will negatively affect almost all the banks and credit unions in his state. "They will feel the pinch," he said. "And they will lose because the government is going to set a price for doing business that does not cover their costs."

He added that the new interchange rates under the amendment "will not be enough for the little guys to compete in the marketplace." He then asked how big-box retailers would likely react if the government set the price of T-shirts below what it costs to manufacture, ship and market them.

### Capping fees makes no sense

Capping rates in an effort to create a competitive marketplace makes no sense, Tester added. "When you slant the playing field against small banks, they can't compete with big banks," he said. "And if they go under, the businesses and consumers that rely on them are left hanging. That ... is why a populist farmer from rural America is on the side of common sense in this debate."

Tester pointed out that Federal Reserve Chairman Ben Bernanke had testified just a week previously that capping interchange rates "could result in some smaller banks being less profitable or even failing." Tester said more failing banks means more bank consolidation, which would not be a good outcome for consumers.

Tester believes losses banks suffer with reduced interchange revenue will force the financial institutions to charge higher fees for other services. "Rural America – especially in this fragile economy – can't afford that," he said. The senator also said Bernanke testified he's not sure the small issuer exemption in the Durbin Amendment will work because market forces would work against the exemption.

"No one has been able to explain to me why studying this issue to make sure that these rules do what they are intended to is a bad idea," he said. "If this rule goes into effect, the consumers and businesses who rely on community banks and credit unions will pay the price. And we can bet that many retailers won't be eager to pass the few pennies they save ... down to you."

### EPC backs Tester

The Electronic Payments Coalition, an advocacy group

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## News

comprising credit unions, banks and payment card networks, issued a statement in support of Tester's effort. The release notes credit card fraud losses are paid by the banks, not cardholders.

Fraud protection and data security costs are included in the interchange fees retailers pay to issuers. Capping those fees would deprive issuers of the financing they need to develop defenses that protect networks and data security, according to the EPC.

"If the current rule goes into effect, retailers will pass on the costs of fraud protection and data security to consumers," EPC spokeswoman Trish Wexler said. "If a breach does occur, retailers will get off scot-free, even if they are responsible for the loss." For more on the Debit Interchange Fee Study Act, see *The Green Sheet's* Legislative Roundup at [www.greensheet.com/legislation.php](http://www.greensheet.com/legislation.php). ■

## Feds move to halt VeriFone purchase of Hypercom

**A** Department of Justice complaint filed in Washington May 12, 2011, alleges VeriFone Inc.'s proposed \$485 million offer to buy Hypercom Corp. violates provisions of both the Clayton Antitrust Act and the Sherman Antitrust Act. The government further alleges Hypercom's subsequent attempt to avoid antitrust concerns by licensing Hypercom's business in the United States to Ingenico for five years also violates antitrust laws.

The DOJ complaint asks The Federal District Court for the District of Columbia to stop the Hypercom acquisition by VeriFone and the licensing of Hypercom business to Ingenico.

According to the DOJ, three companies, VeriFone, Hypercom and Ingenico SA, account for 92 percent of all POS terminals sold in the United States; collectively, VeriFone, Hypercom and Ingenico sell nearly 80 to 90 percent of POS terminals worldwide.

"The combination of VeriFone and Hypercom would likely lead to retailers paying higher prices for POS terminals," DOJ Antitrust Division Assistant Attorney General Christine Varney stated after filing the complaint. "The proposed divestiture does not resolve the significant competitive concerns posed by the merger, and in some ways exacerbates them."

The VeriFone deal to buy Hypercom was disclosed in November 2010. In April, Hypercom issued a statement saying it had an agreement to license its U.S. business to Ingenico. The DOJ voiced concern that the Hypercom sale

leaves only two POS sales organizations of consequence in the U.S. market and would leave the market vulnerable to price collusion between VeriFone and Ingenico. The government also said it does not believe spinning off U.S. business to Ingenico solves the antitrust issues raised by the proposed purchase.

### Companies' responses

By simply filing the complaint the government appears to have met at least one of its stated goals: stopping the Ingenico takeover of Hypercom's U.S. business.

Ingenico, a French corporation, said the delay caused by the complaint may cause its deal with Hypercom to fall through. "Considering the timeline, Ingenico anticipates that it may not be in a position to successfully close the deal," the company stated in a press release.

VeriFone and Hypercom, in a joint statement released May 16, responded to the DOJ action saying, "VeriFone and Hypercom intend to work with the DOJ to better understand its concerns and assess various options for the planned divestiture of Hypercom's U.S. business, including the possibility of a divestiture to an alternative buyer.

"The companies continue to believe in the compelling benefits that the merger will provide to customers, employees and stockholders."

### Duopoly danger

The DOJ complaint asserts that if the pair of deals goes through, nearly all competition in the sale of POS terminals in the United States would be eliminated. "VeriFone and Ingenico, the only two remaining competitors of significance, would become so intertwined and codependent in the United States that they would operate more as affiliates than as competitors," the DOJ alleges.

The government noted that VeriFone is the king of POS terminal sales in the United States, reigning over 48 percent of the U.S. market. Hypercom is the number three retailer capturing 18 percent of the market. Ingenico owns approximately 26 percent of retail sales in the United States.

The complaint quotes VeriFone Chief Executive Officer Douglas Bergeron saying the POS terminal industry is showing signs of becoming a "very benevolent duopoly" of VeriFone and Ingenico. The DOJ asserts VeriFone, as a result, is avoiding competition in favor of cooperating with competitors at the expense of consumers.

### The Ingenico deal

As to the Ingenico-Hypercom proposition, the complaint states, "The proposed deal with Ingenico has two fundamental flaws as a remedy for the anti-competitive effects of the VeriFone/Hypercom transaction.

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## News

"First, licensing the assets to Ingenico would eliminate the competitive discipline Ingenico provides today even as a smaller seller in the ... POS terminals market and fails to replicate the three-way competition. ...

"Second, even setting aside Ingenico's current participation in the relevant markets, the structure of the agreement, which is akin to a franchise agreement rather than a clean divestiture, would not give Ingenico the means and incentive to maintain the level of premerger competition."

The DOJ stated the three-way agreement among the companies is not a "bona fide sale" but, rather, it is "a complex licensing agreement whereby Ingenico would essentially become a Hypercom franchisee ... with the exclusive right to sell Hypercom POS terminals in the United States for five years."

In addition, the DOJ indicated the Hypercom-Ingenco deal is referred to by the companies as a "franchise agreement" and that, under the agreement, Ingenico would not own the intellectual property associated with the Hypercom devices.

The agreement further provides that Ingenico may not modify or improve the devices and must allow Hypercom to support the devices, including performing upgrades, fixing bugs and offering technical support. The DOJ noted VeriFone is thus a party to the Hypercom-Ingenco franchise agreement, so the franchise agreement is dependent on the VeriFone takeover of Hypercom.

"This contradicts defendants' claims to the public that the Hypercom franchise agreement is a straightforward sale of Hypercom's U.S. business to Ingenico," the complaint states. It adds the agreement, in essence, eliminates Ingenico as a competitor for VeriFone and encourages the companies to coordinate rather than compete, harming consumers, businesses and commerce.

The complaint alleges Ingenico intends to move customers away from Hypercom products to its own devices by porting some of the software and applications from Hypercom devices to Ingenico terminals, leaving consumers with only a choice between VeriFone and the "untested and unproven Ingenico/Hypercom hybrid products."

### **An alternate offer**

On May 13, ViVOtech, a California near field communication (NFC) software and systems company, issued a press release reminding the DOJ and other interested parties it offered to buy Hypercom's U.S. assets March 31 – three days before VeriFone indicated it would sell those assets to Ingenico.

"We totally understand the DOJ's concerns, because the cozy deal would essentially create a collaborative

duopoly in this competitive market inhibiting choice and innovation, just as the NFC mobile commerce market is on the cusp of becoming reality," ViVOtech CEO Michael (Mick) Mullagh stated.

Mullagh pointed out that mobile commerce technology allows consumers to use mobile phones to make payments, receive real-time marketing offers, and to participate in merchandising and loyalty programs right at POS terminals.

"We still see the acquisition of Hypercom's U.S. assets as a strategic and transformative opportunity for our company to enhance next-generation NFC platforms and accelerate the adoption of in-store mobile payment, loyalty, marketing and merchandising solutions in the U.S.," he said.

### **Further drawbacks**

The complaint also accuses the three companies of attempting to avoid premerger notification requirements through their agreement terms. Simply put, because Hypercom would no longer have U.S. assets it would not have to comply with statutory regulations.

Also, the \$54 million fee Ingenico would pay to license Hypercom's U.S. assets and the \$15 million Ingenico would pay to Hypercom for technical support both fall below reporting thresholds, meaning the companies do not have to submit information about the impact of the agreement on competition in the POS terminal sales industry.

"The defendants have informed the United States that they will not fully comply with the document and information requests," the DOJ's complaint alleges. The government wants the court to stop the deals from moving forward "to protect consumers throughout the United States from the cooperative duopoly VeriFone and Ingenico seek to create."

The government indicated another drawback of these agreements is that the POS terminal market already discourages new competitors with its high barriers to entry.

These barriers include the need for certifications, more intense regulation of the card industry, and the ability to have scale, proximity and a portfolio of customer applications.

In addition, the government stated two primary barriers to market entry are developing a reputation and creating a proven track record of success serving customers. 📌

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# Trade Association News

## ETA annual docks in San Diego

**I**magine having a chance to pose a question to one of the nation's most renowned entrepreneurs and technology gurus. About a dozen folks representing ISOs, merchant level salespeople (MLSs) and their partners had just such an opportunity last week during a dialogue with Steve Wozniak, co-founder of Apple Inc. The event kicked off the ETA's 2011 Annual Meeting & Expo in San Diego.

The event also featured a keynote address by former Sen. Christopher Dodd, D-Mass., co-author of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Speaking to a packed hall, Dodd fielded a volley of questions concerning interchange, the Federal Reserve Board and the legislative process.

Here are highlights from what Dodd and "the Woz" shared with attendees.

- Dodd never thought the Durbin Amendment would become law, and he's not optimistic that it can be reversed. "It's going to be almost impossible to craft something that works," he said.
- Dodd did hold out hope that the Federal Reserve will back down from a plan to cap debit card interchange at 12 cents, with an exemption for community banks. "A dual system creates too many complications," he said.
- Dodd feels ISOs, MLSs and their partners need to do more to reach out to local politicians if they hope to fend off further legislation like the Durbin Amendment. "Very few members of Congress understand financial services," Dodd said. "I can assure you that if you were to invite your member of Congress to come to your business to learn what you do and about your issues, you'd have a lot more luck than anyone standing in the halls of Congress trying to [lobby] staffers."
- Wozniak observed that technology experiments don't always end up as planned. "We didn't design the Internet to be a brain, but it turned out that way," he said.
- Though he no longer works at Apple, Wozniak seems confident that payments are not at the top of the company's to-do list. "I think they'll hold off and not make any moves until they know they can do it right," he said.

- Wozniak believes mobile payments that use near field communications (NFC) technology are poised to take off in a big way. "Tap-and-go technology is so compelling that it will be in everyone's hands within just a few years," he said.
- Wozniak is especially enthralled by Square, the miniature card reader from Square Inc. that plugs into mobile devices and facilitates payments. "A little person can now do what a giant corporation once could only do," he noted.

### Enthralled by mobile

As Wozniak's comments demonstrate, mobility was the hot topic at the meeting. Mobile card acceptance, couponing and security for merchants, and mobile sales tools for agents, were among the most conspicuous.

"Mobile is here and it's big," said Will Rossiter, Vice President for Global Marketing at Hypercom Corp. A stroll through the exhibit hall drove home the point.

ROAM Data continued to draw attention with ROAMpay, a small card swipe device that plugs into smart phones where a headphone jack might otherwise connect. (It won the ETA's Technology Innovation Award in 2010.) Sean Gately, ROAM Data's Sales Director, said orders for ROAMpay were arriving "fast and furious," adding that the company shipped 100,000 of the devices during the first quarter of the year.

VeriFone Inc., which has an offer outstanding to acquire Hypercom, exhibited a turnkey solution that integrates new media and payments, and can be marketed to merchants on a monthly subscription basis. PayMedia, as the new VeriFone offering is called, supports traditional and emerging payments, as well as assorted related services (like electronic couponing) in nontraditional environments.

Paul Rasori, VeriFone's Senior Vice President for Marketing, described the innovation as "a complete payment-enabled digital media ecosystem that brings the full potential of online payment-oriented and social media services to the offline retail counter." VeriFone revealed that nine ISOs already have signed on to offer PayMedia solutions to small and midsize businesses.

Merchant Warehouse was on the floor showcasing a new iPad-based tool that makes it possible for agents to complete and submit merchant applications in real time, as well as to help manage their portfolios while on the go. Basic tools – such as a calendar, driving directions and email – in addition to sophisticated cost and analysis tools are included.

"We've been making a splash with this big time," said



Pictures from the ETA 2011  
Annual Meeting & Expo

Exhibit hall and  
special events



Michael Gavin, Vice President for Third-Party Sales at the Boston-based ISO, which is giving iPads to its agents.

Apriva, a Scottsdale, Ariz., firm specializing in secure wireless solutions, celebrated an initiative it calls "Freedom to Choose," which enables merchant acquirers and ISOs to customize mobile payment solutions to individual merchant requirements. Apriva said it aims to support all types of mobile payment devices and platforms.

### **Big on technology, certification**

Not to be overshadowed by compelling product launches in the expo hall, the ETA used the conference forum to promote its new certification program. Representatives of six leading payment companies were on hand at the opening session to voice support for the Certified Payments Professional program, which officially launched in February 2011.


MasterCard Worldwide said it was on board with the program. So did Visa Inc., First Data Corp., National Processing Co., Fifth Third Processing, CoCard Marketing Group and Merchant Warehouse.

The ETA hopes to position the new Certified Payments Professional as the industry's first professional

certification process for sales agents and others engaged in the distribution of electronic payment products and services. Test vehicles are under development, and a first round of testing is anticipated during the fourth quarter of 2011.

The ETA also used the annual event to honor industry leaders in several categories. Those lauded at a May 10 awards ceremony included:

- First Data Corp., Business Partner of the Year
- Greg Cohen, Moneris Solutions, Member of the Year
- Deanna Rich, Rich Consulting, Committee Volunteer of the Year
- Payment Alliance International, ISO of the Year
- Debra Rossi of Wells Fargo & Co., 2011 Distinguished Payment Professional

In addition, SparkBase Inc., based in Cleveland, was honored with the ETA Technology Innovation Award for its Paycloud Mobile Wallet, a smart-phone enabled loyalty and gift card application that integrates with a full line of merchant POS devices. 

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**smart phone security from page 1**

never designed to accept payment data from consumers," said Paul Rasori, Senior Vice President of Marketing for VeriFone Inc. and Chairman of the Secure POS Vendor Alliance. "Given the fact that they are open systems, it's easy to get your hands on developer tools, easy to write applications. There's just a high possibility and a low barrier of entry for a criminal who wishes to take advantage of that open environment."

### Securing smartly

According to Rasori, the way to secure the smart phone payment ecosystem is through end-to-end (E2E) encryption. In the abstract, E2E refers to how data is encrypted at the moment a card is swiped at the POS and all the way through the "life" of the transaction.

But Rasori is specific in how E2E applies to smart phone payment security. "Really the only surefire way to secure data that's going to travel through a mobile phone is to encrypt it before it ever actually enters the phone," he said. That objective is accomplished by external hardware that plugs into, or slips onto, smart phones and performs the data encryption function before data reaches the phones.

The VeriFone solution is a card encryption sleeve called PAYware Mobile that slips over Apple iPhones. "As you're swiping the card, [data] is immediately encrypted before it enters the phone," Rasori said. "But once it is inside the phone, a valid application is able to just handle that card data in its encrypted format and send it off to the network where it gets decrypted."

Rasori pointed out the ways VeriFone's sleeve defeats hackers. Not only does encryption render the data useless to criminals, but the device itself is secure. If a fraudster steals the sleeve, it can't be used as a card skimmer because there is no way to turn off the sleeve's encryption action so that the fraudster can access unencrypted card data, Rasori said.

Additionally, the device meets tamper-resistant security module specifications that make it "difficult, if not practically impossible" to pry open the device to get to data, Rasori noted.

And even if a fraudster were to find a way in, they would discover precious little to steal. When a card is swiped, the device encrypts data "right on the fly inside of the actual mag stripe head itself," Rasori said. "So it never even leaves the physical magnetic stripe reader head assembly without being encrypted. It's pretty secure."

Merchant Warehouse Inc., an ISO and hardware vendor, offers a similar product called MerchantWARE Mobile, an application that is downloaded to smart phones and works with an encryption-based sleeve from MagTek Inc. called the iDynamo, which attaches to several different types of smart phones.

Markiyon Malko, PCI Program Manager for Merchant Warehouse, said the solution encrypts data at the read head, and since the mobile application doesn't have a way to decrypt it, the whole process is out of the scope of the Payment Card Industry (PCI) Data Security Standard (DSS).

"So it passes encrypted data to our gateway, which is where we decrypt it and process it," Malko said. "And then we respond back with an approve or decline, but no credit card numbers, so that way it stays out of scope."

### Square dancing

Rasori said the way *not* to secure payment card data on smart phones is exemplified by Square, the brainchild of Twitter co-founder Jack Dorsey. The Square device is a card accepting dongle that plugs into the audio jack of the iPhone. The problem with Square is that it has "absolutely no encryption whatsoever," Rasori said.

In March 2011, VeriFone Chief Executive Officer Douglas Bergeron published an open letter that asserted Square Inc. overlooked a "serious security flaw" in its device that puts consumer data at risk.

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## Visa on mobile payment security

The industry awaits the PCI SSC's directive on mobile payment security. Meanwhile, Visa Inc. has released a set of best practices for vendors and merchants.

### Vendors:

**Goal:** Design and implement secure mobile payment acceptance solutions

1. Provide payment acceptance applications and any associated updates in a secure manner with a known chain of trust
2. Develop mobile payment acceptance applications based on secure coding guidelines
3. Protect encryption keys that secure account data against disclosure and misuse in accordance with industry-accepted standards

**Goal:** Ensure the secure use of mobile payment acceptance solutions

1. Provide the ability to disable the mobile payment acceptance solution
2. Provide functionality to track use and key activities within the mobile payment acceptance solution

**Goal:** Limit exposure of account data that could be used to commit fraud

1. Provide the ability to encrypt all public transmission of account data
2. Ensure that account data electronically read from a payment card is protected against fraudulent use by unauthorized applications in a consumer mobile device

3. Provide the ability to truncate or tokenize the primary account number (PAN) after authorization to facilitate cardholder identification by the merchant
4. Protect stored PAN data and/or sensitive authentication data

### Merchants:

**Goal:** Ensure the secure use of mobile payment acceptance solutions

1. Only use mobile payment acceptance solutions as originally intended by an acquiring bank and solution provider

**Goal:** Limit the exposure of account data that may be used to commit fraud

1. Limit access to the mobile payment acceptance solution
2. Immediately report the loss or theft of a consumer mobile device and/or hardware accessory

**Goal:** Prevent software attacks on consumer mobile devices

1. Install software only from trusted sources
2. Protect the consumer mobile device from malware

To access the document, go to [www.corporate.visa.com/media-center/press-releases/press1121.jsp](http://www.corporate.visa.com/media-center/press-releases/press1121.jsp).

can write an application that will 'skim' – or steal – a consumer's financial and personal information right off the card utilizing an easily obtained Square card reader," Bergeron wrote. "How do we know? We did it. Tested on sample Square card readers with our own personal credit cards, we wrote an application in less than an hour that did exactly this."

In a reply posted on Square's website, Dorsey countered, "Our partner bank, JPMorgan Chase, continually reviews, verifies and stands behind every aspect of our service, including our Square card reader. And we are constantly improving the payment experience to enhance security." Dorsey also pointed out that federal law guarantees cardholders are protected against fraudulent charges made using stolen card data.

Gary Glover, Director of Security Assessment for SecurityMetrics Inc., sides with VeriFone on the issue. "If Square had decided to put a little encryption chip inside their device, instead of it just having it be a straight, clear-text read of the data off the card, then the data leaving the card swipe hardware would be encrypted with a strong, two-part public key," he said.

Without encryption, the device is subject to exploitation by criminals, according to Rasori. The unencrypted data can be easily intercepted by malware on the front-end, he said. Additionally, a fraudster can "write an application and just run around skimming peoples' cards," he said. "It could be selling t-shirts. Swipe your card and say, 'Oh, my Square's not working, can you pay me cash.' And they just captured your card."



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## CoverStory

Despite the controversy, the Square device is gaining popularity. Dorsey revealed in late May 2011 that 500,000 Square readers were in circulation, with Square processing \$3 million in mobile payments daily.

Rasori lamented Square's "reckless" practice of shipping the devices free to anyone who wants one, with minimal if no background checks performed. "We're at a critical juncture with consumers trusting this whole process," he said. "For the last 25 years consumers have had their cards swiped through a purpose-built device, which is by and large trusted by anyone out there. ... But what does Square do? They come along and, in their desire to be innovative, they're creating a situation where people maybe will not trust this."

### Pinning it down

Apparently, the media reports about mobile platform security haven't fallen on deaf ears, especially among consumers who are tech-savvy. In an Accenture survey of "early adopters" in 11 countries, 73 percent of respondents indicated that making payments using mobile phones raises privacy concerns while 70 percent believe mobile phone payments increase the risk of identity theft and fraud.

Even the PCI Security Standards Council (PCI SSC) has

taken a step back and given itself more time to sort out the issues related to mobile payment security. In 2010, the council placed a moratorium on certifying mobile payment applications until it could formulate a new set of guidelines specific to the platform.

"The PCI Council is working hard to develop security guidelines and requirements for this type of environment, which wasn't really designed for this," Glover said. "It's going to take some time to figure out the things that should be done to secure this area."

The PCI SSC administers three sets of guidelines: the overarching PCI DSS and its two complementary standards, the PIN Transaction Security DSS and the Payment Application (PA) DSS. Mobile payments present a particularly challenging technology to pin down because of the number of its moving – and to some degree undefined – parts.

"The question is, which is which on the phone?" Rasch stated in his blog. "The phone is the network, the phone is an operating system and there is a downloadable application – is that PCI DSS or PA DSS? Do I have to comply with PCI DSS for my iPhone, my Android device? And how do I do it? How do I lock it down? How do I secure the network it's on when I have no control over the network?"

According to Glover, it's going to take the PCI SSC time to fully address smart-phone security issues, with guidance from and collaboration with a variety of stakeholders. "It takes a while to get these things developed and vetted through industry experts and then get them all written down, so all the card brands can agree on it," he said.

### Shoring it up

In the absence of mobile-specific PCI standards, Glover suggested that using the current PCI DSS and its related standards as a basic reference guide could be a good course of action.

"There are a lot of things that are pretty generic across any kind of application development," Glover said. "You've got to have strong encryption, access control – and you should be logging. ... So render the data unusable is probably my best advice. Encrypt it at swipe, then wait for the council to come up with further data on how to write the requirements."

Bob Russo, General Manager of the PCI SSC, expects the council to deliver guidance about mobile payment security by the end of 2011. But perhaps the industry is feeling a need to accelerate the dialogue. Visa Inc. issued a best practices paper on the subject in late April 2011, a little over a month after VeriFone's March campaign against Square. Rasori believes Visa's release date was not coincidental. ■



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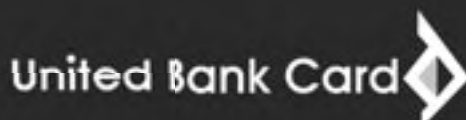
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## Education

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## Become the go-to expert on merchant services

By **Bill Pirtle**

MPCT Publishing Co.

**I**n recent articles for this column, I have presented views on many topics ranging from certification and registration to scams and education in the industry. One thing members of GS Online's MLS Forum discuss quite a bit is that profit margins suffer because many untrained (or poorly trained) reps just want to give out "free" terminals to get upfront bonuses – without regard for building profit into the account.

As a result of this margin compression, some merchant level salespeople (MLSs) wonder how they can make better profits.

My post to the forum for this article asked where profit was made outside of credit card processing: "With the margin compression the industry is facing from agents (or ISOs) dropping rates, how are you making money? Do you justify higher rates than others or use low credit card processing fees to sign merchants to the other products you offer?"

There are related products like gift cards, check processing, ATMs, leasing/rentals, phone cards, merchant cash advances and the like. Do you use these for higher merchant retention, or do you use them to earn your income while using low processing rates?"

### Offering more than processing

My focus was on products related to credit card processing, but I wanted to see the responses if I left the topic open.

"I earn the majority of my income in residuals," **KLINCKPHILIP** wrote. "I use some of those products you

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mentioned. I love placing ATMs in high-volume locations, but that doesn't happen very much. I also do a real estate deal here and there. It's a nice big pop, but by no means does it pay the bills every month."

In addition to selling credit card processing, **BANKCARDREP1** places ATMs where he owns and maintains them. To supplement his card and ATM processing income, he also opened a 6,000 square foot, used-furniture store on May 1, 2011. He is not the only rep to have outside interests. **NWBC** responded with the following: "POS sales and service ... oh, and pizza too."

**CLEARNT** believes opportunities for profit still exist if they are "packaged and presented differently." He elaborated, stating, "There is still a need for equipment, both new and used. There is still a need for leasing – if done ethically. Some companies [will] only lease their equipment.

"Gift and loyalty cards still play a role, although the role has moved away from gift and more toward loyalty. Check services still serve a purpose for merchants who accept (and potentially have much at risk) checks.

"The key, of course, is education on the opportunities. You can't just sell gift cards, for example, as you will miss

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out on an equipment opportunity or check opportunity. Just understand how each works. Have the offerings in your toolbox, and you will be ahead of the game. Don't discount one because you don't like it (think leasing). Know the product, and if a merchant wants it, make sure he understands it. But have it available."

**DHESSCO** offers text messaging via short message service (SMS). "The SMS program we have been selling is super cool," **DHESSCO** posted. "It is a great stand-alone product as well. Instead of competing rates, free equipment, etc., I can walk in and talk about growing a merchant's business. It's just like the gift cards used to be, but this is so versatile and such a cool concept for merchants. The residuals are the same or better for most of the accounts."

**KMUSANTE** offered this advice: "I think the additional revenue should stem from your market ... if you are pursuing a retail market, [then] become an expert in gift cards. If you pursue restaurants, then POS systems and merchant cash advance [are the targets]. For me, gateways and wireless terminals [are great products to offer]. You do not make significant revenue from either, but gateway income is recurring, and wireless terminals lead to residuals."

**STEVEN PEISNER** gave a tremendous reply that I will show snippets of, but I encourage forum members to review his complete comment from the topic found at [www.greensheet.com/forums/viewtopic.php?f=1&t=35429](http://www.greensheet.com/forums/viewtopic.php?f=1&t=35429). If you are not a forum member, register on *The Green Sheet* home page.

"The words that Ken Musante said could not be more true ... 'become an expert,'" **STEVEN PEISNER** stated. "At the end of the day ... don't count how much money you can make. Count how many relationships you can make, and the money will follow." He also said, half-jokingly, "What I am actually surprised about is that nobody just came out and said that they were 'Merchant Service Prostitutes.' Everything and anything goes for a price! Where and when should I be there!"

**BLUESTAR** said his favorite approach is to build customer loyalty. "When executed properly, getting the appointment is easy because merchants understand the value, and they aren't called 10 times a day about the product," he wrote. "Build the value properly in the product and the close takes care of itself."

In addition, **AGENT**, **BANKCARDREP1** and **BER** mentioned the following products and services being offered by some agents:

- Insurance (especially Section 125 cafeteria plans similar to those offered by the company using a duck in its branding)
- Telecommunications
- Security systems
- Office supplies
- Computer and printer supplies
- Energy efficiency
- Waste management
- Pest control
- Commercial janitorial service and supplies

### **Adding the right kind of value**

However, problems are associated with offering such diverse products, including lack of specialization, looking unprofessional to the merchant because it is impossible to represent all areas well and losing out on a great opportunity.

**STEVEN PEISNER**, **KMUSANTE** and **CLEARENT** summed it up very well. Become an expert in the credit card processing industry. You can study the different options available to make decent money by offering diverse products related to the industry. By asking the right questions, you can present a tailored, packaged solution for a given merchant's problems.

If allowed to do so by your ISO, establish relationships with multiple providers of related products. These may include check processing, gift and loyalty cards, terminals, gateways, and even shopping carts. By providing a complete solution, you not only increase your margins, but you also greatly increase customer retention because your customers are less susceptible to one-trick-pony processing agents.

Imagine receiving a phone call at your office. A salesman offers to save you money on your office supplies. You decline. He persists, saying, "Well I can save you money on your phone systems and security, too." What would your response be? Would you think, "Great, I can save

money in a lot of areas" or "This guy needs a job that doesn't include sales"?

I think most people would feel he needs a new job. Diversity only pays off when the products are related. When the items are completely different, you appear to be unprofessional, or worse, desperate to make a sale at any cost.

By lost opportunity, I mean, by offering a smattering of unrelated products and services, you could lose not only customers, but also referral partners. When I interviewed Tim R. Green about his book on referral marketing (see "Referrals: Do you play the numbers game?" *The Green Sheet*, Feb. 28, 2011, issue 11:02:02), he said you could double your income by finding solid referral partners and cultivating mutually beneficial referral partnerships. Focus on credit card processing and related products, and then find people you do not compete with who target the same market.

Now imagine walking into a merchant and while setting up his account, you discuss Payment Card Industry Data Security Standard requirements. You suggest a lockable file cabinet or safe to protect customer information and recommend a computer security company to the merchant. You have references for both partners on hand and offer personal introductions.

Now picture meeting your referral partners and telling them you have a personal introduction for them, or even a closed deal. In referral groups, it takes time to build trust for card processing or financial managers. Proving you can deliver helps a great deal.

The benefits of such connections are twofold. You become the credit card processing expert that your referral partners can rely on. Further, by being introduced as the expert, you will not have to lead on price savings, but rather on offering quality service and solutions.

Many MLSs believe business owners prefer the idea of cost savings over complete solutions and quality service. That is false. If it were true, there would be no Cadillac, BMW, Mercedes-Benz or Rolls Royce brands, and we'd all shop at the store with the lowest prices.

Just last week, I drove past Nordstrom's department store and saw that the lot was close to full. If you find merchants who want quality service and products, they will expect to pay for it.

Let other agents take turns shaving pennies off statements to get business. As an MLS armed with a complete tool box and who understands how to use it, you will be able to set your pricing to make a fair profit. And you will be able to offer complete solutions to your merchants through referral partners.

Again, the mantra is education. Educate yourself. Join a networking group (you can also begin one or just find a few good referral partners) and begin to cultivate relationships. If you want to learn about the tools, you have choices.

Talk to your ISO, ask questions on the MLS Forum or independently research options on your own by starting with the Advertiser Index in the back of this magazine.

Just as merchants want choices when it comes to pricing and quality of service, you, as a provider, have a choice to make. Do you want to scrape by giving low costs to get deals or do you want to become the local credit card processing expert and better control the deal?

My close of "what you do today determines your tomorrow" is important here. Choose to become the expert starting today, and your tomorrow will be greener. 🐟

*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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# How to use email marketing to boost leads

By Peggy Bekavac Olson

*Strategic Marketing*

**L**eads have been top of mind for me in recent months. Hopefully, you've seen this reflected in my previous articles and have already benefited from my ideas on lead generation, management and nurturing, as well as my pointers on direct mail marketing. Continuing in the same vein, the focus of this effort is email marketing.

Have you thought about email marketing but don't know where to begin? Do you worry that email marketing

***A form of direct marketing, email marketing takes digital promotional material and delivers it directly to prospective purchasers of your products and services via electronic mail. The objective is to get prospects to take specific actions in response to one or more calls to action contained in your email.***

might be too technically challenging and time intensive for your payment business to handle right now? Are you stuck in a rut, comfortable clinging to familiar lead generation tactics while wanting or needing more leads?

This primer should help you get up to speed on email marketing best practices and provide practical guidelines for getting started.

## **Email marketing as a multipurpose tool**

A form of direct marketing, email marketing takes digital promotional material and delivers it directly to prospective purchasers of your products and services via electronic mail. The objective is to get prospects to take specific actions in response to one or more calls to action contained in your email.

Email marketing is a relatively easy to use, low cost and effective method for communicating messages, promotions and pertinent information to target audiences. It can create awareness and interest in your company, products and services, as well as serve as a mechanism for generating leads. It can also enhance relationships with existing merchant customers by providing them timely information that benefits them. It can serve to up-sell and cross-sell merchants, too.

Email marketing is the electronic equivalent of direct mail marketing, so the two have much in common. However, there's one important difference and that is the issue of permission. Fundamentally, you must obtain an email address owner's permission before you send commercial email to that address.

If you don't have permission, recipients may regard your message as spam or unsolicited bulk commercial email, which can damage your own and your company's reputation or even lead to legal actions. In the long run, successful email marketing works best when it is permission-based.

Promotional email marketing generally features a specific product or service offering and some type of discount, special offer or incentive to entice prospects to take action. Calls to action can be as simple as asking email recipients to pick up the telephone, visit a website to obtain further information, schedule a sales call, see a demonstration or even apply for a merchant account.

Content email marketing typically employs a newsletter-type format. The goal is to share valuable information, insights and advice about issues and information your customers and prospects care about.

The content you provide should not be about your business and offerings; it should focus on pertinent business-related information that will help recipients solve business problems or build credibility and authority. You want prospects and customers to look forward to receiving your content. That way, when they're ready to buy, they will turn to you first.

As a marketing tactic, email marketing can be your company's sole lead generation activity or it can be combined with other efforts like cold-calling, telemarketing, advertising, events, social media and more.

Remember, the purpose of email marketing and these other marketing tactics is to fill your sales funnel or pipeline with ample leads.

## **Eight steps to success**

So what does it take to make an email campaign successful? If you want to do it right and ensure the best results possible, make sure that you:

1. **Target the right audience:** Your email audience is the single most important aspect of the email marketing campaign. It's all about the list; it will make or break your campaign. Target prospects based on the characteristics of your best and most profitable customers. Access specific email lists through associations, clubs, organizations and businesses, as well as your customer database. Beyond selecting the right audience, be sure to obtain permission to send them commercial email.
2. **Choose a respected email marketing service:** There are a plethora of email marketing services. Select one that offers the right features, functionality and pricing. Top vendors like Constant Contact Inc., ExactTarget, iContact Corp. and Vertical Response Inc. make it easy to build and manage your email list. They also provide access to ready-made email template designs and image libraries and deliver email on your behalf while tracking campaign results.
3. **Create an attractive email template:** The creative design of your email should fit your audience and your offer. Select a template design created by your email marketing service, or custom develop one of your own. For visual emphasis use plenty of pictures, charts and graphs. The result should be a colorful, attractive, professional email design that reflects your corporate brand image and identity.
4. **Choose your words wisely:** Write directly to your email recipients, and don't get carried away with text. Your message should clearly convey the information and tips you are providing. Sell benefits, not features. Make sure your intended recipients understand what you have to offer and why they should act. Don't forget to include your company's phone number and links to appropriate pages on your website so recipients can obtain additional information.
5. **Develop an enticing offer:** Don't forget the call to action. Try to make an offer recipients won't want to refuse. Entice responses by offering valuable content such as a payment processing tips sheet or information on how to increase sales. You might want to offer a free gift, a discount or even a rebate on processing fees for becoming a customer.
6. **Craft a compelling subject line:** Recipients aren't looking for a reason to click your email; they're looking for a reason to delete it. To capture interest in a cluttered inbox, your subject line must be clear and concise to grab attention and express value. You have just seconds to garner enough interest to produce an opening click. Relevance and brevity are paramount.
7. **Test and analyze your results:** Learn from your email campaigns. Your email marketing service provider should track important metrics like

bounces, opens, clicks, forwards, opt-outs and more. This data can help you make adjustments and improvements for future email campaigns, as well as identify recipients that may be ready for sales outreach now.

8. **Repeat and follow up:** Be persistent. Remember, the marketing rule of thumb is that it frequently takes up to seven "touches" involving a buyer and seller to make the sale. If you're not engaging your list in some way, via email or a combination of other marketing tactics, chances are these contacts are going to find someone else to do business with.

Now that you've learned the basics of email marketing, why not give it a try? When you put email marketing to work for your payment business, the inquiries and leads it generates can help sustain and grow your business for a long time to come. 📧

*Peggy Bekavac Olson founded Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payment companies, after serving as Vice President of Marketing and Communications for TSYS. She can be reached at 480-706-0816 or [peggyolson@smktg.com](mailto:peggyolson@smktg.com). Information about Strategic Marketing can be found at [www.smktg.com](http://www.smktg.com).*

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# Oh, what the right mentor could do for you

By Vicki M. Daughdrill

Small Business Resources LLC

**G**rowing a business can be a daunting and harrowing experience – one that requires courage, stamina, resourcefulness and mental toughness. Many new business owners have the requisite qualities, but they are so eager to launch their new ventures they overlook the importance of selecting a support network of advisers – including accountants, lawyers, consultants and marketing experts – to help navigate the waters of today's competitive business environment.

One of the best ways to ensure your business will thrive is to work with a good mentor. The right mentor brings industry expertise, a network of colleagues and resources to assist in overcoming pitfalls and achieving personal

**According to Wikipedia, a mentor is "a trusted friend, counselor or teacher, usually a more experienced person." The term "mentor" derives from a famous teacher of that name in Greek mythology.**

goals, as well as knowledge and experience on how to handle particular situations. The right mentor can save you time, money, frustration and embarrassment.

What exactly is a mentor? According to Wikipedia, a mentor is "a trusted friend, counselor or teacher, usually a more experienced person." The term "mentor" derives from a famous teacher of that name in Greek mythology. Mentoring relationships have flourished in the United States since the early 1970s. The student of a mentor is called a protégé.

Mentoring involves a personal relationship in which a seasoned professional helps develop a less experienced person. The objective is for the accomplished person to convey to the up-and-comer the knowledge and support needed for professional growth and development. The relationship is confidential, and the parties work closely together, usually face-to-face, over an extended period.

## Characteristics of a strong mentor

Selecting the right mentor for you is a process that deserves your full attention. Make sure you choose a person you feel comfortable with and who has exhibited expertise in his or her field.

What are the characteristics of a good mentor? A mentor exhibits:

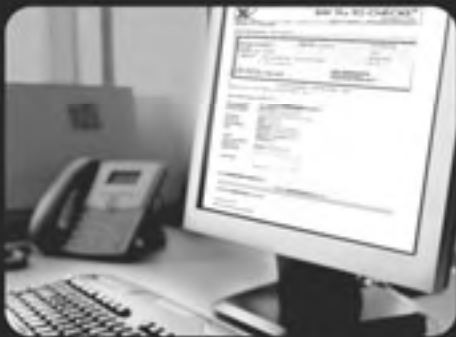
- **Knowledge:** The mentor you select should be more knowledgeable and experienced than you are, regardless of age, in order to share a broad base of expertise.
- **Quality:** Your mentor should be a person you respect and admire and who demonstrates the ethics and integrity you want to emulate in your life.
- **Comparable goals:** Seek a mentor who has successfully set and met goals similar to yours. This can help you set and achieve your own goals, identify pitfalls and overcome roadblocks.
- **Accessibility:** Your mentor should be accessible to you on a regular basis. It will serve no purpose to have a mentor you cannot reach or meet with when necessary.
- **Flexibility:** You need a mentor who is flexible and can adapt to the way you want your career to progress and adjust to the inevitable changes that will come along.
- **Compassion:** Select a mentor who cares about you personally and professionally, who can help pick you up when you fall and who celebrates with you when you reach important milestones.
- **Optimism:** Choose a mentor who looks at life with a positive attitude. Your mentor's attitude can help you remain positive even when things are not going exactly as planned and you have to adjust your goals or direction. As Henry Ford so aptly put it, "Whether you believe you can do a thing or not, you are right."
- **Focus:** A good mentor can focus on you and what you aspire to achieve, as well as help you focus on what's most important. A mentor can help you prioritize your time, efforts, and resources and guide you in staying on the path to success.
- **Vision:** The mentor you select must believe in your potential and be able to visualize your success. If someone has doubts about your prospects, he or she may be unwilling to devote the time and energy necessary to help you achieve your mission. Without a total commitment, the mentor and protégé relationship will not result in a win-win situation.
- **Candor:** A mentor-protégé relationship works best





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when there is openness, honesty and forthrightness on both sides. If you are not able to share experiences with your mentor that you may be unwilling to share with other colleagues, your mentor cannot help you overcome obstacles.

### Tips for mentor selection

Creating a relationship with someone you trust to help you meet your goals can be a challenge. Here are some tips on how you can locate and develop a mentor.

- Make a list of your goals and the outcomes you desire from a mentoring relationship.
- Brainstorm a list of prospective mentors, and conduct research about each prospect. This list can include your boss, your boss's boss, another business person, or someone you admire or respect from within or outside your industry.
- Identify the top prospects you think align with your goals and needs, contact them in writing requesting a meeting and make a follow-up call to set up an appointment.
- If possible, set the meeting in a casual setting away from the office in a location such as a restaurant (you pick up the tab, of course).

- Prepare a list of questions to guide the interview, including some questions about a specific situation you are facing.
- Discuss your prospect's history, goals and current situation. State your goals, ask specific questions and seek advice on a situation you identify.
- If you are comfortable with this first meeting, consider asking your prospective mentor to set up further meetings to continue your discussions.
- Send a thank-you letter or note following the meeting.
- Follow up on the suggestions you receive in the initial meeting, and evaluate the results.
- If you are satisfied with both the suggestions and results, call your prospective mentor to discuss the results of the actions you've taken, and request a second appointment.
- Suggest that you establish a mentoring relationship, and spell out your goals, expectations and commitment desired. Clarify this commitment in writing, understanding that the relationship will continue as long as it is beneficial for both parties.

Remember, neither the mentor nor the protégé is locked in to a long-term arrangement. The times, terms, areas of communication, etc., can and will change over time as the needs of both parties change.

### Mentoring versus coaching

Is there a difference between a mentor and a coach? Yes!

In my last article, "Coach your way to a stronger organization," *The Green Sheet*, April 11, 2011, issue 11:04:01, I identified coaching as "a method of personal development or human resource development ... an excellent way to attain a certain work behavior that will improve leadership, employee accountability, teamwork, sales communication, goal setting, strategic planning and more."

A coach has an established agenda directed at reinforcing or changing specific skills, behaviors or performance; mentoring focuses on developing the person by providing support for the individual's growth and maturity as well as personal career development.

Ralph Waldo Emerson said, "My chief want in life is someone who shall make me do what I can." Will a mentor help you do what you can? Yes, and hopefully these tips will help you establish a successful, satisfying long-term relationship with a mentor who can help you be the best you can possibly be. ☐

*Vicki M. Daughdrill is the Managing Member of Small Business Resources LLC, a management consulting company. Email her at vickid@netdoor.com or call her at 601-310-3594.*

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## Acquiring merchants - at what cost?

By Jeffrey Shavitz

Charge Card Systems Inc.

**W**hat does it cost to acquire merchant accounts? It's a simple, yet powerful question. I'm amazed at how many merchant level salespeople (MLSs) have no idea how to answer it. Is the cost of acquisition \$25, \$100, \$1,000 per merchant? It's crucial for MLSs to answer this question, as it determines the financial feasibility of their businesses, prospecting plans, sales and marketing agendas, and their ability to hire subagents and maintain compensation programs with ISOs.

### Ask the right questions

How much can MLSs afford to spend on customer acquisition given budget constraints? Have they run profit and loss statements on a monthly and yearly basis to understand these economics?

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Given the economic downturn of recent years, many MLSs have lost residual streams. Although good business pairings require relationships that are mutually beneficial for both parties, views on what is beneficial need to evolve as circumstances change. MLSs always want the best splits, but it may be virtually impossible for ISOs to pay out 90/10 splits, include free terminals and upfront bonus money, and not have economic hardship.

When payment professionals learn how much it costs to acquire merchant accounts they realize when they are not adding incremental value for their companies because it takes too many months to break even on a deal, regardless of equity value. I would even argue that on small deals at interchange-plus pricing, MLSs may never break even.

### Determine the LTV

MLSs need to know what they can afford to spend to acquire new customers. The answer lies in understanding each customer's lifetime value (LTV). The LTV can be expressed in an equation:

$$\text{LTV} = \text{frequency of purchase} \times \text{duration of loyalty} \times \text{gross profit.}$$

Frequency in our industry equates to each merchant's monthly processing volume. Do MLSs focus on mom-and-pop local retailers with volumes under \$10,000 per month or larger accounts in vertical markets that average over \$50,000 per month?

Duration of loyalty refers to how long customers stay with processors. Unfortunately, attrition is increasing. Knowing this number is critical in determining LTV. Some MLSs are adding 15 new accounts per month while losing the same number; other MLSs have implemented plans to limit merchant attrition.

Finally, what are an MLS's gross profits or residuals on given merchants? We, as for-profit companies, deserve and need to make money to provide our services. We do that by using our time properly and making sure we are compensated for our efforts.

Once MLSs know how much it costs to acquire an account by calculating the LTV, they will not only determine what can be spent on sales and marketing, but also what other ways businesses can operate in a financially sound manner. ■

*Jeffrey Shavitz is one of the founders of Charge Card Systems Inc. He is also an active member of The Green Sheet Advisory Board and the First Data ISO Advisory Board. He can be reached at [jshavitz@chargecardsystems.com](mailto:jshavitz@chargecardsystems.com) or 800-878-4100. For additional information on CCS, please visit [www.chargecardsystems.com/gsadvisoryboard](http://www.chargecardsystems.com/gsadvisoryboard) or the company's corporate website at [www.chargecardsystems.com](http://www.chargecardsystems.com).*



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the Inc. Magazine's 2010 list of fastest growing  
privately held companies in the United States.



## Education (continued)

# A view from abroad

By Donna Sesto Neary

*Payvision*

**A**s ISOs and merchant level salespeople (MLSs), do you ever wonder what your European counterparts are like? Do you know whether ISOs and MLSs across the pond conduct business the way you do?

Are they even referred to as ISOs and MLSs? This article will explore those questions, and more, as well as take a look at the card-not-present (CNP) acquirer landscape in Europe.

To begin with, the term "ISO" is not widely used in Europe. Rather, the term "payment service provider" or "PSP" is common. Throughout Europe, PSPs work closely with and under the direction of financial institutions and banks.

They do not have the independence of American ISOs, so calling them independent sales organizations is not appropriate. The terms "MLS" and "agent" aren't used at all because all sales professionals working for PSPs are salaried employees.

### Fiercely competitive environments

Also, PSPs are generally in the small to midsize range and have fewer than 100 employees. However, larger PSPs tend to resemble their American Super ISO counterparts and are comparable in size and infrastructure. In addition, there are far more small ISOs in the United States than there are small PSPs in Europe.

PSPs have been doing business in Europe for about 20 years. And, just like in America, new ones are cropping up every year. That means competition is fierce and growing as merchant acquiring becomes more accessible.

Like their American counterparts, PSPs can be aggressive, but new regulations in Europe are making market entrance more challenging. So, as the European market grows, so does the desire to get into merchant acquiring, but the barrier to entry is becoming harder to overcome.

### Structures shaped by environment

It is much easier to enter the U.S. market as a player than it is in Europe. Many factors in Europe are involved: 25 different European countries, myriad alternative payment options and a history of core acquirers and bank processors.

You might be surprised that the basic difference between American ISOs and European PSPs can be summed up in one word: liability. The majority of PSPs do not carry any liability on any acquiring deal. The banks carry all the liability. Again, PSPs are facilitated through their sponsor banks.

While some PSPs possess their own bank identification number, do their own underwriting and work off their own processing platforms, many PSPs are owned, in part, by a bank or financial institution.

Pricing structures for PSPs may be similar to ISOs, but they do not have as many options as their American colleagues. U.S. ISOs enjoy tiered pricing, bill-back, cost plus, per item fees – basically, more flexibility.

That translates into more advantageous portfolio management for ISOs. The majority of PSP offers are limited to bundled pricing, which restricts offerings. But in recent years there has been an increase in business maturity throughout Europe. The international marketplace is starting to see PSPs adopting a structure similar to that of U.S. ISOs.

One concept unique to the European market is inter- and intra-regional interchange. European merchants can qualify for either one. Intra-regional encompasses all of Europe, whereas inter-regional denotes areas outside Europe. In contrast, the U.S. marketplace uses one interchange with multiple categories, not inter- and intra-regional versions.

Another surprising difference between ISOs and PSPs is in the CNP arena. The global CNP market is different than in the United States in that PSPs each service one lead merchant with sub-merchants under it.

These are called Internet Payment Service Providers and facilitate one master merchant account that is basically structured to support sub-CNP merchants – resembling a vertical archetype. Needless to say, this is not a common practice in the United States. Again, global platforms are being developed that focus on this unique type of CNP merchant.

### An increasingly global industry

In recent years, global processors have introduced new platforms to support international merchants. These platforms help ISOs and PSPs both in the United States and Europe to assist global merchants that do business in multiple regions.

Because of these innovative global solution providers, ISOs and PSPs can enjoy one structure, similar pricing strategies, products, reporting and reconciliation – all standard services that U.S. ISOs offer.

Most European PSPs are focused in the country where they are located. Not every PSP is licensed for cross-border transactions. Yet some are starting to focus on the American market.

This translates into a new opportunity for U.S. ISOs: partnering with European PSPs. Savvy U.S. acquirers are putting together cross-border deals and aligning themselves with several European banks. PSPs want to partner with their American counterparts.

They see it as a necessary step to fulfill their merchants' desire to expand their customer base to include American consumers.

European PSPs are viewing U.S. ISOs very closely – using them as a learning tool, extracting what works and making it their own. The U.S. market tends to be more myopic. Assessing markets from a global business perspective, Europe is looking at America, and America is not looking back.

The U.S. perspective of international processing is often limited to off-shore acquiring for high-risk merchant accounts. Having this perspective significantly hinders opportunity and enhances attrition of America's CNP merchant base. U.S. ISOs need to expand their awareness, and fast.

Conversely, the biggest similarity between these global arenas is disclosure. European PSPs take full disclosure seriously. European legislators have initiated the Payment Service Directive, which is a comprehensive set of rules, regulation and guidelines that every PSP must follow.

It is interesting to note that in the U.S., government involvement in payment processing is minimal compared to the European market, which is heavily regulated by government agencies.

### Further consolidation coming

So, where are European PSPs heading? Industry experts predict you will see fewer PSPs because of the increased number of mergers and acquisitions sweeping across Europe.

Another change will be the crossover from credit card to debit card in Europe and the predicted monopolization by Visa Inc. and MasterCard Worldwide of the market.

Because of these challenges, PSPs will move toward consolidation of local payment types. Unlike the United States, where one currency is used, each individual country throughout Europe employs local payment types. PSPs have to be conscious of this and will need to become more cross-border friendly. ■

*Donna Sesto Neary is Director of Business Development at Payvision. She can be reached at d.neary@payvision.com.*



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# ADVISORY BOARD

## Views on regulation and registration - Part 2

**L**obbying efforts on behalf of determined, well-funded merchant advocacy groups have brought the payments industry under government scrutiny like never before. The time is right for the industry, as a whole, to step up efforts to police itself. With that in mind, we asked members of our advisory board the following:

1. Are reputational problems within our industry primarily due to the actions of rogue agents, or are they more systemic in nature? In either case, who or what needs to change for the better?
2. What type of oversight do you think would be appropriate, and who should do it?
3. Who needs to be certified and/or registered? Why?
4. Are there programs currently in place that may help with self-policing efforts?

Many thanks to the busy industry leaders who took time to address these questions. The first set of responses was published in *The Green Sheet*, May 23, 2011, issue 11:05:02. The final portion follows:

### Mark Dunn

*Field Guide Enterprises LLC*

.....  
All sales, like all politics, are local. Individual salespeople have the ability to create negative or positive sales experiences. We have a problem with certain individual salespeople not following best practices. Until we address this with clear sales practices that all players adhere to, these individuals will fly under the radar and do significant damage to our industry.

But the issues go much deeper than the actions of individual sales reps. There are very complex issues here, many of them structural and difficult to assess, let alone resolve. It is impossible to provide a quick fix.

One question is the fairness of interchange relative to the risk the bankcard brands and banks take on. Fair dealing is usually a product of the flow of accurate and complete information, perceived good faith on the part of the seller, and delivery of the full value to the buyer at the agreed price.

Often it is difficult for merchants to know if they are getting accurate, complete information about the merchant service they are considering.

Many problems exist because of the complexity of interchange and pricing programs. Other issues are created because merchants don't make decisions based on good information but rather on perception or while under pressure, then feel taken advantage of after they get a more complete picture.

And, of course, competing service providers are more than willing to tell a merchant what a lousy deal he got from the last guy.

It's in the best interests of all members of our industry to come to agreement on how to address the issue of fair dealing within a complex service and pricing environment. Otherwise, other agencies (the merchant community influencing the government) will step in to try to fix it. I believe none of us wants that or believes that will work.

Certification, registration, accreditation – by any name – will not work without a comprehensive framework of fair dealing, sales best practices, assisting merchants to make informed decisions and required industry self-regulation.

The bankcard companies and nonbank financial institutions have to actively lead the effort along with the ISOs and industry trade associations. All parties must be involved to implement this framework. The trade associations are voluntary groups and can't be effective alone. Don't like the accreditation program?

See the program as too expensive for your ISO? You, as an ISO, can opt out. Where are the teeth in that?

But if you and your sponsor bank agree to a program of fair dealing and sales best practices that is part of your ISO sponsorship agreement, it will get implemented. If the bankcard companies want to continue interchange without government interference, they should work with ISOs and other industry players to create the comprehensive framework just mentioned.

Without leadership by all driving players in the industry, self-regulation will be optional and largely ineffective.

### Alan Kleinman

*Meritus Payment Solutions*

.....  
1. Reputational problems within our industry seem to be perpetuated by rogue partners. My industry peers and I conduct business with integrity and are genu-



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## Feature



inely dedicated to providing merchants with appropriate solutions. The onus to change negative undertones in the industry is on everyone involved. ISOs and processors need to fully qualify their sales partners, and upright sales partners should understand the long-term implications of their actions.

Meritus has a rigorous referral process and clearly defined agreement that ensures we know every sales partner representing our brand. It's not easy, but it doesn't have to be an arduous process either. In the end, the investment in time and procedure is worth it. I feel that our sales force is unified in their representation of the Meritus brand.

2. ISOs and processors have an obligation to know their salespeople. After the initial evaluation and agreement, sales partners should be part of a program of consistent monitoring and consultation. In no way is this meant to hinder the sales process or present roadblocks.

Monthly or quarterly reviews with senior management can identify ways to enhance sales strategies and define future goals. Sales partners are trusted to represent the brand and integrity of an ISO or processor, and they should feel that they have the support of a full office. By

tracking sales partner progress, the ISO also discovers misleading sales tactics that may harm the larger brand. The answer is constant communication between the ISO/processor and their chosen sales partners.

3. All sales partners should be registered with the card brands. Certification is an interesting prospect. Understandably, payment processing is a unique industry with many moving parts and many distinct areas of expertise.

Certification may be the answer for boosting the industry's reputation, but it may not make sense for all of our referral partners.

Any full-time, dedicated sales partner should pursue certification, perhaps, with the financial and educational support of an ISO.

The ETA's certification program is robust in its test topics, and it would be beneficial for an ISO to have a program in place that guides sales partners toward ETA certification. An educated, consultative and certified sales partner is a worthwhile investment.

4. There are no programs in place to help with self-policing efforts. We created our own criteria, reporting and

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systems to ensure that our sales partners are operating in a professional and ethical manner. In addition, we are audited by third parties to review our controls.

### Allen P. Kopelman

*Nationwide Payment Systems Inc.*

1. The ISOs need to do a better job of watching over what agents, ISOs and sub-ISOs do, but they do not; they let things go on and they do not stop anything, nor do they have anything in place to monitor things.

2. This will never happen unless the card brands put something in place and force the Super ISOs, ISOs, etc. to police themselves and police the marketing efforts and so forth.

3. The ETA is moving in the right direction with the Certified Payments Professional (CPP) certification. ... I looked at the sample questions, and half the people I know who are out selling probably could not answer half the questions.

This in itself could have a good effect on the business if the ETA markets it and it is recognized by some organi-

zations like the NRA – National Restaurant Association, or Retail Association, chambers etc. Then merchants will be educated and ask if you are a certified CPP when you walk in the door.

4. There is nothing in place now that helps ... unless you check companies out on BBB, Ripoff Report, the Internet, etc.

### Justin Milmeister

*Elite Merchant Solutions*

1. I believe the problems in our industry with respect to reputational problems are a product of rogue agents, unethical companies and lack of training.

As in any industry like ours, driven by massive amounts of 1099 sales reps where control is limited, you are undoubtedly going to find many sales reps that are unethical, which hurts the merchants financially along with the ISOs' and sponsoring banks' reputations.

When you consider how our industry operates it is no surprise we face so many black eyes. A person calls on an ad they saw somewhere, whether from online or print, and, *voilà*: a background check and some paperwork and they are good to go and start selling credit card processing services under your company name.

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The two parties likely have not met, and in many cases will never meet, but this person is representing your company and in a sense the bankcard industry as a whole.

Now, it is time to consider another scenario, which is like pouring gasoline on a fire. That is when the ISO trains their sales force how to cheat merchants and arms their reps with a bunch of magic tricks to get merchants to sign on the dotted line.

I can't tell you how many times I have seen proposals from other companies that are so ridiculous it is almost laughable. The sad thing is the merchants buy into it more often than not, and the honest sales rep competing for the business loses the deal.

However, over the last few years merchants have become much more astute and educated about payment processing, which makes these tactics a bit less viable. This brings me to the next problem plaguing our industry: lack of training for new agents.

Many agents want to do the right thing, but when they are selling to the merchant they don't know exactly what they are selling and thus unintentionally mislead the merchant.

The merchant gets their first statement and calls their agent and screams at them because they said they would save them 20 percent off their fees but actually cost them 30 percent more in fees.

This is perhaps due to the fact the agent didn't understand that not all cards qualify at the "qualified rate," which the agent told them it would. Or there is an interchange per-item fee on top of the \$0.05 transaction fee on the schedule A.

I am sure on many occasions this misrepresentation (sometimes unknowingly) by the agent has ruined long-term friendships and put rifts between family members, as many new agents normally turn to these relationships when getting started in the business.

What needs to happen is for the industry to start regulating itself to ensure that ISOs and agents are, in fact, representing themselves in an ethical manner. I believe an independent board should be created that monitors complaints against sales reps and their associated ISOs.

If a certain percentage of complaints with respect to the size of the overall portfolio is reached, then an investigation would be launched into the company's business practices. This would be similar the way Visa and MasterCard monitor merchants and their chargeback ratios.

2. I believe the industry would be far better off if a certification were required to sell merchant services. It would avoid just anyone armed with merchant agreements and a pen going out and misleading merchants, whether intentionally or unintentionally.

A certification would have educational and ethics components, along with a comprehensive test.

3. Anyone selling credit card processing should be certified to do so. Certification will validate those who are dedicated industry professionals and expose those who are not.

How strange it is that an industry with so much sensitive information, such as checking account information and Social Security numbers, does not require any type of certification or registration at the agent level.

4. Yes, the ETA is scheduled to launch the CPP program later this year. Although this is not mandatory at this time, I think it is a big step in the right direction toward mandating a process whereby anyone selling credit card processing needs to be validated.

### David H. Press

*Integrity Bankcard Consultants Inc.*

1. Although there may be rogue agents, they are few and far between, and the industry as a whole does a good job of exposing them and driving them out of the market.

Regarding reputational issues, ISOs must do a great job in effectively communicating with their merchants and continuing to provide merchant education. The more merchants know the better. If merchants perceive they've been wronged they will tell everyone they know.

2. I'm always afraid when the federal government tries to step in and "help" any industry. Unfortunately, they don't understand the inner workings of this business, and their intervention may hinder the collective good. Acquirers need to step up their enforcement and review processes to learn what their ISOs are doing.

3. I don't think this new ETA certification process is going to do anything but be a nice money making idea at \$300+ an exam.

It surely won't have the impact as some of the other certifications out there and, in the end, will serve no greater purpose. The card companies already have registration and reporting policies in place. Another designation is not going to help.

4. The marketplace is the best program there is. Many rogue agents are not around for long, as the public and the industry find out about them and drive them out. ■



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# NewProduct

## A payment gateway plug-in for QuickBooks

### Product: SyncPay

Company: Network Merchants Inc.

**L**ack of connectivity between payment gateways and Intuit Inc.'s QuickBooks accounting software often means more work for merchants and greater potential for errors. To resolve these issues, e-commerce payment gateway developer Network Merchants Inc. built SyncPay, a payment gateway plug-in that enables merchants to pay invoices, generate sales receipts, process batch transactions and view batch reports without leaving QuickBooks.

"It was all done in-house," said Nicholas Cucci, NMI Director of Marketing. "The merchants and ISOs were requesting a QuickBooks plug-in for the payment gateway. It streamlines the process, so they are able to sync up everything to process transactions, and everything goes

### Features of Syncpay include:

- Processes payments via gateway from QuickBooks
- Delivers PCI compliance through Customer Vault
- Supports end-to-end encryption
- Offers reseller affiliate agent program
- Provides white-label opportunities for agents

right to the gateway. ...We were trying to go for the same look and feel, so it's consistent and you never feel like you're leaving QuickBooks."

### Synchronizes payments with accounting system

Cucci said that without SyncPay, merchants running transactions through a gateway or virtual terminal have to manually verify that invoices have been paid; in contrast, SyncPay automatically creates a payment record linked to invoices paid, and it marks invoices as paid within QuickBooks. Nick Starai, Director of Product Development at NMI, added, "SyncPay eliminates double entry by combining the payment and accounting processes into one step."



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According to Cucci, many merchants, both large and small, run their businesses strictly from within QuickBooks. "With SyncPay you're definitely able to do that," he said. "You can actually apply to three different payment methods: you can apply to a specific invoice, you can apply to a customer's open invoice and you can also create a new sales receipt per transaction." When a merchant creates a new sales receipt within SyncPay, the program generates a new sales record.

### Customer Vault enhances PCI compliance


Merchants can also add or update an NMI Customer Vault record, which records the identification number from each transaction along with the corresponding field inside QuickBooks. Cucci said that when running subsequent transactions, a new box opens that reads, "You have previously billed this client with a credit card or ACH. Check this box to use the information on file to bill this client." He added that once you make a payment to a certain client, "there will be a window that pops up; it's got token ID."

Using the Customer Vault, merchants can transmit payment information for remote storage in the company's Level 1 PCI-certified data facility. Once a customer record has been securely transmitted to the Customer Vault, the merchant can initiate transactions remotely

without having to access credit card or electronic check information directly.

"Merchants can use our standard services in conjunction with the Customer Vault to process transactions without transmitting any payment information through their web application," Starai said. "This eliminates the burden of dealing with PCI compliancy."

The SyncPay plug-in reportedly supports end-to-end encryption for transactions swiped at a secure, integrated card reader capable of encrypting transaction data. "You can also key in transactions, or we have an approved encrypted swipe that you can use to get card-present rates," Cucci said.

SyncPay integrates with three of Intuit's most popular professional accounting software modules: QuickBooks Pro, QuickBooks Premier and QuickBooks Enterprise. NMI charges an ongoing monthly fee for the service, and the program is available to merchant level salespeople for resale and white-labeling. 

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# Inspiration

## WaterCoolerWisdom:

**The chains of habit are generally too small to be felt until they are too strong to be broken.**

- Samuel Johnson



## Retrain your brain

**D**id you know it's not always our fault when we make bad decisions? As humans we're flooded with biochemical reactions to many situations that require us to respond, and sometimes, because of these automatic reactions, we draw the wrong conclusions. Being aware of this can help us better manage situations and people – and perhaps help us lead more fulfilling lives.

For example, when the amygdala region of the brain, which triggers the flight-or-fight response, is stimulated for a prolonged period, excessive levels of stress hormones are released.

And in today's hectic world, many of us are chronically overstressed. This can impair our judgment in ordinary situations, such as when we are driving or dealing with merchants who have POS issues to resolve. Fortunately, stress releasers like exercise, social outings and meditation can ease an unsettled nervous system.

## Awaken your intelligence

According to *Psychology Today* magazine, preprogrammed thinking patterns also affect the decisions we make. Here are examples of restrictive mental habits and effective

strategies for overcoming them, which the magazine provided in its PsyBlog.

**Inferences:** These are conclusions we draw based on assumptions we believe to be valid. However, we all have natural biases that can lead to incorrect reasoning. Like good detectives, we need to gather all the facts and then reflect before drawing conclusions. In dealing with merchants, this strategy can help us see the bigger picture.

**Polarization:** According to researchers, humans are predisposed to viewing the world in terms of black or white, left or right. It's difficult for most of us to accept gray areas that require compromise. In sales, when we are faced with merchant objections it's best to choose words carefully to steer conversations toward a middle ground where both parties can communicate effectively and find mutually beneficial solutions.

**Stereotypes:** Placing labels on people or situations without seeking to learn about them and determine their real nature and merits can have irreversible negative consequences. Always keep an open mind to avoid sabotaging the next great opportunity that presents itself.

**Belief in the printed word:** Unfortunately, our brains are programmed to believe the catchy headlines we read – until our critical thinking kicks in and brings clarity. It is crucial to question the accuracy and intent of all that we read. This is particularly helpful when evaluating the merits of materials we may use to keep our merchants informed.

So, if we reduce the stress in our lives and apply the strategies listed to supplant flawed thinking patterns, we can make better decisions, which will ultimately improve the quality of our professional and business lives.

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

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- ◆ \$5000 Signing Bonus!
- ◆ Bonuses Paid Same Day!
- ◆ Same Day Approvals!
- ◆ 97% Approval Rating!
- ◆ Next Day Funding Available for Merchants!
- ◆ Free Terminal Program!
- ◆ Direct Leasing!
- ◆ Interchange Splits!
- ◆ Residual Buyout!
- ◆ Growth Capital!
- ◆ 100% Commission on Equipment Sales!
- ◆ Free Statement Analysis!
- ◆ Online Tools to Track Your Merchants, Bonuses and Residuals!
- ◆ Free Marketing and Training Materials, Including Business Cards!
- ◆ Multiple Platforms!
- ◆ Excellent Support Team!



Call Today and Let Us Customize  
A Program To Fit Your Needs:

- ▶ 1-877-513-1339
- ▶ [info@csiprocessing.com](mailto:info@csiprocessing.com)



**CardPayment**  
SOLUTIONS

A Registered ISO/MSP of Wells Fargo Bank



# Best Bonus Program!

- ◆ \$500 Per Account!
- ◆ Free Terminal!
- ◆ NO Chargebacks!
- ◆ Bonuses Paid Daily!
- ◆ \$5,000 Signing Bonus!
- ◆ Up To \$10,000 Monthly Bonus!
- ◆ Revenue Shares Up To 100%!
- ◆ 97% Approval Rating!
- ◆ Free Marketing Material!
- ◆ Excellent Support Team!

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

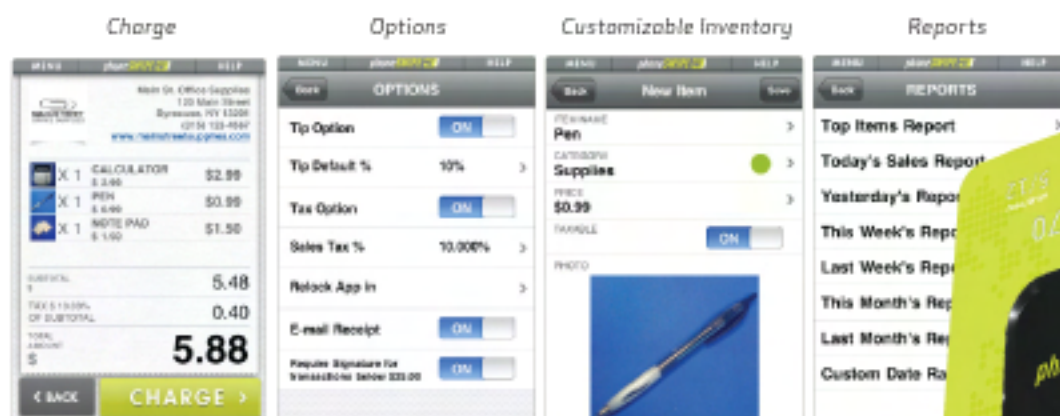
Your merchants demand up-to-the-minute credit card processing solutions, and that's exactly what North American Bancard is delivering. NAB's Phone Swipe will help you significantly:

**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**  
[phoneswipeagents.com/gs](http://phoneswipeagents.com/gs)





# 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**