The Green Sheet

DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS
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Education

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November 28, 2011 • Issue 11:11:02

Advice for prepaid pros

The electronic payments industry can trace its origins back to credit cards issued in the mid 1940s. By comparison, the prepaid card industry, founded in the late 1990s, is barely in its teens. If it takes about 20 years for industries to mature, as claimed by Donna Embry, Senior Vice President at Payment Alliance International, prepaid will achieve adulthood sometime before 2020.

Robert O. Carr, Chief Executive Officer of Heartland Payments Systems Inc., puts the prepaid sector's maturation on a little quicker pace. He said it took debit cards 25 years to develop serious traction in the marketplace. But he thinks prepaid is maturing about 10 years faster than debit, which means prepaid will reach full flower in only a few short years.

Aite Group LLC Senior Analyst Madeline K. Aufseeser believes the prepaid market's pace is quicker still. She places prepaid behind credit and debit by as little as a year or two when it comes to features and functionality and about five years behind in overall market maturity.

But regardless of what lens is used to track the prepaid industry's development, it can profit from the experience of individuals who began working in the payments industry decades before prepaid cards were even invented.

To fee or not to fee

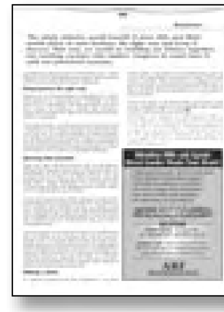
Embry, who has 40 years of banking and payments industry experience to draw upon, advises prepaid professionals to keep focused on the needs of the end user; that means alleviating pain points, not creating them. Implementation

See Prepaid pros on page 51

NotableQuote

The whole industry would benefit if more ISOs and MLSs would strive to earn business the right way and keep it forever. That way, we would be building our futures together, not creating enemies who implore Congress to enact laws to curb our perceived excesses.

See story on page 65



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Forum

Chargeback insurance?

Is there such a product as chargeback insurance? If so, how does it work and who provides it? Also, do ISOs procure the insurance for themselves or do merchants get it for their businesses?

Steven Kahn
Kahn Payments Ltd.

Steven,

It is The Green Sheet*'s understanding that chargeback insurance can protect risk-holding acquiring banks, processors and ISOs from losses when merchants are unable to cover their chargebacks. Most ISOs hold a certain amount of each merchant's funds in reserve to cover chargebacks.*

Chargeback insurance products are designed to provide relief in the event a merchant's reserves become depleted and the ISO has to recover funds from the merchant (which may or may not be possible, depending on the state of the merchant's business and the amount of the chargebacks).

We have also heard of ISOs offering chargeback insurance to merchants. However, it is not our practice to recommend individual companies to our readers.

And we cannot point you to our Resource Guide listings to research insurance providers because no companies providing chargeback insurance are currently listed in the guide.

We suggest you check with your ISO to see if the company has such a product or knows of a business that does.

We also suggest you post any questions you have about chargeback insurance on GS Online's MLS Forum accessed via the Forums link on our home page, www.greensheet.com*.*

Editor

Working with multiple ISOs

I'm new to merchant services (eight months) and I've been sending all of my business to one ISO, but lately I've heard it's a good idea to work with more than one ISO, because it gives you flexibility to choose the best processor for the type of business you're boarding. Are there any rules against working with more than one ISO?

Deena Holtzburg
Merchant Level Salesperson

Deena,

There is no overriding rule or card brand requirement stating that merchant level salespeople (MLSs) must work solely with one ISO. However, some companies may stipulate in their contracts that agents work only with them. This is the type of question every MLS should ask before establishing a working relationship with an ISO.

We highly recommend you consult an attorney with payments industry experience before signing a contract so you know exactly what your rights are under the agreement.

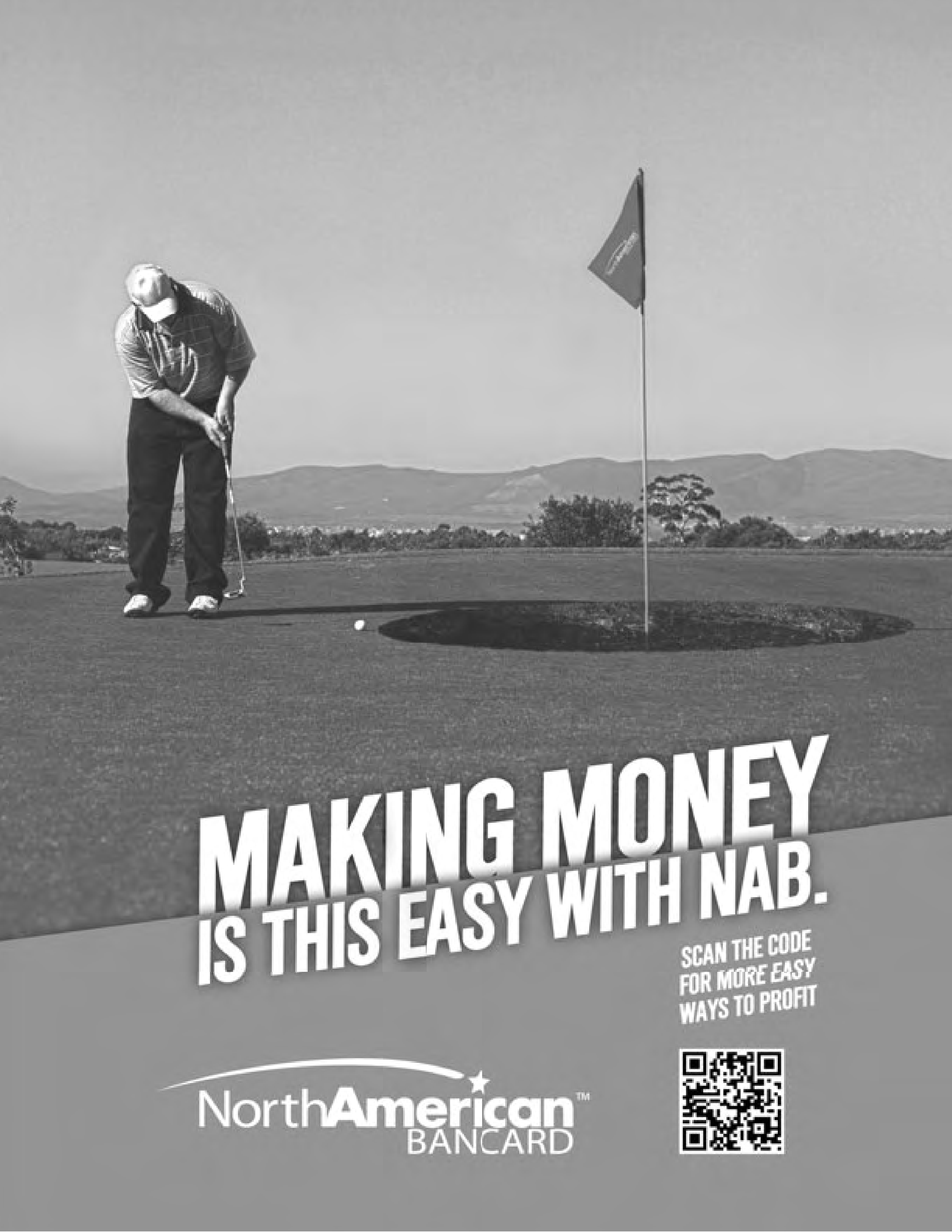
Also, when soliciting a merchant, you must be scrupulous about using the ISO business name registered with the card brands through the member bank that will be accepting card transactions from said merchant upon boarding.

For more information about this, see "ISO legal setup steps," by Adam Atlas, The Green Sheet*, Jan. 24, 2011, issue 11:01:02.*

Editor

Call us, write us

Would you like us to cover a particular topic? Do you have a question you'd like us to answer? 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* or call us at 800-757-4441.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A quick summary of key articles in this issue to help keep you up-to-date on the latest news and hot topics in the payments industry.

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Cover Story

Advice for prepaid pros

The prepaid card industry, founded in the late 1990s, is barely into its teens. As such, it can profit from the accumulated experience of its elders – payment professionals who have been in the business of electronic transactions going on four decades. So, prepaid pros, listen to the wisdom of the payment ages.

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News

Summary judgments sought in 'Wal-Mart case' sequel

The legal dust that settled eight years ago in the "Wal-Mart case" has been stirred up anew. Then as now, at issue is whether the card brands are engaging in anti-competitive practices by colluding to raise interchange rates on retailers.

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News

Global mobile payments to reach $945 billion by 2015

In a report that charted the rise of mobile payments globally, IE Market Research estimated that prepaid mobile top-ups will reach $158.7 billion by 2015, with mobile money transfers not far behind. The casualty of this explosive growth seems to be transactions facilitated by text message, which is predicted to decrease 20 percent in that time period.

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News

Earnings indicate strong payments industry

Quarterly reports released by card brands, acquirers and an alternative payment provider show healthy balance sheets. The leading card brands enjoyed 20-plus percent increases in earnings, while leading acquirers experienced substantial net revenue increases. And don't forget PayPal Inc, which predicted $3.5 billion in total mobile payment volume in 2011.

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View

U.S. transit agencies buy contactless systems

The move by transit agencies to open fare payment systems is well underway. Transit riders being able to pay for rides using traditional, network-branded bankcards reduces cash collection and infrastructure demands for agencies. A main challenge for service providers is how to authenticate transactions at the speed of mass transit.

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Feature

2012: The year mobile payments go mainstream?

Smart phone usage and investments in alternative payment schemes point to the imminent arrival of the mobile phone as a mainstream payment device. However, most payment networks are not configured to handle the back-end processing of mobile transactions. While the card brands are working to correct that, consumers will have the final say on what solutions win out in the end.


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- Shawn Dillon, Director of Sales

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Education

Good talent is hard to find

Selling is about sizing up the audience. The way to do that is by understanding the prospect's dominant buying motive (DBM). By recognizing the DBM, a car salesman wouldn't try to sell a family car to a single man, or a sports car to a middle-aged mother. However, finding sellers who understand the importance of the DBM isn't the only hallmark of good talent.

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Education

PCI: Target or shield

There are many critics of the Payment Card Industry (PCI) Data Security Standard (DSS). However, criticisms often lack a fundamental understanding of it. The PCI DSS represents a baseline of security that is currently the best way for the industry to secure its systems. What the standard cannot replace is vigilance.

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Education

The cost of cyber attacks

Fraudsters probe networks for vulnerabilities. Areas of greatest weakness include customer support systems, which are often the first to be outsourced, as well as email services. Unfortunately, too many companies are oblivious to these vulnerabilities. This complicates the goal of securing them.

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Inspiration

What defines success?

Success is how you define it. Is it meeting a monthly sales quota or is it more of a poetic concern? Whatever your definition, success is accomplished by having desire, creativity, discipline and a positive outlook.

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NEWS

First Data releases October SpendTrend

First Data Corp. issued its October 2011 *SpendTrend* analysis tracking monthly consumer credit, signature debit, PIN debit, electronic benefit card and check use in the United States. The study showed transactions for the month grew to the highest level in eight months, a trend that could extend into the holiday season.

"Consumers continued to spend in October," stated Silvio Tavares, Senior Vice President and Division Manager of First Data Global Information and Analytics Solutions, which publishes *SpendTrend*. "Both transaction growth and credit card spending were up significantly, indicating consumers are increasingly disposed to spending heading into the crucial holiday season."

Dollar volume growth held steady in October at 9.4 percent, compared with 9.5 percent in September. Transactions grew by 7.5 percent in October 2011 – the highest monthly gain since February 2011. The survey showed dollar volume growth for the month reached a 13-month high for food and beverage stores at 9.3 percent.

Inflation pushed average ticket growth up 2.3 percent for the second consecutive month. The average ticket price slowed in growth 1.8 percent in October as gas prices fell from their summer peak, down from 2.2 percent reported the previous month. On average, merchants saved 20 cents per transaction following the Oct. 1, 2011, implementation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Vantiv files for IPO

Vantiv LLC (formerly Fifth Third Processing Solutions LLC), owned by **Fifth Third Bancorp** and buyout firm **Advent International Corp.**, filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering (IPO) of its common stock. The company said it hopes to raise $100 million in Class A common shares.

The *Wall Street Journal* reported in July 2011 that an IPO could value the company at as much as $4.6 billion and projected the IPO could raise between $750 million and $1 billion in funding. The offering will be by prospectus, which can be obtained from J.P. Morgan Securities, Morgan Stanley & Co. and Credit Suisse Securities (USA).

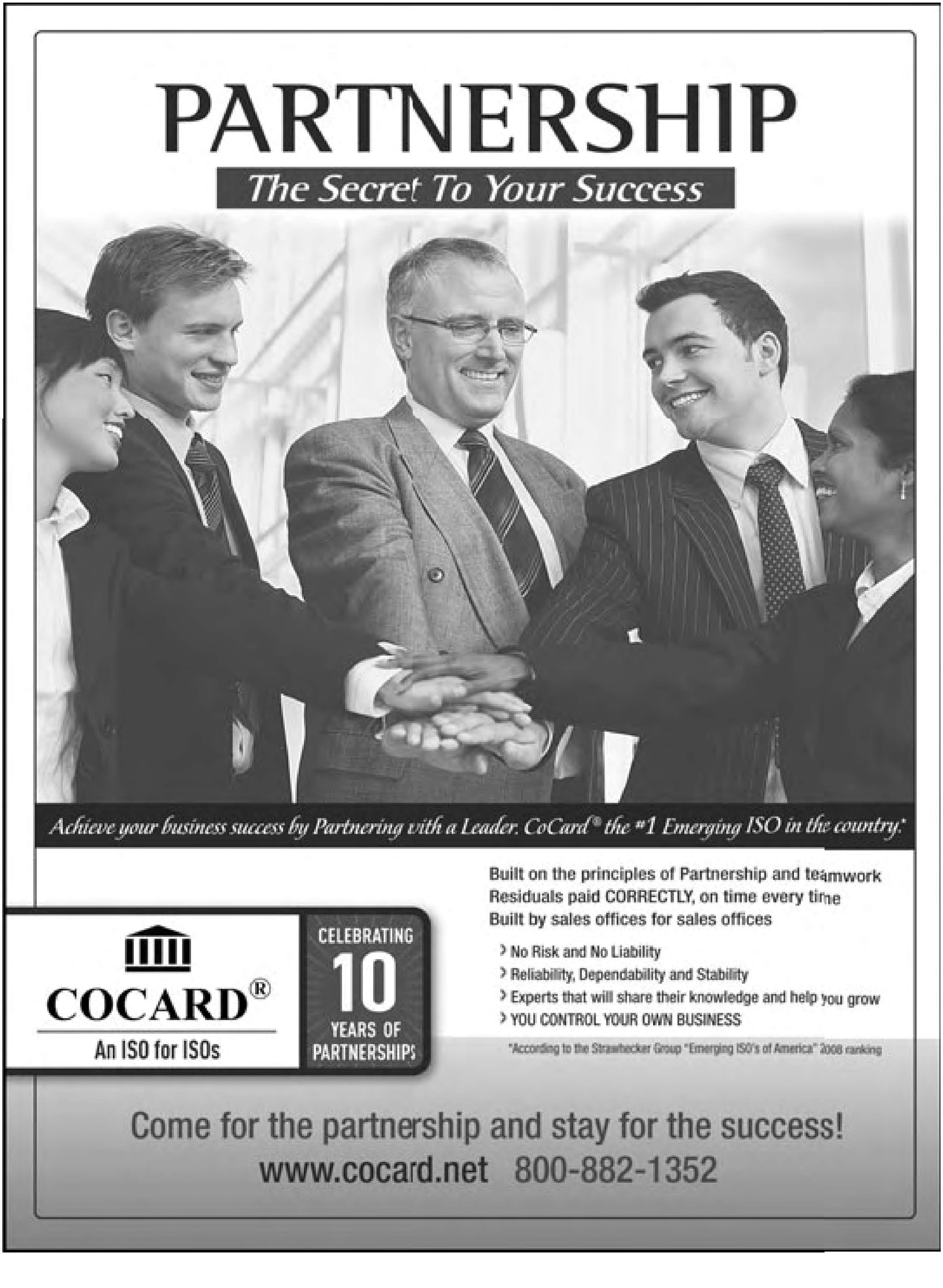
Feds agree the PCI DSS works

In a recent post on the Atlanta Federal Reserve website, Jennifer Windh, AFR Retail Payments Risk Forum Payments Risk Analyst, said the *Verizon 2011 Payment Card Industry Compliance Report* supports the conclusion

- *American Express Spending & Saving Tracker* projects consumers will spend an average $831 on gifts during the 2011 holiday season, up $121 from 2010. Topping the gift list will be gift cards (58 percent), clothing and accessories (48 percent), and toys and games (43 percent).

- **Shop.org**'s *eHoliday Study* revealed 68 percent of retailers surveyed expect online sales to grow at least 15 percent over 2010. Online shoppers cited as important: lack of crowds, 37.2 percent; free shipping, 36.3 percent; and ease of comparison shopping, 29.6 percent.

- According to the **National Retail Federation**'s 2011 holiday forecast, six in 10 holiday shoppers have set aside a record high of $130 to make nongift purchases for themselves, 16 percent above the $112 spent last year.



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that compliance with the Payment Card Industry (PCI) Data Security Standard (DSS) "is effective at preventing breaches." She additionally said the report validates the observation that "the most compliant organizations are the least likely to be breached."

The second annual Verizon report, released at the end of September 2011, analyzes data gathered from more than 100 Verizon PCI DSS qualified security assessments. The analysis includes data from companies in the United States, Europe and Asia and builds on information in the 2010 compliance report.

"At first glance, the report's findings seem discouraging because only 21 percent of organizations are found to be fully compliant at the beginning of the audit," Windh wrote. "However, the researchers assessed each organization's compliance across each [PCI DSS] requirement, and found that a further 37 percent were compliant across 90 to 99 percent of requirements."

Square news

Square Inc. revealed Sir Richard Branson, the owner of the **Virgin Group Ltd.** and ranked the fourth wealthiest man in the United Kingdom, invested in Square's payment technology. "Square is an incredible technology that inspires and empowers everyone to be an entrepreneur," Branson stated in a press release. Square has attracted a number of high-profile investors and partners including **Visa Inc.** and **Wal-Mart Stores Inc.**

Square reportedly has over 800,000 card readers in use and has processed more than $2 billion in payments since releasing its card reader in 2010. Square's dongle card readers are available only in the United States, but the company said it plans to launch them in other countries in 2012.

In other news, Square released the Square Card Case, a new Apple Inc. iOS 5-based technology that uses "geofencing" near field communication (NFC) to communicate with merchant POS systems. Whenever an activated smart phone device enters a Square-enabled merchant location, the merchant's screen will present the name and photo of the user, which the user verifies prior to completing the transaction.

HID Global, Sony collaborate

Irvine, Calif.-based secure identity solution firm **HID Global Corp.** and international consumer electronics manufacturer **Sony Corp.** developed a contactless smart card reader platform that employs embedded secure access control capabilities and NFC in laptops and other mobile devices. The new technology was introduced at the CARTES & IDentification 2011 conference hosted in Paris in November 2011.

The new platform stores cryptographic keys that secure the authenticity and integrity of user credentials. It also supports numerous mobile applications that allow such conveniences as physical access control and identity assurance as well as transit-fare, POS collection and loyalty programs.

ANNOUNCEMENTS

BofA Merrill Lynch offers EMV cards to U.S. travelers

Bank of America Merrill Lynch is expanding its line of **EuroPay/MasterCard/Visa** (EMV) chip and PIN technology to corporate cards for U.S. international travelers. EMV cards store personal information on an encrypted chip. EMV is considered more secure than the traditional magnetic swipe cards commonly used in the United States.

CenPOS launches Android payment app

Miami-based **CenPOS** recently launched a free CenPOS mobile application for Android-powered smart phone users through the Android Market. The app converts mobile devices into secure credit card terminals that can accept swiped, hand-keyed or tokenized credit card transactions processed over the CenPOS payment acceptance platform.

Charge Anywhere's BlackBerry app

Charge Anywhere LLC, a secure mobile payment and gateway solutions provider, made its payment application available for download on all Research in Motion BlackBerry 7 OS devices.

The app turns a mobile device into a secure POS terminal that can process cash, check and credit card transactions and redeem gift cards and loyalty offers. Charge Anywhere can also be used with iPhone, Android, Windows Mobile, Oracle Java and Qualcomm Inc. Brew platforms.

First Data global privacy policy approved

First Data's binding corporate rules for data privacy were authorized by the **United Kingdom Information Commissioner's Office**. The rules have now been approved by data protection authorities in 18 European Union member states.

As the 11th company to earn Information Commissioner Office approval, First Data becomes one of the few companies in the world to have completed the global data privacy practices process.

Debit interchange reduction for HPS merchants

Heartland Payment Systems Inc. reported its restaurant and lodging merchants have saved $7,017,876 in debit interchange fees since the implementation of the Durbin Amendment on Oct. 1, which cut debit interchange fees by half. According to HPS, its restaurant merchants saved $6,171,195 and lodging merchants saved $846,681 as a result of fee reductions.

Merchant Warehouse agent certification

Payment processing solutions and merchant account services provider **Merchant Warehouse** said 80 of its employees and independent sales agents will enroll in the **Electronic Transactions Association**'s Certified Payment Professional certification program. The ETA's goal is to certify 300 agents in this first year of the program. The exams are given at more than 400 locations throughout North America.

mopay upgrades platform to HTML5

Mopay Inc., a division of the German company **MindMatics AG** and provider of payment solutions for online merchants, upgraded its mobile payment platform to support HTML5 services and games. The upgrade will allow mopay customers to take advantage of the platform's cross-platform billing, media and gaming potential. The upgrade will also permit mopay to offer solutions across multiple devices, platforms and carriers in more than 80 countries.

SmartSoft now Cardtek

EMV card issuer, mobile/NFC provider and EMV training and consultancy company **SmartSoft** changed its name to **Cardtek Inc.** The new name is an umbrella for the company's SmartGroup comprised of SmartSoft, CordisNetwork, CredoWork and PhayMobile units. The company reportedly is reorganizing to focus on cross-border payment technology.

PARTNERSHIPS

3 Point Alliance teams with Transactis

3 Point Alliance, parent company to lockbox remittance payment processor **3 Point Payment Processing**, agreed to team with the **Transactis** software-as-a-service platform to offer an integrated receivables solution with electronic presentment and payment options. Transactis will provide 3 Point Alliance with a platform tailored for 3 Point's business-to-business and business-to-consumer billers.

AccountMate, Accelerated Payment alliance

Automated credit card processing is available to

customers of **AccountMate Software Corp.** and **Accelerated Payment Technologies Inc.** AccountMate's ERP software now integrates with Accelerated Payment Technologies' X-Charge Payment Processing services targeting small and midsized businesses. The joint solution reportedly meets or exceeds the PCI DSS and will accelerate customer payments in real-time.

Aconite, Alaric offer combined product

London-based companies **Aconite Technology Ltd.**, a smart card software solutions, security and consulting service, and payment products and services provider **Alaric Systems Ltd.** formed a partnership that will focus on intelligent fraud management for EMV card transactions.

The companies plan to integrate Alaric's Fractals and Aconite Risk Status Translator to create a total fraud-prevention, detection and management solution.

AT&T, Intuit partner on mobile

AT&T Inc. agreed to market **Intuit Inc.**'s GoPayment software application and card reader. The GoPayment reader is reportedly free upon GoPayment account activation. The reader, which attaches to a smart phone audio jack, will be available through AT&T call centers.

The GoPayment service costs merchants 2.7 percent of each transaction, or the merchant can opt to pay a monthly fee.

Cabela's, U.S. Dataworks form venture

U.S. Dataworks Inc.'s PayItFast will be installed in all 32 **Cabela's Inc.** retail stores to promote the acceptance of Cabela's CLUB Visa card. The program is designed to accelerate payment acceptance by consolidating customer walk-in payments with all other Cabela's CLUB Visa card payments, and thus avoid posting delays to cardholder accounts, U.S. Dataworks said.

CIM USA, Cardtek partner for NFC

Instant card issuance solutions provider **CIM USA Inc.** and **Cardtek Inc.** (formerly **SmartSoft**) formed a strategic partnership to provide end-to-end, EMV-based payment solutions to U.S. financial card issuers and bureaus. The partnership supports the transition to EMV- and NFC-based payment technologies in the U.S. market.

Intel, MasterCard partner for online shopping

Intel Corp. and **MasterCard Worldwide** signed a multi-year joint agreement to enhance security and consumer payments in online shopping. The collaboration is expected to deliver more options for checkout in online purchases for customers using Intel's Ultrabook devices and other Intel-based personal computers.

The partnership will also allow the two companies to enhance new payment technologies, including MasterCard PayPass and Intel Identity Protection Technology (IPT). Intel's IPT provides secure authentication and hardware-based protection for consumers, who will be able to pay for online purchases by tapping their PayPass-enabled card, tag or smart phone on an Intel Ultrabook device, sources reported.

PUB adopts FIS mobile platform

New England's **People's United Bank** plans to deploy the **Fidelity National Information Services Inc.** (FIS) Mobile Financial Services platform. PUB said it will use the platform to support a new mobile banking channel, which is being added to its current delivery channels for retail customers.

PFCU, Elan partner

Philadelphia Federal Credit Union partnered with card issuer **Elan Financial Services** to offer PFCU Visa credit cards with reward options for consumers and businesses.

TASQ to distribute Key terminals

TASQ Technology Inc., a subsidiary of **First Data**, agreed to distribute and resell **Key Innovations Ltd.**'s


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TransFirst aligns with Planet Group

Processing services provider **TransFirst LLC** formed a strategic alliance with information technology company **Planet Group Inc.** to build a back-end processing system. The alliance will reportedly combine components of TransFirst's OnTrack management system with elements of Planet Group's Acquire 360 software. The venture is expected to produce a more flexible system for pricing, reporting, customization and statement production along with other advantages.

ACQUISITIONS

Clear2Pay purchases Level Four

Financial institution payment solutions provider **Clear2Pay NV/SA** signed an agreement to acquire the U.K.'s **Level Four Software Holdings Ltd.**, a company that develops and tests automated solutions for ATM networks.

Earlier in 2011, Clear2Pay purchased the U.S. payment testing firm **Lexcel Solutions Inc.** The acquisitions will enable Clear2Pay to help banks and processors target investments in payment networks at significant customer locations.

VeriFone acquires Point, Global Bay

VeriFone Inc. signed an agreement with **Nordic Capital Fund V** to acquire Nordic's Swedish payment and processing services provider **Point Transaction Systems AB.** Point is reportedly northern Europe's largest payment processor. VeriFone said it will extend Point to create the world's largest infrastructure for rapid deployment of alternative payments. VeriFone paid $880 million for Point.

In other company news, VeriFone acquired mobile retail solutions provider **Global Bay Mobile Technologies**. According to VeriFone, the acquisition will enhance the company's presence in the mobile devices market. Terms of the acquisition were not disclosed.

Western Union buys Travelex division

Western Union Holdings Inc. acquired **Travelex Global Business Payments Inc.**, reportedly making the combined company the leading nonbank provider of cross-border business payments. Western Union said it will integrate Travelex Global Business Payments into its Business Solutions division headquartered in London.

APPOINTMENTS

YESPay appoints Di Vincenzo

Mary Di Vincenzo was appointed the new Vice President Operations and Client Services North America in YESPay's Toronto office. Di Vincenzo, who has more than 20 years' experience in the financial, retail, payments and technology industries, will facilitate expansion of the company's payment services in the Canadian and U.S. markets.

Hudachko named VP at FrontStream

Carlee Hudachko is the new Vice President of Client Services and Inside Sales at Brentwood, Tenn.-based FrontStream Payments Inc. Hudachko will be in charge of client services, inside sales and ISO and agent support. Hudachko formerly managed several of the company's support and sales initiatives.

Zukauckas new AmEx EVP

Linda Zukauckas joined American Express Co. as an Executive Vice President and Corporate Controller. Zukauckas previously served as Managing Director of Corporate Strategy for Ally Financial Inc.

Summary judgments sought in 'Wal-Mart case' sequel

Merchants, two major card brands and issuing banks are back in court eight years after the largest antitrust settlement in U.S. history in which Visa Inc. and MasterCard Worldwide agreed to pay $3.4 billion to settle merchant claims the card companies conspired to raise interchange fees.

Oral arguments on motions for summary judgment filed July 7, 2011, were heard Nov. 2 in the U.S. District Court for the Eastern District of New York. Complainants in the class action antitrust lawsuit include such retail giants as Wal-Mart Stores Inc., Sears Brands LLC, Rite Aid Corp., D'Agostino Supermarkets Inc. and Payless Shoesource. The merchants assert the card companies and banks are conspiring to prevent merchants from offering lower fees for, or alternatives to, card processing.

In what is often referred to as the "Wal-Mart case," the 2003 settlement covered the card companies' behavior up to Jan. 1, 2004. According to Lloyd Constantine, lead counsel for the retailers in that case, terms of the settlement have saved retailers and consumers more than $87 billion.

If the card companies are found to be engaged in anti-competitive behavior this time, damages could be in the tens of billions of dollars, one plaintiff attorney, who talked with *The Green Sheet* on condition he not be quoted by name, said. "Interchange fees are in the tens of billions of dollars per year going back to Jan 4, 2004," he said. "The law allows for treble damages."

Summary judgment

Litigators argued motions for summary in Brooklyn, N.Y., before U.S. District Judge John Gleeson. The U.S. District Court for the Eastern District of New York is the same venue where the original antitrust action was brought against the card companies. Taken together, this litigation, originally filed in 1996, has reportedly generated more than 82 million pages of documents and testimony from nearly 500 witnesses.

In the oral arguments, plaintiff attorney Craig Wildfang, who represents the class, told the court there are four reasons to grant the plaintiffs' summary judgment: the defendants are in violation of the Sherman Antitrust Act; the defendants have an unfair market power advantage; the defendants' agreements on interchange fees harm competition; and the defendants cannot justify their alleged behavior in a manner that outweighs the harm the interchange fee rules cause.

Wildfang claimed the card companies and the banks are "acting in concert" to prevent merchants from offering incentives to use cheaper methods of payment.

Attorney Paul E. Slater, who represents retailers QVC Inc. and Supervalu Inc., told Judge Gleeson, "Visa rules prevent a merchant from charging more to a customer who uses a Visa card or charging less to a customer who uses a MasterCard. In other words, [restraint] stops the merchant from using price signals to direct the consumer at the point of sale to the lower cost item."

Card company response

The card companies contend interchange rules are legal and "reasonably necessary." Attorney Peter E. Greene, representing JPMorgan Chase & Co., compared the card company rules to rules set by sports leagues.

"The evidence points out that those rules are necessary to avoid the need for the time consuming and otherwise costly individual bilateral agreements that would have to be negotiated at the time of exchange with each transaction, and they also advance the goal of universal acceptance, which is really the key to the competitive success of the Visa and MasterCard system," Greene said.

Attorney Robert Vizas, representing Visa, told the court the increasing use of debit cards and the decline in credit card use since the earlier settlement prove the market is competitive. "If you can increase your output, that is at least equally evidence of a competitive as opposed to an anti-competitive product," he said.

The card companies also argued that since merchants don't directly pay interchange fees, they have no standing to bring their claims. They also maintain that since the card companies went public, the banks no longer have a controlling interest on the company boards, so the banks no longer control interchange fees. Judge Gleeson reserved his ruling on the summary judgment motions.

MasterCard preparation

In a February 2011 agreement among the defendants, Visa said it would accept responsibility for two-thirds of any settlement, and MasterCard would carry responsibility for approximately one-eighth of an agreement. MasterCard Chief Executive Officer Ajaypal Banga told investors in early November 2011 his company is trying to settle the lawsuit and has put aside $500 million in the event there is a negotiated settlement of the current claim.

Banga said his company has made progress negotiating a settlement with individual merchants in the case but has made little progress with negotiations conducted with attorneys representing the general merchant class. Visa and MasterCard settled a U.S. Justice Department complaint in 2010 and agreed to allow merchants to offer incentives to customers to use cheaper payment methods.

Global mobile payments to reach $945 billion by 2015

Surveys of more than 50,000 consumers in 50 countries that collectively account for more than 80 percent of the world's mobile subscribers indicate mobile payment transactions will amount to $945 billion by 2015 – a compound annual growth rate (CAGR) of 98 percent.

The IE Market Research *Third Quarter 2011 Global & Regional Mobile Payments Market Forecast* was released in September 2011 and was supplemented in November 2011 with closer looks at regional markets. The regional reports include data on mobile payments in New Zealand, Canada, Taiwan, Denmark, Austria, the United States, Mexico, the United Kingdom and Eastern Europe, among others.

IEMR Vice President of Research Nizar Assani said the report also includes information on large, emerging markets such as India and China. He noted the importance of mobile payments is confirmed by the commitment of the major card companies to mobile payment technology.

"A lot of merchants are using mobile payments," Assani said. "With NFC [near field communication] particularly we are seeing the time to transaction declining. This is something consumers and merchants want to happen as much as possible.

"We are forecasting on a global level the total volume of transactions going to $945 billion by 2015. This means the market is growing by nearly 100 percent a year."

Forecast highlights

Here are some conclusions drawn from the forecast:

- The number of mobile payment users is about 354 million people. IEMR predicts this will rise to 893 million by 2015, a CAGR of 18.4 percent. The gross value of mobile transactions in 2010 was $31.5 billion. This is predicted to rise to $945 billion by 2015.

- SMS was used in mobile transactions 72.1 percent of the time in 2010. SMS use is predicted to decline nearly 20 percent by 2015, but it will still account for more than half the market.

  Meanwhile, NFC captured only 17.6 percent of mobile payment transactions in 2010, but NFC transactions are expected to take off and more than double by 2015.

  The forecast said, "The decline in the share of SMS transactions is not so much about the technology as it is about adoption of NFC technology in developed markets. … NFC offers the potential 'sweet spot' of access to millions of retail POS terminals, something that SMS cannot match as a transaction technology."

- Merchandise purchases from mobile transactions came to $5.78 billion in 2010. IEMR believes this will increase to $176.1 billion by 2015, a CAGR of 100.1 percent. The survey found the average transaction value of purchased merchandise was approximately $7.22 in 2010. The company predicts this will rise to $10.61 by 2015.

  "In our view, the key impediment to merchandise purchases … is that it requires an extensive merchant network with pre-registration of the user's bank accounts or credit cards with the 'made for mobile' service," the forecast authors said.

- Prepaid top-ups are another area where IEMR foresees enormous growth. It estimates current prepaid top-ups at $10.3 billion. The firm believes this will rise to $158.7 billion by 2015, for a CAGR of 70.8 percent. Mobile money transfers, now below $20 billion, are forecast to increase to $114 billion by 2015 – a CAGR of 87.7 percent.

"We think that prepaid top-ups will be extremely popular in developing markets because they allow for small-denominated and frequent transactions that fit the needs of cash-starved societies," the forecast stated.

Survey statistics indicate consumers are not ready to use mobile devices for money transfers on a large scale. The report predicts most mobile money transactions will not be mobile-to-mobile but, rather, mobile-to-cash, requiring the physical delivery of the cash.

Earnings indicate strong payments industry

Reports released by major card brands and payment processors show continued growth in earnings and transaction volume. Following are some of the companies' reported earnings data and perspectives on their results. Categories used were provided by the companies and are not uniform.

Card brands

Visa Inc. fourth quarter results, released Oct. 26, 2011:

Net income: $880 million, 14 percent increase over same quarter 2010
Earnings: $1.27 per share, 20 percent increase over same quarter 2010
Revenue: $2.4 billion, 13 percent increase over same quarter 2010
Payment volume: $970 billion, 13 percent increase over same quarter 2010
Total Transactions: 13 billion, 9 percent increase over same quarter 2010

Visa 2011 earnings results, released Oct. 26, 2011:

Net income: $3.6 billion, 22 percent increase over 2010
Earnings: $4.99 per share, 28 percent increase over 2010
Revenue: $9.2 billion, 14 percent increase over 2010
Data processing revenues: $3.5 billion, 11 percent increase over 2010
Total transactions: 51 billion, 12 percent increase over 2010
Comment: "Visa continues to deliver strong results, with fourth quarter and full year performance reflecting a business that is both resilient and flexible enough to adapt and flourish in a changing business environment," said Visa Chairman and Chief Executive Officer Joseph Sanders.

MasterCard Worldwide third quarter earnings results, released Nov. 2, 2011:

Net income: $717 million, 38.4 percent increase over same quarter 2010
Earnings: $5.63 per share, 42.9 percent increase over same quarter 2010
Revenue: $1.8 billion, 27.3 percent increase over same quarter 2010
Purchase volume: $628 billion, 17.2 percent increase over same quarter 2010
Processed transactions: 20.5 percent increase over same quarter 2010
Comment: "We are pleased with our strong results this quarter, which were driven by several factors including double-digit increases in volumes and processed transactions in most regions across the globe," said MasterCard President and CEO Ajay Banga. "Economic indicators across the world remain mixed, with the uncertainties in Europe and the United States weighing on sentiment and dominating headlines. Nonetheless, we continue to focus on displacing cash and winning share across markets."

Discover third quarter earnings results, released Sept. 22, 2011:

Net income: $649 million, up from $261 million over same quarter 2010

Earnings: $25.16 per share, up from $14.51 in same quarter 2010

Card sales volume: $26.3 billion, 9 percent increase over same quarter 2010 (a record)

Payments services pretax income: $38 million, 3 percent increase over same quarter 2010

Transaction volume: $45 billion, 15 percent increase over same quarter 2010

Comment: Discover Chairman and CEO David Nelms said, "We are pleased to report the reemergence of year-over-year growth in Discover card receivables and continued strong growth in our personal loan and private student loan businesses."

Acquirers/processors

First Data third quarter earnings results, released Nov. 2, 2011:

Net income: $54 million loss, down 88 percent from prior $431 million loss in same quarter 2010

Adjusted earnings: $564 million, 7 percent increase over same quarter 2010

Net revenue: $2.7 billion, 4 percent increase over same quarter 2010

Comment: First Data attributed revenue growth to increases in debit network fees and favorable changes in foreign currency.

TSYS third quarter earnings results, released Oct. 25, 2011:

Net income: $58.1 million, 27.1 percent increase over same quarter 2010

Net earnings: $0.30 per share, 30.6 percent increase over same quarter 2010

Total revenue: $459.7 million, 6.1 percent increase over same quarter 2010

Transactions: up 12.7 percent over same quarter 2010

Comment: TSYS indicated this was the seventh consecutive quarter of increased growth and the fourth consecutive quarter with double digit growth.

Heartland third quarter earnings results, released Oct. 27, 2011:

Net income: $12.7 million, up from $8 million in 2010

Net earnings: 31 cents per share, up from 20 cents per share in 2010

Net revenue: $122.2 million, 5.9 percent increase over same quarter 2010

Processing volume: $17.8 billion, 6.9 percent increase over same quarter 2010

Total transactions: 873 million, 5.8 percent increase over same quarter 2010 (a record)

Comment: Heartland President and CEO Robert O. Carr said, "As a result of the success we've enjoyed this year, and our confidence that we will benefit from our strategy to pass all of the savings of new, lower debit interchange fees to our merchants, we are both raising our guidance for the remainder of 2011 and announcing a share repurchase program to create even more value for our stockholders."

Alternative payment provider

PayPal third quarter earnings results, released Oct. 19, 2011:

Active Accounts: 103 million, 14 percent increase over same quarter 2010

Revenue: $1.107 billion, 32 percent increase over same quarter 2010

Net payment volume: $29.3 billion, 31 percent increase over same quarter 2010

Total transactions: 46 billion, 29 percent increase over same quarter 2010

Comment: PayPal predicted it will generate more than $3.5 billion in total mobile payment volume in 2011, up from $750 million in 2010.

U.S. transit agencies buy contactless systems

By Michael Simon

Smart Systems Innovations LLC

After years of pilots, U.S. transit agencies have finally moved to the public announcement and request-for-proposals stages in purchasing contactless bankcard systems, a move that should promote contactless bankcards widely in New York, Chicago, Washington, Philadelphia and Dallas.

These cities promise to put about 50 million contactless bankcards in riders' pockets and teach them how to tap and pay as well.

When accepted by transit agencies, contactless bankcards such as Visa Inc.'s payWave and MasterCard Worldwide's PayPass cards allow riders to carry one less card in their wallets by effectively rolling the transit card into the bankcard.

The potential ubiquity of contactless bankcards in transit systems means more processing volume for issuers and opportunities for acquirers, ISOs and merchant level salespeople to equip merchants in and around the transit system with contactless-enabled POS terminals.

Bankcards in transit

The transit sector is a strong promoter of new payment systems. Federal funding for massive new projects has all but dried up, and transit agencies have been forced to seek other means of funding upgrades in payment systems. Their latest idea is to use a piece of future fare collections to pay for terminal and system upgrades.

By using bankcards, transit agencies reduce the volume of cash they need to collect. Cash is, by far, the most expensive way to collect fares. The agencies also avoid having to issue cards as well – which is, after all, not their main business and something they aren't really very good at doing. By accepting bank-issued cards, the agencies push customer service on to card issuers, further reducing their costs.

Accepting bankcards is a big change for the transit industry, which has been issuing scrip, tickets and tokens since its inception. Transit cards from one city can't be used in other cities. In contrast, bankcards can work anywhere. As in automated toll collection, the goal is to make people forget that they paid but trust that the result is accountable.

For some years, transit agencies worried that a large percentage of the population was unbanked or underbanked (that is, people who have no bank accounts whatsoever or very limited banking relationships), but contactless-enabled prepaid cards are alleviating that concern.

The card industry perspective

Issuers want the "top of wallet" effect. Suddenly, unless you have your bankcard with you, you can't get to work, and if it becomes your habit to tap your credit card at the turnstile or on the bus, it is the issuers' fond hope that you will tap it at the shoe store or the supermarket, too. From transit, issuers get increased card activation, usage, stickiness, distinctiveness and differentiation, with minimal marketing cost.

Acquirers see the transit agencies as very large and reliable merchants. Although the ticket size is small, the overall volume is enormous and predictable, even in economic downturns.

Acquirers see the transit agencies as very large and reliable merchants. Although the ticket size is small, the overall volume is enormous and predictable, even in economic downturns. Highly automated and largely unencumbered by chargebacks, transit agencies are relatively less bureaucratic than most government agencies. Acquiring contracts are relatively long, and the agencies don't change often.

The biggest technical challenge transit agencies face in accepting bankcards is that most of the transactions are offline and can't be authorized in the usual manner. Passengers boarding a bus cannot wait the 6 to 30 seconds that online authorization requires, even if the bus is connected to a wireless network. Given today's networks, offline authorization is the only practical solution.

The challenges of micropayments

The top technologies for preventing fraud in offline authorizations are negative and positive lists, but there are some additional tricks as well. The technical challenge arises because bankcard chips, unlike transit agency cards, don't have transit applications on them.

They become identifier tokens for rider, and often the transit agency is exposed to the risk of fraud. However, technology does exist that can reduce potential fraud to a trivial level, a tiny fraction of 1 percent.

Even with reduced fraud, the transit paradigm is very different from normal bankcard usage. When you present your card at a store, you are saying, "Charge me." But not every transit card presentation results in a charge.

Transit time passes or transfer rides do not result in a charge, so a fare processor is needed in between the terminal and the gateway to determine if the rider should be charged in every case.

After years of wrangling, bankcard companies have accommodated transit micropayments with various new rules, for example, no signature required and new and lower interchange and per-transaction charges. Acquirers and their gateways have figured out how to aggregate micropayments to minimize the interchange.

Where we're heading

Although there are many radical new payment technologies, transit agencies aim to be normal merchants in the card acceptance world. Their vision is that any rider with a bankcard should be able to ride any public transit vehicle without even thinking about the fare. Transit agencies will make bankcard micropayments ubiquitous and part of our everyday lives.

The low cost of networks and devices in today's computerized world and the increased crowding in our cities are driving the trend to automated micropayment processing. This is a trend that will only increase with the years.

Michael Simon is Chief Executive Officer and majority owner of the Smart Systems group of companies, which develop and market proprietary technology for the acceptance of contactless bankcards at public transportation payment terminals. A fare collection expert, Michael speaks frequently before public transit conferences and trade groups. Smart Systems Innovations LLC offers consulting and software and has a portfolio of patents in the field of offline bankcard acceptance. He can be reached at mjs@ssysco.com.

Insider's report on payments

2012: The year mobile payments go mainstream?

By Patti Murphy
ProScribes Inc.

Despite several fitful starts, mobile payments are taking root. It seems quite possible that 2012 will be the year when mobile payments finally take off in the United States. There are plenty of data points to bolster this prediction, as well as a few stumbling blocks to broad adoption.

According to the International Telecommunications Union, there are more than 5 billion mobile subscribers worldwide, and mobile cellular signals cover 90 percent of the world. Many of the phones in use are basic devices. However, adoption of smart phones (a prerequisite for most mobile payment applications) is growing fast.

In the United States, 40 percent of mobile phone users over the age of 18 had smart phones as of July 2011, according to The Nielsen Co. Smart phones are owned by 62 percent of 25- to 34-year-old U.S. consumers, Nielsen reported. A survey conducted on behalf of MasterCard Worldwide found 62 percent of U.S. consumers who use mobile phones are interested in using them to make everyday purchases.

And here's another data point: according to IBM Corp.'s Coremetrics service, 15 percent of Americans who log onto retail websites this holiday season will do so via mobile devices.

Meanwhile, the Independent Community Bankers of America reported that nearly 15 percent of community bankers offer mobile payments; another 50 percent plan to offer mobile payments by 2013, according to the *2011 ICBA Community Bank Payments Survey*.

Investors, partners see promise

In addition, Sir Richard Branson's international conglomerate Virgin Group Ltd. just invested in Square Inc., the mobile payment startup that aims to become the credit and debit card processor of choice among budding entrepreneurs.

Square claims to have over 800,000 of its card reading devices in the marketplace and predicts the devices will be used to make over $2 billion in payments in 2011. Square has also secured funding from Visa Inc. and venture capitalists in excess of $100 million.

Mobile payment innovator ROAM Data Inc. has shipped over 300,000 of its dongles, primarily through ISOs and merchant level salespeople, and expects to have 1 million of its devices in the market by next summer. Originally only available online, Square now has distribution agreements with leading retailers, including Wal-Mart Stores Inc. Square offers rebates to cover the retail cost of the devices.

Meanwhile, Visa has an electronic wallet product in Beta testing, V.me by Visa, that works with mobile devices and is expected to be widely available in early 2012 .

The company has also been working with Google Inc. to integrate Visa's payWave technology with the new Google electronic wallet. Visa and the other leading card brands also participate in ISIS, a mobile payment venture launched by leading telecommunications firms AT&T Mobility, Verizon Wireless and T-Mobile USA.

Infrastructure still lacking

Given all the activity in the marketplace, it should come as little surprise that 80 percent of merchant acquiring executives queried by Aite Group LLC earlier this year were bracing for a dramatic increase in card accepting businesses that want mobile payment functionality.

Unfortunately, 80 percent of payment networks are not ready to support mobile applications on the back-end.

"The current inflexibility of transaction-routing infrastructure ensures that the existing authorization infrastructure will be unable to handle new transaction types" created by mobile devices, said Rick Oglesby, Senior Analyst at Aite and author of the report titled *The Hosted POS: Enabling Mobile Marketing and Mobile Payments in the United States*.

Visa has begun addressing the situation by expediting efforts to get Europay/MasterCard/Visa (EMV) up and running in the United States. EMV chips can be used to support plastic card payments or integrated with smart phones and other mobile devices to support tap-and-go payments.

"By encouraging investments in EMV contact and contactless chip technology, we will speed up the adoption of mobile payments as well as improve international operability and security," said Jim McCarthy, Visa Global Head of Product.

The United States has been slow to adopt EMV for a variety of reasons. But the strength of those arguments dissipates as EMV adoption in other western economies drives more card fraudsters here.

Chip technology greatly reduces fraudsters' ability to steal payment card data by replacing transaction information with dynamic values. That way, even if card data is compromised, it can't be used to create a usable counterfeit without the requisite coding contained in the card's chip.

Visa is taking a carrot-and-stick approach to merchant adoption of EMV: migrate at least 75 percent of Visa transactions to POS devices that accept both contact and contactless transactions, or assume the financial fallout of any card frauds that occur as a result, beginning in 2015.

Most large merchants already have EMV terminals in place; many smaller merchants do, too, said industry consultant Paul Martaus. Where the technology support is lacking for EMV is on the back-end, Martaus said.

Under Visa's new migration plan, acquirer processors and their partners have until April 1, 2013, to have technology in place that supports authorization and processing of chip-based payments.

This will demand systems changes, including the ability to carry and process additional information such as the cryptographic messages that mask transaction information, Visa said.

George Peabody, Director of Emerging Technologies Advisory Service at Mercator Advisory Group, described Visa's move as a "welcome step" in the fight against card fraud. "There is no security silver bullet," Peabody said. "But smart cards and smart phones using EMV add a strong layer for payment transaction security as well as online banking, access to medical records and more."

Consumers will drive security

The Ponemon Institute, a Michigan-based think tank, surveyed consumers this summer and found 61 percent owned smart phones; it also found that credit cards and PayPal Inc. dominate online payments, with 61 percent using PayPal most often and 53 percent using credit cards.

Those preferences will have a spillover effect on mobile payments if results of a survey of online shoppers by the firm Ogilvy & Mather are indicative. That survey revealed that consumers trust Visa-branded mobile products over all other brand names.

Other companies mentioned, in descending order of preference were: MasterCard, American Express Co., PayPal, the U.S. Postal Service, Apple Inc., Microsoft Corp., Google Inc., eBay Inc. and Facebook.

Patti Murphy is Senior Editor of The Green Sheet *and President of ProScribes Inc. She is also the founder of InsideMicrofinance.com. Email her at* patti@greensheet.com.

2011/2012 Calendar of events

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

2011 Events	Date	Location	Web site
W.net Webinar: Organizational Savvy	Dec. 1	Online	*wnetonline.org/PageDisplay.asp?p1=8658*
PaymentsSource, Cards and Payments Loyalty Conference	Dec. 5	New York	*http://register.sourcemediaconferences.com*
W.net, LINC Atlanta Holiday Event	Dec. 6	Atlanta	*www.wnetonline.org*
Glenbrook Partners, Payments Boot Camp	Dec. 7 – 8	Santa Clara, CA	*www.cvent.com/events*

2012 Events	Date	Location	Web site
World Research Group, 3rd Annual Prepaid Card Congress	Jan. 24 – 26	Las Vegas	*worldrg.com/showConference.cfm?confCode=FW12006*
ACI, Prepaid Card Compliance Conference	Jan. 30 – 31	Washington	*www.americanconference.com/prepaidcard*
IQPC, Mobile Payments and NFC	Jan. 30 – Feb 2	London	*www.mobilepaymentsandnfc.com/Event.*
NEAA, 2012 Winter Seminar & Outing	Jan. 31 – Feb 2	Mt. Snow, VT	*www.northeastacquirers.com/event.htm*
Smart Card Alliance, 2012 Payments Summit	Feb. 8 – 10	Salt Lake City	*www.cvent.com/events/2012-payments-summit*
Comexposium, Cartes in North America	March 5 – 7	Las Vegas	*www.cartes.com*
IIR Holdings, Prepaid Expo USA 2012	March 12 – 14	Las Vegas	*www.iirusa.com/prepaid/welcome-page*
Gulf Bay Consuling LLC, Mobile Payments	April 11 – 12	Orlando, FL	*www.socialmobilepayments.com*
ACI, Emerging Payment Systems West Coast Edition	April 16 – 17	San Francisco	*www.dwt.com/Events?find=441258*
ETA, 2012 ETA Annual Meeting & Expo	April 17 – 19	Las Vegas	*www.electran.org/content/view/815/494/*
SourceMedia, 24th Annual Card Forum & Expo	May 9 - 11	Orlando, FL	*www.globalmediadynamics.com/upcoming-events*

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Mobile payments head to the cloud

By Doug Dwyre

Mocapay

Although we think of the cloud as a place for backup or data storage, alternative opportunities for services like mobile payments pose additional benefits. Consumers and merchants may find higher levels of security, compatibility, flexibility and ease of use.

Beyond the idea of using the cloud for mobile payments, what are the real benefits to ISOs, merchant level salespeople (MLSs) and their merchant customers for choosing a server-side wallet over a local, storage-based platform?

One of the most significant challenges for merchants today is compliance with the Payment Card Industry (PCI) Data Security Standard (DSS), which is mandatory for any company that processes, stores or transmits card data. Compliance can be complex and troublesome for many merchants, and some choose to ignore the standard and continue being noncompliant.

For merchants, the ability to offer an alternative payment tender that doesn't require storing or transmitting consumer-sensitive data decreases the time and resources needed to stay compliant.

A token of validation

The ability to safely store payment information in the cloud isn't enough, because the data is still transferred to the merchant's POS system, requiring strict PCI DSS compliance. The use of a token in place of that data provides an added layer of security by allowing sensitive information to be stored in the cloud, with a token acting as a validator when making a purchase.

Tokens are one-time use codes that can be displayed as a number or delivered as a digital signal that becomes useless after it is redeemed or expires. Payment tokenization can reduce the time needed to certify for PCI DSS compliance and decrease the chance of data compromise and fraud.

Merchants, in turn, don't need to worry about fraud or keeping sensitive data secure. A recent CyberSource Corp. report found that payment tokenization can reduce PCI DSS complexity and the resources needed to maintain compliance.

On the flip side, consumers may not exactly care about how a transaction is approved, whether their credit card information is transferred or if a token is used in its place. They are worried about what happens if their devices are stolen or the data stored on their handsets is compromised. Because security is a concern, consumers may be apprehensive about using their phones to initiate transactions.

As consumers and their devices become connected in more places, such as unsecured Wi-Fi networks, the less sensitive information they store on the phone, the better. If the consumer is able to remotely deactivate an account from another computer or device, the worries of unauthorized use diminish.

Simplifying the mobile life

The ability to move data freely across any device and a simplified registration process for consumers will increase the adoption of mobile payments. According to CTIA –The Wireless Association, the typical wireless user replaces his or her mobile device every 18 months.

Instead of replacing a near field communication (NFC) sticker or moving payment card information from one device to another, a server-side wallet keeps the informa-

tion in the cloud, allowing it to be accessed from any device – with the proper security authentication. Cloud storage of credentials empowers consumers with control over their sensitive data and what devices may be used to access it.

The majority of mobile payment solutions now available on the market require a specific type of hardware – the Sprint Nexus S 4G, for example – in order to operate. Using a server-side wallet and payment tokenization solution allows various types of devices to access the same data.

For example, the same token could be delivered as a six-digit code or a two-dimensional barcode and even delivered via an NFC device.

A checklist of factors

So whether you are deciding if a mobile payments solution would fit with your business or what type of solution offers the most flexibility over time, a few questions are worth considering when reviewing products and services:

- Am I willing to commit to maintaining strict PCI DSS compliance?
- How important is consumer adoption of mobile?
- What types of devices are our customers using?
- How much investment do we want to make in our POS system? Can upgrades be made if the technology evolves?
- Should the solution work both for payments and marketing, reaching customers in a more relevant and personal manner?

To ensure mobile payments solutions will work for ISOs, MLSs and the merchants they serve, the solutions must provide added value beyond just alternative methods to pay. Think about what types of marketing solutions or loyalty programs can be integrated into mobile solutions and how those will increase sales and traffic.

What may be most important to merchants is data. They will be interested in who controls the consumer data and who controls the messaging and marketing that reaches them. These elements of control are most important to retailers today.

Doug Dwyre, President of Mocapay, is a seasoned executive with 24 years of experience in the financial services industry, delivering innovative payment solutions to issuers, merchants and consumers. Doug has launched state-of-the-art incentive marketing programs focused on driving consumer behavior and providing valuable customer data to retailers and financial services firms. For more information, email him at doug.dwyre@mocapay.com.

SellingPrepaid

Prepaid in brief

NEWS

nFinanSe sues InComm

General purpose reloadable (GPR) prepaid card provider **nFinanSe Inc.** sued prepaid card distributor **Interactive Communications International Inc.** (InComm) for allegedly blocking retailers from having access to nFinance's GPR cards.

In the lawsuit filed Oct. 31, 2011, in the U.S. District Court – Northern District of Georgia, nFinanSe said Atlanta-based InComm is blocking access to force nFinanSe to join InComm's Vanilla Reload Network.

According to the complaint, InComm attempted to coerce nFinanSe into a "price-fixing conspiracy" when it told nFinanSe it would not distribute nFinanSe's GPR cards unless nFinanSe agreed to join the distributor's reload network, on which $3.95 is charged cardholders to reload prepaid cards. Tampa, Fla.-based nFinanSe charges a $2.95 reload fee.

The lawsuit said InComm's actions violate federal antitrust laws and constitute a breach of the companies' distribution agreement. An InComm spokeswoman said the distributor does not comment on pending litigation.

FinCEN offers FAQs

In response to prepaid card providers seeking clarification on the new anti-money laundering provisions imposed on the industry, the **Financial Crimes Enforcement Network** (FinCEN) issued Frequently Asked Questions (FAQs) in regard to the Prepaid Access Final Rule, which was issued in July 2011.

The rule updates and integrates prepaid products and services into the regulatory framework of the Bank Secrecy Act of 1970. FinCEN said the rule directs providers and sellers of prepaid access to file suspicious activity reports, collect and retain customer and transaction data, and maintain anti-money laundering programs.

The FAQs, entitled Final Rule – Definitions and Other Regulations Relating to Prepaid Access, can be found at *www.fincen.gov/news_room/nr/html/20111102.html.*

Illinois AG sues two calling card companies

Illinois Attorney General **Lisa Madigan** filed lawsuits against two companies accused of deceptive marketing practices concerning prepaid calling cards targeted at Chicago area immigrant communities. One lawsuit claims Chicago-based **NTI Inc.** provides up to 50 percent fewer international call minutes than advertised, while the other suit alleges that Carlsbad, Calif.-based **Nobel Tel LLC** sells cards that include extensive and hidden fees.

ANNOUNCEMENTS

APS wins Prepaid Award

U.K.-based **Advanced Payment Solutions Ltd.** won in the Best Prepaid Program Manager category at the 2011 Prepaid Awards. APS chalked up the win to its innovative and unique product offerings, which include credit building and small-dollar loan functionality.

AmEx enters campus card market

American Express Corp. launched its first campus card program at the University of North Florida. The Osprey1Card can be used on campus and off campus anywhere AmEx is accepted, the card brand said. The card is powered by CardSmith.

Keystone College transitions to CardSmith

Keystone College, a private institution in La Plume, Pa., switched its campus card program to the software-as-a-service model of **CardSmith LLC.** The new Key Kard, which is used as an identification and payment card on campus, was installed by CardSmith in summer 2011.

CashStar's Dell eGifting Program honored

CashStar Inc.'s Dell eGifting Program was recognized at the 2011 Prepaid Awards in the Best Prepaid Gift Program category. Computer manufacturer Dell launched its virtual gift card program with CashStar in May 2010 as part of the company's Mother's Day promotion.

EZCheck taps Paycloud

Check guarantee company **EZCheck** added **SparkBase**'s Paycloud mobile wallet to its gift and loyalty card program. The mobile wallet enables consumers to enroll in merchant loyalty and rewards programs using Apple Inc. iPhones and smart phones that run on Google Inc.'s Android operating system.

FIS expands prepaid footprint in 2011

Global payments processor **Fidelity National Information Services Inc.** (FIS) reported the signing of over 80 new prepaid card processing agreements in 2011. FIS said prepaid cards are becoming increasingly popular with consumers and government entities worldwide.

Fiserv integration expands prepaid reach

Payment processor **Fiserv Inc.** integrated its ACCEL/Exchange payment network with Prepaid Solutions from Fiserv. The integration is designed to enable financial institutions to more effectively deliver prepaid products to customers and target new segments via ATMs and remote deposit capture.

InteliSpend expands into Canada

With the introduction of the Universal Visa Prepaid Card, **InteliSpend Prepaid Solutions LLC** entered the Canadian market. The card is designed to deliver employee rewards and consumer promotions.

i2c to process for Insperity

Prepaid and loyalty card processor **i2c Inc.** signed an agreement to provide prepaid card processing services for Insperity Expense Management, a division of business advisor Insperity. In early 2012, the division is expected to launch a GPR card for Insperity ExpensAble Corporate customers.

Norwegian Cruise Line sails with PPS

Program manager **Prepaid Solutions Inc.** inked a deal with Norwegian Cruise Line to deliver the maritime payroll card OceanPay to the cruise line's fleet of 13 ships. PPS said OceanPay lowers overhead costs and increases payment efficiency and convenience for ship crews. OceanPay is reportedly being used on over 200 ships globally.

PARTNERSHIPS

MoneyCard product line grows

In cooperation with **Green Dot Corp.** and **GE Capital Retail Bank**, **Wal-Mart Stores Inc.** expanded the Walmart MoneyCard line of products with three new offerings: the Visa Gold MoneyCard, MasterCard Family Edition MoneyCard and MasterCard Bill Pay MoneyCard.

The MoneyCard line will undergo a package redesign in the fourth quarter of 2011, Wal-Mart said.

DXB Connect card takes off in Dubai

With its partners in Dubai, United Arab Emirates, **MasterCard Worldwide** unveiled the DXB Connect card, billed as the first network-branded prepaid card aimed primarily at airport clientele. **Abu Dhabi Commercial Bank** is issuing the card in conjunction with **Jade Payments, Global Processing Services** and **Dubai International Airport**.

Xpress comes to Cumberland Farms

MoneyGram International teamed with convenience store operator **Cumberland Farms** to integrate MoneyGram's new in-lane Xpress money transfer service into the convenience stores.

The solution allows consumers to pay for money transfers at the time they make retail purchases, and then initiate money transfers later when it is convenient for them – online or by phone.

SelectCore adds PayPal to Social Time

Prepaid calling card processor **SelectCore Ltd.** integrated **PayPal Inc.**'s payment engine into the processor's recently launched Facebook Social Time platform. The platform allows users to top up airtime on prepaid mobile phones.

ACQUISITIONS

Mike The Pike to sell ServeNation

Mike the Pike Productions Inc. agreed to sell online prepaid payment platform ServeNation to a private company for $350,000 in cash and 27.5 percent ownership in ServeNation. Executives at ServeNation estimate the platform can achieve $100 million in sales in the next three years.

APPOINTMENTS

SVM LP makes new hires

SVM LP added **Robert Gadek** and **Casey Swartz** to its management team to drive growth and expand its offerings in virtual gift card technologies. Gadek is now Vice President of Global Business Planning and Development at SVM, while Swartz is welcomed as Human Resources Manager at SVM.

Hooper joins Global Payout board

Gil Hooper was appointed to the board of directors of payroll and general spend program provider Global Payout Inc. The company said Hooper, Chief Executive Officer of Boundless Payment Solutions Inc. and managing partner at 3G Consulting, adds international sales and marketing experience to its board.

Features

Openbucks provides uplift for prepaid

A new acronym has entered the payments lexicon: O2O. Short for online to offline, the term conveys how online methodologies steer revenues to the offline, brick-and-mortar retail sector. Openbucks Corp. leverages technology that sits in the middle of the O2O flow to drive revenues in both directions.

Via the Openbucks Gift Card Payment Network, closed-loop, brand-name gift cards are integrated into the payment mechanics of online game publisher websites. When gamers want to enhance free-to-play gaming experiences, they can pull out gift cards purchased at six different retailers presently to pay for avatar upgrades and other in-game enhancements for such games as World Golf Tour and Parallel Kingdom.

The new option of paying with gift cards is geared toward teenagers, who make up the bulk of online gamers and have limited or no access to credit and debit cards. On the other hand, access to gift cards is ubiquitous. Analysts estimate the gift card market in the United States at $100 billion annually.

O2O2O

The technology initially drives interest online to offline, as gamers see that gift cards can be used for in-game payments. But then the synergy between online and offline kicks in, driving revenues up for both issuers and game developers. Based on information from Subway (one of the gift card issuers in Openbuck's network), 90 percent of the gamers who purchase Subway gift cards did so primarily to use in games, according to Marc Rochman, Chief Executive Officer and co-founder of Openbucks.

Gamers typically purchase Subway gift cards loaded with between $100 and $500 – commonly four times the amount purchased by other Subway patrons. Additionally, 54 percent of gamers also bought food at Subway in addition to the gift cards. Furthermore, 18 percent of the amount loaded on Subway gift cards is spent later, on sandwiches and other Subway purchases, Rochman said. The service is therefore not only an online to offline traffic generator. Rochman said, "It's O2O2O – online to offline and offline to online. That's the beauty of it."

The beauty of reverse distribution

Rochman does not consider Openbucks a gift card exchange in the mold of Plastic Jungle or Cardpool Inc. Cardholders lose value on gift cards when they sell them via online exchanges. On a $100 gift card, the seller might be returned only $70, Rochman said. In comparison, a consumer who buys a $100 Subway gift card and redeems it online via Openbucks receives the full value of the card.

The Openbucks network is merchant funded. Online game developers pay fees to Openbucks for "reverse distribution" of the gift cards, Rochman said. Those fees are shared between Openbucks and the card issuers. The game developers get to choose which gift cards will be accepted for payment on their websites, he added. Openbucks, which launched the platform at the September 2011 TechCrunch Disrupt conference in San Francisco, has apparently attracted the attention of the game developer community.

"When a game publisher adds a new form of payment, they usually increment by something like 20, 30 percent," Rochman said. "They remove some friction they have in their payments. To add a good form of payments, you're just going to reach more people. And the beauty in games is that their margins are so high that anything you bring them is a no brainer."

Prepaid's role in defining financial services

With U.S. consumers struggling in a difficult economy, the need for affordable and reliable alternative financial services products continues to grow. In an attempt to crystallize guidelines for financial service providers to follow, The Center for Financial Services Innovation issued a draft paper that highlights prepaid cards as tools that will expand access to financial services for underserved consumers.

In *The Compass Principles: Guiding Excellence in Financial Services*, CFSI offered up four principles the service providers should adopt:

1. Embrace inclusion
2. Build trust
3. Promote success
4. Create opportunity

Embrace inclusion

According to the CFSI, service providers should consider the specific financial needs of low and moderate income consumers and select appropriate partners and distribution channels to reach those consumers. Top of the list of products for underbanked consumers are network-branded, general purpose reloadable (GPR) cards, as well as transit and government benefit cards that also function as GPR cards.

The CFSI said credit products that help underserved consumers achieve financial inclusion will utilize alternative credit scoring bureaus that enable thin- or no-file consumers to build credit histories. The prepaid card industry in the U.K. has innovated hybrid cards that add this functionality (for more information, see "Under the hood of hybrid cards," by David Parker, *SellingPrepaid E-Magazine*, Jan. 18, 2011, issue 11:01:A).

In the savings product category, tools that pair transaction accounts with savings "wallets" will provide convenient means for consumers to save, the CFSI said. Such a product is the Union Privilege Union Plus prepaid card (for more information, see "Union Privilege makes savings a plus," *SellingPrepaid E-Magazine*, Oct. 31, 2011, issue 11:10:B).

Build trust

The CFSI believes that delivering clear and consistent value to consumers helps service providers foster ongoing and long-term relationships. Providers can do this by helping consumers avoid "unnecessary fees" rather than strive to maximize revenue via fees. For instance, providers can limit the number of times a customer is charged the same fee within a given timeframe and intervene in an educational manner when customers are being repeatedly assessed fees that otherwise could be avoided.

Promote success

Providers should offer customers tools that encourage greater participation in, and understanding of, personal money matters, the CFSI said. For example, providers can leverage technology to enable consumers to set their own spending limits. Additionally, providers can communicate through text message alerts to help consumers better manage spending.

Create opportunity

Finally, the CFSI makes the case that safe, entry-level financial products will give underserved individuals tools to help them create wealth. As consumers grow savings and improve their own financial literacy via these products, they will require different financial products to meet their changing needs.

In its conclusion, the CFSI stated that, given the financial straights many consumers are currently in, an opportunity exists for financial services to "define what the industry can do to make people's lives better." Implied in that goal are the financial benefits of loyal, long-term, financially savvy customers to service providers. The CFSI is soliciting industry feedback on the Compass Principles via *www.compassprinciples.com*.

CompanyProfile

Street Savings

ISO/MLS contact:
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Director of Sales
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Email: *brett.weiss@streetsavings.com*

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1442 E. Lincoln Blvd, No. 479
Orange, CA 92865
Phone: 866-683-9050
Fax: 866-683-9051
Email: *sales@streetsavings.com*
Website: *www.streetsavings.com*

ISO/MLS benefits:

- Operates with existing POS systems, no upfront investment
- Integrates with industry-leading gift and loyalty programs
- Offers both cardless and plastic card program options
- Provides fast merchant setup with "set and forget" operation
- Meets wireless industry compliance regulations
- Bundles with other ISO/MLS bankcard products

Street Savings proves street smart

Street Savings, an Orange, Calif.-based mobile coupon and rewards company, navigated difficult technological and regulatory challenges to create a simple, yet secure technology that would help small to midsize retailers grow their businesses.

What resulted was an advertising vehicle that uses merchants' existing POS systems and terminals to launch coupon and rewards programs via short message service (SMS) texts. The software permits merchants to instantly send messages, rewards and coupons directly to customer mobile phones. The program then tracks return on investment (ROI) for each message campaign and does so without additional hardware requirements.

"By tying the mobile transaction to the existing payments terminals, we have solved the problem of mobile coupon and rewards redemption, enabling merchants to track campaign success and move closer to a mobile payments environment," said Street Savings Chief Operating Officer Pal Flagg. "Merchants understand the growing importance of mobile technology to their business.

"Street Savings is one of the only companies offering them a complete, closed-loop mobile marketing solution using widely available equipment that they already have on their counter."

Street Savings founder and Chief Executive Officer Chas Ramer added, "I don't think people fully appreciate how fast change in the mobile marketplace is going to be. The position we are focused on is educating this group of entrepreneurs we have selling merchant services. We've identified that as mobile devices become smarter, we still need to empower small businesses to connect to them."

From aha! to business plan

Ramer was a pioneer in the deregulated telecommunications industry, devoting 10 years to creating and building a successful long distance telephone service.

"My first Street Savings' 'aha!' moment came when I was eating a hamburger at a mom-and-pop stand and suddenly realized then and there that commercial text messaging could talk to an audience," Ramer said. "The merchant could use SMS to have a captive moment with a customer. I knew there was a big opportunity there because I was already in telecommunications. So I talked to a couple of people about the technology and started a pilot program."

Ramer appears to have an accurate image of the future, with commercial SMS text message marketing projected to reach $50 billion by 2014. Research has shown that more than 205 million people currently use their phones to send 5.1 billion texts each day.

Analysts claim the redemption rate for mobile coupons is about 10 times that of coupons in other media, and the fastest growth in text messaging is occurring among consumers from 25 to 40 years of age.

Street Savings is a firm believer that reaching customers through mobile messaging can increase sales, retain and grow the merchant's customer base, increase store traffic and amount of the average ticket, and build loyalty.

Set it and let it do the work

When developing its gateway, Street Savings was intent upon reducing the merchant learning curve by automating most system processes.

For example, with the "set and forget" option, merchants can execute highly targeted mobile advertising campaigns with minimal effort required to administer the program and track results.

"This is about sales as a result of a campaign," Flagg noted. "Let's say Joe's Coffee Shop has Street Savings Mobile Rewards program. Customers have the opportunity to opt-in to the Joe's Coffee rewards program using their phone, at the POS terminal or on the web."

Then, for example, when a rewards customer hasn't visited the shop recently, the "set and forget" function can be programmed to automatically send an action message, Flagg said.

The text message may read something like, "'We miss you. You haven't visited us recently. We've loaded $2 on your account. Come in soon,'" Flagg added. "The next time the customer comes into Joe's Coffee Shop, if the customer has a bill for $20, they would simply enter their phone number into Joe's credit card terminal, and their bill is automatically reduced to $18 because there was $2 previously loaded onto their rewards account.

"It's at the point of sale that we move value around, track campaigns and derive the ROI and sales numbers directly related to advertising," Flagg said. "When people have a lot of points, it doesn't take a hard offer to get them to come in the door. It's the tracking of the sales as a result of the text campaign that's the most exciting part."

Street Savings is a firm believer that reaching customers through mobile messaging can increase sales, retain and grow the merchant's customer base, increase store traffic and amount of the average ticket, and build loyalty. The programs can be set up to automatically text a message of the week, an "instant offer" message, or send out weather-related advertising to keep customers connected with the store brand.

Customers can sign on at the in-store terminal, at the company website, or through social media such as Facebook and Twitter. According to the company, redemption rates are estimated to be between 12 to 15 percent. Merchants pay a monthly fee for the service, which offers several package options based on the number of monthly text messages merchants anticipate sending.

"We have something most other mobile companies don't have," Ramer said. "We have connectivity to the terminal. This tracking through the terminal is almost the trump card. This was another one of our 'aha!' moments. We spent a great deal of time fleshing it out, building it out and reaching out to our end user. In reality, the whole idea was how is [a mobile campaign] going to be tracked? We wanted to be sure every business could take advantage of it."

According to Flagg, VeriFone Inc.'s decision to open its devices to third-party applications was a key factor in Street Savings' implementation of its mobile marketing program. "Our approach has always been agnostic," Flagg said. "We want to work with anybody. We want to integrate with everybody. Other companies have redemption solutions, but it's just an application on a handset. We don't need to go to a third party to reach customers. We offer connectivity with a terminal."

Compliance, dedicated codes make the grade

Street Savings reported its products comply with all industry regulations, a matter taken very seriously by Flagg and Ramer. "I can't emphasize enough the significance of playing by the rules," Ramer said. "It is really important. This is a regulated industry where you have to follow every rule. Our ability to follow the rules comes from my experience in the regulated telecommunications environment, and we were able to add that experience into how Street Savings was designed."

Another factor of critical importance to Street Savings was its decision to use a dedicated short code rather than the more common shared short code. "There are a lot of individuals selling mobile solutions," Ramer said. "Ninety-nine percent do shared short code. We decided to avoid this based on my experience in telecom."

Commercial marketing text messages are delivered using an abbreviated mobile phone number called a common short code (CSC). Typically a CSC will be a short series of no more than seven numbers. The CSCs are assigned to specific businesses to allow carriers to track messages. To complete a message, customers must opt-in by responding with a short word or number to the merchant's short code. This legally required opt-in process allows customers to choose whether to access coupons, rewards or services.

Text messaging services can either lease a dedicated short code that is unique to the lessee or the company can lease a shared short code that is shared with other companies, brands or organizations. Ramer believes businesses with shared short codes are accepting greater risk because there is no way of knowing whether others sharing the short code are in compliance with industry regulations.

An industrywide compliance monitoring program was implemented Aug. 1, 2011. Companies using shared short codes now risk being shut down, and their customers may lose text message services, if a company sharing its short code is deemed noncompliant. While shared short codes are generally less expensive than dedicated short codes, they present far greater risks to merchants using them to reach customers.

"The wireless regulators just need to see once that a shared short code is not doing what it is registered for, and the code could be switched off," Ramer said. "That's unacceptable for a payment grade solution. We pride ourselves on being very buttoned up when it comes to regulation.

"We are very good at stored value rules, accessing different wallets and avoiding any comingling of funds – promotional transactions versus gift card transactions, for instance."

A platform for selling

Street Savings also developed a program to assists agents with selling. By providing demonstration accounts, merchants can view the Mobile Coupons and Mobile Rewards systems operating in real time. The company also offers webinar training and email assistance.

To avoid competing with merchant level salespeople (MLSs), Street Savings does not offer merchant payment processing services. When an MLS partners with Street Savings as a mobile payment consultant, the direct marketing aspects of its program are built to enhance mobile products and services already being offered by the MLS, the company said. Street Savings also offers gift and loyalty opportunities that can integrate with other plastic card or cardless programs on the market.

Street Savings indicated merchants who haven't used coupons or rewards programs in the past are finding that Street Savings can help them build business by creating promotions, holiday advertising and new offerings. The company said that with text messaging, merchants can prompt customers with instant or same-day special offers. Additionally, there are no long-term contracts with Street Savings, so merchants are able to try the service to determine whether the program meets their needs.

3 Key Components To Our Guarantee

Non-Compete | We only work with ISOs.

Control | ISOs keep total control.

Confidential | Your portfolio is private.

Prepaid pros from page 1

of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 is a prime example.

With lowered debit card interchange revenues to rely on, banks attempted to introduce fees on heretofore free checking accounts and debit card programs. Such developments did not sit well with consumers, who started to leave big banks in droves. The consumer backlash forced Bank of America Corp., JPMorgan Chase & Co. and Wells Fargo and Co. to cancel or make changes to fee schedules.

Embry said consumers have long borne the burden of interchange fees merchants pay to issuing banks via acquirers. Merchants simply offset their interchange costs by raising prices on goods and services, but consumers never made that connection.

"But you see what happened with Durbin," she said. "The minute Durbin goes into place, what do the issuers do? They start implementing fees for the use of debit. So now it's got the consumer all confused. And they're like, 'Wait a minute. You train me to use this card and now you're going to hit me with fees? I'm going to find a bank that won't.'"

High fees on prepaid cards were once a hindrance to adoption, Embry noted. Now that many prepaid card providers have lowered fees on cards in recent years to increase usage, companies are training their consumers that prepaid cards come with low fees.

Embry believes it is thus wise that providers don't follow the banks' lead and attempt to increase fees at some future date, even if regulation should increase their costs.

"You've got to have fees," she said. "But don't get greedy."

Differentiation through distribution

Aufseeser takes a different approach. She charts her career in payments back 25 years to when she helped launch secure credit card programs for MasterCard Worldwide in the early 1990s. It is her opinion that necessity will force prepaid card program managers to charge cardholders for ancillary services.

"I think it's incumbent upon the prepaid industry, especially with the CFPB [Consumer Financial Protection Bureau] coming in, that we just do a very good job at disclosing all the fees that we charge for," she said. "We have a right to charge for the fees.

"It just needs to be properly disclosed to consumers. … If we do a good job educating the consumer on what they're getting for that service, then I think we're fine."

Aite released a September 2011 impact note that looked at the future of two of the strongest growth markets for prepaid cards. In *U.S. Alternative Financial Services: Long-Term Success in the GPR and Payroll Markets*, Aufseeser said consolidation is on the horizon. The primary reasons are threefold:

1. Margin compression due to increased competition and regulation
2. Market fragmentation due to failure by companies to diversify distribution channels
3. Needs by companies to grow portfolios and gain economies of scale

Aufseeser believes prepaid card providers will have to add more distribution channels to stay vital. For example, a company that distributes cards mainly via convenience stores might want to look at other channels, such as grocery stores or the Internet. "For any of them to grow significantly in the business, they need to get better at acquiring through multi-distribution channels as opposed to a single, threaded approach," she said.

The future of commerce

Biff Matthews, President of Thirteen Inc., the parent company of CardWare International, also sees that consolidation lies ahead for prepaid. "I think we're not only going to have consolidation; I think we're going to have companies that are just going to literally fold their doors," said the 40-year payments veteran.

It is therefore not a joking matter when he advised, "If you're a small, bit player, get out now."

The blunt statement points out one aspect of Matthews' success in business planning – having an exit strategy. "It's like investing," he said. "You develop an investment strategy and plan. When the stock reaches a certain point, you sell.

"I don't care if it's going to go higher, you sell. Now you may buy back, but you stick with your plan and you need to have a plan. You need to constantly look at the plan and be prepared to revise it."

But planning is made difficult by the speed of change that is affecting both the prepaid sector and the larger payments industry. It is Matthews' view that a profound shift in payments is approaching.

With technology companies like Facebook and Apple Inc. enjoying user bases in the hundreds of millions, it's not a stretch to visualize payment marketplaces 10 years hence that have no use for the networks run by the dominant card brands today, Visa Inc. and MasterCard, Matthews said.

He considers the relatively smooth transitions that comprise the history of payments –from "knuckle busters" to POS terminals, from paper checks to mag stripe-enabled bankcards – to be at an end. In some ways, the shift to online and mobile payment marketplaces is a complete break from the past, he said.

Thus, prepaid card businesses should be planning for this dramatic change. "Quite frankly, you cannot transition; you must leap frog," Matthews said. "In my view, transition is impossible. You've got to be prepared to literally leave the past behind and [let it] die a natural death, and do something new."

He believes the distinction between prepaid and debit accounts will blur in the future. Funds will be deposited into accounts from any number of different sources, he said; whether those funds are funneled through prepaid or debit cards will not matter.

It boils down to how the term "money" will be defined. Will it mean Google or Facebook credits? "Once money is defined, people will then follow that path," Matthews said.

Cross sell or die

Another path to follow might be the one taken by 30-year payment veteran Rick Pylant, Chairman and CEO of Strategic Processing Systems Inc. When he was President and Chairman of CoCard Marketing Group LLC in the early 2000s, Pylant recognized his ISO had to change to survive. Thus, the ISO diversified its merchant offerings with services like gift card programs, check processing, website development services and online couponing.

"We started a long time ago doing nothing but credit card processing," Pylant said. "And then as our industry matured, we ended up having to go to other products and services. ... Prepaid cards were the hot ticket. They grabbed it and ran like crazy. And now I think they are at a point where they need to do the cross selling like we do."

Essentially, Pylant is recommending prepaid card businesses partner with ISOs or become ISOs themselves, to guard against the inevitability of prepaid cards becoming a commodity product. He said, "Would you go and start an ATM deploying company? Not anymore."

By diversifying products and services, prepaid card providers can broaden their appeal to businesses, merchants and consumers. It is the choice of being a one-trick pony or becoming an expert consultant selling diverse solutions, Pylant said.

Open door policy blues

It is also Pylant's opinion that the prepaid card industry suffers from isolation. It seems to the industry's advantage that its leading trade group, the Network Branded Prepaid Card Association, would ally with the payments industry's leading association, the Electronic Transactions Association, to increase communication and support between the related industries. But it hasn't happened, according to Pylant.

As president of the ETA, Pylant said the association has reached out several times to the NBPCA, but without success. "They have never really opened themselves up to any dialogue, solicitation of more widened membership, that sort of thing," Pylant said. "We're constantly on that front."

Pylant joined the ETA's board of directors in 2004. The association has grown substantially in that time, both in the size of its membership and the influence it wields politically. "When you mention the names of people who are in our association, it is some of the largest companies in the country," he said. "So when we get a chance to say something, it's pretty meaningful."

Pylant added that the ETA's move to Washington, D.C., and the hiring of permanent staff were instrumental in enhancing the organizations political influence; it gave the ETA quicker and easier access to all levels of government and raised the industry's profile among lawmakers.

Pylant recommends the NBPCA set up an office in Washington. "They need to be there," he said. "You've got to be able to turn around and run over to somebody's office immediately. You've got to be able to tap into the law firms that are there that have the strengths that you may not possibly have. … So there's just an awful lot of benefits to being in the D.C. area."

An NBPCA spokeswoman told *The Green Sheet* that the association operates out of New York City and that the Washington office of law firm Bryan Cave LLP is made available to it when needed.

Predation and security

While the prepaid card industry is experiencing steady if not spectacular growth in some market sectors, it is still dogged by bad publicity that has negatively branded the industry in the minds of many consumers.

Black eyes come from disreputable parties such as calling card marketers who cheat vulnerable consumers out of call minutes and general purpose reloadable card providers that charge hidden and predatory fees on certain products.

Similarly, some ISOs have given the payments industry a bad name. It doesn't help when ISOs spring new fees on merchants or charge exorbitant switch fees that are only disclosed in the fine print of merchant contracts.

Indeed, it can be argued that this type of behavior contributed to the political atmosphere that led to the passage of the Durbin Amendment. Carr, who co-founded Heartland in 1997 after 25 years in payments and software development, holds the ETA accountable for that.

"The ETA has been unforgivably lax in working to stop bad actors, and the NBPCA is following in those precise footsteps," he said. "The [payments and prepaid] industry is getting the legislation it has earned."

Data security is another troublesome topic – something Carr knows all about. Heartland experienced one of the largest data breaches in history. The 2008 compromise resulted in class-action lawsuits and expensive reprimands from the card brands, let alone the damage inflicted on the processor's reputation.

The Open Security Foundation's Dataloss DB website pegged the number of records compromised in the breach at 130 million. The Privacy Rights Clearinghouse reported the intrusion cost Heartland almost $140 million in breach-related expenses.

"We have come out of the breach standing and healthy despite the lost years and the loss of hundreds of millions of dollars of wealth," Carr said. "I regret the breach very much."

But Carr was proactive in the wake of it. He founded the Payments Processor Information Sharing Council (PPISC) under the auspices of the Financial Services Information Sharing Council (FS-ISAC) and led Heartland in accelerating the implementation of end-to-end encryption technology to bolster security defenses against fraud schemes.

Carr said Heartland handled the breach as well as it could and in retrospect wouldn't have done anything differently. His advice to the prepaid card industry and the NBPCA: "Beg and plead the FS-ISAC to take them under their umbrella so stakeholders can share security information and best practices among members in the manner that the PPISC does for the payment processors today."

Moral of the story

If parallels can be drawn between the development of a human being and that of an industry, prepaid is a teenager exploring its independence. But teenagers are notoriously stubborn and impulsive. And they think they know everything.

It might therefore be wise for the prepaid sphere to take the advice of its elders. Move toward openness, not only with consumers but also with its fellow payment professionals. And also look out for that upcoming bend in the road. The industry wouldn't want to end up one day remorseful and find its keys have been taken away.

Education

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Integrity and ethics from day one

By Bill Pirtle

C3ET Credit Card Consortia for Education & Training Inc.

Recently, someone on Facebook posted the picture of a jar lid that read, "Integrity is doing the right thing when no one is watching." I thought that would be a good topic to discuss and asked GS Online MLS Forum members how they define integrity and ethics and how they apply them in their own businesses.

The dictionary in Microsoft Word defines ethics as "a system of moral principles governing the appropriate conduct for a person or group." It defines integrity as "the quality of possessing and steadfastly adhering to high moral principles or professional standards."

JMATHIS offered this quote from retail executive Wayne Sales. "Making a decision usually means taking one of two roads," Sales said. "One is doing the right thing. To take the other road, you have to sit back and spin a story around the decision or action you are taking. If you find yourself thinking up an elaborate justification for what you are doing, you are not doing the right thing."

Have you ever seen a 48-month lease at $110 per month on a VeriFone Vx570, with a PIN pad for an additional $29 per month? The merchant level salesperson (MLS) will claim everything was fully explained to the merchant and it is perfectly legal and proper, and besides he "needs to earn a decent living."

Though it may be legal, what the MLS failed to disclose was the fact that the terminal and PIN pad could have been purchased by the merchant for a few hundred dollars. By leasing it the MLS will earn a $4,000 commission. "Caveat emptor" (let the buyer beware) is generally the excuse for such extravagant pricing, but this type of MLS sidesteps responsibility by saying the merchant should have known better.

"May be corny, but doing what you would want someone to do for your family," **BER** said. "My parents-in-law had a business and I think about ethics in terms of 'would I or wouldn't I' do business a certain way with them."

RCONLEY added, "I think [the] Facebook find, 'Integrity is doing the right thing when no one is watching' is the key to success. When both you and the merchant abide by this rule you will have a good relationship and a good customer."

While searching for an expert to cover ethics for this article, the one we approached hesitated. His concern was how others view ethics and whether or not his beliefs would match those of the readers. The definitions of ethics and integrity seem straightforward, but the terms are subject to personal interpretation.

The topics of ethics and integrity need to be covered as part of the curriculum for any industry training program. If you cover the topics in training new agents, you better be certain your own dealings with merchants and agents are ethical. If you are padding interchange or not sharing

Education index

ANNOUNCING EMS' ONE HUNDRED PERCENT SPLIT
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THAT'S RIGHT, YOU READ IT CORRECTLY. AS AN AGENT OF ELECTRONIC MERCHANT SYSTEMS YOU'LL ENJOY A 100% SPLIT FOR YOUR FIRST YEAR WITH US. YOU KEEP 100% ABOVE INTERCHANGE AND PASS THROUGHS, GUARANTEED, FOR YOUR MERCHANT'S FIRST 365 DAYS. THE CATCH? THERE ISN'T ONE.
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Whether the split is 50/50 or 80/20, the ISO and MLS must take into account not only the costs of time and energy expended but also the pivotal role industry knowledge and ongoing consulting play in providing merchant services.

revenue as the Schedule A calls for, it sends a clear message to agents that misleading customers and underwriters is permissible in your organization.

Higher standards, better agents

Ethics can also play a role in developing better MLSs. Consider the possibility that an underperforming MLS might undervalue his or her knowledge and service and convey this to merchants. In the MLS's mind, the low pricing is justified because the agent is unable to see any value beyond interchange fees, dues and assessments.

Whether the split is 50/50 or 80/20, the ISO and MLS must take into account not only the costs of time and energy expended but also the pivotal role industry knowledge and ongoing consulting play in providing merchant services.

A business has the right to earn a fair profit. By showing the ethical agent the genuine need for charging higher rates, you gain an honest agent who understands and believes in the pricing of your services, which in turn will result in higher margins to share.

Although I believe training in ethics is essential for the industry, I do not believe ethics can really be taught. What can be taught is that certain expectations for ethics and integrity exist within the organization and there will be consequences for failure to meet set standards.

If your ISO has an ethics clause, you need to fully understand the types of behavior that will and won't be tolerated. While I was training for an insurance license in Michigan back in 2000, one trainer's ethics talk was limited to "don't screw with old people" concerning health insurance and selling policies that duplicated the Medicare they already had.

Preamble to certification

When most people discuss certification or registration for our industry, they genuinely seek to clean it up. As of this writing, the first group of forum members has taken the examination for the Electronic Transactions Association's Certified Payment Professional (CPP) program.

They are reporting that the examination is very difficult and anyone new to the industry would be unlikely to pass it. To me, this reinforces the idea that training is needed and ethics should be part of it.

Knowledge of the industry is a wonderful thing. Passing the ETA CPP certification demonstrates industry knowledge and that you have either three years of experience or one year with a college degree. The idea behind the certification was to establish a way for business owners to identify knowledgeable and trusted professionals.

There is one issue that has not been addressed as part of the certification program. If not given proper training and an ethical compass from day one as a payments industry professional, how can anyone be assured that in three years the MLS will have adequate industry knowledge to pass the exam or certification?

If you unknowingly join one of the rogue ISOs, which enrollment in the CPP program will certainly ferret out, you would be trained to get contracts at any cost. You would also likely be shown how to convert leased terminals into the financial bonanza that it has become for some individuals.

Then three years down the road, you would take the CPP exam and find that you did not pass, and you may not understand why.

Training an agent in unethical ways to sign merchant accounts will eventually come back to sully the reputation of the entire industry. The unethically trained agents will leave their original ISOs for greener pastures and take their bad training with them.

If an ISO that encouraged the unethical behavior pays signing bonuses instead of residuals, the ISO will soon discover the agent is actively churning accounts.

Churning occurs when an agent leaves one ISO for another one that pays an upfront bonus for new accounts. The agent then proceeds to re-sign his entire portfolio for the new ISO, only repeating the process again.

Normally, by the time the unethical behavior has been detected, the agent has already re-signed the same accounts several times, leaving merchants with multiple active accounts and, in some cases, multiple active leases.

Having a well conceived training or certification program available means little unless it instills an understanding that ethics and integrity play key roles in the long-term success of an agent.

I ask that ISOs and MLSs consider the training they've

Teach new agents the right way to do things and why it's important to do so. For example, while training new agents how to complete an application, focus on why it needs to be as complete as possible.

offered or received over the years and to reflect on the concepts of ethics and integrity that should be included in training moving forward. Teach new agents the right way to do things and why it's important to do so. For example, while training new agents how to complete an application, focus on why it needs to be as complete as possible. Don't just focus on problems with application delays; rather focus on how to give underwriting all of the facts pertinent to expediting approval or denial of the application.

A personal decision

Last month, I was called by a business owner I had met at a friend's networking event. He had several websites and mentioned he wanted different processors for each website to "prevent crippling my business due to holds on processing receipts." He also said his websites bring in over $100,000 each month.

Now, as much as I liked the idea of residuals on this amount, I had concerns about the conversation. One website sold his book, and the others featured webinars and training products related to finances. I called two of my processing partners and fully disclosed the entire conversation.

I wound up not writing the account. One might have approved the application with financial records, but I decided not to write the account and told the business owner why.

One of my partners was surprised by my full disclosure. I explained that I risked cutting my own throat by signing a merchant I had doubts about; a huge loss could cripple my ISO partner, thus stopping my residuals.

It is possible I could have signed the business to three separate accounts without issue, as each website was owned by a separate company. But the words expressed by the merchant told me I was asking for trouble. In the end I passed on the deals. Although some agents would have ignored the warning signals and signed the accounts anyway, the real point I'd like to make here is that each deal needs to be viewed from the ISO's perspective with full disclosure, even if it means we must occasionally turn one down.

Though agents may view ethics and integrity differently, adherence to basic standards will only serve to elevate the industry as a whole. Teaching agents the ethical standards they need to observe and enforcing them is just as important as improving the industry through proper training and certification.

What you do today determines your tomorrow.

Bill Pirtle is the President of C3ET Credit Card Consortia for Education & Training Inc., a joint venture with Theodore Svoronos of Merchant University. Created to establish a comprehensive training program for ISOs and merchant level salespeople, C3ET is working with industry experts to produce a training guide to be published in early 2012. Bill's email address is bill@c3et.net. *He welcomes all connections on Facebook and LinkedIn.*


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Section 6050W relief doesn't mean compliance is voluntary

By Troy Thibodeau
Convey Compliance Systems Inc.

At the end of October 2011, the Internal Revenue Service disclosed changes to Internal Revenue Code Section 6050W, which regulates the reporting of payment card and third-party network transactions. The IRS realized many organizations were not ready to fully comply for tax year 2011, so it is allowing a 12-month, good-faith-effort relief on penalties and withholding.

1099s still key for the IRS

This is a bold move by the IRS, but it underlines the agency's belief in tax information reporting as a major tool in combating what it perceives as the $345 billion gap between actual earnings and reported earnings by U.S. taxpayers. The IRS wants this regulation to work, so it's giving firms a year to perfect their systems, learn from their mistakes and be fully ready by 2013.

The IRS has stated many times that tax information reporting regulation is central to accessing more revenue without creating new taxes. It will continue to force through more 1099 regulation and, as time goes on, will offer businesses less leniency for noncompliance.

The problem is that some firms will see this as a 12-month holiday from preparing for Section 6050W compliance. This transitional relief for Form 1099-K reporting is not a vacation from, or repeal of, the new tax law.

No repeal, plenty of work

The 1099-K reporting requirement set forth in Section 6050W was passed into law as part of the Housing and Economic Recovery Act of 2008. It was an attempt to increase transparency in relation to electronic payments and transfers, and was forecasted to raise $9.5 billion in extra revenue over 10 years, taking American taxpayers a step closer to closing the tax gap. But this law and its side effects, such as more frequent requests for tax information forms, led to confusion among merchant banks, processors and ISOs, as well as among merchants themselves.

Some acquirers may have assumed they could wait it out until the law was repealed, much like the recent 1099 reporting requirement that was attached to the Patient Protection and Affordable Care Act of 2010. Some also may have underestimated the work that has to go into checking all their clients' taxpayer identification numbers and implementing new administrative, electronic and customer service processes.

The IRS has stated many times that tax information reporting regulation is central to accessing more revenue without creating new taxes.

Good faith, not voluntary

Several trade associations representing both merchants and acquirers called on the IRS to be lenient for the first year. The IRS listened to their requests and announced plans not to assess penalties on those who make good-faith efforts for tax year 2011 reporting, the first year of the reporting process.

Good faith will be determined by the IRS in the aftermath – my experience suggests this will involve the IRS evaluating the documentation of a firm's processes and systems. Those that are seen to have tried to comply will not be fined for missing information or incorrect filing. That's not to say the IRS will not grade them – many firms may receive a "must try harder" from the IRS in the wake of their examination, and necessary changes should be implemented ahead of 2013.

Firms that show no attempt at complying with Section 6050W will risk fines for noncompliance. Again, this is transitional relief for one year, not a scrapping of the rules. Businesses that treat this opportunity as a tax reporting holiday – or think that this is signaling 1099-K reporting being repealed – may face a harsh reality.

Time to get better

This temporary relief the IRS has granted to merchant acquirers is about more than just immediate penalties. How businesses handle the transition in the long run will determine if they are recognized as purveyors of best practices or known as characters in cautionary tales. Those who efficiently manage the process will create competitive advantages such as not having to pass along related costs to their customers.

Troy Thibodeau, Executive Vice President of Convey Compliance Systems Inc., began his 20-plus year career as a CPA at Price Waterhouse and has spent the past 12 years helping organizations automate regulatory and financial processes. With Convey, he ensures the company provides its clients the best possible tax information reporting experience. For more information, visit www.convey.com, call 800-334-1099 or email Thibodeau at tthibodeau@convey.com.

Innovate or perish

By Dale S. Laszig

Castles Technology Co. Ltd.

The United States may be painstakingly slow to adopt smart card and contactless payments schemes, but we've been first with many other emerging technologies. Our global neighbors admire the pioneering spirit of American innovators like Steve Jobs and Bill Gates. Even our own payments industry has been an incubator for cool applications that ride the rails of traditional payment card processing.

Think of how many routine tasks have found their way to the countertop credit card terminal. We can pay bills, process claims, verify identity, confirm health care eligibility, and accept a whole slew of private-label gift and loyalty cards at the POS. These applications were the defining technologies of the last few decades. They set the stage for a whole new generation of apps and applets in the same way that analog set the stage for digital technology.

Find better tools

Today, it's no longer cutting edge to pay an electric bill at a 7-Eleven store when you can do it from anywhere. Let's face it, any app that requires you to go to a specific location to perform a single task looks a bit dated in today's always-on, always-connected world. We've become accustomed to making dinner reservations, ordering groceries, paying bills, doing online banking, and even making and receiving payments from increasingly ubiquitous and affordable smart phones.

Pretty soon, fanning through payment fobs in the shopping lanes will be behavior that goes the way of writing paper checks. Who needs key fobs when credit, debit and loyalty can be scrolled and tapped at the point of service using mobile wallets on smart phones?

Analyze merchant/consumer requirements

Merchants need us more than they need our technology. You can't build a house without a blueprint. And you can't build a processing system without a conceptual framework that begins with a solid understanding of the ground on which we build. Merchant level salespeople (MLSs) need to analyze each merchant's business and propose how technology should be applied.

A new generation of interactive consumers will opt in to connect their favorite brands to their mobile wallets and enable instant alerts based on geolocation, shopping history and personal preferences. These consumers value their relationships with select merchants and brands more than they value their privacy.

Our most basic definitions of currency and banking will be challenged as we learn to navigate a hyper-connected world of mobile payments, emerging technologies and changing consumer behavior.

No matter how you feel about this new world, your merchants are counting on you to explain it to them. They need to understand how they can use the new technology to build better and more committed relationships with their customers.

Apply technology strategically

How can MLSs manage expectations in this brave new era of emerging payments technology? The first order of business is to remind ourselves and our merchants that technology is just a tool. It is here to serve us by solving a problem or fulfilling a need.

Atul Gawande, a surgeon at Brigham and Women's Hospital in Boston and Associate Professor at Harvard Medical School, expressed the same idea as applied to medicine in a *New Yorker* article:

> "Talk about medical progress, and people think about technology. We await every cancer drug as if it will be our salvation. We dream of personalized genomics, vaccines against heart disease, and the unfathomed efficiencies of information technology.

Just as other professions and industries have gained a deep respect for breakthroughs in technology, payments industry veterans have to be smart about the ways we use these tools to build robust, interactive environments for merchants.

> I would never deny the potential value of such breakthroughs. … But the capabilities of doctors matter every bit as much as the technology. This is true of all professions. What ultimately makes the difference is how well people use technology."

Just as other professions and industries have gained a deep respect for breakthroughs in technology, payments industry veterans have to be smart about the ways we use these tools to build robust, interactive environments for merchants.

Build creatively

In *That Used to Be Us: How America Fell Behind in the World It Invented*, authors Thomas L. Friedman and Michael Mandelbaum made a sweeping prediction:

> "Within a few years, virtually everyone on the planet will have the tools and network connections to participate in the hyper-connected flat world. As that happens, all of these instruments of innovation and connectivity will become what electricity is for most of the world.
>
> "Once everyone is connected, your prosperity will depend on how well you or your company or country can 'analyze and apply' all the data pouring through these networks to optimize … services to everyone on the network. After all, the tools your company uses to perform all of this analysis will be sitting there in the cloud for every other company to use."

In the new, hyper-connected world where everyone has the same set of tools and technology, how will you analyze and apply widely available data to winning strategies for your own game plan, your company's plan and – especially – the specific needs of individual merchant customers?

Stay focused on ROI

When we present emerging technology to customers, we need to get beyond the wow factor and focus on the business case of implementing a new system. Some of it is very shiny, but does it answer a need?

Philip Farah, Principal, Financial Services at Cisco Systems Inc., recommends beginning any project with a solid understanding of its core value proposition and how this value will be used to capture revenue.

"A convergence of new capabilities – such as digital currency, solid cryptography and video analytics – and the interconnectedness of social media, encryption and cloud technology are driving today's payments," Farah said. "These trends can be very compelling to merchants and consumers, but what is the business case behind the technology?"

For Farah, it comes down to return on investment (ROI), and the question that brings this into focus is, "Can you make more money out of this, or are you just throwing money at it?" Merchants will pose the same question to their MLSs as they look for innovative ways to leverage emerging technologies.

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

Good talent is hard to find

By Jeff Brodsly
Chosen Payments

As a business owner, I am always looking for "good talent"; it would be foolish not to. However, it seems these days good talent is hard to find. Let me clarify: good talent does not necessarily mean the same thing to me as it does to others.

It is fairly simple for an individual to read some sales books and attend a few sales seminars, apply this knowledge to create an effective pitch, and become a halfway decent salesperson.

Those who take steps to understand the dynamic of the sale, and how to get what they want, will be far greater salespeople than those who swing blindly and hope to hit one here or there.

Finding the DMB

That said, people who continue to study the sales profession grasp that selling is about understanding your audience – their needs, their dominant buying motive (DBM) – and figuring out a way to show prospective customers that what you have to offer will solve their problems. Each merchant will have a different DBM, just as each person walking onto a car lot will have a different DBM.

For example, if a single 30-year-old man walks onto a car lot accompanied by his sister and nephew and a car salesman immediately tries to sell him on the most reliable, new minivan (emphasizing that the financing on it is 0 percent for 60 months), he has scant chance of making the sale. The same is true if he quickly tries to sell a slick, new convertible to an impeccably dressed, middle-aged woman. But why?

Spotting assumptions

The reason is that he did not take the time to ask questions, listen and understand his audience. The single, 30-year-old man could be looking for the hottest new sports car to flaunt his bachelor ways.

Or maybe he's looking for a way to increase his confidence in the singles world by getting a hot new sports car that will give him a needed ego boost when pulling up to the bar at happy hour.

The salesperson assumed that because the young man was with a woman and child, he would be looking for a family car. He made a huge mistake. And the fashionable, middle-aged woman? She just had twin baby girls about seven months ago and is now looking for the safest possible vehicle to protect her precious new additions. She is not worried about looks, cost or speed. Safety is her DBM. Assuming by her appearance that she wants to be hip and have a new convertible is the sign of an amateur at work.

Understanding your audience

Salespeople who do not dig and ask questions are just wasting their breath and losing potential sales, no matter how polished their presentations may be.

Remember, each merchant has his or her own DBM, too. If you don't ask the proper questions, you will not know that your merchant prospect may not care about cost at all, but rather wants a provider who can be reached by cell phone 24/7. This merchant may have had a bad experience one holiday and lost $25,000 in sales because his terminal broke down, and he could not get in touch with anyone.

Uncovering this type of information is part of understanding your audience and each individual's DBM. Once you know a prospect's DBM (in this case it would be service and reliability), you can then show the individual how partnering with your company will provide what he or she is looking for.

Going beyond the DBM

OK, so if there are merchant level salespeople (MLSs) out there who know how to do what I just explained, they will be very successful in this industry. But to me this is still not good talent. Good talent is someone who can do this but do it with ethics, with morals, with integrity and with honesty.

My mother has always said, "If you do the right thing, you cannot be wrong." As a child, I hated hearing that, but now it makes complete sense. To separate yourself from the competition, whether you are the owner and president of an ISO or an MLS new to the industry, you must act with an honest and ethical mindset. If you do not, your actions will bite you in the end.

Learning from experience

I may have learned this lesson the hard way through some of my business decisions in the past. I spent many years wearing an MLS hat for an ISO. Then I moved on to wear an owner/partner hat under this same ISO. This gave me multiple experiences, both good and bad, through various perspectives. Due to these types of experiences, I became driven to open my own shop, my way.

As an ISO, there are many ways to not fully disclose items and hide behind the bank. This may help the ISO grow by acquiring merchants faster than others or by recruiting sales reps with false promises. Merchants who are promised the world plus a $250 month savings, yet end up pay-

The whole industry would benefit if more ISOs and MLSs would strive to earn business the right way and keep it forever. That way, we would be building our futures together, not creating enemies who implore Congress to enact laws to curb our perceived excesses.

ing $250 more and are stuck in a 48-month lease, will be burned by those half-talented sales agents who found the DBM but then landed the business unethically.

Doing business the right way

Agents who are not good talent would rather have short-term pleasure for long-term pain. Hopefully, at some point, MLSs with integrity will meet merchants who have been burned, ask questions, evaluate their situations, acquire their business the right way, and keep their business for a long time.

The whole industry would benefit if more ISOs and MLSs would strive to earn business the right way and keep it forever. That way, we would be building our futures together, not creating enemies who implore Congress to enact laws to curb our perceived excesses. Let's commit to the health of the payments business for the long run and then do what it takes to prove our worth to our merchant customers.

Spurning false promises

MLSs who sign with ISOs because they are promised a $500-per-deal signing bonus plus an 80 percent split are immediately set up to sell unethically and fail. How can an agent sell for a shop in an ethical manner when the shop itself is selling unethically? By encouraging MLSs to have false dreams and offering untrue revenue splits, ISOs are setting agents up for failure.

Under such circumstances, MLSs will go out on the street, representing this too-good-to-be-true ISO, and after five or six months, they will find out they are getting a bad deal. At that point, they will realize they have jeopardized their reputation with merchants, family or friends whom they boarded under the unethical ISO who gave them a misrepresentation.

I am not a genius, but when an ISO gives up a $500 bonus plus 85 percent of the revenue, how can the business operate with a 15 percent share? It does not make sense. Simple math goes to show that this type of compensation plan is designed unethically, and thus is not designed by someone with good talent. At some point the "biting the hand that feeds you" approach will catch up to the ISO. Agents are the backbone of the industry; they should be treated with respect across the board.

Making a choice

To separate yourself from the competition, you must make a choice. Once again, as my mother always says, "If you do the right thing, you cannot be wrong." This is the choice we all face. There will always be multiple ways to get to the same goal; however, at the end of the day, or end or our lives, the most honorable way is to be a part of the good talent.

Those who share in the hard-to-find, good talent world can go to sleep at night in a very peaceful state. What do you feel when you rest your head?

Jeff Brodsly is the President and Chief Executive Officer of Chosen Payments, a company created with the industry's feet on the street in mind. Through his multilayered experience as an agent for a top ISO as well as a partner/owner under a top ISO, Jeff developed an organization that remains true to its agents. He can be reached at 805-910-1445 or jeffb@chosenpayments.com.

The cost of cyber attacks

By Nicholas P. Cucci
Network Merchants Inc.

The Ponemon Institute LLC's *2010 Annual Study: U.S. Cost of Data Breach* found the average total per-incident cost of data compromises and similar attacks was about $7.2 million. Data breach incidents cost U.S. companies on average more than $4 million in lost business. Brand damage and customer loyalty and trust can be compromised beyond repair.

Unfortunately, too many companies are still unaware of this activity. The *2010 Verizon Data Breach Investigations Report* found that weeks or months often go by before an initial attack is discovered. Around 34 percent of incidents take months to discover. Most companies find out from third parties.

Symantec Corp., sponsor of the Ponemon report, discovered 286 million new and unique threats in 2010 from malicious software, up from 240 million in 2009. In 2007, the company found the volume of harmful software in the world surpassed that of beneficial software.

Chinks in the armor

Issues constantly debated at security conferences are outsourcing and content management software (CMS). As publishers look for cost-cutting opportunities, outsourcing is often an attractive option.

Even when doing something as simple as hiring an email marketing firm, users should exercise caution, as these services are not immune to cyber attacks.

Stolen email addresses become problematic when combined with other stolen information that gives fraudsters the basics to steal identities. This can lead to phishing attacks to retrieve Social Security numbers, user IDs, passwords and PIN numbers.

Companies work hard to build quality customer service. While outsourcing is always an option, it is rarely successful. Many businesses do not realize that customer support is the Achilles' heel of a company. Customers will leave a business when they have been misguided by the support team.

Companies will undoubtedly see a decline in customers if they outsource customer support. They have more frustrated customers, reduced sales and an increase in cancellations.

Public Broadcasting System's website was hacked earlier this year through a security flaw in the site's content management system – one of many open source systems that have come under question. The use of open source CMS is appealing because of its low cost and flexibility.

The main issue with CMS is not the code but the fact that developers don't keep up with regular security updates and patches to correct bugs in the software. Hackers need only a slight vulnerability to be successful.

RSA breach update

In March 2011, a massive cyber attack on RSA, the Security Division of EMC Corp., exposed vulnerabilities in RSA SecurID tags. Some 300 command and control networks were used in this attack, nearly all of which were located in China. Many large companies may have been victimized as well.

On Oct. 24, 2011, computer security journalist and blogger Brian Krebs made public a list of 760 organizations that security experts reportedly said may have been compromised by the same control infrastructure used against RSA.

Krebs wrote that these experts shared their findings with congressional lawmakers and staffers. He noted, however, that many Internet service providers are on the list likely because their subscribers were hit. It is not known how many systems – if any – inside each company were breached, or if any information was stolen. And some of the companies listed have since denied that their systems were compromised.

The list supplied by Krebs included companies whose networks had been communicating with the same China-based control infrastructure that was used in the attack on RSA.

The list includes Cisco Systems Inc., Facebook, Google Inc., IBM Corp., the Internal Revenue Service, Massachusetts Institute of Technology, and the VeriSign division of Symantec.

Lessons learned

The RSA data breach was a shock to the industry and received worldwide attention because it showcased the challenges organizations face in detecting and blocking intrusions from targeted attacks. The breach was followed by an attack in May on military contractor Lockheed Martin Corp.

Industry officials said Lockheed made the necessary security changes suggested by RSA after its attack. This included increased monitoring and the addition of another password to its remote login process. However, the hackers still were able to breach the network, prompting security experts to say the tokens themselves needed to be reprogrammed.

Since the RSA incident was disclosed, lawmakers have taken a renewed interest in Advance Persistent Threat (APT) attacks. APTs typically refer to routine attacks carried out by a group – usually a foreign government – over a long period. The attacks can be under the radar of the target companies and exploit system vulnerabilities.

Companies can resist APTs by training staff to recognize "social engineering" ploys – for example, emails that strive to convince employees to open attachments – and above all by quickly patching vulnerabilities as they become known.

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

PCI: Target or shield

By Steve Robb

ControlScan Inc.

Since 2006 and the formation of the PCI Security Standards Council (PCI SSC) by the major credit card brands, identity theft and data breaches have continued to escalate – from large-scale incidents, impacting more than 130 million credit and debit cards, to an alarming and recent focus on small businesses.

According to the *Verizon 2011 Payment Card Industry Compliance Report*, roughly 80 percent of businesses in 2010 were not 100 percent compliant with the Payment Card Industry (PCI) Data Security Standard (DSS), an evolving standard managed by the PCI SSC to increase controls around cardholder data in an effort to reduce fraud.

To make matters worse, retailers and politicians often view breaches as an opportunity to attack the PCI DSS. Meanwhile, industry leaders and the PCI SSC forge onward with promoting adherence to and updating the data security standard. This article will explore some of the most common attacks on the PCI DSS and how merchants and the ISOs and acquirers that serve them can better understand, embrace and deploy the standard within their organizations.

Ten common myths of the PCI DSS

The PCI Security Standards Council, which has issued a number of updates to the PCI DSS, as well as guidelines for related emerging technology, is no stranger to misunderstandings, as evidenced in the following list the organization compiled of PCI DSS myths:

Myth 1:
One vendor and product will make us compliant.

Myth 2:
Outsourcing card processing makes us compliant.

Myth 3:
PCI DSS compliance is an IT project.

Myth 4:
PCI DSS will make us secure.

Myth 5:
PCI DSS is unreasonable; it requires too much.

Myth 6:
PCI DSS requires us to hire a Qualified Security Assessor.

Myth 7:
We don't take enough credit cards to be compliant.

Myth 8:
We completed a Self-Assessment Questionnaire, so we're compliant.

Myth 9:
PCI DSS makes us store cardholder data.

Myth 10:
PCI DSS is too hard.

Caught in the crossfire

Most criticisms of the PCI DSS are overly broad, demonstrating a lack of understanding of the standard or review of even the most basic of its requirements. Others are very specific, which are more often than not currently being discussed by the PCI SSC or addressed in updates to the standard, such as the PCI DSS 2.0. Let's explore some of the most common criticisms.

1. **PCI DSS has done little to stop payment card data thefts and fraud.** In public statements following a 2009 data breach, Heartland Payment Systems Inc. Chief Executive Officer Robert O. Carr claimed his company had implemented and abided by every single one of the security controls mandated by the PCI DSS. In an interview with *Computerworld*, Carr said the breach pointed to both the sophistication of the attacks against Heartland and the inadequacy of relying on PCI controls alone for data security.

2. **PCI is overly complex and expensive.** Michaels Stores Inc. Chief Information Officer Michael Jones testified before a U.S. congressional subcommittee that the PCI DSS requirements are "very expensive to implement, confusing to comply with and ultimately subjective, both in their interpretation and enforcement." He continued, pointing out that it is often stated there are only 12 "requirements" for PCI compliance when, in fact, there are more than 220 subrequirements.

3. **PCI standards are not evolving quickly enough.** According to Rep. Yvette Clarke, D-N.Y., much of the PCI compliance limitations have to do with the static nature of the standard's requirements, which Clarke believes are ineffective at dealing with the highly dynamic security threats that retailers and other merchants now face.

   Paul Henry, Security and Forensic Analyst for Lumension, echoed Clarke's sentiment stating that, "At a time when cybercriminals only now need a day to create an exploit, we need a shorter mandatory timeframe for critical patch deployment, not a longer time." Henry has been vocal about what he views as PCI security compliance weaknesses. For one, he believes the patch lifecycle testing process should be shortened and that firewall requirements are far too vague.

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4. **Other technology, such as chip and PIN, will better protect against breaches.** Cindy Merritt, Assistant Director of the Retail Payments Risk Forum at the Federal Reserve Bank of Atlanta, believes the cavalcade of recent breaches should lead the payments industry to reconsider the value of PCI compliance guidance in light of risk mitigation alternatives such as chip and PIN.

PCI - An evolving standard

While the list of complaints may seem lengthy, the truth is the PCI DSS has forced the payments industry, financial institutions, businesses of all sizes and even consumers to pay more attention to information technology (IT) infrastructure and personal data security, and notable progress has been made toward improved security.

1. **PCI DSS has curbed payment card data thefts and fraud.** Anyone in the security field knows that achieving a 100 percent effective defense against identity theft and hacks is impossible. That said, experts believe it is not the PCI DSS itself, but rather inadequate implementation of the standard that limits the effectiveness of protective measures. Visa Inc. Chief Enterprise Risk Officer Ellen Richey stated, "...no compromised entity has yet been found to be in compliance with the PCI DSS at the time of a breach."

   Also, when Bob Russo, General Manager of the PCI SSC, spoke with *Computerworld* about the Heartland breach, he said the fact that it resulted from a basic SQL injection error calls into question Carr's claims about the sophistication of the attack and the preparedness of the organization.

   Adopting and maintaining adherence to the PCI DSS is simply the best way for merchants, ISOs and acquirers to protect card data. The standard's framework helps businesses build a security and compliance culture, while serving as an effective baseline for merchants needing to layer on additional security.

   A VeriSign white paper analysis of 112 assessments titled *Lessons Learned: Top Reasons for PCI Audit Failure and How to Avoid Them* found that most merchants did not meet the PCI DSS requirements that mandated regular monitoring and maintenance of security systems and processes outlined in the PCI DSS requirements (30 achieved PCI compliance, 82 did not).

   Following are the top reasons cited for PCI audit failure:

   - 74 percent of merchants failed requirement 11: regularly test security systems and processes
   - 71 percent failed requirement 10: track and monitor all access to network resources and cardholder data
   - 66 percent failed requirement 1: install and maintain firewall configuration to protect data
   - 60 percent failed requirement 12: maintain a policy that addresses information security
   - 56 percent failed requirement 6: develop and maintain secure systems and applications

2. **PCI is manageable when priority and resources are given to the important initiative.** Merchants can either embark on PCI compliance alone or consult with a trusted ISO or acquirer. Engaging PCI compliance experts, especially for smaller merchants with fewer internal or IT resources, can make the PCI compliance effort much less daunting, often resulting in a more affordable approach to achieving compliance. Typically, ISOs and acquirers turn to third-party PCI compliance and security solutions vendors for support – a relationship that is often included in existing payment processing fees.

3. **Approaches to applying PCI standards are evolving.** Far too many merchants have a security mindset focused on the wrong goal – PCI compliance. Yes, merchants must meet the requirements, but achieving compliance should be an ongoing exercise in establishing a secure environment, not a pat on the back when a PCI certificate is received.

   Constant monitoring of security posture, which the standard requires, will help merchants quickly evolve to meet breach threats. The PCI SSC supports these efforts with updated standards as well as the dissemination of supplemental guidelines including the *PCI DSS Wireless Guidelines Information Supplement*.

4. **Advanced technology, such as end-to-end encryption and Europay/MasterCard/Visa (EMV), should be considered for use in conjunction with PCI.** Merchants, ISOs and acquirers should consider tokenization, which replaces cardholder data with a surrogate value or token. The PCI SSC has provided high-level guidance on how tokenization can reduce a merchant's scope with point-to-point encryption (P2PE), which encrypts transaction data from the point of swipe to processing entity, and should be deployed by all businesses handling card-present transactions.

   The PCI SSC has issued a P2PE roadmap and initial guidance on hardware-based solutions; a listing of validated solutions is expected in the spring of 2012.

   While EMV is often heralded as the next step, or even the "end all, be all" in card data protection,

the PCI SSC points out limitations with EMV in *PCI DSS Applicability in an EMV Environment: A Guidance Document*, which addresses how EMV can operate within the PCI DSS to secure both card-present and card-not-present transactions.

Terms of agreement

There is a statement both sides can agree upon: PCI compliance has largely been adopted as a point-in-time event. To be truly effective in preventing hacks and breaches, merchants and the ISOs and acquirers that serve them must maintain a continually vigilant security posture through the use of layered security, internal policies, continual review of all transaction equipment and payment terminals, and guidance from PCI-compliance and security solutions vendors.

The following correspondence from a PCI-compliance provider to its customers, demonstrates the importance of consistent application of and adherence to the PCI DSS:

> "The card associations [now companies] require all merchants to become PCI compliant to help defend against credit card fraud and data breaches. Utilizing a PCI-compliant payment application or e-commerce gateway is not enough to be considered compliant. PCI compliance extends beyond the payment application and covers your systems and how you conduct business and manage your customer's data. Noncompliant merchants are subject to penalties and fines in the event of a data compromise which, as you can imagine, severely impacts your customers as well as your business. We have made every effort to make the process as quick and easy as possible."

Today, consumers are much more conscious of identity theft and protecting personal information than in the past. The PCI DSS provides a prescriptive baseline that improves security posture while providing a firm security foundation to build on. Meeting PCI compliance standards through constant and vigilant monitoring of business practices through the lens of the security standard is good for business.

By protecting against cardholder fraud, merchants are providing a valuable service and obligation to customers, as well as protecting one of their most important assets: their business reputations.

Steve Robb is Vice President of Products & Services for Atlanta-based ControlScan Inc., a provider of PCI compliance and security solutions that fit the specific needs of small- to medium-sized merchants. He can be reached at srobb@controlscan.com.

Going global: Tips for merchants on expanding to international markets

By Shane Fitzpatrick
Chase Paymentech Solutions LLC

Editor's note: This article was originally published in the September issue of Connection*, a Chase Paymentech Solutions client newsletter; reprinted with permission.*

As international expansion continues to increase in both trend and necessity, many business executives and leading decision makers have their sights set on going global. And while this initiative can prove both lucrative and beneficial, it comes with its own share of risks and challenges. Understanding the international landscape when it comes to global expansion and successful integration into the ever-evolving and often volatile economic systems is crucial when developing your expansion strategy.

Currency risk is amid the most consequential challenges businesses face when going global. International payment processing is complex, with legal requirements and fee structures varying by geographic region and country. Many businesses need to accept foreign currencies both to expand their presence in other countries and increase sales potential. But as we know already, the foreign exchange market, by nature, fluctuates and provides some exposure for losses. It is important then to both know and understand the international processing options available today.

Reasons for international expansion

According to a collaborative study conducted by Deloitte Development LLC and the Financial Executives Research Foundation[1], a group of privately owned company executives cited the following as some of the principal motivators for international expansion:

- Access to new customers and markets
- Ability to better service domestic customers with global operations
- Capability to develop and sell new products or services
- Better access to supplier or materials
- Labor cost savings

The same study also revealed the following as the top challenges in taking your business global:

- Currency risk (32 percent)
- Cultural differences (27 percent)
- Difficulty complying with local laws and regulations (25 percent)
- Bureaucracy (23 percent)
- Managing income tax implications (22 percent)
- Lack of local skills/talent (22 percent)
- Managing logistics, customer and import duties (21 percent)
- Political or social risks (20 percent)
- Inadequate legal protections (20 percent)
- Poor infrastructure (19 percent)

European expansion

A European location gives merchants the option to present prices and process transactions in their customers' currency (for example, the euro) and to receive settlement funds in one of several different settlement currencies. Benefits to this option include:

- Pricing goods and services in the cardholder's native currency
- Ability to receive payment in the local currency to support international divisions, affiliates and operations with limited currency exchange concerns
- Reduced foreign exchange risk, as the transaction can be authorized and funded in the same currency without any conversion
- Simplified reconciliation by matching revenues and expenses in the same currency

U.S.-based merchants without a European location have the option to present their prices and process transactions in their customers' currency (for example, the euro) and receive settlement funds in U.S. dollars. Benefits to this option include:

- Ability to use an acquirer with established in-country processing relationships in every market
- Ability to accept multiple currencies without the need for physical operations in each country
- Streamlined financial operations with the ability to accept a single currency to support business operations
- Ability for merchants to appear as a global organization, thereby appealing to international cardholders

While the initial steps of international expansion can appear intimidating at first, it is often one of the key tools for growth – especially for e-commerce merchants looking to expand their global reach. The European market specifically, while often unpredictable, also houses one of the world's largest economic structures with high levels of gross domestic product per capita and Internet access. This has resulted in a considerable increase in e-commerce growth.

JPMorgan predicts this trend will continue with an estimated value of $317 billion online transactions being processed by 2012 – this being significantly larger than the U.S. forecast of $202 billion.[2] Thus, while the European market is not the only option to explore when it comes to global expansion strategies, it can certainly be one of the most profitable ones.

According to the same JPMorgan study, European online retail sales have grown by 19.4 percent year-over-year, with Internet shopping accounting for 5.9 percent of the total European retail spending in 2010. And from a market perspective, the same study revealed that while Europe has many separate territories, over 70 percent of all e-commerce activity is concentrated within only three countries: U.K. (30 percent), Germany (23 percent) and France (18 percent).

Consequently, this concentration enables majority access to the European e-commerce opportunity with relatively small effort. Additionally, the U.K. market shares beneficial commonalities with the U.S. market with regard to language, culture and payment methods.

Another favorable factor for the European influence is the shift toward an increasingly simplified payments landscape. In response to consumer demand, the Single Euro Payments Area has initiated a movement away from the traditional domestic-only card preference. What was once domestic-only is now being co-branded with the international card brands (Visa® and MasterCard®). International Maestro® is also gaining ground in Europe, where an increasing amount of consumers now carry the MasterCard sub-brand.

As a result, it is often advisable to deploy a localized website in one of the world's leading markets that has the capability to present prices in local currency. This requires minimal investment and is a common first step for businesses embarking on an international strategy.

Beyond Europe: Asia and Latin America

For merchants who are considering further global sales expansion, Asia is commonly the next step after Europe, though the value of e-commerce in Asia is lower than Europe due to its less developed economies and telecommunications infrastructure. As a result, most e-commerce activity is focused on Japan, South Korea and China at this stage, but a greater spread of e-commerce is predicted, with growth already evident in countries such as India and Malaysia.

Following Asia, Latin America offers merchants additional room for lucrative expansion efforts. Brazil, Mexico and Argentina have the highest population of Internet users, though the top three countries for online sales volume are Brazil, Mexico and Venezuela. Online sales in Latin America are forecasted at over $20 billion by 2014.[3]

Concluding thoughts

And finally, when it comes to the motivation for international expansion, there are three common catalysts that can influence your international strategy: cost, revenue and talent.

From a cost-reduction perspective, Deloitte reveals that most labor-driven initiatives often gravitate toward locations in Asia, Eastern Europe, Mexico and Central America.

Alternatively, more revenue-focused expansion will tend toward locations that enable maximum sales growth opportunities and minimal bottom-line costs such as customs, transportation and real estate. North America and Western Europe continue to be attractive destinations for those talent-seeking initiatives. This is due primarily to the availability these particular cultures have to renowned educational and research facilities, as well as a quality of life that is highly attractive to such well-sought-after talent prospects.

Ultimately, businesses seeking to expand their operations globally – whatever the catalyst may be – face certain risks and challenges specific to the landscape of the economic climate and culture they choose.

However, the potential benefits that often come from international expansion efforts can justify time, effort and monetary expenditure. And as consumer payment preferences and behaviors and local payment regulations vary around the globe, a synergistic approach to your payments program will only continue to grow in importance and necessity.

More information on strategies for international payments expansion can be found at www.chasepaymentech.com.

The following sources are footnoted in the body of the article: 1. *Deloitte Private Company Global Growth Survey*; 2. JPMorgan *Nothing but Net 2011 Internet Investment Guide*; and 3. Exploit Online Demand *December 2010/January 2011, Forecast for Global E-commerce*.

Shane Fitzpatrick, Managing Director, Europe for Chase Paymentech Solutions LLC, oversees all Chase Paymentech's European business, including sales, marketing, customer support, product research and development, legal, and finance. In addition, he is charged with the development of strategic partnerships to penetrate new markets and channels. Prior to joining Chase Paymentech, Fitzpatrick was founder and chief executive officer of Zenith Finance International, a financial services and business innovation consultancy firm. Fitzpatrick also chaired a number of boards at Time Warner International and is co-founder and first Chairman of the European Merchant Direct Response Forum, an organization led by e-merchants.

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Bryan/Eric: Harbortouch has changed everything. We now have a product offering that allows us to reach the mid to large merchants that we might not have been able to approach before. The other free solutons are great, but they most often open doors to smaller merchants. It was hard for a larger restaurant to get excited about an ECR when that did not serve them well. When I can go in with the free POS offer I am usually thanked for coming in and talking with them. Merchants are blown away that we can offer such a program, and they are happy to tell their friends about it as well. Referrals have never been easier to obtain than they are with the free Harbortouch program.

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"When we decided to open Jake's, we researched numerous POS systems to find the best choice. We determined that Harbortouch offered a much greater value than the others. You just get much more bang for your buck. I've used various other POS systems in the past and I can tell you that Harbortouch stands up to these systems with no problem."

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"Harbortouch was committed to the iob and did what needed to be done in order to get us up and running successfully. I really appreciated the personal interest they seemed to take in our restaurant. Once the system was installed, the employees picked it up quickly and were proficient in no time."

ABOUT EFFICIENCY:

"With Harbortouch, we're able to get the food tickets to the kitchen more quickly, resulting in faster table turns. On the back-end, the reporting features have proven to be very valuable. It gives us easy access to financial and sales information, labor reports, customer counts and product mix reports."

ABOUT CUSTOMER SUPPORT:

"We've been open 7 months now without any problems. The only times we've had to call Harbortouch customer support were for small questions and they were always very helpful. Overall, I'm very happy with our Harbortouch POS system. This is probably not my last venture in the restaurant industry and I would definitely go with Harbortouch again."

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NewProducts

A new layer in cloud payments

Product: linked2pay

Company: Transmodus Corp.

Well ahead of the cloud computing curve, Transmodus Corp. was among the first to deliver an on-demand check processing platform – back in 2002. Today, millions of transactions later, the company now offers an added layer of functionality with linked2pay, a cloud-based service that uses specially formatted emails, enabling merchants to accept check, automated clearing house (ACH) and credit card payments online, as well as via smart phones and tablets.

"Our goal with linked2pay is to provide an easy to use solution that leverages the low cost and wide reach of email with the highest levels of security," said Robert "Jay" McShirley, Chief Executive Office at Transmodus. "Our flat fee pricing structure is significantly less costly than the alternatives." The software connects to leading card processors, allowing merchants to retain relationships with service providers.

Features of Linked2pay include:

- Integration with existing software, merchant services
- Templates for customer-facing payment forms
- Flat monthly fee to merchants in reseller program
- Branding opportunities for affiliate partners

McShirley said merchants can register online for a free 30-day trial to assure a proper fit with existing merchant service options. A simple-to-use email template wizard and contact manager permits users to upload account information, update accounts and download reports.

The company recently added a widget function within linked2pay that allows merchants to place ACH and credit card payment forms directly onto their websites for customers to fill in. Email payment requests can be issued individually or to thousands of customers simultaneously. Each email links the recipient to a unique payment page where credit card or e-check payment options may be selected.

Transmodus supports an affiliate network and provides the tools necessary for affiliate partners to brand and manage merchant sales and boarding, the company stated. It offers an application programming interface for enterprise clients and software developers to add linked2pay functionality to users through their own user interface. The platform also integrates with Intuit Inc.'s QuickBooks and will soon interface with Sage payment solutions software.

According to Transmodus, the platform deploys EV SSL 256 Encryption, is Payment Card Industry Data Security Standard compliant and has completed a SAS 70 Type II audit.

"Giving businesses easy to use options for email and online payments processing is what linked2pay is all about," McShirley said. "We are also very pleased to offer a solution that complements and supports the established offerings of leading merchant service providers. The response to our affiliate program has been very positive and we look forward to providing the technology and support to help those resellers excel in the market."

Transmodus Corp.

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Inspiration

WaterCoolerWisdom:

They can because they think they can.
– Virgil

What defines success?

Success can be defined as reaching a desired or favorable outcome. But how do you gauge success? Meeting basic needs may embody success for some, while still others use money, career, family or inner peace as their barometers.

It is true, though, that no matter what a person is striving for, success and goals are inextricably linked.

We all know goal setting is intrinsic to sales success, but setting goals doesn't necessarily guarantee you'll always hit the mark. To ensure more frequent success, determine what is most important to you, and focus on that.

It could be signing a certain number of merchant accounts each month, entering a new niche market or even joining an organization to expand business contacts. Whatever your goal is, be specific about what you want to achieve and then put it in writing.

What you bring to the table

Achieving your aims also requires that you cultivate certain personal qualities and skills. Here are several that will enhance your chances of fulfilling your dreams:

1. **Passion and strong desire:** These can fast-track success because they provide you with the impetus to fulfill goals.

2. **Creative visualization:** Successful people envision the future and how particular pieces will fit into their long-term picture of success, including the necessary professional skills and products that will support them.

3. **Self discipline and persistence:** Without these traits, you will get sidetracked. You must develop these qualities to attain anything worthwhile.

4. **Positive expectations:** Expecting you will succeed will empower you to overcome obstacles that would otherwise seem insurmountable.

In addition, incorporating rewards for small accomplishments on the way toward larger goals can help spur you on to the finish line.

Who you are in the end

It's also important to remember that charting a meaningful course in life requires periodic reflection. Slowing down to take a look at the bigger picture opens new vistas of possibility. Perhaps essayist and poet Ralph Waldo Emerson said it best when he penned the following poem over a century ago.

To Have Succeeded

To laugh often and love much:
To win respect of intelligent people
And the affection of children;
To earn the approbation of honest critics
And endure the betrayal of false friends;
To appreciate beauty;
To find the best in others;
To give one's self;
To leave the world a little better,
Whether by a healthy child,
A garden patch,
Or redeemed social condition;
To have played and laughed with enthusiasm
And sung with exultation;
To know even one life has breathed easier
Because you have lived ...
This is to have succeeded.

Take time now to think about what a fully successful life will look like for you, and take steps to see that your vision becomes reality.

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Paul H. Green, President and CEO

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Why is The Green Sheet Resource Guide so important to your business?

- Per a recent survey of our readers, the Resouce Guide is the first section they turn to.
- The guide runs in 24 issues per year.
- It is regularly updated upon request so your information is always current.
- The resource guide appears online with live links to your company website.
- It is conveniently indexed so customers can find you easily.

To find out how The Green Sheet can offer a customized Resource Guide solution, call

Rita Francis at 866-429-8080
rita@greensheet.com

Danielle Thorpe at 707-586-4737
danielle@greensheet.com

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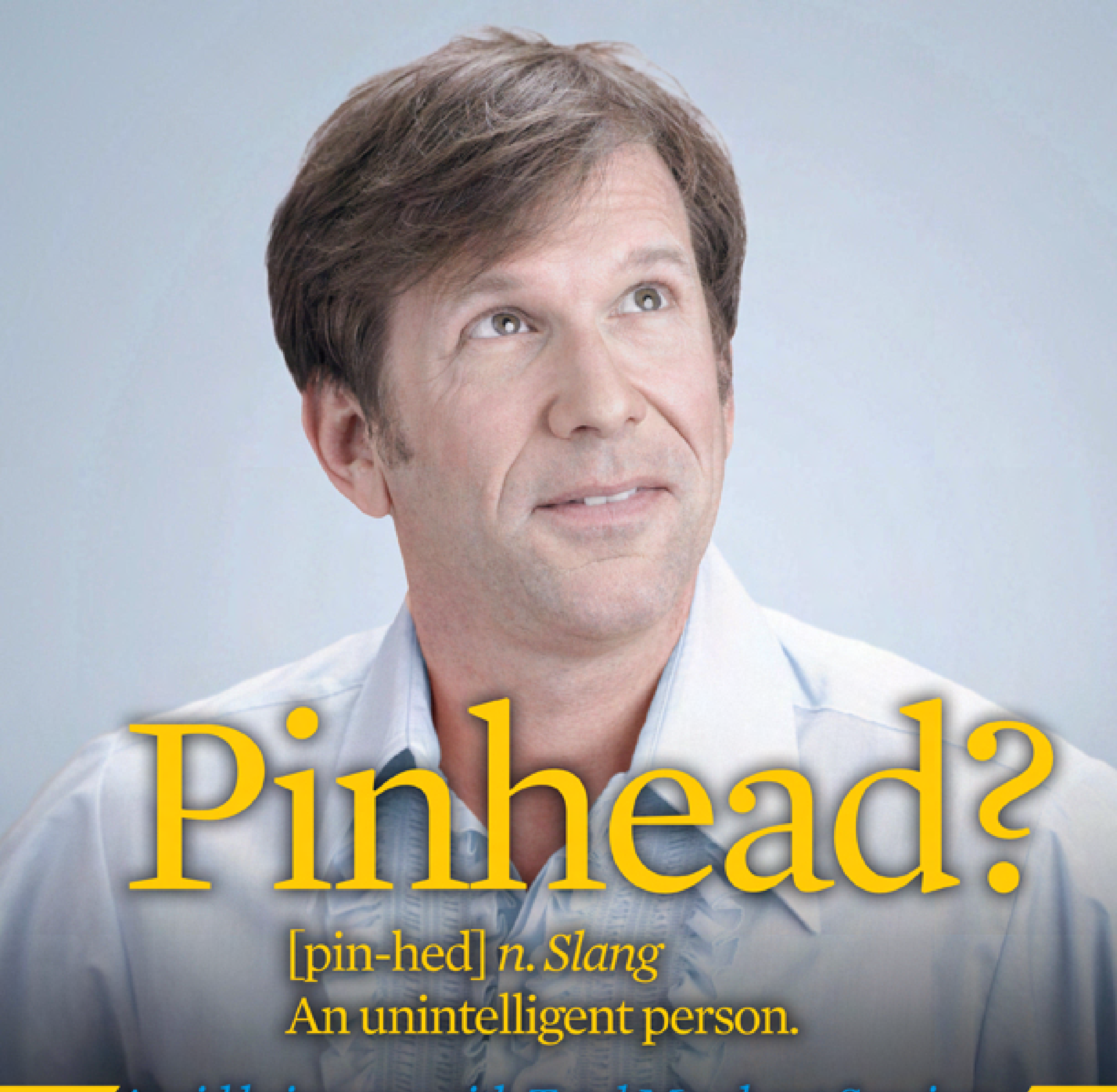

Avoid being one with Total Merchant Services.

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 up front, 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!

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You!

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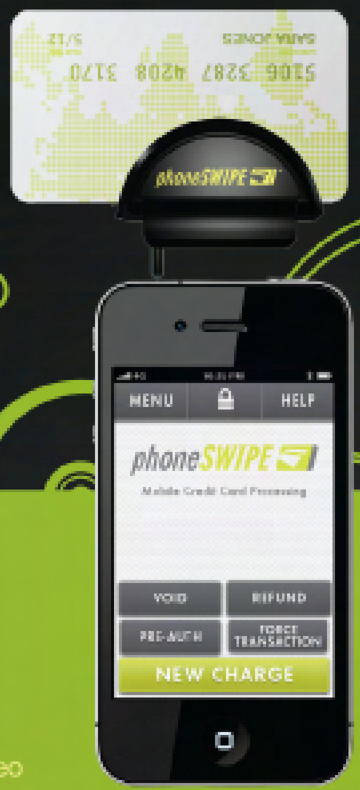

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