



The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

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INSIDER'S REPORT Patricia A. Murphy

Heavyweight on Ropes: Visa Could Get Black Eye

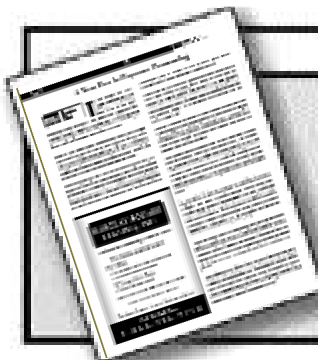


Geez, payments is a litigious business. Visa – ensnared in litigation with retailers over its accept-all-cards rule and seeking an appeal of the Justice Department’s victory in its antitrust case against the card associations – is suing First Data Corp. Visa argues that First Data, the nation’s largest processor of merchant card transactions, threatens to sully the Visa brand name with a new service that lowers costs by keeping transactions in-house. Visa rules stipulate that all transactions initiated with Visa-branded cards must pass through the VisaNet authorization and settlement network.

Meanwhile, some of the retailers that are suing Visa (and its rival MasterCard) have threatened similar action against NACHA, the bank-dominated ACH rules group, based in Herndon, Va. These retailers are concerned that the banks that dominate NACHA’s board of directors are trying to change the pricing model for ACH payments. They’re especially worried that change would usher in interchange pricing for nascent ACH payment types, such as POS check conversion.

The Food Marketing Institute (FMI), in

See **HEAVYWEIGHTS** on Page 6



Notable Quote:

"... Keep in mind that all money is what is called 'fiat money.' No, that doesn't mean that it is made by an Italian car company. (If so, it would probably rust!) It means that the money we use has no intrinsic value. It is valuable only because we all believe that it is!"

See Story on Page 10

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The Green Sheet, Inc.
1-800-757-4441
Fax: 1-707-586-4747
Email: greensheet@greensheet.com
6145 State Farm Drive,
Rohnert Park, CA 94928

Editor in Chief:

Paul H. Green
paul@greensheet.com

VP/General Manager:

Julie O'Ryan-Dempsey
julie@greensheet.com

AVP/Managing Editor:

Rick Vacek
rick@greensheet.com

Contributing Editor:

Patti Murphy

Staff Writer:

Juliette Comgoon

Junior Staff Writer:

Karen Converse

Contributing Writers:

Lisa Dowling

Layout/Graphics:

Troy Vera

Advertising Account Executive:

Danielle Thorpe
danielle@greensheet.com

Production:

Hudson Printing Company

Web Site:

www.greensheet.com

Affiliations:



Send Press Releases to: press@greensheet.com

Send your Questions, Comments and Feedback to:
greensheet@greensheet.com

- Neal Anderson-Payformance • Clinton Baller-PayNet Merchant Services • John Beebe-Global eTelecom
- Stacy Bell-Advanced Payment Tech • Audrey Blackmon-POS Portal • Jason Burgess-Artaban Solutions
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The Toad Less Travelled

Global eTelecom Responds

Paul,

I am writing in response to a recent article in The Green Sheet, "E-Check Electrified," which detailed Western Clearing Corp.'s new electronic check conversion products and company overview. The article was well written and informative. However, I took exception to a false statement about NACHA compliance attributed to Mitch Wiggins, President of Western Clearing Corp.

In the article you quoted Mr. Wiggins as saying, "While a handful of companies tout their e-check offerings, with the exception of TeleCheck, they are all merchant-as-keeper and do not conform to existing NACHA rules. Ours does."

This is an outright falsehood and a smear on the integrity of not only my company but others in the industry. The Green Sheet recently has made very impressive strides in its content, material and format. As a member of The Green Sheet Advisory Board and an active advertiser, I am deeply dismayed that you would publish this comment.

Global eTelecom has an excellent relationship and reputation with NACHA, where it is openly known that we conform to all NACHA rules, including consumer-as-keeper, and in addition we are an active, longstanding member of the Electronic Check Council. Several other electronic check conversion companies have a great reputation for NACHA compliance as well.

While NACHA does not endorse any one company, it does keep track of who is in compliance with NACHA regulations and who is not. There is a national system of fines in place for companies

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and entities that are not in compliance with NACHA regulations.

Mr. Wiggins obviously does not have his facts clear and perhaps made the statement as a marketing ploy. Regardless of his intention or motive, he is wrong. NACHA compliance is a serious issue, one that Global eTelecom takes seriously to protect our ISOs, merchants, and business partners.

I would personally invite anyone who has any question about Global eTelecom's reputation or its full compliance with NACHA rules to contact NACHA directly and ask for yourself. Nancy Grant is the Senior Director of NACHA's Electronic Check Council, and Debbie Barr is head of Rules and Compliance and the National System of Fines for NACHA. The number for NACHA is 703-561-1100.

Sincerely,
John H. Beebe
Chairman & Chief Executive Officer, Global eTelecom
john@globaletelecom.com

Dear John,

Thank you for taking the time to respond to our recent article. I'm surprised that you are "deeply dismayed" that we would publish any statement.

Many of the topics covered in The Green Sheet are controversial, and most debates have more than one side. While I am careful to get the facts straight when making a statement, I do not censor or edit the opinions of others. Nor do I only publish statements by those who agree with my point of view.

Our company profiles are based on interviews with executives who, naturally, tout their company's virtues. I created this vehicle specifically for that purpose, in order for our readership to become more familiar with the multitude of opportunities in our industry.

Paul Green
Editor in Chief


HEAVYWEIGHTS from Page 1

an April letter to NACHA, accused the group of intentionally excluding retailers from the discussion and raised the specter of the Sherman Antitrust Act. FMI is a Washington-based trade association representing the interests of grocers.

"Rest assured, if NACHA persists in allowing [its Interbank Compensation] Task Force to be used as a tool for banks to develop and implement these fees, FMI will take appropriate action to protect and compensate its members, including cooperating with federal and state antitrust enforcers and initiating litigation," wrote Timothy Hammonds, FMI's President and CEO.

NACHA's President and CEO, Elliott McEntee, shot back a terse reply, explaining that any change in pricing formulas would include public debate and ample opportunity for retailer input. But the explanation apparently wasn't enough for some retailers, such as Wal-Mart Stores, Inc.

Wal-Mart is the largest retailer to date to test POS check conversion. Michael Cook, Wal-Mart's Managing Director of Financial Services, figures the 12 million paper checks converted to electronic checks last year represented about one-fifth of all POS check conversions in the U.S. (Converted checks were about 1% of Wal-Mart's total POS check volume.)

However, in a presentation during NACHA's Payments 2002 conference, Cook hinted Wal-Mart would pull the plug on its check conversion program (in place at about 200 stores today) if ACH pricing goes interchange. And he read aloud from the FMI's April letter to NACHA.

Putting Things into Perspective

NACHA, like lots of other organizations in this era of consolidation, is facing a revenue crunch. So NACHA's board of directors dispatched a task force to study new revenue opportunities.

Their first mistake seems to have been in the selection of a name: the Interbank Compensation Task Force. It apparently conjures images of interchange in many retailers' minds. NACHA's second mistake may have been bringing up the matter at a meeting of its Electronic Check Council. Unlike the Compensation Task Force, the Check Council includes as members retailers and other non-banks. Its mission: to sell businesses and consumers on ACH check conversion for POS and other checks.

The ACH is touted as an inexpensive, electronic alternative to checks. But in reality, checks are really cheap to process. So any change that increases costs threatens to diminish the business case for ACH payments.

Every U.S. financial institution has access to the ACH, either through the Federal Reserve, or by contracting with a private-sector payments processor, such as Visa. Typical ACH payments include direct deposit of pay, automatic debiting for loans or insurance premiums, and corporate-to-corporate trade payments. Electronically converted checks are just a small part (about 1%) of the ACH workload.

Last year, nearly eight billion payments were processed through the ACH, according to NACHA. That's about a billion more ACH payments than were reported processed in 2000 but far fewer than the nearly 50 billion check payments that were processed through the banking system in 2001.

ACH items are priced on a per-transaction basis. The fees charged by most banks – upward of 10 cents an item – are substantially less than interchange fees for credit and check card transactions, which are based upon total value of the ticket.

Interchange fees were conceived of originally as a way to compensate card issuers for the risk of extending credit based upon authorization procedures performed by the merchant and its bank. But in recent years, Visa and MasterCard have moved to so-called "incentive" pricing, and today interchange fees are based on an assortment of factors, including retail sector (supermarket versus specialty shops) and transaction size.

Interchange fees differ from discount fees. Discount fees, which are charged merchants by their banks or processors for accessing the authorization and settlement structure, are a marked-up version of interchange fees.

Visa Takes on First Data

The authorization and settlement structure for payment card transactions is dominated by the card associations (Visa and MasterCard), which are controlled by banks – many of the same banks, in fact, that control the NACHA board.

First Data provides processing services to both card-issuing and transaction-acquiring banks, including some of the very same banks that dominate Visa, MasterCard and NACHA. Recently, the processing giant began testing a service that keeps some transactions in-house – notably,

The ACH is touted as an inexpensive, electronic alternative to checks. But in reality, checks are really cheap to process. So any change that increases costs threatens to diminish the business case for ACH payments.

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The payments business is changing. First Data, it seems, is changing its business model to meet evolving market needs. If that means head-on competition with Visa, then Visa should brace for the competition instead of beefing up its litigation budget.

transactions in which both the acquiring and issuing bank are clients/partners.

First Data says this new in-house processing service will cut costs and simplify dispute processing, among other benefits. Visa says the service is a breach of contract.

Visa's rules require that any payment initiated with a Visa card pass through the VisaNet system at least twice: when it is authorized and when it is settled between the card-issuing and transaction-acquiring bank. Visa says it needs to do this to ensure quality control of its brand.

First Data controls nearly two-thirds of merchant card processing accounts in the U.S. The company handled more than 15 billion POS transactions last year; better than half of those were initiated with Visa cards.

So, why are these two giants preparing for a courtroom slugfest? Visa appears to be reacting out of fear. With 15


billion transactions potentially hanging in the balance, it's understandable. But suing First Data doesn't seem like the best use of Visa's resources.

The payments business is changing. First Data, it seems, is changing its business model to meet evolving market needs. If that means head-on competition with Visa, then Visa should brace for the competition instead of beefing up its litigation budget.

Visa, of all organizations, should understand the ramifications of marketplace evolution. In 1984, the Federal Reserve controlled the interbank ACH processing business. Working in partnership with several California banks, Visa helped topple the Fed's ACH monopoly over ACH processing and settlement. Today, banks can choose from a list of accredited ACH processors, including Visa.

Maybe something similar is in the cards for payment card processing and settlement. ■

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▶▶▶ EDUCATION

A New Era in Payment Processing

**INSIDER'S
REPORT** Brandes
Eltch

If you asked an ISO, "What business are you in?" you would likely hear, "I'm in the payment-processing business." But what does "payment processing" mean? What do you think the world of payment processing might look like 10 years from now? Do you think it will be different from what it is now?

What if you were paid electronically and you bought everything you needed via the Web, with the help of your PDA, your cellular phone and your PC? You would not be using "money" as we traditionally think of it: coins, paper

currency and checks drawn on a bank account. In fact, you might not even need a traditional bank account.

Instead of getting bills in the mail and writing a check, you might log onto your own personal Web site and review bills that are presented electronically, approving them so that an account somewhere would be automatically debited at a specific date.

Coins and currency might disappear; you would pay with a rechargeable card, or even with your fingerprint that is linked to an account with value. (Actually, all of these things are possible now!)

Now, how do you think the government would feel about this? Why would it care? Well, keep in mind that all money is what is called "fiat money." No, that doesn't mean that it is made by an Italian car company. (If so, it would probably rust!) It means that the money we use has no intrinsic value. It is valuable only because we all believe that it is!

Money is created by banks. A bank creates money because it is allowed to lend out a multiple of the money it has on deposit. (This is called a "fractional reserve system.") If the fraction is 10 percent, it means that the bank can have one million dollars in capital and surplus and lend out another nine million dollars.

This system works because 99% of the loans stay current and pay interest. There is a multiplier effect. The federal government tries to regulate the money supply to prevent inflation or to stimulate the economy, depending on where we are in the economic cycle.

It also can change the discount rate or alter reserve requirements, but keep in mind that it takes months or even years to see the results of these moves, and sometimes it is impossible to see the real effect at all.

It was easier for the government to regulate the money supply when all the money was in banks and could be counted. But what if money became digital debits and credits on the books of a non-bank? Not only would this make it difficult to regulate the money supply, it might

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even make it difficult, if not impossible, to tax it! Now this is serious! (I haven't even brought up the subject of money laundering, which after 9/11 is becoming not just a tax issue but a national-security issue, too.)

There are three types of businesses that process payments and are outside the scope of traditional banking: money transmitters (companies that send money via wire, such as Western Union), currency exchanges (companies that sell money orders, travelers' checks and stored-value cards and do foreign-currency exchanges), and check-cashing companies.

There also are providers of new types of Internet currency, which is referred to by a variety of names, such as digital currency, micropayments, etc. For example, PayPal, which can accept and hold deposits from customers to settle future transactions to third-party recipients, is acting like a bank and is covered by the new law. The government calls these Money Service Businesses (MSB).

Here in the U.S., there are about 200,000 MSBs. You may be doing business with one of them, or you may even be one. How do they compare to a bank? Well, a commercial bank is defined as an entity that takes deposits and makes loans. But don't some of these MSBs do that, too? For

example, if you get a payday advance, isn't that a loan? If you buy a prepaid card at a check-cashing company, aren't you making a deposit?

Currently, these MSBs are governed by a patchwork quilt of different regulations in about half the states. This is similar to what happened before the Uniform Commercial Code was adopted: Merchants had no way of knowing how their disputes would be handled in different states because there was no uniform body of law.

In August 2000, the National Conference of Commissioners on Uniform State Laws approved the Uniform Money Services Act. It requires MSBs to register with state regulators and adhere to safety and soundness requirements (just like banks).

It also places the new electronic and Internet forms of payment under one law. The MSBs have to obtain a state license and be subject to annual examinations.

The National Conference of Commissioners makes official recommendations, and it is up to the states to adopt what is designed to be a uniform code. Just last month the U.S. Treasury clarified the responsibilities of money-transfer firms (such as Western Union) because of implications for money laundering and even national security.

If you are in one of the three MSB categories or are just working with a company that is, you might want to study the recommendations to see how you might be impacted. This is particularly true if you are working in a multi-state environment. You can call the National Conference at 312-915-0195 if you want more information.

Today, an ISO processes money. Your definition of money will expand to cover transactions that, while not directly redeemable in money, serve as a medium of exchange and place the customer at risk of the provider's insolvency while the medium is outstanding. You will need to keep track of these changes so you can provide your customers with the products that they want.

Vermont was the first state to adopt this act, and other states will introduce legislation during this legislative cycle. You can see the final version on the Web at: www.law.upenn.edu/bl/ulc/moneyserv/UMSA2001final.htm

If you have any questions or comments about this or any other cash-management subject, please write me at brandese@cross-check.com. I am working on a project involving check cashing and would like to talk to processors in that business. ☐

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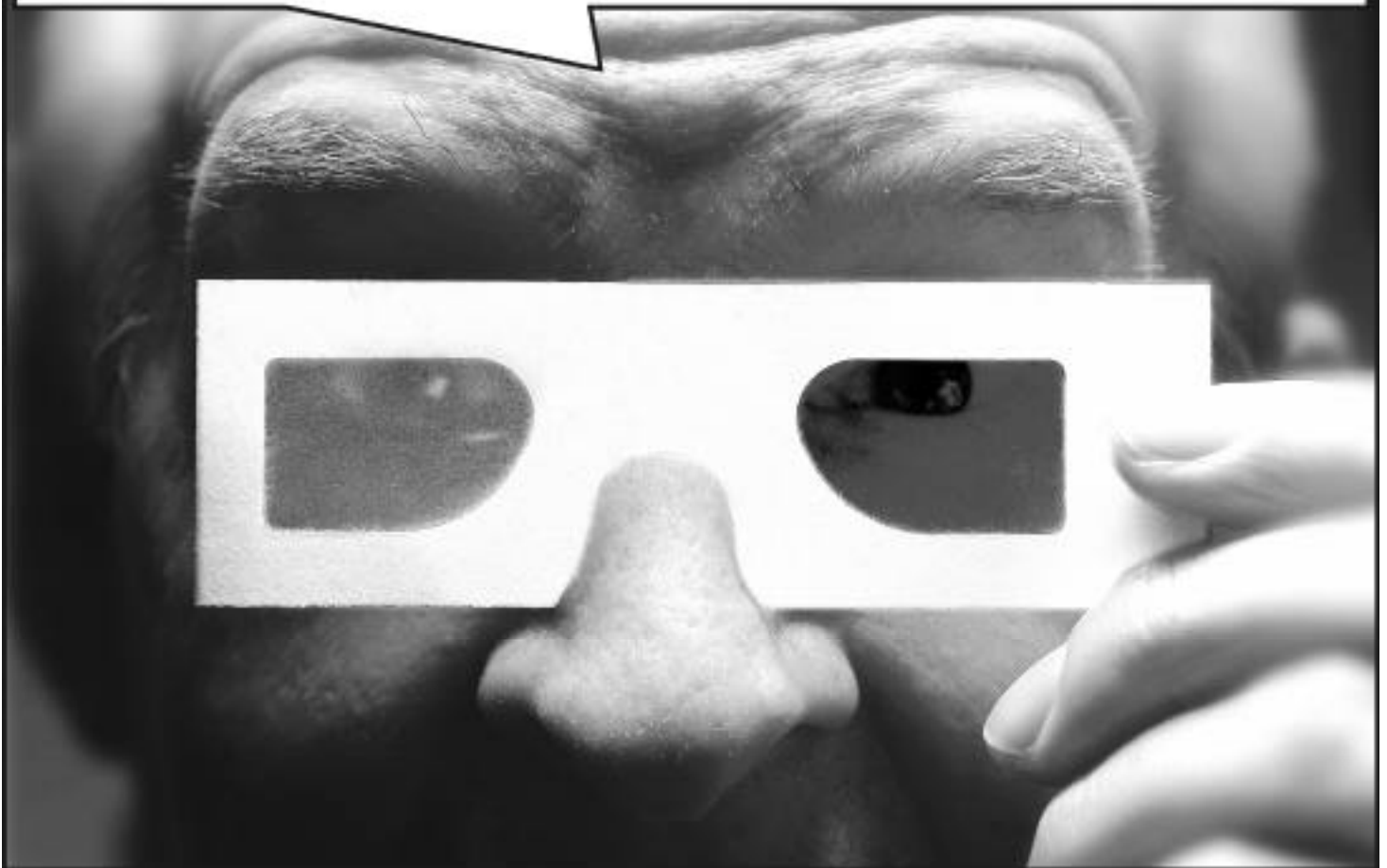
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Research Report: Proposed Check Truncation Act**Authors:** Federal Reserve Bank – Alan Greenspan**Date:** Dec. 17, 2001**Size:** 12 Pages**Relevance Rating:** High**Web Address:**www.federalreserve.gov/paymentsystems/truncation/default.htm

WHITE PAPER ◀ ◀ ◀
 REVIEWED BY
Eric Thomson }

Executive Summary

On Dec. 17, 2001 – a little more than three months after the 9/11 terrorist attack – Alan Greenspan submitted to Congress a piece of legislation that could turn out to be the single most important change in payment systems in more than a decade. That legislation has come to be known as the Check Truncation Act.

While CTA had been in development for almost two years, 9/11 and the days immediately following that tragedy provided the Federal Reserve with enough justification to quickly finish the document and move it to the top of the Federal Reserve's Congressional initiatives. The link above takes you to an FRB page containing Greenspan's cover letter to Congress, the proposed legislation and a section-by-section analysis of the CTA.

As all of us remember, airports were closed across the country for the next three days after 9/11. While this policy decision caused a great deal of inconvenience and cost, no one paid a higher price than the Federal Reserve Bank. It was forced to pump into the banking system TRILLIONS of dollars of liquidity – funds needed to support banks that were unable to clear checks sitting in trucks near airports around the country.

While this financial crisis was going on, the Fed also noticed that ATMs, ACH, credit card settlement and other forms of EFT continued to move money as if nothing unusual had happened. The conclusion drawn at the Federal Reserve was that the paper check and its physical transportation represented a structural monetary weakness that our country could no longer afford to maintain.

In simplest terms, what CTA represents is a set of compromises that enables the truncation of checks at the point of first deposit into the banking system. The CTA authorizes an image taken of the original check to act as a replacement, thus enabling the digital transport for settlement at the payee bank.

Given that it will take years for most banks to upgrade their check operations centers to create and accept images

for settlement, the CTA allows for the creation of an "Image Replacement Draft" (IRD), which can be presented and processed as if they were receiving the original check.

What this legislation makes possible is for large banks with image-processing capabilities to leverage those investments to truncate the flow of checks, process them electronically and create machine-readable substitute checks for less sophisticated financial institutions. These substitutes would be the legal equivalent of the original checks.

Before CTA, the banking industry has been operating under a set of Uniform Commercial Code (UCC) regula-



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tions that stipulate original checks must be exchanged between banks unless they have obtained agreements to do so electronically.

Banks have found it difficult to obtain and enforce such agreements on a large scale – which has made the justification for image technology difficult for all but the largest banks. CTA is designed to facilitate check truncation without mandating the receipt of checks in electronic form.

At this stage in the description of CTA, it is necessary to step back for a moment and segregate the 50 billion or so checks cleared in the U.S. each year into two categories: two-party checks and three-party checks.

Two-party checks are those type of payments in which the maker (consumer) is presenting the check directly to the payee (retailer). Three-party checks are those in

which the payee (employee) is cashing a check (payroll) made out to him or her at a location (consumer's bank) other than the bank the check was drawn upon.

Two-party checks are now being truncated under regulations that the National Automated Clearinghouse Association (NACHA) has mandated. These are referred to as Electronic Check Conversion (ECC) transactions, in which the original check is scanned and authorized at POS by a retailer and, if approved, a receipt is generated that discloses the conversion process and asks the consumer for signed authorization.

When that signed receipt is obtained, the check is canceled and immediately returned to the consumer, and the funds are moved from the consumer's bank account to the merchant's bank account via ACH or ATM debit card network.

Both parties in the two-party check exchange must be present for ECC to work. It is estimated that ECC could create check truncation for approximately 10 billion of the 50 billion checks in circulation today.

CTA was designed to allow truncation on the remaining 40 billion three-party checks. The three-party check (paycheck) cannot be returned to the consumer (employee), because he or she is not the maker (employer).

These items have to be presented to the bank upon which the check was written. Under CTA, these three-party checks will be able to be truncated at the employee's bank and the image substituted for presentment at the employer's bank to allow for funds transfer.

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The CTA authorizes an image taken of the original check to act as a replacement, thus enabling the digital transport for settlement at the payee bank.

sophistication to do so, the CTA allows for the image to be sent to a local large bank or check processor that will print and physically deliver the Image Replacement Draft for funds transfer.

The overnight check-image exchange can be performed nationally without consideration for traffic jams, flight

delays or weather disturbances – not to mention terrorist attacks.

In addition to transportation-cost savings, faster cash settlement should occur along with substantial reduction in fraud and NSF losses – the result of earlier notification.

Rather than take up your reading time discussing the merits of CTA, you can read the Fed's section-by-section summary to see why it thinks this is in the best interest of all parties.

Instead, I will be summarizing some of the "loose ends"

that will need to be tied off before this legislation can make its way through Congress and become the law of the land.

Problem #1

CTA makes it likely that consumers and businesses will no longer be able to get back their original checks, yet the CTA legislation is silent on the issue of minimum image-legibility standards.

Problem #2

CTA effectively forces consumers and businesses to experience "involuntary truncation" but grants the check writer the right to have the bank replace disputed funds within one business day.

For consumers or businesses that agree to have their checks truncated as a part of opening a checking account with this language, CTA does not provide replacement of disputed funds.

Problem #3

CTA does not require the replacement or substitute draft to be full size. Therefore, the bank may elect to provide compressed images on a single piece of paper showing front and back of the original check.



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Problem #4

CTA is silent on fees banks can charge for supplying images or substitute checks to consumers or businesses.

Problem #5

CTA does not impose any minimum time period on banks to keep original checks. Under current UCC law, banks can destroy original checks so long as they have the capacity to provide a legible copy of the check for seven years.

Problem #6

While it is clear that funds availability will be accelerated under CTA, there is no provision to assure that that cash-flow advantage will accrue directly to the depositor.

Problem #7

Whenever there is choice on the settlement of checks in their original format or as an image, the opportunity presents itself for multiple presentments of the same item. CRT doesn't stimulate a re-credit right, which would allow consumers or businesses to have use of their money while the bank is resolving disputes of this type.

For more discussion on these problems and others relating to CTA, I refer you to the link below where the Consumers Union objections are detailed.

In summary, the Federal Reserve's total commitment to CTA combined with the full support of the largest banks in the country virtually assures passage of this legislation in the near term. Most experts are predicting fall Congressional approval and signing by President Bush.

Web Sites for More Information on the Check Truncation Act

> www.consumersunion.org/finance/checkwc102.htm

Consumers Union objections to CTA

> www.endpointe.com/

A large bank and processor consortium making major investments in the image exchange assuming passage of CTA

> www.kc.frb.org/frfs/educat/truncact/

CTA slide presentation made by the FRB of Kansas City

> www.americascommunitybankers.com/government/scripts/

[government_view_advocacy.asp?ID=669](http://www.americascommunitybankers.com/government/view_advocacy.asp?ID=669)

Letter to Congress in support of CTA by the largest banks in the country as well as most of their major trade associations

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Hackers Hit Experian Credit Reports

More than 13,000 credit reports have been stolen from Experian, one of three major credit-reporting agencies, by hackers acting as employees of Ford Credit who used an authorization code to access the reports. Ford and Experian were able to discern the fraudulent credit inquiries because those responsible used a different kind of software than Ford uses to access Experian's files.

Consumers' credit files were accessed and downloaded between April 2001 and February 2002. Victims received a certified letter from Ford last month disclosing their credit reports and personal information had been compromised. The only indication that anything might

be amiss was when the reports listed unauthorized credit checks by Ford.

Exactly how the thieves were able to access the information is under FBI investigation.

Richard Power, Editorial Director of the Computer Security Institute, said, "This is not just a credit card number; this is the whole kazoo." Donald Girard, Experian's Director of Public Relations, said, "I've never seen anything of this size before. Privacy is the hallmark of our business, [and Experian is] concerned about ... the trust factor."

The type of complete information contained in credit reports can be used for many purposes, including credit card fraud, which is probably the most frequent type of identity theft. An article in the New York Times recently detailed the plights of two elderly Detroit-area residents who both had their identities stolen; the two crooks stole their informa-

tion, arranged fraudulent sales or loans and pocketed the proceeds. The two seniors both lost their homes.

Experts estimate that more than 500,000 Americans will be robbed of their identities this year, accounting for an expected \$4 billion in stolen funds. Identity theft was the most common type of consumer fraud complaint in 2001, according to U.S. Federal Trade Commission statistics. Hijacking of personal information for fraud or theft generated 85,000 complaints filed with the Federal Trade Commission last year, up sharply from the previous year.

According to the Times, Attorney General John Ashcroft calls identity theft "one of the fastest growing crimes in the United States." Beth Givens, Project Director for the Privacy Rights Clearinghouse, estimates that 500,000 to 700,000 cases are reported annually.

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Will New Cards Bring Tears of Joy to Users and Issuers?

The competition is fierce in credit card land. Attracting new customers and making sure they continue as loyal and regular card users is the challenge for issuers. Rewards points, double airline miles, cash dividends, low percentage rates and other user benefits have become commonplace.

But credit card companies are finding that those efforts may not be sufficient to keep their customers using their cards. They are focusing on redesigned shapes and new technologies to entice customers to keep swiping, flashing and beeping for purchases at stores, gas stations and fast-food restaurants.

Wallets full of plastic for one purpose or another may not be giving men a pain in the pocket or weighing down women's purses much longer. Credit cards may be getting smarter by the minute, but what's really catching consumers' eyes are cards that attach to key chains, belts, money clips or gym bags.

Card issuers and entrepreneurs are hoping electronic keys that use wireless radio frequencies to charge purchases to a specific card, watches with built-in transponders to set off transactions and cards with flashing lights and beepers to call attention to themselves will catch on.

Discover's new 2GO Card, after testing in select Midwestern markets, will be available nationwide this summer. With the same account numbers, credit limits, expiration dates and benefits as traditional rectangular cards, it has a teardrop shape and comes with a protective case that attaches to briefcases – and

beach bags. The Discover 2GO works like a regular credit card on all magnetic stripe swipe terminals with the exception of those where the card gets fully inserted, such as at pay-at-the-pump locations.

Discover said the response to the 2GO has been very positive. During the yearlong pilot process, consumers surveyed cited the convenience of not having to carry a wallet or sort through a lot of other cards for the right one. Discover 2GO is the first card of its kind in the credit card industry, and Discover is betting it's the right card for its customers' busy, on-the-go lifestyles.



"We're bringing Discover Card out of people's wallets and putting all of its benefits at their fingertips," said David W. Nelms, President and COO of Discover Financial Services, Inc. "When Discover Card was launched, we were the only major credit card company to offer a no-annual-fee product and a cash-reward program.

"Now, with the launch of the Discover 2GO Card, we are once again changing the industry and at the same time providing unprecedented convenience to our card members."

With so many payments-industry-wide innovations on the horizon, for card issuers and processors alike, the true test for most of these products will be whether they live up to expectation and hype. With Americans virtually drowning in debt at previously unseen levels and merchants skeptical of expensive software and systems necessary to support and operate the new gadgets, this all remains to be seen. ■

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COMPANY PROFILE ◀◀◀



IDentechek

ISO contact:

Sandip Patel
Phone: 888-IDENTEX
E-mail: sandip@identechek.com

Company address:

3511 Church Street, Suite L
Atlanta, GA 30021
Phone: 888-IDENTEX
Fax: 404-499-1090
Web site: www.identechek.com

ISO benefits:

- Low-cost product that also can track customers' spending habits.
- Aims to be a leader in acquirer-based revenue streams.
- Implements cash register functions, third-party authorizations and third-party guarantee, and a full check-cashing solution.
- Can process up to 20,000 matches per second and authenticate a check writer's identity in less than one second.
- Strong up-front income, residual income and a non-commodity product that works from a check standpoint in a retail marketplace all translates to high-income potential and merchant satisfaction.

Fingers Doing the Walking and ISOs Doing the Talking

From notes on a piece of paper – make that a lot of pieces of paper – comes a company that sees biometrics as the definitive answer to the storm that threatens every merchant's calm business environment – check fraud. Greg Cohen is the author of those notes. In 1999, he read an article on the Kroger biometric pilot. With his background in checks, he surmised there was a viable solution to combating bad checks.

With Directors Harry Patel and Sandip Patel, Cohen created IDentechek and, as its General Manager, put together a biometric application to do two things: create a low-cost check guarantee product and track customers' spending habits. His vision was to decrease fraud while increasing productivity. The challenge was in acceptance.

"Different people are trying to capture this data up front," says Cohen. "The most difficult process is the enrollment process. If you can passively enroll an individual, that is where the rubber meets the road. ... Not enough merchants are utilizing biometrics yet to have it come to the forefront to address privacy issues."

IDentechek's philosophy is centered around creating a low-cost check guarantee product that the market will embrace. IDentechek's mission is to be a leader in generating other acquirer-based revenue

streams. The strategy consists of a strong marketing and sales organization that also architects a solid biometric database with most other functions outsourced.

"What sets us apart is the fact that we are partner-open," says Cohen. "We are looking to increase strategy by partnering with anybody and everybody. Other than our database and biometrics, we look to partner with companies that will drive our products. We support a sales channel. We don't have any internal sales force."

That's good news for ISOs eager to put biometric solutions into their service package. IDentechek doesn't compete against its agents. Rather, it competes against other biometric solution providers such as BioPay and Indivos.

IDentechek is focused on the small to midsize merchant segment and is continually developing and adding specific features for that market segment. Its product implements cash register functions, third-party authorizations and third-party guarantee, and a full check-cashing solution.

IDentechek's systems process up to 20,000 matches per second and authenticate a check writer's identity in less than one second. The claim is that merchants can move customers through 30-50% faster using biometric technology than with traditional check processing.

IDentechek is marketing its product



"We are really looking for key players as opposed to anyone who can fog a mirror. We're looking for people who will drive this product as opposed to just thinking, 'Here's another thing in my bag of tricks.' "

— Greg Cohen
General Manager, IDentecheck

to merchants with less than \$10 million in annual revenue, including check-cashing outlets, convenience stores, grocery stores and liquor stores. Since its initial rollout in January 2002, IDentecheck already has signed up between 20 and 25 merchants.

The cost of the biometric product is another obstacle to overcome. "For similar apps, we are very competitive, but all the products are too expensive now," says Cohen. "It's a barrier to entry and operations. I think right now you have developers and manufacturers trying to recover their costs while the merchants are comparing the cost to terminals."

IDentecheck's product is a PC product. Even Cohen admits that for this market to embrace biometric solutions,

a true POS terminal will have to be developed. He believes it will happen within the next year.

"This is a sales-driven product," says Cohen. "Those who can get it on the POS devices fast and get mass acceptance will make it."

The PC system incorporates a MagTek check reader, a fingerprint terminal, a camera, jet printer, cash drawer and IDentecheck software. The key to a quick turnaround time and installation is credit approval. Another factor to consider is the amount of time it takes to make the sale.

Cohen stresses that this product requires a two- to three-call close. "It's not a one-call close," says Cohen. "Once all paperwork is complete, it will take about 10 days from the time we get the green light to the time your merchant is up and running."

IDentecheck suggests using its own PC equipment because there have been occasional conflicts with peripherals with other PC systems. Wholesale prices for the IDentecheck solution are less than \$5,000, and end user prices are around \$7,000. ISOs, you do the math for potential revenue!

As for the databases IDentecheck utilizes, there are two. One database is proprietary, one is not.

The negative database IDentecheck accesses is used by 100,000 merchants with 19 million negative records. Its biometric database is much smaller and proprietary. "Being new, our biometric database has a little to be desired," says Cohen. "It will grow as product usage grows."

IDentecheck is banking on ISOs to motivate that growth. Nearly a dozen ISOs are aboard with IDentecheck. "We are really looking for key players as opposed to anyone who can fog a mirror," says Cohen. "We're looking for people who will drive this product as opposed to just thinking, 'Here's another thing in my bag of tricks.' "

Cohen notes that his product does exceptionally well with ATM distributors as opposed to traditional credit card sellers, in part because of the sales cycle as well as the ticket price. Multiple close calls, price and lease issues are com-

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mon challenges to ATM resellers. Cohen sees it more as a price-point issue than a biometric issue.

Nonetheless, the appeal is there for savvy ISOs. Strong up-front income, residual income and a non-commodity product that works from a check standpoint in a retail marketplace – it all translates to high-income potential and merchant satisfaction.

"Right now, small-tier check cashers don't have anything to use," says Cohen. "Nobody guarantees their checks. Now we have a product you can take in and truly say, 'I've got something that will decrease your fraud.' Fraud is the lead-in."

IDentecheck is committed to helping ISOs with that lead-in. It has a training manual, support desk and plans for quarterly training seminars. IDentecheck wants not only to teach ISOs how to install the product but also how to sell it.

And IDentecheck WILL sell it. According to Cohen, biometrics will be the fastest-growing authentication tool in the payment business.

"Everyone agrees biometrics decreases fraud," Cohen. "What will take time is wide acceptance and usage. We have just seen the start. Every major player will be getting into it, and as every major player gets into it, IDentecheck will play the role of the enabler. We enable the processor or acquirer to easily get at those businesses who are putting biometrics in place."

Cohen continues, "We want to have full-payment biometrics on a traditional POS device. We want lots of happy merchants. We have a business plan and a number in mind. We want to grow slowly; we don't want to implode."

IDentecheck would like to bring another couple of hundred merchants

online with biometrics within the next year. IDentecheck's staff of 12, together with its development partner, is working on the next phase of its biometric solution with a prediction that it will create a solution that 10,000 customers can get on. That solution, like IDentecheck's present offering, will be promoted exclusively by ISOs.

"The one thing I try to get across to ISOs is that because of our background in the ISO community, we have true support built around them," says Cohen.

"The ISO is our true customer. We want to build a strong distribution channel with them. We are not there to take deals away. If they make money, we make money. Together, if we can eliminate some of the barriers, it will become a true accepted product." ■

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COMPANY PROFILE ◀ ◀ ◀

SwipeGiftCard.com

SwipeCard Inc.

ISO contact:

Glenn Lench
Phone: 888-311-3700, ext. 104
E-mail: Glenn@Swipegiftcard.com

Company address:

101 Convention Center Drive, Suite 1270
Las Vegas, NV 89109
Phone: 888-311-3700
Web site: www.swipegiftcard.com

ISO benefits:

- Provides gift card tracking but also simplicity for merchants.
- Gift card solutions can be downloaded on existing VeriFone terminals.
- Does mass mailings and e-mail blitzes to customer databases.
- Merchants own demographic information and can download it at anytime into a spreadsheet, even if they cancel the program with SwipeCard.
- Provides training manuals and also does on-site training.
- Guaranteed income.
- 24/7 merchant support, Web site support and PowerPoint presentation support.

With Just One Swipe

"Gift card was historically geared toward larger companies, and mom and pop couldn't take advantage of it. We want to offer it to them."

With that singular purpose in mind, one company has restructured its operations, changed its name and is actively courting the ISO community. The company is SwipeCard, Inc., a Nevada-based S Corporation that provides merchant services, electronic and Internet payment solutions to clients nationwide.

SwipeCard was formed 1997 when a small group of financial services professionals joined forces to address gift card marketplace needs under the name Advanced Bancard. They recognized there wasn't anyone addressing the smaller merchant market. The large companies were looking for high-end solutions and Advanced Bancard saw a space for additional types of payment other than traditional Visa and MasterCard.

Starting with two employees, Advanced Bancard grew to a sales force of 20. In 2001, Advanced Bancard shifted gears, let go of its sales force and focused on agents and ISOs. To create a brand that better represented the new venture, Advanced Bancard became SwipeCard and concentrated on a core competency of gift card, loyalty and stored-value programs.

"SwipeCard simplifies ISO life because they now can go to a merchant and confidently say, 'You can

sell gift cards now,' " President/CEO Jim Fisher says. "Credit card processing is a commodity, and ISOs are asking, 'How do I set myself apart from 30,000 other agents out there selling solutions?' The business model has changed, and gift card companies like ours have changed that business model. We help ISOs go in and say, 'We can replace your paper program and add tracking.' "

In fact, the fastest-growing segment in gift card solutions is tracking. "ISOs are selling information, and we can track all that buying info for their merchants," Fisher says. "Comptrollers and CFOs love it."

SwipeCard provides merchants with the ability to activate, recharge and track all cards electronically. Incorporating the Bill Gates philosophy of taking anything paper and making it electronic, SwipeCard is offering simplicity for the merchants as well. Its "simplistic" product line includes an electronic prepaid gift card program (face-to-face transactions) offering stored-value cards, discount cards, corporate cards and loyalty programs as well as a virtual gift card program (Internet gift cards) offering employee incentive programs, member services, credit card risk management, payment gateway services and ACH services, customer service and order fulfillment.



"Our most in-demand service is our gift card program. You've got the merchants who want the product, and then there are the ISOs and agents who want the products for their merchants."

— Jim Fisher
President/CEO SwipeCard Inc.

SwipeCard's target market includes everything from retail mom-and-pop stores that have one location to multistore chains that require customized solutions. In addition to traditional brick-and-mortar retail outlets and restaurants, SwipeCard offers products for MOTO (mail order/telephone order) merchants and e-commerce, Internet-based gift card solutions.

With all of these products and services, is there one in particular that sizzles?

"Our most in-demand service is our gift card program," Fisher says. "You've got the merchants who want the product, and then there are the ISOs and agents who want the products for their merchants. Both want to develop revenue streams [and] recurring revenue and want to be able to differentiate themselves from the guy

down the street who just has paper gift certificates."

SwipeCard differentiates itself with its gift card capabilities, in particular the capability to download on existing VeriFone terminals. Historically, merchants have had to upgrade equipment on Trans330 to accommodate gift card solutions. SwipeCard claims to be the only company that can download on 330 and 380 terminals, as long as there is a free key on those terminals – and 80-85% of existing VeriFone terminals do have free keys. SwipeCard's ease of downloading into existing systems is also extended to Hypercom through First Data and has certified with Nurit.

"We see the big players as providers of other gift card programs," Fisher says. "There are smart card equipment providers, and the cards themselves are very expensive. We don't see the market for smart cards. We're

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"We want the ISO involved with the merchant as much as possible. We want them to hold their merchant's hand. We train the ISO so the ISO can handle all downloads, artwork submission and sell programs."

— Jim Fisher

concentrated on mag stripe gift cards because it's affordable for the merchants we focus on and it's tried-and-true technology we fully leverage right now. The new merchants out there are those mom-and-pop and smaller chains that haven't been able to qualify for gift card programs."

SwipeCard's criteria include minimum sales volume of 500 card orders annually. SwipeCard is working with several hundred merchants. Those merchants each receive individual registration forms. SwipeCard can customize gift cards with merchant artwork or offer generic cards.

From the time SwipeCard receives merchant artwork, the turnaround time is between 10 to 15 business days. SwipeCard also does mass mailings and e-mail blitzes to customer databases. Not many other providers can do this.

SwipeCard takes all merchant demographic information –

i.e., birthdays, anniversaries, whatever merchants obtain from their customers – and hosts the info on its network. A key factor is that merchants always own the information and can download it at anytime into a spreadsheet. If they cancel the program with SwipeCard for whatever reason, they still retain ownership of their customer data. SwipeCard's contracts clearly state that all data reverts back to the merchant. Contract terms are for 12 months, and the merchant signs on the dotted line for free.

But it is the ISO that SwipeCard depends on to sign up merchants. "We want the ISO involved with the merchant as much as possible," Fisher says. "We want them to hold their merchant's hand. We train the ISO so the ISO can handle all downloads, artwork submission and sell programs."

SwipeCard provides ISOs with training manuals that walk them through the process, explaining all the nuts and bolts of the programs. Depending on the size of the ISO, SwipeCard also will do on-site training.

How long does it take for SwipeCard to feel comfortable with an ISO selling its products and services? "It is so individualized," Fisher says. "We find the average ISO requires at least a day or two of training because of how the program needs to be sold. It is different from a credit card program. We are finding many credit card sites out there. All these processors may have gift card capability, but when you go to their Web sites, there's no depth to the product offering. The credit card industry is not quite equipped to sell it. The merchant needs to be educated and the ISOs need to be trained."

Vital to ISOs selling these programs is SwipeCard's educating them about two key factors that play a big part in the gift card space: escheatment and breakage.

Escheatment loss is something SwipeCard firmly believes every ISO and merchant needs to be aware of. In more than 40 states, an unused gift certificate goes back to the state after a period of time. SwipeCard details these laws on its Web site and is quick to point out that active gift cards do not fall under those escheatment laws

Electronic gift cards are kept active by maintaining an account fee. With SwipeCard's electronic gift card programs, unused gift cards can be depreciated over time with an automatic deduction taken out monthly. The state then cannot claim any monies since the account is kept active.

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That monthly deduction keeps the money in the merchant's hand. What makes SwipeCard so attractive in this situation is that paper certificates cannot be depreciated.

Breakage is a big selling factor when it comes to SwipeCard. Unredeemed or partially redeemed cards still represent income to merchants. Statistics on gift cards show 5% to 15% of gift cards go unredeemed.

"Say a merchant issues 5,000 cards at \$50 per card," Fisher says. "If they have 5% unredeemed, that's \$50,000 in found money." Electronic gift cards programs are gaining market appeal because of numbers like that.

Reducing fraud is another appeal that SwipeCard promotes. With an electronic gift program as opposed to paper, cards must be activated at the point-of-sale with a clerk or store identification number entered before issue. Tracking those cards is

ensured as well. There's yet another appeal: Paper certificates can't be recharged, but electronic cards most certainly can, ensuring repeat foot traffic as well. These are issues merchants are very interested in as they try to track new customers, develop revenue and reward loyal customers.

Do these aspects translate to ISO appeal? Consider a value add-on, easy implementation for new and existing merchants, guaranteed income with card-production fees, and residual income on transactions with a high profit margin, and the answer must be a resounding "yes." Throw in 24/7 merchant support, Web site support, PowerPoint presentation support, and it would appear that SwipeCard has made gift cards programs oh so simple to sell and oh so hard to resist.

SwipeCard recognizes its programs are more conceptual. Merchants are dealing with a piece of plastic with

artwork that not only is an advertising tool but a tool that develops incremental revenue. Obviously, it differs from credit cards, especially in its marketing aspect.

That is why SwipeCard believes marketing is crucial to the success of its programs and provides merchants with collateral to help sell them – badges, window posters, logos, stickers, etc. For its ISO partners, SwipeCard's marketing plan includes advertising in major trade publications and trade shows and Web site promotion in search engines and pay-for-click services.

SwipeCard hopes that its intensive marketing plan will result in solid expansion of its reseller network, a goal first and foremost in its operation. "Gift card selling is face to face," Fisher says. "Geography is what will work. Our goal is to stay lean and mean and support resellers on the street." ■

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COMPANY PROFILE ◀ ◀ ◀



Total Merchant Services

ISO contact:

Ed Freedman, President/CEO
Phone: 1-888-84-TOTAL, ext. 314
E-mail: ed@totalmerchantservices.com

Company address:

255 Gold Rivers Road
Basalt, CO 81621
Phone: 1-888-84-TOTAL
Web site: www.totalmerchantservices.com

ISO benefits:

- Business philosophy centers on forming a consortium of independent salespeople sharing in revenue associated with merchant acquiring.
- Offers free copies of Authorize.Net or VeriSign.
- CHOICE program allows agents to select, on a merchant-by-merchant basis, either a revenue-sharing program or a buy-rate program.
- Outstanding agent support.
- Free three-day training, manuals, marketing materials, brochures, videos, letterhead, business cards and the ability to customize Web sites with the agent's name, address and phone.

He Always Keeps the Window of Opportunity Open

Total Merchant Services is a stellar example of how wide a window can open when a door closes. Its founder and President/CEO, Ed Freedman, saw opportunity through that window and plotted a course that has enabled Total Merchant Services to successfully sail through the payment-processing seas.

Founded in 1996, Colorado-based Total Merchant Services is a credit card merchant account acquirer that puts ISO peace of mind at its helm. Its captain started out in the bankcard business working for other ISOs and was told that the way to make money was through selling and leasing terminals. Through business seminars and research, however, Freedman determined the money was in processing.

"Would the ISOs share that revenue with me? No way," says Freedman. "That door was shut. So I decided to start a company and get a direct relationship with a bank and a processor. I started talking to other agents, pooling other salespeople together who also felt they were being cheated and wanted to share in the revenue."

With a business philosophy centered on forming a consortium of independent salespeople sharing in revenue associated with merchant acquiring, Total Merchant Services was created.

"We offered a package of ownership to the common sales guy," says Freedman. "Being a salesman myself, I knew someone had to underwrite and deploy, do risk management while the agents sold. So I set up the back office for support services and let our sales guys focus on selling. We helped other people get out of selling equipment and get into sharing in revenue."

That model has translated into a core competency focused on a comprehensive sales and marketing training program, a robust risk-management system and an aggressive underwriting policy.

"We are able to approve accounts no other company can," says Freedman. "The key to success is writing merchants and not take losses on them."

In addition to Total Merchant Services' risk-management, sales and marketing programs, Freedman lists technology, online application capabilities and its unique training program as clear-cut differentiators. "We offer a free three-day training event that includes airfare, hotel and food," says Freedman. "We want to make it easy not only for them to get to know us but for us to get to know them."

TMS also offers a free Web site to its agents that includes an affiliate marketing software package, affiliate tracing software and other goodies. "No one else offers free copies of



"Our sales partners are protected from ever losing their residual commissions. Our agreement has no liability for merchant losses and has no exclusivity requirements. Smart sales professionals are figuring out, oftentimes the hard way, that their agreement for residual income will be the determining factor as to whether they will be able to survive in this great business."

— Ed Freedman
President/CEO, Total Merchant Services

Authorize.Net or VeriSign, the two leading gateways," says Freedman. "We do."

Freedman believes these offerings will attract the sales professionals who want it all. "This is very competitive market," Freedman says. "If you are an independent and you investigate our programs, I think you'll see ours stands out from all the others from both a contract and a financial standpoint." Already, more than 200 ISOs have boarded Total Merchant Services.

TMS provides for a lucrative compensation plan. In fact, Freedman boasts that his CHOICE program is the most lucrative compensation plan in the country, though he's quick to emphasize that's not the only reason to do busi-

ness with Total Merchant Services.

TMS's CHOICE program allows agents to select, on a merchant-by-merchant basis, either a revenue-sharing program or a buy-rate program. The reason behind this dual offering: TMS wants ISOs to maximize earnings without having to work with more than one provider.

"I always explain that the key to success is getting an agreement that protects you against losing your monthly residual commissions," Freedman says. "Our sales partners are protected from ever losing their residual commissions. Our agreement has no liability for merchant losses and has no exclusivity requirements. Smart sales professionals are figuring out, oftentimes the hard way, that their agreement for residual income will be the determining factor as to whether they will be able to survive in this great business."

According to Freedman, the target market for this great business is across-the-board merchants, though TMS's main success has been with small to midsize merchants. At present, more than 15,000 merchants are aboard with TMS.

Since Total Merchant Services sees two emerging markets – wireless processing and government card processing – its hottest products and services currently focus on them. The demand is huge for its Internet commerce solution, a solution that provides for automatic approval and online application process.

"We offer a fast and easy enrollment," says Freedman. "It takes 24 hours for completion from the time the ISO submits the app. If they don't get it back in 24 hours, it's their fault, not ours."

Freedman continues, "Our wireless processing is flexible, reliable – meaning it works. That's key. A lot of companies offer solutions that aren't working. We also support it."

Partnerships and alliances are also key to Total Merchant Services' success. Consider the companies TMS has inked deals with:

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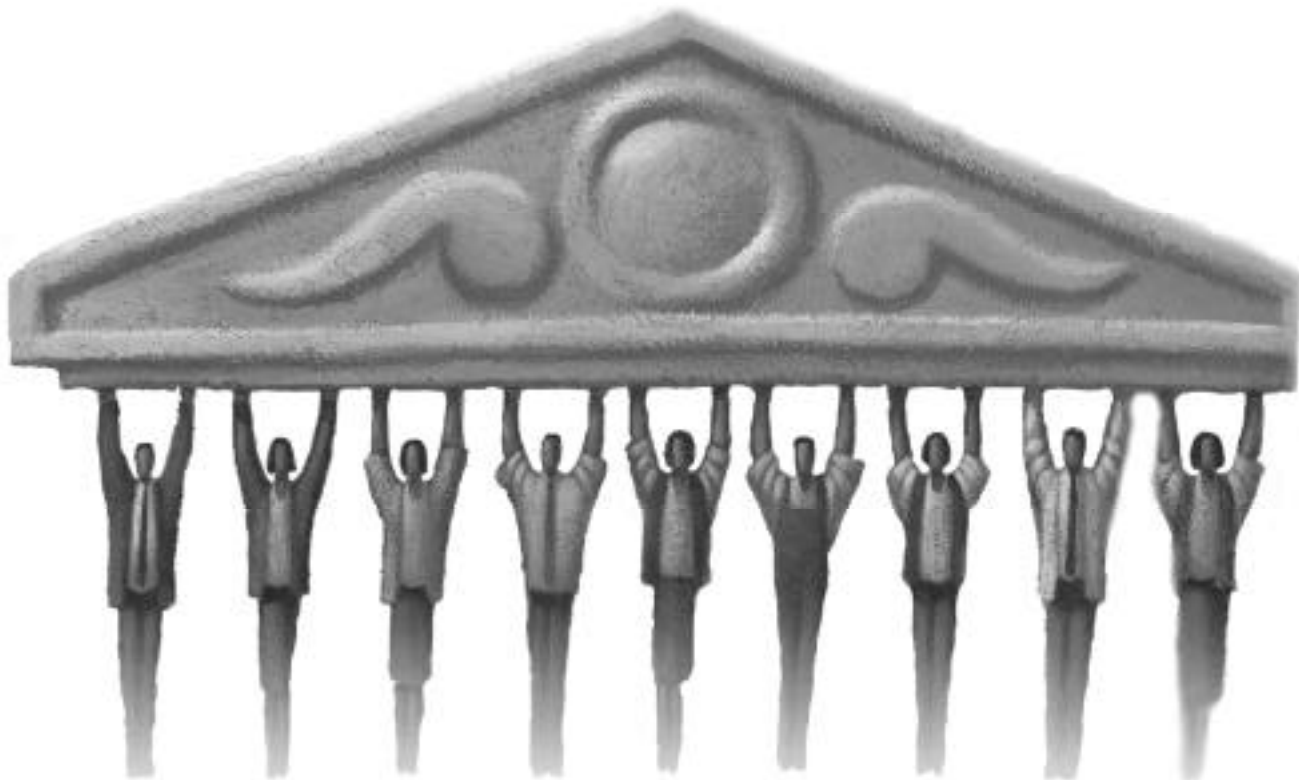
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"Our agents can view not only the status of their accounts but can look at compensation, merchant notes, etc. Here's a huge ability for them to review their accounts at any time."

— Ed Freedman

For back-end settlement of merchants' daily and monthly transactions, and for chargeback and retrieval processing, Total Merchant Services works with Global Payments. Total Merchant Services also works with a number of front-end authorization networks, including NDC East, NDC Central, NDC West, VisaNet and Paymentech.

As mentioned above, for Internet merchant accounts TMS is hooked up with several Internet gateway providers, including VeriSign, Authorize.Net and Plug 'n Pay Technologies Inc. For wireless merchants, TMS works with the leading wireless service providers, including Cingular (RAM network) and U.S. Wireless Data (CDPD and Motient networks).

"We've been through a minefield of vendors in the past," says Freedman. "Our partners are the main differentiator factor. We've pooled together

such a high level of service from the vendors we now work with."

Another high level of service that TMS is proud of is its agent support. Six months ago, the entire Total Merchant Services staff of 40 moved to a new 10,000-square-foot, state-of-the-art office space to support its sales partners. "In our corporate offices in Colorado, that's all we do," says Freedman. "For merchant support, we outsource to Global."

Through TMS's sales-partner portal, its agents get real-time Internet access to all of their account data. They then can log onto a Web-based portal and view anything TMS's internal staff sees.

"Our agents can view not only the status of their accounts but can look at compensation, merchant notes, etc.," Freedman says. "Here's a huge ability for them to review their accounts at any time."

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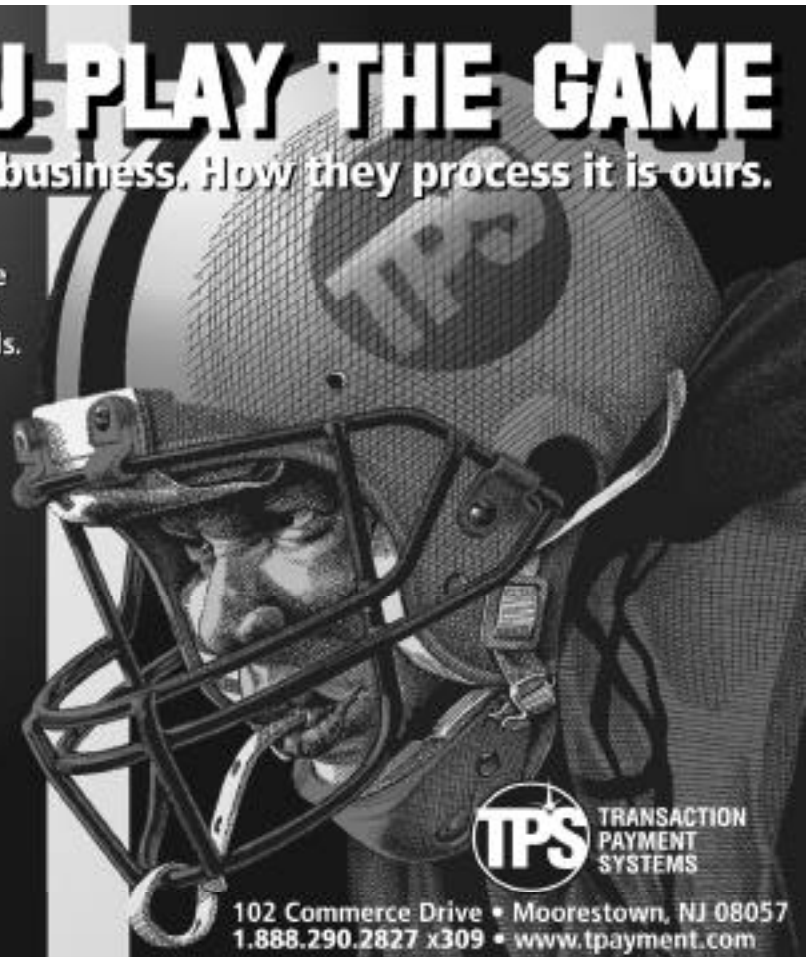
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What does TMS look for in its agents? "We look for people that are honest not just with us but also with the merchant," says Freedman. "Size doesn't matter, but quality does. How do you represent Total Merchant Services, how do you service your customers – that matters to me. They are the front line of Total Merchant Services. Our reputation gets built by them."

Which is probably the reason TMS provides good pricing, good support, solid communication, free three-day training, manuals, marketing materials, brochures, videos, letterhead, business cards and the ability to customize Web sites with the agent's name, address and phone.

It would appear that Total Merchant Services is shipshape, ready to face any storm. So where is its biggest challenge? According to Freedman, it's the commitment to continue to grow the business, continue to devel-

op relationships with good ISOs and continue to get its message out.

"From a challenge standpoint, we need to do more of the same," says Freedman. "The hardest thing is the day-to-day grind, to be able to sit down and do this every day ... to scale up the model."

Freedman anticipates that Total Merchant Services will triple in size within the next two to three years, especially in light of the strong infrastructure that is already in place. "We all know that if you build it, they will come. Well, we've built it," says Freedman. "We are a flagship company in the ISO world, not just for offering the best compensation but because we treat people fairly. That's been our mission – i.e., protecting their rights and ownership in their contracts."

Freedman also anticipates that the industry will change as well within

the next few years. "Through a lot of pressure, the industry is cleaning up its act," he says. "Five years from now, you won't hear about bad ISOs. We will be considered an industry where there are only good ISOs."

"Anybody who is not taking a proactive approach in cleaning up this business won't be in this business. We must be responsible not only for services delivered to merchants but what their reps are saying out on the street. The ones who do it will be the leaders in this business." Total Merchant Services is banking on being one of those leaders.

And toward that end, Freedman extends a special message to the industry: "I would like to encourage anyone interested in developing a long-term relationship to call me personally. I want them to know me personally. Not a lot of company presidents' phone lines are open – mine always is." ■

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BIOPAY

B iometric identification solution provider BioPay LLC has released its latest system for securing financial transactions. BioPay 5.0 allows merchants across the country to share negative customer financial transactions in real time to let them access fast and easy fraud-prevention measures.

BioPay 5.0 uses biometric technology to electronically capture a customer's fingerprint, store a template of the fingerprint image and then record check transactions associated with that person. The new system is easy for customers to enroll in; the information is stored on BioPay's Indivio database, the largest commercial electronic fingerprint database in the nation.

The entire system gives merchants a vast resource for verifying a customer's check-transaction history. BioPay 5.0 includes a feature for multiple-store processing and enrollment, enabling two or more affiliated stores to retrieve a customer's enrollment information from each other. This limits customer enrollment to one time. Clerks also can

retrieve positive or negative customer check-cashing history from any affiliated store, including the last five transactions, check-cashing limits and store manager


When a check is presented, a return customer places the index finger on the fingerprint reader. The BioPay system searches for a print match, identifies the customer and then delivers a history of transactions associated with that person to the merchant.

If the person has any negative transactions, advanced alert mechanisms warn the clerk, enabling the transaction to be declined before it is processed, saving the store money it otherwise might have lost. A customer with a history of positive transactions allows the merchant to cash the check with confidence.

New features also include setting velocity options to reduce a "runner's" ability for cashing multiple bad checks during a specified time period. BioPay 5.0 can alert merchants if a person has visited a store more than once in a given day or more than one store in the same day and determine the number of checks and their amounts the person has cashed in a number of days, weeks, months and years. Warnings will alert merchants if the person exceeds their store-set check-cashing limit at a single location or across multiple affiliated locations.

Expanded customer information features allows merchants to capture a customer's birth date and store it in the system, helping merchants meet federal regulations for determining the accurate age for customers purchasing cigarettes and alcohol.

The customer-enrollment process is easy. On initial check presentment, the customer shows a driver's license or other ID for scanning or inputting into the BioPay database. At the same time, the customer's two index fingers are scanned and an electronic photo is taken of the customer. The entire process takes about two minutes, and all information is stored within the BioPay system. Repeat customers need only use their registered fingerprint to complete future transactions.

BioPay 5.0 will be available at the end of the second calendar quarter. Current BioPay customers with a monthly service plan can upgrade to BioPay 5.0 for no additional cost. 

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NEWS

Heartland Is on Menu for Arizona Restaurants

Heartland Payment Systems will provide payroll-processing services to the 8,000 members of the Arizona Restaurant and Hospitality Association (ARHA). The ARHA board of directors voted unanimously to expand the partnership to include payroll processing along with the credit and debit transactions processing Heartland now provides to association members. The service is specifically designed for the restaurant industry. Heartland's payroll division provides complete processing, including check printing, direct deposit, full tax services, tax liability, automated check signing, tip allocation, time and attendance and employee background screening.

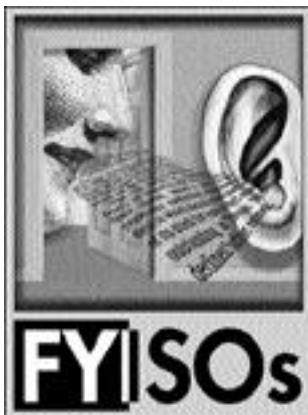
A Vital Option

Acquirers have a new payment-processing option to offer their merchants and enter new merchant markets where cash and checks are the main form of payment. Vital Processing Services announced the availability of its new POS Check Service for integrated end-to-end processing. POS Check Service converts paper checks to electronic checks at the point-of-sale in a process similar to credit and debit card transactions. The solution covers authorization, capture, clearing and settlement and includes the ability to fund, bill and statement merchants for the check transactions.

The new service can be incorporated as one of three options: conversion only, conversion with verification services, and conversion with guaranteed funds. It can be incorporated into one POS device that accepts multiple forms of electronic payment types, including credit, debit, EBT and check transactions.

Smart Cards Are Good for Us

Smart cards were a strong theme at this year's CardTech/SecurTech conference in New Orleans, with American Express, in particular, pushing the idea of smart credit cards. While conceding that EMV will cost "tens of billions of billions of dollars" to implement, Allen Gilstrap, a senior AmEx manager, pitched the migration as "a good investment" in terms of reducing fraud and boosting the uptake of chip cards. Merchants and consumers need to get more involved, Gilstrap said, since "most business models are overly card-issuer-centric."



E-Pay in the Long Run

A survey conducted by Visa and Deloitte Consulting found U.S. firms are increasingly automating their procure-to-pay processes and are "steadily" implementing new e-payment systems as part of their long-term planning.

Results showed that businesses surveyed see e-procurement as a means of controlling the costs of conducting business, and that companies are realizing the benefits of using the Internet as the quickest means to cut costs in their daily operations.

At least 50 large and midsize companies said they are trying to avoid "making isolated technology purchase and implementation decisions" and are leaning toward automation and integration. The companies surveyed said that by improving their procure-to-pay operations, they have saved from almost \$2 million to more than \$8 million.

Smart Cards in Action

San Joaquin County (Calif.) has incorporated Netsmart Technologies Inc.'s smart card system in its Office of Substance Abuse rehabilitation programs. The system is used by agencies in San Joaquin County to ensure that people enrolled in Proposition 36 (state-mandated) rehab programs adhere to the program requirements.

Netsmart's card system simplifies management of the programs and allows public institutions, such as the probation office and county drug rehab facilities, to work collaboratively within the program while protecting citizen confidentiality. The smart card provides the platform for consistent information exchange between the agencies, eliminating reporting errors.

Each program participant receives a smart card verifying identity and attendance for mandatory treatments. Program information is automatically updated by the system and requires limited or no human input of data. A security system permits access to the information by county employees on a "need-to-know" basis only.

Can You Spell That for Me?

Bank holding company Eufaula BancCorp Inc. has changed its name to CommerceSouth Inc. and will relocate its corporate offices from Eufaula, Ala., to northwest Florida. The changes in name and headquarters are meant to help redefine the regional recognition of the company. The name change pertains to the holding company only. There are no plans to change ownership or management. The holding company has two banks, First American in



Florida and Southern Bank of Commerce in Alabama, and its assets are worth \$276 million.

Ingenico Terminal Gets Certified

Ingenico announced Class A stand-alone petroleum certification of its Elite 510 counter-top terminal by Concord EFS Inc. The Elite 510 features an EMV level 1 and 2 approved smart card reader, standard one megabyte of memory and bi-directional magnetic stripe reader. The small, lightweight package has bright graphical display, easy-to-use keyboard functions and a thermal printer. Ingenico makes products for secure transactions and smart card solutions. Concord EFS is an electronic commerce services provider.

Prepaid MasterCard Reseller Program

Next Estate Communications has introduced a program to offer its prepaid MasterCard cards through select retailer channels, and Matt Kerper has been appointed as Director of Reseller Distribution. Next Estate Communications offers a variety of flexible turnkey solutions for distributors and their retail customers; the programs include promotional materials, card packaging and fulfillment as well as Web and telephone customer service. Prepaid MasterCards from Next Estate are available at more than 6,500 retail locations nationwide.

ANNOUNCEMENTS

Distinguished Clearing House Service

Richard M. Johnson, former Western Payments Alliance (WesPay) board member, was honored recently by NACHA-The Electronic Payments Association for his contributions to the nation's payments industry. He received the Distinguished Service Award at NACHA's annual convention in Dallas. He was honored for his 10 years with WesPay and his advocacy for the automated clearinghouse process. Johnson retired as president and CEO of WesCorp Federal Credit Union and a member of WesPay effective May 23, 2002.

Help Wanted: Vice President of Credit and Risk

North American Bancard, one of the nation's leading merchant services providers (MSP) in the credit card industry, is looking for a Vice President of Credit and Risk. The ideal candidate must have experience in the credit card industry, in managing risk and credit departments, and must demonstrate proven abilities to multi-task in a fast-paced environment. Previous underwriting, risk-management and fraud-investigation skills are required. Merchant acquiring skills are a plus.

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Elbow Room

Tranax Technologies Inc. has moved its corporate headquarters for the third time in four years. The company's rapid growth necessitated the move to a larger facility in Fremont, Calif. The increased space will enable Tranax to expand production, R&D, logistics and office space. Tranax was formerly known as Cross International and is the fastest-growing provider of ATM technology, having installed 25,000 ATMs since 1998.



Bank Deal Completed

South Alabama Bancorporation completed the acquisition of Wewahitchka State Bank with the merger of Gulf Coast Community Bancshares. The addition of the Florida bank, located in Gulf County on the Florida Panhandle and with assets of \$40 million, brings South Alabama's total assets

to approximately \$645 million.



CrossCheck Checks In with 2 Big Deals

CrossCheck Inc. has announced an agreement to provide check guarantee services to Pameco Corp. of Norcross, Ga., and also to LanChile Cargo offices.

Pameco Corp. is one of the largest distributors of HVAC (heating, ventilating, air conditioning) and refrigeration systems in the U.S. and will implement CrossCheck's program at its 270 building-supply source locations nationwide. LanChile Cargo offers airport-to-airport, door-to-door, courier and logistical services in 20 countries, primarily in Latin America and South America.

CrossCheck is the country's largest privately held check guarantee company; its services let customers pay for purchases by check and reduce the associated risks for merchants. It provides its payment solutions to more than 73,000 merchant outlets and handled more than \$9 billion in guaranteed transactions in 2001. ■

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INSPIRATION ◀ ◀ ◀

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Just as there's not one ballplayer who knocks it out of the park each time up at bat, there's not one sales professional who closes each and every deal. No matter how strong your products and services are, no matter how well you've researched your prospect, no matter how articulate your presentation is, you may face failure ... and you have to be able to deal with it. Take a few tips from the sports specialists.



Despite what's going on in the game, successful athletes keep coming up to the plate with enthusiasm and determination. Why? Because they know it's not personal. A break is bound to come. Stick with what got you into the game and stay with what you've put into it.

Sales slumps are legendary. While everyone has them, the top sales professionals are quick to get out of them. How do they do it? They get moving, and fast. Making more calls, refreshing skills and scripts, reading motivational materials, communicating with colleagues – it all translates into breaking that losing streak. Remember, the law of averages is on your side.

World champs also rely on discipline. It drives the successful athlete like nothing else. The greater the self-discipline, the greater the reward.

Your sales career won't take off without applying and re-applying the basics, over and over, day after day. You can't shine for one sale and then slip into an easy chair for the next week. The daily discipline of making calls, returning calls, following up on pitches and promises, and ferreting out new prospects will keep your sales physique in shape and your batting average right up there with the all-stars.

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The Payments Institute

Highlights: Presented in an intimate setting, The Payments Institute offers a timely, comprehensive, and in-depth curriculum structured to help you achieve a deeper understanding of the payments system and practical information to enhance your organization's ability to realize the benefits of electronic payments. The Payments Institute is not just a conference. It is a unique "collegiate" learning experience that gives a broad overview of the entire electronic payments system, including core topics like Automated Clearing House (ACH), card systems, checks, international payments, and large-value payment systems. Building on this core payments system foundation, students may select from a broad range of electives focusing on specific key applications, implementation approaches and experiences, best practices and case studies. Students also can hone their payments knowledge and professional skill sets through a team-building simulation and industry-focused group project regime. The Payments Institute allows for invaluable networking opportunities with other payments system professionals from a wide range of industries and backgrounds.

When: Payments Institute West – June 23-27, 2002.
Payments Institute East – July 28-Aug. 1, 2002.

Where: Payments Institute West – DoubleTree Hotel Mission Valley, San Diego.
Payments Institute East – Emory Conference Center and Hotel, Atlanta.

Registration Fees: Meals are included in registration fees. Vary by NACHA membership status and hotel accommodations selected. Visit www.nacha.org for details.

How to Sign Up: Online at www.nacha.org/conferences. Phone 800-487-9180.

ETA 2002 Midyear Meeting & Expo

Highlights: Save these dates for what is expected to be the biggest show and largest crowd yet at this always popular event. This year's Midyear Meeting & Expo, "Thread the Needle of Success," will offer the same networking opportunities, educational sessions and presentations as always, but this year the exhibition hall will include 80,000 square feet and more than 300 booths to explore. The Midyear Meeting is still in the planning stages now; check back here or visit www.electran.org for updates and details. For information on the trade show, contact Shawn Canfield at ETA at shawnc@robstan.com or phone 800-695-5509.

When: Sept. 17 – 19, 2002.

Where: Washington State Convention and Trade Center, Seattle.

Registration Information: Visit www.electran.org or phone 800-695-5509.

- Why not breathe new life into your presentation by encouraging questions instead of just asking them at the end of the pitch? At the onset, tell your prospect to be sure to interrupt you whenever a point of procedure needs clarification or whenever a question pops into their head. This ensures an interactive presentation. Class participation enlivens any subject.

- If you want to make an impact with your next prospect, stress your major points ... over and over. The law of advertising is that consumers need to see an ad many times before being motivated to buy. You don't have the luxury of multiple exposure, so repeatedly recite your selling points throughout the presentation. Don't overload. Just pick the two or three most impressive aspects of your package.

- Like so many of us who have had to stand up in front of the class, we get nervous. Use that sweaty-palm energy to your advantage. Re-channel the adrenaline into enthusiasm for your products and services.

- Don't forget your posture during a presentation. Standing up straight or sitting tall in a chair facing your prospect shows your pride in your presentation and products as well as confidence in your selling skills.

- A basic tenet that is sometimes forgotten but still remains solid is that honesty is always your best policy. Telling a prospective customer what he or she wants to hear rather than the truth will only lead to a failing grade. Focus on honest business practices and you'll go to the head of the class with more sales and happier, long-lasting business relationships. And from this same lesson, if you don't know the answer to a question, admit it ... then offer to research and get back to the prospect ASAP.

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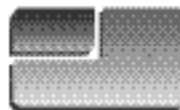
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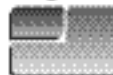
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