The Green Sheet

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May 11, 2009 • Issue 09:05:01

New payment player flexes muscle

The Internal Revenue Service has been sitting on the edge of the payments industry pool for decades, wading ankle deep and making small ripples. However, in July 2008, the IRS jumped in with a splash when President Bush, as part of his fiscal year 2009 budget, signed HR 3221, The American Housing Rescue and Foreclosure Prevention Act of 2008, into law.

The new law is designed in part to provide additional tax credits for first-time home buyers, finance the construction of low-income housing and broaden deductions for state and local property taxes. But a provision was added to the bill that could generate supplementary revenues of up to what the IRS estimates will be $9.5 billion over 10 years – and this time its target is electronic transactions.

"We're not under the radar anymore," said Jeff Fortney, Vice President, ISO Sales, Clearant LLC. "The Fed says that they've needed to improve our banks and financial institutions for a long time, so what better time to do it than now? And we're being singled out because we're easy. We're the homely, introverted girl at the dance that never gets anyone to dance with her. But to everyone's surprise, she's got money in her pocket."

Becoming the enemy

The law could directly impact merchant acquirers, payment processors and even ISOs that settle electronic transactions. Beginning Jan. 1, 2011, payment settlement organizations will be responsible for compiling merchant transaction reimbursement volume for submission to the IRS; they will be required to complete annual information returns for all calendar years starting with 2011.

This requirement is seen as a means to close the gap between taxes the government believes it should be collecting and what it actually receives.

HR 3221's Section VII, entitled "Revenue Provisions: Information returns for merchant payment card reimbursements," requires "institutions that make payments to merchants in settlement of payment card transactions" as well as "information returns for payments in settlement of certain third-party transactions that operate in a manner similar to card transactions to file a return" with the IRS.

Paul Martaus, President of consulting firm Martaus & Associates, sees this law as the U.S. government putting the onus on the payments industry to monitor merchants. "I believe this law makes the payments industry the merchant bank," Martaus said. "Moreover, it makes them an agent of the Fed to spy on and basically rat out the retailers."

Down the road

Fortney believes this law might be the beginning of more oversight. "If we're

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AdvisoryBoard

NotableQuote

It's one thing to expand one's offerings – such as from credit and debit into gift cards – but it's quite another to leap into a completely new arena that requires operating system programming capability and the ability to acquire or develop the necessary accounting and customer management applications that an integrated solution entails.

Inside this issue:
CONTINUED

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Forum

Back to bankcard action

I've been working in the payments industry and have met some exceptional people along the way. During this journey, I've greatly appreciated your publication; it has always delivered concise and relevant information that has been essential for me to understand many complex issues and be on the pulse of what's happening.

I've been out of the industry for a short time, went to Iraq … am now back in one piece, so let me stop taking your time up. If you could advise me on two things it would be outstanding.

1. There is a young sales associate working with me who's just entering the industry. He is filled with enthusiasm and is so hungry for learning all that he can to develop his career, including learning about pricing and professional development.

What books do you believe are essential tools for career development for new agents that cover the industry, strategies and how to succeed? What resources do you believe have relevance and direction for them to learn how to understand interchange … pricing models and delivery methods? He doesn't have a lot of extra money. So perhaps if you can recommend books that are less then $40 that would be great.

2. I am trying to find an industry ranking of processors and their market share and their specialties in order to get an understanding of which processor may be the best fit for various market sectors. Do you have any industry reference tools, papers or publications that I should go to?

Thanks for all that you've done to make the payments industry a more enjoyable community experience for all of us. Your publication is power to all of us, because it gives us a targeted view of so many things in such a short space, and it's focused on the people in the trenches.

Kevin Treider

Kevin,

Thank you for letting us know how helpful The Green Sheet *has been to you. We hope to be of service to you and your colleagues for a long time to come.*

Regarding your first question, our Web site (www.greensheet.com) contains a wealth of information about all aspects of the industry. We also maintain an online archive of all issues of The Green Sheet *and GSQ dating to 1995.*

To find articles pertaining to interchange, type the word in our Fast Finder search engine, which appears right below our logo in the upper left-hand corner of our home page. Some articles that appear will be news stories about proposed interchange legislation; others will be educational articles pertaining to pricing.

Typing in "professional" or other career-related terms will likely produce useful results as well.

In addition, the following books and reference materials may be helpful to the young man you are mentoring. We offer free PDFs of Paul H. Green's books. We do not have pricing information on the other publications:

- *Good Selling!*SM*, by Paul H. Green, The Green Sheet Inc., 1999*
- *Good Selling!*SM*: Thirteen Weeks to Personal Success, by Paul H. Green, The Green Sheet Inc., 2003*
- *How to Survive and Thrive in the Merchant Services Industry, by Marc J. Beauchamp and William Graham, Performance Training Systems, 2003*
- *Paying with Plastic: The Digital Revolution in Buying and Borrowing, second edition, by David S. Evans and Richard Schmalensee, The MIT Press, 2005*
- *What Every Business Should Know About Accepting Credit Cards, by Anthony L. Ogden, 2004*
- *Visa U.S.A.'s Rules for Visa Merchants: Card Acceptance and Chargeback Management Guidelines*
- *The Electronic Transactions Association's Encyclopedia of Terminology for the Acquiring Industry*

On our Web site, we also host GS Online's MLS Forum, which is open to all merchant level salespeople (MLSs). It is a place where MLSs can post questions and receive informed answers from their peers, many of whom have decades of experience. To join, just click "Register Today!" in the upper right-hand corner of our home page, and follow the prompts from there.

Regarding your second question, we do not know of a resource that analyzes processors' specialties. However, "Bankcard today: 2008 Acquirers report," GSQ, Vol. 11, No. 4, December 2008, lists the top seven acquirers as of that date and provides much useful information about the current state of acquiring.

Welcome back to the industry, Kevin. I hope this information helps you flourish.

Editor

Correction

The chart accompanying "Blog on, link in, tweet out," the Street Smarts^{SM} article by Jon Perry and Vanessa Lang that appeared in *The Green Sheet*, April 27, 2009, issue 09:04:02, was placed on page 74, two pages after it was introduced in the text. It should have been given a name and then mentioned by name in the text to make it easier for readers to find. *The Green Sheet* regrets the error.

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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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News

Small-business confidence rising

A new report indicates that small-business owners are more confident about the economy than they have been in more than a year. Thirty-one percent of business owners surveyed said the economy is improving, twice the number who noted improvement the preceding month.

66

Education

Street Smarts℠: What does your billboard say?

We send out distinct messages before even opening our mouths. Sometimes verbal communications aren't properly heard because of the framing that precedes them, which can create a fixed impression. This article explores the notion of "message framing" and the different ways we create personal billboards for everyone to see.

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News

Flying for wishes, Isaacman sets record

On April 15, 2009, United Bank Card Inc.'s Chief Executive Officer, Jared Isaacman, broke the record for circumnavigating the globe in a Cessna Citation CJ2. And that's not all. His flight raised funds and awareness for the Make-a-Wish Foundation of New Jersey; it also broke 14 more world records.

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Education

What it takes to thrive in business

Who in the payments industry hasn't heard a merchant tell a horror story about a processing relationship gone awry, excessive fees or ongoing problems with customer service? Because of the unethical practices of just a few in the payments industry, everyone is faced with increased skepticism among merchants. How can we regain that trust? Try a new business model.

Why get tangled up in a mess of plug-ins?
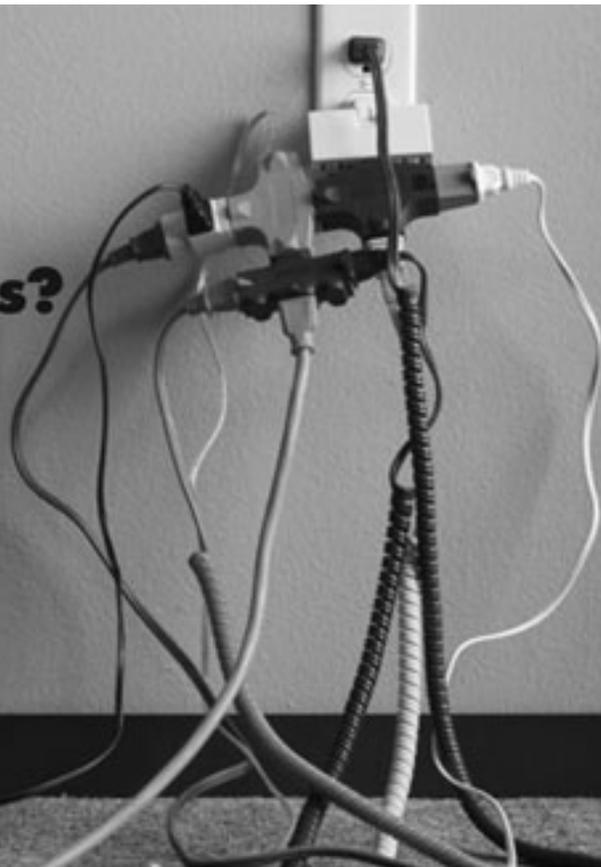
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Industry**Update**

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NEWS

First Data achieves a first

First Data Corp. became a member of **Visa Canada Corp.**, making it the first acquirer to directly participate in all three major brands in Canada: Visa, MasterCard Canada Inc. and Interac Inc. (a Canadian debit network). In November 2008, Canada's Competition Bureau changed its policy regarding duality and dual governance of credit card networks in Canada. Formerly issuers and acquirers had to choose between the two major brands.

Wayne Clarke, Senior Vice President and General Manager of First Data's operations in Canada, said that before this decision, "a Visa member would have to do things like approve our credit policy and our processes and what not, and communications from the association would go to a member and from the member to us. So [joining Visa directly] alleviates that extra step."

Clarke said being a member of Visa benefits First Data's merchants because, "as a member, we get the information at the same time as all the other members, and we can certainly then roll out the new products or services or any changes in interchange to our merchants a lot quicker." He also stated that new businesses in the Canadian market can come through First Data "with one credit policy … for both Visa and MasterCard."

M-commerce poised for popularity

New analysis from **Frost and Sullivan** indicates mobile devices have emerged as a convenient and safe way to conduct financial transactions. The report, *An Insight into the U.S. Mobile Financial Services Markets – Mobile Banking and Mobile Payments*, finds the value of physical goods sold through mobile commerce in the United States is expected to reach $1.46 billion in 2013. To receive further information via e-mail, contact Christina Alfaro, the company's Corporate Communications Director, at *christine.alfaro@frost.com* with your name, company name, title, telephone number, as well as your company's physical address (including city, state and country), e-mail address and Web site URL.

CNP merchants get best practice advice

According to card-not-present payment solutions firm **Litle & Co.**, consumers spend approximately $1 trillion annually on recurring transactions and installment billing, using their credit cards for routine monthly payments in order to accumulate miles, points or some other form or reward. The company said that for CNP merchants to remain competitive, they must embrace and support these transaction types as part of their overall offering. Litle released the report *Recurring Transactions Best Practices* to help merchants take advantage of recurring transactions, convert traffic into long-term customer relationships and maximize revenue opportunities.

"A stealth recurring billing strategy can serve as a powerful revenue generator," said Bob Botelle, Vice President, Merchant Services Group at Litle. "And when implemented correctly, recurring billing can substantially increase the number of consumers who try your product or service."

ANNOUNCEMENTS

CyberSource focuses on fraudsters

In its 10th Annual Online Fraud Report, payment and risk management solutions firm **CyberSource Corp.**

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

THANK YOU. PLEASE READ AGAIN!
TRANS ID:460465 EMP:120408

- The average retail employee discount for purchases is 31 percent, according to a 2008 U.S. Retail Compensation and Benefits Survey conducted by the **National Retail Federation**.

- **StorefrontBacktalk** analysts report that approximately 34 percent (nearly $12.5 billion) of U.S. e-commerce was transacted on Amazon.com. The **U.S. Commerce Dept.** said this was more than a third of total e-commerce sales reported in the last quarter of 2008.

- The NRF's 2009 Mother's Day Consumer Intentions and Actions Survey conducted by **BIGresearch** estimates Americans will spend an average of $123.89 in 2009 compared to $138.63 in 2008. Total Mother's Day spending is expected to reach $14.1 billion.

- **Ebeanstalk.com**, which sells children's educational toys online, reported its sales for the first quarter of 2009 were up 65 percent compared with the same period in 2008. Also, a survey of its customers indicated 40 percent are 50 years of age or older.

indicated its Authorize.net small business arm released the Advanced Fraud Detection Suite (AFDC), which enables online merchants to identify and handle suspicious transactions.

CyberSource stated that U.S. merchants lost an estimated $4 billion to fraud in 2008. The AFDC was designed to give small business merchants the tools to combat online fraud while saving legitimate orders from being rejected.

Kodak swims up Digital River

E-commerce solutions firm **Digital River Inc.** expanded its relationship with **Eastman Kodak Co.** to manage Kodak's global e-commerce operations. Under the agreement, Digital River will provide a full range of e-commerce and e-marketing services to support all consumer online sales of Kodak products in North America and Europe.

New consulting firm a jewel

Former First Data Corp. and ViVOtech Inc. senior executive Todd Albowitz recently formed **Double Diamond LLC**. The new firm offers strategic consulting, project execution and business development for companies across the payment spectrum.

ETA committee applications now available

The **Electronic Transactions Association** is accepting committee applications for the 2009 – 2010 year.

Members interested in serving on an ETA committee should complete and submit an application by May 14, 2009. Those who are currently serving on a committee and want to continue with either their current committee or a different committee must complete a new application.

For more information, visit *www.electran.org/docs/committees/ETA2009CommitteeApplication.pdf* .

No cable or wireless? No problem

Payment gateway and software development company **eProcessing Network LLC** certified **MagTek Inc.**'s MagneSafe m20 portable secure reader for use with its Online Terminal.

Reportedly ideal for payments where neither cable nor wireless connections are accessible, the MagneSafe m20 can store up to 70 mobile transactions with a single reader and encrypts card data at the moment of swipe.

IndustryUpdate

Doin' it right

One of the highlights of the Electronic Transactions Association's 2009 Annual Meeting & Expo, held in Las Vegas from April 21 to 23, was the annual President's Dinner and Awards Ceremony in which payment companies and distinguished veterans were honored for their contributions to the ETA.

The ETA presented its first ISO of the Year Award to Boston-based Merchant Warehouse. Carla Balakgie, Chief Executive Officer of the ETA, said Merchant Warehouse demonstrated its excellence through care for its reputation, investment in its people, savvy application of technology, great customer service and consistent sales growth and retention.

"It is a tremendous honor to be named ISO of the Year," said Henry Helgeson, the company's President and co-CEO. "This award truly recognizes all of the hard work that we do every day, while honoring the high standards we keep."

Awards go Global

Paul R. Garcia, Chairman and CEO of Global Payments Inc., received the Distinguished Payments Professional Award for a more than 30-year career in which he became an acknowledged payments industry trendsetter and positive contributor to the development and image of the industry.

Nick Baxter, the ETA's President, said Garcia is both valued throughout the industry as a credible leader and respected beyond the payments sphere. "Through his demonstration

of the utmost integrity and high ethical standards, he actively contributes to the collective success of the payments industry," Baxter added.

Give to live

The ETA's Member of the Year, the Association's highest volunteer award, was given to Kurt Strawhecker, Managing Partner of consulting firm The Strawhecker Group, for his contributions of intellectual property, issues advocacy, product and service development and consistent efforts to support the ETA's mission.

"I am grateful and humbled by this award," Strawhecker said. "We look forward to continue working with the ETA and the payments sector further."

The Committee of the Year honor went to Strategic Leadership and Networking Forum Program Planning, a group of "industry thought leaders who guide development of program content and networking activities and who, through their collective accomplishments, yield valuable services for members and move the ETA toward achievement of its strategic goals," the ETA stated.

Leaders we trust

Security and compliance management solutions provider Trustwave received the Business Partner of the Year Award for its support of the ETA through sponsorship, speaking at ETA events and serving on committees to help expand the association's footprint.

"We were thrilled," said Robert J. McCullen, Chairman and CEO of Trustwave. "It's just a great reflection on the team and an honor to be sorted out among a tremendous group of other nominees." McCullen believes Trustwave's "unwavering" commitment to the ETA was a primary basis for the award.

"We go to all the conferences, we do a number of webinars and we provide services to help with their data security," he said.

"We are very supportive of all the association's events to help educate and provide info for ISOs and the payments industry overall."

They honor us

National Processing Company Senior Vice President Chris Lee was recognized as the ETA's Committee Volunteer of the Year for "dedicating extraordinary time, effort and expertise to our mission," the ETA noted.

For Lee, the win was a surprise. "It is very gratifying to win this award," Lee said. "I enjoy working on the technology committees, and I am proud to help other industry veterans, but it is nice to be recognized for your efforts when you feel that you have worked well to help a cause."

The award winners lauded the ETA for supporting its members and offering valuable tools to help payment professionals thrive. But it is those winners' dedication, passion and willingness to share information and insights that make them the type of leaders who will enable the ETA to continue to carry out its mission and keep our industry sound in the years ahead. 🔲

Falcon preys on fraudsters

Analytics and decision management technology company **Fair Isaac Corp.** launched its Falcon Fraud Manager 6.0, which incorporates adaptive analytics to monitor high-risk ATMs, merchants and geographic regions; helps accelerate a financial institution's ability to spot new fraud patterns with fewer false positives; and prevents them from causing extensive damage.

Maritimers get online freight payments

First Data reported it is offering the first global online freight payment system for the maritime shipping industry. PayCargo is a proprietary solution that allows shippers, carriers and freight brokers of all sizes to settle accounts faster and more safely.

Hypercom in Class A by itself

Hypercom Corp. revealed that processing services

firm **TransFirst** has Class A certified and will market Hypercom's Optimum T4205 and T4220 card payment terminals to its more than 160,000 merchant customers throughout the United States.

A Normal processor

Normal, Ill.-based **ISU Credit Union** is moving its card processing operation to **TNB Card Services**. TNB will work with ISU to restructure its $2 million card portfolio and help the credit union develop a card product that is more competitive and attractive to its Illinois State University members and surrounding community.

Payment provider S-calates bank platform

Mercantile Bank Corp. selected payment services provider **S1 Enterprise**'s mobile banking and payment solutions for its merchants and consumers. S1 report-

IndustryUpdate

edly expands Mercantile's multichannel offering, which enables clients, via short message service or mobile application, to access their account information, transfer funds between accounts, view recent transactions, make payments and approve transactions directly from a mobile device.

Innovative applications introduced at ETA

Processing services provider **Merchant Warehouse** introduced its BINSmart and MerchantWARE Mobile payment applications at the ETA's 2009 Annual Meeting & Expo in Las Vegas.

The company noted that MobileWARE Mobile, a POS application, provides merchants with the ability to run credit and debit transactions in real-time by accepting payments on iPhone or iPod Touch devices.

The BINSmart product can be embedded in an Internet protocol (IP) or dial-up terminal and, once a card is swiped, is designed to assess each card transaction and identify it as a debit, credit or corporate card.

It then calculates the estimated lowest cost processing option and prompts for the best method to run that sale.

1.3 billion clients hard to ignore

MoneyGram International reported it will begin offering its money transfer services to all 200 Bank of China locations in Beijing in anticipation of expanding into the full Bank of China network.

Processor, credit union re-up

Navy Federal Credit Union and **TSYS Acquiring Solutions** renewed their processing relationship. TSYS will continue to provide processing for Navy Federal's Visa Inc.- and MasterCard Worldwide-branded credit card products. Services provided under the agreement include statement processing, card embossing, accounting and settlement, fraud prevention services, member service and collection operating systems, correspondence, and risk mitigation. TSYS supports more than 850,000 active credit card accounts at Navy Federal.

Payments, disburse

Financial services company **Online Resources Corp.** introduced its eCommerce Services unit, a disbursement solution that manages business-to-business and business-to-consumer payments. The service supports applications across a variety of industries including mortgages, credit cards, insurance, utilities and health

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Precidia PAX IP payment engine

PAX Technology Ltd., a provider of payment terminal products, launched its new payment terminals with IP payment and networking products firm **Precidia Technologies Inc.**'s TransNet payment engine capability. By integrating TransNet directly into the S80 and S90 PAX terminal products, merchants receive a POS offering that includes remote deployment and terminal management, Payment Card Industry (PCI) Data Security Standard (DSS) compliance assistance and precertification to transaction processors, according to PAX.

All-in-one check scanner

Remote deposit capture solutions provider **RDM Corp.** released its EC7500i series, which reportedly features the first low-cost check scanner with an integrated receipt printer with mag stripe reader.

The EC7500i check scanners feature a standard USB port for flexible connection to PC-based applications, as well as configurable options for check defacement and double- or single-sided imaging.

RDC turnkey taken to TASQ

POS equipment provider **TASQ Technology Inc.** created a turnkey RDC solution that bundles key RDC elements including hardware, software and customer support. ISOs and merchant level salespeople can earn additional revenue streams with several types of check scanners and deposit platforms now available that are designed for small businesses, business-to-business enterprises and professional service companies.

Comodo mooved by 5-cow rating

Internet services consultant and analyst **Tucows.com** published its ratings on two **Comodo Group** products, Comodo Internet Security and Comodo Systems-Cleaner. Both products were awarded the 5-cows, Tucows' highest rating. "We're very happy that Tucows has grouped CIS and CS-C with other elite, 5-cow software," said Melih Abjullhayoglu, CEO and Chief Security Architect for Comodo. "Tucows approval means that our software functions at the highest level."

Vendor Safe simplifies PCI SAQ

Vendor Safe Technologies, a PCI Security Standards Council participating organization, introduced its PCI Compliance Reporting Suite, an online compliance

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- Prompts for additional information for corporate cards at swipe to avoid costly downgrades
- Verifies completion of daily close-out procedure to avoid downgrades

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solution that is said to simplify reporting for ISOs, acquiring banks and merchants. Traditionally, merchants must answer up to 220 questions in the PCI DSS Self-Assessment Questionnaire. However, with the reporting suite, the number of questions can be reduced to approximately 75.

VeriShield crosses multiple lines

VeriFone extended its VeriShield Protect solution to provide encryption capabilities across multiple product lines, including Vx Solutions, PAYware Transact and as a managed service. VeriShield Protect eliminates usable cardholder data from POS applications, networks and servers using the Advanced Encryption Standard that preserves existing card track data formats and works with retailers' and acquirers' existing payment infrastructures.

Paper payments prohibitive

Payment services company **Yodlee Inc.** unveiled its Yodlee PostcardCheck, an online bill pay service aimed at increasing efficiency and lowering the costs associated with paper payments.

Nearly two in 10 payments originated online in the United States are still processed via paper check.

PostcardCheck can help financial institutions lower single check payment costs by up to 30 percent, Yodlee indicated.

PARTNERSHIPS

ISO gets a suite deal

eProcessing Network LLC forged an alliance with ISO **CoCard Marketing Group LLC** to offer its entire suite of payment gateway solutions to all of CoCard's independent sales offices. As part of the rollout, eProcessing will host a series of webinar training events to familiarize the CoCard sales teams with the new offerings and provide sales support.

RDC solutions float down iStream

Payments technology company **iStream Financial Services Inc.** partnered with value-added solutions provider **Epson Corp.** to offer RDC products and services to any level merchant. "We are thrilled to partner with an innovative company like iStream and we are confident that this partnership will promote more RDC adoption in the SMB (small and medium-sized businesses] market and beyond," said Bud Weist, Vice President of Sales and Marketing for Epson.

IndustryUpdate

Mobile phone now a scanner

NCR Corp. and mobile payment services provider **Mitek Systems Inc.** teamed up to integrate Mitek's ImageNet Mobile Deposit software into NCR's APTRA Passport family of RDC solutions.

The software allows check deposits for small service-based businesses using their mobile phone's cameras as a scanner, capturing an image of both sides of the check and transmitting that image to their financial institution for deposit.

Bancorp orbits Planet Payment

Multicurrency and data processor **Planet Payment Inc.** and **The Bancorp Bank** reached an agreement in which Planet Payment will offer its suite of products and services to Bancorp's merchants and third-party services in the United States. Bancorp will utilize its partner's multi-currency processing platform to help merchants increase sales and operate their businesses more efficiently.

Signature Card gets PCI-full

Payment processor Signature Card Services joined forces with security and compliance solutions company ControlScan Inc. to help its merchants meet PCI DSS

requirements. Merchants can now access ControlScan's PCI 1-2-3 solution, available online via myControlScan.com, a Web-based portal that provides merchants the tools and support to analyze, remediate and validate PCI DSS compliance.

ACQUISITIONS

Global true to its word

Payment processor **Global Payments Inc.** completed its acquisition of ZAO United Card Services in a stock purchase transaction. Under the agreement's terms, Global will pay $75 million to acquire ZAO UCS. "Russia continues to be one of the world's fastest growing payments markets," said Global CEO Paul R. Garcia. "UCS provides us with a direct merchant acquiring platform for long-term growth in Russia, Central and Eastern Europe."

APPOINTMENTS

Anderson emerges as new business manager

Desktop check scanner specialist Digital Check Corp. named **Fitz Anderson** as its new Business Manager, Emerging Markets. Anderson is tasked with creating opportunities for Digital Check in the small business segment, including the property management, ISO and POS markets.

WSAA adds two to board

The Western States Acquirers Association added two industry veterans to its board of directors. **Gregg Gumbinger**, Director, Strategic Partnerships, First Data, joins the board as Secretary and **David Sharp**, Vice President of Business Development at PaySimple, comes on board as a Member.

O'Farrell working at Intersections

Identity risk management company Intersections Inc. appointed **Neal O'Farrell** as its new Consumer Security Advisor to help educate consumers about identity theft and the need for real, holistic solutions. O'Farrell has worked as a top security advisor to financial institutions and the U.S. government's military and intelligence sectors for the past 25 years.

Moneybookers gets new anti-fraud boss

Online payment processor Moneybookers USA Inc. introduced **Tero Pollanen** as the company's new Head of Anti-Fraud. Pollanen, a fraud strategy veteran, will lead Moneybooker's Anti-Fraud and Risk Team and continue driving the development and implementation of the company's proactive fraud prevention strategy.

THE SKY'S THE LIMIT

SOMETHING
BIG
IS COMING...

United Bank Card

Protect merchants with the basics

By Biff Matthews

CardWare International

When money is tight, we forgo trips to the cleaners and haul out the ironing board, dine out less often and make purchases more judiciously. Difficult times tend to drive people back to the basics. When doing business in a down economy, it's time to review expenses and look for ways to cut overhead costs. For those processing transactions, "the basics" are an imprinter and a sales slip.

Why are imprinters and sales slips important to your merchants? Why promote 20th century technology or ask merchants to invest in a device that may never be used? The answer: Many chargebacks could be avoided by ensuring that merchants have imprinters at all their locations. Of course, it also helps to know where, when and how to use them.

A painful truth

Here's a true story that exemplifies the point. A well-known hotel in a major resort town is fighting an illegitimate $1,400 chargeback without a leg to stand on. Why? A cardholder (in this case the actual cardholder) checked in with his wife for an extended weekend that included spa treatments, dinners with wine – the works.

The magnetic stripe on the man's card was unreadable when the couple checked in, so the clerk keyed in the account number, expiration date and a hold amount, and received an authorization. The cardholder signed the check-in folio, and the couple went on to have a great weekend, running up additional charges, all of which were signed for by the wife.

Upon their departure, the couple used express checkout. And when the cardholder received his statement, he disputed the $1,400 charge.

The hotelier had a keyed transaction; no card imprint, no prompt or entry of cardholder verification value (CVV) on that keyed transaction; an illegible signature on the folio; and all subsequent charges signed for by the cardholder's wife. To add insult to injury, the cardholder could not be recognized on the check-in video because he never exposed his face, and his wife was never in the frame.

Two simple procedures would have made it easy for the hotel to refute the chargeback: taking an imprint of the card and providing a prompt for entry of the CVV. The hotel's one – yes one – electric imprinter had been broken for over a month, yet no one had alerted maintenance or the credit manager.

The card brand rule regarding imprinters and merchant identification plates has been the same for decades. To paraphrase, it states that the merchant shall provide a legible copy of the imprint of the card, when requested.

Merchant safeguards

Card company rules favor cardholders, so merchants must use every tool and resource at their disposal to protect their rights. This is even more crucial in tough economic times, when the rates of fraud – friendly and otherwise – increase.

View

A few CardWare clients have recently eliminated the embossed imprinter plate from their new merchant kits, believing it is no longer necessary; new clients are omitting both the imprinter and the merchant ID plate from their kits. This is a huge mistake.

In my opinion, merchants could hold processors liable for chargebacks due to lack of imprints if the processors failed to provide them with imprinters. I don't know many merchants who will pursue legal action over a few dollars, but they more surely will when transactions are substantial. Remember, it isn't what you, as the merchant level salesperson (MLS), believe is substantial, it is what your merchants deem substantial.

The reasoning and justification for an imprinter is the same today as it was five, 10 and 15 years ago: to prove the card was present during the transaction.

MLS protection

As an MLS, do not shortchange your sale by omitting an imprinter and merchant identification plate. At a minimum, ask merchants to show you their imprinters and order plates for them. At least for one moment in time, they will know where their imprinters are.

Also, as an MLS, don't allow your processor to expose itself and you to potential lawsuits because your merchants were not provided the tools required for their protection (remember what the card company rule says).

Would you omit sending a printer with the terminal to a new merchant? No. Would you forget to send the merchant a sticker with your company's authorization and support phone numbers? Of course not. Then why would you neglect to include an imprinter and embossed merchant identification plate?

As notably stated elsewhere in *The Green Sheet*, it's about doing it right. Providing an imprinter is the right thing to do, the short-sightedness of others notwithstanding.

To quote Mark Twain, "The reports of my demise are greatly exaggerated." If imprinters could speak, this would be what they'd say. In no small way, they have become, once again, a critical tool for protecting both the integrity of transactions and the success of merchants.

Biff Matthews is President of Thirteen Inc., the parent company of CardWare International, based in Heath, Ohio. He is one of 12 founding members of the Electronic Transactions Association, serving on its board, advisory board and committees. Call him at 740-522-2150, or e-mail him at biff@13-inc.com.

The drive toward integrated solutions

By Robbie Lopez
VeriFone

As businesses grow and mature, they tend to gravitate toward integrated technology, rather than mixing and matching products and services from multiple vendors. This trend is no different in retail payments, and you're probably already speaking with merchants who are looking for a broader solution than payment terminals.

It may well be time to evaluate whether you need to acquire the capabilities to offer integrated solutions or to partner up with value-added resellers (VARs) and integrators who build applications targeting specific vertical markets.

Partnership benefits

VARs and integrators specialize in understanding the specific needs of the market segments in which they've found fame and fortune. Providing wine merchants with a system that incorporates inventory management, customer relations management, accounting and financial management, and perhaps a Web catalog and order entry system for consumers is one example.

For these solutions providers, card payment functions are just a small – though vitally important – component of the total system. But card payment functions also represent an area where rapidly changing security requirements and the availability of new customer-facing acceptance devices may leave them exhausted and in need of a payment specialist's expertise.

Some ISOs may feel sufficiently entrenched in key market segments to justify the time and expense of building up the programming and marketing expertise to offer their own integrated offerings. Similarly,

integrators and VARs often believe it's just as easy to add the payment component themselves as to blend in the handiwork of a new partner. For most on either side, however, reality and expediency make a partnership approach the wiser course.

For the ISO, developing a new business as an integrated solutions provider means acquiring new skill sets and support capabilities, as well as expanding marketing into new areas.

It's one thing to expand one's offerings – such as from credit and debit into gift cards – but it's quite another to leap into a completely new arena that requires operating system programming capability and the ability to acquire or develop the necessary accounting and customer management applications that an integrated solution entails.

On the other side, an integrated solutions provider may (or may not) be comfortable tying in a payment engine to handle basic payment processing. But is the integrator prepared to keep up with evolving Payment Card Industry (PCI) Data Secuirty Standard (DSS) requirements and ensure that all software complies with the Payment Application (PA) DSS? Not to mention, is it ready to provide more customized payment options such as checks, loyalty and gift cards, and an ever-widening array of payment terminals and PIN pads?

It's easy to make a case for partnerships between processors and integrated solutions providers. Each of these parties has the ability to extend its business by working with a more specialized partner.

Not only do they leverage each other's skill sets, but they also widen their pools of prospects by serving as referrals for one another.
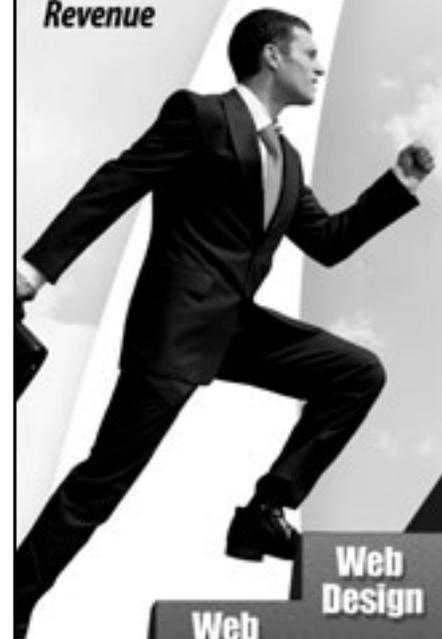
View

Getting there

Whether it is an ISO expanding into the solutions business, a VAR acquiring payment capabilities or a partnership of the two, the trick is how to actually handle the integration.

It's no easy task to turn any PC or other computer into a secure payment-accepting device without interfering with other applications running on the system.

Many merchants want their computers to handle multiple tasks, including inventory tracking, accounting, customer database management and human resource functions. Using a Windows-based payment engine, ISOs and integrators can offer:

- Customizable databases that securely store customer information
- Recurring billing features to schedule automatic payments
- Connectivity through dial or IP-based communications
- Robust reporting features
- The latest security standards to protect against fraud and data tampering

Adding basic credit card acceptance may be relatively simple, but when it comes to adding PIN debit, electronic benefits transfer, checks, loyalty and gift cards, plus support for multiple processors, things start to get pretty complicated for a software developer whose expertise lies in other areas.

Utilizing tools designed by payments experts, a developer can snap in different payment engines and different PIN devices utilizing one programming interface.

That way, rather than having to develop code to accommodate different devices and payment engines, the developer has a "write once" opportunity to provide customers with a multitude of payment options.

Certain tools are designed to isolate sensitive cardholder data from the POS application, greatly reducing the complexity and associated costs of achieving compliance with PA DSS requirements.

This enables developers to focus their resources on the vertical solution and snap in ready-to-go payment components, thus speeding time-to-market with new or enhanced solutions for customers.

Robbie Lopez is VeriFone Senior Vice President and General Manager, Software Solutions, with global oversight of VeriFone's portfolio of POS payment processing software solutions for issuers, acquirers, retailers and merchants of any size. He can be reached at robbie_lopez@verifone.com.

Extending security beyond assessments

By Michael Petitti
Trustwave

The recent security breaches at a number of financial institutions that were Payment Card Industry (PCI) Data Security Standard (DSS) compliant have created much controversy and prompted discussion of the standard itself. People have asked, If an organization was validated as PCI compliant, how could a thief have stolen cardholder data from that organization?

The answer lies in the difference between compliance and security.

There's no denying the PCI DSS has helped merchants, ISOs, processors and the card brands protect cardholder data. Because of the PCI, more merchants are taking security into consideration than ever before. The decrease in storage of prohibited data among merchants investigated by Trustwave is just one example of this progress.

Another illustration of the value of the PCI DSS is that hackers have had to use more sophisticated methods to steal sensitive data. This is largely due to merchants doing a better job of protecting cardholder data *because* of the PCI DSS.

Consistency is critical

Unfortunately, for many organizations, compliance has devolved into a mere checklist completed once a year. The challenge lies in making the data security best practices outlined in the PCI DSS a part of an organization's everyday routine.

Compliance does not stop with validation, whether it's via the PCI Self-Assessment Questionnaire (SAQ) or an on-site assessment. Compliance validation is not the end or ultimate goal; the security of cardholder data is.

PCI compliance is a means to an end. It helps secure more networks more effectively to help prevent the theft of consumer card information.

An organization should not institute PCI DSS controls simply to have something to show an assessor on the day the assessor shows up or when completing the annual SAQ.

True security transcends an assessment, so the due diligence required in maintaining the PCI DSS must continue every day – year in, year out.

For example, requirement 10.6 mandates an organization "review logs for all system components related to security functions at least daily." An assessor can confirm that an organization's policies and procedures call for the review of these logs.

Beyond that, the organization must acknowledge that daily review of these logs is a best practice and ensure designated staff members complete those actions daily.

Secure applications are a start

Another similar issue is the belief among some merchants that if they're using a payment application listed by Visa Inc. or the PCI Security Standards Council (SSC) as compliant with the Payment Application (PA) DSS, they are secure. One security control, policy or procedure will not make a network secure.

Nor can security ever be perfect. No security standard will ever be absolutely effective because hackers will research the standard to determine what newer, more sophisticated security technologies they need to learn in order to exploit weaknesses in the system.

This does not imply the quest for security is futile. It means real security requires constant re-evaluation and remediation of any issues uncovered.

As hackers' techniques evolve to circumvent better security, the PCI SSC and participating organizations work to update the standard via the lifecycle process for any changes to PCI.

Again, security is not an exercise in perfection. Security is a constant pushing and pulling between legitimate organizations that do their best to protect themselves and the malicious cyber criminals who change their methods to thwart those financial organizations' efforts.

Security goes beyond certification

Trustwave finds that the best use of the PCI compliance process is to consider the standard a baseline for best practices to support a broader security program.

For example, PCI DSS requirement 11.2 calls for internal and external network vulnerability scans at least quarterly. However, with the regular release of new susceptibilities and the development of malware and techniques to exploit them, it's recommended that financial institutions scan their networks as frequently as possible.

You can meet PCI DSS compliance requirements by scanning just once a quarter, but a diligent organization wants to discover vulnerabilities as they arise, rather than find out at the end of a quarter that a vulnerability left their network open to attack for months. Organizations must perform due diligence beyond the card brands' annual validation actions to protect their brands and customers.

Bob Russo, General Manager of the PCI SSC, has stated

repeatedly that the PCI SSC is not aware of a single case of payment card data theft in which the breached organization was compliant at the time of the breach. Trustwave's findings in the investigations of over 400 cases of payment card compromise support that statement.

A forensics investigation includes a post-breach PCI DSS assessment, and Trustwave investigators have not encountered a single case in which the victim organization was compliant at the time of the breach.

Diligence is necessary

That's not to say the violated organization hadn't gone through an on-site assessment or filled out the SAQ, but rather the processes, procedures and controls put in place at that time were not maintained.

In some cases, processes or procedures were no longer followed. In other cases, a particular piece of technology was reconfigured improperly or fell into disrepair.

True payment card data security must transcend the assessment and become a part of a business' everyday operations. Only proper diligence on the part of an organization that processes, transmits or stores cardholder data can bring that idea to fruition.

Of course, that is no easy task, and many security providers offer a number of automated solutions to help merchants monitor their security and compliance status continuously.

Log monitoring can provide an automated, permanent solution to fulfilling requirement 10.

Done properly, it scans any system on which it is installed and reports on prohibited data storage, system configurations and security policy settings to provide continuous insight into a system's compliance and general security status.

The PCI DSS applies in different ways to different organizations. When an organization begins work on its compliance projects, it's important to remember the PCI DSS and compliance validation are not the ends; they are a means to protect cardholder data and institute a larger, more thorough security program.

As Chief Marketing Officer of Trustwave, Michael Petitti oversees all of the company's marketing initiatives. He also serves on the Merchant Risk Council's Board of Advisers, the Electronic Transaction Association's Risk and Fraud Committee and on The Green Sheet Inc. *Advisory Board. Call him at 312-873-7291 or e-mail him at* mpetitti@trustwave.com.

SellingPrepaid

Prepaid in brief

NEWS

Miami companies settle lawsuit

Exigent Technology Inc., the intellectual property holding company affiliated with the Blackstone group of companies, settled a patent infringement lawsuit it filed against **Prepaid Network Corp.** At issue was Exigent's patented multifunction transaction processing system – a POS terminal that printed or activated prepaid cards. The lawsuit alleged Prepaid Network infringed on Exigent's patent. The Miami-based companies amicably settled the lawsuit on confidential terms.

Rewards and loyalty programs' predicted rise

In *Weaponizing Loyalty: New Schemes Bolster Bank Competitiveness*, **Mercator Advisory Group** said new rewards/loyalty initiatives will change the competitive landscape of the retail banking industry. By year end 2010, Mercator predicts "360º relationship-based loyalty programs" will constitute the new norm in the financial services industry.

The report examines how to turn customer loyalty into a dynamic feature of consumers' day-to-day financial lives. One challenge faced by program managers is how to convince banks that cash-back rewards programs can give banks their greatest return on investment.

ANNOUNCEMENTS

Edo scoops rewards for Baskin-Robbins

Edo interactive Inc. reported that several Baskin-Robbins franchises have engaged the edo Marketing Platform to deliver incentives to thousands of customers in three Northern California communities – Los Altos, Blackhawk and San Ramon. "Preward" campaigns through the edo Marketing Platform allow companies to demographically target specific debit cardholders by offering them monetary incentives to purchase goods from select stores.

Payment titan wins prepaid award

Giftex Prepay Ltd. presented **First Data Corp.** with the Giftex Prepay Innovation Award at the 2009 Prepaid Expo in Orlando, Fla. The award recognized First Data's role in leading the prepaid industry with new product development, including First Data's GO-Tag contactless product that employs radio frequency identification technology in the form factor of a sticker.

PaySpot called top dog in prepaid study

PaySpot Inc. ranked first in all prepaid categories in **Hagen Marketing Research Inc.**'s Hagen Brand Preference Research Study 2009. The survey polled convenience store chains across the United States to determine what retailers think of the various manufacturers and distributors who call upon them. Sixty-five respondents ranked PaySpot as the top prepaid performer in all categories.

SparkBase certifies terminal, updates network

SparkBase has Class A-certified its gift and loyalty card processing application on Hypercom Corp.'s Optimum M4230 mobile payment terminal for the retail and restaurant markets. The certification reportedly enables gift, loyalty and community rewards transactions on the Optimum M4230 to be conducted from virtually anywhere on the SparkBase Network. Additionally, SparkBase released version 3.0 of its private-label network. New functionality includes a redesigned user interface, enhanced simple message service text messaging and e-mail marketing, and an online card designer. An enhanced suite of application programming interface tools is also part of the upgrade.

Travelex cashes in with Passport

Travelex debuted the Corporate Cash Passport to allow companies to centralize and better manage employee travel budgets, while reducing administrative overhead costs, providing auditing capabilities and increasing security. The MasterCard Worldwide-branded card is loadable with U.S. dollars and comes with MasterCard protections, such as Purchase Assurance Service and Lost Luggage Service.

RushCard adds tools

UniRush LLC rolled out a new budgeting tool for its Prepaid Visa RushCard. With the new customized budget feature, RushCard cardholders can set spending levels in 14 categories, including auto, dining, health and fitness, and utilities. Members can review spending data in each category and determine adjustments they want to make to achieve their financial goals..

Western Union helms platform expansion

The Western Union Co. reported it is piloting an addition to its prepaid card platform. The new service, Overnight Home Delivery, allows Western Union's MoneyWise prepaid cardholders to transfer funds electronically to recipients throughout most of the United States.

PARTNERSHIPS

New money transfer teammates

Fidelity National Information Services Inc. has agreed to offer **The Western Union Co.**'s global money transfer services to FNIS' more than 8,500 banking institution clients throughout the United States.

Bollywood calls ItzCash

India-based **ItzCash Card Ltd.** and the India movie rental service **Seventymm Services Pvt. Ltd.** teamed to facilitate the online payment of movie rentals. This service will reportedly allow viewers to register and rent movies in various languages from the comfort of their homes.

SCL, Advanced Security Solutions make pact

Stanton Consultancy Ltd. and **Advanced Security Solutions** have agreed to integrate their companies' products - UltraPoS and idenTT respectively. The combined offering will reportedly deliver an enhanced foreign exchange management system, designed to decrease fraud risk and provide significant cost savings.

U.K. account service commences

Secure Trust Bank, located in England's West Midlands county, and debt manager **Paymex Group** teamed to launch the prepaid Evolution account service to help customers budget their finances. The Evolution account combines customers' current accounts with prepaid cards that restricts spending to only what funds are loaded on the cards.

Companies buddy for mobile phone cards

VisitBritain-branded SIM cards, powered by **GO-SIM**, will be offered to all U.K. visitors in spring 2009, enabling them to avoid expensive roaming charges when they arrive in the U.K. from overseas. By fitting a GO-SIM International SIM card into mobile phones, users can reportedly save up to 85 percent on call costs.

APPOINTMENTS

TransCard hires new VPs

Prepaid processor TransCard hired a new Vice President of Risk, **Arnold Galit**, as well as a new Executive Vice President of Global Business Development, **Karl Asplund**. Galit and Asplund "complete two areas of our organization that we want to enhance in the coming months – security and international opportunities," said Jerry Uffner, President of TransCard.

Features

The Fair Gift Card Act of 2009: Good intentions, disastrous results

By Brad Fauss
Springbok Services Inc.

On March 25, 2009, Sen. Charles Schumer, D-N.Y., and Sen. Mark Udall, D-Colo., proposed new legislation called the Fair Gift Card Act of 2009. According to its sponsors, the purpose of the bill is to protect millions of U.S. consumers from unreasonable fees and expiration dates that routinely drain the value of gift cards.

While I applaud the senators' efforts to protect consumers against unfair card practices, I strongly believe the proposed bill will reduce consumer choice. If the bill is enacted into law, the entire segment of open-loop, network-branded prepaid cards (those issued by American Express Co., Discover Financial Services, MasterCard Worldwide and Visa Inc.) may either cease to exist or their availability to consumers will be dramatically limited.

Diversity of offerings

Prepaid cards comprise a diverse group of extraordinarily popular products including gift, promotion and incentive (such as rebate), payroll, government benefits, university refund, flexible savings account, corporate expense man-

agement and general purpose reloadable cards (the last serve as an increasingly mainstream alternative to bank accounts).

Generally, prepaid cards reduce costs for all parties involved – they represent a cheaper payment delivery mechanism for corporations and governments, and the fees paid by consumers are much lower than check cashing fees. Prepaid cards also provide people without bank accounts access to the U.S. electronic payment system, while at the same time giving them a safe and secure method to store and spend their money.

The proposed bill prohibits card issuers from imposing a dormancy or service fee on "general use prepaid cards, gift certificates and store gift cards," unless the cards have less than $5 remaining on them after 24 consecutive months of inactivity, and the fees do not exceed $1 per month. In addition, the bill requires that prepaid cards remain valid for at least five years. These restrictions present several problems.

Not closed-loop

First, the bill doesn't recognize the significant difference between "closed-loop" (retail gift cards) and "open-loop" (network-branded prepaid cards). Closed-loop gift cards are redeemed at a single retailer or affiliated group of retailers; effectively, they are a prepayment for goods and services to be purchased at that retailer, for example a Best Buy Inc. gift card redeemed at a Best Buy outlet. The retailer is guaranteed the entire value loaded onto retail gift cards.

Unlike closed-loop retail gift cards, open-loop prepaid cards represent delivery of a service – the ability to use said cards for payment at millions of locations worldwide. The issuers of open-loop prepaid cards don't receive the amounts loaded on the cards; ultimately that money goes to retailers or is withdrawn by consumers from ATMs.

In fact, open-loop prepaid card issuers earn revenue primarily through the fees associated with the cards. These issuers also bear the costs for a significant number of services related to the cards, including card fulfillment, telephone customer service, protection against lost or stolen cards, data storage and protection, and processing and acceptance services.

As a result, if the primary revenue sources for prepaid cards are eliminated by restricting service fees, these products will no longer be profitable and may no longer be offered. Furthermore, the proposed bill's restrictions on expiration dates do not increase protection for consumers. For fraud control purposes, many credit card systems work on platforms that require expiration dates on cards of one to three years. In addition, prepaid cards that utilize the existing credit card infrastructure therefore cannot be accepted without expiration dates.

Any proposed legislation that suggests prepaid cards have either no expiration dates or expiration dates of at least five years after activation is not in the best interest of consumers.

States have already spoken

Finally, prepaid cards are already regulated by a majority of states and, in many cases, by federal agencies. As of the end of 2008, approximately 34 states had legislatively addressed the issue of fees and expiration dates; 28 of those states have excluded cards which are redeemable at multiple, unaffiliated merchants (open-loop prepaid cards) because of the significant economic differences between open-loop cards and closed-loop retail gift cards.

Those issuers not subject to state regulations are regulated by federal agencies such as the Office of the Comptroller of the Currency and the Office of Thrift Supervision, each of which have already adopted guidelines regarding disclosure practices for prepaid cards. There are also ample fair trade laws, both state and federal, that apply to prepaid cards.

I support consumer protection measures such as full and complete disclosure of any fees that apply to prepaid cards, but this bill fails to protect consumers and threatens to wipe out an industry that is providing a valuable service to millions of U.S. consumers.

Furthermore, the federal government should be encouraging the continued growth of the prepaid card industry at a time when financial institutions are restricting consumer access to credit nationwide.

To voice your opinions about this proposed legislation, e-mail Brad at *brad.fauss@springbokservices.com.*

Brad Fauss is Senior Vice President and General Counsel for Springbok Services Inc. and an active member of the Network Branded Prepaid Card Association. A recognized prepaid industry leader, Brad brings more than 14 years of electronic transaction processing experience to Springbok Services. Prior to joining Springbok, Brad served as Senior Vice President of Legal, Risk and Compliance for TSYS Prepaid Inc. He also served as Division General Counsel for Global Payments Inc. For more information, visit www.springbokservices.com.

The ISO challenge: Selling prepaid

At the inaugural Prepaid Day held during the Electronic Transactions Association's 2009 Annual Meeting & Expo, executives from Now Prepay, the prepaid card division of Vendtek Systems Inc., highlighted the company's struggle to engage ISOs in selling prepaid card solutions to their

merchants. "It has been a challenge from day one to marry a prepaid company with an ISO," said Joslin Sansom, Manager of ISO Accounts for the U.S. Division of Now Prepay. "It's been difficult. … The programs have not been all they could be, and there are good reasons for that."

Prepaid needs nurturing

According to Sansom, the biggest reason for limited success is lack of training. "You've got bankcard guys selling bankcard," she said. "You've got prepaid guys that like to sell prepaid. They're all calling on the same stores. They're all talking to the same store managers. … What's the problem? Why can't you get somebody in there selling both? The problem is training."

When choosing prepaid card vendors, ISOs should pick partners dedicated to ongoing training of ISOs – from management down to the feet on the street, Sansom advised.

"You need to make sure that you've got somebody that's a champion internally for prepaid and that they are absolutely involved in the prepaid program," she said. "Kicking off the program, are [partners] attending your yearly or your annual meetings?" Sansom said. How actively are they involved, and "how are they committing to the success of that program?" she added. Sansom pegged other characteristics of prepaid vendors that are necessary to successful product implementations at the merchant level. Partners must:

- Understand the complexities of multi-application environments – "There's so many different challenges in just rolling out an application at a terminal, and the last thing you want to do is have that bankcard piece go down because something blows out on a terminal," Sansom said.
- Build solutions that align with ISOs' infrastructures – "Is your prepaid provider somebody willing to make those changes, or are they trying to fit you into their little box?" she said. "That's very critical."
- Continue to expand prepaid offerings – "Are they looking in the market?" she said. "Are they always going after new segments, new products? Do they have a product manager?"
- Provide retail level support – If merchants call an ISO's help desk and get inadequate customer service, merchants are going to get frustrated. "You need to have a subject matter expert providing that support down to the merchant level," she said.

Big payback

Prepaid programs can be complicated to implement, but Grace Caputo, Director, Business Development at Now Prepay, stressed the benefits of selling prepaid for ISOs. Using merchants from one of its ISO partners for analysis, Now Prepay abstracted what a typical merchant selling prepaid products looks like.

That merchant sells on average $245 in prepaid cards a week. The average revenue per transaction at that merchant varies according to what type of card is sold. For example, the average long distance phone card sale is $6.11. On the other hand, the average gift card sale is $43.55.

Sale amounts rise when customers purchase reloadable debit cards, according to Now Prepay. The initial purchase of a reloadable debit card averages $94.23. The average amount reloaded on the card is $130.77. Blending the various prepaid categories together, Now Prepay calculates the retailer's margin at 9.53 percent and the ISO's return at 2.03 percent. Although the "lion's share of the money actually goes down to the retailers," ISOs can still make substantial profits, Caputo said.

Now Prepay calculates that with 100 merchant accounts and a monthly retail prepaid spend of $98,000, an ISO can expect to make $1,984.50 per month on commission.

With 1,000 accounts and a monthly retail spend of $980,000, that commission jumps to $19,845.00. And with 10,000 accounts at $9,800,000 in retail spend, an ISO's monthly commission skyrockets to $198,450.00.

The bottom line

According to Sansom, ISOs are ideally suited to take advantage of prepaid card programs. "You're already in the stores," she said. "You already have the relationship with the merchant. You've already got a good relationship going with distribution. … They [merchants] like you. They rely on you. And pretty soon you have evolved a full program for them."

Sansom emphasized how the dynamic of the ISO-merchant relationship changes when prepaid programs are implemented. "It's going to be a lot harder for them to leave," she said. "Your attrition rate is going to be drastically reduced. They're going to look at you not just as the rep to try and sell bankcards, but you're helping them make money; they're bringing in new products to sell." If ISOs partner with the right prepaid vendors and programs are implemented correctly, "there's definitely an opportunity to make a lot of money here," Caputo said. 🔲

Drilling down on the prepaid-unbanked relationship

The unbanked are defined as consumers who do not have access to traditional savings or checking accounts. Therefore, they are seen as a primary market for alternative banking products, such as

prepaid cards. But who are the unbanked, and have they actually benefited from using prepaid cards?

The Center for Financial Services Innovation sought to answer those questions with its report entitled A Tool for Getting by or Getting Ahead?: Consumers' Views on Prepaid Cards. Authored by Sarah Gordon, Nonprofit Relationship Manager, CFSI, along with Jennifer Romich and Eric Waithaka, researchers at the University of Washington, the report puts the unbanked at approximately 18.5 million households in the United States.

A cross section

The researchers interviewed 22 unbanked individuals in person – 12 AccountNow Inc. cardholders in Chicago and 10 NetSpend Corp. card users in Seattle. Most of the respondents were:

- In their 30s to 50s
- Either employed or temporarily unemployed
- Making less than $30,000 annually

Additionally, 11 interviewees were African-American, 10 were Caucasian and one respondent was of "mixed heritage." The report found that AccountNow customers were more likely to be married or "cohabiting" (and with more children) than NetSpend card users.

Reasons

The interviewers delved into why respondents were unbanked. Answers ranged from confusion with bank regulations, to frustration with bank fees that led to cycles of negative balances, to bad money management skills on the part of the individuals. But the study discovered a common theme why respondents chose to abandon banks. Problems with banks "were not unique or isolated incidents," the study said. "Nearly all of the interviewees discussed incidents in which they had disputes with their banking institutions, and the manner in which the bank, or its officials, handled the incidents left them with a great mistrust of conventional checking and savings accounts."

When respondents turned to prepaid cards to bridge the banking gap, they found suitable card programs in different ways, as a consequence of the companies' differing distribution channels, the report stated. Since AccountNow is purely a Web-based company, customers located AccountNow via the Internet, according to the report. NetSpend, on the other hand, distributes its cards to check cashing businesses and supermarkets nationwide. Therefore, brick-and-mortar outlets are where NetSpend recruits its users.

Attributes

The report highlighted seven advantages of prepaid cards for unbanked consumers:
1. **Safety and security:** Purchases can be made and

bills can be paid without needing to pay with (or carry) cash.
2. **Convenience:** Consumers can purchase goods and services from a diversity of locations (with open-loop, network-branded cards).
3. **Accessibility:** Funds available 24 hours a day.
4. **Immediate liquidity:** Funds loaded onto prepaid cards are immediately available to cardholders.
5. **Transparency and predictability:** It is difficult to overdraft on prepaid cards and they tend to come with fewer fees.
6. **Financial value:** It is cheaper to use prepaid cards than to cash checks or purchase money orders.
7. **Budgeting:** Prepaid cards help consumers discipline their spending habits.

Findings

Responses from the 22 subjects seemed to confirm these advantages. "Nearly all of the interviewees said their cards had made their lives easier," the report said.

Furthermore, the social stigma attached to using check cashers or money orders was eliminated by open-loop, network-branded cards. One respondent "talked about the symbolic value of being able to get a Visa-branded card despite 'deplorable' credit caused by personal and medical problems," the report said.

Interviewees generally recognized that fees associated with prepaid cards were lower than other cards and services. Also, cardholders said the fees they were charged were fair.

The bigger picture

When respondents were asked what types of larger financial goals prepaid cards would help them achieve, seven of the 22 said "entrepreneurship or career change," five said to buy a home or save for a down payment and five more said to save up for general or emergency use. Only one of the 22 said prepaid cards would help that person qualify for a credit card.

The interviewers asked all respondents whether they used the bill pay function. "Over half of the interviewees cited the possible loss of control over their financial management as the major reason they did not use bill pay," the report said.

The report concluded that prepaid cards are "definitely useful for these customers' day-to-day money management needs." But for larger financial goals, the usefulness of prepaid cards is still not known.

"The bill payment reporting and savings products here represent a step toward that end but are not yet fully embraced by consumers," the report said. "All goals will require effort and spending discipline on behalf of the customers in addition to well-designed financial products and services."

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Company**Profile**

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money matters

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• All commissions on the payback amount
• Split-funding, ACH and lockbox programs
• ISO syndication program

Practice makes profit

Stephen Sheinbaum, founder and Chief Executive Officer of New York-based cash advance firm Merchant Cash and Capital, was a litigation and general business attorney when he discovered the payments industry. Sheinbaum was representing credit card processors and ISOs, as well as owners of large restaurants, and he noticed a niche that needed filling.

"The two worlds sort of came together," Sheinbaum said. "I had restaurateurs who were asking me to raise … money [for them], and because of my familiarity with the credit card side, I understood how the dollars flowed in on the transaction side. I saw that they had a great ability to generate top-line revenue, but they needed some help managing their day-to-day operations and general cost containment.

"Consequently, I told these merchants that I would raise money for them from investors that I was close with and represented on the condition that they had their card processing done by another client of mine. The investors loaned the money to the restaurants and got paid back out of gross credit card settlement revenues – and after this capital venture succeeded, those investors ultimately provided MCC with the money we needed to get started."

Merchant cash advance companies assist merchants looking for alternatives to bank loans by purchasing a percentage of future credit card receivables and advancing that money to merchants. Each processing day, the company deducts a small, fixed percentage from enrolled merchants' daily credit card sales until the advance is repaid.

In 2005, Sheinbaum started MCC and partnered initially with Cynergy Data LLC, which helped him get distribution through Cynergy's ISO channels. Sheinbaum saw a cottage industry with great potential in disarray due to undercapitalization that prevented business owners with good models from getting off the ground or from weathering slow seasons.

He believes MCC stands out among other cash advance organizations because of its financial stability and solid underwriting, which creatively targets those very merchants.

The merchant's tale

"From when we started in 2005 until now, we have never experienced and don't envision any funding liquidity issues," Sheinbaum said. "We will try to find a way to fund every deal that gets submitted to us. We pride ourselves on our ingenuity and the unique approach we bring to analyzing our prospective merchants. We don't believe in employing a strict scoring system where a bunch of criteria is spit into a computer to determine funding eligibility."

To best assist merchants, MCC uses what it calls "story underwriting." MCC spends a great deal of time listening to merchants and vendors to gather additional information that gives the company a broader picture of the merchants' circumstances, their pain points and what they can do to continue thriving in a difficult economy without the stressors that accompany more traditional funding avenues. That personal attention is vital to MCC.

"Main Street has less money to access than they ever did," Sheinbaum said.

"The mortgage crisis has led to a lack of liquidity in the entire economic system and is causing merchants that never would have turned to cash advance to seek us out for solutions.

"People running small and mid-sized businesses with 700 Fair Isaac Corp. scores who previously had no trouble getting personal lines of credit, either from lending institutions or home equity loans, can no longer do so. Consequently, we're seeing a higher number – and quality – of applicants than ever before."

The ISO channel

MCC has no direct sales force and works strictly with an ISO reseller channel. "Our brand reputation is one of the strongest in the industry even though we do no marketing," said Nicholas Gregory, MCC's Director of Operations.

"And I believe that comes from the fact that we are still very grass-roots driven, that we stay in touch with our merchants, help them solve their problems and build their business base. We have a vested self-interest in doing so. You can get our CEO or any one of our executives on the phone, and I think that kind of culture adds to the strength of our ISO development and portfolio growth," Gregory added.

To improve communication between MCC's ISOs, merchant level salespeople (MLSs) and merchants, the company launched a customer relationship management (CRM) system on its Web site that provides live updates on deals submitted to MCC's underwriting department.

"It's an interface that we're putting in internally to make things more efficient on our end, from tracking a deal to application submission to funding report handling," Gregory said.

"Our ISOs have access to merchant information, their current status and what additional funds they may qualify for. And because all that information can be accessed on one interface, it will help cut administrative costs since the process through our CRM is so much faster."

The revenue streams

MCC offers three sources of revenue streams for its ISO resellers. There is an upfront commission based on the payback amount of the advance, which is paid at the time of the advance, a percentage of the residual payments MCC collects from its merchants, as well as renewal commissions when the merchant comes back for more money.

"Additionally, one of the real standout features we have that other cash advance companies don't is that we can actually allow our resellers or ISOs to participate in the cash advance with us to the merchant," Gregory said. "They can put up their own money and be partners with

us, and that's extremely attractive for many of them. Many of the ISOs we currently work with participate, whether that's 5, 10, or 15 percent of every deal.

"And we love it because we can have another smart set of eyes looking at the account and can better align our interests with the merchants. Subsequently, we have a lot more faith in those resellers. If we have a troubled patch or problem with the merchant, we know that the ISO who has their own money in the deal is going to fight long and hard to solve that problem," he added.

The safest system

In January 2009, MCC rolled out its newest lockbox system to help minimize the company's venture capital risk as well as enable merchants to qualify for higher advance amounts.

Sheinbaum said the lockbox has performed well since its rollout and that merchants have experienced no difficulty with it. "It's been great and working seamlessly," he said. "Internally the reporting has been going as advertised, and this is a tremendous alternative for merchants that are unable, for any number of reasons, to change their credit card processor.

"Traditional split funding is still our preferred method, but when we can't, this is certainly far superior to ACH [automated clearing house]. And I think the merchants are more comfortable with a lockbox approach than an ACH program because we're not taking the money out of their account, and the merchants are not saddled with having to do complicated reconciliations in their checking account."

The expanding footprint

MCC has also been expanding its vertical footprint over the past few years, doing business with third-party vendors and ACH service resellers. "Our B2B [business-to-business] space is growing," Sheinbaum said. "People who are reselling ACH services can now offer those customers cash advances because of our ability to have the ACH transactions deposited directly into the lockbox.

"And we're also looking at manufacturers or equipment distributors who might want to use our product not necessarily as a revenue stream for themselves, but as a way to get their customers money to buy those goods and services, especially with industries that are tied to the housing market like home refurbishing.

We know that flooring, furniture and appliance vendors, for example, are down in this market until it stabilizes again. And that's where we come in."

As banks tighten credit restrictions and raise eligibility requirements, MCC offers merchants a way to help them stay afloat so they can focus on what is most important – the bottom line. 🔲

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Interchange dodges a bullet

Efforts by the Merchants Payments Coalition to force a congressional debate over interchange were shot down recently when a proposed amendment to the Credit Cardholders' Bill of Rights Act (HR 627) was ruled nongermane.

The bill, which mirrors legislation that passed in the U.S. House of Representatives last year but not in the Senate, was approved in the House on April 30, 2009, by an overwhelming majority: 357 to 70. Merchants, operating through the MPC, took their complaints about interchange to Congress and convinced several members of the House to push for amendments that would rein in interchange. However, the National Association of Convenience Stores reported that efforts to introduce an interchange amendment were struck down April 29 by the House Parliamentarian, who ruled the amendment was not relevant to the overall intent of HR 627.

Consumer protection a priority

Introduced by Rep. Carolyn Maloney, D-N.Y., and co-sponsored by 128 Democrats and Republicans, HR 627

aims to protect consumers against misleading and often incomprehensible card contract terms. It also places restrictions on issuer fees and rate setting.

Several amendments deemed pertinent were approved during House debate on the measure. These included provisions for military personnel and disabled veterans who miss payments, underwriting requirements for student card accounts, promotional rates, and minimum payments.

"[T]he House sent a message to the American public that responsible regulation is part of the new era of financial responsibility – and that responsibility works both ways, for companies as well as consumers," Maloney said.

Rep. Luis Gutierrez, Chairman of the Subcommittee on Financial Institutions and Consumer Credit, pointed out that the average family owes roughly $8,000 on credit cards.

"Meanwhile, as Americans struggle to make ends meet, a growing share of the industry's revenues come from deceptive tactics, such as universal default terms spelled out in fine print – the terms and conditions of which can be changed at any time for any reason with 15 days' notice or less," Gutierrez said.

"The Credit Cardholders' Bill of Rights responds by applying common-sense regulations that reward hard work and responsibility rather than high-flying finance schemes," he added.

Two more terminal types under PCI SSC umbrella

With concern growing in the payments industry about the security and fraud issues surrounding PIN-based payment devices, the Payment Card Industry (PCI) Security Standards Council (SSC) widened its reach in April 2009 and introduced new security requirements for two payment devices previously unregulated.

The two devices added to the SSC's regulatory list are unattended payment terminals (UPTs) and hardware security modules (HSMs). The new regulations fall under the umbrella of an existing PCI DSS program for PIN entry devices (PED), which targets PIN-based technology more generally.

"[PED] was in existence with three of our brands – with Visa, Mastercard and JCB for some time, and the council took over the [PED] standard last year," said Bob Russo, General Manager of the PCI SSC.

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Closer scrutiny

And for many merchants, Russo added, the UPT regulations will be of particular importance. UPTs are PIN pad terminals operated by a consumer in a merchant's absence. Common examples include gas station pumps, parking garage machines, kiosks and concert ticketers. Not surprisingly, UPT scenarios can be risky.

"Obviously, you don't have the physical security as with somebody who's sitting at the counter," said Dr. Tim Cranny, Chief Executive Officer for PCI compliance solutions provider, Panoptic Security Inc. "There's much more danger for someone physically opening up the box and looking inside and try-

ing to attach their hardware, things like that."

That is precisely the kind of crime the SSC's newest product regulations are designed to curtail, and hopefully, eliminate. Russo said the regulations would ensure "two types of security [for PIN pads], physical and logical."

Getting physical

"The physical side involves the ability to make [the POS machines] tamper proof, to a certain extent," Russo said. "So, if you do in fact try and open one of these things … it should become unusable.

"Or, if you were to open it up, nobody could insert anything in it or steal credit information or PIN information and send it to somebody in the parking lot" – a practice known as wardriving.

Russo said the "logical side" centered on the proper encryption of customer PIN information. He added that UPT security was especially tricky because the machines are more complex and have more parts to protect than standard terminals.

Multilayer challenges

"The major difference between a UPT and a PED is that the UPT has a number of additional moving parts, if you will, so you've got an encrypted PIN pad and in most cases you've got a printer; you've got the ability to enter data on a touch screen and you've got a back end database it goes through – so there are interfaces in there, and then on top of all that you've actually got the box the thing sits on," said Russo.

He added that effective use of multifaceted security targeting more than just one component of a UPT machine was the industry's biggest challenge relating to PIN-transaction security.

Russo said an HSM, on the other hand, was an "embedded piece of [security] hardware [within a payment terminal]" and a much greater

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concern for manufacturers than merchants, adding that merchants just need to make sure they purchase equipment compliant with the PED program standard.

Echoing that statement, Cranny said, "PED terminals are getting safer, yes, so using [PCI SCC] certified modules goes a long way towards tighter encryption security." For more information, visit *www.pcisecuritystandards.org/pdfs/PCI_PED_General_FAQs.pdf* .

Small-business confidence rising

Discover Financial Services LLC's April 2009 Discover Small Business Watch indicated small-business owners are more confident about the economy than they have been in more than a year. The monthly index rose to 88.5, which is the highest it's been since it hit 90.8 in February 2008.

Thirty-one percent of business owners surveyed said the economy is improving, which is twice the number who noted improvement the preceding month. This represents the largest percentage in this category in two years.

> *"While we saw confidence rise almost across the board, small-business owners who have been open less than two years showed the most enthusiasm for the economy that we've seen in that category since June 2007."*
>
> Ryan Scully,
> Director of Discover's
> Business Credit Card Division

Despite this optimism, 91 percent of small-business owners described the current economy as fair or poor.

Ryan Scully, Director of Discover's Business Credit Card said, "While we saw confidence rise almost across the board, small-business owners who have been open less than two years showed the most enthusiasm for the economy that we've seen in that category since June 2007."

He speculated that the more experienced business owners aren't as reactive to developments in the media.

Scully said there's an old saying that, "'small businesses lead you into a recession,' meaning they indicate when a recession is going to come, and 'they lead you out of a recession.' I'm not saying that the recession is over, but I think this is exciting for a lot of people in the media because there is, for the first time in 14 months, an uptick in confidence in small-business owners and their perception of the economy."

Social networking numbers

Each time Discover conducts its Small Business Watch, it includes an extra topic. April's featured topic was networking. Thirty-eight percent of small-business owners polled said they participate in an online social networking community (Facebook, LinkedIn, MySpace or Twitter). Only 16 percent answered in the affirmative to a similar question in October 2007.

"I think this speaks to the fact that there just aren't as many leads out there – on the Internet or elsewhere – and open-minded small-business owners are trying more avenues to develop new prospects," Scully said.

Of respondents in the 18- to 29-year-old age group, 61 percent were members of online social networking sites compared to only 20 percent of those 60 to 64 years of age. Eighty percent of small-business owners who had been in business fewer than two years said they network online as opposed to 20 percent of those who had been in business

more than 10 years. Only 62 percent of the small-business owners surveyed had Web sites. 🖼

Contactless faring well

The Smart Card Alliance's 2009 Payments Councils Summit was held in Salt Lake City at the end of February 2009. The primary focus of discussion was the adoption of contactless electronic fare collection in major U.S. cities. The SCA's Transportation Council listed many accomplishments and elected a new steering committee and officers.

Reports of headway made into contactless adoption in the transit arena were presented by representatives from the cities of Los Angeles, New York, Philadelphia, Tuscson, Ariz., as well as the state of Utah.

A foothold in transit

Craig Roberts, the Utah Transit Authority's Program Manager for Electronic Payment, is the new SCA Transportation Council Chair.

He said, "We are seeing more transit agencies understanding the security and convenience that accepting contactless credit and debit cards directly as fare payment brings to travelers, as evidenced by the presentations we heard at the summit."

Transit systems seem to be the vanguard for contactless both in this country and abroad. "Accepting contactless bank cards means the transit operator acts like a merchant – selling transportation to the customer," said Randy Vanderhoof, Executive Director of the SCA. "They avoid all the overhead of converting bank issued currency (cash or card sales) into transit currency for using the system."

Vanderhoof noted that this is a new frontier for the bankcard and transit sectors. "The technology issues are pretty much solved, but the cost of converting the transit reader infrastructures and fees associated with bankcard usage and bad debt are still being worked out by both industries," he said. 🖼

Terrorism funded with stolen data

Andrew R. Cochran, founder and Co-Editor of the Counterterrorism Blog, delivered a statement dated March 31, 2009, to the Subcommittee on Emerging Threats, Cybersecurity, and Science and Technology Hearing, United States House Committee on Homeland Security. The statement entitled "Do the Payment Card Industry Data Standards

Reduce Cybercrime?" outlined a number of instances in which stolen U.S. credit cards were used to fund terrorist attacks.

Cochran asked the subcommittee to review the evidence he was presenting and "the effectiveness of the PCI standards to reduce data breaches, identity theft and the potential funding of terrorism." He also extended an offer to assist them in that mission. The Counterterrorism Blog, with its host of experts from both the government and private sector, reports on and analyzes terrorist attacks and counterterrorism policies.

Cochran chaired a special panel in February 2009, Meta-Terror: Terrorism and the Virtual World. His statement to the subcommittee summarized information from that event and pertinent entries in the Counterterrorism Blog by its experts, including Dennis Lormel, who led the FBI's investigation into the financing of the Sept. 11 terrorist attacks. The following was included in his summary.

The plastic trail

- The 2004 Madrid train bombings and the 2005 London transportation system attack were paid for in part by credit card fraud.
- Indonesian and Jamaah Islamiah terrorist, Imam Samudra, who masterminded the 2002 Bali night-

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club bombings, wrote a manifesto in prison in 2004 in which he recommended that Muslim radicals attack U.S. computers, which he described as vulnerable to hacking, credit card fraud and money laundering. That same year, Indonesian police noted that their country had the greatest incidence of credit card fraud in the world.

- Three terrorists set up shop on the Internet to provide forums, training, education, recruitment and outfitting for terrorists worldwide. They used computer viruses and stolen credit card accounts to fund the operation.
- The Liberation Tigers of Tamil Eelam financed international terrorist activities with credit card fraud.

Call for collaboration

Tom Donlea, Executive Director of the Merchant Risk Council, said, "We feel there is a need for greater collaboration from the various players involved with protecting the security of online transactions. … There are barriers between private industries and government for collaboration, and as a nonprofit trade association, we can play a facilitating role and help increase the connectivity and collaboration. "Businesses get tired of giving information to law enforcement and government and never hearing anything back. … A lot of [the fraud information] is originated with various government entities, and they're not coordinating with each other. So merchants have to hunt around in six or seven different places."

After his keynote address to the MRC's 7th Annual e-Commerce Payments and Risk Conference in March 2009, former U.S. Congressman, Governor of Pennsylvania and the country's first Secretary of Homeland Security, Tom Ridge, said, "When I was in the White House, Dick Clarke, Howard Schmidt and a few other people built a national strategy for cyber security. It got a little notoriety and then it was ignored."

Ridge said the fight against cybercrime won't be won without collaboration with the private sector. Theodore Svoronos, E-Commerce Consultant and Certified Fraud Examiner with Group ISO Inc., said, "The public sector and the private sector are running parallel tracks with no intersection. … There is a huge disconnect between the two sectors. The federal government doesn't understand our side of the industry well enough to know what's needed and how to roll it out – and how to actually monitor it." Svoronos said the government has resources to test security that the private sector lacks.

Finding solutions

Svoronos added that there need to be greater consequences for not properly securing sensitive data. The

obvious consequence of lax security is data breaches. But there doesn't seem to be a consequence for not being compliant with the Payment Card Industry (PCI) Data Security Standard (DSS) before a breach occurs. No one is really enforcing the PCI DSS, according to Svoronos.

Ridge suggested that the government should "take the intellectual firepower of the private sector, and all that experience and all that expertise and embed it – I mean we embedded journalists fighting the war on terror – [the government] ought to embed the private sector cyber experts into our operations around the United States to come up with a more holistic solution."

Flying for wishes, Isaacman sets record

On April 15, 2009, United Bank Card Inc.'s Chief Executive Officer, Jared Isaacman, broke the record for circumnavigating the globe in a Cessna Citation CJ2. And that's not all. His flight raised funds and awareness for the Make-a-Wish Foundation of New Jersey; it also broke 14 more world records. Isaacman sped around the world in 61 hours, 51 minutes and 15 seconds, traveling 22,893 miles.

He attempted to top the 18-year-old light jet circumnavigation record last year, missing it by one hour. He did, however, set 17 world records on that flight. "There was some unfinished business from 2008 that we needed to complete," said Isaacman. The two flights combined have helped to raise close to $90,000 for Make-A-Wish.

"It was a wonderful adventure that allowed us to fly around the world, while raising funds for an important organization such as the Make-A-Wish Foundation," said Isaacman. UBC has a long history with Make-A-Wish, which was strengthened, according to Isaacman, when the company received its first letter from the foundation outlining exactly what UBC's initial donation accomplished.

Isaacman has been interested in flying for a very long time, and he became a pilot about 3 and 1/2 years ago. He said it's his escape from his long hours at work, and he enjoys being incommunicado while in the air.

"It's kind of peaceful, and at the same time it's challenging. I guess that's why I picked flying. That's really my only hobby outside of work." Donations are still being accepted in conjunction with Isaacman's flight by Make-A-Wish Foundation of New Jersey. Those wishing to donate can do so at *www.speedaroundtheworld.com*. Isaacman will match up to $20,000 in Web donations.

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responsible for telling the IRS what we're paying our merchants and becoming an involuntary regulatory agency, won't this open the floodgates for other regulation?" Fortney asked.

"And what will be the penalty if the bank misquotes or the financial institution forgets to send the information on? Who is liable? Those are my concerns, and these issues have yet to be addressed."

The law, as it is now written, contains no reporting guidelines and is causing confusion, anger and trepidation among those who will be charged with addressing reporting issues – including the costs associated with it. Reporting guidelines are expected to be published by the IRS later in 2009.

Payment industry professionals – and even organizations that represent merchants and consumers – are uncertain as to how this law is going to be implemented, regulated and monitored, how settlements with alternative payment options will be addressed, and who will be the responsible reporting parties.

Under pressure

Consternation over the law's obtuse language has caused finger pointing in all directions – and blame has been laid by various parties on the Merchant Payments Coalition, the National Retail Federation, The Electronic Transactions Association, NACHA – The Electronic Payments Association, Visa Inc., MasterCard Worldwide and the American Banking Association.

But according to Rachelle Bernstein, Vice President and Tax Counsel of the NRF, it's really much simpler.

"This came from the IRS and was in President Bush's budget for two or three years," Bernstein said. "I think the impetus for this law came from the pressure that was continuously put on the Treasury and the IRS to come up with solutions for closing the tax gap. And the IRS, no matter what administration is in power, always thinks as an independent institution."

Bernstein believes that, for the IRS, the best thing it can have is better compliance through more in-depth reporting, so it is always looking for more ways to do this – hence the introduction of this provision.

"This has little or nothing to do with paying for other expenditures," Bernstein added. "In Washington, as soon as somebody comes up with a tax loophole, it gets put on every single bill going forward. And it [merchant transaction reporting] would have gotten passed on the next bill if it didn't happen on this one."

Joe Samuel, Senior Vice President, Public Policy & Community Relations, First Data Corp., believes the Bush Administration identified various segments of the mer-

IRS open to comments

The IRS' deadline for comments regarding implementation of HR 3221, The American Housing Rescue and Foreclosure Prevention Act of 2008, was Mar. 18, 2009. But according to Don Rocen, Tax Attorney for Miller & Chevalier Chartered, after the proposed regulations are published, there will be another comment period of approximately 30 days.

When the next round of comments is submitted and reviewed, financial institutions will have the opportunity to testify at an open invitation hearing in Washington, D.C., later in 2009. Rocen said final proposals regarding implementation will be made at that time unless suggested refinements are substantive enough to warrant another round of comments.

You can obtain information regarding section 6050W of the U.S. tax code and the prerequisites for implementation of HR 3221 at the following Web sites: *www.irs.gov/localcontacts/index.html*, *www.irs.gov/irb/2009-09_IRB/ar11.html,* and *www.irs.gov/irb/2009-10_IRB/ar09.html.*

You may also want to contact your tax attorney or Barbara Pettoni of the Office of Associate Chief Counsel, Procedure and Administration for the IRS, at 202-622-4910.

chant community it believed were underreporting taxable income.

"We saw this coming and fought the proposals for over three years," Samuel said. "We joined with the ABA and other trade associations to oppose this measure, but ultimately the government asserted that it could raise billions of dollars in additional revenue, which is the key reason it was passed by Congress and signed into law."

The grandest of ironies

Some industry experts expressed dismay over the government's ability to play the "good cop, bad cop" role: placating merchants and their representative organizations – then implementing laws to generate additional revenues that could adversely affect those same merchants.

John C. Nix, Senior Vice President, International Sales and Marketing for Data Delivery Services Inc., said, "One thing I find interesting is that when the government stepped in on behalf of the Wal-Mart case years ago, where they were basically attacking interchange … you have the government, who has been on the merchants' side for years, and all of a sudden they're now getting into the tax business on transaction reporting.

"They want to lower interchange to make merchants happier, but on the flip side they're now increasing [the merchants'] tax liability and making many players in the payments industry responsible for that. The livelihood of the [payments] industry is already being threatened. Now this added burden. As you can see, it's a very strange dichotomy."

Double trouble

On Feb. 20, 2009, the IRS issued Notice 2009-19, asking for comments on future guidance concerning the rules for transaction settlement information reporting. In an April 23, 2009, "text daily" to the NRF, concerns relating to the implementation of section 6050W of the IRS tax code were submitted by several credit card companies, banks and universities.

Section 6050W requires card service providers and third-party processors to provide the IRS with information returns for any merchants with sales of more than $20,000 a year or more than 200 transactions annually. These rules pertain to credit and debit transaction processors as well as third-party payment settlement companies like PayPal Inc., which processes transactions for banks that have contracts with merchants to accept their cards.

Many of the groups that wrote to the IRS pointed out the possibility of duplication between section 6050W and other sections of the tax code. According to Darren Parslow, Visa's Head of Global Commercial Products, every payment card transaction reported under Sections 6041, 6041A and 3402 will wind up being reported a second time under 6050W as it is now written.

"Reporting under various code sections will create confusion for taxpayers who receive two returns for one transaction," Parslow said. "In those instances, there is a possibility of double withholding of up to 56 percent in a single transaction." Visa recommended the IRS change the rules to exempt reporting under the other code sections if the transaction is reported under 6050W.

Visa also urged the IRS to develop a new form to be used solely for reporting under the new tax code to reduce confusion and double reporting of income on Form 1099-MISC under tax code 6041. Furthermore, Visa asked the IRS to be lenient with the transition and penalty rules for the first year or two and requested the IRS engage in aggressive, consistent outreach to the payment settlement community.

Industry ripe for confusion

"Clearly we agree everyone needs to report all their income," Bernstein said. "What we have addressed in these comments are problems about how the system might overreport for merchants who are fairly paying their taxes, and why poor implementation could cause more audit activity. The real issue is what the best solutions are for honest merchants."

However, Melody Wigdahl, Global Merchant Sales Director at UseMyBank Services Inc., does not believe the new law is directed at "traditional" processors or financial institutions. She thinks it is meant to corral alternative payment processors that cater to the thousands of home-based Internet businesses.

"These days it is not uncommon for a small business to operate entirely through their PayPal account," Wigdahl said. "And since those funds are easily accessible with a PayPal debit card, you don't even need to transfer funds into your bank account.

"Unfortunately, there is a potential for massive amounts of double reporting of income. And it's not the processors' fault– it's more that the IRS, with this provision, doesn't really understand or take into account the business niche that companies like this service," she added.

IRS, modern day TIN man

Anne Davenport, Tax Director for North Carolina's Wake Forest University, said in her comments to the IRS that it is not possible for a financial organization's accounts payable (AP) department to get a taxpayer identification number (TIN) for a credit card vendor because the transaction is completed before it gets to them.

"When we make a payment, it goes to the bank, not to the vendor, so we have no incentive to make a credit card vendor provide a TIN," she said. "Since the vendor has already been paid, AP departments have no way to provide backup withholding if no TIN is provided. But the

final responsibility should be with the gatekeeper of the money – the bank," Davenport added.

On April 3, 2007, Carla Balakgie, Executive Director of the ETA, wrote a letter to the U.S. House of Representatives Committee on Ways and Means, Subcommittee on Oversight, stating that the burden this requirement would place on the payments industry – as well as small businesses – will outweigh any benefits from information reports.

Balakgie suggested the law is "ripe for abuse" and that "it is not practical to expect the IRS to be an expert on the spending habits of individuals and businesses."

She added that while the ETA supports increased tax compliance, sending transaction reimbursement information to the IRS would be meaningful if there were no other intangibles that could affect merchant income.

But, as the ETA reported, transaction volumes can be adversely affected by cash back options on purchases, returns and chargebacks, redemption of gift cards purchased in one tax season and redeemed in another, and retained merchant fees (terminal rentals and customer services) that illustrate why a single aggregate number may provide misleading information.

The price of regulation

In the long-term, Samuel believes significant additional costs could be incurred by payment processors and merchant acquirers if they are designated as the responsible reporting parties by the IRS. "Processors generally have not tied a merchant's TIN or Social Security number with transaction data," he said.

Samuel added that merchant identification numbers were established to identify merchants and transaction data and have no relation to a particular TIN or Social Security number. Consequently, the law could result in significant additional administrative and personnel costs to match TINs with merchant locations and their transaction data.

"Additionally, the law's provision mandates acquirers and processors to impose withholding penalties of 28 percent on merchants whose TIN or SSN does not match what is on file with the IRS," Samuel said.

"This could put increased financial pressure on already struggling merchants who could face higher payment acceptance costs to offset the costs acquirers and processors will have to bear to comply with the law."

Wigdahl believes additional costs could be incurred for

new reporting infrastructures but feels that those costs should be minimal. She is more anxious about her merchants.

"If there is a case of double- or overreporting, how are small businesses going to defend themselves in the case of an audit or litigation?" she asked.

"This is more troubling to me than any cost to the industry. This could truly be a nightmare for many people who may have to hire additional outside help. It is definitely a hot topic in online small business forums, and they are seriously concerned."

An easier way

Martaus believes some people ascribe to the Fed a knowledge base that is beyond its understanding. "These guys are clueless about Visa and MasterCard," he said. "They only know those are the brands. They don't know that those companies run systems, run settlements. In my estimation, they're thinking banks.

"But really, that would be the most logical way to implement this. At the end of the day, the bank gives the merchant the money, which means that the bank can monitor how much money they gave the merchant and report that.

"The merchant bank, in other words, the bank of deposit that settles the transactions, should be the reporting institution," Martaus added.

"The bank of deposit should have the TIN on file because they are the ones that have to give the merchant a Form 1099 reporting for credit card transactions associated with all transaction volumes that go out to the IRS."

Martaus said this could be done daily, weekly or monthly; additionally, every organization servicing merchants is required by law to have a TIN.

According to Martaus, this should, in theory, make for an efficient, cost-

effective means of reporting merchant transaction volume to the IRS. "But I am giving you my interpretation of the easiest way to do it," he said.

"No one knows what will happen in the implementation phase of the law right now. However, with the government, nothing is ever straightforward; they could break the moving parts of an anvil."

So stay tuned, payment professionals. The IRS is no longer an unseen menace lurking in dark waters. It is visible just below the surface. Regardless of how implementation is finalized, payment professionals have work to do. And no matter what guidelines are enforced, we're all likely to get splashed. 🔲

Visa Inc. interchange rates as of April 2009

T he following chart contains select Visa Inc. 2009 interchange rates provided by the Electronic Transactions Association to attendees at the ETA's 2009 Annual Meeting & Expo. Items in bold type indicate changes to existing pricing. For a complete list of Visa's interchange rates, contact your ISO or sponsoring bank. You can also find further information on Visa's interchange rates at *www.corporate.visa.com/md/in/main.jsp.*

The May 25, 2009, issue of *The Green Sheet* will contain a chart of select MasterCard Worldwide 2009 rates, also compiled by the ETA.

Visa U.S. commercial interchange rates	Purchasing	Business	Corporate T&E
GSA Purchasing card large ticket	1.20% + $39.00	n/a	n/a
Visa purchasing card large ticket	0.95% + $35.00	n/a	n/a
Commercial level III	1.80% + $0.10	n/a	n/a
Commercial level II	2.05% + $0.10	2.05% + $0.10	2.05% + $0.10
Commercial business-to-business	2.10% + $0.10	2.10% + $0.10	2.10% + $0.10
Commercial retail	2.30% + $0.10	2.20% + $0.10	2.10% + $0.10
Commercial card not present	2.55% + $0.10	2.25% + $0.10	2.20% + $0.10
Utility program	n/a	$1.50	n/a
Government-to-government	1.65% + $0.10	n/a	n/a
Commercial card electronic interchange reimbursement fee	2.65% + $0.10	2.40% + $0.10	2.25% + $0.10
Commercial card standard interchange reimbursement fee	2.95% + $0.10	2.95% + $0.10	2.95% + $0.10

U.S. Credit voucher interchange rules	Credit	Debit
Passenger transport - all card types	2.07%	2.07%
Consumer card - no passenger transport	1.76%	1.31%
Consumer card - mail/phone order or e-commerce	2.05%	1.87%
Commercial card - non passenger transport	2.24%	n/a

Interchange fee program	Signature	Signature Preferred	Traditional Rewards	All Other Products	Consumer Debit
CPS/Supermarket - performance threshold I	1.65% + $0.10	2.10% + $0.10	1.15% + $0.05	1.15% + $0.05	0.62% + $0.13 [1]
CPS/Supermarket - performance threshold II	1.65% + $0.10	2.10% + $0.10	1.20% + $0.05	1.20% + $0.05	0.81% + $0.13 [1]
CPS/Supermarket - performance threshold III	1.65% + $0.10	2.10% + $0.10	1.22% + $0.05	1.22% + $0.05	0.92% + $0.15 [1]
CPS/Supermarket - all other	1.65% + $0.10	2.10% + $0.10	1.65% + $0.10	1.24% + $0.05	1.03% + $0.15 [1]
CPS/Retail - performance threshold I	1.65% + $0.10	2.10% + $0.10	1.43% + $0.10	1.43% + $0.10	0.62% + $0.13
CPS/Retail - performance threshold II	1.65% + $0.10	2.10% + $0.10	1.47% + $0.10	1.47% + $0.10	0.81% + $0.13
CPS/Retail - performance threshold III	1.65% + $0.10	2.10% + $0.10	1.51% + $0.10	1.51% + $0.10	0.92% + $0.15
CPS/Retail - all other	1.65% + $0.10	2.10% + $0.10	1.65% + $0.10	1.54% + $0.10	1.03% + $0.15
CPS/Automated fuel dispenser	1.15% + $0.25	1.15% + $0.25	1.15% + $0.25	1.15% + $0.25	0.70% + $0.17 [2]
CPS/Service station	1.15% + $0.25	1.15% + $0.25	1.15% + $0.25	1.15% + $0.25	0.70% + $0.17 [2]
CPS/Small ticket	1.65% + $0.04	2.10% + $0.10	1.65% + $0.04	1.65% + $0.04	1.55% + $0.04
CPS Retail 2	1.43% + $0.05	2.10% + $0.10	1.43% + $0.05	1.43% + $0.05	0.80% + $0.25
Utility program	0.00% + $0.75	0.00% + $0.75	0.00% + $0.75	0.00% + $0.75	0.00% + $0.75
CPS/Retail key entry	**1.95% + $0.10**	2.10% + $0.10	**1.95% + $0.10**	**1.80% + $0.10**	1.60% + $0.15
CPS/Card not present	**1.95% + $0.10**	**2.40% + $0.10**	**1.95% + $0.10**	**1.80% + $0.10**	1.60% + $0.15
CPS/E-commerce basic	1.95% + $0.10	2.10% + $0.10	**1.95% + $0.10**	**1.80% + $0.10**	1.60% + $0.15
CPS/E-commerce preferred retail	1.80% + $0.10	2.10% + $0.10	1.80% + $0.10	1.80% + $0.10	1.55% + $0.15
CPS/E-commerce preferred hotel & car rental	2.30% + $0.10	2.10% + $0.10	**1.95% + $0.10**	**1.54% + $0.10**	1.36% + $0.15
CPS/E-commerce preferred passenger transport	2.30% + $0.10	2.10% + $0.10	**1.95% + $0.10**	**1.70% + $0.10**	1.60% + $0.15
CPS/Hotel & car rental (card present)	2.30% + $0.10	2.10% + $0.10	**1.95% + $0.10**	**1.54% + $0.10**	1.36% + $0.15
CPS/Hotel & car rental (card not present)	2.30% + $0.10	2.10% + $0.10	**1.95% + $0.10**	**1.54% + $0.10**	1.36% + $0.15
CPS/Passenger transport	2.30% + $0.10	2.10% + $0.10	**1.95% + $0.10**	**1.70% + $0.10**	1.60% + $0.15
CPS/Restaraunt	2.30% + $0.10	2.10% + $0.10	**1.95% + $0.10**	1.54% + $0.10	1.19% + $0.10
CPS/Account funding	2.14% + $0.10	2.10% + $0.10	2.14% + $0.10	2.14% + $0.10	1.75% + $0.20
Electronic interchange reimbursement fee (EIRF)	2.30% + $0.10	**2.40% + $0.10**	2.30% + $0.10	2.30% + $0.10	1.75% + $0.20
Standard interchange reimbursement fee (EIRF)	2.70% + $0.10	**2.95% + $0.10**	2.70% + $0.10	2.70% + $0.10	1.90% + $0.25
Check card II	******	******	******	******	0.55% + $0.10
Check card II supermarket	******	******	******	******	0.00% + $0.25

(1) $0.35/transaction cap applies to this debit card interchange catagory.

(2) $0.95/transaction cap applies to this debit card interchange catagory.

StreetSmarts℠

What does your billboard say?

By Jon Perry and Vanessa Lang

888QuikRate.com

Imagine, if you would, that you're at a networking event. You are in a large, rectangular room with tables on one side, windows on the other. Looking out the windows you see cars in the parking lot and people entering the building. One man in the crowd is wearing a scruffy T-shirt and jeans. You gauge him to be in his early to mid twenties.

Later, you and two other people are standing together. You introduce yourself and provide your 60-second elevator speech about what you do. The young man you saw earlier comes over to your group.

You ask him what he does. He says that he helps people become millionaires and adds he is a financial planner who has taken countless portfolios and turned them into valuable retirement funds. He asks if you're interested in learning more.

Then, he glances at his watch and says, "Please excuse me, but I'm late for a meeting." He leaves, and you see him moments later through the window as he gets into a 1972 Ford Pinto.

Words don't say all

This man's words did not jibe with the initial impression you'd gotten. The reasons have to do with something called "message framing." What that means is we send out a very distinct message before even opening our mouths. Sometimes verbal messages aren't properly heard because of the framing that precedes them, which can create a fixed impression.

Erving Goffman was the first to develop a specific theory about self-presentation in 1959, which laid the foundation for what is known as "impression management."

Goffman stated that people must adapt their behavior and appearance to "give" and "give off" the correct impression to a particular audience. He noted that individuals participate in social interactions through performing a "line" or "a pattern of verbal and nonverbal acts" by which they express their views of situations and evaluate participants, including themselves.

To paraphrase Goffman further, we are all actors on a stage. To connect with our audience, we must mirror them in appearance and behavior. As part of impression management, we are managing the impression we give others, molding it for suitability. We are creating our personal billboard for everyone to see.

Watch what you convey

Like it or not, each of us is a walking billboard, constantly projecting a message in three ways: through our appearance, our actions and what we say. Let's briefly examine the three.

1. Our appearance: The twenty-something man described at the beginning of this article was defined by what he wore and what he drove. He obviously did not project the typical picture of a successful financial advisor making millionaires of his clients.

Imagine driving up to see a potential client who owns a transmission shop. He has four employees who work eight to 10 hour days around grease and

Street**Smarts**

> *There is nothing more disrespectful than answering a cell phone while meeting with someone – whether an employee, customer, business associate or loved one. Our personal billboard is sending the message, "The person I am talking to on the phone is much more important than you."*

dirt. You drive up for your appointment in a brand new Porsche wearing a $2,000 tailored Armani suit.

It sounds sinfully delightful. Yet, by doing this we are sending a message to the transmission shop that either our ego is too big or we are highly insecure and looking for ways to compensate. Either way, the chances of getting that deal are greatly diminished.

Mirror your clients. Read *their* billboards. If your client is a lawyer, consider wearing a suit. If your client is a mechanic, wear business casual. (When our clients work in commercial or industrial places, often we'll wear jeans and a business shirt. Why? We want to visit the work area. We want to understand their work, and they are happy to show us because they appreciate our interest.)

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2. Our actions: There is nothing more disrespectful than answering a cell phone while meeting with someone – whether an employee, customer, business associate or loved one. Our personal billboard is sending the message, "The person I am talking to on the phone is much more important than you."

You may think there are times you have to answer the phone. Maybe so. But what could possibly be more important than the person you are meeting with?

In those rare cases when taking a phone call might absolutely be necessary, let the person know prior to the meeting that you are expecting an important phone call. Then, if the phone does ring, ask that person's permission to answer it.

The Ritz-Carlton hotel chain has a lock on impression management and message framing. First, it doesn't call its employees "employees," but rather "ladies and gentlemen." The company's motto is, "We are ladies and gentlemen serving ladies and gentlemen." And it is the *only* two-time recipient of the Malcolm Baldrige National Quality Award in the service category.

If you check into one of this hotel's locations for the very first time, chances are the people working the front desk will know your name.

How is it done? The bellman who pulls out your baggage looks for a name tag, and once you are out of sight the bellman radios your name to the front desk and says you have arrived. At the front desk, a representative welcomes you by name with a pleasant smile and warm voice and tells you it is a pleasure to serve you.

3. What we say: A couple of years ago, I was attending a chamber lunch meeting. One of the attendees was a middle-aged man who was deeply religious. He prayed before meals; could recite passages from the books of his faith by memory and shared with almost everyone he met that his success was a gift from God.

However, as the waitress who took our orders passed by, he nudged me and commented, "Did you see the lights on that train!"

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This story is a strong example of bad impression management: The man's actions did not mesh with the way he presented himself, which made his remarks all the more glaring.

Speaking inappropriately can be a death knell to the business professional – be it through gossiping, sexual innuendos or speaking poorly of people who are not present to defend themselves.

We all make mistakes. On GS Online's MLS Forum, Beanstream described a time he was asked to speak at an early morning event. He got up before daybreak and got dressed in the dark so he wouldn't wake his wife. As it turned out, he mixed the jacket from one suit with pants from another. Not only were the colors mismatched, but the clothes had different patterns.

Beanstream said, "I didn't notice it until I got up to the podium to speak, or else I would have just ditched the jacket. It probably wasn't noticed by a lot of people, but I spent more time focused on my attire and trying to hide behind the podium than I did my speech."

It's a great example of how not mirroring other people can make you feel out of place – in this case, Beanstream was more focused on his clothes than the event he attended.

(Perhaps a good first step in proper mirroring is looking at yourself in the mirror.)

Everything counts

Within an organization, nothing is too small to understand and refine. Paying attention to how the office phone is answered, the way a presentation is delivered and what a person wears on a sales call are examples of providing consistency in service and message.

Like the Ritz-Carlton, we want to deliver seamless service to our customers. We also want to build a merchant services company whose top-notch quality and customer service is rooted in strong impression management and message framing. Who knows, maybe we'll be the first merchant services company to win a Malcolm Baldrige award. That would make a great billboard.

Jon Perry and Vanessa Lang are the owners of 888QuikRate.com, an ISO based in Ft. Worth, Texas, that was named Small Business of the Year by the local newspaper, The Star Telegram. *For more information, tweet them at* http://twitter.com/dfwcard, *comment on their blog at* http://merchantservices.cc *or visit their profile at* http://linkedin.com/in/jonperry *or* http://linkedin.com/in/vanessalang. *Alternatively, you can contact Jon and Vanessa by phone at 817-857-3557 or by e-mail at* jon.perry@888quikrate.com *or* vanessa.lang@888quikrate.com.

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Education (continued)

What it takes to thrive in business

By Curt Hensley
CSH Consulting

I recently spoke with the chief executive officer of an ISO who was looking for someone to build out a specific regional sales team. I began asking the usual questions: the type of background he was looking for, if he preferred people from particular companies and so forth.

The CEO stopped me and said, "I'd like this executive to have payments experience, but beyond that it's all about finding the right personality.

Our company is here to develop people, and we need to find the people that want to excel. We want leaders with energy and compassion who can develop other leaders."

What a refreshing take. This country was founded on the premise that if you are innovative, work hard and do your job well, you will succeed. Part of the blame for the current economic crisis can be attributed to people sitting back and making investments they knew were questionable, just to watch the money pour in. As a result, many employees who worked hard and did a great job were laid off.

Severed trust

Trust was broken – many employees don't trust the companies they work for anymore. Far fewer organizations can ensure their employees will have a job tomorrow, and deals with clients are broken even more often due to the economic turbulence.

Banks are receiving Troubled Asset Relief Program funds but not putting that money back into the economy through small business loans because they don't trust the economy to hold up.

This isn't just limited to the current housing, insurance and auto crises. Who in the payments industry hasn't run into a small business owner and got to talking, and the next thing you know the merchant is telling you a horror story about a prior or current processing relationship gone awry, excessive fees, or ongoing problems with customer service?

Because of the unethical practices of just a few in the payments industry, everyone is faced with increased skepticism among merchants.

It's time for a new business model built on the understanding that everything contributes to the bottom line. When we encourage our employees to excel by providing a great environment for success, we as a company are going to get stronger.

If we show integrity, honesty and openness with our clients, we can parlay the trust that develops toward a long-term association.

Cultivating strong employees

Bearing in mind that every piece within a company contributes to its success and well-being, it's important to address the needs of each employee. This is done in three essential ways:

1. **Career path:** Everyone, from the customer service rep overseeing downloads to the senior vice president of sales, should have a clear career path laid out. This involves you, the business owner, sitting down with your management team and holding conversations about the goals and interests of individuals within the company.

It's a great chance to get feedback about how the company can help employee morale and productivity – and improve generally. It will also increase employee loyalty, because the focus shifts from just

day-to-day work to more meaningful, longer-term goals. When your company invests in its employees, the employees will invest in the company.

2. Industry-specific training: The more your employees know about their industry, the better they perform in all areas.

Knowledge of Payment Card Industry Data Security Standard compliance can often make the difference in a sale with a merchant. Knowing what companies are adopting e-commerce can be a huge selling point for a relationship manager working with existing accounts. Understanding the background of a payment gateway company you're trying to partner with will make a major difference to your software developer.

Encourage your employees to learn as much as they can about the payments industry. This doesn't necessarily mean you're taking them off the phones to do a training class. You can distribute industry magazines, and encourage employees to sign up for transaction processing e-mail updates and join industry networking groups so they are receiving real-time payments updates.

3. Communication: Have you ever received an e-mail or voice-mail message and realized later you misunderstood what the other person wrote or said? I'm a firm believer that 90 percent of business problems can be solved with effective communication. Communication is not only telling clients, employees and partners exactly what you can do for them, but also listening effectively.

Likewise, the needs of merchants will vary – they may not just be looking for a processor – and it's incumbent on you to find a solution that meets an individual merchant's needs.

Train your employees to listen first to what a merchant, client or partner is saying, and clarify any problems mentioned in the conversation. Suddenly, your salesperson is a merchant consultant – able to suggest possible solutions to a recurring issue.

Recipe for growth

A company of employees who are professional, career-oriented experts in their field and efficient communicators is a recipe for success and growth. This is not a new business model about increasing fees in the fine print or giving top execs a haircut when profits are down – it's about crafting solutions geared to your employees and clients.

Your clients will recognize that you, and your employees, understand your clients' needs on more than just a transactional level, and you'll be able to build a firm foundation within the business world.

Focusing on your employees and showing them that you really care has a dramatic side effect: Your employees begin to really care about each other. Imagine a company in which each employee is invested in the success of his or her co-workers. It promotes a level of teamwork that can lead to exponential growth.

In the Linkden payments groups I belong to, I've seen several conversations about instituting regulations and mandatory certifications for agents and ISOs to increase the quality of business provided to merchants.

If we want the industry to change, if we want low turnover with maximum employee development, if we want merchant loyalty and transparent pricing, the way to change the business world is to start changing the way we operate.

Building trust and improving communication will ensure you have a steady client stream for years to come.

Curt Hensley is the founder, Chief Executive Officer and President of CSH Consulting, a recruiting firm exclusively focused on the payments industry. He and his leadership team have over 50 years of combined experience recruiting in the merchant acquiring arena. They have placed over 1,300 payments industry professionals since their inception eight years ago. Contact Curt at 480-315-8800 or curth@cshconsulting.com.

Education (continued)

PCI: Taking the proper path

By Tim Cranny
Panoptic Security Inc.

The Payment Card Industry (PCI) Data Security Standard (DSS) is becoming increasingly visible – and painful – to almost everyone in the payments industry, but the distress can be minimized with the right approach and understanding of what is really going on.

A mistake many ISOs, processors, banks and even security solution vendors make is to think of PCI as a security issue only. PCI must be treated as a business challenge: Those who ignore this wind up with a series of narrow technical successes that fail to add up to real business success, a situation all too common today.

Diligence pays off

Implementing changes required by the PCI DSS can be slow and painful. PCI compliance is a business problem because the security measures are targeting business operations. Compliance failure comes with significant penalties, such as fines; the threat of permanent damage to a company's reputation; and the inability to be PCI DSS certified.

Furthermore, the PCI DSS is a complicated business issue because it is trying to get everyone in the payments industry to change certain core business behaviors, including:

- Transaction handling
- Business operations
- Staff management
- Prioritization of issues and procedures

Substantive changes are always painful and difficult to make. The promised rewards seem close but often never quite arrive. That means the industry as a whole needs to use every tool possible to decrease its pain while actively rewarding those who make the effort to do the right thing.

Although there has been movement in this direction, we are not there yet. The right strategy for PCI implementation is neither obvious nor simple.

So it's not surprising that few ISOs, banks and processors have found the right strategy for dealing with the PCI DSS. However, the payments industry can take action to ameliorate this problem. It's important to keep the following ideas in mind when addressing this issue and seeking effective solutions.

Focus on the big picture

It's easy to see validation – the "paperwork" of PCI – or even compliance as the real target of the PCI DSS, but that is shortsighted and an ineffective way to address the full scope of what PCI entails.

Everyone's goal throughout this process should be improved security, which is genuine control over the risks that arise from using information systems. PCI compliance is only a bonus feature of the real, constructive things you should be doing.

Think about what *your* challenges are. The details of PCI compliance are not the same for everyone. The right strategies and solutions for one organization might be a poor fit for another.

One example is that larger, more sophisticated merchants have one set of security needs and challenges, while the vast number of smaller merchants have a completely different set. This puts different types of stress on their partners and service providers.

Watch out for sharks

Be deeply suspicious of security vendors who promise to solve every problem and specialize in providing every possible type of solution. Some of them are essentially saying, "You're in luck. As it happens I'm a heart surgeon, a mechanic *and* I do windows." Instead of falling for this, identify solutions and partners that work to solve your specific business issues and problems.

Choose the right tools. One of the ways in which the PCI DSS is still immature is that those shaping the entire program are not using the full set of tools to get the job done. There is significant focus on trying to get the right behavior out of banks, ISOs and merchants via penalties and threats. However, there should be more emphasis on incentives and rewards.

I believe that with the right technologies and services, PCI compliance can and should be driven by letting ISOs and others make reasonable profits from driving the desired changes forward.

Take charge

Resistance to the idea that solving this problem is up to us typically comes from security specialists who underestimate the business challenges involved and who think it should all be done only one way. But this sort of mandate-driven thinking is essentially a hangover from the days when security was largely a governmental issue.

The PCI DSS is tackling a very different problem, and we are already seeing new solutions and new approaches to PCI implementation.

> *Audits and paperwork are similar to annual health checkups: an important tool, but if you're trying to get and stay healthy you shouldn't just circle that day on your calendar and think in terms of getting through the test.*

One other thing to keep in mind is that data security and PCI compliance are always an ongoing process, not an event that pops up on your calendar and then can be forgotten until next time. True security requires changes in daily habits and operations, which is another reason why ongoing rewards are valuable, and annual audits and penalties should not be the main tool for driving the process.

Audits and paperwork are similar to annual health checkups: an important tool, but if you're trying to get and stay healthy you shouldn't just circle that day on your calendar and think in terms of getting through the test.

We've all seen major security breaches recently where the company in question, and even the auditors, seemed to care more about the test than the underlying reality of the breaches' causes and effects.

Reach out to partners

Work with your partners. The PCI DSS emphasizes that your security is not completely contained inside your own world. You are dependent on your partners, vendors, ISOs and overall supply chain in inescapable ways, increasingly making security compliance a collective responsibility.

That means in-house and home-grown solutions are going to become more awkward and ineffective because they put up barriers to sharing and coordination. Ideally, what you should look for is a solution that creates a common way for you and your partners to work together.

While doing so, keep in mind that your partners are different from you. They will need a solution that recog-

nizes those differences and one that doesn't force you into a one-size-fits-all straightjacket.

Keep an eye on your vendors. PCI is a new world, and in many ways, it's still like the Wild West. Most vendors are looking to expand their customer base, and too many – even ones with a good reputation when it comes to their core offerings – are doing so by promising things they can't deliver or that simply don't exist. Take the time to put them to the test, rather than rely on reputations based on other products or other times.

Being cognizant of these issues will help you put together a solution that gives you what you really need – successes with the narrow technical issues that actually build to make business success and that let you take on the challenges of PCI in an efficient, productive way.

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

Education (continued)

Facing the elephants

By Jeff Fortney

Clearent LLC

I t is a staple of sketch comedy television going back to the earliest days of the medium: Two people, usually in a living room or other inside location, are having a rather mundane conversation.

Yet, on the other side of the room is an "elephant," munching away on vegetables. The characters glance at it, but never verbally acknowledge its presence. Finally, one character will say, "Do you see…," with his or her voice trailing off, as the character is too frightened to specifically mention the gargantuan animal in the room.

The other character responds in a hushed voice, "Yes, but if we ignore it, it may go away."

Look around

In speaking with merchants today, merchant level salespeople (MLSs) often find there is an elephant in the room. Yet, as in the skits, they usually ignore the pachyderm. They use a canned sales pitch; they don't vary their offers; they just hope the elephant will go away if they deny its existence.

More than ever before, MLSs are experiencing greater frustration, lost opportunities and diminished business success. And it seems this particular elephant is here to stay for a while. It's time to begin addressing it head on.

The real challenge is that, having ignored the truth for so long, we may have lost the capacity to properly address it. We're afraid to even acknowledge it, or we believe that, by bringing it up, we will lose control of the sales process. We may even fear the elephant is inside of us, not in a corner of the room.

Take three steps

There are three basic steps to addressing the elephant. If followed, both your merchant closure rate and sense of accomplishment will grow.

1. Identify the elephant

Unlike in the skits, the phenomenon we're dealing with is difficult to identify. In fact, there are two elephants: one we carry with us; one we find at the merchant's location.

These elephants have similarities. They are both emotion-driven, and both lead to failures. They go by many names, including the economy (its impact on the merchant), ethics (actions by others in our business that lead to a lack of trust) and frustration (over lost sales).

Whatever your elephant is, it must be identified and addressed before you make any sales calls. Identify it by asking yourself what you are truly worried about and what causes you to lose sleep.

Until you answer those questions, your success will be limited. By ignoring your worries, you cause them to grow and your confidence to shrink – and if you are not confident in yourself or your abilities, you are doomed to fail.

Identifying merchants' elephants is much harder. To do this, you must ask questions that address applicable negative situations. Sample questions include:

- Boy, I was talking to a company just like yours, and they were saying the economy has hit them hard. Sales are way down. Are you feeling the same pinch?

- Mind if I ask you a question? How do you do it? It looks like you are keeping your head above water.

- It sure seems like people are afraid to buy. Are you seeing that?

- Do you mind if I ask you something? I just left a company like yours and they wouldn't give me the time of day. They said they had been burned by a processor, but wouldn't tell me what happened. Have you ever had a similar experience? I want to make sure I don't do that.

- Thank you for your time. I have to say the last three merchants I spoke with were very frustrated. They were frustrated with slower sales, rude customers and everything in between. How do you guys do it? I know I would get frustrated.

You are trying to position yourself on the same side of the table as your merchants. If they are struggling with the economy, it helps them to hear that you and your other merchant customers are, too.

If they have felt ignored and lied to, be honest with them to show you are ethical. If they are frustrated, the source of that frustration must be acknowledged.

One warning: Merchants must do the talking after you pose a question. You are there to hear their concerns, not to burden them with your woes. Let them vent, and they will tell you how to deal with their elephants.

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Education

▶ *Let the merchant give you his or her solution – even if it's illogical.*

2. Address the elephant

Once a previously ignored dilemma has been identified, it is important to find common ground. The simplest way to begin is by asking one question: If you had control of (insert elephant/issue), how would you change it?

Let the merchant give you his or her solution – even if it's illogical. If possible, agree with the concept. Again, your sole task is to find common ground and to use that commonality to become part of the solution.

3. Use the elephant

Once you have identified and addressed the massive mammal in your midst, leverage it to your advantage. This step cannot be rushed.

If you cut corners here, all that you accomplished in the preceding steps will be wasted. The ideal approach is to use a third-party story. Here's an example:

> I was talking with one of my merchants just last week, and he was saying that exact thing had been happening to him. He felt just like you do. But we talked through a few solutions, and he is much happier now. The issues didn't go away completely, but his worry was definitely reduced. I was glad I could help.

Your merchant will want to know how you helped, and from that point forward it's not a sale, it's a conversation.

You can choose to acknowledge the elephant or you can follow the lead of the old skits and ignore it. But remember, just like in the skits, ignoring the beast doesn't work. 🖼

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TradeAssociationNews

Data security dominates ETA Expo

The Electronic Transactions Association's Annual Meeting & Expo is a barometer of the state of the payments industry. The focus of the 2009 convention, held April 21 to 23 at the Mandalay Bay Resort & Casino in Las Vegas, was squarely on data security.

Booth after booth on the showroom floor proclaimed the latest and greatest in data encryption, from end-to-end security to tokenization. Meanwhile, a stunning event occurred in the Desert Willow Room in the Four Seasons Hotel within the Mandalay Bay complex.

A call to arms

In an unprecedented spirit of cooperation among fiercely competitive rivals, the three largest POS terminal manufacturers in the world – Ingenico, Hypercom Corp. and VeriFone – heralded the formation of the Secure POS Vendor Alliance.

"When we talk about security we need to make sure that all the elements related to security fit together," said Christophe Dolique, Executive Vice President, Global Marketing & Transaction Services at Ingenico and the SPVA's first Chairman. "Today we think that, in fact, that is not the case."

Therefore, the alliance's mission is to:

- Increase awareness of security issues
- Encourage adoption of best practices
- Bring consistency to the standards that govern disparate technological components and participants in the payments industry

The big three terminal makers believe they are ideally situated within the payments industry to provide leadership, since they create the POS devices that connect merchants to electronic payment networks.

Paul Rasori, VeriFone's Vice President of Global Product Marketing and the SPVA's first Treasurer, said, "We talk to every bank. We talk to every card association. We talk to every processor. We talk to every enterprise-level merchant. We're talking to everybody. I don't think there's another industry that is talking to everybody. So it puts us in a pretty unique perspective."

Stuart Taylor, Vice President, Global Marketing at Hypercom, said the big three hatched the idea of the alliance back in January 2009; they recognized the lack of clarity and uniformity across the payments ecosystem concerning certain security standards the manufacturers apply to their POS devices.

"It's just a matter of VeriFone goes to their customers saying you need this, this and this," Taylor said. "Ingenico goes to theirs saying you need this, this, and this. Hypercom does the same thing.

And so you have the three circles. Yes, there's some overlap. But there's this gray space on the outside where our message is different from their message."

Christopher Justice, Ingenico's new President, North America, believes that by collaborating on a single POS standard, manufacturers have a "real opportunity to share the information that we need collectively to hopefully slow – more than stop – fraud."

Membership in the SPVA is open to all constituents in the industry. To find out more about the alliance, go to *www.spva.org.*

PCI update

To kick off Compliance Day at the ETA, Bob Russo, General Manager of the Payment Card Industry (PCI) Security Standards Council (SSC), provided an update on the council's effort to secure the global payment card infrastructure against data theft through implementation of the PCI Data Security Standard (DSS).

According to Russo, the PCI SSC has made great strides in securing data and communicating that necessity to businesses all across the world, but much more needs to be done. Back in 2006, when the council was formed, Russo said a business would ask Visa Inc. and MasterCard Worldwide the same question about data security and get different answers.

But with the council now managing the standard, that doesn't happen anymore, Russo said. PCI has become "one global voice for the industry," he stated.

Despite the PCI's accomplishments, Russo warned that the security-threat landscape has gotten worse. To counter that growing threat, Russo believes business compliance with the PCI DSS is all the more vital.

While Russo recognizes the financial and time burdens on businesses associated with gaining compliance and – more importantly – staying compliant, he emphasized that security breach remediation may cost a business 20 times the price of compliance, with brand name damage, loss of customers and lawsuits being particularly unsavory results.

Russo stressed that data security must become second nature to businesses. "It's got to become part of your DNA," he said.

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Q & A with Bob Russo

As General Manager of the PCI SSC, Bob Russo has perhaps the toughest job in the industry – to spearhead the effort to secure payment card data worldwide.

At the Electronic Transactions Association's 2009 Meeting & Expo in Las Vegas, Russo sat down with *The Green Sheet* to discuss the council's recent additions to the PCI Data Security Standard, its upgraded Web site (*www.pcisecuritystandards.org*) and data security in general.

Bob Russo: What we released Monday [Apr. 20, 2009] were two additions to the standard. Two more acronyms – UPC (unattended payment terminal) and HSM (host security modules). And they're integral parts of the strategy of trying to secure this credit card data wherever and however it's accepted.

GS: What's the PCI SSC's role in the Secure POS Vendor Alliance?

BR: At this point we don't have a role in the SPVA. They asked us to come [to the press conference] to see what they're doing because anything that further secures the payment scheme is something that we're interested in. And, of course, they [the terminal manufacturers] are participating organizations and board members of PCI so we want to understand what it is they're doing.

GS: With the recent formation of the Payments Processing Information Sharing Council (headed by Heartland Payment Systems Inc.) and now the SPVA, is there a possibility of too many data security alliances in the industry?

BR: We're steering the ship with regards to the standards. But we're going to look to them, and we're going to look to a lot of organizations to give us input and give us feedback as to what needs to be updated in the standard, if anything.

GS: What changes has the PCI SSC made to its Web site?

BR: It's easier to navigate now. And it's only getting better. We're going to be adding some things, a micro site for smaller merchants and for other specific verticals and things. It's really a good resource.

GS: How is the council reaching out to ISOs and the level 3 and 4 merchants they support?

BR: One of the issues with smaller merchants is that you can give them all of this information [quick reference guides, informational supplements available on the Web site]. You can make it as easily digestible as you possibly can – in terms that they understand. You just can't make them read the information.

And that's why we're constantly out there doing outreach, not only the council, but all of our partners. The [card] brands are doing it. All the acquiring banks are doing it. The ISOs are the first line to do that. So we're out there trying to educate people.

GS: What general message are you trying to get out about data security?

BR: I'm fond of saying that I'm from Brooklyn, and I have a Brooklyn accent and I live in New York City. And in New York City I have three cars. I park two of them in the street and one in the garage. So the two that I park on the street, do I take the key out of the ignition and lock the door and shut the windows on Monday, Wednesday and Friday and not do that on Tuesday, Thursday, Saturday and Sunday?

I mean, you've got to do it all the time. You've got to take some responsibility for it. You have to be vigilant.

An ETA for 'doers'

While attendance was down at the ETA this year, participants recognized an improved atmosphere over last year. Henry Helgeson, whose company Merchant Warehouse won the ETA's ISO of the Year award, considered ETA 2009's general attitude to be upbeat in comparison to 2008's "doom and gloom, the world is ending" mentality.

Cocard Corp.'s Rick Pylant said that when he looked around at this year's ETA participants, he saw "the doers, not the lookers" of the industry. Doers were in evidence at the first Prepaid Day at the ETA, which included presentations from World Gift Card, Now Prepay and FirstView LLC, among others, that touted the revenue and merchant retention potential of prepaid cards.

Helgeson called the SPVA formation a "fantastic" idea. "Probably some of the best news we've heard," he said.

NewProducts

Private pathway for POS data

Product: AprivaNet

Company: Apriva

For POS traffic traveling across the Internet, a new security tool called AprivaNet from information technology (IT) security company Apriva provides what is akin to the cyber version of an underground tunnel: a special router, separate and hidden from public Internet channels, through which POS information can pass invisibly.

"What's unique about this particular product is it supports a separate payment network, a secure or dedicated payment network," said Bill Clark, General Manager for Apriva Secure Payments Division.

"So we actually separate point-of-sale traffic from all other traffic and by doing so have some unique capabilities to keep transactions from going where they shouldn't go."

For merchants with either wireless or Ethernet-connected POS terminals, customer transaction data usually flows through the same router as other outgoing data to an open-ended network. AprivaNet, on the other hand, captures that data and sends it separately, effectively concealing it from hackers trolling the Internet's main pathways and disguising its origin.

"What's interesting is you end up, in many cases, encrypting the data twice because you're putting it on a private network which encrypts it, but what you're also hiding are those endpoints," Clark said.

"On a private network, those endpoints are invisible to people who might be in the middle … it kind of makes the users of those private networks disappear. So, yes, there's a stream of encrypted traffic, but you don't know where they're going, where it came from, or what might be in that data stream. And, in a way, it's like making sure your point-of-sale traffic is a needle in a haystack – it makes it harder to go after."

Encryption alone not enough

Clark added that although POS data is typically encrypted, it often remains vulnerable to hacking because of its presence on public networks. The encryption alone will protect it in many cases, but fending off more sophisticated hackers requires multifaceted solutions, he noted.

"What you have is all of these fringe elements trying to penetrate, trying to access, trying to put viruses in," he said. "Those are all security issues that really don't have anything to do with the fact that the transaction has been encrypted."

"Today, IT-connected, Internet-connected merchants are really the target for PCI, because they have a device that's connected on public networks," he said. "It makes them vulnerable to hacking, and it makes them vulnerable to viruses that can be implanted on their systems – and that can then send data out of the Internet … TJ Maxx was a perfect example." (Retailer TJX Companies Inc. revealed a massive data breach in 2007.)

A complete package

While routing merchant data through a private network is AprivaNet's primary function, that service is part of a larger security package that helps to ensure compliance with the Payment Card Industry (PCI) Data Security Standard.

Clark said that package includes a 24-hour monitoring device that informs a merchant whenever "configuration problems" occur within the network, such as connection problems or device tampering; a self-assessment security questionnaire; PCI-required penetration scanning; and a guarantee that Apriva will "cover the expense of any remediation cost" up to $50,000 for PCI violations associated with using the device.

"This is a form of encryption that is not just the private POS network," Clark said. "We're also bundling in the TrustKeeper tools [Trustwave's on-demand compliance management technology] to help you document you're compliant; you have the self-assessment questionnaire, the scanning that's required, the guarantee … all those are additional risks that we're addressing."

Clark said the service will hit the market by May 15, 2009.

Apriva

480-421-1210
www.apriva.com

AprivaNet router

Boundless processing

Product: Whizpay
Company: TalentBeat

Whizpay is like a high-speed elevator to an enriched payment platform; it provides retailers with a bundle of sales tools that, when implemented, require no technological switches or upgrades, according to TalentBeat, the value-added service provider behind Whizpay.

The service enables retailers using a variety of mediums to combine gift and loyalty services with marketing programs in ways limited only by the user's imagination. It incorporates, among other tools, credit cards, gift cards, voice messaging, text messaging, e-mail and social networking Web sites.

"Some processors in some cases may say we have mobile, we have loyalty and we have gift, but they're all separate modules – and if you go from one gift card you'd have to change platforms to another to be gift and loyalty," said John Moran, Vice President, Sales for TalentBeat. "We can take an existing gift card and layer our applications to it, so that the retailer doesn't have to change anything at the POS."

Features of **Whizpay** include:
- Multipronged payment platform – including rewards programs on standard credit cards
- Marketing opportunities through text messaging, e-mail and social networking
- All card data redirected to Whizpay's gateway
- No terminal upgrade requirement
- Worldwide connection with automatic currency conversion

Relieved of all that data

The reason is that retailers who sign up for Whizpay have all of their card transactions (including standard credit purchases that do not otherwise involve Whizpay) redirected to a gateway belonging to TalentBeat, where they are processed and stored.

Because those functions are outsourced, a merchant's existing terminal does not have to be upgraded or altered to support the wider platform.

"The main thing is that the card number is not stored locally anymore; the cash register is not part of the equation of the swipe," said Rahul Mutha, Chief Executive Officer for TalentBeat. "As soon as the card is swiped, the track data of the card number is moved centrally to the Whizpay host … it actually connects to these cash registers through a firewall."

Mutha added that, in transferring the job of data processing and storage to Whizpay, merchants also avert the tedium of maintaining PCI compliance. "[We] keep the entire store inside the PCI compliance checklist," he said.

The rest, however, is up to the merchant. Whizpay essentially gives a retailer free reign to devise different combinations of payment services – loyalty programs, for example, can be conducted either in the traditional manner with gift cards or with regular credit cards.

In the latter case, rewards points (or some other quasi-currency) are allotted, say, whenever a specific network-branded card is swiped – just as they would be with a regular loyalty card. In either case, Whizpay keeps track both of the transactions and whatever loyalty program they are attached to.

The retailer can register "as many credit cards as the individual wants, and every time they use one of these credit cards we can keep track of it," Moran said. "We can do rewards by time of day, by cumulative spend, by points, by dollars, and there's others. … If the retailer wants they can encourage different types of cards to be used, so they can offer incentives if they wanted customers to use a MasterCard."

Platforms for marketing

Moran pointed out that any medium through which customers either make payments or check balances and rewards scores can potentially be made into marketing vehicles.

Where gift cards are linked to mobile phones, advertisements and promotions can be texted or sent by voice mail; where account balances are viewed through online platforms, promotions can be sent to e-mail addresses and social networking sites like Facebook.

"It's a much cheaper, simpler way of integrating and a much less expensive way of developing one-to-one communications with your customers – and your best customers," Moran said. "You're developing some intelligence and marketing to these customers one to one in a very low cost way.

"Most gift cards have an 800 number you call in to get a balance. … What we can do is put a short code on the back of that card and say, just text for your balance. All they have to do is text once. We get them their balance back, and now that phone is a permanent link. So now the retailer can influence that purchaser [by text-messaged ad or promotion] right before they're making a decision."

TalentBeat

617-330-5048
www.talentbeat.com

Revenue streams through referrals

Product: VendorVantage

Company: AdvanceMe Inc.

AdvanceMe Inc. has long furnished merchants with financial help, but its newest program, VendorVantage, is designed to buoy merchant vendors at the same time.

AdvanceMe indicated the program provides capital in two ways to merchant vendors. One, it helps them make sales to merchants by getting those merchants a money injection; two, it positions them to receive a commission on the repayment of that same advance.

For its part, AdvanceMe has been able to expand its clientele by attracting merchants through business partners with whom those merchants have a history.

"One of the things we've been hearing … is that a lot of companies that provided a lot of traditional financing to vendors, or to merchants so they could buy things from vendors – leasing companies or banks or things like that – in the recent economic situation, they're getting a little tighter," said Mark Lorimer, Chief Marketing Officer for AdvanceMe.

"It's getting a little harder to get that money, and it's not only squeezing the merchants – it's squeezing the vendors," he added.

A slice of the pie

Through VendorVantage, merchant vendors who act as referrals for AdvanceMe become eligible for a commission with each merchant they refer; the size of that commission depends on the extent of the vendor's involvement.

"What [a vendor] would do is go to their existing base and say, 'You can either pay me through cash, credit card, or I can help you to get money to pay for this ordered through AdvanceMe,'" Lorimer said. How deeply vendors get involved is up to them – Lorimer said their involvement can range from simply referring the name of a merchant to actually assuming the role of an ISO and "doing the paperwork to sell AdvanceMe's product."

"Depending on what the vendor needs, we will structure the program and customize it," Lorimer noted.

Money injection

The "product" to which Lorimer refers is a merchant's

Features of **VendorVantage** include:
- Commission for referrals
- No limit on the number of referrals
- Vendors choose their level of involvement
- Cash injections to merchants allow vendors to make additional sales

"future receivables," which is what AdvanceMe purchases when it provides a money injection; the company obtains that "product" by taking a percentage (the size of which varies with each arrangement) out of every subsequent credit transaction the merchant conducts.

Merchant vendors participating in VendorVantage then get a portion of that commission.

For vendors "just flipping us a name," that portion is typically between 1 and 2 percent, Lorimer said, while those that "sell the deal end to end" get 6 to 9 percent of the commission.

And because AdvanceMe assumes the entire risk for such transactions – because they advance the money – the merchant vendor stands only to gain, Lorimer added.

The worst case scenario with any contract is that a merchant goes out of business. Yet, while AdvanceMe in that case would lose whatever money it fronted, the referring vendor would only cease collecting its percentage – without suffering a loss overall.

Indeed, if that vendor made a sale or had a loan recouped through AdvanceMe's purchase of an account receivable, it would still benefit from the arrangement – only without the added boon of the commission returns.

"It's more like an affiliate marketing program, because merchants have an affiliation with [the vendor]," Lorimer said. "Basically they're leveraging that relationship and expanding their ability to make revenue by selling this product to people with whom they have a relationship."

AdvanceMe Inc.

770-590-9822
www.advanceme.com

Inspiration

Nothing is a waste of time if you use the experience wisely.
– Rodin

Capitalizing on distractions

Distractions are something all of us deal with and give in to, on different levels. On a given workday, at least some of your time will be spent doing things outside the usual framework of your job – in many cases because you are distracted.

It is incumbent on everybody in the office to compartmentalize time in a way that optimizes efficiency and maximizes output, to use a little business parlance. This entails working hard, but not ceaselessly.

An uncompromising work ethic may carry you for a time, but in the long run it will wear you down and leave you spent – hindering the same drive you worked so tirelessly to cultivate.

Mixing things up

Although too many distractions can be detrimental, mixing things up with a little diversion is actually healthy. The workplace doesn't have to be a regimented, procedural mill where merchant retention strategies, marketing approaches and product ideas are churned out with clockwork rigor.

Rather, it can be a place where people interact and, on occasion, have fun while they plug away.

Set aside time for relaxation and recreation during each work day, without letting those activities become entangled with your work. Go for a walk, browse the news online, chat with a co-worker about a movie you saw or write an e-mail to a friend.

Proper time management combines this spirit with the realization that workplace productivity is always the bottom line.

Indeed, as much as we all enjoy toys – high tech and otherwise – and as central as such things may be to the atmosphere in certain offices, the ultimate reason we come to work is to be productive and contribute to our business endeavors in a meaningful, long-lasting way.

With that in mind, problems also tend to arise when distractions are so time consuming that they eclipse more constructive pursuits. As is often the case at work – and in life – striking a balance is crucial.

But managing not to engulf oneself in distractions at the workplace used to be a lot easier. Quite simply, it involved not spacing out or leaving the office too often when a task was before you.

Monster of all distractions

Today we are faced (literally) with an unprecedented distraction – the most persistent, most seductive and most powerful source of wasted time ever – the Internet. How ironic that the greatest resource the world has ever seen is also its greatest impediment to workplace productivity.

The Internet grips you by offering infinity, compelling you to continue surfing in the face of boundless information and limitless options. Not that it's necessarily a bad thing – to be sure, it is an amazing tool when used properly – only that it makes it very easy to get bogged down.

Sometimes old-fashioned time management strategies are your best bet to combating negative outside influences (like an Internet obsession).

Inspiration

Set aside, in advance, a little time to surf the Web when you get to work, but limit it to a strict time frame or to those Web sites you consider crucial – because they're relevant to your work or indispensible to your humanity, like that favorite news outlet.

Middle ground

The news, by the way, is a perfect example of something that occupies a middle ground between being a distraction and a workplace tool: It may not always be integral to your job, yet a little cosmopolitan awareness can always come in handy.

If you run an ISO, it may help to stay apprised of the day's retail trends, which can be used later as selling points in dealing with merchants.

For example, pointing out that consumers are cash-strapped may help with a pitch to adopt gift and loyalty card programs that help people save money.

Or, looking ahead, staying informed about the potential game-changing emergence of near field communication technology may keep you on the front lines when merchants begin purchasing POS terminals that support mobile phone purchases.

Most distractions inhabit the very same gray area between boon and bane that online news does.

Though your ability to surf the Internet, talk with co-workers, play with toys and take the occasional walk around your office park aren't primarily what make you an asset to your company, they can in moderation serve to keep you energized and stimulated – and even be the source of work-related ideas.

Indeed, sometimes a walk or conversation or inspiring article on the Web can invigorate a mind like nothing else. But it's important to apply that boost to something constructive – to make your distractions into something more than just a waste of time.

By harmonizing serious work with a little healthy play, you'll quickly find your optimal mental zone.

*Good Selling!*SM

Paul H. Green, President and CEO

10 years ago in
The Green Sheet

The Green Sheet was 32 pages.

Dolphin kept it green

Artaban Solutions Inc. rolled out a hand-held device that enabled ISOs and merchant level salespeople (MLSs) to increase efficiency and limit paperwork. With the Dolphin, ISOs and MLSs could key in application information, capture signatures and send applications via infrared ports to wireless printers.

NaCCA and Citi card program

National Check Cashers Association (NaCCA) – now Financial Service Centers of America – partnered with Citicorp Services Inc. – now Citigroup Inc. – to produce the Preferred Card Program, designed for the unbanked population. Federal benefits recipients and individuals interested in payroll check direct deposit could receive funds at NaCCA check-cashing outlets via PIN-enabled debit cards accepted at participating NaCCA stores, retailers and ATMs.

ECHOing success

Electronic Clearing House Inc. increased its revenues in fiscal year 1998 by 252 percent. Joel M. Barry, the company's Chief Executive Officer, said ECHO owed its success to its wide range of payment offerings. Another element of ECHO's success was its focus on Web-based solutions.

Read archived issues back to 1995 at www.greensheet.com; click on publications.

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Industry Events — Source Media Conferences
4th Annual Underbanked Financial Services Forum

Highlights: This year's forum, presented with the Center of Financial Services Innovation, will explore multiple perspectives on serving the underbanked. It is designed to raise awareness of the potential value and diversity this market has to offer. Two preconference workshops will focus on the underbanked consumer and market investment opportunities.

Other slated conference topics include technology innovations in the underbanked sphere, use of alternative data to underwrite auto loans, risk and regulation, recent developments in the prepaid space, sales force motivation, remittance services, collection challenges, and international microfinance.

When: June 1 – 3, 2009
Where: The Westin Galleria, Dallas
Registration: *http://register.sourcemediaconferences.com/ iebms/reg/reg_p4_promo.aspx?&sessionid=fgkfgofd8fcnfdkejk*

Industry Events — Source Media Conferences
Third Annual Mobile Commerce Summit

Highlights: Dedicated to the development of mobile banking and payments, this annual event brings together executives from leading financial institutions and service providers. They will discuss what's new – and what may come – in mobile banking and payments, from revenue-generating business models to solid metrics on measuring the effectiveness of initiatives.

In addition to a preconference workshop on mobile banking business models and product development, slated summit topics include maximizing mobile financial services' potential; vendor evaluation, selection and integration; remittances and funds transfers; customer security; the mobile marketing landscape; and revenue opportunities.

When: June 3 – 5, 2009
Where: M Resort Spa Casino, Las Vegas
Registration: *http://register.sourcemediaconferences.com/ iebms/reg/reg_p4_promo.aspx?&sessionid=fgkfgpfdofckfh4ff7*

Industry Events — Society of Payment Security Professionals
SPSP's Inaugural Secure Payments Day

Highlights: This one-day event will include interactive sessions, as well as practical advice for creating secure payment environments and achieving Payment Card Industry (PCI) Data Security Standard (DSS) compliance.

The SPSP has gathered several industry experts to share their real-world experiences and lead discussions on various aspects of securing payments.

The 8 a.m. to 10 p.m. event will go beyond the basics of PCI DSS compliance into a deeper exploration of risk management and data loss prevention, examining these and related topics from technical, reputational, regulatory and legal perspectives.

The day will also include networking time to provide attendees a chance to become acquainted and exchange ideas.

When: June 8, 2009
Where: San Francisco
Registration: *https://www.paymentsecuritypros.com/en/cev/mon*

Industry Events — International Quality & Productivity Center
2nd Prepaid Cards

Highlights: Subtitled "Discovering New Opportunities in the Prepaid Market Arising from the Credit Meltdown," this three-day conference will provide workshops on prepaid best practices, end-user case studies and industry networking.

Topics include open- and closed-loop prepaid market opportunities, mobile payment convergence, innovative card program design, improving prepaid "stickiness" with value-added offerings, and global case studies.

Additionally, round-table discussions will be available on gift card revenue generation and maximization, general spending card potential and challenges, fraud prevention and risk management, and payroll and insurance card applications.

When: June 24 – 26, 2009
Where: Denver
Registration: *www.iqpc.com/us/prepaid*

Trade Associations — Midwest Acquirers Association
7th Annual Midwest Acquirers Association Conference

Highlights: The MWAA's annual conference will include, for the first time, interactive demonstrations of new industry products within a larger and expanded Innovation Hall. Innovators will not be limited to table-top displays, and each exhibiting company will receive 10 minutes during the conference to present a review of its new product or service offerings. The deadline for Innovator applications is June 1, 2009.

Also new this year will be an awards ceremony designed to recognize sponsors who have been essential to the association's success. Organizations wishing to be conference sponsors may review the Sponsorship Opportunities document on the MWAA's Web site. Full event details will also be listed on the site in May.

When: July 22 – 24, 2009
Where: Westin Lombard Yorktown Center Hotel, Lombard, Ill.
Registration: *www.midwestacquirers.com/register.php*

2009 Calendar of events

To submit your event to this calendar, e-mail 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.

2009 Event	Date	Location	Web site
Tower Group, Risk Europe 2009	May 13 – 15	Hampshire, U.K.	www.towergroup.com
Glenbrook Partners LLC, Emerging Payments	May 14	Santa Clara, CA	www.glenbrook.com/bootcamps.html
Emerging Payments Summit Virtual Conference & Expo	May 19 – 20	Online	www.registrationheadquarters.com
Glenbrook Partners LLC, eB2B	May 27 – 28	New York	www.glenbrook.com/bootcamps.html
4th Annual Underbanked Financial Services Forum	June 1 – 3	Dallas	www.sourcemediaconferences.com/CFSI09
Third Annual Mobile Commerce Summit	June 3 – 5	Las Vegas	www.sourcemediaconferences.com/MCS09
Society of Payment Security Professionals, Secure Payments Day	June 8	San Francisco	www.paymentsecuritypros.com/en/cev/mon
Prepaid09, Prepaid09 Conference & Expo	June 15 – 17	London	www.prepaid-conference.com/registration/step1
Mobile Payment Expo, 2009 Annual Conference	June 17 – 18	Paris	www.mobilepaymentexpo.com
Tower Group, Retail Banking and Cards Asia 2009	June 17 – 19	Hong Kong	www.towergroup.com
International Quality & Productivity Center, 2nd Prepaid Cards	June 24 – 26	Denver	www.iqpc.com/us/prepaid
Midwest Acquirers Association, 7th Annual Conference	July 22 – 24	Lombard, Il	www.midwestacquirers.com
The Direct Response Forum, 2009 Annual Forum	August 12	Tampa, FL	www.directresponseforum.org
The Prepaid Press Expo 2009	August 18 – 20	Las Vegas	www.prepaidpressexpo.com
Western Payment Alliance, Payments Symposium	September 13 – 15	Long Beach, CA	www.wespay.org
Western Payment Alliance, Operations Conference	September 15 – 16	Long Beach, CA	www.wespay.org
Association for Financial Professionals, 2009 Annual Conference	October 4 – 7	San Francisco	www.afponline.org/pub/conf/annual_conference.html
Western States Acquirers Association, 2009 Conference	October 14 – 15	Anaheim, CA	www.westernstatesacquirers.com/html/conferences.html

MWAA
MidWest Acquirers Association™
July 22 - 24

tppEXPO'09
August 18 - 20

WSAA
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October 14 - 15

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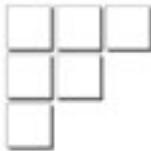
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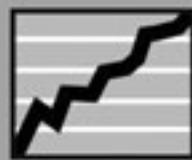
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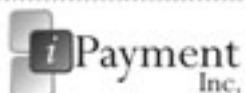
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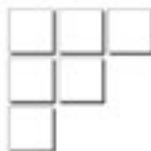
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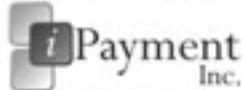
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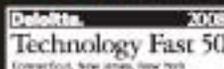
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