The Green Sheet
DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS
www.greensheet.com

News

Industry Update 14
7-Eleven takes interchange issue to D.C. 46
Canadian debit shake-up 47
Two companies, two new security departments 49
Cyber thieves stealing from students 51

Features

SellingPrepaid
Prepaid in brief 32
Vigilance is watchword in fraud prevention 33
Empowering the cash-compensated 35
Is PayPal a threat to prepaid? 36
How to leverage available technologies to manage risk and prevent fraud in RDC
By Ed McLaughlin
RemoteDepositCapture.com 43
Research rundown 74

Views

Portfolio conversions done right
By Biff Matthews
CardWare International 24
The MLS and the ISO: Cause for concern?
By Brandes Elitch, CrossCheck Inc. 28

Education

Street Smarts℠
Microbranding
By Jon Perry and Vanessa Lang
888QuikRate.com 60
Reserve accounts and processor meltdowns
By Adam Atlas, Attorney at Law 64
Digging into PCI – Part 3: Protecting stored cardholder data
By Tim Cranny
Panoptic Security Inc. 66
A practiced approach
By Jeff Fortney, Clearent LLC 68
Revving up business with profit-controlled marketing
By Daniel Wadleigh
Marketing Consultant 72

Continued on page 3

October 12, 2009 • Issue 09:10:01

Hard times expose vulnerable residuals

Prominent acquiring organization Cynergy Data LLC's Chapter 11 bankruptcy filing in September 2009 provoked a sweeping, distressed reaction from both the company's sales force and other ISOs and merchant level salespeople (MLSs) concerned about the event's potential fallout. However, as reported in "A new chapter in Cynergy's story," *The Green Sheet*, Sept. 14, 2009, issue 09:01:01, Cynergy affirmed that it continues to operate and is paying residuals to its ISOs.

"This situation has put Cynergy on the road to greater stability and solvency, and we will continue making our payments on time," Mario Paladini, Cynergy's Chief Executive Officer, told *The Green Sheet*. "And as far as invalidating any agreements, any such action would be contrary to the historical values of Cynergy and to the future goals of the company."

Still, anxiety among payment professionals is palpable.

"Since the meltdown a couple years ago of CardSystems, the Cynergy bankruptcy is the most difficult moment we've gone through as an industry," said payments industry attorney Adam Atlas. "Between the [prospective] buyer, the court and a lineup of nervous ISOs it's become a rather complicated process that I think anyone else would want to avoid at all costs. "For a lot of these ISOs, this is 90 or 100 percent of their top-line income, so there isn't any other money for them – and if it disappears, it's game over."

Who's got your back?

This underscores a broader issue of vital importance to all ISOs and MLSs: What is in place to secure or guarantee to salespeople the payment of monthly

See Residuals on page 55

Current processor promising you the moon when it comes to
FREE equipment?
NorthAmerican BANCARD
Only North American Bancard gives you the largest FREE equipment program in the galaxy! So no matter what industry your merchant is in, you'll have the right stuff you need to send your sales into the stratosphere! With NAB, every terminal we deploy is a state-of-the-art, PCI compliant terminal. And all our equipment is:
• Preloaded with your merchant's information
• Preprogrammed for their specific needs
• Pretested to ensure functionality
So all they have to do is plug it in and they're ready to go! Plus, there's no annual fee or batch header fee required-if you charge one, you share in it!
FREE
Check Solution
VeriFone Vx570
• Lightning-fast processor handles transactions in seconds
• Plug-and-play device is as easy to install as it is to use
Plus FREE PIN PAD!
CR1000i
FREE Tap & Go Device!
FREE
Nurit 8020 GPRS
• PCI PED approved, secure handheld device
• Enables fast, secure, error-free transactions for merchants "on the go"
Plus FREE 1300 PIN PAD!
Plus FREE FD10 PIN PAD!
FREE VeriFone Vx670 GPRS
FREE Hypercom T7Plus
FREE FD100
FREE Desktop Solution PC Charge
FREE Internet Solution Authorize.Net
Ready to put the industry's largest free equipment program to work for you? Make the switch to NAB today!
1.877.201.4833 • www.GONAB.com/gs
NorthAmerican™ BANCARD
North American Bancard is a registered ISO/MSP of HSBC Bank USA. National Association, Buffalo, NY and Wells Fargo Bank, N.A., Walnut Creek, CA. American Express and Discover require separate approval.

The Green Sheet Inc.
www.greensheet.com

AdvisoryBoard

Affiliations:

Produced and printed in the U.S.

NotableQuote

Effective underwriting means a lot more than defining who you're doing business with. It also requires you to decide how much credit you are willing to extend your business partner.

See story on page 64

Inside this issue:
CONTINUED

Company Profiles

Payvision

People are the greatest value-add 39

New Products

Gateway as a service 80
First Data's new dynamic duo 82

Inspiration

Little actions add up 85

Departments

Forum 5
10 years ago in The Green Sheet 76
Datebook 87
Resource Guide 88
Advertiser Index 102

Miscellaneous

QSGS: Quick Summary Green Sheet 8
Bottom Lines 14
Water Cooler Wisdom 85

WINNER WINNER WINNER WINNER WINNER WINNER WINNER WINNER

Green Sheet, Inc. — Winner
APEX Awards for Publication Excellence
in print and online— 8 consecutive years.
Plus, Grand Awards in 2004, 2005, 2006 & 2007

The Green Sheet Inc.
www.greensheet.com

President and CEO:
Paul H. Green .... paul@greensheet.com
General Manager and Chief Operating Officer:
Kate Gillespie .... kate@greensheet.com
CFO/Vice President Human Resources & Accounting:
Brandee Cummins .... brandee@greensheet.com
Assistant VP, Editorial:
Laura McHale Holland .... laura@greensheet.com
Senior Editor:
Patti Murphy .... patti@greensheet.com
Senior Staff Writer:
Dan Watkins .... dan@greensheet.com
Staff Writers:
Michael Miller .... mike@greensheet.com
Joe Rosenheim .... joe@greensheet.com
Ann Wilkes .... ann@greensheet.com
Assistant VP, Production and Art Director:
Troy Vera .... troy@greensheet.com
Production:
Lewis Kimble, Production Manager .... lewis@greensheet.com
Assistant VP, Advertising Sales:
Danielle Thorpe .... danielle@greensheet.com
National Advertising Sales Manager:
Rita Francis .... rita@greensheet.com
Advertising:
Kat Doherty, Advertising Coordinator .... kat@greensheet.com
Circulation:
Vicki Keith, Circulation Assistant .... vicki@greensheet.com
Correspondence:
The Green Sheet, Inc.
800-757-4441 • Fax: 707-586-4747
6145 State Farm Drive, Rohnert Park, CA 94928
Send questions, comments and feedback to .... greensheet@greensheet.com
Send press releases to .... press@greensheet.com
NOTE – Please do not send PDF versions of press releases.
Print Production:
Hudson Printing Company
Contributing Writers:
Adam Atlas .... atlas@adamatlas.com
Tim Cranny .... tim.cranny@panopticsecurity.com
Brandes Elitch .... brandese@cross-check.com
Jeff Fortney .... jeff@clearent.com
Vanessa Lang .... vanessa.lang@888quikrate.com
Biff Matthews .... biff@13-inc.com
Jon Perry .... jon.perry@888quikrate.com
Daniel Wadleigh .... morenewcustomers@gmail.com

The Green Sheet (ISSN 1549-9421) is published semi-monthly by The Green Sheet Inc., 6145 State Farm Dr., Rohnert Park CA 94928. Subscription is FREE to participants in the payment processing industry, an annual subscription includes 24 issues of The Green Sheet and 4 issues of GSQ. To subscribe, visit www.greensheet.com. POSTMASTER: send address changes to The Green Sheet Inc., 6145 State Farm Dr., Rohnert Park CA 94928. Any questions regarding information contained in The Green Sheet should be directed to the Editor in Chief at greensheet@greensheet.com. Editorial opinions and recommendations are solely those of the Editor in Chief.

Forum

Who's got cash?

I was wondering if you could help me with something. I believe on one of The Green Sheet blogs/forums, there is a pie chart breaking out market share of different merchant cash advance providers. Do you happen to know where that can be found on the site? I'm having a hard time locating it.

Thanks so much for your help.

Karen Millman
Intercontinental Payments Inc.

Karen,

To my knowledge, we do not have a chart like the one you have described. However, "Cash advance leaders advance," published in The Green Sheet*, May 12, 2008, issue 08:05:01, and archived on our Web site at* www.greensheet.com/emagazine.php?issue_number=080501&story_id=742&search_string=Cash advance &search_string2= *may be of interest to you.*

The article discuses the formation of the North American Merchant Advance Association Inc. and lists the organization's 10 founding member companies, which may have information on how much of the market each of them has cornered. To contact the NAMAA, visit www.northamericanmaa.org.

Also, Marc Abbey, Managing Partner at First Annapolis Consulting (www.firstannapolis.com) *has researched the cash advance industry and may be able to provide the breakdown you are looking for or point you to someone who can. The company's phone number is 410-855-8500.*

Editor

Call us, write us

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

From GS Online's MLS Forum

The premier online network for payment pros

Validating a job well done

In addition to being a place to pick your colleagues' brains about all things pertaining to making a living in the payments industry, GS Online's MLS Forum is a great place to share successes and find inspiration. Here are a few quotes from the "It pays to pick up the phone and call" thread, which was initiated by MLS Form member faithm, whose concern for a merchant who wasn't her customer paid off:

"I stop in every now and then and say hello, if I am nearby, and chat for a minute. I called him today to give him a heads up on an issue several of my other accounts are having in regards to fraudulent cards. It just so happens he is fed up and wants to change, seems he can't get hold of his rep. What he said to me was, 'You stop by, you call me and give me info to help me, and I don't even do business with you. So I think it is time I switched, and I will see to it my other partners switch as well.'

"How many accounts will I get from this simple phone call? I do not know yet, but, it only took a simple kindness." – faithm

"Faith, after our conversations, I can say that this does not surprise me in the least. Pat yourself on the back, as you earned that merchant's respect and business; you didn't need to sell it." – gmartin

"I love reading success stories like this. Good job! I always try to train my newbies that persistence pays off. When you are seeing a merchant consistently, whether they are with you or not, you will earn the business. We need more happy postings." – ccrdgal

"Great job pursuing that merchant. You just proved that one of the most sacred secrets of a successful salesman/woman is the perseverance." – marinesteban

QSGS

A quick summary of key articles in this issue to help keep you up-to-date on the latest news and hot topics in the payments industry.

1
Cover Story

Hard times expose vulnerable residuals

In an industry built on the transfer of money, measures should exist to secure its proper exchange wherever it travels. Yet, often very little is in place to protect the flow of money between payment organizations. Given the current economic climate, could residual streams flowing to and between ISOs and merchant level salespeople (MLSs), become endangered?

36
Feature

Is PayPal a threat to prepaid?

Because PayPal Inc. provides an alternative to bankcard payments, it is sometimes viewed as a threat to ISOs and MLSs. Will a new service called ePatientPayments.com, which uses PayPal to help health care providers get reimbursed from uninsured patients, further broaden PayPal's scope?

24
View

Portfolio conversions done right

With portfolio conversions, the critical factor is proper communication with merchants so they fully understand what is transpiring, what is needed from them and what direct benefits they can expect to realize.

46
News

7-Eleven takes interchange issue to D.C.

On Sept. 30, 2009, 7-Eleven Inc.'s President and Chief Executive Officer Joe DePinto and eight 7-Eleven store franchisees delivered a petition asking the U.S. Congress to "stop credit card companies from charging unfair transaction fees to the businesses you shop." But MasterCard Worldwide said raising interchange would hurt issuers, customers and possibly merchants, too.

28
View

The MLS and the ISO: Cause for concern?

Cynergy Data LLC's recent Chapter 11 filing is the largest ISO bankruptcy since CardSystems Solutions Inc. filed for Chapter 11 in 2007. This article explores several elements that may have led to the bankruptcy and the ways in which those developments are affecting all financial institutions.

47
News

Canadian debit shake-up

In the fall of 2008, Visa Inc. and MasterCard revealed plans to introduce their branded PIN-debit cards into Canada. However, a year later Visa has yet to enter the Canadian debit market. Why?

51

News

Cyber thieves stealing from students

School districts and other educational markets nationwide are being targeted by hackers, who have stolen significant amounts of money from them. In schools, according to one Internet security executive, "The cyber criminals have spotted a very high value but a very soft target."

64

Education

Reserve accounts and processor meltdowns

In every relationship, parties negotiate the allocation of risk; an important example is the formation of reserve accounts. This article presents advice about managing reserve accounts to help ISOs and MLSs make informed decisions about business management in difficult, risky times.

60

Education

Street Smarts℠: Microbranding

Whether you're an MLS in a one-person shop or a super ISO, nothing is more important than guarding your brand. A brand can be defined as the holistic experience people receive from the sensory cues of a product or service. These cues can keep us coming back for more. When you see an ad for Cinnabon, can you smell the cinnamon?

66

Education

Digging into PCI – Part 3: Protecting stored cardholder data

Stockpiles of card information held by merchants are an incredibly attractive target for thieves and hackers because the payoff can be enormous. This installment of a multipart series drills down on what is probably the most critical section of the Payment Card Industry Data Security Standard: protecting stored cardholder data.

68
Education

A practiced approach

There is an old story about a couple lost on a New York street. They check their maps and decide to ask for directions. They approach a gentleman reading a newspaper on a bench and ask, "Excuse me, can you tell us how to get to Carnegie Hall?" The man's response could also apply to the question, How do I become a successful MLS?

74
Feature

Research rundown

Our industry is replete with white papers, survey findings, and research and analysis published by an array of expert advisories, consultancies and other qualified organizations dedicated to the payments space. To spotlight this information, *The Green Sheet* is introducing "Research rundown," a recurring feature highlighting the many jewels found within these resources.

72
Education

Revving up business with profit-controlled marketing

Even in today's challenging economic environment, a number of ways exist for you, as ISOs and MLSs, to effectively generate first-time customers and expand revenue derived from your existing client base. None of these methods involves relying on discounts.

85
Inspiration

Little actions add up

As ISOs and MLSs, you make myriad little choices throughout the day. All of these small decisions, ones that are so easy to overlook, have weight. And it's not just at work where constant, little decisions shape your future for good or ill.

IndustryUpdate

Proudly sponsored by

VeriFone
THE WAY TO PAY™

NEWS

Elavon acquires Diners Club merchants from Citibank

Elavon Inc., a wholly owned subsidiary of U.S. Bancorp, acquired the Diner's Club Card merchant processing portfolio for Western Europe from Citibank N.A. The portfolio represents more than 75,000 merchants. In a separate agreement, signed with Diners Club International Ltd., a business unit of Discover Financial Services, Elavon will add Diners Club card acceptance to its payment processing services.

The processing agreement pertains to the U.K., Ireland, France, Benelux, Switzerland and Germany. "We look forward to extending Elavon's robust and secure international processing platform and outstanding customer service to the many Diners Club-accepting merchants across Europe," said Stuart C. Harvey Jr., Chief Executive Officer of Elavon.

In other company news, Elavon formed an alliance with the Santander Group, Banco Santander S.A., which boasts that in 2008 it "became the third-largest bank in the world in terms of profits and the seventh in stock market capitalization." Santander banks span Continental Europe, the U.K. and Latin America.

Additionally, in the United States, Elavon acquired the merchant processing portfolio of Carolina First Bank, the banking subsidiary of The South Financial Group.

Coalition 'proves' regulation would be harmful

The **Electronic Payments Coalition** claims to have proof that interchange regulation would hurt consumers with increased fees, fewer benefits and zero savings at the POS. It said merchants have confirmed that they would not channel savings to their customers.

The organization cites an April 28, 2008, CRA International article, *Regulatory intervention in the payment card industry, by the Reserve Bank of Australia: Analysis of the Evidence*, available at *www.crai.com/ecp/assets/Regulatory_Intervention.pdf* and authored by Robert Stillman, William Bishop, Kyla Malcolm and Nicole Hildebrandt. CRA provides economic, financial and business management consultation.

The Coalition also cites the U.S. Government Accountability Office study, *Credit and Debit Cards: Federal Entities Are Taking Actions to Limit Their Interchange Fees, but Additional Revenue Collection Cost Savings May Exist* (GAO-08-558) and a May 15, 2009, article in the *Credit Union Times* reporting on a panel discussion at the Chicago Federal Reserve.

All three articles examine the effects of interchange regulation, introduced in Australia in 2003, on merchants and consumers at the POS in that country.

First Data, RSA team up

First Data Corp. and **RSA Security**, a division of EMC Corp., a global information technology company, partnered to introduce First Data Secure Transaction Management. With the new service, merchants can avoid storing card data, thus reducing risk of a breach and drastically lowering compliance obligations and costs.

The service encrypts the payment card data at the time of capture at the POS through transit to First Data's authorization switch. There, the data is decrypted and, after authorization, is replaced by a token value, which

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

THANK YOU, PLEASE READ AGAIN!
TRANS ID:460465 EMP:120400

- The **U.S. Census Bureau** reported that retail and food service sales for August 2009 were $351.4 billion, an increase of 2.7 percent over the previous month but 5.3 percent below August 2008's $370 billion.

- According to the **National Retail Federation**'s *2009 Halloween Consumer Intentions and Actions Survey* conducted by **BIGresearch**, shoppers are expected to spend an average of $56.31 for Halloween trappings, down from $66.54 in 2008. Total 2009 Halloween spending is projected to reach $4.75 billion.

- **MotorIntelligence.com** reported that August 2009 sales of small to mid-sized domestic passenger cars in the United States totaled 726,934 units, a 15.6 percent increase over July 2009. Additionally, overall import car sales jumped from 427,275 to 520,302, a 21.8 percent increase during the same period.

is sent back to the merchant. The merchant can still access the original card data through a secure vault on First Data's server as needed.

This new solution is hardware agnostic; there's reportedly no need to invest in new hardware. According to Arthur W. Coviello, Jr., Executive Vice President of EMC and President of RSA, the transition is seamless and transparent for the merchant and the consumer.

Michael Capellas, CEO and Chairman at First Data, said in a podcast available on Speaking of Security (*www.rsa.com/blog/blog_entry.aspx?id=1522*) that development would be completed by the end of the year. The pilot is set for January 2010, and the full launch should take place by the end of the first quarter 2010.

ANNOUNCEMENTS

eCrime Congress open for registration

The **Anti-phishing Working Group** opened registration at *http://apwg.org/events/2009_gm.html* for its eCrime Congress: Tacoma 2009. The three-day event begins on Oct. 19, 2009, in Tacoma, Wash. The APWG is a global pan-industrial and law-enforcement association formed to target fraud and identity theft.

Authorize.Net opens developer center

CyberSource Corp.'s **Authorize.Net** unveiled an upgraded developer community Web site. On the Authorize.Net Developer Center, developers can access Authorize.Net's Affiliate Reseller Program, Certified Solutions Program and Community Forum, as well as integration guides, sample code and troubleshooting tools.

BlueStar aids law enforcement

BlueStar Inc., an auto-identification, POS, mobility and radio frequency identification products distributor, rolled out a mobile identification solution for law enforcement applications. Paired with the Print Search Mobile MugRemote, the Motorola MC75 hand-held computer becomes a mobile identification solution for bookings, releases and onsite security, the company said.

Canon releases mobile scanner

Canon U.S.A. Inc. released the imageFormula P-150 personal scanner, a compact image capture device. The combination of speed, advanced features and high image quality in such a compact footprint make this an ideal image capture solution for everyone from on-the-go travelers to users in small offices, said Jim Rosetta, Canon's Vice President and General Manager, Imaging Systems Group.

YESpay works to solve EMV headache

Chase Paymentech Solutions LLC, a subsidiary of JPMorgan Chase & Co., is partnering with **YESpay** to roll out the managed Emboss card in Canada, which supports the introduction of the pre-accredited Europay, MasterCard and Visa (EMV) payment services.

Trustwave gives nod to China UnionPay, GCS

China UnionPay Data Services Co. Ltd. (CUPData) received Payment Card Industry (PCI) Data Security Standard (DSS) compliance validation from Trustwave, a PCI compliance management solutions provider and Qualified Security Assessor. CUPData also enrolled in Trustwave's TrustKeeper on-demand compliance management solution to address ongoing compliance needs.

Also, **Global Contact Services**' acquisition and fulfillment services gained PCI DSS certification from Trustwave. GCS provides integrated customer care solutions and business process outsourcing for many industries, including insurance, banking, financial, telecommunication and fulfillment.

ePN drives north

eProcessing Network LLC certified First Data's North platform (formerly CardNet) for POS, MO/TO, e-com-

Doin' it right

On Sept. 17, 2009, First Data Corp. Chairman and Chief Executive Officer Michael Capellas received the 2009 Secretary of Defense Employer Support Freedom Award. The award, sponsored by the U.S. Department of Defense, was presented to Capellas at the Ronald Reagan Building and International Trade Center in Washington, D.C.

The Freedom Award, established in 1996 by the National Committee for Employer Support of the Guard and Reserve, is the highest honor given by the U.S. government to employers. It was created to recognize exceptional support given by companies to the National Guard and Military Reserve personnel in their employ.

"I think the reason Michael was presented with this award was his and First Data's steadfast commitment to honoring the military servicemen and women that work for us," said Joe Samuel, First Data's Senior Vice President of Public Policy and Community Relations, who also attended the event.

Grass roots process

Fifteen executives received the Freedom Award this year. And a record 3,200 nominations were submitted by National Guard or Reserve members.

"Michael is an extremely patriotic person and supporting the military members of First Data is just something he does – and finds it unbelievable that everyone isn't as committed," Samuel said. "I grew up in a family that served, but I didn't understand the significance of this award until I attended the event. You see how important it is for these folks going into harms way to know that things are being taken care of at home."

Unconditional support

Samuel noted that the United States has increasingly relied on the Guard and Reserves to help fill military personnel gaps and provide relief to active duty members. He added that First Data currently has 40 employees serving overseas.

"Since 9/11 and the escalation of hostilities in Iraq and Afghanistan, our folks may have to leave at a moment's notice," he said. "But beyond that, they often get called to duty for longer than they anticipated or recalled again even after their initial tour. And it's hard for them, and very unnerving for them, to have to say, 'You're not going to believe this: I need to go away again for several months.'

"But Michael's unwavering confirmation of their value to the company lets them know that their jobs are safe, they don't lose any accrual of their benefits and they don't have to worry about losing rank in the employee base. He treats them like they never left and goes over and above to remind that soldier/employee that we're still here for them. And that's what I believe won us the award."

Connections never severed

In addition to maintaining continuity of health care and life insurance benefits, First Data also provides differential pay between military and company salaries.

Samuel pointed out that Capellas spends significant time to personally contact families of deployed service members. Company employees not serving also send care packages to troops during the holidays and volunteer at local Veteran's Hospitals year round.

"For those employees who know someone who has been called to duty, they usually send something from home to remind those guardsmen and reservists that we're thinking about them and hope they come back safe," Samuel said. "And that could be anything from food to kids' pictures to calling cards and cell phone service.

"We realize how important it is to do just the little things that provide peace of mind for our folks overseas. And for me, I'm very proud to work for someone who has instilled those values in our employees company wide."

merce, recurring and PIN-debit transactions. "Use of ePN's product set through the North platform will be a welcomed opportunity for sales offices considering First Data's initiative to increase usage of the North platform for both their wholesale and retail ISO base," said Steve Sotis, ePN's President.

Heartland scores two, augments restaurant offering

Heartland Payment Systems Inc. took the top innovator spot in *Bank Technology News'* Annual FutureNow List. The publication said Heartland's E3TM end-to-end encryption solution was "this year's biggest security invention." Also, *InformationWeek* included Heartland in its InformationWeek 500, which honors the 500 most creative users of information technology.

In addition, Heartland enhanced its restaurant service offering in partnership with Tampa, Fla.-based **Restaurant Magic Software**. Together, the companies will provide regional and national chains operational and financial management tools to improve efficiency for its restaurants and central headquarters.

International Payments is buying ISOs

International Payments Corp., a new processor based in San Jose, Calif., armed with $150 million in private funding, is in the market for ISOs. The company, founded by a team of veteran payment executives, plans to expand through the acquisition of ISOs that serve the U.S. and Canadian markets.

Jack Henry breaks records, teams with CornerStone

Jack Henry & Associates Inc.'s remote deposit capture (RDC) solution experienced two record-breaking months, with more than 11,350,000 RDC transactions processed in July 2009 and more than 11,685,000 in

Aug. 2009. Most notable in that period was Aug. 3, with approximately 875,000 RDC transactions processed and an all-time record-breaking dollar volume of more than $800 million. In other company news, **CornerStone State Bank** selected Jack Henry & Associates' Jack Henry Banking's Core Director to automate the bank's processes. Core Director is a Microsoft Corp. Windows-based processing system. The Minnesota-based bank will implement it in-house.

Merchant e-Solutions certifies TransNet

E-commerce payment provider, **Merchant e-Solutions** awarded class B certification to Precidia Technologies Inc.'s TransNet payment engine software. Merchants can use the POSLynx220/TransNet payment solution to send credit and debit transactions to MeS' host.

Scansource educates VARs

Scansource POS & Barcoding, the sales unit of **ScanSource Inc.**, launched a new educational offering. Healthcare VAR Source teaches value-added resellers (VARs) about the health care market. It includes webinars, road shows, informational tip sheets, educational materials and access to independent vendors of health care software.

PARTNERSHIPS

Cardinal, SafetyPay team up

CardinalCommerce Corp., a global electronic commerce and mobile commerce solution provider, partnered with **SafetyPay Inc.** to add SafetyPay to its Cardinal Centinel platform. Manuel Montero, CEO of SafetyPay, said its relationship with CardinalCommerce will provide access to the online, cross-border market and help "merchants to expand their customer reach."

GoECart, MFP sign agreement

GoECart signed a reseller agreement with **Merchant Focus Processing Inc.** to provide GoECart clients with Merchant Focus' processing services. CyberSource's Authorize.Net will supply the payment gateway.

SUM expands with Select-a-Branch

NYCE Payments Network LLC signed an agreement with King of Prussia, Pa.-based **Select-a-Branch**, which gives NYCE's SUM selective ATM surcharging program participants access to select terminals in SAB's surcharge-free ATM network.

Source One selects ControlScan

Source One Payment Solutions chose **ControlScan Inc.** for its PCI DSS compliance and security needs. "We chose to partner with ControlScan because of their easy-to-implement PCI compliance program designed with small merchants in mind," said Glenn Zapolsky, Source One's Chief Financial Officer.

VeriFone hits Maryland streets

Using **VeriFone Transportation Systems Inc.**'s passenger information modules (PIMs), taxi riders can swipe their credit cards to pay fares and watch videos about local services. VeriFone is deploying VTS PIMs in the vehicles of Kensington, Md.-based **Barwood Taxi**, a Blue Star Group Inc. company. Barwood plans to outfit its entire fleet of 435 taxis in the Washington, D.C., area by the end of 2009.

ACQUISITIONS

Marketing meets payments

E-commerce shopping cart provider **Commerce V3 Inc.** and online marketing agency **Timberline Interactive Inc.** merged to provide more services to the companies' respective customer bases. Timberline's founder Bud Reed is retiring from daily duties but will be available in an advisory role to the combined companies.

BlueStar acquires Impuls ID Distribution

Hebron, Ky.-based payment solution distributor **Blue**

Star Inc. signed a definitive purchase agreement with **Impuls ID Distribution** of Sabadell, Spain. Impuls carries automatic identification, security and identification card and specialty application products.

APPOINTMENTS

Berg named Director at DCS

Dynamic Card Solutions LLC named **Guy Berg** as its Director of Advanced Payment Technologies. Berg, who has two decades of experience in the banking and payments industries, brings to the position significant expertise in EMV, contactless and near field communication payments.

OneBridge adds regional VP of Sales

OneBridge, a credit and debit card processor for financial institutions (FI), welcomed **John Buaas** as its new regional Vice President of Sales. Buaas brings nearly 30 years of FI experience to his new role.

Cummings joins Gila's Board

Gila Corp. elected **Bruce Cummings** President of its board of directors. With Gila since 2007, Cummings moved from Vice President of Marketing and Business Development to Chief Marketing Officer and finally to President of the company in 2008.

Dailey takes helm at 2CO

A former senior executive with Morgan Stanley's Discover Card unit (now Discover Financial Services), **Tom E. Dailey** accepted the role of President for 2Checkout.com Inc. The Columbus, Ohio-based company is said to provide e-commerce solutions to tens of thousands of Internet-based businesses worldwide.

TNB appoints new CEO

Steven L. McDonald stepped up as President and CEO for Town North Bank, N.A., the parent company for TNB Card Services. The outgoing President, John C. Reap, retired after 15 years of service.

Commerce taps Regan

Commerce Online Inc., a provider of POS and wireless payment solutions, added **Russ Regan** to its advisory board. Regan, a 40-year veteran of the entertainment industry, is credited with helping to launch the careers of such recording artists as Elton John, Neil Diamond and Olivia Newton-John. Commerce Online hopes Regan will open new doors for the company in the entertainment industry.

First Data adds execs, board members

First Data appointed **Kevin J. Schultz** as President of Financial Services, **John Elkins** as Chief Marketing Officer and two new members to its board of directors: **Henry R. Kravis** and **Joe W. Forehand**.

Michael Capellas, Chairman and CEO of First Data, said the additions of Schultz and Elkins, "not only showcase our ability to recruit top talent, but create a powerful team of leaders who will have a tremendous impact on the future of First Data."

Merchant Warehouse hires Small

Doug Small joined Merchant Warehouse as its Director of Third Party Sales. "We are looking forward to Doug's contributions to the company as he brings his unique knowledge and understanding of the industry into this position," said Michael Gavin, the company's Vice President of Third Party Sales.

EVS promotes Stewart

Electronic Verification Systems LLC promoted **Jay Stewart** to Vice President of Business Development.

According to EVS, Stewart's consistent application of time and energy to the company's new Web site earned him the promotion, and his knowledge of information services, marketing and product development equip him for his new role.


Where
INNOVATION,
SECURITY,
and DESIGN
Blend Together
ingenico
iCT250
ingenico
iCT250

Portfolio conversions done right

By Biff Matthews
CardWare International

Portfolio conversions take two forms: a move from one processing platform to another or the upgrading of applications. They can involve a move from one financial institution to another, be focused on upgrades to hardware or software, or both.

As with all things, the more time you invest in planning, the better the results, and the less the project will ultimately cost. The critical factor is proper communication with merchants so they fully understand what is transpiring, what is needed from them and what direct benefits they can expect to realize.

This is the velvet hammer in action (Here's how you'll benefit from cooperating, and here's what happens if you don't.)

The next concern is making sure merchant data is valid. This involves not just basic data like name, address and type of equipment and application (retail or lodging or hospitality), but more complex data.

The latter would include parameter configurations for the application, the exact make and model of terminals, whether the location has more than one terminal, and whether terminals are from different processors – a seemingly odd, but surprisingly frequent, occurrence.

If this information is not readily available, it must be recreated. A good project management firm can do that, and if the company is qualified on all relevant fronts, that can be a very wise investment.

Principles

Regarding the conversion itself, stakeholders in the process on both sides of the equation, including the client, project management company, merchants and so forth, must first understand the objective and what success will look like. This varies with each program, but minimal loss of merchants is a goal common to all of them. Attrition is primarily caused by a cavalier or uncaring attitude exhibited by one of the entities responsible for the project. It is surely the ultimate in avoidable scenarios.

The second principle is that there must be clear understanding of authority and responsibility. The project manager or management company will interact with your merchants, and it's critical they understand exactly what they are authorized to say (and not say), and what can they do (or promise to do) on your behalf. When something arises that is outside this envelope, a liaison must be empowered to decide the issue, and an equally qualified backup must be appointed.

A typical example on the fulfillment side is reports specifying the number of requests versus items shipped. OK, 99 out of 100 were shipped. So what? What would be truly useful would be to identify which record was not fulfilled within the service level agreement or statement of work, and why.

If an issue arises with a merchant, such as his or her wanting to eliminate the requirement for address verification, re-key the last 4 card digits or take other fraud prevention steps, our firm may have the ability, but not the authority, to do what the merchant asks. We can attempt to persuade the individual, but in the end, it's not our decision.

People

Having a liaison who can run interference in these instances is invaluable both to keeping the program on track and preventing negative fallout. These issues arise with perhaps just 2 percent of the portfolio but require immediate liaison access to resolve. Human resources are critical, and I believe strongly that these liaisons should be full-time, in-house professionals – not temps, part-timers or folks in Bangladesh. It is equally critical that you ask, What is the experience, not just of the company, but of the actual personnel who will do this work?

Are these newbies, or have they successfully completed projects similar to yours? Obviously, get references and (not so obviously) call the references. The worse failing is to not make those calls. Without validated references, every startup, amateur and wannabe will be able to put themselves on a footing equal with the most capable full-solution companies. And you will pay the price.

Another criterion for judging a project management company is whether it has an agnostic stance. What I mean is that they are not partial to one vendor, platform or institution, but rather have a broad experience base and have worked with all equipment brands, processes and applications. It is also important that the company understand priorities and the consequences of them.

We like to undertake projects in a "benefit" order: typically, the larger the merchant, the greater the benefit to the

financial institution or ISO client. With larger merchants, clients realize early in the project the savings around which the program was structured.

A third point is the ability to manage the entire project, rather than splitting tasks between various disconnected entities. A single responsible entity will always facilitate higher overall efficiency and greater accountability. The ideal is the trio: client, project management company and merchants.

We've seen instances where the group morphs to five and even six entities. Here, one firm does the printing and fulfillment, another the file building, a third contacts merchants and does downloads, et cetera. From my experience, this is a recipe for difficulties, and the finger-pointing that follows usually goes into overdrive.

Most companies bill by the hour; rebuilt files not done right the first time will become an issue. Encryption is another area in which "too many cooks" often produce problems. The alternative is a firm capable of providing an end-to-end, total solution.

Results

There's always much to be learned from a detailed, post-project wrap-up. Was the goal accomplished? How well did the program work? What do the reports tell us? Ah, the reports. My pet peeve is clients who want such-and-such reports and then don't do anything with them. Why did they want them in the first place? Often it is because a competitor provides them or because they've always received them before.

A typical example on the fulfillment side is reports specifying the number of requests versus items shipped. OK, 99 out of 100 were shipped. So what? What would be truly useful would be to identify which record was not fulfilled within the service level agreement or statement of work, and why.

A good project management company respects that every transaction trades time for money. The best ones will also suggest (diplomatically, of course) that you not demand what you don't need; it will recommend reports that have practical use, not reams of mostly meaningless paper. Providing clients with meaningful, actionable tools ultimately distinguishes a company from the competition just as effectively as good, validated references.

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 MLS and the ISO: Cause for concern?

By Brandes Elitch
CrossCheck Inc.

Recently, Cynergy Data LLC filed a Chapter 11 bankruptcy. This company processed roughly $10 billion annually for about 80,000 merchants. It was founded in 1995 and employed about 275 people.

This is the largest ISO bankruptcy since CardSystems Solutions Inc. filed Chapter 11 in 2007 (caused by an information technology breach that compromised data on 40 million cardholders).

Under the FAQ section of Cynergy's Web site, the company states its rationale for the filing: "This step is necessary due to a weak economy, an unsustainable capital structure and restricted access to capital markets." I would like to explore these three elements in more detail, to arrive at some recommendations for merchant level salespeople (MLSs).

Capital markets

First, what happened to the capital markets? We know now that financial institutions need more and better capital, limits on leverage and more authoritative plans for dealing with bank failure. But just as with previous bubbles: the dot-com bubble, the hedge fund Long-Term Capital Management's implosion in 2000, and the savings and loan crisis of the early 1990s – we didn't see it at the time.

As Warren Buffet said, "When the tide goes out, you learn who's been swimming naked." An organization called the Financial Literacy Group identified some of these "naked truths":

- The idea that capital markets always operate rationally and efficiently (efficient market theory)
- The belief that the capital market can perform acceptable self-discipline and self-regulation
- The premise that new forms of securitization would benefit the overall economy
- The promise that financial innovation based on "financial engineering" or "quantitative modeling" using derivatives-based leverage (overtrading) would add value to society

Depression-era legislation created a wall between commercial and investment banking (The Glass-Steagall Act of 1933), but this was dismantled in 1999 as part of a "financial reform" approach to making markets more efficient.

Now, banks can mix deposits from low-risk commercial banking and high-risk investment banking. Banks can act on both sides of a financial transaction. They can provide financing for their clients, and they can offer banking services to the providers of capital (corporate finance and underwriting, investor advice and proprietary trading).

After dealing with the aftershocks of Lehman Brothers, AIG, bank failures, a bear market and the shutoff of credit for corporate borrowers, we need a fully functional capital market, an effective market economy and, of course, the requisite degree of political stability. How soon we will get all these things is a matter of some speculation.

Many financial observers have opined that we have successfully "muddled through" the crises of last year and that the recession is over. Certainly, we have dodged a bullet – a big one. But we still have restricted access to capital markets and the lingering concern that a bubble remains in financial markets.

The economist Charles Kindleberger identified the stages of a bubble: first, an economic event that justifies an increase in asset prices; second, the expansion of bank credit (even though banks appear to be hoarding it rather than lending it); and third, positive feedback, where investors think there is easy money to be made and re-invest. Then comes euphoria, followed by the inevitable crash.

It does seem that the banks, which provide the liquidity that lubricates the financial system, are placing funds at central banks, in government obligations and into other secure investments rather than loaning money to corporate borrowers.

Meanwhile, corporations with debts to manage are having difficulty finding any kind of credit line or borrowing facility. And when an overleveraged company meets declining sales and decreasing revenues, it runs out of operating capital.

ISO practices

A few trends among ISOs may have precipitated this situation. For a few years now, many ISOs have given away free terminals to merchants. Where I work, we just "gave away" a few hundred terminals to one merchant, and this was an expensive proposition; we are not anxious to do it again.

Are we in a recovery, and if so, what kind of recovery is it, and are there other bubbles we need to concern ourselves with if we are to avoid another liquidity crisis?

Someone booking 1,000 new merchants a month can get overextended quickly with this gimmick.

Then there is the trend toward paying out up to 70 percent of the residual to the MLS or cashing the MLS out immediately once the merchant signs the contract. The money has to come from somewhere. The MLS might get cashed out, but the deal is predicated on a certain revenue stream over the next few years from the merchant, which may or may not manifest.

Another ISO "innovation" is the merchant cash advance. Sometimes this is called factoring, although technically factoring means transferring the right to the accounts receivable. This is a risky business, which is why factors typically charge around 30 percent for these short-term loans. Lenders can justify this because the borrowing companies are not bankable: They lack acceptable cash flow, a secondary source of repayment or solid financials.

Cash advance companies are guessing that a given merchant's revenues and profit margins will be the same in three months as they are today.

Have you taken a look at the retail sector recently? Many malls look like ghost towns; predictions are that hundreds of them will be liquidated in the next couple of years. I would not bet on cash flow from merchants in the retail space anytime soon.

This affects the second parameter of the Cynergy Data insolvency: capital structure. To fund cash outlays, some ISOs have borrowed money, on the theory that their future return will be higher than their cost of debt.

Bankers like to see an optimal capital structure (the percentage of debt to equity on the balance sheet), but instead, the money to pay for free terminals, cashouts and cash advances came from debt.

The economy

The last element mentioned in Cynergy's filing was a weak economy. This is where the bubble comes in. Are we in a recovery, and if so, what kind of recovery is it, and are there other bubbles we need to concern ourselves with if we are to avoid another liquidity crisis?

I remember attending a presentation a couple of years ago; the two guest speakers were Steve Forbes and Allan Greenspan. Greenspan was treated as an icon; Forbes caused a commotion when he said that what was then considered to be just a "subprime problem" was a bigger problem caused by the Federal Reserve creating far too much liquidity in the financial markets.

Back then everybody thought that Forbes was being impertinent, but now it is obvious that he was completely correct.

When the economy goes south, all kinds of unexpected things happen. One example is the bankruptcy of Frontier Airlines.

As Frontier's business slowed, the company cancelled flights. Frontier's processor, First Data Corp., decided this would engender chargebacks and informed the airline, with virtually no notice, that it would withhold 50 percent of Frontier's revenues as a "holdback." Ultimately, First Data ratcheted back this number, but whatever number it chose was enough to precipitate bankruptcy.

Another example is an Internet firm called Angie's List. Its processor, Elavon, summarily decided to hold back $2.5 million on this firm, which had $35 million in annual revenues.

Fortunately, Angie's List was able to change processors and get its money back in three weeks; otherwise it might have filed bankruptcy too. Imagine how you would feel if you were the MLS that signed these accounts: euphoria, followed by the crash.

One more important point for MLSs to consider: When an ISO gets into financial trouble, the portfolio can be sold to another ISO. In some cases, the selling ISO sells 100 percent of its future cash flow, even though it may be obligated to pay the MLS a significant percentage of this. This is why MLSs need to be intimately familiar with the clause in their contracts about "assignment of rights" – and know how to enforce them.

For many years, the ISO world has been characterized by MLSs being relieved of their residuals when their ISOs are sold or reconstituted. Sometimes, this is just a ploy to discontinue residuals. There is no excuse for this, even a bad economy.

Pay attention to these things, be aware of your rights, enforce them and, before you choose an ISO, do your homework.

This is not necessarily easy. Most ISOs are small and privately held. MLSs will not likely have access to financials, but there is one thing you will have access to: reputation.

People in the ISO community talk to each other, and they have long memories. At a minimum, do your due diligence on the reputation of the principals. If they have a reputation for fair and honest dealing, that will go a long way toward alleviating concerns about their financials.

Companies that always need to get that next deal to fix the problems of the past are ones to stay away from, particularly if those problems stemmed from someone not keeping his or her word in the first place.

Brandes Elitch, Director of Partner Acquisition for CrossCheck Inc., has been a cash management practitioner for several Fortune 500 companies, sold cash management services for major banks and served as a consultant to bankcard acquirers. A Certified Cash Manager and Accredited ACH Professional, Brandes has a Master's in Business Administration from New York University and a Juris Doctor from Santa Clara University. He can be reached at brandese@cross-check.com.

SellingPrepaid

Prepaid in brief

NEWS

Holding company sues former exec

Prepaid Card Holdings Inc. filed a lawsuit against its former Chief Operations Officer and Director, Robert Christiansen, for fraud and concealment, breach of fiduciary duty and conversion. The case was filed Sept. 10, 2009, in the Superior Court in Orange County, Calif. According to the filing with the Securities and Exchange Commission, Christiansen had been terminated in a meeting on July 15, 2009, for "irreconcilable differences in opinion" with the majority shareholders. In the same report, Rick Galasieski was appointed to the office of Senior Vice President.

Instant interest in prepaid

SmartCard Marketing Systems Inc. reported strong interest in its latest offering, the Instant Issue Prepaid Gift Card, with initial sales of 5,800 cards and requests for proposals in excess of 120,000 cards. The company said most of the orders came in from churches, the U.S. government, universities, small retailers and online consumers. They were intended as gifts or for incentive programs.

SmartCard expects to fulfill 35 percent of the 120,000 cards by November 2009, according to Chief Executive Officer Massimo Barone. "The benefit of these short-term card orders brings more consumers opting for reloadable instant issue prepaid cards," he said.

Xerox to purchase processor

Xerox Corp. will acquire Dallas-based processor **Affiliated Computer Services Inc.** for $6.4 billion. "By combining Xerox's strengths in document technology with ACS' expertise in managing and automating work processes, we're creating a new class of solution provider," said Ursula M. Burns, Xerox's CEO.

ACS shareholders will receive $18.60 per share in cash plus 4.935 Xerox shares for each ACS share they own. Under the acquisition terms, Xerox will take on ACS' debt of $2 billion and will issue $300 million of convertible preferred stock to ACS' Class B shareholders.

ANNOUNCEMENTS

Blackhawk releases B2B program

Prepaid card distributor **Blackhawk Network**, a subsidiary of Safeway Inc., will offer its Rewards Visa Gift Card through Blackhawk Network's Incentives and Rewards business to business program. The customizable card features include variable expiration dates, variable value loads, company logos and branding, and custom card and carrier messaging.

CashX initiates pre-launch phase

CashX Financial Corp. entered the prelaunch phase of its worldwide money transfer and prepaid card services. The Vernon, Canada-based company also offers global currency exchange services.

Coinstar closes public offering

Coinstar Inc. closed its public offering of $175 million principal amount of its 4 percent convertible senior notes, which are due in 2014. The underwriters also exercised their option to purchase an additional $25 million principal amount to cover over-allotments. Coinstar issued $200 million aggregate principal amount of convertible senior notes at closing.

FSV delivers prepaid savings

FSV Payment Systems Inc. released a savings account program for its PaychekPLUS! payroll service. "With the addition of savings to the many services we already offer – like bill pay, a convenient line of credit, international money transfer, online account management and text alerts – it's like having a bank on a card," said Jonathan Palmer, President and CEO at FSV.

Intercash launches new program

Intercash Europe Ltd. commenced its new card program at EiG 2009, held Sept. 15 to 17, 2009, in Copenhagen, Denmark. Features of the new card include card-to-card transfers and personal loads for corporate and affiliate cards. With Pays2Ways, merchants can rebate cardholders and receive online deposits through Intercash's Card Management System. Intercash also signed deals with Playtech Ltd., Sega Games Ltd., Everest Poker, Forexyard, Income Access and others.

Mocapay secures $3M

Mocapay raised $3 million in funding from Spartan Mobile, Lacuna LLC's venture capital fund and other investors. Merchants using Mocapay can offer mobile gift and loyalty card programs, which enable end users to transact at the POS, reload gift card accounts, access transaction histories and locate the nearest participating merchant locations, all from mobile phones.

NetSpend issues virtual card, online tools

NetSpend released what it said is the "first virtual card to be tied to an existing prepaid debit card account" and online financial management and budgeting tools. With the NetSpend virtual card and online tools, end users can plan, monitor and safeguard their spending, the company said.

Western Union unveils new cards

Western Union Co. rolled out two new reloadable Visa prepaid cards: Western Union MoneyWise and Gold Card Visa prepaid cards. Western Union said the cards feature low fees, with no monthly maintenance, purchase transaction or customer service fees.

PARTNERSHIPS

Bancomer deploys VeriFone kiosks

BBVA Bancomer continues deployment of **VeriFone**'s VeriFone MX ATM payment kiosks. Bancomer, a large Mexican bank, is installing a customized version of the units in one of Mexico's largest drug store chains. In addition to dispensing cash, the MX ATM takes cash deposits and provides value-added services such as bill payment, money transfer, couponing, redemption and reloading of prepaid cards.

New teammates for alternative payments

To offer a cash payment option to its customers in the Latin American Caribbean Region, the U.K. and Europe, **First Atlantic Commerce** teamed with **Ukash**. FAC, an international payment gateway, said it offers alternative payment options in a single interface.

Joint venture funds female entrepreneurs

Grameen Carso, a joint microfinance venture of **Grameen Trust** and **Fundacion Carlos Slim A.C.**, said it now services 265 members, 195 of whom have received their first loans. Grameen Carso's mission is to offer microfinancing to women. The company boasts a 100 percent loan recovery rate and plans to expand throughout Mexico.

PNBRCI, AccountNow roll out Visa prepaid card

PNB Remittance Centers Inc., a wholly owned subsidiary of Philippine National Bank that serves the Filipino community in the United States, partnered with **AccountNow Inc.** to launch a new Visa-branded prepaid card. PNBRCI will also convert 20,000 of its loyalty card membership customers to the new card, issued by Palm Desert National Bank.

TIO helps pay bills

TIO Networks Corp. furthered its relationship with **Nexxo Financial Corp.** to offer TIO's expedited bill-payment processing on 100 of Nexxo's *Cajeros* (cashiers) – Nexxo's kiosks, which also facilitate money wire transactions. Catering mostly to the Hispanic community, the kiosks are located primarily in Latin America and the western United States.

ACQUISITIONS

ECash sets sights on Metahealth

ECash Inc. signed a letter of intent to acquire **Metahealth Inc.**, a pharmaceutical development company that specializes in the development and manufacture of generic prescription drugs. The deal is expected to close in October 2009.

APPOINTMENTS

Sparkbase welcomes new CSM

Christine Primisch joined private-label gift and loyalty card processor SparkBase as Client Services Manager. As a former Manager Trainer for Restaurants-America, she aided in restructuring the training program and mentored new managers.

SELLING SP PREPAID

Features

Vigilance is watchword in fraud prevention

Crime is an unfortunate byproduct of success. As the prepaid card industry grows and prospers, it becomes a greater target for fraud. In a Javelin Strategy & Research webinar entitled *Fraud Mitigation and the Prepaid Processing Relationship: Moving from Fraud Detection to Fraud Prevention*, industry experts focused on the intricacies of fraud schemes and the steps businesses should take to detect and alleviate them.

According to Bruce Cundiff, Director of Payments Research and Consulting at Javelin, common schemes include:

- Compromised gift card numbers – fraudsters steal unregistered gift card numbers, clone those numbers onto blank cards and then make fraudulent purchases with them.
- Forced post transactions using closed-loop cards – fraudsters work with merchants or employees to "force" transactions on cards after those cards have been used by customers to make legitimate purchases.
- Test loads – fraudsters pose as service providers to make test loads at POS terminals, and they secretly load cards with value.

To detect such schemes, processors and program managers look for discrepancies in cardholder data and irregularities in how the cards are used.

For example, when customers enroll online to receive prepaid cards, they typically supply birth dates and phone numbers; that information can be compared to the information captured when potentially fraudulent transactions are made.

"The address you use on a credit or debit card to fund that card – does it match the profile address?" said Virgil Mathias, Senior Business Leader with Visa Inc.'s Prepaid Processing division. "Is that address in your negative file? Is it being used repetitively through your program? You can identify mutual fraud that way."

Call centers and the cardholders themselves can be enlisted to flag fraud. Customer service representatives are highly attuned to changes in customer behavior, Mathias said. When call volumes spike or when the type of questions asked veer from the norm are clues that fraud may have been perpetrated, he noted.

To prevent account takeovers, legitimate cardholders can be alerted when questions arise concerning suspicious transactions or account activity. "If you have a payroll card and a profile change and the cardholder did not initiate that, a real-time message to the cardholder, either by an SMS [simple message service] text message or via e-mail, [can] alert them to potential account takeovers," Mathias said.

On the tightrope

However, fraud and risk management is a balancing act. A program must be tailored to the type of prepaid card it powers.

"The gift card program that has point of sale access, limited maximum load, probably doesn't have as many fraud rules or compliance issues set up around it," Mathias said. "But as you expand the program … where you have multiple reloadable options, reload networks or other cards, the rules are expanded."

Flexibility in load and purchase limits is also important. For example, a payroll card should have a "slightly higher per-day limit" than another type of card to allow for the occasional, big ticket purchase, said Liz Nutting, Vice President of Prepaid Card Implementations with Palm Desert National Bank in Riverside County, Calif.

The ability to grant overrides is another necessity. A new cardholder without a steady transaction history would not necessarily be granted the same latitude as an older cardholder with a regular transaction history. If the older cardholder contacts a call center wanting to withdraw a large amount of money but is being declined at the ATM, a customer representative can override that cardholder's withdrawal limit.

The goal is to "maintain customer satisfaction but, at the same time, balancing your risk tolerance over the entire program," Mathias said.

Nutting said fraudsters constantly vary their schemes to keep from being detected. A popular fraud currently being perpetrated involves automated clearing house (ACH) transactions, where fraudsters hijack ACH accounts and use processors' own systems for bank-to-card transfers, she said.

Another current scheme entails fraudsters who, using funds from their own bank accounts, load prepaid cards via the ACH. Then they turn around and have the money transferred from the cards and contact their banks, saying the transactions were unauthorized. "So they are using the card to commit fraud against the originator," Nutting said.

Open channels

The webinar presenters agreed that combating fraud through coordination and communication is vital. From the time prepaid card programs are first implemented, all program participants – from lawyers to professionals from companies' compliance and risk departments – be on board and on the same page, Mathias advises.

Additionally, program managers should be communicating with payment processors to establish baseline trends of cardholder behavior, as well as what may constitute fraudulent behavior – meaning "not just fraud trends but usage trends," Nutting said. By knowing an average number of POS transactions on a daily, weekly and monthly basis, one can more easily detect abnormal activity, she added.

Communication is also important to root out hard-to-detect fraud. "We see instances where different programs can be hit by the same type of fraudulent activity but, in themselves, wouldn't alert anybody to that activity," Mathias said. By comparing transaction characteristics across multiple programs, providers can recognize trends that would otherwise go unnoticed.

"It's just not the program managers; it's just not your processor," Mathias said; in fraud management and prevention, "it takes a village."

Empowering the cash-compensated

In low hourly wage jobs like tending bar and waiting tables, workers rely on tips to make a decent living. But with pockets full of cash at the end of shifts, workers are prone to squandering it. Doug Lindstrom, co-founder and Chief Executive Officer at Point of Wealth Systems Inc., knows the temptation firsthand.

With over 20 years of service as a bartender, Lindstrom estimated that if he had put aside just 5 to 10 percent of his earnings per shift over the years, he could have saved $40,000 to $60,000. Instead, he spent it. One of his professed weaknesses was video poker, legal in Oregon and easily accessible where he tends bar.

Thus, Lindstrom recognized a need among the cash-compensated for a way to funnel money into more productive pursuits. PWS' solution is called the Point of Wealth Register (POWR). It is a free-standing or wall-mounted bill-accepting kiosk that allows employees to deposit tips at job sites, before they have a chance to spend their cash.

Users deposit cash into the register for allocation to bank, retirement and prepaid card accounts, to charities, and for the paying of bills. PWS charges users 50 cents for a bank account deposit, $1 for bill pay and $2 for loading a Visa Inc.-branded, open-loop, reloadable prepaid card. According to Lindstrom, deposits to charities are free, with 100 percent of the funds going to the organizations.

As deposit-only machines, users sign up for the service online, where they set up accounts to which funds can be directed, and then input a username and PIN number to access the machines. When users deposit funds at the registers, the POWR system electronically forwards the funds to the appropriate institutions and prints out receipts for users.

Sizing it

Linstrom said the first register will be installed in the 21st Avenue Bar & Grill in Portland, Ore., where he works when he's not wearing his PWS CEO hat. That register is called a hub unit because of its central, high-traffic location within the establishment. Since the bar, located in Portland's entertainment district, caters to other waiters and bartenders, Linstrom believes the register will be used by bar patrons as well as the bar's own workers.

"It is so wide open for where these machines would go,"

Users deposit cash into the register for allocation to bank, retirement and prepaid card accounts, to charities, and for the paying of bills. PWS charges users 50 cents for a bank account deposit, $1 for bill pay and $2 for loading a Visa Inc.-branded, open-loop, reloadable prepaid card.

he said. With 13 million workers for 1 million bars and restaurants nationwide, he estimates the cash compensation market at $50 billion a year. "We only need 2 percent of market penetration to meet our five-year goal, which means 20,000 machines," he said.

While PWS is focused on installing the machines in eating and drinking establishments, grocery stores and taxi cab companies are ripe areas for future expansion. Cab drivers typically end their shifts with large amounts of cash. "If you're talking big cities, you're talking about thousands of cab drivers with hundreds of dollars on each one of them," Linstrom said.

As for supermarkets, some get as many as 2,000 shoppers a day, he noted. A percentage of those patrons are considered unbanked or underbanked – an overall population estimated at 47 million in the United States – who could utilize the register for prepaid card loading, bill pay and online purchasing.

Prehn said the line between the unbanked and the cash-compensated is blurred, since a percentage of the unbanked are also cash-compensated workers. With the POWR registers, "they can get rid of the cash on the spot," he added. "And we know that for 50 cents, or a buck, or a buck fifty, all the research we have done, people are like, 'Oh, yeah, that's actually not a barrier.'"

What is more, bars enjoy additional cash resources – something that bars, with their cash heavy transactions, are always happy to have. Prehn said when workers deposit funds into the machines and that money is directed where users want it to go, employers' accounts are actually debited those amounts. But the employers are compensated by owning the money in the registers – money that businesses simply add to their nightly deposits.

Ringing it up

Prehn sees three main benefits to the POWR. It is a convenient way for users to manage their cash; it helps communities with donations to charities; and, perhaps most importantly, it fosters positive financial decisions. "That is really, really what we are trying to do," Prehn said. "We are trying to help [workers] become more financially responsible and independent."

PWS unveiled the POWR at the DEMO Conference held in San Diego, Sept. 21 through 23, 2009. Linstrom and Prehn called it a "home run" as a showcase for the register, which was subsequently mentioned in *USAToday*.

In the next 90 days, PWS expects to have the first registers installed in the Portland metropolitan area. To expand, the company is looking to employ sales professionals with experience selling services in the bar and restaurant vertical markets. For more information about this opportunity, contact Prehn at 503-890-3931, or e-mail him at *dave@thepowr.com*.

Is PayPal a threat to prepaid?

Prepaid cards and the online payment gateway run by PayPal Inc. are both examples of alternative payment tools. Because PayPal eats the cost of interchange instead of passing it along to merchants, which makes it an attractive payment option for merchants, it can be construed as a threat to ISOs and merchant level salespeople.

A new service called ePatientPayments.com utilizes PayPal to help health care providers get reimbursed from uninsured patients. The service is an online payment platform that allows providers to set up individual payment plans with patients who may have trouble paying for services and procedures because they are not covered by health insurance plans. The main component of the service is the PayPal gateway.

Pamela Alford, President of EMG Productions Inc., the parent company of ePatientPayments.com, chose PayPal because of its convenience for providers and patients. "Medical offices are low tech," she said, citing statistics claiming that 85 percent of all medical practitioners are in that category. "They barely have computer skills, except for the specific software they use in that practice.

"You've got to make this stupid simple, and PayPal is where it's at. In five minutes they can set up a PayPal account, accept Visa, MasterCard, American Express, Discover, eCheck. It also provides them secure transactions, auto confirmation, and it's inexpensive to set up" because it doesn't require a processor. But Alford insists PayPal is not a threat to other payment providers, just an alternative.

A second opinion

Red Gillen, Senior Analyst at research consultancy Celent LLC, agrees. He said, "The uninsured don't necessarily *not* have bank accounts, and so a lot of them will have bank debit cards in their wallets already – the incumbent payment method. Also, just as importantly, [most] providers by and large accept payment cards today. …So it's not fulfilling any payment void."

Gillen also pointed out that the health care market for prepaid cards is largely between health insurers and employers. The three primary types of card programs concern employee-funded flexible spending, employer-funded health reimbursement and employee- or employer-funded health savings accounts. "It really has nothing to do with the doctors," he said. Like PayPal, prepaid health care cards are an alternative offering efficient ways for providers to be reimbursed for their services.

"Doctors aren't really worried about interchange," he said. "They are worried about getting paid. So they'll take anything. They should be taking anything because, right now, people basically receive medical service, walk out the door, get a bill in the mail, days if not weeks later. And bad debt ratios for patients paying hospitals are extraordinarily high. Interchange is the least of their concerns."

A new model

The 'Retailish' Future of Patient Collections, a report authored by Gillen, noted that patients were responsible for 12 percent of health care expenditures in 2007; by 2012, Celent estimates patients will pay 30 percent.

Consequently, it will get harder for health care providers to collect on payments. With bad debt levels remaining at between 40 and 50 percent, the total amount of bad debt that providers would be saddled with could reach $170 billion by 2014, Gillen said.

The need to alleviate this burden has given rise to the Consumer Directed Health Care (CDHC) model, which is designed to give consumers more control over their health and well-being. Proponents of CDHC believe that when consumers take greater ownership over their health care choices (and more of a burden in paying costs out of pocket), they will make wiser decisions, which will reduce overall costs.

"But how you get that patient in a consumer directed health care world or an uninsured patient world, how to get that patient to pay upfront or, at minimum, commit to pay up front – that's the issue really," Gillen said. "It's not so much whether you take Visa or MasterCard or PayPal."

Alford said 350 medical offices have signed up for ePatientPayments.com, which launched in July 2009. "It's a service whose time has come," she said. As for CDHC, Alford is unequivocal. "I feel patients should take more of a role in their health care," she said. "And if they're paying for it, they will."

HOW HUNGRY ARE YOU?

CHOOSE YOUR IDEAL MEDIA PACKAGE AND WE'LL BE HAPPY TO PREPARE A FRESH QUOTE FOR YOU!

TEAR IT OUT, FAX IT OVER AND WE'LL CALL YOU WITH A PRICE!

Standard Print Ads

- ❐ Full Page
- ❐ Two Page Spread
- ❐ Horizontal Half Page
- ❐ Vertical Half Page
- ❐ Quarter Page
- ❐ Custom Half Page
- ❐ Custom Quarter Page
- ❐ Custom One-Third Page

Standard Online Ads

- ❐ Large Banner
- ❐ Skyscraper Banner
- ❐ Resource Guide Button

Sponsorships

- ❐ Printed Green Sheet
- ❐ Printed GSQ
- ❐ Green Sheet Online
- ❐ SellingPrepaid.com

Extras

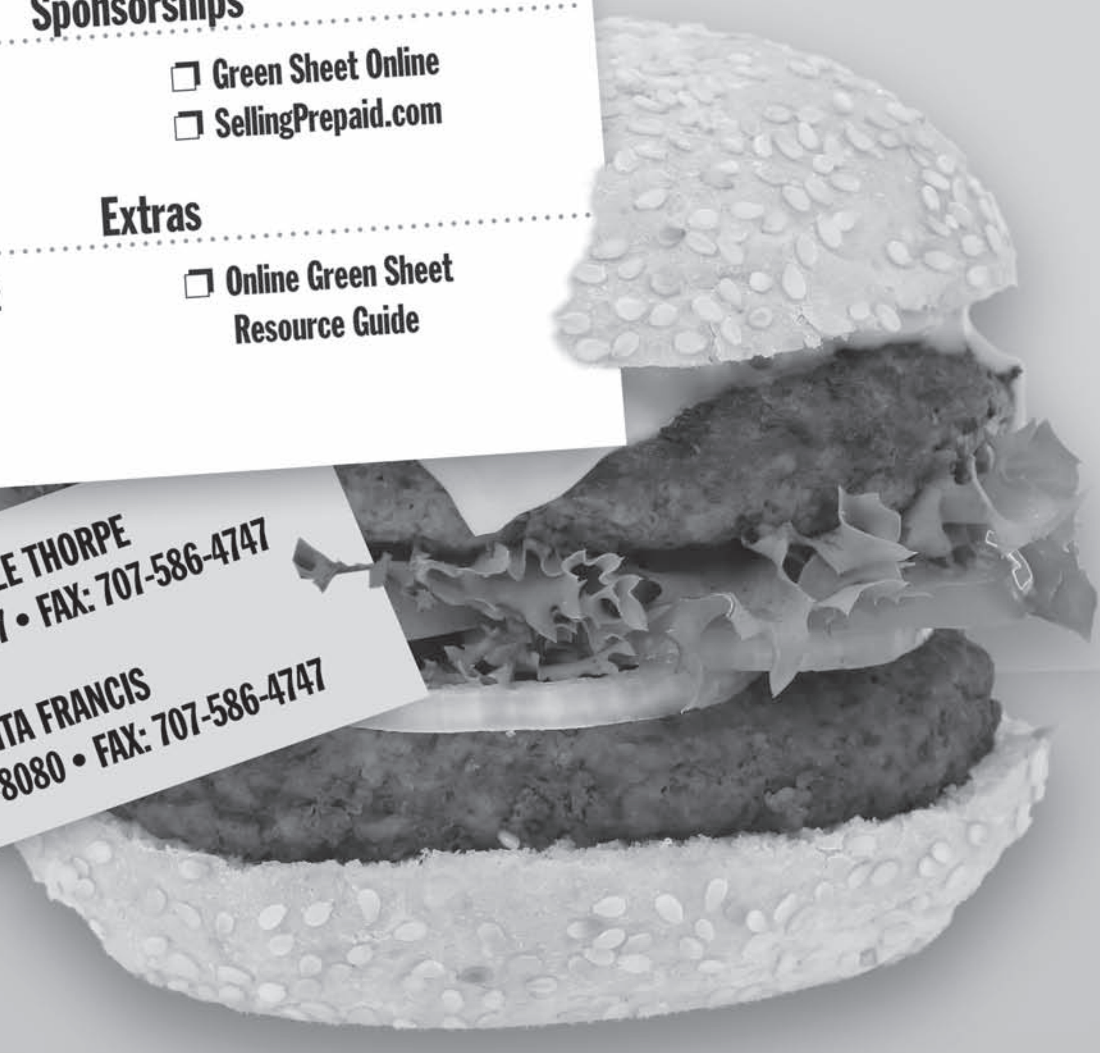
- ❐ Printed Green Sheet Resource Guide
- ❐ Printed GSQ Resource Guide
- ❐ Online Green Sheet Resource Guide

GS

www.greensheet.com

DANIELLE THORPE
PH: 707-586-4737 • FAX: 707-586-4747

RITA FRANCIS
PH: 866-429-8080 • FAX: 707-586-4747



CompanyProfile

Payvision

ISO/MLS contact:
Carrie Bardeen Hometh
Senior Vice President, Sales and Marketing
Phone: 978-462-3459
Fax: 978-517-4255
E-mail: *c.bardeen@payvision.com*

Company address:
Payvision USA Office
101 Avenue of the Americas
New York, NY 10013
Web site: *www.payvision.com*

ISO/MLS benefits:
- Works exclusively with ISO reseller channel
- Offers comprehensive suite of CNP transaction products and services
- Specializes in multicurrency processing
- Deploys e-commerce payment solutions in 40 countries worldwide
- Provides training and education on global acquiring

People are the greatest value-add

Rudolf Booker, founder and Chief Executive Officer of international payment solutions provider and merchant acquirer Payvision, has developed a reputation over the past decade for building and expanding the company around his employees.

Payvision has offices in Amsterdam, Madrid, Singapore and New York. And Booker, who thrives on personal attention, travels extensively to manage the relationships he has developed since he started the company in 2001.

Because of his intense and hectic schedule, Booker found that having trusted executives and resellers working in regions where they are both comfortable and happy has been the foundation of the company's consistent growth and continued success.

He believes that if you don't feel good about the company and employers you work for, you can't sell or market any product or service to anyone.

"He is a brilliant man who was smart enough to figure out on a global basis what every aspect of international acquiring was all about faster than anybody else understood it," said Carrie Bardeen Hometh, Payvision's Senior Vice President, Sales and Marketing. "Secondly, and just as important, he not only chose some of the best people that I have ever come across in the industry, but he goes out of his way to accommodate their needs.

"For example, our technology is all managed out of Madrid, and our chief technology officer – who is the best in the business – and not from Spain – asked to live there, so that's exactly what Rudolf did. He does those kinds of things all the time. He finds people he trusts and develops the company's goals and strategies around them."

Every step of the way

For Booker, the desire to provide a nurturing, inspiring environment for his executives, staff and clients applies equally to his resellers and partners. It is critical to him that they feel supported in every aspect of the payment process, from initializing sales leads and boarding merchants to providing the appropriate products and services and maintaining those relationships year after year.

"We got a visit from Rudolf, and he is a mover and a shaker that's for sure," said Randy Ridings, Vice President of Sales for e-commerce solutions provider Plug'n Pay Technologies. "When we initiated the original conversation back in 2006, he went out of his way on a visit to New York to make the drive out to Central Long Island to visit us.

"And an example of just how technically sophisticated they are, Rudolf and his crew integrated platforms with us and were up and running within a week – and that process usually takes 30 to 90 days. We have a lot of referral partners; some are responsive, some aren't – but Payvision has been great."

Merchant e-Solutions partnered with Payvision two-and-a-half years ago to expand its international operations. According to Kevin Gallagher, Merchant e-Solution's General Manager, E-commerce, it was a combination of factors that led to their partnership.

"There are so many challenges to giving merchants the ability to sell in a variety of currencies, and that's why only a handful of companies do what we do. What is even more difficult is doing what's called domestic global acquiring."

– Carrie Bardeen Hometh
Senior Vice President, Sales and Marketing

"We had a lot of merchants that were going international, so we looked for a partner that could seamlessly help our merchants process international currencies or get them set up to accept payments in different countries," Gallagher said. "Rudolf and his team were personable and experienced, but underneath that, the technology they built was very sound and robust. Plus, they really had the great connections we were looking for – and that's what sparked our interest."

The sweet spots of processing

Payvision specializes in multicurrency processing for all types of card not present (CNP) transactions, which Hometh regards as the company's number one "sweet spot." She added that its secondary sweet spot is large merchants who are globalizing their businesses. Payvision boasts the ability to process 164 currencies, though most merchants use an average of 14, which comprise about 85 percent of CNP transactions worldwide.

In addition to multicurrency processing, Payvision offers credit, debit, gift, loyalty and stored-value card processing, MO/TO, secure billing, reporting and underwriting, CNP chargeback remediation and uninterrupted customer service, Hometh noted.

The company has over 280 ISOs and resellers in 40 countries, including the United States, Canada, Australia and India, and countries within the Asia-Pacific region, Europe, and Central and South America.

"There are so many challenges to giving merchants the ability to sell in a variety of currencies, and that's why only a handful of companies do what we do," Hometh said. "What is even more difficult is doing what's called domestic global acquiring. That's where you can offer domestic interchange – rates that are most attractive to international merchants – and processing in as many countries as possible worldwide.

"Our goal is to get as many BINs [bank identification numbers], ISOs and resellers in the world to offer the best domestic interchange for our merchants. For example, Japanese merchants are better off to process inter-regionally because interchange is higher in Japan than many other countries. So our area of specialty is where to switch a transaction to get the best interchange rate possible for each merchant, depending on their individual and unique requirements."

To facilitate this process Payvision needs to be licensed with the card brands in the regions where it conducts business. Hometh said that, as a global acquirer and not a bank, the company requires sponsoring members who are licensed to process and settle transactions in their home regions or countries. The company outsources its transaction processing to fulfill the myriad governmental regulatory and security compliance mandates.

"The BIN table routes the transactions to the appropriate issuing bank for credit approval and final settlement," Hometh said. "This allows us to board merchants in regions or countries and provide domestic or intraregional interchange pricing, depending on what benefits that merchant the most."

The most natural thing

Hometh believes Payvision has done well in the current economy due to the fact that CNP, MO/TO and e-commerce sales are suffering, and merchants are looking for any value-added products and services that can increase their bottom lines.

Additionally, the company has no direct sales force and works exclusively with resellers worldwide, enabling it to offer their services in any verticals or market segments those ISOs and resellers specialize in.

"Other than translating a Web site, it's a very natural thing to provide the services that can enable customers to purchase anything online in the currency of their choosing," Hometh said. "To me, that makes the most sense. I mean, how many Americans do you know who prefer to buy something online with anything other than the dollar? It's pretty much the same cultural mindset in every other region as well.

"But in order to do that you have to be able to work with a combination of technologies and banks all over the world, as well as provide unparalleled customer service and support. And that's not just to handle credit card processing; you have to know the country-specific payments that consumers like to use. And by leveraging that technology, all of a sudden you have enabled your merchants' Web sites to reach a wider audience and exponentially increased sales potential."

Stepping into the real world

Payvision plans to begin beta tesing brick-and-mortar

merchant processing in November or December 2009; it has been certified to process any merchant on any platform owned by First Data Corp. If this testing goes well, Payvision intends to expand its brick-and-mortar sector beyond the United States in the third quarter of 2010.

"This could really open up the market for our ISOs and resellers worldwide," Hometh said. "It will enable us to participate in whatever verticals or markets they're in, whether that's travel and hospitality, entertainment or restaurants. And of course, just like our business model in the virtual world, we'll be there to help them close any large or complex merchants."

Before joining Payvision in 2004, Hometh didn't realize how important cultural differences between countries are. In 1989, she worked for a British firm. Because the United States and Britain share a language, she assumed business was conducted similarly. She soon learned this was not true.

"International relations have a steep learning curve," she said. "So the next firm I worked for – an Israeli firm – I was much more ready because I studied the culture, how they conducted business, how they communicated and how they wrote e-mails.

"That experience helped me succeed working for an international firm. I don't know that I would have been as successful as I have been at Payvision without that. And of course, Rudolf constantly reinforces the value of leaving room for those differences when we conduct business."

Keeping ISOs afloat

Payvision assists its ISOs not only in payment processing sales and marketing, but with education and training as well. Hometh noted that most ISOs don't know very much about global acquiring and international transactions, so the company conducts frequent training sessions.

"My colleagues and I make ourselves available all the time to train and educate our ISOs on dealing with international merchants and financial institutions," Hometh said. "The good news is that there is a lot of portfolio revenue potential out there because there isn't very much competition.

"We show our ISOs how they could lose a potential merchant if they can't offer a merchant identification number that has been denominated in another currency. Why not get a referral agreement with us to offer that capability to their merchants to help them get more revenue? Our job is to help them and always be there for them. We would never leave our ISOs dead in the water."

How to leverage available technologies to manage risk and prevent fraud in RDC

By Ed McLaughlin
RemoteDepositCapture.com

Editor's Note: This story was published by RemoteDepositCapture.com Aug. 19, 2009; reprinted with permission.

While good risk management tools are available, few organizations currently use them effectively. As with many new technologies or services, skeptics abound, and sometimes irrational fear of risk or loss may prevent us from fully recognizing potential advantages and benefits. This very issue has seemed to plague the remote deposit capture (RDC) industry since its inception in 2004.

To this day, the perceived risk of RDC has prevented many financial institutions (FIs) from realizing the benefits of RDC, and we constantly receive questions about risk and fraud in RDC.

Thus far, actual losses to FIs that can be contributed at least in part to RDC have been negligible. The primary reason we feel risk is largely overblown lies in the misperception that RDC as an entirely new service (in accordance with the Federal Financial Institutions Examination Council Guidance released on Jan. 14, 2009) built upon new processes and new technologies.

Improved technology

RDC processes and technology are not entirely but rather largely, improvements to systems, processes and technologies that have been used to clear hundreds of Trillions (yes, with a T) of dollars over the past decade alone. In short, RDC is built upon trusted, well-tested and reliable technologies and processes. (This article focuses upon RDC technologies; legal issues such as agreements are a completely different issue.)

The technology that enables merchant and corporate RDC is scanner technology to capture an image of the check. RDC uses desktop scanners that employ both image cameras and magnetic ink character (MICR) readers (in most cases), and, yes, they could be used to perpetrate a fraud. If you think about it, simply by using a scanner, a photo editor and/or a page design system a fraudster can generate a check.

The check can include all of the elements to allow it to be read by a check scanner (reading the MICR line in optical character recognition and/or with a magnetic ink cartridge) and be transmitted to the bank for deposit. In any form of RDC where the bank of first deposit (BOFD) and the paying bank are relying on an image for clearing and settlement there need to be other ways to identify the check as being real and means to mitigate the risk in case it is not.

While there is no substitute for customer due diligence and regular KYC (know your customer) policies and procedures, FIs should complement this process by tying their KYC information to the technical tools at their disposal to effectively mitigate RDC risk.

While there is no substitute for customer due diligence and regular KYC (know your customer) policies and procedures, FIs should complement this process by tying their KYC information to the technical tools at their disposal to effectively mitigate RDC risk.

Clear parameters

If the business being set up has been scrutinized and a risk category or number has been provided (for example, risk number based on an analysis of the type of business, credit score, size of business, longevity with the bank, transaction and balance history, return/reject overdrawn history, location, etc.) that should be used as the basis for the model to determine the parameters and settings that need to be established to mitigate risk.

RDC systems technologies have the ability to analyze an item being presented before it is accepted as part of a deposit. The features and capabilities vary by vendor, but here is a variety (or samples) of parameters that should be monitored for an item, a deposit and – by collection of the information in a database – for longer periods of time to develop trends. Examples include:

- **Dollar amount of the item:** It should be set by account and based on history of that account or what is expected as a maximum item. It doesn't mean that the item is rejected if it exceeds the amount established but that it is reviewed at the FI and questioned if there is a concern. This will also prevent processing items that may have been misread by the scanner and the associated software that reads the courtesy amount recognition (CAR) and the legal amount recognition (LAR).

- **Dollar amounts of deposits:** Thresholds should be established per day, per period (week, month etc.)

- **Availability schedules:** Availability should be based upon the risk involved with the item and the customer. Availability might be extended for new accounts and accounts with credit or transaction history issues, for items exceeding certain thresholds, etc.

- **Volume of checks received:** Thresholds should be established per day, per period (week, month etc.)

- **Image quality and usability analysis:** Determine the presence and the ability to read the payee, payor, CAR, LAR, date, signature, MICR and endorsement, and establish variable parameters for setting a review or rejection.

- **Negotiability factors:** Payee should match account holder name; third-party check rules apply.

- **Alterations:** These include altered or manually entered items that modify what was captured by the scanner.

- **Pattern analysis:** When during the month the majority of deposits arrive (property management etc.), times of day and days of the week when deposits are received, number of items reviewed and number of items rejected and why.

- **Source of deposit by client, location and user:** The parameter to set up a user and the privileges assigned is critical, for example, the ability to set up a user and to say the hours of deposit, days of deposits and location. In some instances it may be a best practice to require an approval by a supervisor before a deposit can be sent to the FI.

- **Cross channel duplicate detection:** Automated clearing house, RDC (branch, image cash letter, correspondent, ATM, merchant, corporate), operations (incoming).

- **Exception database:** This is for items to be reviewed based on experience or regulation, including routing numbers, account number of check and missing items (serial number).

These are some of the items that can be looked at to minimize the risk at the point of entry. (I hope we hear from you if there are others you think should be included in this list.)

RDC advantages

One of the many advantages of RDC is the electronification of the payment. The receipt and the processing now can be modified in real time based on a rule, a flag or warning generated in the receipt and analysis of a deposit or item.

This ability to have different workflows that can be set up to allow for additional manual review or comparison against regulatory and exception databases, and then be processed based on the decisions made during the workflow, will improve the risk assessment and mitigation process within the FI.

This process can also be of great value and importance to corporate or merchant customers. Most RDC agreements between financial institutions and their customers place the ultimate financial risk upon the end user.

It is only logical to assume that if the customer is assuming the risk (via legal agreement), that customer will value the ability to manage that risk.

Examples of this would be where workflows are exercised by the FI's customer to minimize risk before the deposit is sent to the FI.

This approach can be seen today in merchant processing applications where an item is sent to be verified before being sent for deposit; or in a brokerage houses where a payment is reviewed by the firm's internal processes before being accepted and before going to the FI.

The BOFD has its role in minimizing fraud in RDC, but so do the paying bank and the services it offers to its corporate clients through their cash management practice.

Positive pay (an automated fraud detection tool) is still one of the best ways for a business to minimize the potential for fraud, and positive pay's use with the advent of Check 21 and image processing can be argued as being more central and important than ever.

The RDC process and system itself is the best protection against fraud because the technology used in image capture is so ubiquitous that it cannot be limited, and the RDC process will have to add the controls necessary to allow us to develop effective deterrents. Look at your RDC system. Are you taking advantage of the tools it offers? We have heard of instances where the parameters are getting in the way, so they have been turned off or set so high as to be meaningless. Use the tools provided, be confident in your process and expand the roll out of RDC to your customers.

7-Eleven takes interchange issue to D.C.

On Sept. 30, 2009, 7-Eleven Inc.'s President and Chief Executive Officer Joe DePinto and eight 7-Eleven store franchisees delivered a petition asking Congress to "stop credit card companies from charging unfair transaction fees to the businesses you shop."

Petition workers gathered signatures at 7-Eleven locations across the country from June to August 2009. The company claims that the more than 1.66 million signatures it amassed are the "largest number of signatures collected for a public policy issue on record."

"Customers share our frustration over the hidden fees that American retailers and, ultimately, consumers are forced to pay," DePinto said. "They, too, want Congress to take action to regulate these unfair fees, which are the highest in the industrialized world."

The petition only discussed the effect of interchange on 7-Eleven's business and did not claim that regulation would directly benefit the store's patrons, according to 7-Eleven's Government Affairs Director Keith Jones. "We wanted to be very honest with them. So, we never told them that their prices were necessarily going to come down or it was going to do anything for them. We told them it was hurting us, and we asked our customers to help us," Jones told *The Green Sheet*.

Fees and profits

Jones said 7-Eleven made $200 million last year and projected that, at its current revenue levels, the interchange fees it pays would be greater than its profit. The National Association of Convenience Stores' *State of the Industry Report of 2008 Data*, a study released in 2009 that analyzes convenience store trends, stated that the average U.S. convenience store's transaction fees exceeded its profits by 63 percent in 2008.

"And Visa and MasterCard continue to raise the rates," Jones said. "So, the only thing we've got left is to petition Congress and ask them to do something to give us a chance to control these expenses. We can't not accept [credit cards]. We have to continue to accept plastic because that's what our customers expect."

Fact check

Shawn Miles, Group Head of Global Public Policy for MasterCard disagrees. Merchants can "accept credit cards and not debit cards or accept debit cards and not credit cards, so they have options," Miles said. "They can offer discounts for cash; they can steer customers from one payment form to another."

Miles added that merchants aren't talking about the benefits of card acceptance, which include higher ticket amounts, payment guarantees and savings on cash handling expenses like armored car services.

A CRA International Inc. survey conducted by KRC Research and commissioned by MasterCard probed consumers about their understanding of interchange and their reaction to 7-Eleven's petition.

The survey reported that seventy-three percent of respondents supported merchants absorbing the cost of credit card acceptance as a cost of doing business. And of those participants who initially supported 7-Eleven's call for interchange regulation, 75 percent withdrew their support when told such regulation would result in increased payment card fees for consumers.

"It is the height of irony that a convenience store, which regularly marks up their products by as much as 500 percent for 'convenience sake,' doesn't want to pay for the convenience of accepting cards," said a press statement issued by the Electronic Payments Coalition on Sept. 30, 2009.

Fiscal forecast

According to Miles, card issuers are experiencing record credit losses and charge-offs. "If regulation were to go through the way merchants are seeking to advance it, it would hurt the availability of credit, cause more fees to consumers and limit the values of rewards programs and other benefits associated with cards, and potentially decrease the spending associated with those cards which doesn't help merchants," Miles said.

Canadian debit shake-up

In the fall of 2008, Visa Inc. and MasterCard Worldwide revealed plans to introduce their branded PIN-debit cards into Canada. MasterCard launched several pilot programs for its Maestro Debit Card in early 2009.

As a condition to entering the market, the company agreed to set transaction fees to mirror those of Interac, Canada's not-for-profit debit network collectively owned by Canadian banks.

However, a year later Visa has yet to enter the Canadian debit market: Company officials said they have no intention of setting a flat debit transaction fee or introducing any debit programs without interchange.

MasterCard said Canadian merchants are not charged interchange for Maestro debit card transactions; instead, a flat fee of 5 cents in Canada (about 4 cents in the United States) is charged per transaction. In contrast, Interac's median fees reportedly average 12 cents, with most small ticket items costing approximately 7 cents per transaction.

Points of contention

"The banks are somewhat ambiguous because ironically they stand to gain the most, but I think the main reason that Visa and MasterCard want to implement the discount rate for debit cards is to be able to offer the points or rewards programs that tie the consumer to their card brand," said Joseph Iuso, Chief Executive Officer of UseMyBank Services Inc., a Toronto-based firm that facilitates real-time debit transactions through online bank accounts.

Iuso noted that both Visa and MasterCard are trying to develop a system in which, regardless of whether consumers make credit or debit card transactions, the brands can leverage air miles and loyalty programs to attract consumers.

"For MasterCard to get its Maestro debit card here, they actually had to agree to the same rates as Interac," Iuso said. "However, you would think they'd want to keep the discount rate or at least get it implemented eventually. Otherwise, how are they going to come up with the money to sponsor those things? The long-term play is to come in cheap – though they might be accused of undercutting Interac. Ultimately, to offer those programs, they have to be costed somewhere."

Iuso added that Interac's concern with regard to the introduction of Visa and MasterCard in the Canadian debit market is that banks will be unable to resist the new revenue streams interchange and rewards programs would generate. He estimates that Canadian companies could increase business 30 to 40 percent with the ability to accept Visa and MasterCard debit cards.

Door number one, two or three

No regulatory issues prevent Visa or MasterCard from entering and competing in the Canadian debit market. It simply comes down to whether banks and merchants choose to accept the cards.

"The crux of the problem with the federations and the associations is their contention that if you introduce interchange, the merchants are going to end up eating the costs," Iuso noted. "But on the other side, you're going to increase your ability to take money from consumers. The banks merely have to say they want to partner with the card provider. They're already in bed with the card brands, so why wouldn't they want to do it?"

Reshaping the business model

Iuso said that once Visa and MasterCard debit cards become entrenched in Canada – which he believes is only a matter of time – Interac will suffer because transactions will be settled through banks' networks and not Interac's.

He sees two possible means of resolution: Visa will either acquiesce and match Interac's and MasterCard's transaction rates, or Interac will be forced to join other debit networks around the globe (like NYCE, Star, and Pulse) to generate additional revenue streams. To do this, Interac would have to become a for-profit company.

"Operating as a for-profit organization would probably be their smartest move," Iuso said. "They need to be able to innovate to compete with the other brands, but it's hard to do when you have board members looking at the business model from a cost basis instead of a profit center.

"Interac doesn't have to like Visa and MasterCard coming in because they know that once you start to add points to a debit card, why would someone want to use an Interac card? But ironically, this situation gives them the forum to say to the competition committee that we're no longer the only people in Canada doing debit, so let's open up the market to give us a chance to compete."

Two companies, two new security departments

Providing comprehensive security for cardholder data from the point of swipe to transaction settlement is of utmost importance to the payments industry. To that end, information technology (IT) and security experts are working to implement promising solutions such as end-to-end data encryption; ISOs and merchant level salespeople are endeavoring to help merchants achieve compliance with the Payment Card Industry Data Security Standard.

Recently, POS terminal manufacturer VeriFone and managed security services provider (MSSP) Gladiator Technology each formed internal security departments to strengthen their compliance offerings through development and implementation of enhanced solutions, as well as to educate payment professionals and merchants on the latest security threats.

Shielded from threats

VeriFone's Global Security Solutions business unit will focus on sales, consulting and implementation of its VeriShield Protect and VeriShield Retain solutions in conjunction with the company's POS devices. It is also charged with developing and delivering end-to-end encryption.

"To effectively protect cardholder data against current and future threats, complete security solutions must span both merchant and processor systems," said VeriFone Chief Executive Officer Doug Bergeron.

"The global focus of this business unit will ensure that all our customers are able to take advantage of these solutions throughout their entire operations."

Jeff Wakefield, former Vice President of Marketing for VeriFone's Integrated Systems business, was named General Manager and Vice President of the new business unit. "The most important aspect of any security solution is the one that brings the most benefit to both merchants and customers," Wakefield said.

"So this group is going to focus on our security solutions and will be an overlay organization over our existing sales channels."

Wakefield believes educating not only clients but also sales and marketing is critical to success. "With any new technology, if somebody doesn't fully understand it or can't answer all the questions about it, it's probably not something a sales agent will try to sell first – and that lack of knowledge certainly won't entice a potential merchant," he said. "We're going to focus on expanding that knowledge base and changing that mindset."

The cutting edge

The Security Research Department at Gladiator, a division of Jack Henry & Associates Inc., was created to foster continued growth of IT services and contribute to the security-related education of its clients. The SRD uses Gladiator's malware network to analyze new attack methods, share that information with payment professionals and help facilitate effective response strategies to protect clients from today's security threats.

"We started the SRD because we wanted to stay on the cutting edge of new attack methods and new malware variants," said Matt Riley, Director of Software Engineering for Gladiator.

"We wanted to understand these new attack vectors being used to target organizations.

"With the SRD, we thought we could bring additional knowledge to the industry to better protect their nonpublic information and critical assets. The information security realm is changing so rapidly that it's hard to keep up with new threats and vulnerabilities."

A sweet diversion

The SRD's main objective is to discover new malware variants and attack methods, but it also uses Gladiator's malicious software network, which is a series of "honey pots" that constantly monitor attacks and prevent cyber criminals from hacking into data networks.

A honey pot is software that mimics different types of servers and entices fraudsters to launch attacks against what they believe to be legitimate networks or servers. The honey pot captures and logs attacks, allowing Gladiator to "reverse engineer" that file to see what type of attack it was and where it came from.

But, according to Riley, that is really only half of the solution: The rest is up to the client. "We pride ourselves on helping financial institutions of all sizes stay abreast of the newest threats and attack vectors, but ultimately what we tell our customers is that you can't outsource responsibility," Riley said. He pointed out that even if a company outsources its security to an MSSP like Gladiator, it still has to have the policies, procedures, risk and vulnerability assessments and scans in place. "But at the SRD we understand the regulatory requirements that govern payment processors and what kind of scrutiny organizations are under, so we can provide the necessary services and support to help them meet all the security mandates and guidelines," he said.

Cyber thieves stealing from students

In May 2009 cyber criminals hacked into Sanford, Maine-based Patco Construction Inc. and stole $588,000. Shortly thereafter, Patco's attorneys advised the company to sue its bank for not providing adequate authentication procedures.

And now, school districts and other educational markets (trade schools, online universities and so forth) nationwide are being targeted by hackers, who have stolen significant amounts of money from them, according to Melih Abdulhayoglu, Chief Executive Officer of Internet security specialist Comodo Group.

Easy money

"The cyber criminals have spotted a very high value but a very soft target," Abdulhayoglu said. "School districts have lots of money, but unlike business enterprises, they cannot get the best security solutions available. It's a sad, sad day that this is happening. That money we raise for our kids is going straight in the cyber criminals' pockets.

"We don't have to suffer at the hands of [cyber thieves]. And it's the same with the smaller-level merchants like Patco as it is with school districts. They either can't afford or don't know about the latest security solutions available, which makes for an easy target. The Patco case is ongoing, and whoever wins, the lawsuit will still be expensive and time-consuming – and I know both sides will wish they could have prevented it." As of yet, no reports have surfaced of educational institutions bringing suit against their banks for inadequate transaction authentication.

Password plus one

Authenticating consumers' identities and protecting their card data and other sensitive information, such as Social Security and driver's license numbers, are critical to preventing cyber theft. The Federal Financial Institutions Examination Council, charged with prescribing standards for the federal examination of financial institutions, requires that banks and credit unions only allow customers to access their accounts if they use at least one other form of identification in addition to passwords. This is in accordance with The Digital Signature and Electronic Authentication Law passed by the U.S. Congress in 1998.

"Unfortunately, it is difficult to stop a determined thief," Abdulhayoglu said. "But prevention-based software should be our first line of defense in online banking and payments to mitigate risk and make the Internet safer for us all. We have to be vigilant because those thieves are relentless in their mission to siphon off money."

> ***"School districts have lots of money, but unlike business enterprises, they cannot get the best security solutions available. It's a sad, sad day that this is happening. That money we raise for our kids is going straight in the cyber criminals' pockets."***
>
> – Melih Abdulhayoglu
> Chief Executive Officer, Comodo Group

GIVING IT TO YOU STRAIGHT.

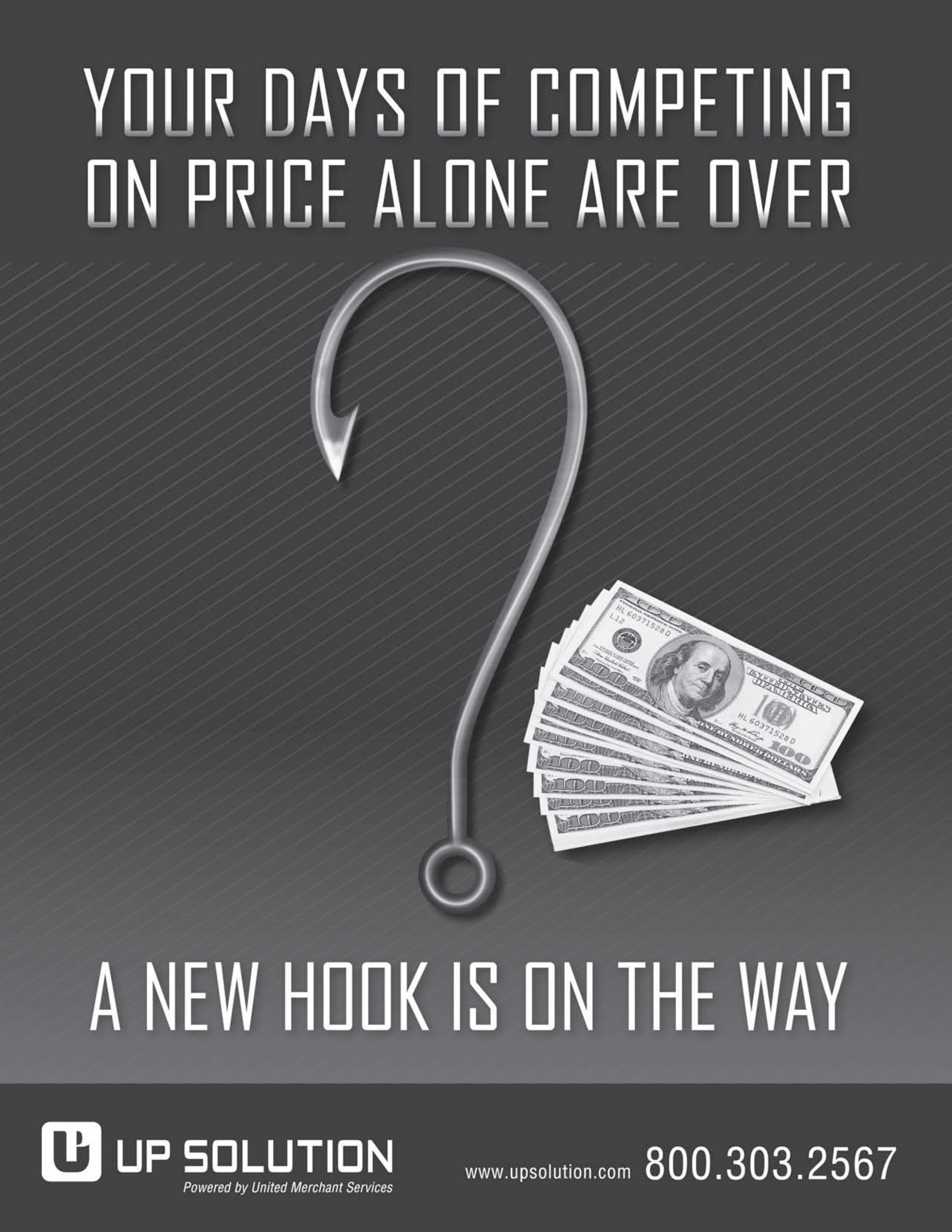
Last year, my 1099 reflected another record year of making income!

The new cost structure is sweeeeeet! I know I'm making the most I can on every deal.

It's been 5½ years for me with Total Merchant Services. There's no stopping me now – I'm looking forward to 20 more prosperous years.

I feel really secure financially, especially during these times of economic hardship.

Last year, I gave my son Tyler a guitar for Christmas. He is my driving inspiration.



YOUR DAYS OF COMPETING
ON PRICE ALONE ARE OVER
A NEW HOOK IS ON THE WAY
UP SOLUTION
Powered by United Merchant Services
www.upsolution.com
800.303.2567

Residuals from page 1

residuals? What if an ISO or acquiring bank or processor can't or won't pay the residuals owed to its sales partners? What recourse would ISOs and MLSs have? The likely answer is none.

The same question of whether and how payments between parties are secured might be asked of the payments industry at large.

One would assume that, in an industry built on the transfer of money, there would be measures to secure its proper exchange wherever it travels; yet, often very little is in place to protect or otherwise guarantee the flow of money between payment organizations. And the residual streams flowing to and between ISOs and MLSs could become jeopardized in the current economic climate.

"Certainly the residuals are the biggest concern," said Ken Musante, Vice President and Chief Sales Officer for payment processing firm Moneris Solutions. "An acquiring bank could lose the ability to pay them out in the event of a receivership situation and same thing from an ISO standpoint with a bankruptcy.

"Once you go into bankruptcy you lose some ability to do what you want with your money; even if you have good intentions, it's up to the bankruptcy judge to say what you can and can't do. The Cynergy case, I think, was a little bit unique in that they went in with a plan."

The flow of money through the payment chain has historically been very reliable, abetted by the long-term financial stability of the industry. But with the economy in recession and bankruptcies accelerating, this flow of money cannot be taken for granted.

"Like all companies within our economy, ISOs are also upon tough times," Musante, said. "Folks need to be careful about who they're doing business with, and now more than ever it's important that you understand your partners so you don't put yourself in jeopardy," he said.

What about bank failures?

One ominous trend has been the rash of recent bank failures. Between 2002 and 2007, the Federal Deposit Insurance Corp. (which is contracted with every nationally chartered bank in the United States) counted a total of 27 bank failures; only three of those happened in 2007. By contrast, 26 banks closed in 2008 alone, and 95 have failed in 2009, as of Sept. 25.

Some of the recently failed banks have been in the payments business. Observers say that, while payment institutions have generally resisted the recession better than most other industries, there has been an overall drop in stability that is likely to continue.

In 2008, Musante was the President of payment processor Humboldt Merchant Services, when First National Bank Holding Co. failed and was taken over by the FDIC. Because Humboldt was a subsidiary of the bank, it was turned over to the FDIC as well.

For a failed institution, an FDIC takeover typically results in one of two things. Either the FDIC determines the held entity is sufficiently lucrative and sells it to the most attractive bidder, or it determines the business isn't viable, whereby its assets are liquidated and the company is dissolved.

The FDIC decided Humboldt's worth "as an ongoing concern" exceeded the value of its assets, so the FDIC held onto Humboldt until it was acquired.

"The FDIC wants to get out of any given [seized entity] as quickly as possible," Atlas said.

"It wants to get in in time so as to stabilize the accounts and prevent complete collapse and a loss of confidence in the system, or the individual institution, and then it wants to hurry and sell those assets to someone else who can do a better job of managing them," he added.

Humboldt operated under the FDIC for several months before a buyer was found, during which time Musante said he learned of the FDIC's "awesome powers." (For Humboldt, whose takeover had a happy ending, those powers were used to curtail expense accounts and force employees to use time cards.)

The FDIC has absolute control over a seized entity, and its authority trumps any existing agreements that company has. It may, for example, not only shut down a company's operations but also immediately void any contracts it has with other organizations. Depending on what the FDIC chooses to do, the takeover of a bank can have consequences reaching well beyond the seized institution.

That could include nullification of residual payments which, because they are not generally in deposit accounts, are only reinforced by private contracts and lack the FDIC guarantee.

"The word I learned was 'repudiate,'" Musante said. "The FDIC is able to repudiate contracts."

The FDIC was founded in 1933 as a way to insure bank account deposits, and since then, no depositor has lost a single cent of insured funds. Until last year, the FDIC insured all bank deposits up to $100,000, but that amount was raised to $250,000 in light of the growing number of bank failures (it is scheduled to return to $100,000 in 2013). The agency is funded by the banks it insures and has never received taxpayer money.

According to payment attorney Theodore Monroe, the FDIC has shown a talent for foreseeing calamity in rescuing banks from full-scale implosions. "If you look at the returns on unsecured deposits, some of these are getting 90 cents to the dollar," he said. "The FDIC is just an extremely well-run organization."

Historically, the collapse of major payments industry institutions has been rare, but not unheard of. AmTrade International Bank of Georgia, for example, was closed in 2002.

The bank lost millions of dollars from loans made to Argentina and other Latin American countries as the economy of South America entered a crisis – "at the world's worst time," according to Monroe. He added that most of the bank's uninsured deposits weren't reimbursed. "AmTrade was very unusual, and that was because those guys were insane," he said.

According to Donna Embry, Senior Vice President of payment solutions provider Payment Alliance International and former senior executive at PNC Bank, the struggles of payment businesses were never more pronounced than in the late 1980s, when the indiscriminate lending of capital (which also led to the notorious savings and loan crisis) caused wide-ranging instability, including the shuttering of acquiring banks.

"A lot of banks in the '80s didn't have enough money to cover their losses, and banks lost their charters," Embry said. "At that time there were a lot of fraud schemes, and there were some bad ISOs that just didn't pay attention to the merchants they were signing up – whether they were fraud merchants, or going out of business or one where consumers were charging things back. And the banks had to stand in for those losses."

Embry added that the profligate spending of that period and resulting instability gave rise to much stricter industry regulations, which have dramatically limited the instances of bank collapses and other major institutional failures since.

"At the card association level, with Visa and MasterCard and those companies, they always make sure that the acquirers or the issuers have enough tier one capital to offset potential processing losses," she said.

"So, in the case of an issuer, they can't extend more credit to consumers than they have assets and capital to cover it. And if they do, Visa shuts them down – they won't let them issue any more cards," she added.

In a general way, the regulatory functions of the card brands have resembled those of the FDIC. Both serve as checks on banking institutions, and both perform functions that are a combination of reactive and preemptive – responding to a failure of some kind but doing so before it gets out of hand.

The card brands have another important regulatory function that relates more directly to the transfer of money between payment parties: They guarantee the daily settlement funds that flow between industry banks and are at the heart of the industry's survival.

"Visa Inc. indemnifies our financial institution customers for any settlement loss suffered due to the failure of a customer to fund its daily settlement obligations," said Visa spokesman Ted Carr. "No material loss related to settlement risk has been incurred in recent years."

Who protects reserve accounts?

Unfortunately, such protection is much less commonly extended to nonsettlement money. This includes residual money, as well as funds held in reserve accounts, whose security is another point of growing concern. Reserve monies are collected by various payment parties for protection from losses due to merchant chargebacks (which require that settlement and residual monies be reimbursed), but some worry that they expose the party posting collateral to risk.

Reserve accounts may be held as collateral by any number of different parties along the payment chain that make payouts on the back-end of a credit card transaction to another business or bank. An issuer may require a reserve account from an acquirer, an acquirer from a merch-

ant, a processor from an ISO and even an ISO from another ISO. With regard to the potential for default on such accounts, it once again appears that ISOs are most at risk.

Unlike residuals, reserve monies are usually stored in deposit accounts, meaning they are at least insured up to $250,000 – which in most cases is enough to cover the entire reserve. Sometimes the reserve exceeds that limit, however, and for several different reasons.

The size of a reserve is supposed to reflect a reasonable expectation of chargeback volume on a given merchant portfolio, and it may exceed the FDIC's coverage limit simply because it ties to a merchant base with particularly high transaction volumes or chargeback rates. In some cases, however, reserve amounts may be excessive owing to shoddy underwriting or poor business practices.

For example, some poorly written contracts call for drawing reserve money indefinitely, leading to reserves that grow out of proportion to a merchant's transaction volume (and exceed the $250,000 protection limit even when it isn't necessary to do so).

Atlas said another risky practice some banks use is to pool their collateral from different entities into a single account, creating a reserve deposit that can reach into the millions of dollars. Atlas added that, while tapping a reserve account to fund anything other than chargebacks is a questionable business practice, the temptation to do so is high. That is particularly true of processors, which are usually in possession of ISO reserve money and which have far fewer sources of capital than banks to draw from in an emergency.

"I would say that with any given processor, its reserve account is probably the biggest piece on their balance sheet of reserve cash," Atlas said.

"There's the day-to-day float that's probably much bigger, but the reserve account is the biggest piece of static money that any given processor has, and I think processors are under enormous temptation to use that money. You're not supposed to – it's like using your rainy day account."

Generally speaking, for the common lack of guarantees backing up the flow of money on payment chains, the best security has long been a prevailing desire among payment institutions to maintain good business practices and uphold their reputations as honest and reliable industry players.

That, presumably, is precisely why Cynergy Data, though bankrupt and given every fiscal reason to do exactly what its ISOs feared it would do, has nonetheless decided to keep funding its everyday operations – knowing full well that not doing so could cause far greater long-term damage than the short-term losses incurred by residual payouts.

And yet, while reputational considerations may, in many cases, be sufficient motivation to do what's fair, in trying economic times, anything less than a legal guarantee of payment might not be enough. The most significant backing for ISOs in particular may be the FDIC, although making sure their different cash flows are insured will require no small bit of tact and maneuvering such as distributing funds among multiple bank accounts.

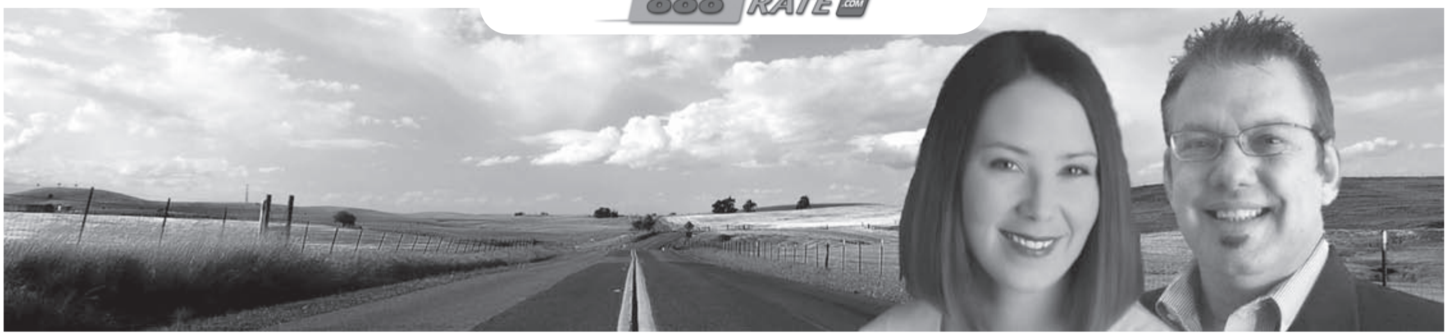
Approached the right way, however, it might be possible to protect virtually all payment money, even residual money, according to Atlas. "I think it can be set up to get residuals in insured accounts," he said. "If ISOs out there want to come with a proposal and the [Electronic Transactions Association] wants to come up with a proposal to insure some of the bits and pieces of money, I'd be happy to work on that on a pro bono basis."

At the 2010 ETA Annual Meeting & Expo in Las Vegas in April, the role of the FDIC in payments is scheduled as a forum topic. For ISOs and others in attendance concerned about the security of payment chain money, finding new ways to insure back-end transaction funds might be something to explore. Of course, why wait until April?

Education

StreetSmarts℠

Proudly presented by



Microbranding

By Jon Perry and Vanessa Lang
888QuikRate.com

The American Marketing Association defines a brand as a "name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers."

We define a brand as the holistic experience people receive from the sensory cues of a product or service. Mouse ears and bitten apple logos conjure up distinct thoughts, emotions and experiences associated with The Walt Disney Co. and Apple Inc., respectively. And when you see an ad for Cinnabon, can you smell the cinnamon? Sensory cues can keep us coming back for more.

A microbrand is a smaller brand that competes for identity and market share through unique and nimble products or services. In the Dallas-Fort Worth area, Moritz is a huge auto dealership. Chevrolet and Lexus are brands; Moritz Chevrolet and Moritz Lexus are microbrands.

In our industry, Visa Inc., MasterCard Worldwide, American Express Co., Discover Financial Services and JCB International Co. Ltd. are brands. Visa and MasterCard do not issue credit cards but rather license their brands to issuing banks.

As a registered third-party agent, the initial $10,000 we pay to Visa and MasterCard affords access to that license; it allows those of us on the acquiring side to use the card brands' logos and post our rates.

Guarding your brand

Whether you're a merchant level salesperson (MLS) in a one-person shop or a Super ISO, nothing is more important than guarding your brand. You can spend an inordinate amount of time developing logos, catch phrases and media; all is for naught if you don't protect your brand.

Education index

Adam Atlas **64**
Tim Cranny **66**
Jeff Fortney **68**
Daniel Wadleigh **72**

Consumers often use Internet searches to learn about companies they may want to do business with. The Internet is such an influential tool that most big-box retailers have employees monitoring what is being said about them.

And new Web sites like Tweetbeep.com enable you to monitor who's tweeting your Web site or blog, even if shortened URLs are used.

The following exemplifies the Internet's power: A friend of ours recently purchased a faulty mattress. He couldn't get anyone at the company to return his calls. He blogged about his horrid experience on his Web site and through Twitter.

Thirty minutes later, a corporate marketing manager phoned him. He assured my friend that the Vice President of Marketing would call shortly. Sure enough, less than one hour later my friend had the VP on the phone, as well as the assurance he would receive a new mattress. Every touch point should be considered when protecting your brand.

People and processes

Lawrence G. Foster was the Corporate Vice President

The Road to Success
3.5¢*
Dial-Up Authorization Cost
2.5¢*
IP Authorization Cost
EARN MORE
CLOSE MORE DEALS
PARTNER WITH A PROVEN INDUSTRY LEADER
RECEIVE WORLD CLASS SUPPORT
*There really is no asterisk. We just included it to make the competition feel better. These costs are available to every new merchant, with no minimum requirements or restrictions.
OK Money Tree...What's in it for me ?
Simple - more money. Close more accounts with our low pricing and optional terminal placement programs. Earn more with our lower costs. Get more done by relying on our sales support team.
VISIT
www.moneytreerewards.com
or call
800.582.2502 ext 2 TODAY!
Money Tree
MERCHANT SERVICES
Money Tree Merchant Services (MTS) is a registered ISO/MSP for HSBC Bank USA, National Association, Buffalo, NY.

As sales representatives or call center agents, we are the brand. Any message communicated in any way is an act of branding. If your Web site and brochures say one thing but your employees another, incongruence exists.

of Johnson & Johnson Services Inc. in 1982 when seven people on Chicago's West Side died mysteriously. Authorities determined that each of them had ingested an Extra-Strength Tylenol capsule laced with cyanide.

It was a human tragedy and public relations nightmare. Most of the news pundits thought certainly Tylenol and perhaps even J&J, the company behind the product, would fail as a result.

Foster said that, at the time, corporate planning groups included crisis management as part of ensuring a healthy business environment, but no such plan could have sufficiently tackled the Tylenol poisonings because of the magnitude of the tragedy.

So, J&J turned to its credo, which stresses the importance of J&J's working for the public interest. "It was the credo that prompted the decisions that enabled us to make the right early decisions that eventually led to the comeback phase," said David R. Clare, President of the company at the time.

The public and medical community were alerted to the crisis, the U.S. Food and Drug Administration was notified, and production of Tylenol was stopped. In essence, J&J's credo prioritizes management's attention as follows:

1. Doctors, nurses and patients, including mothers and fathers and all others who use J&J's products and services
2. Employees – the men and women who work with J&J throughout the world
3. Communities in which J&J employees live and work and the world community as well
4. J&J's stockholders

From its credo, J&J knew its first and primary focus should be on those who used the products; employees came second and communities third. After that, it would consider its responsibility to stockholders and making a profit.

There is much to be learned from the Tylenol crisis. Business focus, honesty, integrity and leadership took what would have crushed most companies and made it into what has become a positive public relations case study.

We are the brand

As sales representatives or call center agents, we are the brand. Any message communicated in any way is an act of branding. If your Web site and brochures say one thing but your employees another, incongruence exists. Every consumer touch point is a building block, and each complements the microbrand message.

Many merchant services companies have lost customers when minimum-wage call center agents have responded, "I'm sorry, but that's our company's policy."

In his best selling book *Rich Dad, Poor Dad*, co-written with Sharon Lechter, Robert Kiyosaki states, "Whenever you feel 'short' or in 'need' of something, give what you want first, and it will come back in buckets.

That is true for money, a smile, love, friendship. I know it is often the last thing a person may want to do, but it has always worked for me. I just trust that the principle of reciprocity is true, and I give what I want."

Kiyosaki's message resonates in sales as well. On GS Online's MLS Forum one post stated, "I am getting frustrated messing around with tiny merchants that don't seem to be worth my time." In response, Desdinova posted, "Do you know where I got my three big restaurants today? They were referred from a guy who drives a smoothie truck and does a few thousand a month. You never know where the next million dollar deal is going to come from."

How true. Many of our largest customers have come from the referrals of smaller ones. Showing respect, concern, appreciativeness and positivity is contagious.

When Jon lived in a neighboring city, he had an incredible dry cleaner. When he pulled up to pick up his laundry, his clothes were pulled out and racked before he entered the store. If a button was missing, it was fixed. Each employee had a smile and greeted Jon by name.

At a social event, Jon met another dry cleaner who said he could save Jon almost 25 percent on his dry cleaning. But Jon wasn't interested in saving money; he was interested in impeccable and personalized service. Each of us wants to build a portfolio in which merchants feel the same about our service.

In the same thread on the MLS Forum, another member commented, "I applaud you for your ability to offer the same level of service for any type or size merchant, but … in my experience this only works when you have anywhere between 100 to 400 merchants.

"When you get to the 1000s, the whole picture changes, and the profit picture gets blurry. However, this is exactly what I preach to my reps, who should only have a maximum of 350 merchants so they can provide the highest level of service. But for the ISO to do this for thousands of merchants is difficult at best."

We disagree. If your microbrand message is clear and cohesive – from your call center to risk management to the sales team in the field – any organization can offer scalable, world-class customer service.

When this cohesion fails, the blame rests on the shoulders of management. Pre-employee screening for temperament, sufficient initial training, ongoing training and management's personal involvement make good companies great.

The giving season

As we approach the holidays in the worst economy since 1930, look for opportunities to polish your brand by giving back to the community. When people see you for who you are rather than what you sell, you will sell more.

Next month a bank president who is a good friend of ours will take off two weeks from work. He won't be going on vacation, but rather spending those weeks in service to the community. Yesterday, over lunch, we committed to volunteering together at the weekly dinner for the homeless in Fort Worth.

Each of us has a talent or hobby about which we are passionate. Convert that talent or hobby into a microbrand asset. Perhaps you enjoy dancing, woodwork, automobile repair or computers.

Help out with youth, seniors or any program that needs those skills. The recipients of your help will remember your name and what you do.

Microbranding involves every touch point where a potential or existing customer receives a message. There is no better message than selflessness through volunteering.

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.

Legal ease

Reserve accounts and processor meltdowns

By Adam Atlas
Attorney at Law

My clients have been asking questions lately about the fundamental architecture of our payment system. They want to assess the possible outcomes of various processor disaster scenarios.

This article presents some basic building blocks of the payment system so that you, as ISOs and merchant level salespeople (MLSs) can make informed decisions about how to manage your business in difficult, risky times.

Allocation of risk

Of utmost importance in our industry is the ability to correctly allocate risk. Beginning with credit card issuers, which have the difficult underwriting duty of deciding how much credit to extend to cardholders, and continuing to credit card acquirers, which are tasked with deciding the amount of funds to release to merchants, the most valuable expertise is the ability to correctly allocate risk.

In every relationship – from the cardholder to issuing banks, card companies, acquiring banks, merchants, acquiring processors, ISOs and MLSs – parties negotiate the allocation of risk.

A payment professional's relationship with his or her acquiring organization is but one of several relationships carrying the risk for any single merchant or transaction. Everyone wants to avoid being the fall guy.

However, for the right price and with the right underwriting ability and expertise, an ISO can assume the risk of merchant chargebacks, fraud and other losses.

When entering into an ISO or MLS agreement, reflect on which part of the risk you are assuming. You should never be surprised to pay for liability you've agreed to carry.

Reserve accounts

Effective underwriting means a lot more than defining who you're doing business with. It also requires you to decide how much credit you are willing to extend your business partner. For example, what percentage of a merchant's daily settlements will be held back for reserve in a reserve account?

All funds sent to merchants are credit for that merchant until the risk of chargebacks on the underlying transactions is extinguished. That risk can extend as much as six months or more in some cases.

Experience and history have caused the current market to inherit an architecture that includes reserve accounts in many relationships.

Reserve accounts are customarily maintained as a fixed percentage of the aggregate volume going through the relationship; however, some unreasonable reserve accounts set aside a certain percentage of each transaction settlement.

This kind of reserve account grows exponentially and eventually bears no real connection to the volume of processing between the parties.

If a reserve account like this is maintained for you, enter into a discussion with the party maintaining this reserve in order to adjust it so that it becomes a floating amount tied to the relationship's aggregate volume.

Processor reserve

A processor, meaning a super ISO that has been delegated high-level responsibilities by the acquiring bank, including capturing transactions, authorizing transactions and settlement of transactions to merchants, is required by its acquiring bank to maintain a well-stocked reserve account with the acquiring bank.

This reserve account is usually created at the genesis of the relationship between the processor and the bank. A reserve account at this level, like all other reserve accounts, is a function of the volume of the transactions processed and the level of risk the bank attributes to merchants the processor is boarding.

Except in extremely high-risk processing relationships, the reserve account is always, at most, a small percentage of the aggregate volume the processor processes through the bank. The processor reserve is drawn upon when the processor has liabilities to the bank that the processor is unable to fulfill.

If the processor goes bankrupt, the bank will likely seize the reserve because it will probably have a security interest or lien on the reserve account. The bank will likely make sure that its lien on the reserve account ranks ahead of the liens that may have been created by other creditors of the processor such as lenders, investors and shareholders.

ISO reserve

The purpose of a reserve held by a processor out of ISO residuals is the same as that of the reserve held by the acquiring bank from processor receipts.

The processor needs to have a bare minimum of "insurance" against a scenario in which the ISO incurs a large liability to the processor that it is unable to fulfill on account of bankruptcy or some other financial problem.

The existence of ISO reserves is attributed primarily to processors' fears that ISOs will run into financial difficulty. In today's economy, however, ISOs are worried that their processors may go bankrupt, which may place their reserve accounts in jeopardy.

A processor's dipping into its ISO reserves to finance its day-to-day expenses would be extremely risky, if not downright suicidal. However, some processors might not be able to survive without taking on excessive, even self-destructive risk.

Merchant reserve

Like other reserves, the merchant reserve is maintained to mitigate the risk of merchants causing losses by, intentionally or unintentionally, processing transactions that result in losses to the acquiring organization that the merchant is unable to cover with cash on hand.

An important distinction exists between the ISO reserve maintained by a processor and the merchant reserve maintained by the acquiring bank.

In the custom of our industry, the funds in the merchant reserve account belong to the merchant and must, provided the merchant has no liabilities to the acquiring bank, be paid out to the merchant no later than 180 days following termination of the merchant agreement.

When a merchant terminates his or her relationship with an acquiring bank, provided that the risk on the account has been mild, the bank often remits as much as half of the original reserve less than 160 days following the termination.

The card brands have strict rules concerning who may, at various points in time, be in possession of merchant funds relating to payment processing. Those rules often prohibit any party other than the acquiring bank from being in possession of those funds.

In contrast, the rules do not require ISO reserves to be maintained under any particular regime. Consequently, and distinct from the merchant account scenario, ISO reserves may be in control of unregulated and intrinsically less secure entities than the acquiring bank; namely, the processor.

Shared information

ISOs should take serious interest in the size and location of their own and their merchants' reserve accounts. Without infringing on the privacy of an acquiring organization, an ISO may, for example, request an acquiring processor or bank to provide independent assessment of the reserve funds relating to the ISO and its merchants, as well as the general condition of the processor reserve compared with its overall volume.

In a perfect world, ISOs would see these digits live on their desktops through a widget or other application. Reading the amount of the reserve on a monthly statement is comfort to some, but not to all.

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

Education (continued)

Digging into PCI – Part 3: Protecting stored cardholder data

By Tim Cranny
Panoptic Security Inc.

In this installment of a multipart series, I will drill down on what is probably the most critical section of the Payment Card Industry (PCI) Data Security Standard (DSS): protecting stored cardholder data. I will discuss what the issues are, where the greatest challenges will be in practice and what can be done about them.

The third of the 12 PCI requirements is titled "Protecting Stored Cardholder Data" and is the first half of the section "Protect Cardholder Data" (the second half, to be dissected in my next article, talks about protecting that same data while it's in transit between computers).

While this is one of the most important sections of PCI, and the one where failures can have the most disastrous effects, it is fortunately not quite as technically demanding or complicated as the first two PCI requirement sets, and the challenges here can often either be avoided or solved more simply than the preceding ones.

The demands of Requirement 3

The focus of Requirement 3 is on stockpiles of cardholder data held by merchants (or processors, and so forth). These are an incredibly attractive target for thieves and hackers because the payoff can be enormous (huge volumes of data can be easily stored), merchant defenses are often weakest in this area and the attackers rarely need to do any highly demanding technical tricks such as on-the-fly interception of transactions.

To avoid widespread loss of cardholder data from attacks on stored data, Requirement 3 demands that merchants:

- Minimize the data they store (both the type of data and the amount), including *never* storing certain types of information such as the verification codes, PINs or encrypted PIN blocks

- Make sure that Primary Account Numbers (PANs) are not displayed or printed unnecessarily (for example, on receipts or in payment applications)

- Make sure that whenever sensitive cardholder data is stored, measures are taken to prevent outsiders from accessing that data improperly. This last phase of the requirement quickly becomes focused on encryption (because that is the most standard approach to protecting data at rest), but alternatives are also discussed such as truncation of PANs (that is to say, using and storing only the last four digits of account numbers, et cetera).

The challenges of Requirement 3

There are several challenges associated with complying with Requirement 3. These include:

- The direct challenges of implementing the encryption requirements laid out in the requirement.

- Dealing with the potential business disruption that can come with reducing data storage and encrypting the data. Merchants need to consider such questions as, Does my business currently use this stored cardholder data for customer relationship management or for managing chargebacks? What applications would be broken by this change? What other processes would need to change?

Note that I did not list the technical challenges of encrypting data as one of the main obstacles. This is because encryption is an area of technology in which almost no one, and certainly not merchants, should be trying to do anything too original or different.

With today's technology, merchants (and others) can and should treat cryptography as a tool to be applied, not as something that demands originality or high-tech skills.

Regarding implementation of encryption, most of the time merchants' biggest challenges will not be with the encryption technology itself, but rather with the procedural issues that come with it.

Requirement 3 devotes considerable space to talking about what are called "key management" procedures, and while these steps are not particularly complicated, they are new and strange to most merchants.

The point about business interruption is a clear example in which information technology security issues need to be considered in the broader business context: It's not just about technology; it's always about how technology impacts business operations.

What merchants need to do

For Requirement 3, more than any other section of PCI, merchants should try very hard to avoid the issues I just mentioned rather than defeat them. This means merchants should do everything possible to avoid storing customers' PANs or other sensitive card information.

Storing this type of data will always make merchants' lives significantly more risky and will always make their PCI burdens far more awkward and expensive.

The simplest way to see this is to look at merchants' Self-Assessment Questionnaire (SAQ) burdens: A merchant who stores cardholder data electronically is immediately dropped into the longest and most painful SAQ version, SAQ D, which leaves them with hundred of questions to answer when they might otherwise have only had to worry about a few dozen.

The first step in addressing Requirement 3, and one that too many merchants ignore, is for merchants to investigate their own systems to get clear insight into where they actually stand today.

- Do they know every place where their systems might be storing cardholder data?
- Are their payment applications or devices certified?
- Can these systems be misconfigured to store data without their knowing it?

Until merchants answer these questions, it's almost impossible for them to do the right thing, but once they do know the answers, it's at least possible to make correct, informed decisions.

The next step is to minimize the size of the issues that arise by reducing the volume of data stored to the absolute minimum.

Zero stored data is preferable, but every reduction is valuable: Losing 1,000 credit card numbers is bad, but it is a lot better than losing 10,000.

Only when that reduction has been made should merchants look at the next step: using encryption or something comparable to protect the data that is left.

The good news for merchants is the need for encryption has been around for a long time (since long before the PCI DSS was created), and there are plenty of products out there that do what is needed.

The best approach is to find a widely used encryption solution that fits a given merchant's specific business requirements and use it in the recommended way, paying attention to the procedural requirements as well as the technical ones.

What to do for your merchants

When I discussed the earlier PCI requirements in previous articles, it was clear that merchants would need significant, highly technical and merchant-specific help, making those issues very tough for ISOs and others to handle properly.

Requirement 3 is more important but a little easier to handle, since what merchants need here is less specific and entails more general PCI guidance such as help with setting priorities.

As always, though, ISOs, merchant level salespeople and other service providers need to provide their merchants with the necessary assistance or partner with a specialist security company that can provide it.

Doing so can turn PCI compliance from a stressful problem into a way for ISOs to deliver a highly visible value-add to merchants.

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.*

A practiced approach

By Jeff Fortney
Clearent LLC

There is an old story about a couple lost on a New York street. They check their maps and finally decide they had better ask for directions. They approach a gentleman reading a newspaper on a bench, and they ask, "Excuse me, can you tell us how to get to Carnegie Hall?" Without looking up from his paper, he responds, "Practice, practice, practice."

His response could apply to the question, How do I become a successful merchant level salesperson (MLS)?

Sales is as much an art as a science. The best artists all practice, and the best of the best typically practice more than the others. However, most MLSs will tell you they practice very little. In fact, most would tell you they learn by doing. Sadly, the results of this approach usually aren't positive due to its inherently long learning curve and repeat errors, which often have a negative monetary impact.

Thousands of programs teach people how to sell, but few teach salespeople how to practice. Yet effective practice can make an average person better and an above average person great.

Go from so-so to superb

The following steps can help you develop solid practice skills and increase your effectiveness:

- **Identify your strengths and weaknesses.** The most common error in practice is to practice only what you do well. The difference between mediocrity and excellence is the ability to magnify your strengths while minimizing your weaknesses.

  One simple way to identify these areas is to make a list of activities, and next to each write either "comfortable" or "uncomfortable," based on how you feel when doing that activity. Be specific. Don't list sales calls as an activity. Break it down to cold calling, referral calling, meeting face-to-face or telemarketing.

  Then add a third column, and write "successful" or "unsuccessful" after each activity. You may feel comfortable doing an activity, but not find success. Or you may be uncomfortable at an activity, but be successful doing it.

- **Build a practice plan.** Create a new list and classify each activity in these combinations: comfortable/successful (C/S), uncomfortable/successful (U/S), comfortable/unsuccessful (C/U), and uncomfortable/unsuccessful (U/U). These will identify where you should concentrate your practice. You want to amplify what you do well and improve what you don't do well.

  The U/S and C/U categories should account for 70 percent of your practice time. Spend the remaining time on the other two, always finishing with C/S.

  Your practice can't consume your full day. Therefore, your practice must be limited to a finite period, ideally never more than one hour a day. Thus, it is better to concentrate on making the U/S comfortable, and the C/U successful.

  In these two areas, you are demonstrating some skill, but you need improvement. By focusing on them, you will see faster results.

  Your practice must consist of actions that are repeatable, measurable and improve what you need to improve. For example, if you have identified telemarketing as a U/S activity, it is prudent to record several calls, listen to them and identify what makes you feel uncomfortable. Is it your opening? If so, script a new one and practice it in front of a mirror. Watch your body language. (This works well for face-to-face cold calling, too. A mirror is a valuable tool for practice.)

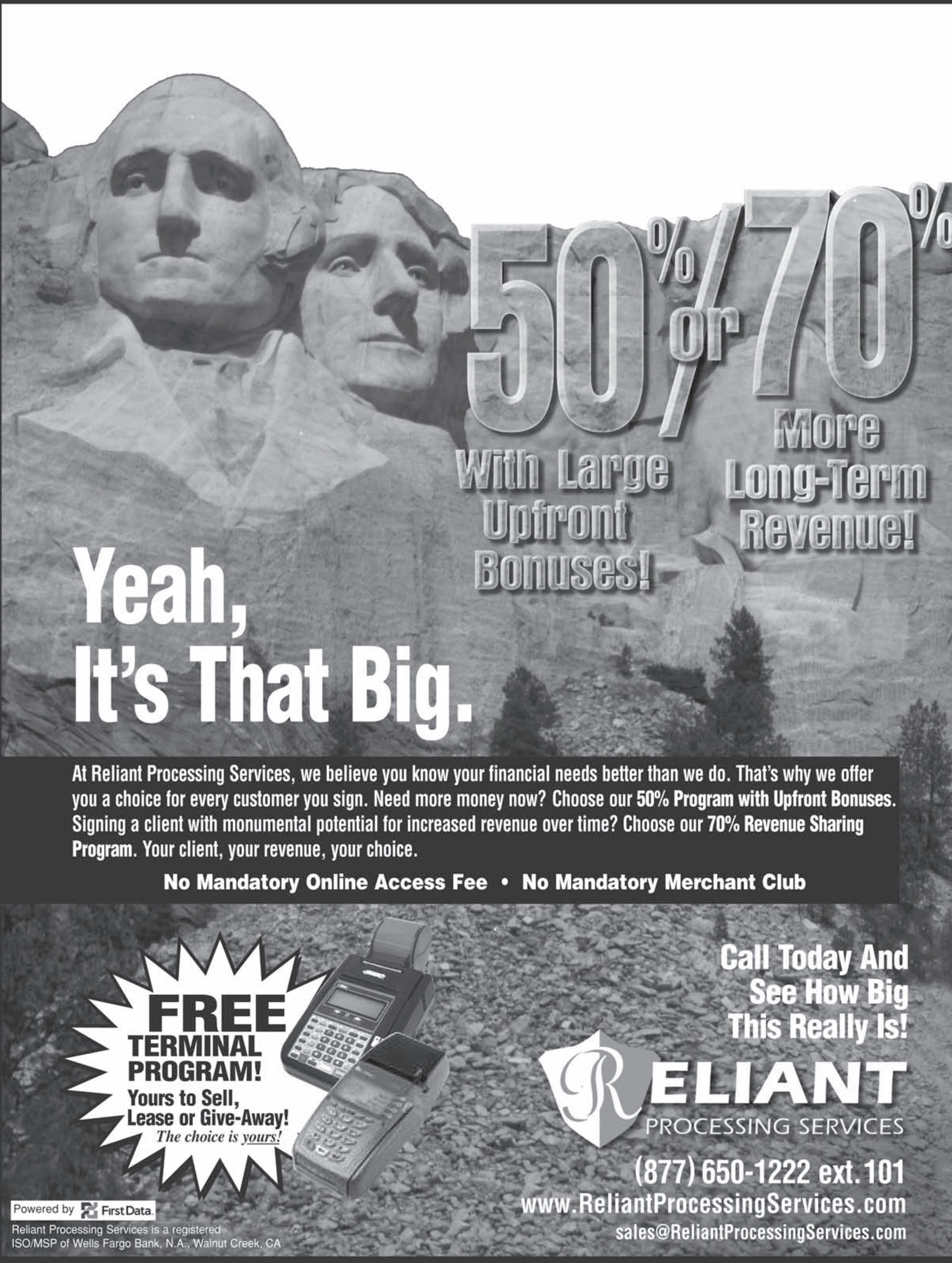
  Be creative. An exercise doesn't have to mirror an everyday activity. For example, to practice listening skills, try this: Memorize a song by listening to it, not singing it. Listen, memorize the words and then write the words down. Don't write the words until you have memorized the whole song.

  Start with a simple song and move up to those that are hard to understand. Then, after you are confident that you have it, look up the words on the Internet to see how well you did. Do this exercise until you can comprehend and accurately repeat the words you hear.

  This works because it forces you to listen to what is said, not to the sound of the music – and to retain the meaning without using notes. You are forced to concentrate on the message received and temper the urge to interject. When you can master a rap song, you will have mastered the ability to listen.

  Devise other exercises using a similar approach. And remember, always finish by practicing what you do well; it leaves you on a positive note.

- **Find a mentor to help design your practice plan.** Even the best musicians have teachers who aren't afraid to push them to improve. These teachers


50% or 70%
With Large Upfront Bonuses!
More Long-Term Revenue!
Yeah, It's That Big.
At Reliant Processing Services, we believe you know your financial needs better than we do. That's why we offer you a choice for every customer you sign. Need more money now? Choose our 50% Program with Upfront Bonuses. Signing a client with monumental potential for increased revenue over time? Choose our 70% Revenue Sharing Program. Your client, your revenue, your choice.
No Mandatory Online Access Fee • No Mandatory Merchant Club
FREE TERMINAL PROGRAM!
Yours to Sell, Lease or Give-Away!
The choice is yours!
Call Today And See How Big This Really Is!
RELIANT PROCESSING SERVICES
(877) 650-1222 ext. 101
www.ReliantProcessingServices.com
sales@ReliantProcessingServices.com
Powered by First Data.
Reliant Processing Services is a registered ISO/MSP of Wells Fargo Bank, N.A., Walnut Creek, CA

Sustained practice isn't easy. Guitarists can develop calluses from practice, even blisters, but they know the effort has value.

develop practice plans to help their students get better.

Processing partners can be a source of trainers or mentors. Choose your processing partner by the support the company offers – and not just the training. Make sure you have access to individuals who can serve as your mentors. Their value should be factored into your choice of partners, as they can – and will – help you grow faster.

A good mentor will tell you whether an exercise has value, if you need to work on specifics, whether you have drifted from your plan and if you have developed bad habits. If your mentors don't do this, ask them why or find others who will.

- **Develop a practice routine and stick to it.** Practicing is like dieting; it only works if you do it all the time and do it right. And, also like dieting, if you quit, its effectiveness diminishes.

Baseball players take batting practice every day. Professional golfers spend time every day at the driving range or the putting green. Practice is an integral part of their work day. They recognize that the effort put into practice will result in more success.

Set aside the same time every day to practice, if possible, and stick to it. Book it on your calendar as if it's an appointment.

Work for rewards

Sustained practice isn't easy. Guitarists can develop calluses from practice, even blisters, but they know the effort has value. You won't develop calluses following your practice plan, but you will derive value. And when people ask you how you got to be so good at what you do, your answer will be simple, "Practice, practice, practice."

Jeff Fortney is Director of Business Development with Clearent LLC. He has more than 12 years' experience in the payments industry. Contact him at jeff@clearent.com *or 972-618-7340.*


STRENGTH. STABILITY. SPEED.
» EQUITY COMMERCE...
Powered by world-class service...
delivering safety and security in the rocky terrain of today's economy.
Gear up for an epic ride...
true 80/20 revenue share program, quick credit approvals,
dedicated support, innovative programs and pricing
Contact Equity Commerce today to learn more about our agent program.
866.790.3995, X 203 | sales@equitycommerce.com | www.equitycommerce.com
Equity Commerce L.P. is a registered ISO/MSP of Harris, N.A., Chicago, IL
EQUITY
COMMERCE, L.P.®
The Leader in Payment Processing

Education (continued)

Revving up business with profit-controlled marketing

By Daniel Wadleigh
Marketing Consultant

Even in today's challenging economic environment, a number of ways exist for you, as ISOs and merchant level salespeople, to effectively generate first-time customers and expand revenue derived from your existing client base.

Forget about discounts

None of these methods involves relying on discounts; that's why I call my approach profit-controlled marketing.

People want to save more than money. It's value that counts, and you can provide added value without shaving profits. In every downturn, businesses that comprise the fat part of the Bell curve stop spending money on advertising.

Nevertheless, consumers still make purchases even though their priorities may have shifted, and merchants continue to need our products and services. Whoever is prepared to take advantage of opportunities in this type of economy can capture market share.

Reach out with high-value offers

Here are four steps to help spark profitable, new sales:

1. **Frequency:** Start using your e-mail program to send "frequency" notices. This means sending offers such as, "If you buy our effective package of goods more than once, we will throw in a __________." (Fill in the blank with something appealing to your target customers.) Be sure to explain why it is a good idea for your customers to take you up on this offer.

   Notice that I did not mention a discount. Make the throw-in something that ties to your target market. Pick something that is low cost to you and is of high value to your base. (I once won a free TV because I was among a group who paid their rent on time.)

2. **Urgency:** This pertains to your throw-in, sometimes called a takeaway. Let your prospects know your supply of gifts is limited through a message like, "We only have three of these __________ left; call today, and we'll even throw in a __________." Once again, the gifts must have perceived value for your target market.

3. **Loyalty:** Emphasize loyalty by telling recipients of your e-mails that the offer is only going to your loyal customers, and ask them to respond by a specific time to get their free gift.

   You can also emphasize loyalty by providing a coupon and asking, "Send us a friend with this coupon, and you'll get a __________ just for making the referral."

4. **Time:** Saving money isn't all that attracts responses. The normal 25 percent of prospects who only want lower prices may be up to 35 percent now, but that is still not even 50 percent.

   If you can save potential customers time and grief, especially if you have a preventive service, a significant number of them will view this as a strong asset. Market it as such.

I sold ground source heat pumps one summer in Washington, D.C. At the time, traditional HVAC systems only lasted about eight years but cost less than ground source heat pumps, which lasted 30 years and had fewer repairs.

So, offering the option of financing, my pitch was, "The savings is greater than the payment, and you reduce noise, improve indoor air quality, get free pool heating and don't have to shell out $7,000 twice over time."

The key was to show in a chart spanning 30 years the estimated annual costs of repairs and the eight-year replacement costs. I sold a lot of those heat pumps, mostly to new construction projects.

Persist and prosper

If you have any service or add-on product that reduces grief or saves time, play that card; if you can offer prizes for repeat business, do so. While not all people will respond, enough will if you show them the benefits of signing up with you. If possible, lock in regular customers with additional loyalty and frequency benefits.

The point is to never collapse and give away your profits. Look for other added values and promote them, give away "referral cards" and "first-timer cards" and milk your existing clients.

And, as always, do not deceive or exaggerate.

Daniel Wadleigh is a veteran marketing consultant in the payments industry. He offers an educational program that is available on a PowerPoint presentation and designed to help ISOs elevate themselves above the competition. For more information, please call him at 512-803-0956.

Research rundown

Our industry is replete with white papers, survey findings, and research and analysis published by an array of expert advisories, consultancies and other qualified organizations dedicated to the payments space.

These publications contain current, in-depth data that can help the feet on the street identify new opportunities and adapt business strategies as the industry evolves. To spotlight this information, *The Green Sheet* is introducing "Research rundown," a recurring feature highlighting the many jewels found within these resources.

Security still slack

Security solutions provider Imperva Inc. and financial services research firm The Ponemon Institute conducted a survey of more than 500 U.S. and multinational information technology (IT) security practitioners in August 2009 regarding compliance with the Payment Card Industry (PCI) Data Security Standard (DSS). The survey found that:

- 71 percent of companies admitted to not making data security a top priority, yet 79 percent have experienced a data breach involving the loss or theft of card information.
- 55 percent said they secured credit card data but not other sensitive information such as Social Security numbers, driver's license numbers and bank account details.
- 60 percent reported insufficient resources necessary to comply with the PCI DSS.
- Only 28 percent of companies with 501 to 1,000 employees are PCI compliant, as opposed to 70 percent of companies with 75,000 or more employees.

To coincide with the Oct. 31, 2009, deadline for submitting input for revising the PCI standards, Imperva recommended that the PCI Security Standards Council:

- Devise a compliance logo that helps companies articulate their security efforts to consumers and leverage their investments in PCI compliance to gain a competitive advantage
- Modify compliance needs for larger and smaller companies, taking into account different environments and security needs

For further details, visit *www.imperva.com* or *www.ponemon.org*.

Credit union configuration

Research and advisory firm Aite Group LLC released a report in August 2009 that examines the challenges and opportunities faced by credit unions in the current economy. The report said there are approximately 7,905 credit unions nationwide. Of those, 82 percent hold less than $100 million in assets; U.S. credit unions combined have almost $900 billion in assets.

Credit Unions: Gearing Up for Success is based on a July 2009 survey of 93 U.S. credit unions done in cooperation with the Credit Union Executives Society. It analyzes the evolution of the credit union model and how these institutions must continue to leverage new opportunities.

Following are key points Aite noted:

- 70 percent of survey participants said they were challenged by loan delinquencies and chargeoffs as a result of the recession.
- More than 85 percent of credit unions have increased deposits over 2008 totals; 70 percent have attracted new members from larger banks.
- 69 percent stated that mergers and acquisitions are part of their strategic plans for 2010 and beyond.
- Baby boomers and seniors comprise more than 50 percent of a credit unions' member base; 18 percent of people in Generation Y don't know what a credit union is.
- 90 percent of credit unions reported 2009 IT spending to date of more than 5 percent over 2008 IT budgets.

Aite's research found that, although credit unions are increasing their membership, many are still not considering such products and services as general purpose prepaid cards, branded gift cards and international money transfers. Aite recommends these institutions do the following to modernize their businesses:

- Implement new programs that demonstrate the value-added services credit unions offer to differentiate themselves from larger financial institutions
- Focus greater attention on changing membership demographics
- Broaden product portfolios to better compete with larger financial institutions
- Make greater use of business process outsourcing

Health care confusion

In September 2009, Aite published *Health Care Payments: An Issue Potentially Under the Industry's Control*. The report noted that U.S. health care was a $2.2 trillion market at the time of publication and is expected to grow to $4 trillion by 2016. The report also found the following:

- In the health care market, 49 percent of payments were made through Medicare or Medicaid, 40 percent by private health insurers, and 11 percent by consumers via cash, check or card transactions.
- 60 percent of transactions in the health care industry are still manually processed.
- A shift is occurring in the industry toward updating technology to streamline payment systems and provide transparency in pricing, to enhance efficiency by reducing manual processes and increasing automation, and to improve service quality.
- In 2008, the health care industry accounted for one-sixth of the U.S. gross domestic product.

According to Aite, the shortage of educational support, complexity of solutions and lack of market knowledge have created a "bad taste" among those in the health care provider community. This has led to low interest and adoption rates among small and mid-sized providers in automating their back-end settlement processes.

Aite strongly recommends that industry stakeholders "validate different methods of payments and set standards of best practices to lessen the confusion around an already complex environment."

For more information, visit *www.aitegroup.com*.

10 years ago in The Green Sheet

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

The Green Sheet

Member WPA Western Publications Association http://www.wpa-online.org

October 4, 1999

Issue 99:10:01

Dot Com

TASQ Technology has entered the virtual world. In addition to providing POS equipment, inventory management, ATM sales and support, merchant software, along with leasing and rental programs, TASQ now offers Tasq.com, a Web merchant mall. Tasq.com was introduced at the ETA in August and ISOs can begin selling storefronts on Tasq.com today.

The goal of Tasq.com is to provide acquirers with an end to end solution to create virtual storefronts that provide a payment gateway for secure electronic transactions while also supporting the merchant and promoting their products. The site, located at http://www.tasq.com currently has 11 merchants live (including Bonney and Gordon, Hamilton's Jewelers, and Music Empire) and has 90 more stores under construction.

Tasq.com is not just an opportunity for merchants to sell products. It is an opportunity for ISOs to earn increased profits by selling their merchants additional services. According to Jami Mandel, Vice President of Marketing, selling a merchant a Tasq.com storefront can be compared to leasing that merchant equipment. The equipment (the Web site) is available through the manufacturer (Tasq.com). No ISO/processor relationships or agreements need to be in place.

It Looks Good, What Can It Do?

A storefront at Tasq.com is not just a pretty picture and phone number posted on a static Web site. It is real-time, online payment processing at the click of the mouse. Some of the merchant benefits and ISO selling tools of Tasq.com include:

✔ **Secure Payment Processing:** Currently, Tasq.com shoppers can pay by credit card or be invoiced. Tasq is also investigating checks and other alternative payment options. If your merchant does not accept credit cards, or wishes to give their customers the option of phone orders, that can be accommodated as well.

✔ **Support Services:** Tasq.com's services include a marketing desk that supports ISOs in the field; a designer desk that assists merchants in building their stores; and a help desk that helps merchants change their products or pricing, and generates back end reports.

✔ **Promotions:** Tasq.com provides merchants with customized brochures, window stickers, and promotional pieces to place at their brick and mortar locations to promote their Web store. Merchants can also provide their

E-Commerce Consumer Process

Credit Card Secure Transaction

Transaction Server

Authorization Request

Internet

Consumer Receipt

TASQ.com web server

Processor

Authorization Response

Consumer

Inside This Issue

Dot Com 1
The Rewards of Membership ...4
The Resource Guide 6
IVI in the News 9
Hypercom Expands Security ...9
Musical Chairs 11
Finance 101 12
That Check Just Won't Go Away 12
Standard Practice 13
Company Profile 13
What About My Company? 18
The Dr. is In 19
In the Red 21
Ladies First 21
Legal Factoid 22
Pay Day 22
Conquer 25
Letters to the Editor 26

The Green Sheet was 28 pages.

Taking e-commerce to Tasq

Tasq Technology Inc. created a Web site to help merchants build virtual storefronts, and merchants needed no technical expertise to use the site. Features included secure payment processing, support services, promotions, advertising and live data. Storefronts incorporated preferred shopper accounts, site search and history functions.

Problematic check colors

The Green Sheet encouraged sales agents offering check guarantee or verification services to advise their merchants not to accept red or dark-colored checks. Those colors were problematic for banks' scanning equipment and sometimes resulted in returned check and collection fees. Many banks accepted such checks, and others written in red or light-colored inks, on an "on collection" basis only.

Hypercom added security biz

Hypercom International (now Hypercom Corp.) acquired the Financial Terminal division of International Computers Ltd. (now part of Fujitsu). "This acquisition strengthens our expertise in smart cards and security, provides us with an in-region development and service partner, a strong entry into the Nordic region and access to products for those markets that require very highly secure products," said Jairo E. Gonzalez, President of Hypercom.

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

NewProducts

Gateway as a service

Product: paymentAccess

Company: paymentAccess

With the advent of e-commerce, the term "gateway" has taken on new meaning. No longer simply the portal between a store's POS network and its processor, Internet gateways are the POS.

According to paymentAccess founder and President Allen Kopelman, the most accurate description of what is commonly called a gateway in the payments industry is software as a service – although that term never caught on in the same way. Subscription to paymentAccess, for one, does indeed entail access to numerous payment services through a user-friendly software program.

The convenience of POS software

With computer-based POS systems being used in place of conventional terminals, one central benefit is the consolidation of different payment-acceptance mediums. PaymentAccess reportedly integrates phone, computer and in-person POS capabilities – making it simple for merchants that use different sales avenues (for example, both a physical store and online shop) to accept transactions through multiple channels.

"A lot of times people have separate gateways, but with our software it's all in one," Kopelman said.

In a number of ways, the service makes payment acceptance set up and operation a lot easier, according to the company.

For one, it addresses the always difficult issues of data security and Payment Card Industry Data Security Standard compliance by routing all customer data away from merchant databases – where it tends to be most vulnerable – and to an external server run by paymentAccess.

Merchants still have access to that data, though such access is limited to ensure security while still allowing retailers to perform necessary functions like chargebacks and recurring billing.

For example, merchants can only access the last four digits of credit card numbers from old transactions, and all of the data a merchant can see is viewed on the gateway's server; it never crosses into the merchant space, where hackers usually feast.

For merchants concerned about employees accessing sensitive data, a feature in the software allows merchants to limit what employees can view; each employee is given a name and password to access the system, and the degree of access each account is afforded can be individually tailored.

"Each gets their own separate login," Kopelman said. "If a business owner doesn't want them to see reports or how much money is moving through the business, or wants them to be able to just process transactions, they can do that."

Data remembered

For repeat customers, paymentAccess streamlines the purchasing process through the storage of payment data on its server. Customers who are not swiping cards to initiate transactions must enter their full payment data a single time and create a user name and password at that time; for subsequent transactions, customers need only enter in their name and password, and all of their payment data is automatically plugged in.

Customers using multiple payment cards can simply add new cards to their existing profiles and select any of their registered cards for any given transaction.

For the merchant, reams of customer data – including transaction histories divided into old and pending transactions – are automatically stored and can be "exported" to a spreadsheet for easier viewing and organization. For merchants requiring help with the gateway software, a live help feature allows them to chat instantly with a paymentAccess technical representative through online instant messaging.

Kopelman noted that the paymentAccess merchant gateway is sold through reseller channels, and resellers can brand the payment portal with their own logos, phone numbers and e-mail addresses. Except for the optional addition of accounting software, the gateway and its sundry features are provided for a flat monthly fee and no transaction fees, he added.

Features of paymentAccess include:

- Integration of in-person, phone and computer POS capabilities
- Storage of consumer data on gateway server, not in merchant environment
- Streamlined purchase process for return customers
- Organized, categorized customer data, including transaction data, for easy viewing
- Monthly fees only, no transaction fees

paymentAccess

954-478-7714

www.paymentaccess.com

First Data's new dynamic duo

Product: First Data Secure Transaction Management

Company: First Data Corp.

As ISOs examine their expense accounts and plan for the coming year, they may want to consider a First Corp. value-add that comes on the market in the first quarter of 2010. Called First Data Secure Transaction Management, the solution combines end-to-end encryption with tokenization to secure cardholder data at the POS and then remove it from the merchant environment, but still give merchants safe access to it when necessary.

As described by Craig Tieken, Vice President of Product at First Data, payment card data is encrypted at the point of capture. The 16-digit card number is then tokenized – given a different 16-digit number with the last four digits the same as the original – that is stored at the merchant site. "The token is stored in lieu of the card number so that there's nothing to steal," Tieken said.

Merchants can store the token however they want, without fear that a data breach will expose actual numbers to fraudster, according to First Data. "It's nothing that can be used to initiate a financial transaction at a point of sale," Tieken said. "They can just send it in the clear. They can store it in the clear. They're not worried about if someone hacks in and thinks they've got a bunch of valuable numbers."

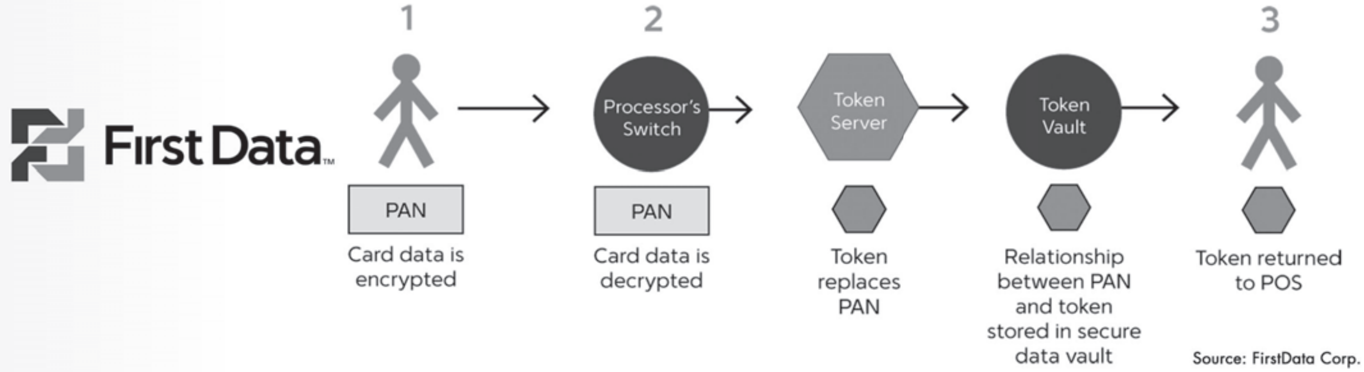
Compliance buster

In a white paper entitled Data Encryption and Tokenization: An Innovative One-Two Punch to Increase Data Security

Features of First Data Secure Transaction Management include:

- Layered security approach to protect card data and brand equity
- Unique encryption and tokenization security from premier provider RSA
- Dramatically reduced PCI DSS compliance costs and complexity
- Card numbers not stored locally; secure access provided only when needed
- Solution built into merchant infrastructure, not bolted on
- Simplified and scalable features to meet future standards and needs

Integrated encryption and tokenization process



Source: FirstData Corp.

and Reduce the Challenges of PCI DSS Compliance, Tieken wrote that data encryption alone may be sufficient for merchants who do not store cardholder data on site or in off-site servers. But for merchants who do, Tieken advises them that stolen data, even if encrypted, can be decrypted if fraudsters have the key. The extra layer of security afforded by tokenization is therefore the way to go, he said.

Just as the new service further secures data, it also promises to significantly reduce merchants' Payment Card Industry (PCI) Data Security Standard (DSS) compliance costs. Tieken's white paper cites a Mercator Advisory Group report that said an outsourced tokenization solution saved one large merchant $2 million annually in compliance costs. Of the 12 requirements of the PCI DSS, Tieken said First Data's encryption-tokenization technology, which is powered by the RSA SafeProxy architecture, touches at least seven.

First Data Corp.

800-844-8801
www.firstdata.com

Inspiration

WaterCoolerWisdom:

It's not hard to make decisions when you know what your values are.
– Roy Disney

Little actions add up

It is a sad fact of human existence that many people are drawn to do things that are unproductive or even harmful to themselves and others. Some deeds are so out of line with society's norms that they are decried, and their perpetrators are scorned and punished; however, most harmful actions are little, day-to-day things that may seem inconsequential in the moment but can add up to lives of dashed hopes instead of fulfilled dreams.

As ISOs and merchant level salespeople, you make myriad little choices throughout the day:

- You could get plenty of sleep each night so that you are refreshed at the beginning of each day, or you could stay up late watching television reruns and oversleep in the morning so that you're late to work.
- If you drink gourmet coffee, you could smile, say a warm hello to the person who takes your order and leave a generous tip, or you could frown, gruffly put in your order and not even consider leaving a tip.
- You could take a walk outside to clear your head, appreciate the beauty of your environment and get your blood flowing after sitting at your desk for several hours, or you could hunker down, slump in your chair and work until your neck and shoulders begin to ache.
- At lunch you could stop eating when you are full, or you could gobble up everything on your plate and munch on cookies when you return to your work station.
- You could coach a colleague who is going through a sales slump to see if you can help spot what the individual's weak areas are, or you could guard your knowledge, fearing you'll lose your competitive edge.
- In the late afternoon, you could decide to make one more business phone call, or you could leave the office early and have a beer instead.

All of these small decisions, ones that are so easy to overlook, have weight.

And it's not just at work where you make the constant little decisions that shape your future for good or ill:

- As a parent, you could choose to spend time helping your child do a difficult homework assignment or stretch out on an easy chair and read the paper instead, leaving the young person to figure it out alone.

- As a spouse or housemate, you could notice dirty dishes in the sink but elect to leave them because it's not officially your job to do cleanup.
- As a son or daughter, you could keep in touch with your parents, telephoning and sending notes regularly, or you could think of them in passing but never make the time to check in with them.
- As a community resident, you could receive notice of a clothing drive in the mail and go through your closets to gather appropriate items for those less fortunate than you are, or you could put the notice aside, forget about it and put it in your recycle bin months after the clothing drive is over.
- As an amateur artist, athlete or hobbyist of any kind, you could devote a little spare time each day to your craft and seek out others with similar interests who will help support your growth, or you could lie back on your couch and think it's not worth pursuing something you love if you can't do it full time.

These decision, too, have import. So what do you want to do?

- Do you want to be the one who is vigorous and radiant because you make healthy decisions about eating and exercise, or do you want to be the one who is sneaking an extra piece of pizza when nobody is looking and suffering the consequences?
- Do you want to be the MLS who answers a merchant's call, even if it's late in the evening, and thereby win the merchant's loyalty, or do you want to ignore the call and deal with a disgruntled client the next day?
- Do you want to someday be a senior citizen whose children cherish their childhood memories of you, or do you want to be someone your children think of as a stranger?

It's up to you. Day by day. Minute by minute. You can shape your life the way you want it to be. And each little victory, each positive decision you make when your emotions pull you in the opposite direction will be a boon to you, as well as to your family, colleagues and community.

Good Selling!SM

Paul H. Green, President and CEO

DateBook

Visit *www.greensheet.com/gs_tradeshow_events.php* for more events and a year-at-a-glance event chart.

Industry Events

Source Media Conferences

ATM, Debit & Prepaid Forum

Highlights: Now in its 17th year, the ATM, Debit & Prepaid Forum focuses on some of the most significant opportunities for financial institutions today: self-service and cash management, the debit portfolio, prepaid products, and nontraditional, alternative payments. Workshop topics will include mobile payments, the evolution of prepaid products, the ATM revolution and finding the best investments in the payments sector.

The agenda includes numerous conference topics, continental breakfasts, afternoon dessert, morning and evening networking receptions and a forum dinner with conference chairman Tony Hayes, a Partner at the consulting firm Oliver Wyman. Other speakers include Robert O. Carr, Chairman and Chief Executive Officer of Heartland Payment Systems and Frank Cotroneo, Chief Operating Officer of NetSpend, a provider of prepaid debit cards and services.

When: Oct. 18 – 20, 2009
Where: Caesars Palace, Las Vegas
Registration: *www.sourcemediaconferences.com/ATMDebit09*

Industry Events

EPCOR

Payments Summit 2009

Highlights: This annual event includes one full day and one half day of informative general and breakout sessions. There will be a networking reception at the Ohio Theater, plus continental breakfast, lunch and coffee breaks each day.

Topics addressed will include check acceptance technology covering Check 21, automated clearing house, remote deposit capture and image exchange, current crises and changes ahead in the payments industry, managing end-user risks (fraudsters and hackers), alternative payments, mobile payments and the industry's use of Web services like Facebook, Twitter and PayPal. There will be a networking reception and roundtables.

When: Oct. 22 – 23, 2009
Where: Hyatt on Capitol Square, Columbus, Ohio
Registration: *www.associationdatabase.com/aws/pc/pt/sp/home_page*

Trade Associations

Smart Card Alliance

8th annual smart cards in governance conference

Highlights: Billed as the largest annual event for the government smart card sector, this conference boasts almost 800 registrants and 50 exhibitors and sponsors.

Plans for 2009 include new features for conference and exhibit floor attendees, an enhanced online social network and coverage of the evolution of ID security efforts under the Obama administration.

When: Oct. 27 – 30, 2009
Where: The Westin Washington, D.C., City Center, Washington, D.C.
Registration: *www.smartcardalliance.org/pages/activities-next-conference*

Industry Events

Bank Administration Institute

BAI Retail Delivery Conference

Highlights: This event began 30 years ago as an ATM conference with 200 attendees and is now reportedly the largest retail financial services event in the world, bringing together almost 6,000 participants annually.

It is known for delivering new technologies, innovations and strategic insights to the financial services community and affords an opportunity to connect with industry thought leaders and top solutions providers

This year's institute will offer a number of workshops, general sessions and networking opportunities. Among the slated speakers are Jack Welch, former Chairman and Chief Executive Officer of General Electric Co., business strategist and author Ram Charan and Gerard Baker, Deputy Editor-in-Chief of *The Wall Street Journal.*

When: Nov. 3 – 5, 2009
Where: Boston Convention & Exhibition Center, Boston
Registration: *www.bai.org/retaildelivery/registration.asp*

Trade Associations

Electronic Transactions Association

Compliance Day

Highlights: Compliance Day is a forum for banks, processors and ISOs dedicated to helping the merchant acquiring community better understand the rules and requirements that govern the payments industry.

Hear about the latest operating regulations and get answers to complex issues directly from representatives of each of the four major card brands and the PCI Security Standards Council.

Forum topics will include card company operating regulations, up-to-date information on registration requirements, due diligence and risk assessment for merchant relationships, and the latest developments in the Payment Card Industry (PCI) Data Security Standard, including PCI 1.2

When: Nov. 11 – 12, 2009
Where: Fairmont Chicago, Millennium Park, Chicago
Registration: *www.electran.org/content/view/40/63/*

ResourceGuide

To add your company to our expanding listing, call 866-429-8080 today.

ACH - CHECK 21

Global eTelecom, Inc.
(877) 454-3835
www.CheckTraining.com

ACH -CHECK 21 BOC

Netcom Check Services
(800) 875-6680
www.netcompaysystems.com

Convergence Processing Merchant Services
ACH Check21 BOC ARC Age & ID
Recurring ACH Check Verify
All Major Credit and Debit Processing
LifePay Residual No Exit Fees

ACH - PROCESSING SERVICES

Creative Cash Flow Solutions, Inc
(866) 691-0666 x166
www.ilovechecks.com

Merchant Cash Advance for Checks...
Telephone/Internet/Recurring ACH
Full Suite of ACH/Check 21 Services
ISO Private Labeled Program
Lifetime Vested Residuals

Check Assist
(888) 436-5101
www.runningdollar.com

- Remote Deposit - BOC
- Point of Sale Check Conversion
- Electronic Check Conversion
- ACH Processing
- Check 21 Solutions

SOLVERAS
PAYMENT SOLUTIONS™
(800) 613-0148
www.solveras.com

AGE / ID & OFAC VERIFICATION

ID Chex
(800) 875-6680
www.IDCheX.net

ATM / SCRIP ISOs LOOKING FOR AGENTS

ATM ACCESS to MONEY
(888) 701-1004
www.accesstomoney.com

Looking for agents. 100% of surcharge plus 100% of interchange on all monetary and non monetary transactions Call
Ralph @ x4241
or Jim @ x4243

ATM services group
payment alliance
international
(877) 271-2627 x157
www.atmexpress.com

Increase $$ w/Existing Customer Base
0 Quotas/Vested Residual/Best Prices
See why we are America's #1 ATM Co.
David Hooper @ (877)271-2627 ext. 157
T. Chapman @ (800)523-2104 ext. 2178

ACCESS ATM

ACCESS ATM
(866) 874-0384
www.accessatm.com

NationalLink
Complete ATM Solutions
(800) 363-9835
www.nationallink.com

United Cash Solutions
(800) 698-0026 x1430


SCORE BIG
MSI®
Paying Residuals On Time For 20 Years
Customized Interchange Programs
Up To 80% / 20% Splits
Bad Retail Credit Accepted
20 Years Strong MSI® Since 1989
Signing / Conversion Bonus
App In - Live MID / TID - 3 Hrs.
Direct Lease / Split Funding
Call Rich Lopez 1-800-537-8741
Member Bank: First National Bank Of Omaha, Member FDIC; 150 years of secure transactions.
MSI® MERCHANT SERVICES, INC.
WWW.1800BANKCARD.COM

BANKS LOOKING FOR AGENTS

Humboldt Merchant Services
A DIVISION OF MONERIS SOLUTIONS, INC.

(877) 635-3570
www.hbms.com

Up to 75% Residual
$5K Signing Incentive
Direct Bank Relationship
ISO Sponsorship Available
Up to $200 Account Conversion Bonus

Comerica Merchant Services
(800) 790-2670

Group ISO, Inc.
(800) 960-0135
www.groupiso.com

Redwood Merchant Services
Division of Westamerica Bank
(707) 569-1127
www.redwoodmercantservice.com

BANKS LOOKING FOR ISOs / MSPs

Integrity Payment Systems™
Payment Processing Demands Integrity

(888) 477-4500
www.integritypaymentsystems.com

Want better sales support?
Call us at Integrity, and also ask about our value added business solutions for merchants.

America's BankCard Alliance, LLC.
(800) 757-153
www.aballc.com

Group ISO, Inc.
(800) 960-0135
www.groupiso.com

CASH ADVANCE LOOKING FOR AGENTS

grp FUNDING LLC.
Cash Advances made simple.

(877) 571-7999
GSinfo@grpfunding.com

Privately held & funded
Common Sense Underwriting
Competitive commission plans
Factors as low as 1.25
We will work with your processor

Proven Funding Recruit
(888) 744-8331
www.provenfundingrecruit.com

CHECK GUARANTEE / VERIFICATION

CrossCheck, Inc.
(800) 654-2365

EZCheck
(800) 797-5302
www.ezchk.com

Global Payments Inc.
(800) 801-9552
www.globalpaymentsinc.com

Secur-Chex
(866) 464-3277

CONSULTING AND ADVISORY SERVICES

Adam Atlas Attorney at Law
(514) 842-0886

EQUIPMENT

ingenico®
beyond payment
Ingenico

(800) 252-1140
www.ingenico-us.com

Ingenico - the world's most dependable POS supplier. Financially strong, innovative and ready to serve you today.

ATT Services
(714) 999-9566
www.attpos.net

BANCNET
(713) 629-0906
www.banc.net

Budget Terminals and Repair
(985) 649-2910

General Credit Forms, Inc.
(800) 325-1158
www.gcfinc.com

Integrated Terminal Exchange Inc.
(800) 254-3366
www.iteinc.com

JRs POS Depot
(877) 999-7374
www.jrsposdepot.com

Paper Rolls Chicago
(877) 298-6939
www.paperrollschicago.com

POS PORTAL
POS Portal
(866) 276-7289
www.posportal.com

The Phoenix Group
(866) 559-7627

TSYS Acquiring Solutions
(800) 686-1999
www.tsysacquiring.com

VeriFone
(800) VERIFONE

FINANCING FOR ISOS

Super G Funding
(800) 631-2423
www.supergfunding.com

FREE ELECTRONIC CHECK RECOVERY

ACCESS CHEX
(866) 746-CHEX
www.accesschex.com

GIFT / LOYALTY CARD PROGRAMS

SPARKBASE
(216) 867-0877
www.sparkbase.com

Stop giving your gift card business to someone else. Take control, and make more money using the largest ISO managed / custom branded solution in the industry. Only with SparkBase.

Electronic Payments (EPI)
(800) 966-5520 x221
www.epigiftcards.com

FLEXGIFT/UMSI
(800) 260-3388

Global eTelecom, Inc.
(877) 454-3835
www.GiftCardTraining.com

HIGH RISK

ALTERNATIVE Merchant Processing, Inc.
(888) 525-5059
www.ampworldwide.com

AVP Solutions
(800) 719-9198
www.avpsolutions.com

International Merchant Solutions
(800) 313-2265 x104
www.officialims.com

National Transaction Corp.
(888) 996-2273
www.nationaltransaction.com

ISO/POS DEALER LOOKING FOR AGENTS

MSI, Merchant Services Inc.
(800) 522-3661
www.1800bankcard.com

ISO RELATIONSHIPS AVAILABLE

COCARD
(800) 882-1352
www.cocard.net

- BEST RESIDUAL STREAM IN THE BIZ
- MULTIPLE PROCESSING PLATFORMS
- PRE-NEGOTIATED BUYING POWER
- NEXT DAY FUNDING AVAILABLE
- UNIQUE EXIT STRATEGY

Advanced merchant services
(888) 355-VISA (8472)
www.amspartner.com

Elavon
(678) 731-5000
www.elavon.com

Electronic Payments (EPI)
(800) 966-5520 x223
www.epiprogram.com

EVO Merchant Services
(800) CARDSWIPE x7800

First American Payment Sys.
(866) GO4 FAPS
www.first-american.net

Global Payments Inc.
(800) 801-9552
www.globalpaymentsinc.com

Group ISO, Inc.
(800) 960-0135
www.groupiso.com.

iPayment®
(888) 519-9466
www.ipayment-agent-iso.com

Merchant Data Systems
(800) 249-6377 x204
www.merchantdatasystems.com

Merchant Rewards Network (MRN)
(800) 366-1388 x210
www.partner-america.com

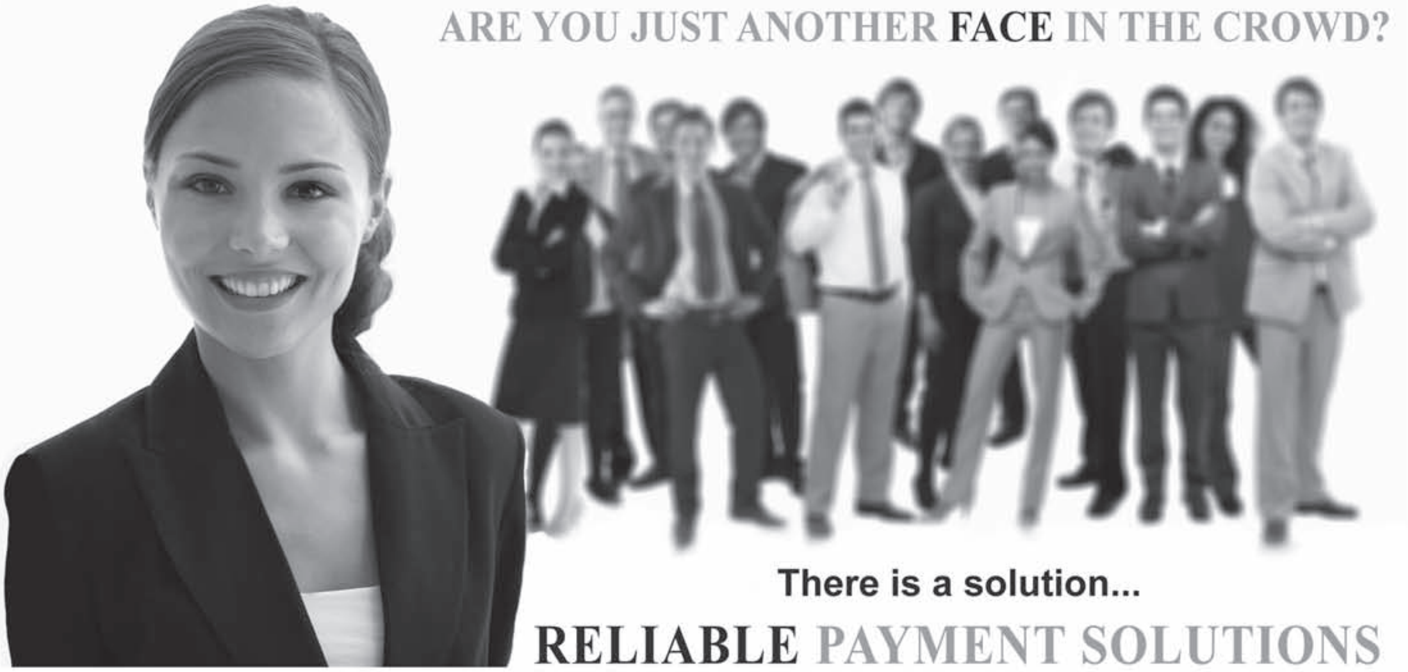
MSI, Merchant Services Inc.
(800) 537-8741
www.1800bankcard.com

North American Bancard
(800) BANCARD x1001

total merchant services
Total Merchant Services
(888) 84-TOTAL x9727
www.upfrontandresiduals.com

United Bank Card (UBC)
(800) 201-0461

ARE YOU JUST ANOTHER **FACE** IN THE CROWD?



There is a solution...

RELIABLE PAYMENT SOLUTIONS

"STAND OUT IN THE CROWD"

Reliable

We are a highly competitive and rapidly expanding merchant sales engine. What sets us apart is our understanding and appreciation for how hard you work, and what it takes to be great. As a result, our commitment to you is that we will always be there to make sure you are supported.

Experienced Professionals

In an industry where true leadership is hard to find and service levels are severely lacking, we provide that much needed perspective and understanding. Our seasoned leadership team intimately understands the challenges and rewards within the payment space, as well as the rewards that make it all worthwhile. Come and learn more about our executive team at:

http://www.centurypayments.com/bios.html

Exclusive

One of our tenets is that high performance should be highly rewarded! Accordingly, our **Concierge Partner Program®** will treat you better than you've ever imagined possible. You will be astounded by best in class support, a full-time sales and relationship management team, a dedicated training department, 24/7 domestic customer service, and industry leading compensation packages that guarantee a durable competitive advantage for your business.

ISO's seeking equity financing, guidance on getting registered, or a conversation on how Century can help your business expand are encouraged to call us at: 1.866.927.9411 option 6

Reliable Payment Solutions is a registered ISO of RBS Citizens, National Association, Providence, RI, TransFirst and Columbus Bank and Trust, Columbus, GA

Our compensation packages are designed to fully reward your sales efforts!

Activation SPIFF's ranging from $250 to $1,000 per MID!
Residuals splits up to 80%!

Reliable's Quick Start Program

- **Activate 60 accounts in the first 3 months and receive a $6,000 bonus!**
- **Activate 90 accounts in the first 3 months and receive a $10,000 bonus!**

Concierge Partner Program ®

High Quality, High Touch, Top Pay!

RELIABLE™
PAYMENT SOLUTIONS
A Century Payments Company

Believe in your future - come join a team that will know your name and truly appreciate your sales efforts!

1.866.927.9411 option 6

ISOs / BANKS PURCHASING MERCHANT PORTFOLIOS

VelocityFunding
(888) 818-3552 x202
www.VelocityFunding.com

Superior Portfolio Valuation
Quick Turnaround Time
Will Not Switch Processor
No Portfolio Too Small
DeanCaso@VelocityFunding.com

Community Bankers
Merchant Services, Inc
(866) 333-9331 x201
www.merchantprocessing.com

Elavon
(800) 819-6019 x6
www.elavon.com

Global Electronic Technology, Inc (GET)
(877) GET 4ISO
www.gettrx.com

Global Payments
(800) 801-9552
www.globalpaymentsinc.com

Merchant Portfolios.Com
(866) 448-1885 x308
www.MerchantPortfolios.com

Merchant Rewards Network (MRN)
(800) 366-1388 x210
www.partner-america.com

North American Bancard
(800) BANCARD x1001

Premier Processing Systems
(800) 675-8564
www.ppsstl.com

ISOs / PROCESSORS SEEKING SALES EMPLOYEES

total merchant services
Total Merchant Services
(888) 84-TOTAL x9727
www.upfrontandresiduals.com

ISOs LOOKING FOR AGENTS

Netcom PaySystems
(800) 875-6680
www.netcompaysystems.com

An Agent of RBS WorldPay
LifePay at IC + Call For Buy Rate
Virtual Terminal - Recurring Billing
Online Reporting Quick Approvals
No Liability, Exit Fees or Gimmicks

RELIANT PROCESSING SERVICES
(877) 650-1222 x101
www.reliantprocessingservices.com

We offer a **70/30 split** above Interchange **or** an aggressive upfront **Bonus Program** paying you on every approved merchant account.

MerchantService.com
SPECIALIZING IN MERCHANT PROFITABILITY
(888) 288-3816
www.merchantservice.com

Offering a full line of products & services which pay lucrative commissions upfront for sales and on going residual income for the life of the account.

Advanced merchant services
(888) 355-VISA (8472)
www.amspartner.com

Electronic Payments (EPI)
(800) 996-5520 x223
www.epiprogram.com

EVO Merchant Services
(800) CARDSWIPE x7800

First American Payment Sys.
(866) GO4 FAPS
www.first-american.net

Frontline Processing Corp.
(406) 585-7443
www.frontlineprocessing.com

Global Electronic Technology, Inc (GET)
(877) GET 4ISO
www.gettrx.com

Group ISO, Inc
(800) 960-0135
www.groupiso.com

Impact Paysystems
(866) 884-5544 x1555

Innovative Merchant Solutions
(800) 397-0707

iPayment®
(888) 519-9466
www.ipayment-agent-iso.com

Merchant Rewards Network (MRN)
(800) 366-1388 x210
www.partner-america.com

MC Merchants' Choice Payment Solutions
Merchants' Choice Payment Solutions
(800) 478-9367 x5
www.mcpscorp.com

Money Tree Merchant Services
Money Tree Merchant Services
(800) 582-2502 x2
www.moneytreerewards.com

MSI, Merchant Services Inc.
(800) 351-2591
www.1800bankcard.com

North American Bancard
(888) 229-5229

Pipeline Data Inc.
(877) 754-0530 x16179
www.pipelinedata.com

total merchant services
Total Merchant Services
(888) 84-TOTAL x9727
www.upfrontandresiduals.com

United Bank Card
(800) 201-0461 x136

United Merchant Services, Inc.
(800) 260-3388

VMS Velocity Merchant Services "YOUR PARTNER TO SUCCESS"
VMS
(888) 902-6227
www.getvms.com

Xenex Merchant Services
(888) 918-4409 x511

LEASING

BARCLAY SQUARE LEASING
BARCLAY SQUARE LEASING
(866) 396-2754
www.barclayleasing.com
We fund & service all our leases
Same day funding – Fast scoring
Low factors – Written verifications
Online reporting – Faxable/PDF leases
48 month wireless – Split funding

1st AMERICAN LEASING
(888) 884-6111 x 3012
www.1stamleasing.com

ABC Leasing
(877) 222-9929

American P.O.S. Leasing Corp.
(800) 349-6516
www.poslease.com

Azura Leasing
(888) 424-7142
www.azuraleasing.com

First Data Global Leasing
(800) 897-7850

LADCO Leasing
(800) 678-8666
www.ladco.com

Lease Finance Group LLC
(888) 625-8867
www.lfgleasing.com

LogicaLease
(888) 206-4935
www.logicalease.com

Merimac Capital
(866) 464-3277

Northern Leasing Systems, Inc.
(800) 683-5433
www.northernleasing.com

MULTI - CURRENCY PROCESSING

DCC
DCC MERCHANT SERVICES, USA
(888) 322-8632 x204
www.dcctoday.com
The Authority in Foreign Currency Conversation at POS or online. Enable merchants' customers to purchase in their currency. ISO's & Agents earn up to 60bp above discount rates and fees.

payvision PAYMENT AND SECURITY PROVIDER
(917) 237-0090
www.Payvision.com

OFFSHORE BANKS LOOKING FOR ISOs

M2 FINANCIAL
Merchant Services
(866) 720-3729
M2-Financial.com

PAYMENT GATEWAY

PAYMENTS GATEWAY
One Connection Endless Opportunities
(866) 247-0931
www.paymentsgateway.com
Your All-in-One Payments Solution
Instant Online Enrollment
PCI Certified
Customized Branding
Personalized Service

NMI
NETWORK MERCHANTS INC
nmi.com
"Building Payment Gateways One Partner at a Time"
(800) 617-4850
www.nmi.com
- PCI Compliant Customer Vault™
- Encrypted Retail Swiped Solutions
- Multi-MID Transaction Routing
- ISO / MLS Transparent Branding
- Non-Compete Guarantee

APRIVA
(480) 421-1210
www.apriva.com

eProcessing Network
The everywhere Processing Network
(800) 296-4810
www.eProcessingNetwork.com

10th ANNIVERSARY
Ezic, Inc.
(866) 575-EZIC
www.ezic.com

Global Payments
(800) 801-9552
www.globalpaymentsinc.com

ProCharge
(800) 966-5520 x221

USA ePay
(866) 490-0042
www.usaepay.com

PAYMENT GATEWAY / SERVERS / ISPs

Network Merchants, Inc. (NMI)
(800) 617-4850
www.nmi.com

PCI DSS COMPLIANCE

PCIcompliance
(866) 949-9777
www.gotpci.com
Annual or Monthly Billing
As low as $15 / year or $1.75 / month
Scans Included in Pricing
URL Customized with Your Logo
Meets Card Brand Reporting Requirements

Trustwave®
Information Security & Compliance
(312) 873-7500
www.trustwave.com

POS CHECK CONVERSION

CrossCheck, Inc.
(800) 654-2365

EZCheck
(800) 797-5302
www.ezchk.com

Secur-Chex
(866) 464-3277

POS CREDIT CARD EQUIPMENT REPAIR

NEW IMAGE P.O.S.
POS Equipment Repairs and Sales
(877) 581-6201
Info@NewImagePOS.com
Over 20 Years Repairing / Refurbishing POS Equipment, CheckReaders. Personal Service, Quick Turn Around, Deployment, One Year Warranty
EXPERIENCE, QUALITY, INTEGRITY

ATT Services
(714) 999-9566
www.attpos.net

BITS
Bartlett Info Tech Services, LLC
(901) 384-6151
www.bits-pos.com

POS SUPPLIES

General Credit Forms, Inc.
(800) 325-1158
www.gcfinc.com

PRIVATE PARTIES PURCHASING PORTFOLIOS

GBM Transactions
(817) 307-8291
www.gbmtransactions.com

PROCESSORS LOOKING FOR ISOs

Elavon
(678) 731-5000
www.elavon.com

First National Merchant Solutions
(800) 354-3988
www.fnms.com

Humboldt Merchant Services
(877) 635-3570
www.hbms.com

NPC
National Processing Company
(877) 300-7757
www.npc.net

TSYS Acquiring Solutions
(480) 333-7799
www.tsysacquiring.com

RISK MANAGEMENT PROVIDER OR PRODUCTS

MICROBILT
PROFIT FROM OUR 30 YEARS OF HARD WORK.

(800) 257-2805
www.microbilt.com

- Use Our Expertise to Close More Deals and Increase Your Profits
- Deliver 1st Class Services to Unsaturated Industries
- Bonus + Lifetime Residuals

SITE SURVEYS

N·V·M·S
NATIONAL VENDOR MANAGEMENT SERVICES
(703) 361-6262 x129
www.nvms.com

Spectrum Field Services
(800) 700-1701 x286
www.spectrumfsi.com

TRAINING

Bankcard Boot Camp
(866) 276-6683
www.bankcardbootcamp.com

WEBSITE DESIGNS / SEO

STURGILL STUDIOS

STURGILL STUDIOS
(972) 956-9850
www.sturgillstudios.com

1. Website Design Services
2. Search Engine Optimization
3. Graphic Design Services

Get a new website and have it found in the search engines!

WIRELESS RETAIL / KEYED PROCESSING

USAePay
(866) 490-0042
www.usaepay.com

AdvertiserIndex

1st American Leasing 44
Alpha Card Services Inc. 45, 86
American Card Systems 29
Apriva 83
Azura Leasing 30
BAI Retail 50
Bank Card Depot 101
CarpéCharge 22
CoCard Marketing Group LLC 11
Credit Cash 67
Credomatic 99
CrossCheck Inc. 73
Electronic Merchant Systems 84
Electronic Payments 103
eProcessing Network LLC 16
Equity Commerce L.P. 71
EVO Merchant Services 27
EZCheck 70
First American Payment Systems 41
Global Check Service 10
Global eTelecom Inc. (GETI) 57
Global Payment Solutions Inc. 75
Greystone Business Resources 74
Humboldt Merchant Services 12
Hypercom Corp. 104
Impact MD 42
Ingenico 23
iPayment Inc. 13
ITI Internet Services 65
JRs POS Depot 31
Merchant Rewards Network 81
Merchant Services, Inc. 89
Merchant Warehouse 21
Merchants' Choice Payment Solutions 59
MLS Direct Network 91
Money Tree Merchant Services 61
National Transaction 56
Netcom PaySystem 82
Network Merchants Inc. 25
North American Bancard 2, 6, 7
NPC 9
Pivotal Payments 97
POS Portal Inc. 17
Reliable Payment Solutions 93
Reliant Processing Services 69
Sonoma Technical Support Services 51
SparkBase 47
Stream Cash LLC 20
Super G Funding 46
TASQ 95
Teledraft 58
The Phoenix Group 15
Total Merchant Services 52, 53
TransFirst 19
TriSource Solutions LLC 49
TSYS Acquiring Solutions 38
United Bank Card Inc. 77, 78, 79
UP Solution 54
USAePay 48
VeriFone 26

Reason #25
Our free equipment programs provide value to you and your clients – Offer merchants IP or Dial terminals in addition to pinpads and check readers.
CREDIT SALE
ACCOUNT
Reason #488
The Merchant Advantage Program provides paper, supplies, a next day swap out warranty and assurance from future one-time PCI charges for just $8.32 per month.
Razón #312
Nuestro apoyo técnico y los departamentos del apoyo del cliente son multilingües.
EN ESPAÑOL
ONLY 1 REASON TRULY MATTERS…
Your Success.
Electronic Payments is committed to your success with the industry's lowest costs and the first and only ISO Agreement protecting your rights as well as your merchant's.
ELECTRONIC PAYMENTS
www.epiprogram.com
1.800.966.5520 x221

TIRED
of other ISOs
SQUAWKING
the same old
OFFERS?

CCS
CHARGE CARD SYSTEMS, INC.

"Bottom line, I make more money with CCS than my prior processors. Their program is simply the best."

– Josh D., CCS Sales Partner

"Charge Card Systems gets it. I receive the support I need so that I can focus on what I do best – close merchant accounts."

– Mark B., CCS Sales Partner

"CCS understands the value of communication. I know the status of my deals every step of the way."

– Bob M., CCS Sales Partner

CHARGE CARD SYSTEMS, INC.

For more information contact Jeffrey Shavitz, EVP
at 888.505.2273 ext. 205 or jshavitz@chargecardsystems.com

www.chargecardsystems.com

A Better Opportunity.
A Brighter Future.

NorthAmerican™ BANCARD

The Most Flexible
& Most Profitable!
★ ★ ★ ★ ★ ★ ★ ★

VOL. 877.201.4833 ★ ★ ★ ★ ★ SEPTEMBER/OCTOBER 2009 ★ ★ ★ ★ ★ www.GONAB.com/gs

ONE LOW RATE FOR THEM. ONE GIANT WAY FOR YOU TO PROFIT!

REACH FOR THE STARS WITH NORTH AMERICAN BANCARD'S

NOW AVAILABLE FOR ALL IP MERCHANTS!

Discover the difference NAB can make for you!

It's time to rocket past the competition and discover new worlds of income-generating opportunity with NAB's 2¢ IP Pricing! Let NAB bring an entire universe of deals right to your fingertips. With our industry-best compensation plan, you won't need a telescope to see that a brighter future awaits you with NAB. *Story continued on page 2A* 1-877-201-4833 • www.GONAB.com/gs

TAKE ADVANTAGE OF NAB'S OUT-OF-THIS-WORLD COMPENSATION PLAN.

continued from page 1A ★ ★ ★ ★ ★

Blast off with NAB today and you'll get:
an Interchange Revenue Split up to 65%, Lifetime Residuals complete with robust reporting systems and much more!

Up to $750 Conversion Bonus!
Get paid 1.5% of the actual monthly processing on every merchant. If the merchant processes $50,000, then you receive a $750 bonus.

$200 Approval Bonus!
For each retail merchant approval and card-not-present merchant approval.

Don't Need Free Equipment?
Get an additional $100 bonus!

$3,000 Signing Bonus!
Sign up 30 merchants within your first 90 days and North American Bancard will pay you $3,000!

Health Benefits Plan
Medical/Dental/Life/Long-term Care. NAB pays 50% of your insurance premium, up to $300 per month.

DON'T FORGET:
NAB will pay up to $295 of your merchant's early termination fee!

NAB provides daily payment of all bonuses! Why wait weeks to get your cash? Get paid daily or weekly – you choose with North American Bancard!

NorthAmerican™ BANCARD

Dial-up merchants? Tell them the planets have aligned for a low 2.5¢ pricing rate!

Big merchants pay only 2¢. Small merchants pay only 2¢.

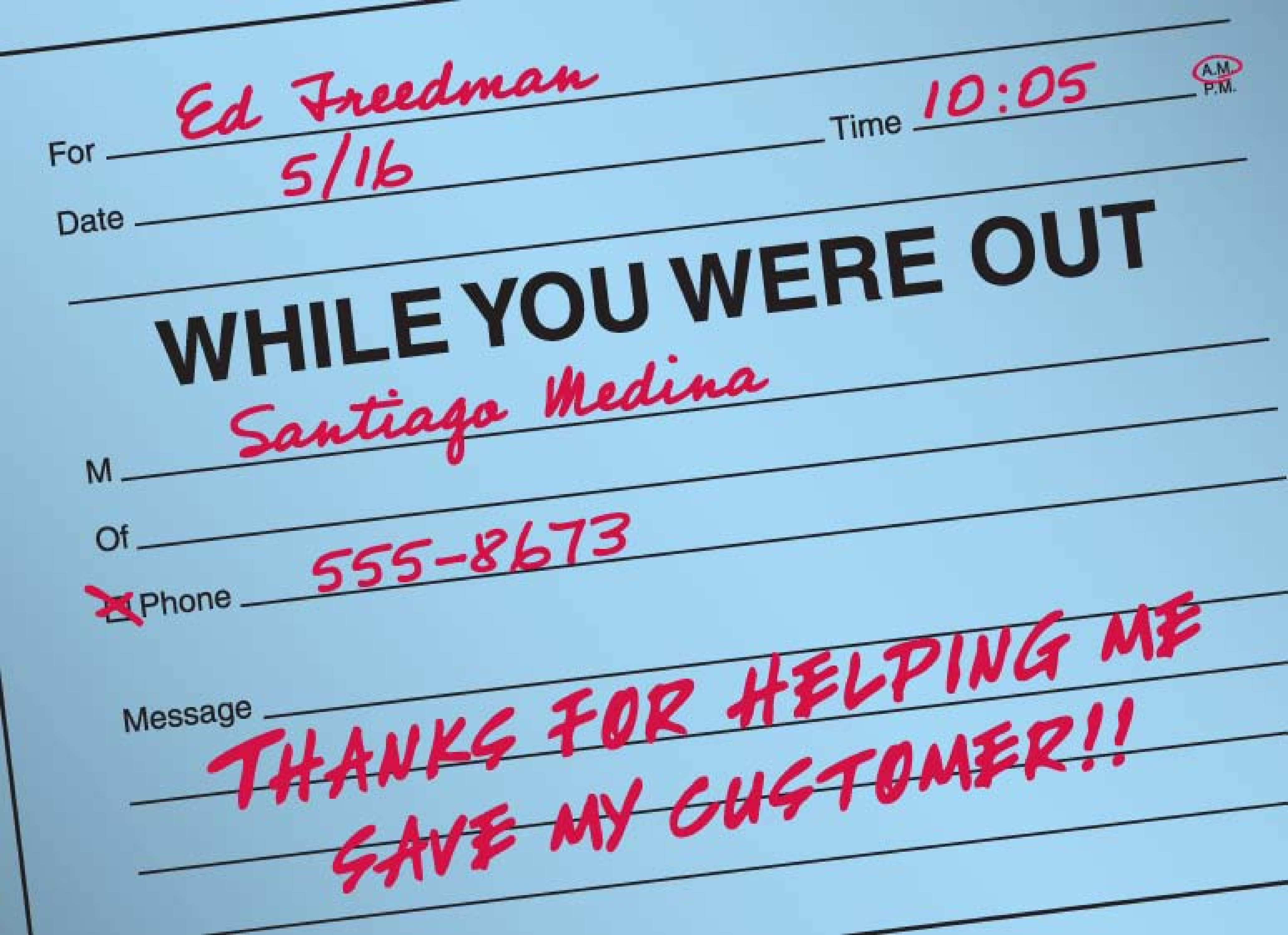
Let NAB rocket you to the top of the industry!

1-877-201-4833
www.GONAB.com/gs

IT'S

BIG

AND IT'S
HERE!



For Ed Freedman

Time 10:05 A.M. P.M.

Date 5/16

WHILE YOU WERE OUT

M Santiago Medina

Of

~~☐~~ Phone 555-8673

Message THANKS FOR HELPING ME SAVE MY CUSTOMER!!

With messages like these, no wonder we're so SUCCESSFUL!

Every day, we get calls and emails from our sales partners with the kind of feedback that keeps us driven to stay at the top of our game.

Here's what the rest of Santiago's message said:

Recently, I had a liquor store that ***stopped processing for two days.***

Because of Amplify's online, real-time updates, ***I noticed it immediately!***

I found out he was moving to a new processor ***to get a loan.***

I was able to address his concern and ***get him back!***

Here's why our sales partners choose our program:

Best cost structure

3.5¢ dial-up and 2.5¢ IP

Choice of: 70% split

or

Free terminal to sell or place
8x upfront bonus - up to $750
50% - 65% split

Start processing all your accounts with us today!

Call **1-888-84-TOTAL**, ext **9727** or get the full program details at **www.upfrontandresiduals.com**

total merchant services
payment solutions for your business

Total Merchant Services (TMS) is a Member Service Provider for: HSBC Bank USA, National Association, Buffalo, NY.