February 8, 2010 • Issue 10:02:01

Do banking silos hinder fraud prevention?

By Patti Murphy
The Takoma Group

Following a precipitous drop last year, spending on technology by North American banks is expected to grow to $51.4 billion in 2010, from $50.3 billion in 2009. What's more, spending will continue to expand over the next few years, reaching $55.2 billion in 2012. That's the upshot of a new report from the research and advisory firm Celent LLC.

Jacob Jegher, Senior Analyst in Celent's Banking Group and author of the report, *IT Spending in Banking: A North American Perspective*, said he's excited by the trend. But there's a downside: most of the money will be consumed by compliance and regulatory demands; post-merger, back-office integrations; and maintenance.

"In an ideal world, spending on new investments and innovation would take up the lion's share of the pie," Jegher said. "However, U.S. banks have slashed spending on new investments, particularly those focused on retail banking."

It's a situation with potentially dire consequences for payment systems as modern-day Willie Suttons find ever more insidious means to locate "where the money is." (Remember Willie Sutton? He was the bank robber who, when asked why he robbed banks, reportedly responded, "Because that's where the money is.")

Forget guns and safe-cracking tools. Today's bank robbers don't even need to walk inside a bank. Instead, they rely on Internet chat rooms and evolving technologies to siphon billions of dollars a year from banks and bank customers.

It's a huge and growing problem.

Spaghetti-ware

According to the *2009 LexisNexis True Cost of Fraud Study*, credit cards are linked to nearly half of all fraudulent transactions at merchant locations. In 2008, half of all large retailers experienced an uptick in fraud, and 29 percent saw jumps in fraud involving alternative payments.

The study, based on research conducted by Javelin Strategy & Research, also points to greater incidences of "friendly fraud," especially among online retailers. Friendly fraud refers to incidents in which consumers institute chargebacks, claiming a card purchase was unauthorized or simply not delivered.

Financial institutions lose about $11 billion a year to fraud involving unauthorized credit card transactions, according to the LexisNexis study, and merchants lose approximately 10 times that amount.

While credit card fraud is the biggest category of payment fraud today,

The Green Sheet Inc.

AdvisoryBoard

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NotableQuote

Why sell to only one merchant at a time when you can sell from the top down through your affiliations, which will enable you to meet hundreds, if not thousands, of merchants through endorsements?

See Story on page 72

Inside this issue:
CONTINUED

The Green Sheet Inc.

Forum

Seeking a smart terminal

A few editions ago, there was an article on a new terminal that would select the "best rate." I have misplaced that article and, of course, now have an interested customer. Could you give me the name and manufacturer of the terminal?

I thoroughly enjoy your publication. I have 17 years in the business. The portfolio keeps me busy enough that I don't have a lot of time to keep abreast of the latest "thing." *The Green Sheet* keeps me in touch. Thank you for your time.

David Pollock
Great Southern Bank

David,

I believe you are referring to Merchant e-Solutions' MES e-Commerce Payment Gateway and MES Virtual Terminal. We published a new product story about this solution, "Secure customer data by not storing it," in The Green Sheet, *Sept. 24, 2007, issue 07:09:02.*

The two primary attributes of the product noted in the article are that the combined gateway and virtual terminal are designed to eliminate any need for merchants to store card data on their systems and that it enables transactions to qualify for the lowest possible card fees.

The MES gateway and virtual terminal are likely not the only products in the market that claim to offer these benefits.

I invite readers who know of other products that fit this description to send a note to editor@greensheet.com, and we'll print a follow-up note.

Editor

Generating lead generators

Do you know what lead generation companies ISOs are using? Also, I'm not sure the contact extension for John Knauss given in the ProposalPortal.com company profile is correct, and when I dial the 800 number, I keep getting only a generic voice mail.

Tyler Kirby
Applied AffinCard Resources Inc.

Tyler,

Regarding lead generation companies, The Green Sheet does not recommend specific companies to our readers, and at this time our Resource Guide contains no lead generation companies, so I can't point you there for research.

I suggest you ask members of GS Online's MLS Forum about this. If you haven't already registered, just click Register Today! in the upper right-hand corner of our home page (www.greensheet.com), and follow the prompts from there.

As for the extension number you mentioned, all information in our articles is current at the time of publication. However, we do not routinely update archived articles. A disclaimer to this effect should have appeared on the ProposalPortal.com company profile's page. The following note now appears at the bottom of the page: These are archived articles. Contact names or information may be out of date. We regret any inconvenience.

I was able to contact John Knauss via an e-mail form on the company's Web site; I found out his current phone number is 800-975-7659, ext. 708.

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.

Correction

IRS reporting to begin in 2011, not 2010

"Uncle Sam's finger in the payment pie: A legislative update," *The Green Sheet*, Dec. 14, 2009, issue 09:12:01, provided inaccurate information regarding when acquirers and other providers of credit and debit card settlement services must start keeping track of gross transaction totals, by individual merchant, for annual reports to the Internal Revenue Service.

The article stated that records must be kept for 2010 and the first reports are due to the IRS early in 2011. In fact, the record keeping must begin in 2011, and the first reports will be due to the IRS in early 2012. For further information, please visit *www.irs.gov/irs/article/0,,id=215740,00.html.*

The Green Sheet regrets any inconvenience this error may have caused.

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

Do banking silos hinder fraud prevention

Following a precipitous drop last year, spending on technology by North American banks is expected to grow to $51.4 billion in 2010, from $50.3 billion in 2009. But how will banks deal with vulnerabilities caused by a system of compartmentalized security handling?

34

Feature

How prepaid cards assist in disaster relief

JPMorgan Chase & Co. donated $1 million in aid to the ongoing disaster relief efforts in earthquake ravaged Haiti. Other prepaid card industry businesses have also given hundreds of thousands of dollars. This article looks back at the role of prepaid cards in the recent history of disaster relief.

26

View

A PIN for all reasons

There's no doubt consumers today are more aware of card fraud issues than they were three or four years ago. A possible solution? A PIN pad for every countertop. Those words might be as effective an economic stimulus as anything else we have tried over the past year or so.

42

News

Is online PIN debit more secure?

As a debate unfolds about the competing merits of PIN verses signature debit, a company called Acculynk has emerged as a pioneer in the use of PIN debit online. Is such a product an anomaly, or will it set the stage for a more dramatic shift toward the use of PIN over signature?

28

View

Merchant training: Competitive advantage, potential game-changer

Companies that invest in employee training benefit from higher productivity, less downtime, lower turnover, less need for supervision and reduced reliance on others. They also gain a more satisfied workforce and a decisive competitive advantage.

45

News

Social networking meets the POS

As social networking increases in popularity, retailers and financial institutions continue to look for ways to use the medium to expand their marketing and sales capabilities. Observers say opportunities for ISOs and merchant level salespeople (MLSs) to offer social networking as a value-added service to merchants, tied to a loyalty plan, are significant.

48

News

Illuminating the compliance highway

To clarify complexities regarding Payment Card Industry (PCI) Data Security Standard (DSS) compliance, security solutions provider Trustwave and the Electronic Transactions Association hosted a webinar on Jan. 26, 2010. Entitled PCI DSS Expert Panel: Common Questions Answered, it addressed some common concerns of payment professionals and merchants.

50

Feature

Business mobile payments warming up

A January 2010 report from research and advisory firm Celent LLC discusses the potential in an emerging segment of the mobile payment market – mobile B2X, or businesses' use of the mobile channel to pay other companies, employees and residents. The report details how companies are using mobile payments in a variety of new ways.

60

Education

Street Smarts℠: Gain traction on the red carpet

It seems that ISOs and MLSs are starting to gain more recognition in the world. This article discusses ways to spread the word about your business, including through events, networking, and the giving and receiving of awards.

64

Education

Digging into PCI – Part 8: Assign a unique ID to each person with computer access

Requirement 8 of the PCI DSS contains a long list of specific technical requirements on how to implement access control for computer systems at the POS. This installment of our multipart series drills down on the eighth of the 12 requirements of the PCI DSS.

QSGS

68
Education

Clarify your brand and use it

What is brand? Many companies are confused about the subject of branding. Some think it's their name, logo, color scheme or corporate style. If your company believes the answer is one of these, you're probably missing the boat.

74
Education

Going alternative

There's been a lot of press lately on alternative payments – most generated by companies that focus on this rapidly emerging trend. Marketers are looking for every possible way to not lose sales, and alternative payments also represent savings in fees. But which alternative payments should you offer?

72
Education

Selling and giving to specialized markets

Competition in our industry is fierce, as MLSs vie for the same customer base. Why not differentiate yourself by cultivating specialized vertical markets through industry associations, buying groups and local chambers of commerce?

81
Inspiration

Make everyone your valentine

Some people believe Valentine's Day is meant only for children who haul volumes of valentines to school or adults struck by Cupid's arrow. That leaves an awful lot of people out of the equation. Maybe your friends, family members, co-workers or customers – maybe even you. This article looks at some oft overlooked ways to send your love out into the world.

Industry**Update**

NEWS

The Fed's 2010 payment research underway

The Federal Reserve has undertaken research to get a better handle on numbers and values of checks and electronic payments moving through interbank payment systems.

The 2010 Payments Study, the Fed's fourth such project since 2001, will consist of three separate research efforts to estimate the number, dollar value and composition of noncash payments by U.S. consumers and businesses, based on financial institution data reports.

Data collection and analysis is being coordinated and implemented by the 12 Federal Reserve Banks, with assistance from payment experts at Global Concepts and McKinsey & Co.

Previous payment studies by the Fed Banks have pointed to a continued decline in check usage, while card, automated clearing house (ACH) and other electronic payments have been growing.

"The Fed's 2010 Payments Study is a continuation of an ongoing effort by the Federal Reserve System to measure trends in noncash payments in the United States," said Richard Oliver, Executive Vice President at the Federal Reserve Bank of Atlanta.

"These studies underscore the ongoing evolution of check electronification while providing additional insight to help industry participants plan for the future."

Results of the research are expected in late 2010.

Help for Haiti continues

Following the Jan. 12, 2010, earthquake in Haiti, the payments industry continues to provide support. **MasterCard Worldwide** is waiving interchange fees on donations for Haiti relief efforts to 15 specified relief organizations using MasterCard-branded cards issued in the United States, Canada, Latin America and the Caribbean.

MasterCard also donated $250,000 to the American Red Cross and pledged revenues generated through donations to select relief organizations through Feb. 28, 2010. Additionally, it will donate twice the amount given to the American and Canadian Red Cross by every MasterCard employee.

Discover Financial Services pledged $100,000 to the American Red Cross and up to $1 million more through a card member matching program.

In addition, **Coinstar Inc.** enabled its centers to accept donations for Unicef and is waiving processing costs on the first $500,000 donated. **First Data Corp.** pledged $100,000 to Haiti disaster relief and began an employee donation program in which it will match funds. **CO-OP Financial Services** and **CO-OP Shared Branching** are donating $15,000 to CU Aid. CU Aid collects donations for credit union employees, volunteers and members affected by the earthquake.

The Green Sheet reported similar contributions by American Express Co., Western Union, Visa Inc. and MoneyGram International in "Chipping in for Haitian relief," in Industry Update, Jan. 25, 2010, issue 10:10:02.

SPVA increasing membership, global reach

The Secure POS Vendor Alliance added five more

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

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

- According to **Mediamark Research & Intelligence**'s *MRI American Kids Study 2009*, mobile phone ownership among children from 6 to 11 years old was up 68 percent in 2009 (representing 20 percent of children in that age range) compared to 2005 (11.9 percent).

- The Institute for **Local Self-Reliance** found that 2009 holiday sales for independent retailers saw an increase of 2.2 percent over the previous year. It also noted that cities with "buy local" campaigns averaged a year-over-year increase of 3 percent; sales in cities without such drives rose 1 percent.

- The 13th annual *Global Powers of Retailing* report conducted by **Deloitte Touche Tohmatsu** International in conjunction with **Stores Media** indicated that among the top 250 retailers, sales-weighted, currency-adjusted retail sales rose 6.3 percent in fiscal year 2008 compared to fiscal year 2007.

members at the end of 2009, its first year in existence. The nonprofit payments industry security organization welcomed Elavon Inc., ID Tech, Independent Purchasing Cooperative Inc., Voltage Security Inc. and GHL Systems Berhad.

GHL Systems represents the SPVA's first Asian-based company. It deploys payment infrastructure, services and technology. Jason Phua, Vice President of Product Marketing and Strategic Alliances for GHL Systems, said, "This initiative reflects our ongoing commitment to ensure the highest levels of security and conforming to globally-recognized standards."

ID Tech, a Cypress, Calif.-based company with sales, manufacturing and research facilities around the world, specializes in mag stripe and smart card readers, bar code readers, keyboards and PIN pads.

IPC negotiates the lowest cost for goods and services for Subway restaurant franchises. Voltage Security delivers solutions for end-to-end encryption, tokenization, masking and stateless key management for data protection, including credit card data. Elavon is a global payment processor headquartered in Atlanta.

"We welcome these new companies and applaud their

efforts to join the conversation and dramatically impact the industry in the coming years," said SPVA President Steven Hughes.

ANNOUNCEMENTS

Apriva rolls out mobile phone apps

Wireless transaction and secure information messaging solutions provider **Apriva** introduced two new wireless POS solutions designed with mobile merchants in mind: AprivaPay processes payments with Web-enabled mobile phones through its browser; AprivaPay Professional transforms smart phones into payment terminals via downloadable software.

Arcot extends authentication to cells

Arcot unveiled a new Europay/MasterCard/Visa Inc. (EMV) authentication solution for card-not-present transactions in which cardholders authenticate transactions with their mobile phones. The new solution, ArcotOTP, makes the MasterCard Chip Authentication Program available for a broader range of devices.

BOKU gets millions for mobile payments

BOKU Inc. raised $25 million in series C capital from DAG Ventures Inc. and continued contributions from three other venture capital firms. "BOKU is an outstanding investment opportunity, especially considering the widespread use of more than 4 billion mobile phones worldwide, and their potential as a payment method for online transactions," said Nick Pianim, Managing Director of DAG Ventures.

A breach debrief

The Payment Cards Center of the **Federal Reserve Bank of Philadelphia** released a discussion paper on the Heartland Payment Systems' security breach of 2008 following a workshop on the topic held at the Center in August 2009. *Heartland Payment Systems: Lessons Learned from a Data Breach*, authored by Julia S. Cheney, Senior Industry Analyst at the Philadelphia Fed, is available on the Web at *www.philadelphiafed.org/payment-cards-center/publications*.

FCP needs talent

First Capital Payments is hiring to accommodate its national expansion. The company is enlarging its headquarters in downtown Rochester, N.Y., and is expected to hire 40 new employees.

iStream processes 1.2 million transactions

In December 2009, **iStream Financial Services Inc** processed 1.2 million transactions comprising remote deposit capture, ACH and direct deposit transactions, which represented a total clearing volume of more than

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Industry Update

Doin' it right

Staying ahead of the curve begins with information and analytics. Making business decisions without adequate information is like trying to cross a creek by stepping on rocks while blindfolded. To give merchants clarity on the way forward, cash advance provider AdvanceMe Inc. devised a way to conveniently provide them relevant data tailored to their individual business needs.

AdvanceMe now offers enhanced statements that compares merchants' current credit and debit card sales with the numbers for the same month in the previous year. In addition, AdvanceMe includes benchmark data, which allows merchants to compare their sales to the averages of similar businesses within their industries.

For Main Street, U.S.A.

"Small businesses need timely data to create strategies and plans that will ensure future growth," said Mark Lorimer, Chief Marketing Officer of AdvanceMe. "Reporting personalized and aggregated card sales data monthly demonstrates our commitment to small business success, helping owners to be better informed and proactive."

This detailed level of reporting is made possible by accessing the database of the Data Services Division of AdvanceMe's parent company, Capital Access Network Inc. This peer-to-peer data compares merchants' sales with the sales of other retailers in the same merchant category, region (including population size) and, in some instances, average ticket sizes.

Glen Goldman, President and Chief Executive Officer of CAN, said, "Small businesses, employing fewer than 100 people constitute the majority of businesses in the U.S., but are not included in most same-store sales reports that usually focus on big-box retailers and Wall Street–followed companies. The data we provide through our Data Services Division is drawn exclusively from Main Street merchants."

To view the format of the new enhanced AdvanceMe statement, visit www.AdvanceMe.com/viewdocument/AdvanceMeStatementSaple.pdf.

$1 billion. IStream processes for over 6,000 locations in 48 states and supports over 4,000 users.

MRI offers funding programs

Los Angeles-based **Merchant Resources International Inc.** made its three basic merchant funding programs customizable according to business type and needs. Merchants can adjust estimated terms and holdback percentages.

MRA awards scholarships

The **Michigan Retailers Association** made 34 university and college scholarships available for its members,
their employees and families for the 2010–2011 school year. The annual MRA scholarship program awards $1,000 to university and college students and $500 to community college students. The MRA said it is unique in that it is a payment card processor for its members.

Paymetric launches customer award program

Paymetric Inc. launched its 2010 Paymetric Customer Innovation Awards to honor exceptional, innovative achievements made by companies implementing Paymetric solutions.

Winners will be named in four categories: most innovative use of tokenization, best use of technology, best global use of technology and best result of software-as-a-service migration. Nominations close on March 30, 2010, and awards will be presented in May.

Trustwave establishes knowledge center

Trustwave established a data security and compliance knowledge center in London for businesses in Europe, the Middle East and Africa.

Through the center, businesses can access information and resources required for Payment Card Industry Data Security Standard validation.

PARTNERSHIPS

PaySecure drawn to Spirit

Acculynk partnered with **Spirit Airlines Inc.** to add PaySecure to its Web checkout in 2010. PaySecure allows consumers to pay for products and services online with PIN debit. "Airlines produce a majority of their revenue via the Internet, and it is very encouraging that such a Web-savvy industry has embraced PaySecure," said Ashish Bahl, CEO of Acculynk.

Apriva introduces payWave vending

Apriva partnered with **Visa Inc.** to integrate Visa payWave into its wireless payment vending solutions. "We are delighted to join forces with Visa to actively assist vending machine operators that are looking to leverage the inherent financial and operational benefits associated with cashless transaction solutions," said Bill Clark, Apriva's Executive Vice President, North America.

TSYS signs Caterpillar, U.S. Bank

In a multi-year agreement, **Caterpillar Financial Services Corp.** will use **Total System Services Inc.**'s TS2 platform to process commercial credit accounts. Caterpillar will also have access to TSYS' CounterPASS, a virtual POS product that features Internet-based reporting, statements and customer relations services.

IndustryUpdate

In other news, **U.S. Bank** enhanced its relationship with **TSYS** using TSYS' processing services for its consumer-directed health care benefit cards.

Glacier Bancorp selects DCS

Dynamic Card Solutions LLC signed an agreement with **Glacier Bancorp Inc.** to introduce a card program to instantly issue unembossed Visa cards at Glacier Bancorp's bank branches. Glacier Bancorp is a holding company of 11 banks and 94 branches in six western states.

First Savings Bank taps Harland

First Savings Bank chose Harland Financial Solutions' PhoneixEFE core processing platform. The Clarksvillle, Ind., bank will also use Harland's Microsoft Corp.-based platform for its newly acquired Community First Bank. "The contemporary architecture of PhoenixEFE gives us the flexibility we need to get products to market quickly and expand our reach in the commercial market," said Tony Schoen, Chief Financial Officer for First Savings Bank.

Fiserv delivers smooth conversions

Fiserv Inc. assisted **MB Financial Bank**, the Chicago area operating unit of MB Financial Inc., with its conversion of two Federal Deposit Insurance Corp.-closed banks it recently acquired to the Signature Bank Platform.

"Our technology partner, Fiserv, has been most responsive to our delivery needs as we continue to grow and acquire," said Larry Kallembach, Executive Vice President and Chief Information Officer, MB Financial Bank.

Heartland joins with restaurant associations

Heartland Payments Systems Inc., the **National Restaurant Association**, and state restaurant associations partnered to roll out a unified restaurant industry payment processing platform.

The partnership's Full Course Business Solutions suite is designed to help reduce expenses, improve operations and increase profitability for restaurant owners across the nation.

HSBC appoints Gemalto for EMV migration

The **HSBC Group** selected Amsterdam, The Netherlands–based **Gemalto** to facilitate the EMV migration of HSBC's bank network across 19 markets in the Asia Pacific region. "We bring these world-class solutions to our banking customers so that their customers in-turn benefit from the secure, fast and efficient banking provisioning capabilities," said Tan Teck Lee, President of Gemalto Asia.

IPS, QPS partner for floating solution

Due to a partnership between **Integrity Payment Systems** and **Quicksilver Payment Solutions LLC**, qualifying small U.S. businesses can commit a small percentage of their daily credit and debit receipts to monthly overhead bills via the companies' joint solution, PayFast

IPS' back-end technology allows it to "split the merchant's credit and debit card batch multiple times to make multiple micro payments," said Mike Ponder, President and CEO of IPS.

Payoneer selects Cotendo

Global payments solution provider **Payoneer** selected **Cotendo Inc.**'s content delivery network and site acceleration suite to enhance the performance of its payments platform. Payoneer reported a 75 percent improvement in access times in some regions after integration of the suite, which increased customer satisfaction.

US Dataworks, The Bankers Bank partner

Oklahoma City, Okla.–based **The Bankers Bank** is installing the Clearingwork platform from **US Dataworks Inc.** for its image check clearing network.

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"We see the Clearingworks-powered Image Exchange network as another way we can expand our value-priced service offerings to our colleague bankers' banks serving the thousands of community banks across America," said Mark Keeling, Executive Vice President and Chief Operations Officer of The Bankers Bank.

ACQUISITIONS

Elavon acquires Citizens National's portfolio

Louisville, Ky.-based **Elavon**, a wholly owned subsidiary of U.S. Bancorp, acquired the merchant processing portfolio of Sevierville, Tenn.-based **Citizens National Bank**. Citizens serves the three Tennessee counties. In addition to acquiring the bank's merchant processing accounts, Elavon has secured a 10-year referral agreement for new business through its 18 branches.

PAI adds CPC's portfolio

Payment Alliance International completed its acquisition of the merchant processing business of **Comdata Processing Systems**, a wholly owned subsidiary of Stored Value Solutions. With this acquisition, PAI gains more than 50 ISOs and 5,000 merchant locations

nationwide. Existing CPS clients will now benefit from PAI's full range of products and services, PAI noted.

APPOINTMENTS

2Checkout taps new CMO

2Checkout.com Inc. appointed **Christopher Daly** as CMO for the Columbus, Ohio–based e-commerce and payments provider.

Daly's industry experience came from stints at Alliance Data Systems Inc., PayPal Inc. and Bill Me Later.

FS-ISAC elects board members

The Financial Services Information Sharing and Analysis Center elected or re-elected the following board members for the three-year term that began Jan. 1, 2010: **Max Morris**, Vice President, Threat Intelligence Services, Wells Fargo; **Anish Bhimimani**, Managing Director IT Risk Management, JPMorgan Chase & Co.; **Mark Clancy**, Managing Director, Chief Information Security Officer, Depository Trust and Clearing Co.; and **James Doyle**, Vice President – Corporate Investigations Division, Prudential Financial Inc.

Now Serving Hot Leads!

Until now, one of the tenets of being an ISO was that your office was entirely independent, responsible for obtaining your own sales leads. UBC is changing the game with a ground-breaking new leads program*. UBC will be doing all the legwork to deliver hot leads directly to you. Although other processors may have offered marketing lists, new business lists, new phone number lists and so forth, the UBC program will provide you with hot, pre-set appointments with merchants that are specifically interested in our free ECR program. You will also be given online access to a real-time, interactive leads management system to manage these appointments. This system has advanced CRM functionality including text and e-mail alerts. In the past, it was your responsibility to obtain your leads; this program changes everything. Contact your UBC National Sales Manager today for more information.

*A fee will apply for each lead provided. Please contact your National Sales Manager for details.

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For one year, beginning September 1, 2009, every new merchant account signed with UBC will earn that Sales Partner an entry towards the million dollar prize. With the entries capped at 27,000, each entry will give you an unprecedented chance at one million dollars - better than any lottery or contest you've ever entered. This is an unparalleled chance for one of our valued sales partners to completely transform his or her life!

- United Bank Card CEO Jared Isaacman has personally written a rate and service guarantee stating that rates and fees will not be raised in order to fund this contest and that UBC's high level of service will not be compromised due to this influx of merchant accounts.

- An outside law firm, The Lustigman Firm, has been enlisted to help ensure that the promotion has been structured in a legally compliant manner.

- The contest drawing will be observed by Weiser LLP, an independent accounting firm.

No Purchase Necessary. UBC Million Dollar Giveaway starts on September 1, 2009 and ends on the date in which there are 27,000 entries or August 31, 2010 at 11:59PM ET, whichever is sooner. Promotion is open only to Sales Associates (as defined in the Official Rules) of United Bank Card, Inc. that are located in the fifty (50) U.S. states (and D.C.) 18 years of age or older. For official rules write to United Bank Card, Inc., PO Box 4006, Clinton, NJ 08809. Void where prohibited. Sponsor: United Bank Card, Inc., PO Box 4006, Clinton, NJ 08809.

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A PIN for all reasons

By Scott Henry

VeriFone

A PIN pad for every countertop. Those words might be as effective an economic stimulus as anything else we have tried over the past year or so. Just about everyone – merchants, payments industry businesses and individual consumers – have felt pinched by the impact of the credit crunch.

For consumers, sky-high interest rates are prompting more and more cardholders to dump their credit cards in the drawer and rely increasingly on debit cards instead.

For example, the National Retail Federation released a survey in November 2009 that indicated 45 percent of consumers planned to use debit or check cards to pay for gifts this past holiday season. Those planning to use credit cards for similar purchases fell to 28 percent.

In May 2009, Visa Inc. reported that in the three months ending Dec. 31, 2008, spending volume on debit cards exceeded that of credit cards for the first time. By the end of June 2009, debit accounted for more than 70 percent of all Visa transactions.

Debit transaction fees by percentage

Percentage paid on a typical signature debit transaction:

1.2%

Percentage paid on a Visa or Mastecard transaction:

1.5% – 2%

Source: Federal Reserve

Consumer choice

Not only is debit card use increasing at the expense of credit cards, but consumers are more often opting for PIN debit. First Data Corp.'s SpendTrend report for November 2009 showed that PIN debit use was up 12.8 percent compared to the same period in 2008, while credit and signature debit were up just 5.8 percent.

In the 2008 Study of Consumer Payment Preferences conducted by BAI Research and Hitachi Consulting, it was reported that PIN debit is "preferred by 45 percent of consumers, while 35 percent prefer signature (20 percent have no preference).

Those preferring PIN debit consider it more secure, faster and easier to use than signature. Consumers preferring signature debit do so for the security, lack of fees, their inability to remember a PIN and, in some cases, rewards programs."

Paying for steerage

Is it any wonder that consumers are often steered to signature debit when they check out at the grocery store? As the *Boston Globe* reported in late 2007, banks "prefer the credit option for debit cards because they make more money in fees.

For example, on a $200 transaction, a bank would make $1.99 if the customer chooses 'credit' and signs his or her name; according to one estimate that would be more than three times the 60 cents they make from customers who choose 'debit' and enter a PIN."

Merchants who are missing out on the trend toward PIN debit are paying for it in additional interchange fees. According to a Federal Reserve report on interchange published in May 2009, interchange fees for PIN debit "typically average 35 cents to 50 cents per transaction; interchange fees for a typical signature debit transaction are about 1.2 percent of the transaction value; and interchange fees for a typical credit card transaction for Visa and MasterCard are in the range of 1.5 to 2 percent of the transaction value."

It may seem counterintuitive to tell merchants how they can lower their transaction fees, but remember, anything

that helps merchants achieve greater profitability will increase loyalty and retention.

Security is a value-add

There's no doubt consumers today are more aware of card fraud issues than they were three or four years ago. Millions of cards have been replaced due to breaches of retailer and processor data centers, as well as payment networks.

PIN debit is inherently more secure than signature debit, which requires just a signature that few store clerks attempt to verify. According to the 2009 Debit Issuer Study, commissioned by Discover Financial Service's Pulse network, POS losses for PIN debit were just 15 cents per card issued in 2008, compared to $1.81 for signature debit.

Nevertheless, when you're selling PIN debit you need to be ready to answer questions about skimming incidents in which criminals have been able to surreptitiously obtain card data and associated PINs.

These incidents have been attributed to the compromise of pre-Visa PIN entry device (PED)-approved systems. Amazingly, there are still PIN pads in use that predate any security certification. As of July 1, 2010, these pre-Visa PED systems must be removed from service.

Today's Payment Card Industry (PCI) PED systems feature certified tamper prevention and tamper detection schemes designed to ensure that efforts to compromise systems will be immediately visible and unsuccessful. Merchants can use their new systems as a compelling marketing point to show customers that security is a priority.

PIN for any counter

There is no merchant scenario that can't accommodate a PIN debit solution in this day and age. PIN debit can easily be added by selling merchants PCI PED devices containing an internal PIN pad or by adding a secure PIN pad to an existing terminal. With security requirements becoming ever more stringent, many merchants must upgrade their terminals anyway, so why not provide them with solutions that offer more flexibility and payment options?

Among those options are:

- **Terminal-driven PIN pad peripherals:** Compact PIN pads that attach to existing payment terminals and take up little counter space are a quick and easy way to equip merchants for PIN acceptance.

- **Customer-activated PIN pads:** Once seen only in supermarkets and high-end department stores, consumer-activated facing terminals that integrate with cash register systems are suited to high-traffic venues.

- **PC-integrated PIN pads:** Personal computer-based payment processing is attractive to a growing number of storefront merchants; especially appealing is a bundled solution that includes hardware and payment processing software.

PIN is in

ISOs and merchant level salespeople able to offer merchants a variety of PIN-entry device options will ensure maximum adaptability and security. When you combine the cost savings associated with PIN debit with increasing card volume, given current consumer trends and the higher security standards for PIN debit transactions, you've got a winning formula for sales now and in the future.

Scott Henry is Director, North America Product Marketing, for VeriFone. He can be contacted at scott_henry@verifone.com.

Merchant training: Competitive advantage, potential game-changer

By Biff Matthews
CardWare International

Companies that invest in employee training benefit from higher productivity, less downtime, lower turnover, less need for supervision and reduced reliance on others. They also gain a more satisfied workforce and a decisive competitive advantage.

I strongly advocate for merchant training for precisely the same reasons. And from the ISO or merchant level salesperson (MLS) perspective, training confers other important benefits, too. It maximizes and locks in the revenue stream: the more transactions, the higher the revenue.

Good training also thwarts chargebacks and other transaction anomalies at the retail site. Given that a percent of total transaction revenue is your income stream, chargebacks can quickly erode profits, making you (and the merchant) poorer.

Good training is also an easy path to higher merchant retention and satisfaction. This brings in my final point: it sets you apart from the competition, who likely are providing little or no training for their merchants.

The complete regimen

Training should be comprehensive and start with the assumption that the merchant knows nothing. Forget previous equipment, systems and software the merchant has used. For best results, all aspects of the operation must be re-emphasized – and all key elements covered.

Anyone can run an ordinary sale with little or no training. But what happens during an emergency or when things do not go according to plan? That is the focus of training. The goal is the protection and security of every transaction so there is no opportunity for chargebacks, disputes or mischief.

Training should start with an overall statement of the training's specific benefits for merchants. Emphasize sharing of information with staff and future employees. By this I mean not just the easy sale and credit procedures, but where to find assistance when circumstances are out of the ordinary.

In all cases, the first line of defense in protecting the transaction is the quick reference guide (QRG). It should be kept close by, and everyone should be trained – and tested – on how to use it. The last line of defense should be the help desk.

Checklists are invaluable, and training is one place where they are mandatory. To start the training process, use a checklist that covers all aspects.

Discuss fraud in its various forms and the measures in place for fraud prevention, such as examining the card, making sure it's signed, knowing what to do if there is any question about the presenter or transaction.

Furthermore, communicate to merchants that substantial rewards are available for the capture of stolen cards (or cards severely over credit limits). And, since security is everything, make sure they know that if a card doesn't read when swiped, the keyed-in transaction should be accompanied with an imprint to document presentation.

Check that

A plethora of atypical transactions go beyond the normal sale, including credits and returns, voids and split payments (two cards for a large purchase). Also, gift and debit card transactions fall into this category.

All merchants encounter these transactions, and all procedures need to be understood and followed. Training should cover the merits of an address verification service (AVS); if there's no match, merchants can use an AVS to verify cardholder identity and evaluate any plausible explanations for discrepancies.

The AVS acts as a guarantee that is not actually a guarantee, but it validates a good transaction. A "no match" gives merchants the choice of whether to go forward with the transaction. Merchants selling high-ticket items and goods that are easily fenced should always be wary of a "no match" on the AVS. (They should be equally wary of international sales, but that is for another article.)

Voids and credits should be handled as carefully as sales because an improperly handled credit can also create a dispute and offset your revenue. With terminals performing multiple applications, and with debit transactions growing as a percent of the total, PIN pad and split tender transactions are also part of what merchants need to master.

In addition, unemployment and other government benefits are now rendered with prepaid cards. Food stamps and the Special Supplemental Nutrition Program for Women, Infants and Children (known as WIC, which allows only certain kinds of products to be purchased) are also in widespread use.

One in eight Americans now receive food stamps, according to Reuters (Dec. 20, 2009). This is more than $4.6 billion in circulation per month. About 6 million Americans

> **Nothing demonstrates how important it is to fully train managers and line staff more than the explosion of transaction types and the accompanying pitfalls.**

receiving food stamps report they have no other source of assistance, according to *The New York Times*. Clearly, food stamps delivered on reloadable prepaid cards are common currency, and merchants must understand their requirements.

Also in circulation are purchasing cards, where the individual presenting the card may be authorized only to buy office supplies, and transactions on nonspecified goods may not be approved. Here again, care in the application of the QRG is invaluable.

Once a merchant believes he or she has a handle on everything discussed above, the merchant is inevitably presented with a closed-loop reward card. Here, the consumer receives a percentage discount for buying specific merchandise or from a specific merchant.

Train to avert disaster

Nothing demonstrates how important it is to fully train managers and line staff more than the explosion of transaction types and the accompanying pitfalls. Worse yet, criminal networks of every stripe are determined to identify and penetrate merchant vulnerabilities. They can, and will multiply the problem before you can address it. So prevention is essential.

The retail clerk must also be knowledgeable about check guarantee and check imaging. Few things are worse for the consumer than a clerk unable to quickly handle a transaction; delays in the shopping experience cost sales.

Training can be a powerful competitive advantage. Done well, it ensures the revenue stream and merchant satisfaction, because customers have a good experience with every transaction.

But back to training. Like a cash register, the POS system needs to be balanced nightly or at shift change. The reasons for this are numerous. Primarily they involve user error: the clerk fails to follow procedures learned during training. There can also be system or processor communications issues.

Any irregularity in the chain of communication can prevent successful acknowledgement on the back-end. Big things like lightning strikes and small disturbances like line static (virtually anything to do with power) can be at fault.

Some processors "force-balance" in the evening; some "auto-settle." In these cases, the terminals end with what

they have, and the processor looks for any discrepancies, such as an authorization without a capture.

Whom to call

As you move through the training process with merchants, you'll reach the point of needing to know whom to call if certain things occur. There are just a few phone numbers merchants need regarding electronic transactions:

- If voice authorization or further security verification at the processor is needed regarding a card, where do I call?
- What is the help desk number?
- If I need supplies, where do I call?
- What if there are issues with leased equipment?

The difficulty is that for authorization and help desk, there can be one number for MasterCard Worldwide, Visa Inc. and Discover Financial Services, another for

View

American Express Co., a third for gift cards, a fourth for checks, and a fifth for electronic benefits transfer.

It is important to have a comprehensive, universal authorization and support list that includes all relevant phone numbers on a single reference card.

The one remaining number, the one you'll have to supply, is your phone number, or that of someone from your organization. This is about service and business retention, after all. And that requires protecting the integrity of transactions 24 hours a day, endeavoring to ensure there are no issues, but if there are issues, that people and tools are readily available to solve them.

On the POS

Another aspect of training is the POS system. In most stores, this is a computer-controlled cash drawer, so the computer is fully integrated with attendance and inventory, accounts payable and receivable, and a cash system. For lodging applications, it does even more.

Its successor, the personal computer POS (PC POS) system, presents an entirely new set of training parameters. Most PC POSs are tied to card-based transactions, but there are also cash sales that lead to multiple tender transactions. This is why your checklist is so critical.

If you are considering outsourcing training, find a company that can train on multiple platforms and applications. Ask to see the company's checklists, and make your own additions and corrections. The training checklist, or script, should be modular so what is learned is truly reflective of the merchant's situation.

Follow up

You also want the ability to monitor the training culture, so you might arrange randomly recorded training calls. But whether you outsource or do your own installs and training, you need a training checklist merchants can sign off on, confirming that you – or your provider – covered all items.

Finally, conduct follow-up training within a few days to see if anything is unclear, has been overlooked or has arisen through use. As a value-added service designed to increase merchant efficiency, training can help you and your merchants gain a powerful competitive advantage.

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.

Selling Prepaid

Prepaid in brief

NEWS

FiSCA launches Haitian relief fundraiser

Financial Service Centers of America launched a nationwide program to raise disaster relief funds for survivors of the Jan. 12, 2010, earthquake in Haiti. The funds raised by member store locations across the nation will be matched by the Western Union Foundation and subsequently delivered via money transfer by Western Union Co.

The FiSCA Haiti Relief Fund program provides a vehicle for participating stores' customers, employees and their families to donate. The FiSCA also encourages member store location owners to contribute.

ANNOUNCEMENTS

Get Home Card brings it home

Advanced Marketing Team Inc.'s Get Home Card won the "Gives You The Business" radio promotion conducted by KTLK, a Minneapolis-St.Paul, Minn.-based radio station. The prepaid emergency transportation card, launched in March 2009, was designed for students and others who find themselves unexpectedly stranded and in need of transportation.

GlobalCollect opens Latin American office

GlobalCollect opened a new office in Buenos Aires, Argentina, to serve the Latin American region. "We are very proud to spread our service portfolio and commercial footprint to accommodate an increased focus by merchants to develop their e-commerce business in this fast-growing region," said Jan Manten, Chief Executive Officer of GlobalCollect.

RegaloCard expands to Guatemala

Mobile payment company **RegaloCard** has signed agreements to bring the RegaloCard money transfer service to Guatemala. RegaloCard Chairman and CEO Gregory Keough said the service is free, available instantly and can be used for amounts as low as $10 per transfer.

RushCard members rewarded at tax time

UniRush LLC's **RushCard** launched its second annual "Lunch with Russell" tax season sweepstakes, in which one cardholder will win a trip for two to New York City for an exclusive lunch with Russell Simmons, philanthropist, entrepreneur and creator of the RushCard.

Solantic adds online ordering

Patients of **Solantic**'s walk-in urgent care facilities, or anyone who wishes to help said patients with medical costs, can now purchase the Solantic Card online. The prepaid card can be used at any of Solantic's 30 urgent care centers. Solantic has care centers throughout Florida.

TransCard gets personal

TransCard rolled out a new application that allows cardholders to customize cards with their own photos. TransCard CEO Craig Fuller said the solution will increase cardholder adoption and brand visibility.

Trustcash to develop reseller program

Trustcash Holdings Inc. is developing an affiliate program to make its suite of technology solutions available to merchant account solution providers. The company is inviting merchant acquirers to take a survey (available at *www.trustcsh.com/signup_consumer1.php*) to inform Trustcash where and how they would like to employ Trustcash's payment processing platform.

Trycera rolls out card program

Trycera Financial Inc. rolled out a new, network-branded prepaid card program with "innovative, non-traditional" payment reporting capabilities, the company said. Trycera also initiated marketing for its suite of financial services to assist consumers in improving their credit scores through increased reporting to credit agencies.

Tune Money revamps cards

Tune Money Sdn Bhd, Tune Group's Malaysia-based financial services company, renamed two of its cards and enhanced the cards' features. The Tune Money Visa Prepaid Card is now called the Tune-In Card and the Red Card, for 15- to 17-year-old cardholders, is now the Pulse Card.

WebMoney serves 10 million

Russia-based online payment provider **WebMoney** recently surpassed 10 million registered users. This is an increase of 3 million in the past year. In addition to using

its mobile applications for Microsoft Corp. Windows Mobile devices and Apple Inc. iPhones, consumers can make WebMoney transactions via any Web browser on any operating system, the company said.

PARTNERSHIPS

Consorteum, NxSystems ally

Consorteum Holdings Inc., through its wholly owned operating subsidiary Consorteum Inc., partnered with payment solution network NxSystems Inc. to add NxSystems' NxPay multiple currency payment and settlement platform to its stored-value projects.

Global Cash Card, Turbo Tax team

In forging an alliance with Intuit Inc.'s TurboTax, Global Cash Card will offer TurboTax Federal Free Edition tax preparations software and a 15 percent discount on TurboTax online products from its portal at *www.globalcashcard.com.* Global Cash Card users can elect to have their taxes directly deposited onto their prepaid cards.

Intercash, bank to offer new services

Intercash Europe partnered with European Banque Invik to develop new card programs with increased functionality. The cards are being unveiled at the International Gaming Expo and the London Affiliate Conference. Intercash said merchants will be able to send payments in multiple currencies to Intercash cardholders worldwide; additionally, cardholders will have the ability to receive funds on their cards from any Intercash participating Web site or network.

MoneyGram goes Hungary

MoneyGram International, through a partnership with Corner Cash Keszpenz Zrt, is expanding its money transfer network to Hungary. Corner Cash will offer MoneyGram's service at 11 locations throughout the country, with plans to expand to more Hungarian locations.

Triple Canopy gets Travelex umbrella

Travelex partnered with Triple Canopy Inc., a security and risk management company that provides services in "high-risk" areas worldwide. The new agreement allows Triple Canopy to pay its overseas work force using Travelex's MasterCard Worldwide-branded Corporate Cash Passport prepaid cards.

Ukash moves into France

U.K.-based Ukash, in partnership with the France-based issuing network known as la SAF, now provides prepaid vouchers at POS locations in 15,000 outlets throughout France. Consumers can still purchase the vouchers online and with the prepaid Toneo card.

APPOINTMENTS

MoneyGram names Everett EVP

MoneyGram chose Timothy C. Everett to be its Executive Vice President and General Counsel. Everett will report to Pamela H. Patsley, Chairman and CEO of MoneyGram. Patsley declared that Everett "will be invaluable to MoneyGram as we continue to accelerate our growth and gain market share."

CPI Card Group welcomes George

CPI Card Group welcomed Kathy George as Market Manager of Prepaid Solutions. George will take charge of market development of CPI's prepaid business in North America. "This market segment is an important growth area for CPI, and Kathy will play a key role in working with our sales and operations teams to increase our penetration of this market," said Steve Montross, President and CEO of CPI.

AccountNow taps Jones

San Ramon, Calif.-based AccountNow Inc., a Web-based prepaid card issuer, selected 35-year financial services industry veteran James G. Jones as its CEO. Former CEO Tim Coltrell will remain on the Board of Directors.

FSV taps two

FSV Payment Systems Inc., a provider of network-branded prepaid debit cards and processing services, appointed Stephen W. Reesing as its Chief Financial Officer and Matthew P. Frye as Chief Commercial Services Executive. Reesing comes to FSV from Netspend Corp.; Frye joins FSV from PreCash.

Coinstar appoints Valerio CFO

Coinstar Inc. named J. Scott Di Valerio as its CFO. Valerio comes to Coinstar with over 25 years of finance, operations and management experience. He assumes his new post in March 2010.

 Features

Prepaid expo showcases speakers, regs

T he annual Prepaid Expo USA, mounted by the Institute for International Research Holdings Ltd., is poised to pitch its generous tent once again. From Feb. 22 to 24, 2010, Las Vegas will

play host to the largest prepaid card industry tradeshow in the United States – a show that is growing in stature.

Day one

As a testament to the event's (and the industry's) increasing relevance, the expo landed President Bill Clinton, founder of the William J. Clinton Foundation and 42nd President of the United States, to deliver a keynote address.

Since leaving office in 2000, Clinton launched the foundation to focus on meeting the challenges of global interdependence.

Clinton also serves as the United Nation's Envoy to Haiti, a Caribbean country that recently suffered a cataclysmic earthquake that destroyed much of its capital city, Port-au-Prince.

With the emergence of prepaid cards over the past few years as a primary mechanism for delivering monetary aid to disaster victims, it is a safe bet that Clinton will touch on how our industry can play an eventual part in Haiti's economic and social recovery.

Day two

Feb. 23 promises to be case study and panel discussion intensive. "State of the Market" presentations focus on the closed- and open-loop card markets, as well as mobile, virtual and next generation products.

Other sessions will focus on marketing to unbanked and financially underserved consumers; discovering your niche in loyalty, incentive and rewards programs; and understanding the international mobile payment landscape.

Day three

The focus on the final day of the expo shifts to the ever more critical regulatory environment. Last May, the U.S. Congress passed the Credit Card Accountability, Responsibility and Disclosure Act of 2009, which made a variety of prepaid card products subject to more extensive consumer protection laws.

Also in May 2009, *SellingPrepaid* reported on the Financial Crimes Enforcement Network's request for input from the prepaid card industry concerning the definition of stored-value.

FinCEN, a bureau of the U.S. Department of the Treasury, wants to revise the definition of money services business (MSB) so that issuers – as well as sellers or redeemers – of stored-value products fall into the same broad MSB category for purposes of regulating anti-money laundering practices.

But by lumping many prepaid card products together – without recognizing the differences between closed-loop gift cards and open-loop, network-branded, reloadable

payroll cards, for example – the regulations threaten to curtail or even destroy many prepaid card businesses and market segments.

Other issues at stake include how the government and law enforcement define money transfer, as well as the possible creation of a consumer financial protection agency which, if it comes to pass, will likely have far-reaching consequences for the industry.

Investing in prepaid

Jennifer Sobrino, Executive Director of Prepaid Expo USA, believes the expo is an ideal venue to "maximize your possibilities by joining over 1,000 of your peers to help shape the future of the prepaid and payments industry." 🌐

How prepaid cards assist in disaster relief

JPMorgan Chase & Co. donated $1 million in aid to the ongoing disaster relief efforts in earthquake ravaged Haiti. Other prepaid card industry businesses have also given hundreds of thousands of dollars. Given the current crisis, it seemed appropriate to revisit an article originally published in the Sept. 17, 2008, edition of *SellingPrepaid E-Magazine*.

Entitled *Prepaid cards help in disaster relief*, the story focused on how a prepaid card program implemented by J.P. Morgan, the treasury arm of JPMorgan Chase, helped victims of Hurricane Ike, which hit the U.S.'s Gulf Coast on Sept. 13, 2008.

Since Hurricane Isabel in 2003, the American Red Cross, working with J.P. Morgan, has had a prepaid card program in place that allows for efficient distribution of financial assistance to disaster victims.

According to Michael Brackney, Director of Service Delivery Development at the Red Cross, card distribution is part of the individual assistance phase of relief operations.

The first phase instituted by the Red Cross and other organizations, such as the Federal Emergency Management Agency, provides for victims' basic needs, such as food and shelter. It is also a time when authorities assess the damage to communities.

Phase two

But once basic utilities, such as water and power, are restored to disaster affected areas, relief efforts can focus on individuals, Brackney said. At that point, Red Cross case workers sit down with individual families and assess their situations.

"When power comes back on in some areas and some people can leave the shelters and go home, it will become clearer who can or who does or does not have a home to go to, who is going to have longer term needs," Brackney said. "And once Red Cross workers establish identity, eligibility, how they were affected and what their individual needs are, then assistance is provided in accordance with that," he added.

It is here that prepaid cards enter the mix. Instead of giving victims clothing or other supplies, the Red Cross can issue them prepaid cards for making purchases.

"What we want is to give people the emergency assistance they need or the means to acquire it," Brackney said. "For example, if they need medicine or a certain size of clothing, it's better and easier and less expensive for us to give them the means" to get it themselves.

A vital role

Since 1999, J.P. Morgan has issued prepaid debit cards for use in emergency relief situations. Hurricanes Katrina and Rita magnified the importance of debit and electronic benefits transfer (EBT) cards as a part of the United States' emergency response infrastructure.

J.P. Morgan issued over 414,000 emergency food stamp benefit EBT cards in Louisiana for victims of those hurricanes. J.P. Morgan also converted Louisiana unemployment checks to debit cards, which allowed over 300,000 cards to be issued to unemployed Louisianans to access their funds even if they had relocated to other states after Hurricane Katrina.

Back in 2001, in the aftermath of the terrorist attacks on the World Trade Center and The Pentagon, J.P. Morgan said it restored EBT services to over 1,200 small retailers in Lower Manhattan after the attacks destroyed telecommunication switches in the World Trade Center, shutting off the retailers' ability to accept EBT cards. J.P. Morgan coordinated with retailers and the government to keep benefits flowing.

Making the case for disaster relief cards

The 7.0 magnitude earthquake that struck Haiti on Jan. 12, 2010, has brought untold death and destruction to the island nation. According to J.P. Morgan, the treasury arm of JPMorgan Chase & Co., disaster relief cards for the Haitian people would be of no use at the present time, but may play a role sometime in the future.

"Ground usage in Haiti of any card-based products, disaster or otherwise, isn't imminent," said Chris Paton, Managing Director of J.P. Morgan's Public Sector Benefit Payments Business. "Card programs require strong, stable telecommunications networks, which we suspect are not in place right now.

"Down the road, when telecommunications networks are working again in some shape or form, the advantages of card-based aid delivery can be leveraged, but only to an extent as the number of merchants accepting card payments is quite limited."

Paton added that Haiti is one of the poorest countries in the world. He cited MasterCard Worldwide statistics that said only 3,000 merchants offer card payment capabilities to the Haitian population, which The World Bank puts at 9.7 million citizens. In comparison, MasterCard's global merchant base is 28 million, Paton said.

A disaster with scale

The U.S. corollary to the Haitian tragedy was Hurricane Katrina of 2005, which was the costliest and among the deadliest hurricanes in U.S. history. According to a case study presented at the 2006 Prepaid Card Expo, Katrina was a turning point in the use of electronic payments for disaster relief.

In *American Red Cross Prepaid Cards as the life raft for victims of Katrina*, Michael Brackney, Director of Service Delivery Development at the Red Cross, and W. Gregory Kerwick, Managing Director at JPMorgan Chase, said a paper-based voucher system had been in place since 1917.

It wasn't until the humanitarian crisis arose in the aftermath of Katrina that prepaid cards became the "primary financial assistance vehicle." Even in comparison to Hurricanes Andrew (1992), Isabel (2003) and Wilma (2005), Katrina was a "catastrophic event" that stretched the capabilities of the Red Cross, the presenters said.

For example, in the wake of Andrew, the Red Cross had to shelter about 50,000 individuals. But combining the populations that required housing due to Katrina and Hurricane Rita (which followed Katrina in September 2005), the number approached 500,000. Similarly, the Red Cross doled out over 5 million meals and snacks to individuals for Andrew; over 45 million for Katrina and Rita.

A card with scale

But the most striking statistic may be the one the presenters cited for individual assistance cases. For Andrew, the Red Cross helped less than 200,000 hurricane victims with personal assistance; for Katrina and Rita, that number was over 1.4 million.

Therefore, when catastrophic events occur, JPMorgan's electronic disaster relief program enables the Red Cross to scale its response to deliver the appropriate amount of financial aid to potentially millions of victims.

Company**Profile**

![Vesdia logo — Creating Loyalty for Life™]

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ISO/MLS benefits:
- Value-added marketing service
- Sales referral fee
- Zero ongoing ISO support obligations
- Easy implementation

Strength in numbers

Thriving companies begin with a solid foundation, the basis of which is that all-important business plan. But sometimes, as times change and a business grows, it can outgrow its original vision. Changing an organization's direction can take as much research and planning as developing an initial business plan. The right new direction, however, can set a company into a better niche, strike a better balance of offerings or help it communicate its message more effectively.

Just as a company can outgrow its business plan, so too can it outgrow its founder. Such was the case, on both counts, with Vesdia Corp.

Baby grows up

Vesdia began in 2000 as BabyMint Inc., which offered programs that allowed consumers to receive cash-back rewards for shopping at participating merchants. In the BabyMint model, the rewards went to college funds. The company applied this model to similar programs for charitable giving, retirement savings and investments. These programs are still available through Vesdia on a direct-to-merchant basis.

"It was simply a way to bring the loyalty program concept to some of those life events," said Lars Holmquist, Chief Marketing Officer for Vesdia. The landscape changed when Citibank N.A. approached BabyMint in 2004, requesting a private-label loyalty solution for its cardholders. BabyMint executives soon saw the potential in the loyalty space for private-label opportunities and shifted the company's focus to concentrate on loyalty.

In 2003, the company changed its name to Vesdia Corp. to communicate a broader purpose to both its microinvesting programs and its private-label customer relationship management loyalty solutions. Vesdia launched its first private-label loyalty program in 2005; now such programs are the company's mainstay.

"We actually evolved into a company that's right in the middle of payments and loyalty and marketing," said Pete G. Davis, founder and President of Vesdia. Davis recognized a couple of years ago that his company had outgrown him. "I think one of the best decisions that we made, or I made, was to bring in an experienced manager/Chief Executive Officer who I now report to," Davis said.

Vesdia's new CEO, Jim Douglass, had been serving on the company's board of directors. Before that, he was Executive Vice President of Corporate Development and Chief Financial Officer for CheckFree Corp., a large online bill pay company. Though it was a difficult decision to relinquish the title, Davis said it enabled him to focus on strategy and business development, which he prefers over managing people.

Reaping rewards

Vesdia's entire focus is still loyalty programs. In the case of Citibank, Vesdia's patented loyalty program is tied to Citibank's general purpose credit card and debit card Thank You program. Vesdia added a merchant network to the Thank You program that increases rewards for Citibank consumers, according to Holmquist.

The merchants in the network have agreed to offer bonus points to patrons who pay with their Citibank cards, he added. Consumers may earn one point per dollar spent, but the bonus points for patronizing participating merchants can be as high as four points per dollar, Holmquist explained.

As has been widely reported in *The Green Sheet* and elsewhere, debit use has seen a significant jump since the economic downturn, and an increasing number of companies offer debit loyalty programs. With Vesdia, the rewards potential for consumers, and in turn the consumer retention for merchants, can be increased with the addition of merchant networks.

"[Debit loyalty] has grown dramatically already over the last three to five years," Holmquist said. The reason Vesdia's programs are attractive to debit card issuers is because debit cards come with lower interchange fees than credit cards, so there is less margin to work with; connecting a merchant network to the loyalty program is a great way to enhance the program's value, he added.

Vesdia works with bankcard issuing and processing partners such as MasterCard Worldwide, Visa Inc., Total System Services Inc. and First Data Corp. Vesdia offers loyalty programs for financial institutions, affinity groups, loyalty companies, commercial enterprises large and small, nonprofit organizations, and for the hospitality and travel industries. American Airlines Inc. uses Vesdia for its AAdvantage program.

Matchmaker, matchmaker

One of Vesdia's strengths is its extensive merchant network. "Not only do we have virtually all of the [nationally recognized name brand] online retailers in our programs, we have a very significant in-store merchant network both on a national basis and a local basis," Holmquist said.

"In an interesting way we actually are a very large clearing and settlement type company where we act as a matchmaker between merchants and the offers that they have and consumers that are participating in loyalty programs," he noted. Vesdia added major retailers to its merchant network last year. Holmquist said the company signed home improvement retailer Lowe's and AMC Entertainment Inc. The agreement with American Airlines was also secured in 2009. Vesdia implemented a program with the airline that includes a shopping mall and an in-store network, Holmquist said.

Vesdia also entered the prepaid market last year. "We see [prepaid] as an emerging market," Holmquist said. "Oftentimes the loyalty proposition on a prepaid card is one where if [the cardholder uses] that prepaid card at participating merchants, they have the oppor-

tunity to earn cash back that can be loaded back onto the prepaid card."

WWW for mom-and-pops

For the e-commerce sphere, Vesdia leverages consumers' online shopping and browsing histories to tailor e-mails or offer placements on Web sites to suit each customer's preferences.

To adapt the merchant networks for local and regional merchants, Vesdia invested about 90 percent of its research and development budget "on a new technology and services solution to efficiently manage and report to local and regional merchants," Davis said.

This resulted in the company's revamped and updated online shopping portal, which went live in 2009. The site offers increased functionality, including detailed product search, price comparison, offer comparisons and a local participating merchant locator. Merchants can log in and see their transaction history and reports.

Holmquist said the decision to upgrade the functionality and look of the online shopping portal was the best decision Vesdia has made because "it gave us not only a series of Web sites that are attractive, easy to use, intuitive et cetera, but it gave us a lot of data to work with that we

are continuing to reap some benefits from." Davis agreed, adding, "Now the local merchants and these regional guys are banging down our door."

Additionally, Vesdia sealed a deal with Open Table Inc. in 2009 to provide more consumer opportunities for loyalty earnings. When consumers book reservations through Open Table via Vesdia's shopping portal, they receive bonus points or miles.

According to Holmquist, when it comes to building online merchant networks, acquiring the transactions and setting up the infrastructure is relatively easy. "The challenge is to make it consumer friendly so that consumers will be motivated to return to the site and use it as a reference when they're going to do some online shopping," he said.

Reaching critical mass

Regarding the in-store network, "the challenge there is to actually sell and manage the in-store merchants," Holmquist noted. "It requires direct selling. It requires a lot of analytics and reporting to demonstrate to the merchant the value their participation brings in the form of new customers." He added that if anything in the loyalty space is difficult, it is building and managing the network of merchants.

Company**Profile**

This is where the ISOs and merchant level salespeople (MLSs) have an opportunity to shine. Getting the first few merchants on board in a given network is the hard part. But ISOs and MLSs have relationships with merchants, know their pain points, and can communicate the value proposition to their merchants and prospects.

Mentioning the significant brands that Vesdia has signed helps ISOs to reach that critical mass, according to Holmquist. He believes merchants recognize the value of tapping consumers who participate in the loyalty programs that Vesdia offers with these major brands.

"One of our biggest challenges is to be relevant in all of the places where the consumers that participate in our loyalty programs might be located," Holmquist said. "Our objective is to continue to grow our in-store network as quickly as we can and to become more and more relevant." ISOs selling Vesdia loyalty solutions have little follow-up responsibility post-sale. Vesdia handles the customer relations and technical support.

Pick and choose

Vesdia offers companies complete loyalty programs or will work with companies to enhance existing programs. Companies can choose from the following:

- Consulting services
- Credit, debit, and affinity reward program design and management
- Customer database management, targeting and analytics
- Loyalty and reward program design and management
- Marketing services
- Merchant-funded rewards solutions
- Relationship marketing tools and services
- Reward redemption solutions

Together we can

Cynergy Data Inc. recently partnered with Vesdia. "There's definitely work to be done in trying to understand the price point that the small to mid-sized merchant is going to perceive as the proper value for loyalty," said Randy McCoy, CEO for Cynergy Data.

Vesdia believes its ISO reseller channel could play a crucial role in expanding its merchant network. Vesdia also employs a direct sales force to target large national retailers.

In addition, Vesdia teams with numerous companies for lead generation, business development, and product and functional capabilities. As Vesdia continues to grow its merchant networks and partner relationships, it is taking that old saying, There's strength in numbers, to the bank – both figuratively and literally.

News

Is online PIN debit more secure?

As a debate unfolds about the competing merits of PIN verses signature debit, a company called Acculynk has emerged as a pioneer in the use of PIN debit online. Acculynk's product, PaySecure, gives consumers the option of using PIN debit when they make online purchases.

Consumers who enter debit information on a Web site using PaySecure are shown a graphical PIN pad following the entry of their card information, and are given the option to have their transaction processed as PIN debit.

Those who opt against it have their transaction processed as a signature debit and go directly to a purchase confirmation page; those who choose the PIN option enter their PIN by clicking their mouse on the graphical PIN pad.

PaySecure includes a feature that scrambles the PIN pad numbers following each numerical entry, to avoid interception of that information by a keystroke reader. The information is masked on the monitor and encoded within the network over which it's transmitted.

> *Trends giving rise to the use of PIN debit include the increased use of debit cards generally, as well as heightened security concerns among both merchants and consumers.*
>
> Kevin Gallagher, General Manager, E-Commerce, for Merchant e-Solutions

Plane rides and jelly beans

According to Acculynk, seven merchants are processing with PaySecure, which hit the market in March 2009. Among them are AirTran Airways and the Jelly Belly candy company. Two merchant vendors are currently selling the product: Merchant e-Solutions Inc. and Elavon Inc.

According to Kevin Gallagher, General Manager, E-Commerce, for Merchant e-Solutions, trends giving rise to the use of PIN debit include the increased use of debit cards generally, as well as heightened security concerns among both merchants and consumers.

"The shift over the last few years from credit to debit is really driving this to be potentially a gangbuster product," Gallagher said. He added that PIN offerings can "open up a channel for incremental business because there are about 80 million debit holders that are only PIN-enabled for debit."

PaySecure uses the electronic funds transfer (EFT) network operated by providers like Discover Financial Services' Pulse, NYCE Payments Network LLC and Shazam. Interchange rates for online PIN debit transactions on these networks are substantially lower than those for online signature debit.

"What Acculynk does is become the stand-in for every issuer that agrees to [offer online PIN debit], and most issuers would because it's a transaction they don't get today," said Steve Mott, founder and Principal of BetterBuyDesign, a payments industry consulting company.

"The Acculynk rate is significantly less than what the signature debit rate is and what the standard STAR or NYCE rate would be if it goes directly through the issuer," Mott said. "Acculynk is doing a separate deal through the EFT network with the issuers. It's like a separate payment service, the same way PayPal does it. Most of these alternative payment forms usually give you a 20 to 25 basis point reduction from the signature debit rate."

According to Acculynk Chief Executive Officer Ashish Bahl, transaction fees for merchants are 20 to 40 percent lower with PaySecure than with online signature transac-

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tions. He added that about half of all PaySecure customers, given the option of signature or PIN debit online, choose PIN debit.

Mott said PIN debit transactions benefit consumers because they tend to clear faster than signature ones. He said most banks clear PIN debit transactions within a day of purchase, whereas signature debit transactions generally take two to three days to clear. Within that extended timeframe, consumers are more likely to overdraw their bank accounts, he said.

Fraud fighter?

Both Gallagher and Mott touted the fraud-fighting benefits of online PIN debit as well, although the capacity of a program like PaySecure to reduce fraud in today's e-commerce environment is questionable.

For one, Gallagher said merchants who adopt the program invariably maintain a non-PIN payment option; given that they do, the PIN feature would seem to do very little to protect against traditional fraudsters, who can simply choose the non-PIN payment option when committing fraud with stolen debit card numbers.

Despite that danger, Gallagher said the benefits to merchants of using multiple payment channels outweigh fraud concerns. "As a merchant, you probably don't want to turn away anyone that wouldn't want to use the PIN debit option," he said. "Lost sales are worse than whatever extra basis points you would have to pay [for a signature or nonauthenticated transaction]."

However, both Gallagher and Mott said even just having the option of PIN debit helps guard against one type of fraud in particular: "friendly fraud," or the practice of making an authorized purchase and then disavowing it.

Consumers who use the PIN option, they said, will have a harder time committing friendly fraud because they've entered a password theoretically known only to the card's real owner, making it much more difficult to credibly disavow a purchase.

"What you're really trying to do with the PIN debit is get the purchaser to own the transaction and not be able to repudiate it," Mott said. "When you're [entering PIN information], unless somebody's holding a gun to your head and making you enter it, you pretty much own the transaction."

Mott added that PaySecure could set the stage for a shift to the exclusive use of PIN debit online.

"With this, somebody like Acculynk and somebody like NYCE or PULSE can go to the issuer and say, 'All the bad guys are using signature debit, and you think you're getting more money on interchange [with signature] … but after you deduct all the chargebacks and charge-offs from

the signature debit, you're really better off doing a PIN transaction," Mott said.

Fraud's hidden costs

Mott noted that "PIN debit is significantly the most popular form of payment for both consumers and merchants," and that issuers that favor signature for its higher interchange aren't always correctly calculating the total costs of additional fraud.

"It's not just the direct losses, but it causes all this noise – the customer service and all this stuff – and now you have a bigger problem on the consumer side," he said. 🔲

Social networking meets the POS

As social networking increases in popularity, retailers and financial institutions continue to look for ways to use the medium to expand their marketing and sales capabilities. In January 2010, POS solutions provider pcAmerica integrated the social networking initiative of nationwide frozen dessert chain Tasti D-Lite LLC into pcAmerica's loyalty program.

This interface attaches the social networking habits of consumers to their in-store and loyalty activity and is designed to build brand, consumer awareness and sales for Tasti D-Lite. According to David Gosman, Chief Executive Officer of pcAmerica, this is the first time a retailer has connected social networking with in-store purchase capability, also known as multi-site loyalty social networking.

"Tasti D-Lite is very conscious of branding and marketing as far as social networking goes," Gosman said. "They do a lot of hands-on work engaging directly with their customers through Twitter or FourSquare, so they wanted a means to tie in the purchasing habits of their consumers and incentivize them to talk about their brand and their products.

"And by integrating customers' social networks with a pcAmerica loyalty program, stores and restaurants gain access to a marketing tool that has an actual dollar value for the consumer."

How tweet it is

Consumers who register for the Tasti D-Lite loyalty program receive a TreatCard, which they can register online and connect to their Twitter and FourSquare accounts. Every time the consumer uses his or her TreatCard when making a purchase, an automatic Tweet and FourSquare check-in is posted by pcAmerica's POS system to the customer's account, indicating the individual has earned points or a free frozen dessert.

Tasti D-Lite awards an extra loyalty point for each purchase as well as for each Tweet or FourSquare check-in posted. When customers earn 50 points they receive a free frozen dessert. Gosman said social networking is an extremely cost-effective marketing method and can be deployed to nationwide retailers in addition to smaller, independent businesses.

He added that sending a tweet to customers' accounts when they earn points or free desserts can generate viral marketing and exponentially spread a company's customer base. "When friends tweet, most often they live close by each other and have similar interests," Gosman said. "So they see you getting messages on your social network regarding your points, and they're going to want to know how to get those loyalty points as well."

Points are well taken

Gosman said opportunities for ISOs and merchant level salespeople (MLSs) to offer social networking as a value-added service to merchants, tied to a loyalty plan, are significant and increasing all the time. PcAmerica offers its POS, loyalty and social networking solutions through several ISOs and processors across the country.

Gosman's goal is to evolve the company's social networking through loyalty solutions as a stand-alone value-add that can be deployed through other POS systems or processors' back-end servers.

He added that the company's loyalty program not only has cash value, but also increases brand awareness by opening an extremely low-cost avenue of advertising for merchants. Additionally, it eliminates printing costs and mailing lists because social networking consumers are bringing a particular merchant, its brand name, products and services, directly to their friends.

"So now, instead of just selling card processing and other basic merchant services, ISOs and MLSs can introduce their merchants to social networking revolving around payments," Gosman said. "And tying a loyalty system into our technology helps merchants increase exposure to their customers' social networks, which is really the golden crown of marketing today."
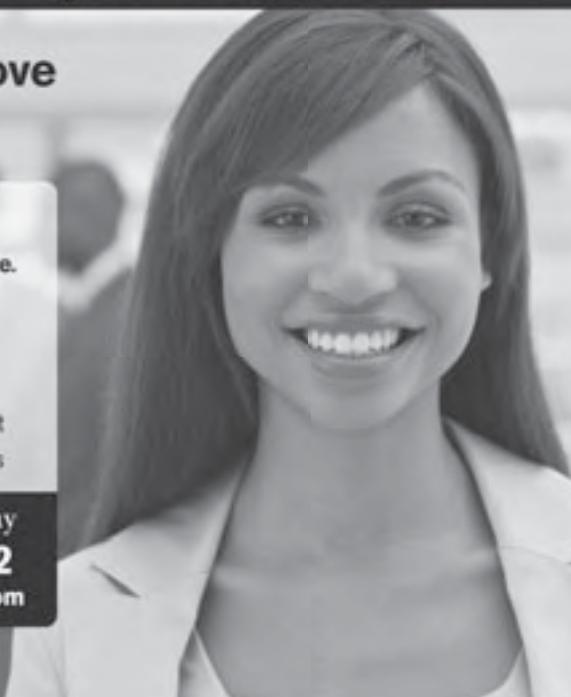
Illuminating the compliance highway

To clarify complexities regarding Payment Card Industry (PCI) Data Security Standard (DSS) compliance, security solutions provider Trustwave and the Electronic Transactions Association hosted a webinar on Jan. 26, 2010. Entitled *PCI DSS Expert Panel: Common Questions Answered*, it addressed the concerns of payment professionals and merchants.

The webinar's panel of Trustwave experts included Neel Blair, Senior Information Security Consultant; Kevin Mott, Enterprise Sales Engineer; and Colin Sheppard, Incident Response Practice Manager. The colleagues offered in-depth solutions to issues pertaining to compliance, security and incident response.

Not an option

A common question asked by ISOs, merchant level salespeople (MLSs) and other payment professionals is whether complying with the PCI DSS is optional. Mott said the card brands have required adherence to the PCI DSS since 2006.

"Failure to achieve and maintain PCI standards can result in noncompliance fees from the acquiring bank that are assessed on a regular basis, usually monthly," Mott said. "And the costs incurred to reverse damages in the event of a breach are significant. Additionally, there are regulatory fines and penalties, higher costs to process card transactions or even losing the ability to do so completely, and stricter compliance requirements for the merchant."

Make it relative

Another concern is the difficulty of interpreting the Self-Assessment Questionnaire (SAQ).

"If you're struggling with interpretation of the SAQ controls, then it might indicate possible risk," Mott said. "Merchants need assistance interpreting what is required of them as it relates to their environment. The criteria generally are fairly black and white, but it is essential to pay attention to the environment associated with those requirements."

He added that PCI DSS compliance applies to all card network members, merchants and service providers that store, process or transmit card data. Any system component included in or connected to the cardholder environment is within the scope of PCI.

Keep it simple

Educating merchant and ISO staff on security measures can be time consuming and cost-prohibitive. Blair said the best approach is to avoid one "overarching" training program.

"Everyone does need to be trained on some level, but perhaps you want to divide the information up and think about which pieces of the standard each individual or group really needs," Blair said. He also suggested using publicly available resources rather than "trying to invent your own content."

He added that existing data loss prevention tools can "go through systems and keep track of cardholder data (that might be sitting in databases, files, spreadsheets or e-mails) and help you find out where it is. That being said, you have to know where to point your data loss prevention tool."

Seal it up

Many small merchants feel they cannot possibly meet PCI DSS requirements since most of them can't afford to hire security specialists. Thus, a breach is often a merchant's initial introduction to PCI.

"One thing to keep in mind with incident response is that we also deal with remediation and sealing up that hole so it doesn't happen again," Sheppard said. "There are a lot of solutions for small merchants that aren't high-dollar items. Compliance is obtainable, but we have to educate them correctly."

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ResearchRundown

Business mobile payments warming up

A January 2010 report from research and advisory firm Celent LLC discusses the potential in an emerging segment of the mobile payments market – mobile B2X, or businesses' use of the mobile channel to pay other companies, employees and residents.

In *Mobile B2X: The Next Mobile Payment Wave in Developing Markets*, Celent examines how financial institutions and other companies are beginning to use mobile payments for a variety of new uses including:

- Payments made by retailers to wholesalers for receipt of consumer goods
- Salary, commission and pension disbursements made by companies and governments to individuals
- Social benefit distributions from companies and governments to individuals

Mobile B2X payments present new potential for revenue streams for mobile payment solutions providers. The

mobile B2X market "will not come easy and technology alone will not be the only impetus for success," but significant opportunities exist for mobile payment vendors to offer one-stop integration for payers and payees alike, Celent said.

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

Managing card fraud in the U.S.

Aite Group LLC published a new report in January 2010 to provide directional guidance on the most effective forms of card fraud management in the United States today. *Card Fraud in the United States: The Case for Encryption* is based on interviews with more than 30 card fraud management professionals worldwide.

It provides an overview of the U.S. card fraud landscape, examines available fraud prevention solutions and offers an in-depth analysis of implementation costs and anticipated success rates.

Card fraud costs the U.S. payments industry approximately $8.6 billion annually, according to Aite. Fighting card fraud effectively involves "triage and telepathy – picking appropriate battles to fight while anticipating fraudsters' next steps based on the rapidly evolving technological landscape," Aite said.

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

Prepaid distribution strategies getting 'malled'

New research from Mercator Advisory Group identifies and discusses seven major distribution channels used by issuers today to sell their prepaid cards directly and indirectly to consumers.

Consumer Prepaid Distribution Strategies And The 'Malling' Of Prepaid reviews the nature and types of card distribution strategies, with a specific drill-down on the prepaid mall channel and how consumers use prepaid malls.

Mercator identifies and analyzes the best in-store marketing practices of major retailers and their mall partners. Mercator collected survey data from 1,012 adult consumers on a variety of payment topics, then identified the four segments of prepaid card shoppers and their propensity to use in-store prepaid card malls versus other modalities.

Also presented are estimates of money loaded onto prepaid cards purchased from card malls and how that money is distributed across the 13 card mall segments.

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

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

LexisNexis said the research it commissioned found "pronounced increases in fraudulent use of all major payment methods."

"Terrorists and crooks are becoming more sophisticated, and they can easily change the channels through which they perpetrate frauds," said Maggie Scarborough of FinServ Strategies, a Baltimore-based research and consulting firm. "There need to be better integration efforts by banks, especially in terms of fraud mitigation."

That's a tall order, given the operational silos that have evolved at banks over decades of technology innovations – what one industry analyst dubbed a "spaghetti-ware of payment systems."

Siloed out

It's a situation that becomes ever more apparent in fraud management, where different systems and staff experts are generally tasked with identifying and preventing fraud in different channels. For example, credit card, debit card and check fraud management are typically handled within different parts of banks, which use separate offices that rely on different systems and procedures.

These operational silos have been generating concerns within the banking sector for years; more recently such concerns have begun to enter the public discourse, especially as they relate to the federal government's bank bailout of 2009.

"Silo but deadly," reads a Dec. 3, 2009, headline on Economist.com. "Messy IT systems are a neglected aspect of the financial crisis."

Dan Schuster, Executive Director of the Financial Services Technology Consortium, said it's the responsibility of banks to address the implications these silos have on efforts to combat payment fraud. The FSTC is an industry think tank that promotes collaborative research and technology projects involving financial technologies.

In a message to FSTC member banks, Schuster wrote, "The time has come for management to explore how to better coordinate and manage their people and resources applied toward physical and cyber security, new product development, operations and maintenance, and risk management in a more unified fashion, measured and managed through common metrics."

Some banks are responding to these concerns by creating payment hubs, from which all payment services are managed. "Large and small banks alike are exploring an enterprise payments strategy and applying a more holistic approach to their payment architecture," said Susan Feinberg, Research Director for Wholesale Banking at TowerGroup.

"These hubs can be very beneficial," Scarborough said,

provided they feature sophisticated analytics that can assess risks across payment systems. The benefit is obvious: by capturing a broader view of customer activities, banks should be able to gain a clearer understanding of customer risk profiles.

Meanwhile, vendors and the card brands have begun to introduce fraud solutions that cut across payment operations in an effort to catch what Scarborough refers to as "fraud in flight."

Two birds with one solution

Many of these solutions rely on predictive modeling techniques that assess the likelihood of various consumer actions. They can help answer questions such as, "What is the likelihood that a customer who withdrew $400 from an ATM this morning would now be writing a check for a $50 grocery bill?"

Global profiling is another emerging technology. It takes the analytical process further by integrating cardholder profiles with other pertinent facts, such as the frequency of stolen card activity at a given venue.

For example, profiling might show a surge of transactions at a certain ATM at a particular time of day (such as around midnight); it might indicate the customer writing a $50 check for groceries is not the same person who withdrew funds at an ATM from that same account earlier that day.

Monitoring and analyzing transactions and related data across payment systems is a challenge, one that few banks can perform in isolation, according to Scarborough. "The key is to be able to share data without giving away competitive differentiators," she said. "It's going to take time before we see that kind of cooperation and coordination between banks. It's just so competitive."

This is also the case within banking institutions where silos dominate and payment offerings can differ widely, not only technologically but legally. To put into perspective some of the most obvious differences in the evolution and treatment of different types of payments, here's a little background.

The ACH super fraudway

Check payments are paper-based, staff-intensive, back-shop operations that have been slowly migrating to electronic processes, such as truncation with electronic check conversion. Check payments are governed by the Uniform Commercial Code (a set of model laws that get adopted state-by-state), as well as Federal Reserve Regulations J and CC.

Reg J details the responsibilities, duties and procedures required of the Federal Reserve Banks and the senders and payers of checks and check-like instruments (such

as money orders). Reg CC speaks to consumer protection issues, such as availability of funds from check deposits.

When checks are cleared electronically, however, the payments may also be subject to automated clearinghouse (ACH) rules and the Fed's Regulation E, which stipulates consumer protections for electronic payments.

The ACH was founded nearly 40 years ago as a replacement for the check system; transactions generally post to demand deposit accounts (DDAs, or checking accounts). And although the ACH has made notable strides, checks still outnumber ACH payments in the United States.

The ACH also supports the back-end of the credit and debit card networks as the vehicle for net settlement transactions.

For much of its history, the ACH has been considered a relatively safe payment system. However, some experts worry that fraud has become a bigger problem with the growing popularity of consumer-oriented applications (such as POS check conversion and online bill pay) and increasing reliance on public networks (like the Internet) by banks and customers alike.

"The ACH is the Hail Mary pass of payments," said industry consultant Richard Crone at a conference presented last year by the Federal Reserve Bank of Chicago.

In the first 10 months of 2009, alone, the FBI said it identified $100 million in attempted ACH fraud, including "a significant increase" in frauds involving corporate checking accounts, Crone said.

Much of the fraud involved malware that had been placed inside bank or corporate computer systems, the FBI said. The real culprit, though, is the absence of adequate controls at financial institutions and third-party providers of ACH services. "The lack of defense-in-depth at the smaller institution/service provider level has created a threat to the ACH," the agency warned in an Intelligence Note released in November 2009.

Playing with plastic

Credit cards are lines of credit that are managed, typically, from a bank's consumer lending division. Although they were first introduced in the 1950s, it took nearly 25 years for credit cards to really take off, with the introduction of electronic data capture at the POS and sophisticated, back-end network technologies.

According to the Federal Reserve Bank of Boston, which last month released preliminary results of its latest survey of consumer payment habits, 73 percent of Americans today have credit cards.

Credit cards are governed by the card brands (Visa Inc., MasterCard Worldwide et cetera) and by Federal Reserve Regulations B and Z. Enforcement of federal regulations is carried out by the Federal Deposit Insurance Corp. (when banks are involved) and the Federal Trade Commission, which has jurisdiction over nonbank creditors.

Reg B deals with the credit granting prices. It prohibits credit card issuers from discriminating against applicants, and establishes guidelines for gathering and evaluating credit information, among other things.

Reg Z (Truth in Lending) sets forth acceptable methods for computing annual percentage rates, for disclosing terms of credit and for resolving disputed transactions. The Credit Card Act of 2009 ushered in several notable changes in Reg Z, including limitations on card fees and additional disclosure requirements, many of which take effect this month.

While federal regulations are most concerned with consumer protections, data privacy and fraud are major concerns for the card brands, as evidenced by the Payment Card Industry (PCI) Data Security Standard (DSS), which applies to credit, debit and prepaid cards.

Debit – decoupled and prepaid

Debit cards crept onto the payments scene in the early

1980s with the introduction of ATMs and ATM networks. But they didn't gain popularity until the mid-1990s, when banks began issuing debit cards with Visa and MasterCard logos, and the bankcard brands started promoting signature debit options.

Today these cards look and act much like MasterCard and Visa credit cards, except transactions are posted to cardholder DDAs rather than deducted from lines of credit. The cards also double as ATM cards.

According to the Boston Fed's payment research, today debit cards are in the wallets of 80.2 percent of U.S. consumers. Over the years, there have been several attempts to marry POS debit to the ACH. While it seems like an obvious tandem (since both access customer checking accounts), it's always been a tough sell since most banks manage ACH operations on the wholesale (corporate) side of the bank, and debit cards are a retail offering.

The latest of these has been the introduction of "decoupled debit" cards. With decoupled debit, the authorization and merchant settlement processes are performed through the card networks, but funds are deducted from cardholder accounts using the ACH.

Decoupled debit card issuers may be banks but can also be merchants. One of the best known issuers of decoupled debit has been the credit card bank Capital One Financial Corp., which ran a year-long trial in 2008 that tied decoupled debit to a consumer rewards program.

Prepaid cards are considered debit cards, but they are not always held to the same standard. For example, industry consultant Paul Martaus noted that while the PCI DSS and related standards apply to open-loop, network-branded prepaid cards, closed-loop, private-label cards issued by retailers are exempt.

"This could cause some serious problems," Martaus said, adding that fraudsters are always on the lookout for payment system vulnerabilities. "We have to assume all kinds of things are being tested by the crooks," he noted.

Taking off the stove pipe

As payment experts will tell you, successfully combating fraud requires a multifaceted approach: security at the POS and all the way through the life of the transaction, ending in the total lockdown of cardholder data storage.

Given the vulnerabilities inherent in paying with plastic, the elimination of siloed systems may be a crucial step in keeping those vulnerabilities to a minimum.

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Gain traction on the red carpet

By Jon Perry and Vanessa Lang

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Making the decision to attend a function can alter the fate of a small business. In 2006, at the onset of our business, we had to learn very different skills than those required by a corporate day job. Driving down a major highway on our way to a networking event, we saw a sign.

Actually it was a billboard that said, "Entrepreneur Expo – Where Business Gets Done." As brand-new entrepreneurs, we made a mental note to attend; that decision would directly impact the direction and success of our merchant service business.

Attending the expo was free. The City of Fort Worth sponsored the event to help drive the growth and success of small businesses. There was also a lunch you could attend for a fee that was expensive to a new startup. But others who had attended said it was well worth the money, and we decided to upgrade to the lunch and speaker program.

The expo was like any other tradeshow, with one major exception: attendees were from all facets of industry, from small-business start-ups to Lockheed Martin Corp. and the U.S. Department of Defense – a very diverse group.

We spent the entire day walking the aisles, handing out business cards and meeting our local competitors. We learned about organizations that were there to help grow new start-up businesses. Then lunch came, and that was when the interesting stuff started.

In the banquet hall, an agenda had been placed at each seat. Within the agenda was a list of nominees for various awards, including the Mayors Award, Small Business Award and others. Following lunch, the award cer-

emonies began. Each nominee was recognized on giant screens, and with biographies and business descriptions within the agenda. When the Small Business Award was announced, my heart stopped and I said, "That will be me next year."

And the award goes to ...

In 2007 we were announced as the *Star Telegram* Small Business of the Year – just one year after we started our business. We won $10,000 in advertising, and our name was splashed all around the Dallas-Forth Worth metropolitan area, in various papers, e-mail blasts and Web sites.

The application for the award itself was a short five questions, which took less than a week to complete. In return we received instant credibility among the thousands who saw our award.

A close competitor of ours stopped by and commented that he had never seen a merchant service provider win an award and that it was time we start to show the business community how we add value to the communities we live in and serve.

It seems that ISOs and merchant level salespeople (MLSs) are starting to gain more recognition. Henry Helgeson, President and co-Chief Executive Officer of

StreetSmarts

Merchant Warehouse, was a finalist for the Ernst & Young Entrepreneur of the Year 2009 Award in New England. Also in 2009, Merchant Warehouse was awarded ISO of the Year at the Electronic Transactions Association's Annual Meeting & Expo.

In 2005, 2006, 2007 and 2008, Authorize.net received the Achievement in Customer Excellence (ACE) award from CustomerSat, a division of MarketTools Inc. ACE awards validate an organization's effectiveness in serving customers and building loyalty. Who qualifies is determined by regular customer satisfaction surveys.

Fast Transact Inc. (co-founder and President Anna Solomon is a frequent contributor to GS Online's MLS Forum under the moniker FastTransact) has won many awards. In 2008 the company picked up The Association of Washington's Better Workplace Award and made the Inc. 5000 list. Fast Transact was also a finalist in the *Business Examiner*'s 2007 Top Places to Work for Washington State's South Puget Sound area.

In 2009, Vanessa was nominated for a Stevie Award for Best Young Entrepreneur, which can be characterized as the Oscars for business owners. Many very well known businesses, such as Constant Contact Inc., have been recipients of Stevie Awards.

Out of hundreds of nominations, 888QuikRate.com was a finalist. While we did not win, just the nomination and the buzz it created resulted in increased visibility and credibility. The point is ISOs and individuals are being recognized for their achievements, and so can you.

GS salutes you

In many ways, the opportunity to write the Street Smarts column in *The Green Sheet* was an award. We are very new to the industry compared to past Street Smart authors, but *The Green Sheet* staff saw us giving a presentation at an acquirers meeting and approached us with this opportunity.

It was another situation where simply attending a function and networking delivered an unforeseen bit of good fortune. We have named just a few of the more prestigious awards for payments industry businesses. Opportunities for awards are around every corner and can be found through research or word of mouth. A great place to start is at your local chamber of commerce.

Awards like Member of the Month or Best Volunteer of the Year can help increase the number of prospects you gain and give you an edge over competitors. Local clubs like Lions or Kiwanis clubs have annual awards as well. Most recently, a very strong referral partner we work with

> *There is a reciprocity associated with awards. Don't just think of receiving or being nominated. Go out and nominate people you think deserve the recognition, and the karma will come back around.*

was nominated as one of the Great Women of Texas, an award offered by a well-respected local business publication. It was Vanessa who nominated the partner, who ended up winning. There is a reciprocity associated with awards. Don't just think of receiving or being nominated. Go out and nominate people you think deserve the recognition, and the karma will come back around.

Broadcast yourself

Once you receive an award, the next step is getting the word out in a positive way. Social media is a very powerful tool for spreading the word about company achievements.

Also, make sure to notify industry publications like *The Green Sheet*, which will often write about such awards. One of our longtime customers, and author of a book about how to attain free publicity, does this for his clients every day. He knows that when something is in print people tend to assume it is true. Using awards and achievements offers instant credibility and can help increase the number of accounts you land per month.

While winning an award or being recognized for an achievement will not guarantee success, it can be an inexpensive way to create buzz around your company. Talk to your peers in the industry, to local chambers of commerce and other associations you work with to find out what award opportunities are awaiting your business in 2010.

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.

Education (continued)

Digging into PCI –
Part 8: Assign a unique ID to each
person with computer access

By Tim Cranny
Panoptic Security Inc.

This installment of our multipart series drills down on the eighth of the 12 requirements of the Payment Card Industry (PCI) Data Security Standard (DSS). The article discusses what the issues are, what merchants need to do and what their ISOs, banks or processors can do to help them.

Requirement 8 is "Assign a unique ID to each person with computer access." It is the second part of the section called "Implement Strong Access Control Measures." The first part of that section (Requirement 7) laid out the high-level principles for controlling who gets access to sensitive cardholder data and systems. But Requirement 7 is deliberately short on details about what merchants should actually do and how to do it.

Requirement 8 plugs that gap when it comes to computers; it contains a long list of specific technical requirements on how to implement access control. The other main area of access control issues, physical security, is covered in Requirement 9.

What Requirement 8 is all about

The core idea behind Requirement 8 is that before you can control access, you first need to be certain who is trying to gain access. To use an analogy, there's not much value in having 10 bouncers at the front door of a nightclub with a detailed list of invited guests if a 60-year-old man can walk up and say, "I'm Paris Hilton. Let me in," and then be admitted.

Recognizing and "authenticating" people is not the same as access control, but it is the foundation of access control. And since modern computer systems can do access control naturally and easily once the authentication piece is taken care of, authentication has become the primary issue in most peoples' minds.

Requirement 8 is all about making sure that when someone tries to get access to a computer resource (a file or a program, for example) that relates to cardholder data, the system knows specifically who the person is claiming to be and can be reasonably confident that the individual is actually the person he or she purports to be.

The challenges of Requirement 8

This requirement is fairly technical. Despite that, it is usually not as problematic as other sections of the PCI DSS, mainly because most merchants are aware of the issues and the solutions, and also because many of the requirements are in the "Do it once, properly" vein rather than the more painful "Be sure to do this every day."

Not all parts of Requirement 8 are like that though; important parts of it need regular attention and updating. Requirement 8 is also simpler than Requirement 7 in that it is less likely to trigger staff complaints or resistance; the issues are almost purely technical, rather than social, political or cultural.

What merchants need to do

To comply with Requirement 8, merchants need to ensure that they use passwords (or a suitable replacement like fingerprint scanning) carefully and completely. None of the individual requirements are particularly difficult or obscure. They include such steps as the following:

1. Make sure each user has a unique identifier. (Typically this means that all users have their own accounts on computers, and/or individual accounts for accessing applications). The idea is that you must avoid things like having an account called "cashier" that all cashiers share; you need to be able to monitor and control access at an individual rather than group level.

2. Make sure passwords are required for all access to sensitive systems or data.

3. Ensure that passwords are long enough to be reasonably strong and changed often enough to prevent problems. (The rationale for changing passwords is that they become "stale" if kept too long, giving attackers time to find or guess them. Not all security experts agree, but it is part of the PCI DSS that passwords be changed every 90 days.)

4. Carefully manage passwords and accounts to make sure they are only created for authorized users; that they are promptly disabled when no longer needed (for example, when staff are reassigned or terminated); and that passwords are themselves protected like the sensitive information they are, since there isn't much use in having a password if it can be reset by an attacker or read by strangers off a piece of paper or e-mail.

One requirement that will be less familiar to most merchants is the requirement that "two-factor authentication"

▶ *Some Requirement 8 particulars, like setting a minimum password length or enforcing automatic screensavers, are generally "Do it once, properly" issues.*

be used for remote access (that is, logging on to computers or applications off-site). Two-factor authentication basically means using passwords plus something else to prove who you are; the "something else" could be a fingerprint, retinal scan, or a physical device like a smart card or dongle.

Using something else in addition to a password makes the authentication much stronger, which is a reasonable goal because allowing remote access is riskier than allowing on-site access only. The right approach to this issue is to prohibit remote access unless there is a clear and unavoidable need for it. As with all security concerns, avoiding the problem in the first place is the best route.

Some Requirement 8 particulars, like setting a minimum password length or enforcing automatic screensavers, are generally "Do it once, properly" issues. Others, like ensuring that old accounts are disabled, are necessarily an ongoing process and should be built into the company's standard operating procedures.

Because meeting these requirements depends in part on the behavior of payment applications used by merchants, it is just one of many reasons why merchants should make sure they are using certified systems.

What you need to do for your merchants

Most of the issues raised by Requirement 8 are fairly familiar to merchants. As such, this requirement will typically be a low-pain part of a general PCI awareness and compliance program. ISOs and others should spend most of their effort and time on making sure that their programs can deal with the technical demands and support burdens of other, more challenging and painful, parts of PCI.

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

Education (continued)

Clarify your brand and use it

By Peggy Bekavac Olson

Strategic Marketing

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What is brand? Well, quite honestly, many companies are confused. Some think it's their name, logo, color scheme or corporate style. If your company believes the answer is one of these, you're probably missing the boat in terms of what a strong brand can do to improve your business and bottom line.

Brand is the promise of value your company delivers to its customers and the marketplace. It's what your business stands for. It's the sum total of your tangible and intangible business qualities and attributes.

Your brand promise describes the value proposition that doing business with you represents and articulates what prospects or target customers can expect from their experience with your company.

Your brand defines who you are, how you do business and how you're different from the competition. It's the words and images that pop into buyers' minds when they hear your company's name or see your company's logo. In essence, your brand is a promise of expectations fulfilled – a promise that should be kept.

Why make promises?

You may think making a promise is a fluffy concept, but let's examine real-world examples. The promises made by brands like Procter & Gamble's Crest toothpaste and Toyota Motor Sales U.S.A. Inc.'s Lexus automobiles are clear and distinct.

Crest stands for white teeth, fresh breath and no cavities. Lexus stands for luxury, elegance and excellence. Over the years, Crest advertising slogans have touted, "Look, Ma, no cavities!", "Nine out of 10 dentists recommend Crest" and "Get lasting freshness and a whiter smile." For Lexus it's been "The relentless pursuit of perfection" and "Obsessive attention to detail."

Another example is Visa Inc. In its early years, Visa focused on card acceptance, using the slogan, "It's everywhere you want to be."

More recently, the company has evolved its brand promise, which now centers on delivering innovative products and services that can be used anytime, anywhere, and that empower cardholders to experience life and business their way and on their terms. The company's current slogan, "Life takes Visa," embodies this promise.

Keep your promises

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For your company to truly thrive, you must create a brand promise, take responsibility for it, own it and relentlessly drive it through your organization so that it becomes second nature. It must be integral to your business essence, culture and strategy. Your brand should dictate all of your company's decisions and investments in people, products, services, technology, processes and delivery channels.

Brand creates a laser focus that provides clarity and consistency among your company's disparate activities. How well you deliver on your brand promise determines the value of your brand, and ultimately, the level of your business success.

So how do you know if your brand is working to your company's best advantage? To assess the health of your brand, conduct a brand audit. An audit identifies where your brand is weak or failing and uncovers sources of brand equity to determine how to improve and leverage that equity.

You will need to focus on the heart and soul of your company – what you believe in (values), where you're going (vision) and how you want to come across (personality).

Ask these questions:

- Does your company lack market awareness and credibility?
- Is your brand image outdated?
- Is your company name and corresponding logo mark appropriate; do they reflect the true nature of your business and offerings?
- Does your brand promise match your customer experience?
- Do your customers understand and believe your brand promise?
- Does what you promise meet your customers' needs and requirements?
- Do you really differentiate yourself from the competition?

If you're unsure or answered no to any of these questions, then seriously consider undertaking a brand revitalization or rebranding initiative to fully leverage the power of brand in your business.

Brand makeover

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Brand revitalizing involves fine-tuning your brand to make it modern and up-to-date, as well as competitive and compelling. On the other hand, rebranding involves starting over from square one with a new name, new logo and new brand promise.

Education

Revitalizing is a reasonable approach in most cases to strengthen the foundation you already have in place. Rebranding is a must when the core or fundamental nature of your business has changed.

In either case, these steps should be followed using the results of your brand audit.

1. Develop a brand promise that is unique, distinctive, compelling, relevant and credible. Make sure your promise clearly articulates points of differentiation that elevates your business from being just one among many identical companies to one with unique character and promise.

2. Identify two or three key attributes of your brand promise, sometimes called brand triggers, that are critical to building the foundation for an emotional bond with your customers. These triggers can be tangible or intangible and have an intuitive, easy-to-understand link to sales and profits.

3. Align your organization so that it can consistently deliver an experience that reflects your brand promise by incorporating brand triggers into your everyday business processes and activities, companywide.

4. Convey your brand promise and triggers succinctly and consistently, day-in and day-out, across all communication vehicles, channels and touch points – your sales pitches, materials, presentations, Web site, advertisements, employees and so forth.

Communicating clearly about what your company stands for and delivers will help you generate more sales and revenue than ever before.

5. Ensure that your customers experience what you promise. Test brand experience by pretending you're a customer to see if what you promise is reinforced through every encounter.

Conduct frequent customer satisfaction surveys to gauge brand experience and satisfaction. Remember, customer experience is ultimately the fulfillment of your brand promise.

Promise delivers

Ultimately, if you get it right, your company will truly stand out. Many companies intuitively know they need to improve their brand, so they undertake quick fixes like redesigning logos or updating marketing materials and Web sites, but these investments are cosmetic and change only the face and image of companies.

To truly build a strong brand and capitalize on its power, you first must strengthen your promise of value and then embark on efforts to shore up your brand image, identity and experience.

What separates winners from losers is the power of brand.

Use brand to deliver a message to the marketplace about what your customers can expect. Use brand to separate your company from the competition, add value to your products and services, and engage better with prospects. Use brand to build loyalty so that your customers buy from you over and over again.

Customers don't simply buy your products and services; they buy from you because of their perceptions, expectations and the reputation, trust, and likeability of your company. At the end of the day, they buy because they like your brand.

Remember, brand is a promise of value. When you keep your promise, both your prospects and loyal customers will be plentiful.

Peggy Bekavac Olson recently founded Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payments companies, after serving as Vice President of Marketing and Communications for TSYS Acquiring Solutions for more than five years. She can be reached at 480-706-0816 or peggyolson@smktg.com. Information about Strategic Marketing can be found at www.smktg.com.

Education (continued)

Selling and giving to specialized markets

By Jeffrey Shavitz

Charge Card Systems Inc.

Competition in our industry is fierce, as merchant level salespeople (MLSs) are competing for the same customer base. Why not differentiate yourself by cultivating specialized vertical markets through industry associations, buying groups and local chambers of commerce?

During the past several years, I have become deeply involved with such groups, developing integrated programs to help my sales partners earn more business while providing a real added-value benefit to the organizations involved (in addition to their saving a few basis points on processing fees).

Boost participation

Associations and buying groups, like nonprofit organizations, are losing market share because their membership base is dwindling: new members are not joining, and existing members are not renewing because of our difficult economic times.

Companies' annual dues could range from as low as $25 to more than $1,000, depending on the number of employees and office locations.

Payment professionals derive tremendous value from affiliations with special-interest groups, similar to the way they benefit from joining the Electronic Transactions Association or participating in regional acquirers associations.

But most people do not fully understand the advantages to be gained by pursuing such affiliations or realize annual fees more than pay off for those who become actively involved.

It is possible to create a win-win program through which an association helps demonstrate the value of your merchant services while enjoying aggressive revenue-sharing for the merchant accounts you board.

Through just such a program, my colleagues and I have helped many associations increase membership during what has been the worst economic period since the Great Depression. And association endorsements have helped active MLSs receive warm leads, which have a high closing ratio.

Gain trust

It's amazing how much more powerful a phone call is to a merchant when you say something like, "John, this is Jeff Shavitz of Charge Card Systems. We are the endorsed vendor to XYZ Association, and I want to describe a value-added merchant services program now being offered by your association," as opposed to using a random, cold-call pitch for credit card processing.

Those few words – endorsed vendor, the vendor of choice, preferred vendor et cetera – help differentiate you and your service, which translates to more business and more residual income for you.

Top-down selling is powerful and results in exponential business growth. Why sell to only one merchant at a time when you can sell from the top down through your affiliations, which will enable you to meet hundreds, if not thousands, of merchants through endorsements?

Meet and give

Associations create a "meeting place" for industry-specific executives to share information. Unfortunately, due to the difficult economy, many companies have chosen to cancel their memberships with local chambers and buying groups. And – worst of all – they have stopped giving to charities that desperately need donations to continue their programs.

An effective way to enhance your professional satisfaction is to combine your sales career with a philanthropic approach to life.

Take a position on something, for example, by contributing part of your residuals to a worthy cause. Some ISOs and MLSs give to national causes; others choose to provide aid to the local marketplace. Both choices are excellent.

Other possibilities abound. One is to help sales partners create women-owned companies that contribute part of their profits to causes that assist women's activities. Let your imagination run wild. Just pick a cause that is close to your heart.

It is a gift to be of service, whether it's giving a hand to one deserving person, a charity that provides food to hungry families or an association striving to attain a worthwhile goal. Think creatively about how you can combine your career and personal missions.

Do it for the right reasons, and I guarantee you will feel 100 percent rewarded, and your business will continue to grow.

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

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Education (continued)

Going alternative

By Carrie Hometh

Payvision

There's been a lot of press lately on alternative payments – most generated by companies that focus on this rapidly emerging trend. The reality is that alternative payment transactions account for a very small percentage of transactions, and there are challenges associated with them.

Merchants complain that some alternative payment transactions are difficult to execute because the settlement process affects how they ship products. There is a significant amount of paperwork involved with certain types of payments, and back-end operations can be altered significantly. At times, this translates to delays in shipments and customer dissatisfaction.

Despite these obstacles, merchants are clamoring for alternative payments and are seeking providers to process them.

Nontraditional payments

For the purposes of this discussion, alternative payments are those that are nontraditional to a given merchant's country of origin (see sidebar accompanying this article). Traditional cards, such as Visa Inc.-, MasterCard Worldwide- and American Express Corp.-branded cards, are used worldwide and are not country-specific.

On the other hand, Discover Financial Services-branded cards are heavily used in the United States and are only now being offered in a couple of other countries through Discover's relationship with JCB International Co. Ltd. That makes Discover card transactions an alternative payment type outside of the United States.

A popular type of transaction is the bank transfer. It occurs in real time so merchants get paid faster and can ship products quicker. Most European countries offer bank transfers, and many countries also have their own credit cards. For example, France has Carte Bleue, Germany has Giropay, Italy uses CartaSí and Sweden has Nordea.

Alternative benefits

Alternative payments are important in the e-commerce sphere for many reasons. Because of worldwide acceptance and ease of online shipping, the Internet has opened an entire new channel of service with alternative payment processing.

Furthermore, marketers are looking for every possible way to not lose sales. If an online consumer shops in his or her chosen currency, clicks over to checkout and doesn't have the option of using a specific card or bank transfer, the consumer will likely abandon the sale.

Examples of payment alternatives by country:		
France	Bank transfer	JCB
AmEx	CartaSí	MasterCard
Bank transfer	Diners Club	Nordea
Carte Bleue	JCB	Visa
Check	MasterCard	**United**
Diners Club	Postepay	**Kingdom**
JCB	Visa	AmEx
MasterCard	Visa Electron	Bank transfer
Visa	**Spain**	Check
Germany	4B	Diners Club
AmEx	AmEx	JCB
Bank transfer	Bank transfer	Maestro UK
Diners Club	Diners Club	MasterCard
ELV	Euro6000	Solo
Giropay	JCB	Visa
JCB	MasterCard	**United States**
MasterCard	Visa	AmEx
Sofortüberweisung	Visa Electron	Diners Club
Visa	**Sweden**	JCB
Italy	AmEx	MasterCard
AmEx	Bank transfer	Visa

Additionally, alternative payments also represent savings in fees. Fees normally associated with traditional credit cards are not applied to alternative payment methods.

Merchant level salespeople (MLSs) are always searching for ways to retain merchants and expand portfolios. By being able to offer more types of payments to merchants whose customers prefer country-specific payment types, MLSs will increase their competitive edge and broaden their selling footprint.

Picking the right provider

But which alternative payments should you offer? The answer is determined by the provider you partner with and how well your partner can meet your merchants' needs.

Your provider must offer a comprehensive list of country-specific payment methods and a single technical interface to all relevant forms of payment, with a single set of reporting on the back-end. Whether your merchant has customers in Italy, Great Britain or Japan, your provider must be able to advise you on exactly which payment type matches your merchants' needs.

Internet Protocol address location tools are very important so you can recognize where your merchants' customers are coming from and default to the payment type normally offered in that country. Your back-end systems may have to be altered for these payment types.

For digital merchants, it won't matter. But, for physical-goods merchants, the back-end operations will be

Education

affected. For this reason, it is imperative that you have an experienced and capable alternative payment provider to efficiently facilitate processing.

Equally important is technical functionality. For example, there are industry-specific features that your provider must possess, such as auto top-up, billing-on-demand and recurring billing.

Auto top-up provides a safe and secure way to automatically top-up credit whenever the balance falls below a certain level. Billing-on-demand enables merchants to automatically debit transactions from the customer's account without requiring the customer to authorize each transaction separately. Recurring billing allows merchants to automatically bill customers' bank accounts, credit and debit cards, or electronic wallets on a regular basis.

All merchants welcome

All types of retailers work well with and could benefit from alternative payment types; the challenge lies in selling them. Country-specific alternative payments can be confusing, can require a substantial amount of work to set up and can delay the merchant account set up. I do not recommend selling alternative payments cold. You will make more money and sell faster with traditional payment types.

Alternative methods are complex solutions – and the right provider comes into play. It is critical to have an experienced and knowledgeable provider helm your alternative payment vehicle.

For your existing merchant customers, selling alternative payments can be tricky. You have to know your merchants well, evaluate their needs and keep in mind that if you don't give them the alternative option, you could lose them to someone who does.

Offering alternative payment methods establishes capability and credibility. Merchants are delighted to hear you have it, but they may never use it. To offer or not to offer – that is the question. But remember that checking the alternative payment box can mean the difference between a handshake and a wave goodbye.

Carrie (Bardeen) Hometh is a respected industry professional in the international marketplace with over two decades of global experience and expertise. She currently serves as Senior Vice President of Sales and Marketing for Payvision, a leading international payment solutions provider that offers a comprehensive suite of products and services that include global acquiring, multicurrency processing and alternative payment solutions. She can be contacted at c.hometh@payvision.com.

NewProducts

Separation of powers

Product: iPA280

Company: Ingenico

Mobile phones are all the rage these days and, by extension, so are mobile payment terminals. It follows that terminal providers and manufacturers are integrating the various functions of personal digital assistants (PDAs) with payment acceptance software in increasingly creative ways.

Payment terminal manufacturer Ingenico entered the fray with a new offering, the iPA280 (colloquially, "The Pay PDA"). Yet, the iPA280 is unique in that its hardware is compartmentalized and interlocking, with separate, attaching (and removable) pieces for PDA and card payment acceptance functions.

"In essence there are two [independent devices] which fit together, and on one side we have the secure payments system, and on the other side we have the PDA element of it," said Duncan McLauchlan, Product Manager, Integrated Solutions for Ingenico North America. "Think of it as a hand-held PDA facing you, and then flip it over and you'll see the PIN pad section. So it looks like two halves glued together. But they come apart."

Physical firewall

According to Ingenico, this separation of technological powers is a good thing – and for one very significant reason: It creates an extra layer of security for the payment terminal, a sort of physical firewall in addition to the barriers and encryption schemes within the terminal itself. If hackers access the device's Microsoft Corp. Windows operating system, they have virtually no way of getting into the separated terminal where payment data is stored.

"With other solutions that integrate the payment into the Windows CE, the application can put the credit card data at risk," said Lisa Shipley, Senior Vice President, Sales and Marketing for Ingenico North America.

"This is two separate screens, two separate keyboards. … So I can take a customer's secure application on one of our devices, download it to the payments side and be up and running. Yet on the PDA side they can have their Web store, inventory and Global Positioning System."

Though Shipley said the terminal is well fortified and Payment Card Industry Data Security Standard 2.0-certified, it has the flexibility to export information for merchant reporting. The user enjoys the same range of functions that other PDA users do, including programs that

Features of the iPA280 mobile terminal include:

- Offers separate PDA, terminal devices that fit together
- Allows for interface between devices for merchant reporting
- Converts into barcode scanner
- Takes mag stripe, EMV and contactless card payments
- Operates in three different wireless environments

interface with the payment terminal to produce things like e-mail receipts, virtual coupons and automatic loyalty updates through merchant Web sites.

"There's huge flexibility in getting the data from the payments side into the merchant's own database and being able to do marketing programs based off that data," Shipley said.

Instant barcode scanner

The device is also good for a host of other functions. For one, users can buy a triggered ("pistol grip") handle that attaches to the module, converting it into a bar code scanner. Merchants using the scanner can tag customer items, read the prices as they pop up on the module's screen and then accept a card payment for those items moments later using the magnetic stripe card reader built into the side of the device.

"You can use [the scanner] for bar coding, line busting and taking inventory," Shipley said.

The iPA280 is equipped with an on-board printer and supports signature capture software for signature payment

NewProducts

authentication with a stylus. On top of that, it accepts both Europay/MasterCard Worldwide/Visa Inc. chip and PIN cards, making it usable internationally, and contactless "touch and go" smart cards (used mainly by loyalty programs) that rely on contactless payment technology.

According to Shipley, the iPA280 can operate in three different wireless environments: Wi-Fi and Bluetooth for short-range communications, and General Packet Radio Service. for long-range ones.

"This is mobile on steroids," Shipley said.

Ingenico

678-456-1200
www.ingenico.com

Going out made easy

Product: TabbedOut
Company: ATX Innovation Inc.

A few years back, ATX Innovation Inc. founder and Chief Executive Officer Rick Orr was having a relaxed lunch with some of his friends at a local restaurant.

Orr said it was a sunny summer day, the meal was fantastic and everything generally seemed swell. When the group received its check, Orr brought out his credit card and left it on the table for pick-up, fully expecting to leave the restaurant a satisfied patron. But at this point things took an unfavorable turn. "The server was just beyond reach when I wanted to give her my credit card, and we waited until about 55 minutes later when she actually came back and ran the check," Orr said.

Yet the protracted wait proved serendipitous: it gave rise to a new idea. Instead of waiting for end-of-the-meal service, might there be a proactive way to speed it along?

"As technologists, we were thinking, 'There has to be a better way than this,'" Orr said.

The product that came about

The result is a product called TabbedOut, which allows patrons at restaurants and bars to pay their tabs using a mobile device. For example, rather than jostling for space and the bartender's attention at a crowded pub late at night, a patron can close out the night's tab from his or her table – or even on the cab ride home.

"This consumer pain point is what we're most explicitly addressing," Orr said. "I always think of a couple sce-

narios: where you have kids screaming at the end of the meal, and 10 or 15 minutes is like gold; and then the bar scenario, when last call happens and you have to battle five or seven people to get up to the bar just to get your card back."

Consumers using TabbedOut are provided a code every time they open the program, which is then communicated to a bartender or server.

Ordering is still done conventionally, but each order, and the aggregated tab amount, appears on the customer's phone in real time, keeping TabbedOut users apprised of their bill throughout the evening.

"The user experience is you have a code displayed on your phone and you walk up to your server and say, 'Hey, can I please open a tab TabbedOut? I'd like two drinks,'" Orr said. "As they're adding the drinks on the point of sale, there's a button that has an exact same code they just saw on the person's phone. … So forevermore, when I open my phone I can see all the things that are immediately on there throughout the night.

"Part of the historic motivation for that feature was friends put drinks on my tab, and I wouldn't know until the next day. I'd say, 'Wait, it couldn't have been that expensive

… With TabbedOut you can review it anytime and go up and say, 'Hey, man, I think you put this guy's drinks on my tab,' or 'I only got one of these, not three.' It gives you a power to see what the bartender is seeing."

Software as a server

Closing out one's tab (or paying the restaurant bill) can be done completely on the program. The user simply selects a payment card on his or her mobile device, notes the tip amount and clicks the "pay" button to tab out.

TabbedOut contains a feature that allows venues to set a minimum tip amount, so customers can't stiff their help anonymously. It also uses a Global Positioning System so users can discover what venues use TabbedOut in their locality.

The program is only available on the Apple Inc. iPhone, but Orr said development is underway for TabbedOut applications on Google's Android operating system and on Research in Motion's BlackBerry devices.

ATX Innovation Inc.

866-626-8405
www.tabbedout.com

Inspiration

Love does not consist of gazing at each other, but in looking together in the same direction.
– Antoine de Saint-Exupery

Make everyone your valentine

The landscape may be a bit stark and stormy, but splashes of red hearts and flowers are brightening retailer displays throughout the land. For it is February, the month when we celebrate love on Valentine's Day, and business is brisk for florists, card shops and purveyors of fine chocolates.

However, some people believe it is a holiday meant only for school children who haul volumes of valentines – one for every classmate – to school. Others feel the day belongs only to adults who have been struck by Cupid's arrow, those who long to leave work early so they can prepare for a romantic dinner in a secluded, candle-lit restaurant.

That leaves an awful lot of people out of the equation. Maybe some of your friends, family members, co-workers or merchant customers. Maybe even you.

One solution for those who feel left out is to ignore the holiday completely. It is, after all, just another day; it will pass soon enough.

Another tack is to cynically proclaim that Valentine's Day is nothing more than a good way to boost the bottom line if you've been shrewd enough to have landed merchant clients whose sales soar as a result of the holiday.

However, while these approaches aren't wrong per se, they are limiting. And why settle for limits when you, like everyone else, only enjoy a brief time on earth to experience what life has to offer?

Why not fully embrace the day and think of new ways to celebrate it that bring happiness to others? Even those who are deeply in love, in addition to expressing their passion, can also find ways to express many kinds of love.

Appreciate proactively

This doesn't mean sending valentines to everyone you know. It doesn't mean buying chocolates or roses for your colleagues. It doesn't necessarily mean buying anything at all. It means reflecting upon what love for your fellow man means to you and how you might best express it, perhaps by sending nuggets of love into the world and letting them do their magic.

Here are some possibilities (there are countless others):

• Make a list of people who matter most to you, personally and professionally, decide what you appreciate specifically about each one and then let each of them know. You can make the list in

Inspiration

one day and take a month or more to contact everyone. You may want to telephone some, send notes to others and visit some in person.

- Pick an organization you admire that you haven't made a donation to yet, and send in a check.

- Volunteer to do a presentation at a local school about your profession so you can share what you love about your role in the payments industry and inspire youths in the process.

- Think of some things that your city or town is doing right, and send a letter to the editor of your local newspaper commending those responsible.
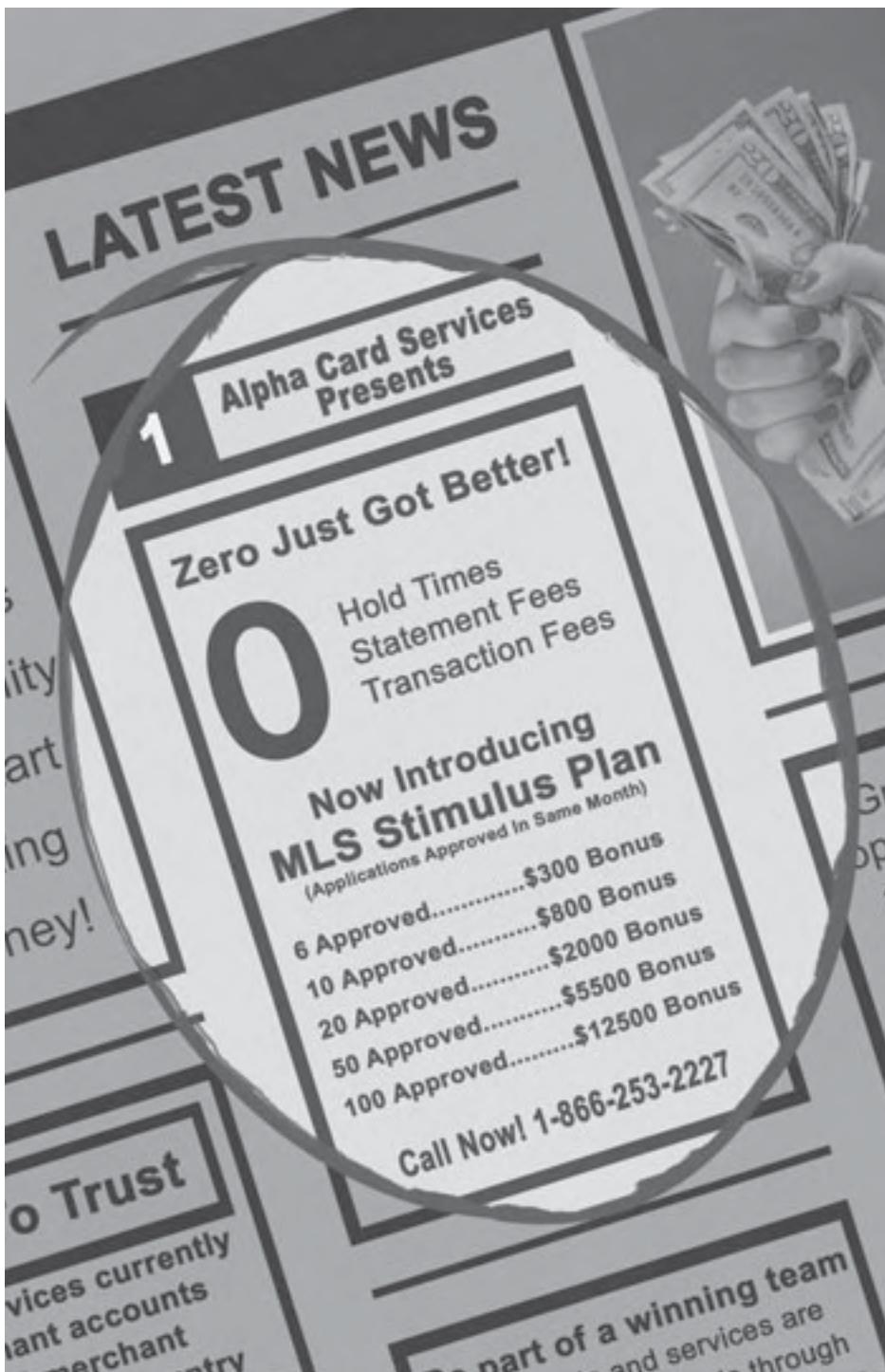
- If you take a toll road or pay a bridge toll on the way to work, pay the toll for the car behind you. Or if you buy coffee or tea at a local shop in the morning, buy a drink for the person standing behind you in line.

- If you admire the work of a visual artist, choreographer, writer, photographer, filmmaker or other creative individual, send the person a fan letter. Be specific about what you like about the person's work.

- If your parents are still alive, tell them how happy you are that they gave you life.

- If gaining a particular merchant's business helped your business reach new heights or otherwise turn a corner, let the merchant know.

- The next time you pass a homeless person on the sidewalk, look the person in the eyes and say a respectful hello.

- Call up the acquirers association for the region in which you do business, and volunteer to help on a committee.

- If you are a religious person, do something for your faith community that you don't ordinarily do. Maybe it's helping out with childcare during a service or taking a troubled youth under your wing for a time.

Those who express their love for others through words and deeds find a tremendous satisfaction in doing so that rubs off in all areas of their lives. Why not join in this month and continue throughout the year?

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DateBook

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

Trade Associations

ATM Industry Association
11th Annual Conference & Expo

Highlights: This event, titled ATMs 2010: Opportunities for Enhanced Value, promises a wealth of information on how to drive down operational costs while improving ATM return on investment, customer service and functionality.

Keynote speaker Bob Tramontano, Vice President, Marketing for NCR Corp., will provide a high-level vision of the industry's future. Insiders will discuss developing self-service, ATM and payment technology, as well as the likely impact of the current regulatory environment on the financial services sector.

Slated workshop topics include Payment Card Industry Data Security Standard compliance for payment devices, mobile ATMs and ATM program management, to name a few.

Breakout sessions and panel discussions will address the needs of international customers; self-service, third-party advertising; the ATM's role in the payment sector; open platform software; the global scourge of data skimming; international ISO expansion; and much more.

When: Feb. 17 – 19, 2010
Where: Hilton Miami Downtown, Miami
Registration: *www.atmiaconferences.com*

Industry Events

IRR Holdings Ltd.
Prepaid Expo USA

Highlights: Prepaid card industry professionals from the United States and over 25 other countries will converge on Las Vegas to attend the annual Prepaid Expo USA.

Twelve case studies and nine market focus sessions are slated to inform event participants on legal, regulatory and enforcement challenges, industry-specific strategies, and the state of the industry.

Keynote addresses will be delivered by Bill Clinton, 42nd President of the United States, and Arkadi Kuhlmann, President and Chief Executive Officer at ING Direct.

Workshops will be available for industry newbies. An Innovation Showcase on the event floor will highlight the latest technologies, products and services. The expo also promises a golf tournament and a performance by Penn & Teller.

When: Feb. 22 – 24, 2010
Where: Rio All Suites and Casino, Las Vegas
Registration: *www.iirusa.com/prepaid/online-registration. xml?state=select_event*

Trade Associations

Smart Card Alliance
3rd Annual Payments Summit

Highlights: This two-and-a-half-day meeting will focus on exciting new trends and projects that are accelerating the widespread acceptance, usage and application of contactless and near field communication (NFC) mobile payment technology for transportation and general retail payment applications.

The summit will include sessions on current U.S. and international transit programs; contactless, NFC and mobile payment technology developments; prepaid card initiatives; payments industry fraud; Europay/MasterCard/Visa implementations; and technologies for payment security.

It will focus on issuers and users of smart card technology in the payments, security, and mobile spheres.

Attendees will learn how different markets use common chip features and functionality to address their transaction needs.

When: Feb. 23 – 25
Where: Marriott City Center Hotel, Salt Lake City
Registration: *www.smartcardalliance.org/pages/ activities-next-conference*

Industry Events

Bank Administration Institute
BAI Payments Connect Conference & Expo

Highlights: Between looming regulatory measures, legislation and expanding payment channels, never has so much been changing so rapidly in the payments industry.

This BAI conference, dubbed The Next Generation of BAI TransPay, offers a deep dive into today's critical issues: fees, rewards, customer acquisition and retention, as well as convergence and channel integration.

The conference will focus on emerging payments – mobile, online, cards and beyond – and offer strategic insights to drive business.

It provides a chance to learn about new ways to replace lost fee income opportunities and create new revenue streams in a changing consumer, legal and regulatory environment.

When: March 1 – 3, 2010
Where: Gaylord Palms Resort & Convention Center, Kissimmee, Fla.
Registration: *www.bai.org/paymentsconnect/index.aspx*

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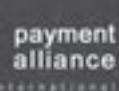
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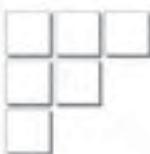
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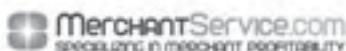
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