542

The worldwide fraud web exposed

I f the amount of online fraud can ever be characterized as at a respectable level, then the time may be now. Although fraudulent payments have long plagued online merchants, e-commerce fraud seems to be ebbing, or at least stagnating.

That is the finding of CyberSource's *11th Annual 2010 Online Fraud Report: Online Payment Fraud Trends, Merchant Practices and Benchmarks*. According to the report, e-commerce merchants lost 1.2 percent of their revenue to fraud in 2009, compared with 1.4 percent in 2008, 1.8 percent in 2004 and 3.6 percent in 2000.

The report went on to say that 2009 was also the first year since 2003 that the industry saw a drop in total online revenue lost to fraud: $3.3 billion in 2009, compared with $4 billion in 2008.

Two decades of online fraud

Merchants paid relatively little mind to data security when e-commerce emerged some two decades ago, industry insiders say. Entrepreneurs envisioned windfall profits flowing from the exciting new medium of the Internet.

Yet the new frontier was not without peril, and many who disregarded security and jumped impetuously into the mix paid a price, according to Carl Clump, Chief Executive Officer of payment security provider Retail Decisions Inc. (ReD). "In those heady days of the late '90s to early 2000s, Internet companies were after grabbing market share and, in their haste, failed to consider issues like fraud," Clump said.

But sources say there has been a noticeable shift in recent years among e-commerce providers toward a more vigilant security stance – the number of merchants using some type of fraud prevention strategy has increased significantly, with many enlisting third-party security providers.

A simple equation

That merchants have taken a more aggressive stance toward fraud is no surprise, as they have a large financial stake in the fraud equation. Unlike the brick-and-mortar space, where card issuers and merchant acquirers tend to cover some or all the costs of fraud, liability for e-commerce-based fraud rests exclusively with merchants – an arrangement established at the Internet's inception.

The Green Sheet Inc.

AdvisoryBoard

NotableQuote

The payments industry is too big to allow professionals to stay current in isolation: selling, compliance, pricing, card network rules and risk management are all significant issues that we can better understand through forum dialogue.

Inside this issue:
CONTINUED

The Green Sheet Inc.

Forum

Automated clearing house, safe and smart

The Green Sheet's Feb. 8, 2010, article "Do banking silos hinder fraud prevention?" contains much good information, but I cannot allow the subhead "The ACH super fraudway" to go unchallenged.

In my role, I can speak frankly and specifically about the ACH Network. The Network is a preferred payment solution because it is the safe and smart way to do business. Simply put, the ACH Network is ubiquitous, efficient, and allows the secure passing of payments plus robust information.

While ACH Network volume continues on an upward trajectory, the effectiveness of sustained ACH Network rules, risk management and enforcement measures has created a subsequent decline in unauthorized debits. An indicator of potential fraudulent activity, unauthorized debits had a substantive 13.8 percent decline in fourth quarter 2009 compared with fourth quarter 2008, and the overall unauthorized rate for debits was a tiny 0.036 percent.

Unauthorized activity related to checks converted at the POS and for online bill payment is even lower, and those rates also have been dropping. Clearly, these statistics speak for themselves about the safety that is inherent to the ACH Network.

The malware attacks you reference are not directly about any single payment channel, but rather are about businesses' compromised online banking credentials. This type of activity – corporate account takeover – is a form of corporate identity theft where a business's online credentials are stolen and used to fraudulently access bank accounts and engage in fraudulent banking activity.

What the fraudsters do once they get access to a business's bank account is of concern, as the doors are then open to any type of fraud. If an account compromise occurs, account alerts or reporting that is done prior to sending files can help manage fraud.

The industry needs to focus on securing access to the account itself. It is exactly this type of threat that should have bankers thinking "outside-the-silo."

Janet O. Estep
NACHA – The Electronic Payments Association

Janet,

While we cannot change the offending subhead in our print edition, we have replaced it with "Compromised bank-ing credentials" in the article's online version at www.greensheet.com/emagazine.php?issue_number=100201. We regret that the original subhead did not accurately reflect the meaning of the text it preceded. Please accept our apologies, and thank you for pointing out how sound the ACH Network is.

Editor

Sub-$25 credit transactions good for merchants

I was just reading "Visa expands No Signature Required program" in the Industry Update section of your Feb. 22, 2010, issue.

The last paragraph states: "Because these transactions will look and feel the same to cardholders, merchants may find a shift from debit to credit for small-ticket purchases. This could be bad news for merchants, who will pay higher fees on credit versus debit card transactions. But it may mean good news for ISOs and merchant level salespeople because they will earn higher residuals due to increased credit card usage."

This conclusion is inaccurate. … There is a break-even point where online debit is cheaper than credit, but for most merchants, this break-even point is right around or just over the $25 mark. Most merchants will see a decrease in fees for processing these sub-$25 transactions as credit.

The conclusion should be swapped: good news for merchants/bad news for ISOs and MLSs.

Steve Sommers
Shift4 Corp.

Steve,

Thank you for calling to our attention an unattributed opinion published in Industry Update. We have removed the text from the item's online version. The revision is at www.greensheet.com/emagazine.php?story_id=1803.

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.

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.

Ready to grow your business?

QSGS

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Education

Grow your business by branching out

Entrepreneurial merchant level salespeople frequently want the answer to the question: How do I grow my business? That's a pretty simple question. But the answers to it are varied and complex, with no single right one.

74

Education

Say less, sign more

Listening is becoming a lost art. In conversations it has become all too common for people to be focused on what to say next, not on what the other person is saying. This is especially true in sales. We tell ourselves the more we tell prospects, the more likely they are going to see a reason to buy. But good salesmanship is more nuanced.

72

Education

Digging into PCI – Part 10: Track and monitor all access to network resources and cardholder data

Requirement 9 of the Payment Card Industry Data Security Standard focuses on physical security issues that largely seem natural and obvious to most merchants, which helps alleviate problems in complying. Unfortunately, Requirement 10 is the opposite.

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Inspiration

Plan today for results tomorrow

To be successful at anything in life, a certain amount of planning must be involved. It may not seem like a big deal, but it truly is unwise to wait until morning to shape your day. If this is your habit, you are likely to start your day in a disorganized state. We have enough stress triggers in our fast-paced society. Why put up with one that you have the control to stop?

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NEWS

SmartMetric sues MasterCard, Visa

Alleging that MasterCard Worldwide and Visa Inc. violated its technology patent with regard to PayPass cards and devices, **SmartMetric Inc.** filed a federal lawsuit on March 15, 2010, in the U.S. District Court, Central District of California, Los Angeles, against both companies. SmartMetric seeks relief for damages and costs, according to Colin Hendrick, President and Chief Executive Officer of SmartMetric.

Visa talks strategy at Investor Day

Visa recently held an Investor Day seminar in San Francisco. In his opening remarks, Joe Saunders, Visa's Chairman and CEO, said, "While we're proud of our past and the leadership position we've achieved, we're trying very hard not to be complacent."

Saunders stated one of Visa's goals is to generate more than 50 percent of its revenue from outside the United States within the next five years. He said Visa currently earns 59 percent of its revenue within the United States.

Saunders highlighted prepaid cards, mobile payments and e-commerce as growth sectors. Visa is actively involved in 23 mobile payment pilots and commercially viable mobile payment programs globally, according to Saunders. Visa also unveiled its new, managed e-commerce payment solution, Rightcliq, at the one-day investor's event.

MPC applauds Vermont legislation

The **Merchants Payments Coalition**, an advocacy group consisting of 2.7 million U.S. businesses, responded to a recent bill passed by the Vermont State Senate which,

among other things, restricts card issuers with regard to interchange.

If also passed by the Vermont House, the legislation will make it illegal for card companies to impose fines on merchants for offering discounts to their customers for using credit cards that cost the merchant less to accept. The legislation also prevents card companies from fining merchants for setting minimum or maximum purchase limits on their cards.

Lyle Beckwith, Senior Vice President of the National Association of Convenience Stores, speaking on behalf of MPC, applauded the authors and the Vermont Judiciary Committee for "taking this critical stand on behalf of Vermont businesses and their customers."

Georgia joins the interchange fray

Georgia legislators introduced a bill in March 2010 to curb "abusive practices" by the credit card companies. House Bill 1456 reportedly received bipartisan support and takes aim at interchange fees. NACS Online reported that Georgia Association of Convenience Stores Board Chairman Rob Patterson said the bill, if passed, "will bring much-needed restraint to an out-of-control industry."

Washington law gives FIs break

Washington State enacted a statute in March 2010 to ease the cost of card reissuance for financial institutions (FIs) that experience a breach of cardholder data through the negligence of a third party.

The new legislation, House Bill 1149, An Act Relating to Protecting Consumers from Breaches of Security, states, in part, that since the reissuance of cards post-breach can reduce occurrences of identity theft and fraud, FIs are encouraged "to reissue credit and debit cards to

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

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

- **NPD Group Inc.** reported that the athletic footwear market declined less in 2009 than in 2008: 1.4 percent and 3.2 percent respectively. Women's and girls' sales increased by 0.6 percent each in 2009; the infant/toddlers group experienced the steepest decline: 4.8 percent.

- According to the **MasterCard Advisors Spending Pulse**, most retail sectors' sales increased for February 2009 compared with February 2008. Most improved: consumer electronics, up 5.8 percent; luxury sales, excluding jewelry, up 15.2 percent; and online sales, up 16.7 percent, though the average online transaction amount shrank 3.7 percent.

- First Data Corp.'s **SpendTrend** indicated the retail sector's dollar volume was up 8.4 percent in February 2009 compared to a rise of 5.4 percent the preceding month. Same-store dollar volume increased 8.4 percent, up from January's 7.1 percent.

consumers when appropriate." It also asserts said FIs can recover "data breach costs associated with the reissuance from large businesses and card processors who are negligent in maintaining or transmitting card data." The act takes effect July 1, 2010, and is not retroactive.

ANNOUNCEMENTS

Acxiom launches online ID solution

Acxiom Identity Data on Demand, released by **Acxiom Corp.**, is an application programming interface designed to identify and verify customers for e-commerce transactions. The new solution can be integrated into existing systems or used as a stand-alone tool. The solution compares customer information to verify identity in real-time, helping e-commerce businesses to adhere to regulatory, privacy and best practices obligations, according to Acxiom.

BluePay introduces Level 3 processing

BluePay Processing LLC expanded its business-to-business transaction services to include Level 3 processing. With Level 3 processing, businesses benefit from a lower transaction rate and also "receive more accurate reporting for better business," said Kristen Gramigna, Director of BluePay.

Ethoca introduces Ethoca360 Signals

Fraud detection services provider **Ethoca Ltd.** released a decision support tool for card-not-present fraud screening, Ethoca360 Signals. According to Ethoca CEO Andre Edelbrock, the tool enhances the predictive accuracy of companies' primary screening tools and methodology and provides analytics for manual reviews.

GETI launches new Web sites

Global eTelecom Inc. launched its redesigned corporate Web site and reseller resource sites. The sites focus on developer integration, expanded product lines, brand enhancements and an improved user experience, according to GETI.

"We utilized customer feedback to reinvent how we deliver our new products, branding and sales tools for partners," said Chris Brundage, Chief Operating Officer of GETI.

MCC offers new reseller programs

Merchant Cash & Capital LLC, a provider of alternative and nontraditional funding and cash advances to retail businesses, restaurants and service businesses, now offers a Gold Program, QSR Program, Starter Plus Program, and its Portfolio Performance and Reconciliation Management System. MCC said its aim with these programs is to help resellers "do more business and do so more efficiently."

MSB helps governments reduce costs

Municipal Services Bureau launched a payment processing solution for government agencies nationwide. MSB has the ability to host all of its clients' data, which allows delinquent accounts to seamlessly transition into its collection process, according to Bruce Cummings, CEO for MSB.

ProfitStars enhances RDC offerings

Jack Henry & Associates Inc.'s **ProfitStars** division reported its remote deposit capture (RDC) solution is experiencing record growth. The division also launched the RDC Knowledge Center Web site, an educational resource for financial institutions interested in adding, growing or enhancing their RDC offerings.

In other news, ProfitStars launched its Gladiator Technology RDC Compliance Service. The service generates custom RDC policies to help FIs comply with RDC-related regulatory requirements.

Sterling's PCI offering sales up

Sterling Payment Technologies reported that it enrolled 68 percent of its merchant clients in its Payment Card Industry (PCI) Data Security Standard (DSS) compliance program

UBC redesigns ISO-focused site

United Bank Card Inc. streamlined its ISO-focused Web site, *www.isoprogram.com*. The revamped site is more user-friendly, according to Brian Jones, Executive Vice President of Sales and Marketing. He added that it also reflects the company's "increasing focus on technological upgrades with the ultimate goal of streamlining our entire operations."

PARTNERSHIPS

Calypso Canada gains EMV approval

Calypso Canada, a Transaction Network Services Inc. company, received approval from MasterCard for Europay/MasterCard/Visa processing on its ATM network. Doug Epp, Senior Director of Sales for TNS Canada, said the approval was earned after extensive efforts by TNS' in-house experts working in partnership with **Moneris Solutions Inc.**

ACQUISITIONS

Capital Payments acquires MSG assets

Capital Payments LLC recently made its fourth acquisition by purchasing a portion of merchant assets from **Merchant Services Group Inc.** and entering into a long-term distribution agreement with MSG's principals. Syosset, New York-based MSG specializes in credit card and check processing and other payment-related services for small and mid-sized businesses, corporate merchants, and e-commerce merchants.

CO-OP Financial to gain Share System

CO-OP Financial Services and **Members United Corporate Federal Credit Union** entered into a non-binding letter of intent for CO-OP to purchase Share System from Members United for an undisclosed sum. Share System is an ATM and debit card program serving credit unions, primarily in Indiana. The transaction is expected to close during the second quarter of 2010.

FrontStream buys Fast Transact

Payment solutions provider **FrontStream Payments Inc.** acquired **Fast Transact Inc.**, a provider of innovative payment processing solutions for both e-commerce and brick-and-mortar merchants. An investment by Arsenal Capital Partners funded the deal.

"The acquisition of Fast Transact strengthens Front Stream's approach of providing customers with unique,

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high-value payment products," said FrontStream CEO and co-founder Emmet Seibels. "Fast Transact's secure, integrated payment solutions and its experienced management team provide FrontStream with the expertise to partner with merchants and resellers in growing industry segments."

Offerpal goes mobile with Tapjoy

Offerpal Media, a provider of virtual currency payment alternatives, acquired **Tapjoy**, creator of the Tapjoy platform for mobile developers and a provider of monetization and distribution services on established and emerging mobile platforms. The acquisition extends Offerpal's virtual currency monetization model to mobile applications. "There are more than 200 million mobile phone users in the U.S. alone, and most of them will soon have a way to play games on their devices," said George Garrick, Chairman and CEO of Offerpal. "We also expect the micro-transaction model to move beyond games, and for there to be practically unlimited applications for micro-transactions on mobile platforms as well as the Web."

TestLink grows with Oceansound

Independent ATM supplier **TestLink** acquired ATM parts specialist **OEM Oceansound Ltd.**, which, accord-

ing to U.K.-based TestLink makes the companies' combined ATM spare parts operation the largest of its kind worldwide. Customers of OEM will now have direct access to TestLink's extensive parts repair operations.

APPOINTMENTS

Visa promotes Buse

Visa named **Elizabeth Buse** its Group Executive, International. She will oversee Visa's global sales and client service functions across the Asia-Pacific and Central Europe, Middle East and Africa (CEMEA) regions. Buse, who previously served as Visa's Global Head of Product, will be based in Singapore and report to John Partridge, President of Visa.

"Under Elizabeth's leadership, Visa has globalized our e-commerce, money transfer and mobile efforts and delivered customer-centric and value-add information products and services that continue to drive the shift to electronic payments and accelerate our growth around the world," said Joseph Saunders, Visa's Chairman and CEO.

"Visa will benefit immensely from her drive, strong knowledge of the business and the respect she commands from clients, colleagues and Wall Street alike." The appointment follows the decision by Rupert Keeley, Visa's Group President of Asia Pacific and CEMEA, to leave the company.

First American promotes Dillon

First American Payment Systems LP promoted **Shawn Dillon** to Director of Strategic Sales. Dillon has been in the payments industry for nearly seven years, the last two of which were at First American. As the company's Manager of Bank Partnerships and Corporate Sales, Dillon recruited financial institutions looking for quality payment solutions and led the corporate sales team.

Trustwave's new Channel Manager

Trustwave appointed **Celso Hummel** as Channel Manager for Trustwave Brazil. Hummel has more than 15 years' experience in the information security and computer forensics industries. He spent several years at TechBiz Forense Digital, most recently as Government and Channel Manager for Brazil, where he developed the company's sales process. At Trustwave Brazil, Hummel will develop partnerships with key Brazilian security and technology integrators and Internet service providers to further penetrate the local market with Trustwave's information security solutions.

EVO selects Linden

Todd Linden joined EVO Merchant Services as Senior Vice President of Business Development. Linden will

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be responsible for building strategic relationships that focus on new business initiatives. Linden has extensive experience in the acquiring business, most recently as Senior Vice President and Division Manager of Operations at National Processing Co. Linden has also served the Electronic Transactions Association in multiple leadership capacities.

Mahoney President of US Alliance

US Alliance Group Inc. appointed **Greg Mahoney** as its President. The company noted that Mahoney created and executed strategic programs that resulted in significant sales growth over the last two years. He will now oversee the company's entire operation and expansion plan. Mahoney joined USAG in 2007 as a Senior Vice President. Directly prior, he was the Executive Vice President of Electronic Cash Systems.

Ricker rises at 3DSI

3Delta Systems Inc. (3DSI), an online credit card payment solutions provider, promoted **Rick Ricker** to Vice President of Business Development for enterprise payment solutions. He had served as 3DSI's Director of Operations since 2000.

Ricker, who has more than 25 years of operations, mar-

keting and finance experience, will be responsible for growing the corporate and government markets for CardVault, 3DSI's payment tokenization service.

He will also focus on enhancing the company's channel partner services in the business-to-business and business-to-government sectors.

Apriva taps Tappin

Apriva, a provider of end-to-end wireless transactions and secure information solutions, appointed **Stacey Finely Tappin** as Vice President of Sales of Apriva's POS division for North America. Presiding over the company's sales operations, Tappin will focus on expanding wireless payment technology products and services, maximizing growth opportunities from both new and existing customers, and developing new channels of business revenue.

Tappin brings more than 20 years of sales management, strategic planning, global training and leadership program development experience to Apriva.

Before joining Apriva, Tappin was responsible for generating new business and selling new products and services into the existing client base for TSYS Acquiring Solutions as its Vice President of Sales. ▨

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ADVISORY BOARD

Positive economic signs and actions – Part 2

Economic tides seem to be turning, albeit slowly. So *The Green Sheet* asked members of our advisory board for their thoughts on the following questions:

1. What are examples of some light at the end of the tunnel your company is experiencing?
2. What areas of your business have picked up?
3. Where do you plan to focus as the economy improves?
4. How have you stayed tuned to your customers' needs over the last year?

The first portion of their responses was published in *The Green Sheet*, March 22, 2010, issue 10:03:02. This article contains the second segment. We will publish the final group on April 26 in issue 10:04:02.

Allen P. Kopelman
Nationwide Payment Systems Inc.

1. One thing for sure is that pricing compression has not stopped, and there are companies popping up that will help merchants negotiate their pricing or find them a new home. The light at the end of the tunnel is that merchants who were on the edge of being out of business are out of business, so future drop-offs will not be as great.

There are a lot of people who are unemployed or underemployed, and those people are striking out and opening up small or home-based businesses. So that sector is starting to grow. The other thing is that since businesses have reduced their workforce size, they are looking for new technologies that can help them work faster and smarter. So if you are selling software or POS systems, this is an area where businesses are spending.

2. Technology sales to existing and new businesses have picked up.

3. We are planning to focus on more partnerships and integration partners, as this is one of the biggest growth areas where pricing is not that much of an issue, and the merchant is looking for convenience over pricing.

4. We have stayed in touch with our customers and tried to help them where we can.

Everyone wants to pay less, and they have to understand that we can only go so low and still provide them with the service they want and need.

Tim McWeeney
WAY Systems Inc.

1. We are seeing our customer base getting more active in selling wireless POS hardware. This indicates an uptick in the economy and the availability of funds for new merchants to purchase low-cost wireless POS equipment. Another key indicator for WAY is product activations, and we have seen a substantial increase in new activations.

2. In the WAY model, we have two indicators: 1. equipment sales and 2. equipment activations (which lag a little behind equipment sales). As equipment sales increase, 30 to 60 days later, we see those sales begin to activate. Both areas have shown growth in the last 45 to 60 days.

3. Bringing the news to the millions of new merchants that a fully functional, multi-application wireless product is available at an affordable price.

The merchant's decision is not limited to spending high dollars on a wireless POS device or spending next to nothing to activate something on their cell phone. There is a significant choice, and we continue to drive home that WAY is that difference to the trade and the wider merchant market.

4. We have stayed tuned to our clients' needs, and as the wireless experts, we are the ones who deliver the message to our customers that there is a market out there that needs to be cultivated and exploited. When our customers tell us what they need to help them gain control of that market, we deliver.

Justin Milmeister
Elite Merchant Solutions

1. Elite Merchant Solutions has seen its merchant acquisitions increase by just over 30 percent over the last three months alone, including December, which is historically pretty low for new merchant acquisition. We have also experienced an unusually high number of adlocs (additional locations) being opened by our merchant base.

Adlocs have been pretty low over the last few years as a percentage of our portfolio. This indicates that businesses are expanding, which is a good sign for the overall economy.

2. We have a strong presence in the auto dealership business. Obviously, we saw a tremendous spike during the Cash for Clunker days, but that has subsided; however, overall sales for this sector have begun to pick up.

Additionally, our hardware sales have increased tremendously, as merchants are looking to get into the 21st century and get new hardware that will better support their businesses.

Merchants are dumping their Tranz 330s for high-speed Payment Card Industry (PCI) Data Security Standard (DSS)-compliant terminals that will actually lower their operating costs.

3. Our focus throughout this economic downturn has been to acquire tremendous talent that would otherwise not be available. Many people were laid off, or parts of businesses were either gobbled up by competitors or closed their doors outright.

We were in recruitment mode, and this downturn yielded us some excellent talent. This new talent will allow us to focus on attracting the best merchant level salespeople (MLSs) and top agent offices to expand our business.

4. We have always been a customer-focused business, but over the last year or two we have had to really shine and adapt to our customers' needs. Over the last year alone a very high number of calls were coming in, compared to years prior, regarding rate reviews and threats that they were going to switch processors unless we did this or that.

We implemented a few programs that helped in our customer retention. And in several cases, we would actually proactively call selected merchants and lower their rates. This program went over very well. I know it is not the norm, but this was based on a query we ran, through which, based on certain criteria, we determined we had room to lower the merchants' processing fees but still maintain a nice healthy profit margin. This was a total win-win situation for both the merchants and our company.

Steve Norell
US Merchant Services

1. Simply put, we have not seen an increase in new business startups, and the existing business closings still appear to be higher than average. However, the merchants that we do have appear to have increased their monthly volume, albeit small.

2. The areas of tobacco, medical and sales of POS systems to restaurants have all remained strong and appear to be healthy.

3. More restaurant POS systems as well as electronic cash registers (ECRs) for the retail sector. We recently signed an agreement with a national ECR company and expect it to be very successful.

4. Mandatory in-person visits and phone calls, based on monthly volume.

Michael Petitti
Trustwave

1. We have seen a pickup in demand for PCI DSS-compliance services and more interest in data security services beyond PCI. This trend maps to the overall trend of continued demand for technology and technology-related services despite the weak economy.

2. More and more companies are seeking to test their environment with diagnostic solutions such as vulnerability scanning, penetration testing and core security services such as data encryption and endpoint security.

3. Endpoint security will be more and more of a focus for us.

4. Mostly surveys, but also webcasts and social media.

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Jeffrey Shavitz
Charge Card Systems Inc.

1. Our sales partners and our company as a whole have seen the positive shift in the economy help significantly over the past six to nine months.

3. We have preached to the Charge Card Systems' sales personnel for years to keep adding merchants and to focus on a healthy blend of merchants from many business sectors – with a blend of retail, MO/TO and Internet merchants, and of all different processing volumes. CCS has its fair share of very large merchants that process in excess of $1 million per month, with some processing greater than $10 million per month. But I have always advised our partners that the small to mid-sized merchants (defined by me as $7,500 to $50,000 per month) will add critical mass and financial stability to your portfolio, especially with the uptick in the economy.

Why? Assume that over the years you have developed a portfolio of 500 merchants each processing on average $10,000 per month for $5 million in monthly volume; assuming profitability of 50 basis points and a 70 per cent residual split, our MLS would earn $12,500 per

> *"With the economy getting stronger, the same 500-merchant portfolio is now processing $15,000 per month for which our salesperson (for doing no extra work) is now earning $18,750 per month or $75,000 in additional annualized income."*
>
> – Jeffrey Shavitz, Charge Card Systems Inc.

month. With the economy getting stronger, the same 500-merchant portfolio is now processing $15,000 per month for which our salesperson (for doing no extra work) is now earning $18,750 per month or $75,000 in additional annualized income. Not bad money for not doing any additional work.

Of course, we all love winning the large merchants, but in my opinion, with margin compression, banks wanting to handle these merchants' processing at cost in some cases and the vulnerability of losing the larger merchant can and will greatly affect your earnings. I would argue that it is much healthier to have hundreds of smaller merchants than a few large merchants.

4. With regard to staying tuned to our customers' needs, we try to listen. So many times in the past we used to have strategic brainstorming sessions at staff meetings without the benefit of merchants' insights and feedback. Now, we have quarterly conference calls with merchants (representing many industries, sizes et cetera) and ask them specific questions.

They feel vested and, in essence, they are part of the "CCS Merchant Advisory Board." It's amazing what you can learn from just asking your customers what they want – and then, doing what they tell you. Some top-line topics include understanding interchange, reporting, mobile devices and many others. Given the economic conditions, we have seen and continue to see merchants in need of cash advance opportunities, as well as sales partners looking for capital to grow their portfolios and offices (whether that means hiring an administrative assistant, getting bigger office space or a myriad of other reasons). In both cases, CCS has financially supported both our merchants and sales partners, whether it means helping cover a reserve requirement or offering a line of credit to our agents. Of course, this will only be done after we have done thorough due diligence.

Like all businesses, there are ups and downs, and let's all just pray we continue to see the economy get stronger, as it will greatly benefit our merchants and, of course, all of us in the payments industry. ◼

Selling**Prepaid**

 ## Prepaid in brief

NEWS

Stored-value to get its own standard

Gift and loyalty card processors **ProfitPoint Inc.** and **SparkBase** joined forces to develop best practices and a data security standard for the stored-value industry. The companies said the initial Stored-Value Industry Certification Data Security Standard will have a best practices level, followed by a more detailed certification standard to be released later in 2010.

"Stored-value transactions travel over private networks, and the type of data maintained for cardholders is often more sensitive," said Doug Hardman, Chief Executive Officer at SparkBase. "A standard that goes beyond just the card number needed to be established for our industry."

DCA pinpoints unbanked New Yorkers

The **New York City Department of Consumer Affairs** reported that over 825,000 adult New Yorkers, representing more than 13 percent of households, do not have bank accounts. The national average of unbanked households is 7.7 percent, the DCA said.

The Citywide Financial Services Study, commissioned by the DCA's Office of Financial Empowerment, found that, compared to New York City as a whole, Bronx households were more than twice as likely to be unbanked, with over 50 percent in three neighborhoods lacking access to traditional bank accounts.

Additionally, the study found that residents in the neighborhoods of Jamaica, Queens and the Melrose section of the Bronx combined spent more than $19 million annually on check cashing fees.

ANNOUNCEMENTS

MoneyGram increases donations to Haiti

Money transfer specialist **MoneyGram International** expanded its MoneyGram Global Giving program to include a minimum $250,000 grant to the American Red Cross for continued Haitian relief. Through June 30, 2010, MoneyGram will donate $2 from every transaction sent to Haiti for relief efforts.

"Recovery in Haiti will be ongoing, and remittances to family members will continue to be a critical component," said Alex Holmes, MoneyGram's Senior Vice President and Chairman of the MoneyGram Global Giving program.

Oberthur unveils single-source cards for DOD printing

Oberthur Technologies S.A., a France-based manufacturer of prepaid cards, now offers drop-on-demand printing to provide additional options for customers who desire single vendors for card design, manufacturing, personalization, fulfillment and inventory management.

PFS full steam ahead with travel card

London-based **Prepaid Financial Services Ltd.** rolled out the PFS MasterCard Prepaid Rand Travel Card for U.K. travelers in South Africa. The South African Rand is the currency of South Africa. The card is issued by Transact Network Ltd.

New product category created?

RegaloCard reported the completion of the U.S. test phase of its micro money transfer program. Using mobile phones, RegaloCard users will be able to transfer as little as $10, the Miami-based company said.

"What Gregory Keough [RegaloCard's CEO] and the team at RegaloCard have done is invent a new product category which we call the micro money transfer," said John Jackson, CEO of Telmaxx Inc., one of RegaloCard's initial distributors.

Canada to get mobile top-up platform

Prepaid telecom provider **SelectCore Ltd.** expected a March 2010 launch in Canada of its international mobile top-up service on its PrepaidONE platform. Capitalizing on the growing global money transfer market, SelectCore said its mobile top-up platform will allow Canadian immigrants to send money back to friends and family in home countries.

Parents foot the bill on plastic in v2.0

E-commerce platform developer **Socialwise Inc.** released version 2.0 of its online teen payment solutions

site, BillMyParents. BillMyParents has been upgraded to include a MasterCard Worldwide-branded prepaid card payment solution that allows parents to load funds on teens' prepaid cards and monitor and control their children's spending.

Links formed in Brazilian, Indian value chain

Via a live video conference, **Total Systems Services Inc.** (TSYS) exchanged ideas concerning prepaid card development with Prepaid International Forum members from Brazil and India, "marking the first formal exchange on prepaid best practices, legislation and business models" between the two developing nations, according to the PIF.

TSYS executives heading up their respective operations in Brazil and India noted that the prevalence of prepaid telecommunications in both countries, along with sizable unbanked and underbanked populations, makes for ripe opportunities for prepaid expansion.

PARTNERSHIPS

Bank Freedom cards processed through FIS

Prepaid Card Holdings Inc. subsidiary **Bank Freedom** signed an agreement with **Fidelity National Information Services Inc.** (FIS) for the processing of MasterCard-branded Bank Freedom prepaid cards. Bank Freedom will also leverage the FIS platform to support its business expense, general spend reloadable, payroll cards and cobranded prepaid card programs.

ProfitPoint, Aria team for game developers

ProfitPoint and **Aria Systems Inc.**, an on-demand billing and subscription management solution provider, partnered to combine ProfitPoint's stored-value cards with Aria's billing platform for online game publishers, as well as gamers. The service is set to go live in the second quarter of 2010.

Apriva, SparkBase establish wireless tandem

End-to-end wireless transaction technology company **Apriva** reached an agreement with private-label, stored-value processor **SparkBase** to offer a secure wireless payment solution for the stored-value card market. The integration of Apriva technology with SparkBase's network allows merchants to process loyalty and gift card transactions over public wireless networks.

MasterCard, Springbok team for Arnie's Army

The Arnold Palmer Invitational, held March 22 to 28 in Orlando, Fla., and sponsored by **MasterCard**, made

available gift cards manufactured and processed through **Springbok Services Inc.** The open-loop, MasterCard-branded cards were designed with the Arnold Palmer signature and umbrella. For each card purchased, the tournament donated $1 to the Arnold Palmer Medical Center.

SpaFinder taps TW for B2B gifting

Spa media and marketing company **SpaFinder Inc.** selected mobile commerce firm **Transaction Wireless** for B2B virtual gift cards. The partnership allows SpaFinder to sell virtual gift cards in bulk to corporate clients worldwide. In turn, SpaFinder's clients will be able to distribute the virtual cards via e-mail to their customers by utilizing TW's patent pending wGiftCard technology.

Tuxedo reduces overhead with MSM Software

U.K.-based prepaid card provider **Tuxedo Money Solutions** reported that it is improving the efficiencies of its information technology (IT) department and customer support by outsourcing over 50 percent of its IT function to **MSM Software**. As an extension of Tuxedo, MSM will offer support to corporate customers and call centers, as well as troubleshooting and co-ordination of all other tech suppliers, Tuxedo said.

Vesdia goes to the movies with rewards

Vesdia Corp., provider of multichannel merchant networks and incentive services, inked a deal with AMC Entertainment Inc. to offer movie fans rewards for seeing movies. Credit and debit cardholders can receive airline miles, cash back or points to use for AMC box office and concessions purchases and for AMC gift card purchases online.

ACQUISITIONS

InComm acquires Zeevex

InComm purchased virtual currency provider **Zeevex**. Incomm said the acquisition will enable the processor and distributer to leverage the strength of its prepaid game card vertical with Zeevex's virtual currency platform to enable consumers to purchase digital content.

CPI Card Group buys Premier Card assets

Financial and commercial card production and fulfillment house **CPI Card Group** acquired certain assets of **Premier Card Solutions**. PCS specializes in data personalization services and the making of tamper-evident security packaging for prepaid cards.

CPI acquired PCS's Roseville, Minn.-based debit card business. CPI said many of PCS's former employees and management have also joined the CPI team.

APPOINTMENTS

Agualimpia joins MoneyGram

MoneyGram hired **Juan Agualimpia** as Senior Vice President and Chief Marketing Officer. With nearly 20 years in marketing, brand management, customer relationship management and product development, Agualimpia will oversee MoneyGram's global branding and marketing strategy.

eCommLink corrals Courington

Las Vegas-based processor eCommLink Inc. appointed **Max Courington** National Sales Director. Courington brings 15 years of sales management and prepaid program management experience to his role of developing eCommLink's domestic sales. His emphasis will be on engaging program managers in retail, payroll and remittance initiatives.

InComm names Scalera VP

Prepaid card distributor InComm selected **Peter Scalera** for the position of Vice President of Retail Marketing for the Atlanta-based processor's new retail marketing team. Scalera has 25 years in marketing and sales for Fortune 500 companies and will be responsible for category management, retail promotions, and prepaid merchandising strategy and execution.

Taylor rises to COO at PreCash

PreCash Inc. promoted **Steve Taylor** to Chief Operating Officer. Taylor assumes responsibility for the company's operational and financial arms. He joined PreCash in 2002 as Director of Finance and subsequently became Executive Vice President of Operations and Chief Financial Officer. In addition to his new role, Taylor will continue to serve as CFO. 🔲

Feature

GPR cards to bridge 'plastic gap'

A consequence of the Credit Card Accountability, Responsibility and Disclosure Act of 2009 is that young consumers will flock to prepaid cards out of necessity, said Jerry Welch, Chief Executive Officer at Tampa, Fla.-based prepaid card processor nFinanSe Inc. As a provision of the new consumer protection law, which went into effect Feb. 22, 2010, individuals under the age of 21 will have to either demon-strate the ability to repay balances in order to be issued credit cards or get adults to cosign on accounts.

Traditionally, young adults off to college could easily apply for and receive credit cards on their own, without the consent of parents. But that practice was problematic, since young, financially inexperienced consumers would often run up purchases on the cards, be unable to repay balances and consequently be hit with high interest rates. But those days are over, according to Welch.

"This act is going to dramatically change that," he said. "So kids are not going to be getting all of these credit cards. ... These are kids that are used to being online – they are used to buying things online. They are used to downloads, other things. How do they do that without a credit card?"

The solution

Debit cards are one answer. But, as Welch pointed out, transacting online using cards tied to bank accounts exposes cardholders to greater financial damage posed by fraud. Another possibility is campus cards, which allow students to make electronic purchases on campus and at certain off-campus locations. But that restricted area use, let alone no online use, makes campus cards less than ideal for young cardholders' needs, Welch said.

That leaves network-branded, general-purpose reloadable (GPR) prepaid cards as the only solution, Welch said. "And so we think there is absolutely no doubt that we in the reloadable prepaid card business are going to benefit from the new credit card legislation," he added.

Welch estimates that 100 million U.S. consumers have a need for GPR cards, with college students representing 18 million. But only "several million cards" are in the marketplace, he said. Therefore, the untapped market for GPR cards is an enormous one, he noted.

Welch believes the prepaid card industry is still in its infancy, with consumer groups such as the unbanked and generation Y just now catching on to the potential of prepaid cards. He has noticed increased promotion of prepaid cards by the card brands and urges the industry that the time is now to be aggressively marketing to these consumer segments.

Prepaid for the soul

NFinanSe is targeting the younger demographics through an online music Web site, nFinanSeMusic.com, where the songs of young, up-and-coming musicians can be downloaded. The idea is that music lovers will recognize the nFinanSe branding and want to find out more about the company's prepaid products.

"They'll see we issue reloadable prepaid cards," Welch said. "And then, when they go to the supermarket or drugstore or general merchandise retailer, they'll see our

cards and go, 'Those are the people who give us the music downloads.' And they'll look at our product and see that we have the best pricing and the best product, and they'll buy it." NFinanSe also has the social media angle covered with presences on MySpace, Facebook and Twitter. With such marketing efforts underway, Welch expects adoption rates to accelerate. "Five years from now, we'll look back and go, 'Oh, wow, what a run,'" he said.

Company profile

Prepaid profile: Neovia Financial PLC

The 'fun money' company

Online gaming is two sides of the same coin. On one side is the universe of massively multiplayer role playing games where gamers take on personas and enter virtual worlds; it is a multibillion dollar industry. But equally lucrative is the flip side of that coin: online games of chance, such as poker and bingo.

As a player on the online gambling side, Neovia Financial PLC has been "phenomenally successful" with its Net+ prepaid card, according to Dan Starr, Executive Vice President at the U.K.-based processor. "It's probably one of the bigger prepaid programs," he said. "We've put north of $170 million through our prepaid product last year, in terms of volume flow."

The MasterCard Worldwide-branded card works with Neovia's Neteller e-wallet. Neteller allows online gamblers to electronically transfer funds to a variety of gambling sites, such as SEGA Corp.'s SEGACasino and SEGAPoker, BSkyB Ltd.'s Sky Bet and Sky Poker, and BeatYa Online Entertainment Ltd.'s Yatzy Duel, Backgammon and Mahjong.

Online gamblers direct deposit funds into their Neteller wallets and go from one gambling site to another, winning and losing as they go. Neteller has over 100,000 active accounts, with between $70 million to $100 million sitting in those accounts and waiting to be spent, Starr said. Approximately half of Neteller users opt for the Net+ card, he added.

Starr sees a direct corollary in the expansion of Net+ card users in the last 12 months to the contraction in the amount of credit available to consumers. He said 70 percent of U.K. adults had access to credit cards in 2008; that figure plummeted to 62 percent in 2009. "If you haven't got a credit card to spend online, the next best thing is a prepaid account," Starr said. "So there's been a good uptick in interest in prepaid, and the access has shifted from credit accounts to debit accounts."

Play money

Starr pointed out that using game cards for online role playing is a one-way process – physical money is transferred into virtual currencies and used for game time or to somehow enhance virtual world experiences. "The ability to cash out as a consumer and take those virtual currencies into real money is quite difficult," he said.

But that is exactly what the Net+ card does. Gamblers can take their online winnings back into the real world via the cards for purchases over the phone, online or in person – and wherever MasterCard is accepted.

The Net+ card is also increasingly being used as a person-to-person money transfer service, enabling friends to reimburse each other for concert tickets and the like, Starr said. But the main purpose of Neteller and the Net+ card is for the spending of what Starr calls consumers' "fun money."

"[Neteller] is used quite extensively in the online gambling sector purely because people like to separate their household income from their fun money," he said. "You paid your mortgage. you bought your new shoes; you are left with your fun money; not in your jam pot, you want to stick it somewhere and spend it. And when you spend it, you're done."

The Net+ card helps protect consumers from the effects of online fraud as much as it helps separate necessary expenses from disposable income. Online fraud and identity theft are of great concern to consumers, Starr said. "So if you're shopping at a merchant that you don't like the look of or don't trust or have never been to before, what you probably don't want to do is put the debit or credit card tied to your bank account on it," he added. By putting funds on a prepaid card, all consumers lose is the disposable cash on the card in the event of online fraud, he said.

Playing to win

In January 2010, Neteller was chosen for the third year in a row as the Best Payment System for Affiliates at the iGaming Affiliate Awards in London. The affiliates noted that secure, fast, consumer-friendly payment systems are of primary importance. Germany-based online game developer Travian Games GmbH has 5 million players worldwide and recently integrated Neteller into its massively multiplayer online gaming sites. Ditto for Austrian-based Crafty Studios Game Development GmbH, makers of Devil Fight 2.

"Multiplayer video gaming wins, digital content wins," Starr said. "[We are making] great progress in this market so we are quite excited."

10 years ago in The Green Sheet

The Green Sheet was 32 pages.

Retailers granted class action status

The U.S. District Court in Brooklyn, N.Y., certified a class action in the 1992 case filed by retailers against Visa U.S.A. and MasterCard International. The class of plaintiffs thus consisted of about 4 million merchants, the largest being Wal-Mart Stores Inc. (The case later settled in favor of the plaintiffs, putting an end to the card brands' honor-all-cards rules.)

Offline, online conundrum

A Retail Payment Systems survey revealed that 70 percent of merchants accepted debit cards. Cash was used in 35 percent of merchants' sales, credit cards accounted for 25 percent, checks 21 percent and debit only 8 percent. Merchants were deterred by the investment required to accept online (PIN) debit and put off by the cost per transaction of offline (signature) debit.

Internet commerce on the rise

In an address at the Emerging Law of Cyberbanking and Electronic Commerce seminar in San Francisco, Bond Isaacson, Chief Executive Officer of Visa's e-Visa division, predicted 10 percent of all Visa volume would originate on the Web by 2003.

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- 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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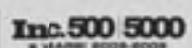
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Company**Profile**

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Phone: 866-822-2378
Web site: *www.elitedatacorp.com*

ISO/MLS benefits:
- Choice of three compensation plans
- In-house customer, technical and sales support
- Proposal teams with four-hour response times
- Assistance with large presentations
- Start-up income for agent offices

Programmed for profit

Before discovering the payments industry, Justin Milmeister, founder and President of Elite Data Processing Inc. (doing business as Elite Merchant Solutions), was a commercial real estate broker. "One day I was speaking with a retailer at one of the shopping centers that I was looking to lease, and he was complaining about how his terminal was not working for five days, and he could not get in touch with anybody to get it working," Milmeister said.

Milmeister contacted a friend in the payments industry who signed and set up the merchant the next day. He didn't know much about his friend's business. But with his curiosity piqued, he learned about the earning potential for professionals in the payments industry. "All I heard was residual, and I immediately began to do my research on merchant services," Milmeister said.

Following six months of earnest investigation, Milmeister took the plunge. He left real estate behind and started EMS in January 2002. In addition to processing credit, debit and automated clearing house transactions, EMS offers check guarantee, Check 21 and remote deposit capture solutions. EMS also sells ATMs, payment terminals, a gift card program, payment processing software and merchant cash advance.

More pennies

It is common knowledge that competition is fierce in this industry, and the glory days of equipment sales have passed. Merchant level salespeople (MLSs) are competing with each other for the same merchants, often offering merchants lower processing rates to switch. The EMS philosophy is to go extremely low to decrease chances of being undercut.

"We'd rather price someone … as low and as aggressively as we possibly can," said Jeff Brodsly, Director of Operations for EMS. "We'd rather make pennies for years versus dollars for days. We make a little bit of money, but we build a long-term relationship with this merchant, knowing that they're going to stay with us for years. And over those years, the pennies add up."

One aspect of ensuring those stable relationships is choosing merchants who will still be in business a year from now, merchants who demonstrate healthy, existing credit card volume. "We see too many of our competitors spinning their wheels, signing new businesses [that are] out of business in three months," Milmeister said.

EMS focuses on such vertical markets as restaurants, hotels and auto dealerships. The company trains its sales partners to seek high-volume merchants. In this way, EMS can recover on the low rate with volume.

Red-carpet treatment

EMS endeavors to always hold up its end of its client relationships. "We really take customer service seriously," Milmeister said. EMS keeps in contact with its merchants via birthday and holiday cards and regular quality assurance visits. Milmeister added that EMS only partners with MLSs who it thinks will perpetuate EMS' philosophy of showing care and support to merchants. "I love when I go to a high-end department store and am greeted by my name, asked how my day is going, get pampered and treated with respect," Brodsly

CompanyProfile

said. "As I leave there, I have this feeling of importance that is irreplaceable. We strive to provide this feeling to each and every one of our merchants." As his guiding principal, Paul Rasidakis, National Sales Director for EMS, gives every merchant, large or small, the same red-carpet treatment. "Everyone will be treated with the same sense of urgency," he said.

Honors received

As evidence that EMS has found a formula that works, the company was named to the 2009 Inc. magazine's Inc. 500 list of fastest growing U.S. companies; it was also named one of the top 100 companies in the 2009 Nilson Report that rates U.S. companies on their performance. Brodsly anticipates that EMS'

rankings will improve this year as its growth continues.

"Not only are we surviving, we are growing in this economy at a faster pace than ever," Milmeister noted.

In addition, when Chase Paymentech Solutions LLC started its new ISO program in 2009, Milmeister said EMS was one of the first companies invited to participate.

EMS recognizes the importance of partnerships and the necessity of giving back to the community. "Obviously we're in this to make money; this is our career and our job, but we're also in it to help the community and to show that we're not your standard, everyday processor," Milmeister said.

With its Give Back program, EMS partners with schools, communities and chambers of commerce for mutual endorsements. The company shares a percentage of the resulting referral revenue with the referring organizations. "We are constantly putting money back into the community through programs like this and the sponsoring of events for charity or nonprofit," Brodsly said.

Sales support

For MLSs, having ISO support is crucial. EMS offers a number of programs to empower its feet on the street, help them procure new business and hang on to existing merchant clients. The programs include:

- **Win-Win:** To help agents persuade business owners of its superior rates and service, EMS offers the Win-Win program. The company is so confident it can meet or beat a prospect's current rate, it gives a trip for two to the domestic destination of the merchant's choice if it does not convince the merchant to choose EMS.

- **Agent/Partner:** EMS has a team devoted to gaining referral partnerships with chambers of commerce, financial institutions and software providers. Members of this dedicated team travel to agent locations to help with presentations to these organizations.

• **EMS Agent Stimulus:** This program is for MLSs who have demonstrated the potential to establish their own ISOs but lack the means to make the move. EMS will set these candidates up with sales offices.

Milmeister gave an example of the Agent/Partner program in action. Recently two partner relations team members helped an agent close a deal with a large regional association. The group's national representative was in attendance, and EMS was able to gain the national association's partnership as well. In addition, EMS' partner relations team recently landed a deal with a software business solution provider. The provider did not have a payment component among its solutions. EMS worked with the software company to add a payment module that is proprietary to EMS. All users, present and future, of the new module are obliged to process credit card transactions through EMS.

EMS also offers quarterly and annual sales contests and several recreational events per year to enable sales agents to interact with their peers outside of the office. One such event is its annual conference in Las Vegas during which sales partners have the opportunity to provide management with feedback. "We believe strongly in feedback and invite our partners to let us know if there is an inefficiency or somewhere we can improve," Milmeister said.

The feedback isn't confined to the negative. "Many of our partners have worked with several other merchant service providers in the past, and the feedback I get time in and time out is they finally feel comfortable with a company that provides not only the most competitive compensation package and pricing, but unparalleled service," Milmeister added.

EMS allows agents to choose their own rate scheme, according to Milmeister.

In this way, the agents can offer the scheme that the merchant is most comfortable with. EMS offers three compensation plans but will tailor a plan according the needs of the MLS. "Some MLSs may be in a bind … for the next six months, and they need more compensation weighted up front, whereas after six months, they may want to be heavy on building their residual," Milmeister noted.

In addition, EMS provides all of the technical, customer and back-end support; proposals; software downloads; and day-to-day operations. EMS likes its MLSs to be the first point of contact with merchants and to resolve the smaller issues. When a given merchant's problem is more complex, EMS is there with customer and technical support. The company offers support in Chinese, Korean, Spanish, Hebrew, Farsi, Armenian and Vietnamese, and plans to add support in more languages.

First impressions

According to Scott King, Regional Business Director for First Data Corp., EMS has been a "valued client," using First Data's bankcard authorization, capture and settlement system for eight years. "We have seen Elite Merchant Solutions grow from a one-person operation in 2002 to an organization with multiple offices throughout the country and a top First Data ISO," King said. "Elite has a very low merchant attrition rate, which is a testament to their strong customer service – a key component of their operation."

Treating merchants and agents like family "is how we keep our operation from becoming a revolving door and our merchant attrition rate below 1 percent," Brodsly said. And not just any MLS is invited into the fold. "We know that each sales rep is a direct reflection of our company," Brodsly said.

"Therefore, we are very careful whom we hire and allow to use our name. We would rather have 10 quality sales reps than 50 or so reps that could possibly tarnish our name or not extend the service that we work so hard to provide to our merchants."

News

Acquirers await final draft of IRS rules

The payments industry is in a holding pattern while awaiting a final version of new rules from the Internal Revenue Service governing reporting requirements.

Most provisions of the rules, which would require payment processors and third-party networks to report annually the total dollar amount of card-based sales transacted by individual merchants, are expected to take effect Jan. 1, 2011. (See "Uncle Sam's finger in the payment pie," *The Green Sheet*, Dec. 14, 2009, issue 09:12:01.)

Meanwhile, the payments industry has weighed in on problems posed by the proposed rules.

The IRS, which posted the rules at *www.irs.gov/pub/irs-news/reg-139255-08.pdf*, invited public comment on them until Jan. 25, 2010, and then held an open hearing Feb. 10. The agency did not respond to requests for information on the comments and the hearing.

The IRS has not given the Electronic Transactions Association any indication of when the rule language will be finalized, said Mary Bennett, Government Relations Director for the ETA.

The reporting buck stops where?

The rules would require that "gross amounts" processed be broken down into monthly totals, which creates a gray area around how to account for chargebacks and refunds.

The ETA especially wants clarification from the IRS on who has ultimate responsibility for reporting the numbers to the government. Merchant banks, ISOs and processors, any of which could be considered responsible, are all involved in the process, Bennett said.

"I believe the IRS would say the merchant's bank has the ultimate responsibility for reporting, because they have the means … and the funds," she said. "But on a day-to-day basis, the bank may not know as much as the processor about the sales as they are happening."

Bennett said the ETA's tax working group met recently with the IRS in the hopes of clarifying who would be responsible for reporting card payment totals, or gross amounts.

First Data Corp. confirmed that a representative of the company had attended a March 15 meeting with the IRS, along with representatives from Visa Inc., American Express Co., Elavon Inc. and Data Delivery Services Inc.

"While members of the IRS panel asked a few questions during the public testimony, they did not provide much feedback about whether or not they plan to make any changes to the proposed regulations," Cara Crifasi, First Data's Director of Communications, said in an e-mail.

The purpose of the meeting was to present public commentary on the proposed regulations, Crifasi stated.

Not a pretty global picture

The ETA's biggest concern, however, is the impact the rules will have on processors' international competitiveness.

The rules will require acquirers to obtain W-8 forms from foreign companies to verify they are based outside the United States, Bennett said.

These forms, which she described as comparable to articles of incorporation, would be mandatory before acquirers could sign new foreign clients.

> *"I believe the IRS would say the merchant's bank has the ultimate responsibility for reporting, because they have the means … and the funds,"* she said. *"But on a day-to-day basis, the bank may not know as much as the processor about the sales as they are happening."*
>
> – Mary Bennett, Government Relations Director for the ETA

"That would be a tremendous competitive disadvantage for all U.S. processors," Bennett said. "And that's a huge barrier" to signing new clients abroad.

It would also make life difficult for U.S. processors that already have a large constituency of foreign clients for whom they process cards. The forms would be required of current clients as well.

Foreign merchant acquirers would not be required to report to the IRS the payments made to merchants that do not have U.S. addresses as long as the acquirer has no reason to believe the merchant is a U.S. resident, according to the ETA's comments to the IRS.

The ETA asked the IRS to make its documentation requirements uniform for all merchant acquirers – foreign and domestic – to level the playing field.

The ETA went further, suggesting

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that all acquirers be permitted to "presume that the merchant is foreign without the need to obtain additional documentation substantiating foreign status.

Any other rule would create an unintended loophole in the law with the strong likelihood that U.S. merchants will flee U.S. acquirers for foreign ones in order to avoid this new burdensome reporting and backup withholding regime," the ETA said in a comment to the IRS.

The American Bankers Association agreed that the tax documentation requirement would prove "burdensome," according to its comments submitted to the IRS Jan. 25.

The ABA stated that it believes the new rules misinterpret Congress' intent regarding the exclusion for foreign addresses.

Requiring only U.S.-based processors to obtain such documentation from foreign merchants would impose big administrative burdens on U.S. merchant acquirers, "especially those that are primarily in the business of foreign merchant acquisition, by requiring that they obtain, retain and renew valid Forms W-8 from thousands of foreign merchants for whom there is no indication whatsoever of U.S. status."

First Data shuffles it up at the top

After three years as First Data Corp.'s Chief Executive Officer, Michael Capellas has moved on to First Data's parent company, Kholberg Kravis Roberts & Co., where he will be a senior adviser focusing on technology. KKR Senior Adviser Joe Forehand will become First Data's interim CEO, as well as Chairman of the company's board.

The changes took effect March 31, 2010, and were disclosed March 11, the same day First Data released its 2009 year-end financial results.

Forehand previously served as Chairman and CEO of Accenture, a management consulting, technology services and outsourcing company. He led Accenture through a global rebranding campaign and through its initial public offering (IPO).

A job well done

KKR co-founder Henry Kravis thanked Capellas for his significant accomplishments while at First Data's helm. "First Data has shown exceptional resiliency and continues to grow and invest during this economic downturn," Kravis stated in a company press release. "I look forward to working with Michael in his new role as KKR Senior Adviser, and I am confident he will be a strong contributor to our technology team."

In a conference call convened about the appointments, Capellas said, "Both the board and I believe that we certainly have accomplished much of what we set out to do when we established our first three-year plan back in 2007 when the company went private." He added that the plan focused on increasing go-to-market capability, streamlining First Data's technology infrastructure, rebuilding the management team, improving customer service and globalizing the company.

First Data reported a rise in 2009 of its full-year, consolidated revenue of 6 percent, to $9.3 billion. However, the company's adjusted earnings before interest, taxes, depreciation and amortization were $2.1 billion, compared to $2.6 billion for 2008. First Data attributed the decline to the weaker economy, a stronger U.S. dollar and lower royalty revenues.

A reported full-year net loss attributable to First Data of $1.1 billion, including an after-tax interest expense of $1.1 billion, has not dampened the company's outlook. "In 2009, First Data improved its solid competitive position in the U.S. and around the globe," Capellas stated in a release about the earnings. "We remain focused on leveraging our strengths in distribution and product innovation as we emerge from a challenging 2009 economic environment."

Positioning for tomorrow

Scott Nutall, who heads KKR's Global Capital and Asset Management Group, noted that Forehand guided Accenture through its IPO and a period of significant growth and success. "He has been an important part of KKR's efforts as a senior adviser and has more recently been directly involved with First Data as an adviser to management and a board member," Nutall said.

Tom Cannon, founder and CEO of Whitehall Capital Advisors LLC, told *The Green Sheet* that First Data is weighted heavily on card transaction volume, which has "dropped significantly in the last two years." He said Forehand's experience may be critical "if First Data is interested in changing its strategy to shift to a more services-oriented business."

Cannon added that Capellas' expertise seemed more related to hardware than service. He also said prepaid, debit and alternative payments will be the next wave in the payments space and that First Data is well-positioned in those areas. When asked during the conference call whether the company has plans to go public while he is interim CEO, Forehand replied that First Data has no such immediate plans. He added that the performance of the business will dictate when the time is right for an IPO.

Retailers push for interchange reform – again

The debate over interchange regulation continues on. Most recently, the National Retail Federation took issue with the failure of the newest version of the financial services reform bill to tackle the contentious topic. The NRF argues that the consumer protection bill is not complete without addressing the rising costs of interchange for merchants and, by proxy, consumers.

But payments industry experts counter that regulating that percentage fee assessed by the card issuers on each electronic transaction (paid by merchant acquirers by way of processors, but ultimately imposed on merchants who, in turn, pay for it by raising prices for consumers) would not achieve its ultimate goal of reducing consumer costs.

Senate Banking Committee Chairman Sen. Christopher Dodd, D-Conn., unveiled the Restoring American Financial Stability Act of 2010 on March 15, 2010. While Mallory Duncan, the NRF's Vice President and General

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Counsel, was pleased with many aspects of the bill in curtailing "excesses of the financial services industry," he was disappointed by the "glaring omission" of "swipe fee reform" in the bill.

Given that Dodd has "voiced strong support for addressing the interchange issue in the past, … we'd like to see it included in the final version of the bill," said J. Craig Shearman, Vice President, Government Affairs Public Relations at the NRF.

On the other side of the debate, Sharon Gamsin, Vice President and Senior Business Leader, Worldwide Communications, at MasterCard Worldwide, said, "We believe Sen. Dodd was right not to include interchange in his legislative proposal, as regulation of interchange has been shown to hurt, rather than help consumers," she said.

Give and take

The Food Marketing Institute, a founding member of the Merchants Payments Coalition, said interchange averages 2 percent per transaction, "nearly twice the average supermarket industry profit margin." Additionally, the FMI reported that interchange cost merchants $48 billion in 2008, "inflating the cost of everything American consumers buy."

The NRF agreed with that $48 billion figure and compared it to $16 billion collected by the card brands in 2001 – when the federation began tracking that data. "As a result, the average household paid an estimated $427 in higher prices in 2008, up from $150 in 2001," the NRF said.

But Trish Wexler, spokeswoman for The Electronic Payments Coalition, of which the card brands are members, disagrees. "Interchange rates have actually stayed constant for the last decade," she said. "So that is a disingenuous argument that they're making. What has changed is that more people are using their [network-branded] cards. And so while the percentage – the rate – has stayed the same, the retailers are paying more in that line item in their expenses because more people are using cards. But studies have shown that when people use cards – be it debit, be it credit – they spend more and retailers make more. So while [merchants] might be spending more on cards, they're also making more [profit] as a result."

Wexler does not believe the NRF's stance is based on what is best for consumers, but what is best for its constituents: retailers. Merchants don't want "to pay their fair share of the electronic payment system that brings them more profits, more customers and guaranteed payment," she said. "And they want to find a way to ultimately have their customers pay for that fee instead. That's what they're trying to do."

The Reserve Bank of Australia moved to regulate interchange in 2002. According to Wexler, the regulations did not result in lower costs for consumers. "But someone did profit, and those were the merchants," she said. "So they kept the difference. There was no evidence that they passed any savings along to their customers."

Chris Monteiro, Group Head of Worldwide Communications at MasterCard, added that Australian consumers have been "hurt by higher fees to use their cards, fewer rewards and sometimes surcharges."

Push and pull

Adil Moussa, Analyst at payments industry consultancy Aite Group LLC, said the battle over interchange is a classic struggle of competing interests. "You have the banks on one side that want to make more money, and you have the merchants on the other side that want to keep more money," he said, adding that interchange is therefore a free-market contest between card issuers and retailers, not a consumer protection issue. Moussa also noted that coming in the wake of passage into law of the Credit Card Accountability, Responsibility and Disclosure Act of 2009, Dodd's consumer protection-focused bill does not need to impose even more regulation on banks.

"We have to have laws in order to protect us from some unfair practices," Moussa said. "But demand and supply is a pretty good regulator of the market itself. … I think just leave the market to its laws of demand and supply. It has been doing pretty well."

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It thus appears that, despite the heedlessness with which many businesses initially jumped onto the e-commerce bandwagon, card issuers were wary of potential perils from the beginning. Without question, those dangers are many.

For one, e-commerce has given rise to a number of methods for picking off individual card numbers. Among the favorites found in a hacker's bag of tricks is the phishing scam (fraudsters pose as legitimate financial institutions, usually banks, and request consumer payment information through e-mails or the like) and keylogging (malware intercepts a computer's keystrokes, potentially including the entry of payment information).

For most data thieves, such methods require an inordinate amount of work for relatively small gain. Phishing and keylogging usually involve the interception of just one card number per computer, and their rates of success can be low. Even when such attacks work, they tend to yield too few card numbers at too slow a rate to make the effort worthwhile for enterprising hackers.

Indeed, for all the talk of consumer fears relating to the entry of payment information online, analysts say the e-commerce environment has never been a major hotspot for stealing data.

According to Nicholas Percoco, Vice President of Spider Labs for information technology security provider Trustwave, as few as one in six data breaches occur online. "From a theft standpoint, it's much more common that people are getting data from brick-and-mortar environments," he said.

Vulnerabilities

That does not mean the e-commerce space is immune to large-scale breaches. As with brick-and-mortar merchants, e-commerce environments are most vulnerable to large-scale breaches wherever merchant data is stored, Percoco said. In the e-commerce sector, merchants commonly store customer card data in back-end portals used for chargebacks and recurring billing – but that connect to their main gateways.

According to Percoco, about 90 percent of successful attacks on e-commerce sites involve "SQL injection," whereby hackers use special commands to access private storage areas – essentially fooling merchants' systems into granting access. He said such attacks are generally made possible by lazy programming and generic codes easily guessed at or broken by computer-savvy invaders.

Percoco said adherence to the Payment Card Industry (PCI) Data Security Standard (DSS) all but guarantees that hackers won't access merchants' private databases.

Those measures, Percoco noted, involve things like "secure development practices" (sites locked down by difficult-to-

break passwords and sophisticated command codes) and frequent vulnerability self-scanning to ensure the lack of holes or defects in systems.

Percoco also said data traveling or sitting online should be encrypted with a state-of-the-art encryption scheme, rendering it useless even if it is accessed by an unauthorized party. But, he added, not every encryption scheme automatically entails impenetrability; smart hackers can crack weak encryption methods. For proper encryption methods, merchants and their service providers should again refer to PCI DSS guidelines, he said.

Avoidance methods

Of course, the best way for merchants to protect cardholder data is to avoid storing it in the first place. "We have a catchphrase here: if you don't need it, don't store it," said Bob Russo, General Manager of the PCI Security Standards Council. Regarding what is stored, Russo said such data must be rendered unreadable, be it through encryption, truncation, tokenization or some other method.

Sources said tokenization (replacing card information with an alphanumeric substitute) is an increasingly popular practice for protecting stored data.

The biggest conundrum around e-commerce security, however, seems not to be stopping the theft of data but preventing its use online (whether it's stolen online or someplace else). E-commerce affords unique luxuries for spending stolen data – among them anonymity, a host of spending options, rapid purchasing and the easy sale of stolen numbers to parties around the world.

With merchants taking their lumps over the years, interest in online fraud prevention has grown – and advancing with it are methods of fighting fraud.

Of those methods, two are by far the most commonly used: card verification number (CVN) and address verification service (AVS).

In the CyberSource fraud report, 77 percent of online merchants said they required entry of a CVN for purchases in 2009; 76 percent said they used the AVS (which compares a purchaser's stated address to one on file at the card owner's bank or credit card issuer).

"There's been a big shift [in the use of CVN] in the last five years or so," Merchant Risk Council Program Manager Paul MacKay said. "In the early days it wasn't something even consumers were familiar with. Now it's almost an expectation of consumers from a security standpoint."

CVN authentication is used by online merchants to certify that payers have the physical card in hand when they're entering data for a purchase.

The CVN is the three- or four- digit number printed on the front or back of credit and debit cards, separate from the main card number. (Whether the number is three or four digits, on the back or the front of a card depends on the type of card. The card companies also have different names for it – CVV2, CVC2, CID et cetera.)

Hackers who break into the networks of either brick-and-mortar merchants or the processors they connect to tend to get all the main payment data from the compromised cards (card numbers, expiration dates and so forth), but not the CVNs, which aren't stored on the magnetic stripe used for in-person payments.

Thus, an online shopper who can provide all the data pertaining to a particular card except the CVN is likely using stolen card information – otherwise they'd have the card in hand, CVN and all.

Ironically, however, the widespread use of CVN as a security check has made more widely available to fraudsters the very information used to thwart them. Because many online transactions require entry of a CVN, hackers who steal those transaction records may have the CVN along with everything else (although its storage by online merchants is forbidden by PCI DSS rules).

In any case, analysts agree that requesting the CVN isn't by itself sufficient to combat online fraud.

Other security measures include telephone calls to cardholders and acceptance of payment in conjunction with third-party providers, with whom customers register payment information in exchange for a token ID and/or password.

Providers of this latter service (exact protocols for which differ with each one) include PayPal, Google Checkout, Bill Me Later, Verified by Visa and MasterCard SecureCode.

Balancing act

At the same time, merchants and merchant service providers who implement fraud fighting programs must be wary of business lost to consumer "abandonment" (leaving an online transaction midway through the process) and false positives caused by overly aggressive fraud defenses.

U.K.-based ReD is one of a number of companies that help merchants combat fraud through complex data analysis used to flag or stop transactions bearing the stamp of fraud. ReD uses a software program that analyzes wide-ranging global payment data along with the transaction data of its clients.

According to ReD's Clump, the goal of any anti-fraud service is to maximize revenue by striking a balance that prevents as much fraud as possible without rejecting legitimate transactions – or inconveniencing customers to the point that they leave the Web site and shop elsewhere.

"What we do is totally nonintrusive," Clump said. "The response time is less than a second, so before your finger is off the send button we've decided whether the transaction's valid or not.

"Very often we find that retailers are rejecting perhaps up to 8 percent of domestic transactions and saying, 'Our fraud's under control, great.' But they're rejecting far too many, because fraud is really of the order of 1 to 2 percent.

"Very often we end up relaxing a retailer's rules, which means his fraud is still kept under control, but he actually starts to see more valid transactions that historically he would have rejected."

Achilles heel

Steve Mott, CEO of payment consulting firm Better-BuyDesign, contends that the fraud rules for e-commerce should be re-written altogether.

"The historical problem is that people are using mag stripe cards, which should never have been thought of as a means by which you could do transactions … over public networks," he said.

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With that in mind, Mott said the best way to guard against fraud is to dramatically limit the amount of payment information used on the Internet.

He said one approach would be a mandatory program for all consumers, resembling ones like Verified by Visa and MasterCard SecureCode, where card information is tokenized by a third-party provider.

Consumers would then conduct payments with the pseudo card number – both limiting the amount of real data travelling over the Internet and thwarting the use of stolen card numbers online (assuming the stolen card is protected by the tokenization program).

Mott also suggested the use of offline channels between token provider and e-merchant for conveying data following a purchase.

But Mott noted one potential vulnerability: what if a token is issued to the wrong person? "The account setup is the Achilles heel of every security system," he said.

That point was echoed by Theodore Svoronos, Certified Fraud Examiner at Group ISO Inc. He said authentication of a payer's identity was the most crucial missing piece to e-commerce security. "The saddest thing in the world is enrolling the wrong guy," Svoronos said. "You could have the strictest system ever made, but if you haven't vetted out the true identity of the individual, you've enrolled a bad guy."

Svoronos suggested that online transactions, including online banking or money wiring, use "knowledge-based authentication" – asking a consumer a question that only he or she could theoretically answer. Svoronos said such information can be culled from an array of online databases using advanced software programs.

He noted that questions would be arcane and personal, such as, "What was the color of your previous car?" or "What is your brother's middle name?" The questions, randomly generated, would be required for registering into any type of online payment service.

The use of such questions is one example of "third factor authentication" – a practice that e-commerce should use across the board, in one form or another, Svoronos said.

Another example is the use of a PIN code. Online PIN debit is currently offered by a company called Acculynk, which has contracted with a handful of firms, including several airline companies, Mott said.

Yet, as it stands now, on Web sites where the service is offered consumers have the option of either doing PIN- based or non-PIN-based transactions. That would seem to undermine the security provided by PIN codes, since fraudsters can simply choose the non-PIN option. On the other hand, making online PIN entry mandatory would be a stellar way to fight fraud, Mott said.

Cell-defense

But Mott said the most important factor in the current fraud fight may be the very thing that is revolutionizing the payments world on every other front: the mobile phone. Mott contends that, with the explosion of mobile commerce, the payments and retail industries have a great new tool for further reducing fraud.

"My view, and the view of a lot of people, is mobile commerce has the potential to make e-commerce much safer because you have a very important extra set of information: a phone number, network, identification of the device and location of the device," he said.

"You get somebody doing an Internet transaction over a mobile phone in Latvia and the owner of that phone account has never been to Latvia, there's a pretty good chance that's a bogus transaction."

There is also a pretty good chance that fraudsters are already working on a strategy to counter this roadblock. So the fraud fight continues.

Street**Smarts**℠

Let's interact and be inspired

By Ken Musante

Editor's note: The Green Sheet is delighted to introduce payments industry executive, articulate conference presenter and spot-on contributing writer Ken Musante as the new author of Street Smarts. Sharp, congenial, and highly experienced, Ken is a generous mentor bent on fostering a lively dialogue with readers in the coming year.

Becoming the full-time writer for Street Smarts is intimidating. Sure, I enjoy writing, and I have appreciated the opportunity to be a guest columnist. But that was before I had deadlines. Going forward, I have one article due every two weeks – and my day job. So I am asking for help upfront. To make these articles topical and informative, I will be interacting and posing questions via GS Online's MLS Forum.

Please post your responses to my queries – laugh at me, agree with me, argue your point. It will boost the content value and allow me to dig deeper into issues that are impacting all of us.

Breaking the ice

To facilitate our interactions, I'll start with some background information on me. I am the middle child with two brothers. I was born in 1965 and raised in the San Francisco Bay Area. Upon graduating from University of California, Davis, I attended an on-campus interview for Wells Fargo & Co.'s credit card division. I was hired in 1989 as a trainee in the issuing division.

For six months, I worked within the various departments of a credit card issuing center and reported directly to the senior executive responsible for the trainee program. All of Wells Fargo's operations were housed in Concord, Calif.

Consequently, I had short tours in plastics, credit, human resources, customer service, collections, disputes, risk and

fraud, and marketing – essentially, all functional areas except legal and compliance.

Learning to take charge

After training, I landed a job supervising a unit in the 24-hour customer service center. As luck would have it, I worked the swing shift. We were forced to make decisions at odd hours when no senior managers were around.

We had to decide on emergency credit line increases and act on cardholder requests pertaining to lost or stolen cards. I was exposed to the entire issuing side of the business, as customer service receives all types of card inquiries.

Eight months later, I became a supervisor on the fraud/disputes team. It was another ideal learning experience: we had just purchased a bank and had to run the purchased portfolio on the existing processor until the processing contract expired.

This allowed me to manage a unit that was on an entirely different system from the rest of the bank's cards and become familiar with the various chargeback rules and dispute process.

Less than a year later, I moved to the acquiring side of the business. This was before Wells Fargo formed an alliance with First Data Corp. Deborah Rossi managed the

> *In 1993, Humboldt Bank was starting an acquiring program in Eureka, Calif. Because my wife grew up there, I was a frequent visitor to the area.*
>
> Ken Musante

division, and we were implementing Visa Payment Systems 2000, which necessitated tiered discount rates.

My long-time friend and payment professional Michael McCormack (of Noblett & Associates) led the project team. I supervised technical support and learned about lease lines, terminals, front- and back-ends, and host- and terminal-based systems. It was a great foundation for my next job.

Moving up north

In 1993, Humboldt Bank was starting an acquiring program in Eureka, Calif. Because my wife grew up there, I was a frequent visitor to the area. Ted Mason, the founding Chief Executive Officer of Humboldt Bank, hired me to start the acquiring program.

The first year was difficult. Culturally, Eureka is isolated. Folks were pleasant, but stores and restaurants close at 9 p m. Urgency had a different meaning there, and I clashed with the Chief Financial Officer.

As the year progressed, we established a leasing business for terminals and sponsored two large ISOs (CardService International and Electronic Card Systems – the precursor to iPayment Inc.). Revenues picked up, and the CFO and I developed a mutual respect. During this time, I developed a tremendous understanding of the Visa Inc. and MasterCard Worldwide rules.

During my tenure at Humboldt Bank, I worked with Tim Jochner (then of Superior Card Services Inc.) and other acquirers to successfully deter the card brands from enacting rules that were extremely unfavorable to smaller acquirers.

I understood the rules well enough to maximize our processing. Before Humboldt Bank sold its portfolio in 2003, we were processing nearly $5 billion annually, and the bank had less than $1.5 billion in assets.

Facilitating an evolution

No story regarding my tenure at Humboldt Bank would be complete without divulging our foray in ATM sponsorship and ATM funding. We had a niche business that more than doubled in size when Humboldt Bank purchased Tehama Bank. With that acquisition we acquired several ATM funding agreements that allowed the ISO to also act as the funding agent.

As we were unwinding these contracts, we found ourselves short $5 million. Though much of the money was

recovered by the FBI and insurance proceeds, it was a painful learning experience. Further, and more horrifying, the main suspect in the theft was found dead in his rented home in Florida.

In 2002, Humboldt Bank hired a new CEO, and by then our stock was NASDAQ-traded. Our price-to-earnings ratio was hampered by our noncore earnings from merchant services. Consequently, the board of directors decided to sell my division to iPayments in July of that year.

By October, that deal fell through. Luckily, Pat Lamb, whom I met at the University of Washington's Banker School, was an executive at the privately owned First National Bank of Nevada, and the bank wanted to enter the merchant services business.

FNBN purchased Humboldt Merchant Services in March 2003. This involved only our bank-owned ISO program, which was started in late 1997 with the help of my long-time friend Jamie Savant (now with The Strawhecker Group).

I continued on as President for over five years. We grew continuously and profitably through an ISO-, direct bank- and telemarketing-based sales force. We in-sourced all customer touch points to ensure we had control of the merchant experience.

Chargebacks, terminal support, customer service, technical support, risk, credit and systems development were all housed in Eureka. Because we were self-contained, we were able to nimbly add new products and services if they fit within our target market.

Embracing Moneris

Because FNBN was a large mortgage lender, however, it was among the first banks to fail in July of 2008. Fortunately, Humboldt Merchant Services was a separate company and spared foreclosure, which might have occurred had we been a division of the bank.

We were owned and managed by the Federal Deposit Insurance Corp. for three and a half months until we were purchased by Moneris Solutions Inc. in an asset sale in October 2008. Upon the Moneris acquisition, I served as an executive and Chief Sales Officer in charge of the ISO, financial institution and regional sales force. I commuted between Schaumburg, Ill., and Eureka.

I was fortunate to work for a processor of Moneris' size (the eighth-largest processor worldwide), which allowed

me to better understand how a larger organization services clients and minimizes operating costs. Further, the vertical partner channel established at Moneris is a brilliant strategy that breeds long-lasting referring partners and merchants.

With much trepidation, however, I left Moneris in March of this year to become part of a startup ISO. I believe in this business, and my skill set is better positioned working closer to the end customer and in a smaller organization.

I am pleased and proud to work alongside my longtime friends Steve Kimberling and Scott Bartlett. Our new company will specialize in direct merchant placement and merchant consultation. I will miss many of the folks I have worked with at Humboldt Merchant Services and my new friends at Moneris. But enough about me.

Remaining in collaboration

I hope you will share your stories and opinions with me on the MLS Forum. In fact, the reason I agreed to write Street Smarts is because of the collaboration it entails.

I often hear that people want to give back to the industry. I'm a little more honest (or selfish). I enjoy interacting and collaborating with industry folk, and it helps me keep abreast of the changes within the industry.

The payments industry is too big to allow professionals to stay current in isolation: selling, compliance, pricing, card network rules and risk management are all significant issues that we can better understand through forum dialogue.

I hope to select multifaceted topics. And while we may provide some answers, we will bring to light many more areas that will require further research. My job has changed substantially and continues to evolve, as does the industry. Like you, if I do not adapt, I will not be effective.

Consequently, here is my first forum post: Some say ISOs will become extinct. We have sold all there is to sell. Future merchant sales will be done by an employee-based sales force like Heartland Payment Systems Inc.'s model. Do you agree or disagree?

Please share your comments at *www.greensheet.com.*

When in doubt, sell something! 🖼

Ken Musante is President of a startup ISO. Contact him by phone at 707-476-0573.

Education (continued)

Creating sales with good collateral

By Peggy Bekavac Olson

Strategic Marketing

A primary barrier between a company and potential prospects is lack of knowledge about what the company has to offer. Marketing, which combines written content and visual media to disseminate information about your company's products and services, creates awareness, preference and a call to action from prospective customers.

Good marketing conveys information in a way that prospects understand; it compels them to take action to engage with you. A company's success depends in part upon how well it communicates this information.

Although there are many ways to generate sales, the purpose of marketing collateral is to support sales efforts when a prospective buyer has been identified and some form of contact has been made. By educating and building credibility, marketing collateral prepares prospects for the sale of your products and services, which makes the sales process easier and more effective.

Types of collateral

The most common types of marketing collateral are sales brochures, product data sheets, fact sheets, mailers, posters, signs, sales presentations, sales scripts, demonstrations and white papers.

Frequently, marketing collateral serves as prospects' only touch-point until in-person sales calls are made. Used effectively in lead generation and promotional campaigns, collateral can generate interest and inquiries, while creating a good company impression. Collateral also serves an important role as a sales call leave-behind to help reinforce key points made in the sales pitch.

Prospects expect professional-quality sales materials to validate that your company means business and has the products and services they're interested in purchasing. Therefore, good marketing collateral is frequently acknowledged by sales teams as something they desperately need and want; however, it is often ineffective, or even worse, nonexistent.

With this in mind, take a critical look at your marketing collateral to assess its usefulness. Following are several good questions to ask:

- Are we able to tell prospects quickly and clearly what they really want to know?
- Do we tell our story adequately and professionally?

- How does our collateral stack up against the competition?
- Does our collateral support our sales efforts and move the sales process along?
- Is our collateral being used by our sales team?

Depending on how you answered these questions, a collateral update or redo may be in order.

Eight tips for effective collateral

Following are ways in which businesses can increase marketing collateral effectiveness.

1. **Tell prospects what they want to know:** Prospects want to know what's in it for them. And they will discard your collateral immediately if you don't tell them quickly how you can help. Understand target prospects – their needs, issues, concerns – and determine how you can address them.

   Find out what they need to know before they make a purchase decision. Write down questions you hear from prospects, and try and answer them in your collateral. Write from the prospects' point of view, and don't get carried away with your own interests. Remember to focus on prospects and how your company can help.

2. **Motivate prospects to learn:** Get the first page or front cover of your collateral wrong and you will likely lose prospects' interest. Don't put only your company logo or product name on the front. Use thought-provoking statements that motivate readers to pick up the collateral piece and actually read it. Include one or two core benefits in your headline. You may even want to tell prospects that there's something inside just for them – a gift, free report, special discount et cetera.

3. **List benefits and differentiate:** Buyers care about benefits, not features. Don't get caught up in industry jargon and techno-speak detailing what you do from an internal viewpoint. Benefits are what sell. No one needs to know about every aspect of your product or service. Don't waste time telling them about things that don't articulate benefits. And make sure you tell prospects how you're different and better than the competition.

   To develop an effective list of benefits, create a list of product or service features, and then add the words "which means that ..." after each to get to the root of the benefit.

   For example, "We enable faster transaction processing, which means that consumer checkout is speedier," or "This solution is class A approved, which

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means that you get hardware, software, service and support all from one vendor," or "We offer rapid underwriting and boarding, which means that merchants get up and running, processing electronic payments as quickly as possible."

4. **Make collateral sticky:** Putting useful information in your collateral encourages prospects to keep it, refer to it in the future or pass it on to others. Provide hints, instructions, tips and other pertinent information.

5. **Be clear and brief, and make it personal:** Organize your collateral so readers can easily find what they want to learn about. Target buyers in a straightforward, I'm-talking-to-you style to increase response. And be brief; no one wants to read an incoherent, rambling encyclopedia.

6. **Use testimonials:** Let customers help make the sale. Use statements or quotes from your best customers about their positive experiences with your company.

7. **Call to action:** There's only one way to end marketing collateral pieces, and that's to ask for action. If you want prospects to respond, make sure to include a company telephone number, e-mail address, Web site URL or reply card.

8. **Brand consistency:** Use consistent brand image and message delivery through each piece of marketing collateral. Providing the same look and feel while reinforcing your messages maximizes effectiveness and results.

Useful collateral

Marketing collateral gets prospects ready for the sale by providing education and validation. It advances the sales processes. How well you prepare and utilize marketing collateral is key to the sales process and, ultimately, your business success.

Remember, marketing collateral is a window into your company – its people, policies, culture, business, capabilities and benefits. Make sure it's up-to-date, accurate and professional so that you can put it to work to help propel your business forward and upward.

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)

Grow your business by branching out

By Jeffrey Shavitz

Charge Card Systems Inc.

Having had the opportunity to work with thousands of entrepreneurial merchant level salespeople (MLSs) during my career, I am now being asked more frequently by our sales partners how they can grow their businesses.

It's a pretty simple question. However, the answer is incredibly complex and, unfortunately, there isn't one correct answer.

If you're new to the payments industry, you have chosen a fascinating field in which to be a sales professional. Education is important.

You must understand interchange, the Payment Card Industry Data Security Standard, POS terminal types and so forth. But beyond that, how do you grow your merchant applications from a few deals per month to 20 per month and more?

Opening your own office

In my opinion, a top performing MLS maxes out at writing and submitting between 20 and 30 deals per month. If you are doing more than this every month, I applaud you. However, MLSs can increase sales by having an office and replicating their individual production by developing a team and hiring sub-agents.

So what should you look for when hiring new agents to join your team? Following are three factors to consider.

- First, determine how important prior industry experience is in your hiring decisions. If you are reading *The Green Sheet*, you have industry knowledge. You may think this should be a prerequisite for the agents you hire. But many of Charge Card Systems' most successful sales partners came from outside of the industry and have been trained by CCS 100 percent.

  We hire individuals from all walks of life. They come with a blank slate and are fully open to learning and following our methods. But the most important attributes they all share are their work ethic, desire to learn and fearlessness.

- Second, consider how much initial and ongoing training your agents will need. Some salespeople have developed bad habits and have sold the same way for the past decade. Like in every industry, we in payments must adapt by staying up-to-date with current trends and industry applications. We must keep pushing forward. Otherwise, we risk losing merchants and opportunities to newer, more savvy salespeople.

- Third, be selective about which agents should represent your business. Like all ISOs and processors, you will have brand equity and want MLSs (whether 1099 independent contractors or W-2 employees) who portray your company in the right light.

Building a productive business

Below are ideas to keep in mind to establish a positive office culture that will lead to more sales and greater profits.

- **Have fun.** Of course, work is work. But it's a mindset and skill to make your "opportunity" (as opposed to "job") fun. Words are very powerful, and I question any MLS when they say their job is selling merchant services. A job implies a dead-end.

  I am not naïve when I sign our agents' paychecks and realize that many of our MLSs earn what could be termed an "average" wage. However, we have superstars in our organization who earn real power-

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> **Opening one's own office is not for everyone. Many of our sales partners are happy doing six to 12 deals per month, working a casual week and enjoying their quality of life.**

money, and it's because of their work ethic and their "fun" approach to the business.

- **Shift perspective.** As salespeople, we think we always need to be selling. But that is not always the correct approach. Get out of that "always selling" mode and instead think of yourself as sharing your passion with prospective merchants.

  By shifting your perspective to sharing information, you are no longer convincing merchants to buy from you; instead, you are impressing them with your industry knowledge and competence, which leads to trust. When you develop trust with a merchant, the entire selling process becomes much easier.

- **Keep track of successes.** I find that Type A personalities (and I'm assuming many of you are Type A if you are involved in selling in this industry) do not take time out to enjoy successes. When winning a large account, take a moment to congratulate yourself. A success journal will help you stay aware of how much you are doing right. (I can learn from myself in this regard, as I rarely do this.)

- **Stay focused on desired outcomes.** When speaking with prospective agents about joining your organization, ask them what their goals are to make sure you are in accord. An agent who recently joined our company stated that once his residual hit $7,500 per month, he planned to stop selling and only service his existing portfolio.

  I said, "I respect your goal and I'm happy that we both understand your future goals." As an employer, do you truly know the goals of your employees? If not, set up a meeting and ask them – it's as simple as that.

Knowing what you want

Opening one's own office is not for everyone. Many of our sales partners are happy doing six to 12 deals per month, working a casual week and enjoying their quality of life. Conversely, I work with other MLSs and ISOs that strive for 100 deals per month and will not rest until their goals are achieved. If you are in the latter category, opening your own office might be the answer.

Growing your sales office is both exciting and challenging. The most important decision you will make is to clearly determine whether you want to continue as an independent salesperson, join forces with a partner, build a full-fledged sales office or do a combination of those options. Everyone is different. There is no right answer. Just make sure you have a focus and plan for whichever direction you choose to go.

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.

Education (continued)

Digging into PCI – Part 10: Track and monitor all access to network resources and cardholder data

By Tim Cranny

Panoptic Security Inc.

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

Requirement 10 is "Track and monitor all access to network resources and cardholder data." It is the first half of the section "Regularly Monitor and Test Networks."

What Requirement 10 is all about

The core idea behind Requirement 10 is that security has to be an active, ongoing process: you cannot simply "get safe" and then turn your attention away.

Instead, you need to do your best to get safe and then stay vigilant, looking for and responding to signs of attackers who have penetrated your defenses, or are trying to.

Requirement 10 is specifically about merchants' computer networks. It requires merchants to track and record who is accessing which systems; what actions they take; what actions are attempted; and the details of who, what, where, when and how. These records are called audit logs; they are critical in identifying what is going on in merchants' networks.

You can think of audit logs as the inside-the-computer equivalent of a security camera that sees and records all actions, good or bad, so that someone can then review them as needed or watch them in real time.

The distinct Self-Assessment Questionnaires (SAQs) treat Requirement 10 very differently, with the most complete one (SAQ D) treating it in detail, and the other, shorter ones (A through C) ignoring it completely.

The challenges of Requirement 10

When I talked about Requirement 9 in "Digging into PCI – Part 9: – Restrict physical access to cardholder data," *The Green Sheet*, March 22, 2010, issue 10:03:02, I mentioned how physical security issues seemed natural and obvious to most merchants, and how that knowledge helped alleviate problems in complying with that part of the PCI DSS.

Unfortunately, Requirement 10 is the opposite. It is one of the sections that can give merchants the most pain and confusion.

Very few merchants are familiar with the need for logging and monitoring; to many, the demands of Requirement 10 seem both unnecessary and excessive. In addition, the solutions seem hard to find, complicated and unrewarding.

In reality, much of that resentment is unfounded and unwise. Computer systems do need to be "watched." In recent years, we have seen dozens of stories of security disasters that could have been prevented (or nipped in the bud while they were still tiny issues) if only the systems in question had been properly monitored.

The main challenges of Requirement 10 are that it requires both continual effort and software solutions that are foreign to most small merchants. Either of these issues in isolation would be a problem, and the combination is particularly painful.

What merchants need to do

As with other parts of the PCI DSS, merchants should endeavor to avoid or minimize the challenges of Requirement 10, rather than defeat them.

While the SAQs and the PCI DSS itself are inconsistent on some issues here (and when that happens, the Standard is the ultimate authority), it is clear that the fewer computers one has involved in card data transmission and storage, the less work is required to handle Requirement 10.

To comply with Requirement 10, merchants need to set up their computer systems so the following actions are automatically "noticed" and put in an audit log:

- All individual user access to cardholder data
- All actions taken by any individual with special account privileges (called "root" or "administrator" privileges)
- Any access to, or changes to, the audit logs themselves
- All failed computer access attempts
- All use of identification and authentication mechanisms
- Any change to core parts of a computer's operating system

A common problem with log-keeping is missing logs. Some logs go missing because the systems that would

generate the logs are simply not being collected from. To get complete coverage, logs should be collected from:

- The operating system of all computers

- All applications that touch cardholder data

- All databases or other storage mechanisms that touch cardholder data

- All network devices (such as routers, switches, wireless devices and so on)

As always with the PCI DSS, one can ignore computers that do not deal with cardholder data at all, so long as they are not connected to computers or systems that do.

For audit logs to be useful, merchants also need to:

- Ensure all computers have their clocks synchronized (otherwise it can be horribly difficult to properly re-create what has happened)

- Protect the audit logs from unauthorized viewing and unauthorized attempts to modify or destroy them

- Make sure the audit logs are checked regularly (it's not much use to keep a record of these things if no one is monitoring the results)

Fortunately, for most of the above issues, solutions are available, and there is little need to create your own. As always, though, the parts of Requirement 10 that talk about procedures (for example, the regular checking of logs) require more than hardware or software – you have to do the work yourself or pay someone to do it for you.

One important "gotcha" pertaining to audit logs can be a spectacular way of shooting yourself in the foot: be very careful not to record in your audit logs any of the things that you're not allowed to record anywhere (customer PINs, card verification value numbers and so on). Requirement 10 does not ask you to record this information, so there's no upside in doing so. But there is a huge downside: massive risk and an instant PCI failure.

What you need to do for your merchants

Requirement 10 is a challenging aspect of PCI compliance for most merchants, and therefore they greatly appreciate even a little assistance with it. The first step, as always, is to give merchants advice on how to minimize their compliance burdens. By reducing the number of devices in the scope of PCI, the pain and cost of Requirement 10 can be significantly reduced.

Secondly, because a number of solutions can help with Requirement 10, simply pointing merchants in the right direction takes relatively little effort and helps them start to take control of the issue. (A simple search online for the terms "security information," "event management" or "log management" will reveal a healthy crowd of vendors offering solutions.)

Historically, most vendor attention has been on larger organizations, but some solutions are now offered as relatively low-cost services, which is a beneficial development for smaller merchant businesses. In short, this part of the PCI DSS is painful, but as the available tools and services improve, it is slowly becoming a little easier to manage. 🖼

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Education (continued)

Say less, sign more

By Jeff Fortney
Clearent LLC

We have all seen the interviews. A television reporter is questioning someone who has survived a catastrophic event. The reporter asks, "Tell us what happened." The victim describes the ordeal and ends with, "I have lost everything and don't know what I am going to do." The reporter responds with the follow-up question, "So, how much has it affected you?" The look on the face of the person being interviewed usually says it all.

Listening is becoming a lost art. In conversations it has become all too common for people to be focused on what to say next, not on what the other person is saying. My grandma used to say, "God gave us two ears, and one mouth. I think he wants us to use the ears more."

Don't be a talk machine

This is especially true in sales. Today, though, sales reps are often encouraged to talk. In telesales they have a script. In a cold call, there is the pitch. Both are designed

to tell prospects why their products are better, faster or cheaper, and why prospects should sign with them.

In some cases, the effort to dispense information becomes a sprint, and heaven help the prospects who try to interrupt the pitch. If they are interrupted, sales reps often rush back to the comfort of the script.

(You can test this on the next telemarketing call you receive. Ask the caller a question that is completely off topic, and see how fast he or she returns to the script. Continue to interrupt with questions and, in many cases, telemarketers will become so flustered they hang up.)

This "information dumping" tendency is directly attributable to the belief that prospects are looking for information first and foremost. We tell ourselves the more we tell them, the more likely they are going to see a reason to buy.

Given this approach, the art of listening has no purpose. Yet as seasoned salespeople will attest, listening is needed now more than ever. Those who master it find they are saying less and signing more.

Lend an ear

Listening effectively requires sellers to know when to stop talking. But since listening requires discipline, it is contrary to what many have been trained to do. It requires a willingness to resist the temptation to solve the first problem or issue the rep identifies. It also requires the rep to suppress excitement or any form of an aggressive approach.

The basic principle behind the art of listening is that people buy for their reasons, not yours. As such, by listening and probing with follow-up questions, you can identify their reasons for buying.

The first step is to throw away the formal script. Most are too long and don't encourage prospects to talk. You need a very short script that ends in a question that encourages them to respond. (And that question cannot be, May I see your statement?)

Prepare yourself mentally with standard follow-up questions or comments. Questions, not answers, are the keys to listening.

Ask and learn

Even a simple question can keep someone talking. For example, a prospect says, "I am frustrated that my reporting is so confusing. I even called my processor to explain it to me." Respond by asking, "And what did the processor say?"

Why would you ask this? Even though you know the reporting is confusing and the prospect called his or her processor, you do not know what specifically is

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> *After the prospect provides further information in response to a follow-up question, a good listener won't provide a solution yet. This is the time to say, "You said you are frustrated. It sounds like you still aren't happy. Am I mistaken?"*

confusing and what the processor did, or didn't do, to address the problem. And you don't know how – or even if – your solution would actually solve the problem.

Even when you feel you know the reasons for a prospect's discontent, ask a follow-up question. In the example given, the key word is "frustrated." It indicates the person is still dissatisfied and that a solution was not likely found.

After the prospect provides further information in response to a follow-up question, a good listener won't provide a solution yet. This is the time to say, "You said you are frustrated. It sounds like you still aren't happy. Am I mistaken?"

This is where discipline is required. You must respond to what the prospect says next. Since a follow-up question must be about what is being said, it requires the rep to listen and structure the question accordingly. Never jump ahead and prepare your next question without hearing what is said.

A skilled listener doesn't offer solutions at the first opportunity or rush to close without clearly understanding the situation and knowing which alternative will solve the problem. Good listeners close with confidence, not with hope.

Practice for mastery

As with anything, you must practice. The Question Game is a helpful drill. It requires holding a conversation in which the only words spoken are in the form of a question.

Ultimately, you will find that when you listen, your products and services will sell themselves. For it isn't what you tell prospects, but rather what they tell you that closes the deal.

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NewProducts

Automated, but not ignored, billing

Product: Slim CD Enterprise

Company: Slim CD Inc.

Recurring billing does not particularly lend itself to monitoring. Yet the fact that payments are automated doesn't make them automatic. Things happen: cards expire, bank accounts get drained, customers change their minds and billing cycles end. And it behooves merchants who conduct recurring billing to be on top of these developments.

A new product from payment processor Slim CD Inc. enables merchants both to monitor and, as necessary, modify customers' recurring billing schedules through an interactive Web portal.

The product, Slim CD Enterprise, is essentially an expansion on the company's existing desktop software program for recurring billing, according to Frank Haggar, Slim CD Director of Product Development.

Billing in spades

In addition to being both a virtual terminal and shopping cart, Slim CD Enterprise functions both as a platform for recurring transactions and a reporting portal displaying extensive billing data that can be systematized in numerous ways.

"It does the recurring features, but also provides improved reporting information about recurring," Haggar said. "These reports focus primarily on scheduling of recurring billing, so you can identify how many people are going to be billed for how much money in the upcoming schedule of events or forecast projected information based on your known approval/decline ratio."

Merchants can use the program to collect, view and analyze almost every conceivable bit of data relating to their recurring billing programs. Access to the portal requires a user name and password.

Visitors can see exhaustive data, ranging from aggregated payment data to customers' spending histories, and can generate estimated forecasts of recurring billing revenue for a given time, based on transaction volume and approval and decline ratios.

Users can also sort customers by type of cards used, by time frames in which they've done business with the company, by payment due dates or by card expiration dates. All of this information can be used to secure revenue by spotting potential problems ahead of time, Haggar said.

Features of **Slim CD Enterprise** include:

- Recurring billing schedules activated, deactivated and viewed on the Web
- Data viewed and systematized in multiple ways
- Deferred start payment date available
- Approval/decline ratios calculated
- Data stored on Slim CD server and tokenized on Web portal

Fewer declines

For example, a merchant may wish to view every customer whose payment falls on the company's next billing date to make sure their cards are active. Or the merchant might view every customer whose payment card is set to expire in the coming months, giving the business time to contact those customers and minimize declined transactions.

"You can list customers and search by name, amount, invoice number – all kinds of criteria – or you can click on a particular transaction and use that to link back to the customer as well," Haggar said. " And when you get a list of customers, anytime you select a customer it shows you all of their activity. ... So you can come at it from a customer mentality or transactional mentality, and with either one it links back to the customer database record."

Haggar added that the program allows users to set any start or end date for a recurring billing schedule, including deferring the initial payment on an account to a specified day. All cardholder payment data is stored on the Slim CD server, while users of the program are given tokenized numbers to guard against data theft.

Slim CD Inc.

877-475-4623
www.slimcd.com

NewProducts

Beyond your basic value-add

Product: National Benefit Programs

Company: National Benefit Programs Inc.

When merchant level salespeople speak of value-added services, they typically mean enhancements relating to payment acceptance: e-mail receipts, remote deposit capture equipment, Web-based loyalty programs – you name it.

A company called National Benefit Programs provides services to merchants that have nothing to do with POS systems; they are nonetheless a potent way to acquire and retain merchant accounts, according to the service's providers. NBP offers basic consumer benefits, purchased in bulk and sold at heavy discounts. Among them are dental, legal, vision, prescription drug and chiropractic services.

Sold exclusively through ISO channels, the services are provided to business owners – and their immediate families, if applicable – on a monthly, opt-out basis for prices NBP Chief Executive Officer Mark Zisholtz called "unbelievable."

Bulk benefits

"We wholesale discount consumer benefits and have aggregated seven core benefits with the intention of reducing merchant attrition, attracting new business and increasing revenue [for ISOs]," Zisholtz said. "These are benefits that are very expensive to buy on the outside, but we're buying in unbelievable mass bulk, then turning around and selling it on a tier one level – meaning it cannot be bought less expensive anywhere else."

Zisholtz said the services can be not only a source of extra income for their vendors, but also an excellent way to increase stickiness because merchants can't receive them except through their relationship with the providing ISO.

"These are incredible discounts merchants receive, where if they acquire this in the open market the price is not even close," Zisholtz said. "ISOs need ancillary products to increase revenues, and we believe that in this type of economy, we're the perfect solution. We provide a benefit that merchants need and will use."

Zisholtz said the services all provide comprehensive coverage and are provided by large and reputable providers. He said, for example, that NBP's legal service gives merchants access to a network of over 20,000 attorneys who have an average of 19 years' legal experience.

Features of **National Benefits Programs** include:

- Consumer benefits sold at low cost
- Benefits available to merchant business own-ers and their families
- ISO resellers allowed 100 percent mark-up or more
- Benefits sold exclusively through ISO channels
- Program offered month to month, with anytime opt-out
- Secondary commissions given to ISOs whose clients refer new clients

Meaningful coverage

He added that legal services rendered cover almost every imaginable business expense, at a rate of either 40 percent off the attorney's customary fee or $125 an hour – depending on the specific arrangement. Regarding the dental program, NBP is contracted with Aetna Inc., which Zisholtz said is the largest provider of dental insurance in the country.

"The legal service covers all business issues and landlord/tenant issues," Zisholtz said. "There's also a host of free services that come along with just being a member of our program. For example, attorneys will review leases and certain documents, including collection letters, for free."

Zisholtz said ISOs could only sell to business owners and not their employees, but that the service does include a "secondary sales" referral program for ISOs whose merchants refer NBP to other clients.

"If the merchant comes up to the ISO and says, 'I would like to provide this to all my employees,' the ISO will say, 'Contact NBP,'" Zisholtz said. "If we make a sale … we will give the ISO a percentage."

Zisholtz added that ISOs receive a base payment from NBP for every sale, plus whatever markup they make on the products sold – which Zisholtz said typically entails a 100 percent profit or more. "They'd be crazy to sell it for any less [than twice the wholesale cost]," Zisholtz said. 🖼

National Benefit Programs Inc.

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Inspiration

Plan today for results tomorrow

To be successful at anything in life, a certain amount of planning must be involved. Planning ahead gives you the opportunity to think through a situation before it arrives. It offers a bird's-eye view of the tasks ahead before you are emotionally or physically involved in carrying them out.

In both personal and business endeavors, planning presents multiple benefits. This simple act not only speeds the work flow, it can also dramatically improve results.

Sow early to reap rewards

Ready to plan? Here is one bit of advice to implement that will alter the course of your career for the better: No matter where you work or what your responsibilities are, plan your next day before you end the current work day.

This demands a commitment. It will be tempting to put off planning, especially if you've had a particularly long or demanding work day. But it will relieve a ton of pressure, especially if you own a business or work from home.

Mapping out the next day before you leave the office will enable you to rest easy at night instead of worrying about what you're going to do when you sit at your desk the next morning. It will also help you start the following day calmly without having to scramble to get organized at the last minute – when people may already be poking their heads into your office for general guidance or answers to specific questions.

Eliminate stress

It may not seem like a big deal, but it truly is unwise to wait until morning to shape your day. If this is your habit, you are likely perpetually starting your day in "panic mode" and causing your adrenaline to go into overdrive. We have enough stress triggers in our fast-paced society. Why put up with one that you have the control to stop?

When you procrastinate, what could have been a peaceful beginning of a productive day becomes a chaotic flurry of activity as you try to think of all the tasks ahead without leaving out important details.

Inspiration

And what happens when that initial adrenaline rush ends? You suddenly feel tired, stressed and frustrated. Your body reacts, and you fight off the urge to take a nap with caffeine, or maybe your thinking lacks clarity and you lose your ability to be decisive. This can reduce your productivity and, over time, sabotage your career.

Take a step

There's just no way around it: Planning each work day at the close of the preceding day will help relieve tremendous pressure. You'll be able to think clearly about your business goals and keep your work space organized to increase productivity.

Luckily, the planning process is quite simple. The first step is to get pen and paper and write a list of what you want to accomplish the following day. Include the tasks you must perform to realize your goals for the day.

Next, prioritize by writing the more important tasks at the top of a new list. If you are facing an extremely difficult task, write it at the top of your list.

To the degree that on-the-job demands permit it, focusing on the most daunting task first will enable you to dispense with it without delay, so you'll be able to enjoy the rest of the day.

Then you can focus on the remaining goals you'd like to accomplish. Goals should be specific and tailored to your situation.

They could include a monetary target for daily sales, completion of a challenging project, speaking with a certain number of prospects, to name just a few.

Design your future

No matter how small your goals may seem, it's the small goals that lead to accomplishing larger, long-term goals.

For example, most business owners and managers understand the value of daily sales goals, and they use these goals and resulting sales figures to project earnings for the company's future.

If you don't already have one, consider buying a daily planner designed for business. It can be in hard copy or digital form. Either way, it will keep your list of projects and goals in one, easy to access place.

Start implementing this daily planning process today. Then watch your stress levels drop and your productivity rise.

Good Selling!℠

Paul H. Green, President and CEO

PIVOTAL
PAYMENTS

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NACHA – The Electronic Payments Association
Payments 2010

Highlights: This conference will provide the latest research, industry pilot results, insights, trends and forecasts delivered by expert payment practitioners from around the world.

Combining educational sessions with case studies and panel discussions, Payments 2010 will offer diverse options to help businesses evaluate their current and future payment system needs, as well assess, plan and implement solutions.

The event will feature over 130 sessions and offer workshops in such areas as the automated clearing house, corporate payment solutions, risk compliance and check electronification.

When: April 25 – 28, 2010
Where: Washington State Convention Center, Seattle
Registration: *www.nacha.org*

Source Media Conferences and Events
22nd Annual Card Forum and Expo

Highlights: Recession and regulation have fundamentally altered the payments landscape over the past year, and one trend has emerged as a result: debit, prepaid and charge cards are gaining in popularity with both consumers and issuers. At the same time, technologies are emerging that will supplement and could eventually replace plastic cards.

At this year's Card Forum and Expo, executives from the issuing and retail industries will share insights and compare notes about strategies for adapting to regulatory changes, plotting a successful path despite the recession and refocusing on the customer experience. Attendees will find insights on how to reach a greater share of their customers' wallets, gain business from emerging market segments and revitalize their credit card portfolios.

When: May 16 – 18, 2010
Where: Hyatt Regency Grand Cypress, Orlando, Fla.
Registration: *www.americanbanker.com/conferences/cfe10*

2010 Calendar of events

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

2010 Event	Date	Location	Web site
ETA Annual Meeting & Expo	April 13 – 15	Las Vegas	www.electran.org/content/category/6/35/118
W.net, Super UNC	April 13	Las Vegas	www.w-net.biz
TowerGroup Financial Services & Technology Conference & Exhibition	April 14 – 16	Boston	www.towergroup.com/research/events/conferences.htm
NAPCP, 11th Annual Purchasing Card Conference	April 18 – 21	Orlando	www.napcp.org/event/2010B2B
NACHA - Payments 2010	April 25 – 28	Seattle	www.nacaha.org
Executive Enterprise Institute, 24th Annual Payment Card Institute	May 6 – 7	Washington	www.eeiconferences.com
TAWPI Annual Forum and Expo	May 9 – 13	Grapevine, TX	www.tawpi.org/Events/TAWPIAnnualForumandExpo.aspx
Online Financial Innovations, FinovateSpring 2010	May 18	San Francisco	http://finovatespring2010.eventbrite.com
Source Media Conferences, 22nd Annual Card Forum and Expo	May 16 – 18	Orlando	www.americanbanker.com/conferences/cfe10
Smart Card Alliance, 2010 Annual Conference	May 17 – 20	Scottsdale, AZ	http://guest.cvent.com
Glenbrook's Payments Boot Camp	May 19 – 20	Santa Clara, CA	www.glenbrook.com/bootcamp-payment.html
W.net, UNC Northern California	May 19	Walnut Creek, CA	www.w-net.biz
The 5th Annual Underbanked Financial Services Forum	June 9 – 11	Miami	http://summits.aberdeen.com
Aberdeen Group Retail Summit	June 17 – 18	New York	http://summits.aberdeen.com
3rd Annual Prepaid Card Compliance Forum	June 22 – 23	Washington	www.americanconference.com/prepaidcard.htm
3rd Annual Prepaid Card Compliance	June 24 – 25	Washington	www.americanconference.com/prepaidcard.htm
IQPC, Prepaic and Mobile Payments 2010	June 28 – 30	Denver	http://www.prepaidcardsevent.com
MWAA 8th Annual Conference	July 21 – 23	Schaumburg, IL	www.midwestacquirers.com/next_event.php
WesPay's 9th Annual Symposium: Tools of the Trade	Sept 20 – 21	Long Beach, CA	www.wespay.org

ETA
April 13 – 15
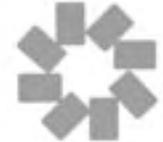
Smart Card Alliance
May 17 – 20

MWAA
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July 21 – 23

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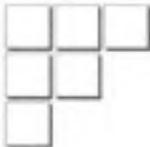
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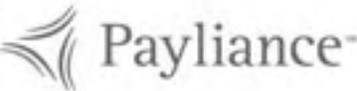
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Differences (upside down, right column):
1. Pen is missing
2. Laptop has additional buttons
3. Glasses are upside down
4. Coffee is spun around
5. Different Cell phone

Differences (upside down, left column):
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7. This laptop is a different color
8. BCD note on note pad
9. Added another book
10. Added more pencils

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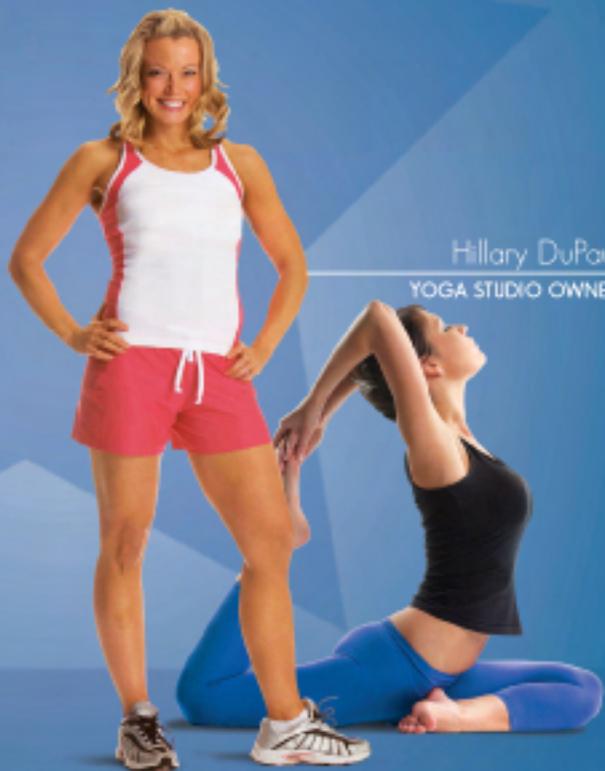
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RESIDUAL PROGRAMS

It's no stretch of the imagination. NAB offers a multitude of programs that allow you to make the most money possible for every merchant type. **See for yourself — contact us about our risk-free residual comparison and find out how you can maximize your profits.**

- **CUSTOMIZED LIFETIME RESIDUAL PROGRAMS**
- **2¢ IP PRICING AND 2.5¢ DIAL-UP PRICING**
- **BONUSES UP TO $3,000**
- **FREE EQUIPMENT**
- **NO PRODUCTION QUOTA**

NAB **PROVIDES** unbeatable earning **POTENTIAL!**

Discover the difference NAB can make for you!
1-877-201-4833 • www.GONAB.com/gs

CHANGE
FOR THE BETTER.

We've changed our cost structure to give you **8x Upfront Bonuses** and **3.5¢ (dial-up)** and **2.5¢ (IP)** pricing.

Get the most profit from every deal — 3.5¢ (dial-up) and 2.5¢ (IP) pricing AND the power to choose:

8x Upfront Bonuses
50–65% Residuals
Free Terminal Placement

OR

70% Split for the Highest Commissions

DO IT ALL, WITH TOTAL MERCHANT SERVICES.

Need a free terminal to close a deal? You've got one with 8x upfront bonuses, up to $750 per merchant.

If you simply want the highest commissions possible, choose our 70% revenue sharing program.

Both options have the best cost structure in the marketplace — only 3.5¢ (dial-up) and 2.5¢ (IP).

NOW IS THE TIME.

Start processing all your accounts with us today!

Call 1-888-84-TOTAL, ext 9727
Or get the full program details at
www.upfrontandresiduals.com

total merchant services
payment solutions for your business