The Green Sheet

May 10, 2010 • Issue 10:05:01

Creating a place for checks at the electronic payments table

By Patti Murphy
The Takoma Group

David Walker isn't afraid to defend checks, the payment method that is much maligned by payment professionals but nonetheless used in billions of transactions every year. "We've been telling folks for 30 years now that checks are bad and that we ought to get rid of them," Walker said. "We don't need to get rid of checks; we just need to shed the inefficient aspects."

A former banker, Walker has led the charge toward electronic check presentment and image exchange as President of the Electronic Check Clearing House Organization (ECCHO).

The organization is a bank-owned rules group focused on electronic check exchanges, which now account for most interbank check clearing.

"This is not an insignificant payment system," Walker pointed out in discussing the future of checks. Indeed, the Federal Reserve Bank of Boston estimates that payments between individuals (known as person-to-person [P2P] payments) in the United States total about $2.9 trillion annually, and virtually all of these are transacted by checks or cash.

The Association for Financial Professionals estimates that better than 70 percent of business-to-business (B2B) payments are made by check. Even companies that have adopted check alternatives, like the automated clearing house (ACH) direct deposit application, continue to issue checks to cover employee expenses, customer refunds and the like, noted Oz Shy, a Senior Economist and member of the Consumer Payments Research Center at the Boston Fed.

The post-Check 21 landscape

One reason is the Check Clearing for the 21st Century Act – federal legislation commonly referred to as Check 21. Implemented in 2005, Check 21 made it legally possible to truncate checks, capturing electronic images of the paper, which are then cleared through electronic networks that mirror paper check-clearing processes.

These electronic check networks (or image exchanges) have slashed both the cost and time needed to complete check payments. According to the Fed, as of December 2009, 98 percent of all checks deposited by financial institutions with the 12 Federal Reserve Banks for clearing were received electronically.

But Check 21 has done little to help wean individuals and businesses from writing checks. "There's still a lot of paper; it's just that most of that paper isn't in the clearing system anymore," Walker said.

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AdvisoryBoard

NotableQuote

Ultimately sales and marketing should be harmoniously integrated, pursuing common growth and revenue objectives. Unfortunately, all too often, the two suffer a dysfunctional and sometimes even antagonistic relationship.

Inside this issue:
CONTINUED

I got the aisle seat, as requested. They had my favorite soda and the bag of peanuts had exactly 21 inside. Clear weather, good movies, what else could I need?

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Forum

The end of an error

Please update your staff or writers as to my correct title: Vice President, Business Development and Strategic Partnerships for Group ISO. I keep getting referred to as a Certified Fraud Examiner. This is not correct, and I do not want to use a designation that I have not earned and that does not belong to me. This was an error made very early on in my career, and I would like to ask for your assistance in making it right.

By the way, great article on "The worldwide fraud web exposed." Well done! Thank you for all your assistance.

Ted Svoronos
Group ISO

Ted,

Thank you for alerting us to the error. We searched our online archives and corrected the articles that contained the wrong designation by replacing it with your title at Group ISO. We will continue to use your Group ISO title going forward.

And thank you for giving a shout out to "The worldwide fraud web exposed," The Green Sheet, *April 12, 2010, issue 10:04:01. We appreciate the contributions you made to the article during our research process; the assistance you and other industry experts provide is invaluable.*

Editor

Who knows portfolios?

Could you tell me who to contact to value a residual portfolio? I am interested in buying an associate's portfolio and adding the accounts to my portfolio. Thank you.

John Kreiger
The Bankcard Team LLC

John,

We asked payment attorney Adam Atlas and Biff Matthews, President of Thirteen Inc., for suggestions on this. Both men frequently contribute articles to The Green Sheet *and are on our advisory board.*

Adam suggested Mark Dunn, an industry consultant and the founder of Field Guide Enterprises LLC. You can reach him at mark@fgofieldguide.com.

Biff endorsed Deanna Rich, Senior Associate of The Strawhecker Group, www.thestrawgroup.com/the-firm/the-associates/deana-rich/; Todd Ablowitz, President of Double Diamond Group LLC, todd@doublediamondgroup.net; and Jack and Fran Dale of consulting firm Entandem, www.entandem.com.

He also mentioned payment consultant Mary Dees Griffith, mdees.griffith@ creditranz.com, and Alan Druso, First Vice President of First Financial Bancorp, www.ffbcorp.com, as being qualified to advise parties interested in selling or purchasing merchant portfolios.

For additional recommendations, try posting a question on GS Online's MLS Forum. If you haven't registered for the Forum yet, you can do so by clicking Register Today! in the upper right-hand corner of our home page at www.greensheet.com.

Editor

Number please

In "Portable gateway enhancement," a new product story published in *The Green Sheet*, April 26, 2010, issue 10:04:02, the phone number provided for USA ePay was wrong. The correct number is 866-872-3729. *The Green Sheet* regrets the error.

From GS Online's MLS Forum

The premier online network for payment pros

Forum better than Google

GS Online MLS Forum member JEH1003 recently asked, "Anyone know of a list of merchants who have had PCI breaches? ... I did a few Google searches, but didn't find much. Can anyone point me in the right direction?"

Forum member marinesteban provided useful links, including *www.breachblog.com* and *www.privacyrights.org/ar/chrondatabreaches.htm.*

JEH1003 thanked marinesteban and said, "I think the Forum is better than Google sometimes, LOL."

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.

Industry**Update**

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NEWS

Heartland, Micros settle lawsuit, renew partnership

Heartland Payment Systems Inc. and **MICROS Systems Inc**. reached an amicable settlement of a 2007 lawsuit and concluded a restructured and expanded business relationship to bring new payment solutions to the restaurant, lodging and retail industries. Heartland is the official preferred provider for the National Restaurant Association and the American Hotel and Lodging Association.

The two companies are in final development of interfaces that will better integrate their respective products, including collaboration on product innovations designed to protect transactions originated by Micros's Simphony platform, an enterprise, service-oriented architecture POS product for the hospitality industry, with Heartland's E3 end-to-end security solution. Integration of the two systems is expected to be complete by midyear.

Interac backs Canadian code

Interac Association, a national payment network based in Toronto, threw its support behind the Code of Conduct for Debit and Credit Payments in Canada released April 16, 2010, by federal Finance Minister Jim Flaherty.

The code addresses mounting concerns over Canada's expanding debit marketplace, which has reportedly been long overdue for a uniform set of transparent rules to protect merchants and consumers in the multinetwork debit environment. In 2009, Canadian consumers carried out nearly 4 billion debit transactions, almost 60 percent of all card payment transactions. Canadians are among the highest users of debit per capita globally.

"Maintaining complementary co-badged debit cards is an elegant solution to a whole host of concerns caused by competitive co-badged cards," said Mark O'Connell, Interac's President and Chief Executive Officer. "It upholds what exists in Canadians' wallets today and, at the same time, enhances the competitive debit landscape in Canada by promoting fair and healthy competition."

Payvment paves way for Facebook fans

Payvment Inc., the top Facebook e-commerce solution provider, launched the Facebook Fan Incentive Pricing feature. The free storefront application for Facebook allows brands and sellers to provide electronic coupons or instant discounts to potential and current fans, tying the action of becoming a fan to sales discounts and rewarding loyalty.

The technology will take Facebook from a social network and marketing platform to a channel for direct selling. Payvment's e-commerce suite includes a universal shopping cart that carries goods across multiple storefronts, a proprietary shopping discovery and search tool, and the ability for customers to add reviews to Payvment-enabled storefronts. Spam protection allows sellers to monitor storefront content.

MasterCard launches lab

MasterCard Worldwide recently launched MasterCard Labs, a new global research and development arm dedicated to bringing innovative payment solutions to market with greater speed than ever before.

"Supporting breakthrough innovation efforts is at the heart of differentiating MasterCard from our competitors, and key to sustaining our competitive advan-

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

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

- **Kronos Inc.**'s *Retail Labor Index* reported that, on a seasonally adjusted basis, 68 U.S. retailers recently surveyed recorded 49,185 hirings in March 2010, an increase of 8.89 percent from February and 26.63 percent from the same period in 2009.

- According to the *Gift Card Performance Index* released by the **Global Prepaid Exchange**, Bath & Body Works narrowly edged out Red Lobster Restaurants and iTunes as the types of gift cards U.S. consumers most wanted to receive during the past holiday season.

- Wal-Mart Stores Inc. is still the top retailer shopped for women's clothing (12.1 percent shop there most often), according to a **BIGresearch** *Consumer Intentions & Actions Survey* conducted in April 2010. Kohl's was second with 10.2 percent, rising from 9.4 percent a year ago.

tage in the marketplace," said Ajay Banga, MasterCard President and Chief Operating Officer. "With products such as PayPass, MoneySend, and inControl – or even our most recent partnership with Next Jump – MasterCard is known as a major contributor to the modern payments landscape."

ANNOUNCEMENTS

Alpha gets new Web presence

Alpha Card Services Inc. redesigned its corporate website to more accurately reflect the payment processor and merchant acquirer's mission. Alpha's CEO, Lazaros Kalemis, expects *www.alphacardservices.com* will become the gateway to everything Alpha and that the company prides itself on "being an agent- and merchant-friendly ISO/MSP and continually tries to improve the experience these customers have with all their interaction and communication with our company."

PinPoint card targets Omaha

American Payment Systems chose Omaha to be the first market where consumers will have the opportunity to use the PinPoint Card, a new tool for making purchases and earning rewards at participating merchants. The card combines the directness and PIN-based security of

debit cards, with points-based rewards, discounts and personalized offers. A pay-at--the-table feature boosts security by enabling restaurant servers to process payments at the table, according to the company.

Apriva launches cashless vending

Apriva introduced the Apriva Vend, a comprehensive cashless payments solution designed to address the evolving needs of the vending market. The company noted that the Payment Card Industry (PCI) Data Security Standard (DSS)-compliant service facilitates the entire process, including hardware, software, wireless connectivity, payment card processing, merchant account services, back-office reporting and support services.

"A growing number of consumers are expecting to use credit and debit cards for purchases at almost all retail locations," said Bill Clark, Executive Vice President and General Manager, North America, of Apriva's Point of Sale division. "Apriva Vend enables operators and bottlers to quickly and cost-effectively deploy secure, reliable and profitable cashless vending solutions to capitalize on this growing segment."

Comodo surpasses VeriSign

According to online security provider **Comodo Group Inc.**, it surpassed VeriSign Inc. in the number of valid Secure Sockets Layer (SSL) certificates currently in use. Based on research conducted by Netsekure.org, which collected data from the root certificates of Alexa's Top One Million websites, Comodo exceeded VeriSign by a margin of 15 percent. Of the 350,000 hosts and 50,000 SSL entries queried, 8,049 certificates were issued by Comodo and 6,944 by VeriSign.

New name for CSH Consulting

After a decade of serving the payments industry with recruiting services, **CSH Consulting Inc.** officially changed its name to **Impact Payments Recruiting**. Since its inception in 2000, the company has placed more than 1,600 payment professionals within the industry. "Our new name better reflects the transformation of our business in recent years," said company President J.T. Driscoll. "We are a very effective recruiting resource, but our bigger objective is to change the way that business is done. We are committed to creating win-win situations with our staff, candidates, clients, vendors and even competitors."

EMG expands in Minneapolis

To accommodate regional growth, **Eliot Management Group** is moving its Minneapolis office branch to a larger location. EMG opened the Minneapolis location in 2005 as part of its continuing 'on-market' service approach that began in 1999. The goal of the program is to secure office space in all EMG markets where EMG

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personnel can provide local comprehensive sales and service to existing and future clients in the area.

"Due to the amazing results we've experienced in our Minneapolis office, we're excited to announce that we're currently in the process of expanding our presence in this market," said Ron Dichter, EMG's CEO. "Once complete, we will be doubling our staff, providing a more robust team to help service our existing client base and acquire more businesses that can take advantage of EMG's product offerings."

Mobile RDC gaining momentum

A newly released study by **Javelin Strategy & Research**, which surveyed 16,000 respondents, revealed that one in four consumers and 39 percent of small businesses desire mobile remote deposit capture (RDC), an emerging technology that allows check images to be deposited through camera-equipped mobile phones. The study found that small banks and credit unions are the first to use mobile RDC to retain trusted customers and expand banking relationships. Smart phones are integral to early adoption of mobile RDC, which requires mobile Web access and the capacity for two-megapixel digital phone images. However, with an email-based solution in the offing, demand for this technology could expand rapidly.
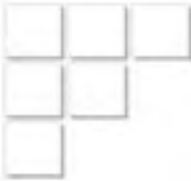
Monitise surpasses 2 million customers

Driven by increased support of its smart-phone applications, mobile banking and payment provider **Monitise Americas** reported that its parent company, Monitise, achieved over 2 million registered users. Monitise's Mobile Money Manager platform serves over 240 banks and financial institutions in the United States and the United Kingdom and processes 100 million transactions annually.

Monitise Americas stated that it provides mobile banking and payment services to North American financial institutions predicated on an "ecosystem" principle, which allows multiple mobile carriers and financial institutions to deliver services over a single platform. In June 2009, Monitise signed a five-year Global Alliance Agreement to supply its Mobile Money Manager platform to Visa Inc., which has a reported 1.7 billion cardholders worldwide.

Nacha lists top 50

NACHA – The Electronic Payments Association issued its list of the top 50 originating and receiving financial institutions of automated clearing house payments for 2009. The top 50 originating financial institutions yielded 13.54 billion transactions in 2009, up slightly from

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2008, while the top 50 receiving institutions accounted for 8.53 billion transactions in 2009, a number that was consistent with 2008 figures. For a complete listing of NACHA's top 50, go to *www.nacha.org*.

Optio's Cividanes recognized

Optio Solutions LLC, an accounts receivable management company headquartered in Rohnert Park, Calif., announced that Karen Cividanes, Manager of Client Relations, was selected as one of the top "Forty under 40" by the *North Bay Business Journal*. The award recognizes outstanding business and community leaders under the age of 40. In the community, Cividanes is active in the American Cancer Society's Relay for Life and, globally, The Water Project.

PARTNERSHIPS

Charge Anywhere completes Moneris certification

Payment gateway provider and mobile payment software developer **Charge Anywhere LLC** completed certification to the **Moneris Solutions Inc.** payment platform. This certification "will now empower our clients and merchants who need the flexibility of mobile phone payments, wireless terminal, Web terminal and IP-based

payments in the U.S. and Canada," said Paul Sabella, President and CEO of Charge Anywhere.

Dejavoo, EVO form alliance

Dejavoo Systems and **EVO Merchant Services** reported that the Dejavoo Countertop C Line and X Line, along with the Mobile M Line terminals, will be fully supported by EVO. EVO will house its own Value Added Server and MMSx Web download server, creating the ability to communicate directly with merchants from its back-office system to the Dejavoo terminal.

Hypercom, First Data unite to fight fraud

Hypercom Corp. and **First Data Corp.** formed an alliance to aid the payments industry's attack on card data fraud. Hypercom's HyperSafe Remote Key System (HRKS) will be available through First Data's TASQ Technology. The HRKS allows retailers to initiate on-site, in-store payment terminal key injection at the POS, providing a much faster alternative to traditional systems. As an added layer of protection for merchants, Hypercom will also team with First Data to implement the First Data TransArmor solution to address the root cause of merchant data security issues by removing payment card data from the merchant environment as part of processing the transaction. This is designed to significantly reduce risk and the scope of PCI compliance efforts.

Ingenico, Element secure partnership

In partnership with **Ingenico**, **Element Payment Services Inc**. will integrate Ingenico's end-to-end encryption algorithm with its tokenization solution to provide Ingenico customers secure end-to-end transaction processing technologies. The fully integrated solution will reduce the customers' cardholder data environment and PCI DSS-compliance footprint, according to the companies.

VeriFone, RBS WorldPay partner for mobile

Verifone selected **RBS WorldPay** as a preferred provider of merchant accounts for buyers of Verifone's PAYware Mobile card payment solution for the iPhone. RBS WorldPay will market PAYware Mobile through multiple channels, including its nationwide direct and ISO sales forces, as well as via the Web. VeriFone's card reader slips over the iPhone to accommodate card swipes and avoid high-cost card-not-present fees, according to the company. It incorporates a stylus for signature capture and a mini-USB port for charging the iPhone. The PAYware Mobile card's encryption sleeve, which is designed for secure payment processing, encrypts each transaction from the time of card swipe until it reaches RBS WorldPay. The customizable PAYware Connect gateway service is said to be ideal for small or mobile businesses.

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ACQUISITIONS

MeS acquires Synovus

Merchant e-Solutions Inc., a Redwood Shores, Calif., e-commerce payment company, acquired the Columbus Bank and Trust merchant portfolio from **Synovus**, the Columbus, Ga.-based financial services holding company. As part of the deal, MeS and Synovus agreed to a 10-year joint marketing agreement to provide payment processing services for new Synovus bank merchant customers.

APPOINTMENTS

Banga to head MasterCard

MasterCard appointed **Ajay Banga**, who is currently the company's President and COO, to serve as the company's President and CEO, effective July 1, 2010.

Banga will also serve as a member of MasterCard's board of directors, effective immediately. He is a member of the Council on Foreign Relations, The Financial Services Roundtable and a fellow of the Foreign Policy Association.

Capers to direct BHI sales

BHI Advanced Internet Solutions added **Tony Capers** to its executive staff as Director of Sales. With over 28 years of direct sales experience, Capers will be responsible for organizing the efforts of the inside sales team, leading the account management team to enhance customer relationships, and working closely with the outside sales team to develop new strategies for sales initiatives with corporate concepts and acquiring banks.

Paymetric names Rivers COO

Paymetric Inc. hired **Mike Rivers** as its COO. Rivers will oversee client services, relationship management and software-as-a-service operations to insure seamless integration and high performance throughout the organization. Rivers brings over 20 years of technology and operational experience to Paymetric.

Sterling joins CCS sales

Ed Sterling joined Charge Card Systems as Sales Relationship Manager. Sterling comes to CCS with over 20 years of experience in the payments industry. In his new role, Sterling will focus on recruitment and training of new sales partners, as well as fostering ongoing relationships and providing support for all agents within the CCS sales organization.

Before you commit to buying through a distributor, you need to ask what -- or who -- they are? Are they owned by a competing processor or outside investment groups? Who are you competing against and is your supplier owned by that competing entity? At the Phoenix Group, **we are truly independent** in every sense of the word. We are not owned by a processor or an investment group. Our interests lie in providing you the best service and pricing every day.

DICTIONARY

in·de·pend·ent

Pronunciation: _in-d_-_pen-d_nt\\

Function: *adjective*

1 : not dependent: as **a** (1) : not subject to control by others : **SELF-GOVERNING** (2) : not affiliated with a larger controlling unit **b** (1) : not requiring or relying on something else : not contingent (2) : not looking to others for one's opinions or for guidance in conduct

NOTE: *An independent organization or other body is one that controls its own finances and operations, rather than being controlled by someone else.*

Synonyms: absolute, autonomous, nonaligned, nonpartisan, on one's own, self-contained, self-determining, self-governing, self-reliant, self-ruling, self-sufficient, self-supporting, separate, sovereign, unconnected, unconstrained, uncontrolled, unregimented

Antonyms: dependent, subordinate, subservient

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View

The next generation of the check

By Ed McLaughin

RemoteDepositCapture.com

In 2004, Check 21 enabled the use of image exchange between banks to clear and settle payments based on the image of the check or image settlement, and the truncation of the check at the point of capture. This eliminated the need for a bank to receive, store or send the physical paper check to the drawn-on bank, thus reducing the settlement time and costs while improving productivity.

The obvious next question after this first step of electronifying the check then became, When will the next evolution that allows for totally electronic checks – a check that was never paper in the first place – take place?

Check 21 is the innovator and the process that enables this evolution to take place. Is it possible to have checks

The best way forward may not be a new payment type, but instead creatively leveraging the payments infrastructure we already have.

that never existed in paper form? Is it possible to initiate a check in the same way we initiate other forms of electronic payments?

'Check' defined

To answer this question, we turn to the regulations that define the term "check." According to Reg CC, the definition of a check is: "Original check means the first paper check issued with respect to a particular payment transaction."

As a result of this definition, even payment transactions that initiate via phone and Internet require the creation of a paper document. For instance, to initiate a payment transaction over the phone or via the Web using a check, the merchant must obtain the checking account owner's permission and the owner's checking account information.

The merchant then uses the information from the check, including a representation of the approval by the checking account owner in the signature block area, to create and print a hard copy of the information. That hard copy can then be considered to be a check and is called a "remotely created check" or RCC.

Again, the only proper way to process an RCC is from the original paper item that is scanned (truncated), and the MICR line information, along with the front and back images of the RCC, are captured for transmission and subsequent processing. Then, and only then, is the item eligible for clearing as a check.

An imperfect system

The system is not perfect, and it is redundant. But it is required to meet the requirements of the regulations, unless the regulations and the current definition of a check are changed.

In addition to the potential for unauthorized RCCs, the current RCC process poses a major challenge: how does the bank know whether the item was ever a piece of paper in the first place or if it was initiated and processed for deposit without ever being in paper form?

Today there is no indicator or way to tell – in the electronic transmission and processing of the item – if the item was ever in paper form.

The file format (X9.37) does not include any of the infor-

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The issue with Reg. E is that it only covers consumer-originated payments and was not intended for business transactions, whereas checks and check law have evolved over the years to also meet the needs of businesses through the regulations and a suite of treasury products offered by financial institutions. ... It is interesting to note that today's discussion about the RCC is not a new one but one that goes at least as far back as 2006.

The issue with Reg. E is that it only covers consumer-originated payments and was not intended for business transactions, whereas checks and check law have evolved over the years to also meet the needs of businesses through the regulations and a suite of treasury products offered by financial institutions.

The discussion on the business use of electronic checks has to be included in the general discussion about EPOs.

It is interesting to note that today's discussion about the RCC is not a new one but one that goes at least as far back as 2006 and the Federal Reserve discussion in Docket No. R-1226, 12 CFR Parts 210 and 229, Regulations J and CC, to define RCCs and to create transfer and presentment warranties.

Questions revisited

In the discussion and explanation of how the final rule was developed,

The Federal Reserve begins with a definition of an RCC that supersedes the various state UCC definitions where they may be in conflict with the Fed's definition.

The Fed, in reviewing the commentary that was received prior to the release of the rule, stated that many of the open questions about the justification of the RCC's existence were raised, and some are "answered in the Rule but some are left open."

Now, in 2010, the same questions are being raised, and the same open questions are still looking for answers. Page 5 of the Fed document includes the following discussion about the RCC:

"Some commenters, including attorneys general representing 35 states, recommended that the board prohibit the use of remotely created checks altogether, arguing principally that legitimate use of remotely created checks has significantly declined, largely as a result of new automated clearing house (ACH) payment applications that can be used in place of remotely created checks. Several commenters, however, reported an increase in the use of the remotely created checks (albeit some noting that this increase in use has been accompanied by a commensurate increase in unauthorized remotely created checks)."

It goes on to say:

"The board believes that substantial additional research would be required about the uses of remotely created checks and the commercial impact of an outright ban before a prohibition by statute or regulation could be justified.

View

The board believes its rule provides effective protections against unauthorized remotely created checks while still allowing for the legitimate use of those checks.

"Some commenters argued that remotely created checks also should be covered by the board's Regulation E (12 CFR Part 205), because payments by remotely created check are in fact electronic fund transfers subject to the Electronic Funds Transfer Act (EFTA), which, among other things, requires certain disclosures related to transfers covered by the Act."

Sound familiar? It is time to address the issue of the RCC and the electronic check, to answer the open questions and to not leave the banks exposed to risk, as they currently are.

Imagine how much more convenient and efficient the system would be if the drawer or the merchant on behalf of the drawer (consumer or business) could create an electronic check to complete payment. It sounds a lot like the process that is now in place using NACHA rules for WEB, TEL, ARC and BOC.

POP is, it could be argued, really an electronic check if you consider that the original item is never scanned except for the magnetic ink character recognition (MICR) line, is given back to the consumer and is processed totally as an electronic item.

However, check system and image exchange have more checks and balances in place for a business to minimize fraud. Either or both would be effective solutions to the legality issues of an RCC.

It seems that after years developing the most secure, reliable and finest financial system for payments in the world, that we should take full advantage of this infrastructure and kill the paper check before it is written where possible. The financial services network of image exchange partners using ECCHO rules and ACH-connected banks using NACHA rules are the gold standard for security and reliability. Why are we not taking advantage of both of these networks to move the check to the next generation: the electronic check?

The Federal Reserve is chartered with ensuring the safety and soundness of the financial system.

The RCC legality issue needs to be addressed to remove doubt and uncertainty from the system. One approach would be to modify the definition of a check to include the electronic check.

(Regulations CC, E and J are part of the U.S. Code of Federal Regulations, Title 12, Banks and Banking, which outlines the role of banks and banking in the United States. For more information, visit *http://en.wikipedia.org/wiki/Title_12_of_the_united_states_code.*)

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

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

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

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

For more information, contact:
Brian Jones, EVP Sales and Marketing: 800-201-0461 x 136
Jonathan Brandon, National Sales Manager East: 800-201-0461 x 145
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United Bank Card, Inc. is a top 40 merchant acquirer with an impeccable reputation of excellence in the payment processing industry. UBC provides payment services to over 110,000 businesses throughout the country and processes in excess of 9 billion dollars annually. Consistently recognized for being at the forefront of innovation, our programs will continue to provide our agents with a competitive edge.
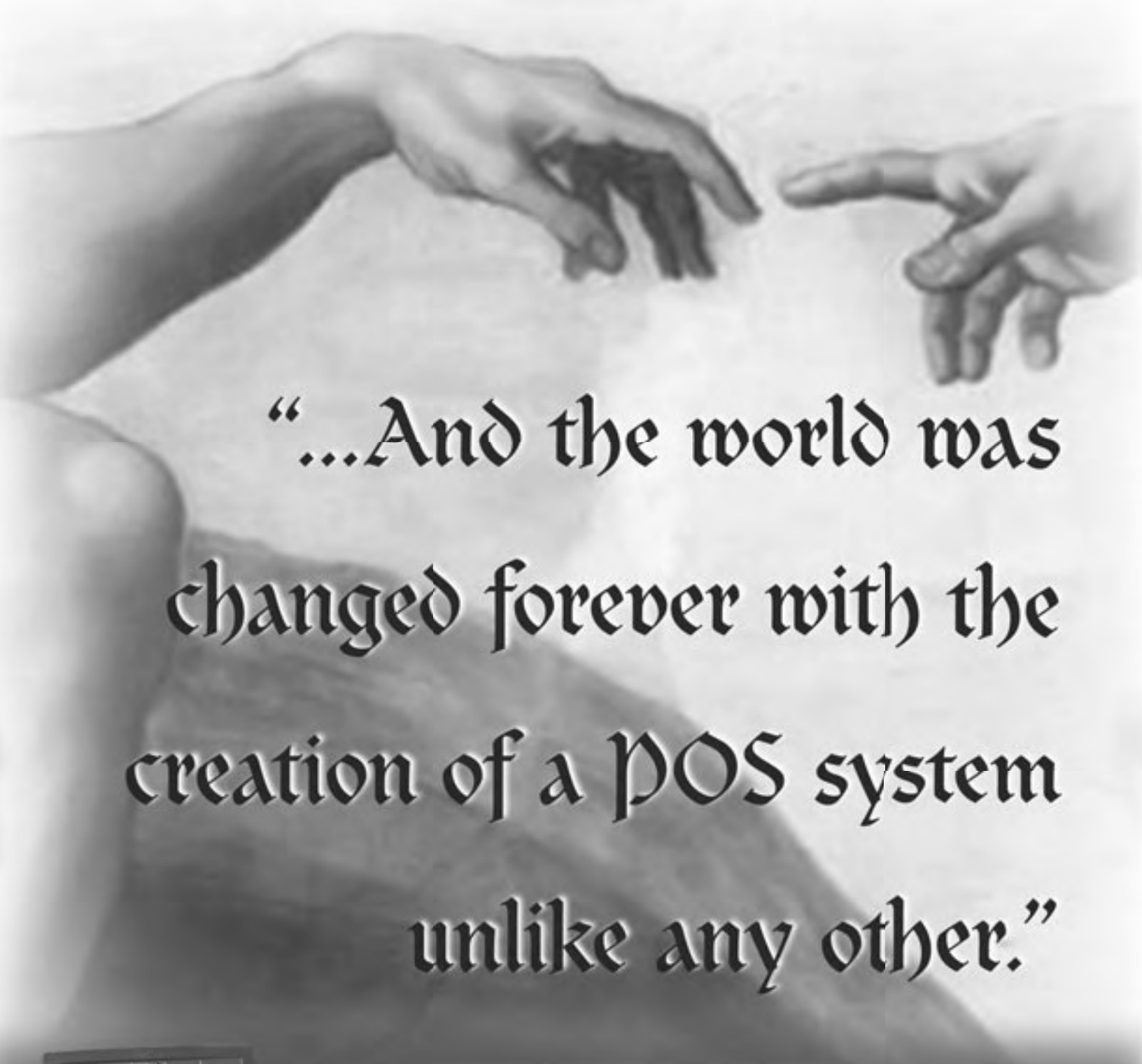
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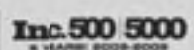
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NEWS

Federal Reserve issues new gift card rules

The **U.S. Federal Reserve Board** released the final rules to restrict the fees and expiration dates on certain types of gift cards. The rules, which amend Regulation E to implement the gift card provisions of the Credit Card Accountability, Responsibility and Disclosure Act of 2009, are designed "to protect consumers from certain unexpected costs and require that gift card terms and conditions be clearly stated," the Fed said.

The final rule applies to gift certificates, store gift cards and general purpose reloadable (GPR) cards; restricts dormancy, inactivity or service fees; limits expiration dates to less than five years; prohibits fees for replacing expired certificates or cards. For more information, go to *www.federalreserve.gov/news events/press/ bcreg/20100323a.htm.*

Prepaid among top Canadian payment trends

The Canadian division of financial consultancy **Deloitte & Touche LLP** lists prepaid cards as one of the biggest trends affecting the Canadian payments industry. Prepaid cards will be increasingly used for recurring payments, according to the Deloitte report entitled *Charting a new course for the credit card industry.* "The pay ahead payment concept of prepaid cards (as opposed to the pay later concept of credit cards) is on the rise as a way to distribute rewards or benefits to particular classes of consumers, and especially as a way of delivering government payments to individuals," Deloitte said.

Prepaid cards, along with mobile payments, transactions accomplished through social networking sites and other emerging payment vehicles, will usher in a "new generation of card and payment services – many of which will directly benefit Canadian consumers," said Pat Daley, Leader of the Deloitte Canada's Corporate Strategy Consulting and Payments Practice.

CAT alleges more patent infringement violations

Card Activation Technologies Inc. filed a lawsuit against 10 large retailers, including Nordstrom Inc., Blockbuster Inc, and Macy's Inc., claiming the companies infringed on CAT's patented POS technology for the activation and processing of prepaid card transactions, such as for gift, phone and other stored-value cards.

ANNOUNCEMENTS

Michigan jail gets kiosks

Continental Prison Systems Inc., doing business as EZ Card & Kiosk, reported the completed installation of and training for EZ Technology products and services at the Ingham County, Mich., jail.

Two kiosks were deployed at the facility – one that assists jail staff in receiving the cash and coins from inmates being booked into jail, and the other for friends and family to load money onto inmates' accounts.

Currencies Direct charts new frontier

Currencies Direct Ltd. released the MasterCard Worldwide-branded Euro MasterCard. The card, developed by Currencies Direct and payment processor CorporatePay Ltd., is issued by Newcastle Building Society and is accepted at retail establishments and ATM locations within the Eurozone.

Ignacio Hernandez, Managing Director of Currencies Direct, said that, as a travel card, "it not only provides great value for money but makes an important contribution to our core customer pledge – to provide money without frontiers."

eCommLink rolls with GPR card program

GPP card processor **eCommLink Inc.** released the eCommLink Market Ready program to enable companies to sell and distribute their own prepaid cards.

Many companies may have large clienteles or retail footprints but lack the means to act as card program managers, according to Vicente Mota, Senior Vice President of Sales at eCommLink. "The eCommLink Market Ready program is designed to enable these companies to quickly enter the prepaid market by combining their sales and distribution expertise with our own proven knowledge of the prepaid debit space," he said.

Heartland acceler-aids financial aid

Through its Campus Solutions division, **Heartland Payment Systems Inc.** rolled out Acceluraid – what the processor called the first electronic aid distribution plat-

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form to be integrated into a campus card system. With Acceluraid, Heartland's campus identification card, the OneCard, allows students electronic access to financial aid funds.

iCARD Systems offers bulk gift cards online

ISO and network-branded prepaid card provider **iCARD Systems** reported that it now offers over 150 merchant-specific gift cards and accepts corporate orders of bulk gift cards through its website.

ITS facilitates aid refunds on plastic

Central National Bank subsidiary **Interactive Transaction Services Inc**. now processes financial aid refunds for North Central Missouri College students. CNB issues the cards that run on Heartland's OneCard platform.

MoneyGram takes global strides

Money transfer specialist **MoneyGram International** reported that it expanded its agent network in Vietnam by 30 percent, introduced MoneyGram services into 930 Chinese banks and extended its services nationally by 40,000 new outlets.

Islamic bank unveils Visa card

Qatar Islamic Bank (QIB) introduced the QIB Hadiyati Visa Prepaid card. QIB said it is the first Islamic financial institution to offer a Visa Inc.-branded prepaid card that is compliant with Sharia, the Islamic law code practiced by Muslims.

RegaloCard expands in Central America

Mobile payment company **RegaloCard** said Almacenes Siman, a department store chain in Central America, joined the RegaloCard mobile payment network. With store locations in El Salvador, Guatemala, Nicaragua and Costa Rica, RegaloCard called the addition ideal because the RegaloCard mobile payment network allows Central Americans living in the United States to send money home.

Alliance advises on health record security

The **Smart Card Alliance Healthcare Council** released a brief that calls for two-factor authentication with smart card technology to protect the identities and information of health care consumers. The brief, entitled *Medical Identity Theft in Healthcare*, can be accessed at *www.smartcardalliance.org*.

PARTNERSHIPS

Technology pact signed

Euronet Worldwide Inc.'s software division **Euronet USA** and fraud management firm **Plus Technolo-** gies & Innovations Inc. partnered to market each other's products. Euronet's customers get Plus Technologies' real-time payment processing fraud prevention and anti-money laundering compliance solutions; Plus Technologies' benefits from Euronet's payment hub solutions platform.

New MasterCard site powered by Next Jump

MasterCard allied with next-generation e-commerce company **Next Jump Inc.** to start a website called MasterCard MarketPlace, which offers MasterCard cardholders merchant-funded discounts and special benefits from a network of thousands of U.S. merchants.

New team for virtual cards

TenderCard partnered with **Giftango** to offer virtual gift cards via email and mobile phone. "Giftango's solution allows us to extend the TenderCard platform into mobile and email delivery immediately and at a price point that makes sense for our clients," said Aaron Sorgman, CEO of TenderCard.

Veritec, PreVay to drive mobile payroll

Bar code and mobile banking firm **Veritec Inc.** signed an agreement with female-owned, New York City-based processor **PreVay** to market the Visa blinx On-Off card that enables employers to pay unbanked and under-banked employees electronically. The cards also offer mobile phone money transfers.

ViVOtech, Taggo ally for mobile convenience

E-commerce and mobile payment technology company **ViVOtech Inc.** said its loyalty, coupon, and prepaid software platform, as well as its ViVOpay 8000 series consumer payment devices, will support the membership card aggregator and storefront service of mobile payment provider **Taggo Pte. Ltd.**

ACQUISITIONS

Travelex keeps up with Inetco purchase

To reduce payment settlement uncertainty and operational risk, foreign exchange and international payment specialist **Travelex** acquired **Inetco Insight** from business transaction manager Inetco Systems Ltd.

Travelex reported that it is experiencing exponential growth in its payment processing business, necessitating its need for a service to manage Travelex's processing, meet Payment Card Industry Data Security Standard compliance, and establish "realistic" service level agreements with client banks and large merchant customers.

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APPOINTMENTS

COO named at FSV

FSV Payment Systems Inc. tapped **George Coutros** for the position of Chief Operating Officer. Coutros will manage FSV's overall operation and help shape the company's strategic direction. Coutros has over 20 years in the financial services sector as a senior executive with companies such as Bank of America Corp. and Equifax Inc.

Schultz joins ProfitPoint

Stored-value card provider ProfitPoint Inc. appointed **Ward Schultz** as its new COO and Chief Financial Officer. Schultz, named the 2008 Philadelphia Business Journal's CFO of the Year, served as Citi Prepaid Services' CFO and was CFO at Ecount when it was acquired by Citi in early 2007. Schultz will run ProfitPoint's daily operations, including finance and, in time, the technology aspects of the business as well, the company said.

FirstView gains new COO

Mark D. Wingate joined FirstView LLC as COO, Card Services Division. Wingate will assume overall responsibility for FirstView's card business. He was formerly Senior Vice President, Worldwide Sales and Marketing at Certegy Inc.

Features

Government streamlines payments with plastic

The government benefits sector of the prepaid card industry is experiencing massive growth. Mercator Advisory Group reported that the market for Social Security payments grew 11,000 percent in 2009 – the result of a large government expansion of the U.S. Social Security Administration's pilot program.

While that percentage increase may be anomalous, it is evident that the electronification of benefit payments is gaining speed. In February 2010, First Data Corp. signed an agreement with the Egyptian government to extend its food subsidies and pensions across the country.

"I think what you're seeing is a renewed focus on energy that First Data is putting into the governmental area," said Mark Putnam, Senior Vice President of the Prepaid Group

at First Data. "And, obviously, there's quite a bit of growth going on in the governmental space right now."

Putnam said First Data is leveraging technological investments it has made in other verticals, such as the payroll card market, to expand its efforts in government payments. "You're seeing hyper growth right now as more employers and governmental state and federal agencies endorse payroll cards or electronic payments," he added.

Environment-wide benefits

According to a First Data white paper entitled *Using Payment Cards for Lower Cost, More Secure Government Funds Disbursement*, government payments put on plastic save on the costs of printing and handling paper checks; fraud, theft and other problems associated with paper checks; the amount of paper waste and fuel expended in producing and distributing paper checks

Citing Mercator research, the report stated it costs the U.S. Department of the Treasury 98 cents to issue one paper check but just 10 cents to distribute those same funds electronically.

The report quoted Treasury Department statistics that 90 percent of all problems with Social Security payments occur with paper checks: lost or stole checks, fraudulently endorsed checks, and processing of inquiries concerning misplaced, damaged, stolen, misdirected and missing checks. As for the environmental impact of paper checks, the report cited NACHA – The Electronic Payments Association, which pointed out that producing and delivering paper checks uses over 674 million gallons of fuel annually, while the burning of that fuel adds 3.6 million tons of greenhouse gases to the environment yearly.

Case studies

As examples of how prepaid disbursement cards benefitted organizations, the report showcased the Social Security program piloted in 2007. The pilot started with a few thousand recipients activating Direct Express cards. When it was rolled out fully in 2008, about 450,000 Social Security recipients signed up for the program. By mid 2009, over 500,000 had enrolled, and almost $1.5 billion had been loaded onto Direct Express cards.

The First Data Government and Education Task Force-issued report said state governments have also begun disbursing Temporary Assistance for Needy Families (TANF) funds on prepaid cards. Despite an overall reduction in the amount of TANF aid given out, the money loaded onto prepaid cards reached $15.6 million in 2008, a 4 percent increase over the previous year.

Citing Mercator, First Data noted that 21 states disburse unemployment payments via prepaid cards, with all of the largest states – minus California – taking part. Even the U.S. Navy uses the open-loop Navy Cash Card for paying its personnel at sea. The cards also have a closed-

Sometimes things appear to be the

same at first glance...

loop feature for the purchase of goods from stores and vending machines located on naval ships.

The U.S. Navy installation illustrates a main benefit of government payments put on plastic: organizational cost savings. First Data's report highlights that the Navy had to collect, count and redeploy $250,000 in coins for the vending machines on board the aircraft carrier the USS Harry S. Truman. By going to the Navy Cash Card, the vending machines are now coinless, eliminating substantial currency management costs.

Consumers on deck, too

From a consumer standpoint, the report said government benefit cards offer more convenience; lower costs (compared to fees charged by check cashing businesses, for example); quicker access to funds; access to services debit and credit cardholders enjoy (such as online purchasing); improved safety and security

"So we're providing a tremendous service to cardholders, as well as governments and other employers, helping them minimize fraud, helping them minimize their expense in cutting and distributing checks," Putnam said. "And then finally we're helping them go green."

Prepaid and next-gen payments

At Prepaid Expo USA 2010, a panel discussion focused on the future of prepaid card payments on mobile handheld devices. The panelists agreed it is only a matter of time before mobile payments reach a tipping point and become another ubiquitous channel for the flow of commerce.

But the main challenge to implementation is acceptance, according to Ashim Banerjee, Chief Information Officer at TSYS Acquiring Solutions. He stressed that to gain universal acceptance, the near field communication (NFC) technology that facilitates proximity payments at the POS in brick-and-mortar retail environments must be integrated into the existing electronic payment infrastructure.

And key to integration is that merchants not be required to upgrade software and POS hardware devices, he said. That goal dovetails with consumers' demand for convenience. "Near-field commerce and all those things are very nice, but unless they are accepted everywhere credit card payments are accepted, they are virtually useless," he stated.

According to Banerjee, if cardholders can only use mobile phones to pay in some brick-and-mortar stores and not in others, the purpose of NFC-enabled mobile payments is defeated.

Proximity a ways away

For Teppo Paavola, Vice President, Corporate Business Development at Nokia, convenience also means speed. "Near field communication is one way of actually getting the transaction to happen faster than with cash or card," he said. "And if it's not faster or some other way more convenient, I don't think it's going to go global."

While Paavola believes mobile payments will eventually become commonplace, he predicts NFC-enabled contactless payments will take longer to implement than other types of m-payments.

Only approximately 3 or 4 percent of merchant locations presently accept contactless payments, according to Chris Britt, Chief Product Officer at Green Dot Corp. But that is not a hindrance to the prepaid card distributor and processor, because its targeted customer base, the unbanked, are usually not NFC-enabled smart phone users, Britt said. Instead, the unbanked rely on prepaid cell phones with minimal functionality beyond telecommunication.

"So keeping the services really basic, simple, reliable is where we're focused," Britt added. "And I think largely the services are around information and providing consumers with another way to gain access to that information rather than supporting payments at the point of sale."

Electronic migration

Banerjee said TSYS, one of the largest prepaid card processors, is expanding into mobile payments. Banerjee broke down online consumer purchasing behavior into four steps. Consumers first research potential purchases, select certain ones, discuss them with friends and colleagues at places like social media sites, and then make purchasing decisions.

"All of this is done fairly seamlessly on the Web, but not so seamlessly in the brick and mortar," Banerjee said. "The whole point is how well you create applications to enable consumers to migrate seamlessly between the Web and the brick and mortar is what we believe consumers have been asking us for."

But Paavola pointed out that in the developing world, the value proposition for consumers is different. "For most of the world it is basically getting the basic services that they don't get today," he said. "So it is moving from cash and jumping over the card and straight to a mobile device, which is rather logical and cheaper."

Ed Braswell, Chief Executive Officer at edo Interactive Inc. and moderator of the panel, summed up the discussion with a look ahead. "I think the world is changing; we're all affected by it," he said. "But in the end I think these are real interesting consumer applications that drive real value and provide an element of stickiness for the applications."

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First Data's
800-pound embrace

As the 800-pound gorilla of the payments industry, First Data Corp. is a magnet for rumors and unsubstantiated opinion. One persistent belief is that First Data is not friendly to ISOs or is, in fact, working to eliminate ISOs from the payment value chain altogether. But neither view has any basis in reality, according to Brian Goudie, Senior Vice President, Partner Sales, at First Data.

"Contrary to what a lot of ISOs out there think, we – the last three to three-and-a-half years – have really embraced the ISO model," he said.

What happened three-and-a-half years ago was the acquisition of First Data by private equity firm Kohlberg Kravis Roberts & Co. The September 2007 purchase coincided with Ed Labry being named to run First Data's U.S. operations. The significance to ISOs is that Labry has an ISO background, having been President of Concord EFS Inc. before joining First Data.

Goudie and his boss, Kim Fitzsimmons, President of U.S. Merchant Sales at First Data Merchant Services, also come out of the ISO world. "All of us have an ISO pedigree," Goudie said. "So it just was a natural progression for us to embrace the ISO industry."

To grow its outreach to the third-party ISO reseller channel, First Data more than doubled its internal sales force from three to seven representatives and took a greater role in the regional acquirer association meetings. The final change First Data made was to its image.

In the past, "my way or the highway" could characterize First Data's approach. "If you were an ISO and you were going to do business at First Data, First Data was going to lay out how it was, and you were going to conform or not," Goudie said.

But now First Data shows more flexibility. Goudie explained, "We needed to adapt to them as opposed to telling every new client, 'You have to adapt to First Data.' I think we've done that."

The eBay of ISO portfolios

Since 2007, First Data has charted substantial growth in its ISO channel. Goudie didn't cite specifically how many ISOs have joined the acquirer during the post-KKR acquisition period, but he categorized it as in the hundreds. And one aspect of First Data that draws ISOs in, paradoxically, is the exit strategy First Data affords them.

A common goal of ISOs is to grow their merchant portfolios over time and then sell them for windfall profits. What better way to achieve that goal than by having a large pool of prospective buyers to choose from? "If an ISO comes on today and 10 years from now they decide they want to sell, you've got a lot more people to sell to that are on their platform," Goudie said.

As the potential selling price of First Data portfolios is enhanced simply by

> *Informing merchants of a change in processors becomes an opportunity for them to take their business elsewhere. The general thought is that ISOs lose somewhere between 20 to 35 percent of their portfolios in a conversion due to attrition.*

the number of prospective buyers that also process through First Data, buyers that already work with First Data are more likely to buy a First Data portfolio than one tied to another processor.

"The key to it being on your platform is you don't have to do a conversion of your portfolio from one platform to the other which, at all costs, people want to avoid," Goudie said. "There's just no way to do that without it being expensive and painful, frankly."

Converting merchants in a given portfolio from Processor A to Processor B is a dreaded activity because of the financial, staffing and time resources put into changing or modifying POS equipment at merchant locations so that it conforms to the new processing platform. Goudie said this "equipment challenge" is required of 10 to 20 percent of merchants in any one portfolio.

The other major downside to the conversion process is merchant attrition, Goudie said. Informing merchants of a change in processors becomes an opportunity for them to take their business elsewhere. The general thought is that ISOs lose somewhere between 20 to 35 percent of their portfolios in a

conversion due to attrition, according to Goudie.

Because First Data ISOs prefer to buy and sell under the First Data umbrella, Goudie believes the acquirer is becoming "the eBay of ISO portfolios."

ISO-friendly

Goudie considers First Data's ISO channel a complement to its direct sales channel. Its direct channel consists of alliances with banks and referral sources like associations and chambers of commerce. Goudie said agents in the two channels are largely selling in different markets; therefore, the amount of competition between the two channels is negligible.

According to Goudie, First Data's ISOs are more entrepreneurial than its direct channel counterparts. "If you have somebody who works for a bank alliance, they tend to be a very reactive salesperson, whether the bank is giving them the leads or the bank is mandating [how] they run the business," he said. But that is not the case with ISOs.

"You could look at 30 different ISOs that have 30 completely different strategies," he noted. "It's a good thing." First Data offers a variety of revenue sharing programs for ISOs at different levels of development.

Beginning ISOs can enter First Data's Agent Program, which requires from them minimal financial commitments. The next level is the Retail ISO Program, in which First Data takes on the risk and underwriting responsibilities. In the Wholesale ISO Program, ISOs shoulder the risk and do their own underwriting.

Finally, the FSP Program is First Data's full-service processing business model, which is like the wholesale model except that ISOs can bring

their own sponsor banks into the relationship. "So every single client that we talk to, we actually have a bucket that probably would fit that strategy," Goudie said. In the case of startup ISOs, Goudie would probably steer them into the Agent Program, then reassess in a year's time.

"Maybe you want to take it to the next step to becoming a retail ISO," he said. "A few years from now, maybe you want to entertain taking on the risk and doing the underwriting. We don't really care. It's the beauty of the program."

First Data also allows its ISOs to do business basically as they see fit. "They really have the freedom to go out and price accounts the way they want, sell whatever equipment they want," Goudie said. "As long as it's in compliance and they are complying to the association rules, they have a lot of freedom."

TransArmor and much more

As the world's largest acquirer, First Data offers its ISOs a vast array of POS equipment and proprietary services to sell to merchants: TeleCheck for check services, TASQ Technology for equipment needs and remote deposit capture, and First Data Global Leasing for POS equipment leasing needs. Additionally, First Data runs its own global gateway and provides a full range of prepaid card processing services.

Goudie noted that all First Data-owned companies, products and services, which means First Data ISOs, never need to go outside the company to contract with third-party service providers. But that is not to say ISOs cannot utilize other vendors.

"If an ISO wishes to use a third-party gateway, gift card vendor, POS equipment device, et cetera, they are free to do so, which gives them the best of all worlds," he said.

One soon-to-market First Data product is called Trans-Armor – a service that uses data encryption technology to secure cardholder data at the POS before removing it from the merchant environment and then uses tokenization to allow merchants safe access to it when necessary.

According to Craig Tieken, Vice President of Product at First Data, TransArmor encrypts payment card data at the point of capture. The card number is then tokenized – replaced with a different number while retaining the last four digits the same as the original. That "token" is then stored at the merchant site without the need to protect that data because it is useless to hackers if stolen.

First Data stores the actual number securely. If an issue arises with a particular transaction, such as a chargeback scenario, First Data can retrieve the card number using the last four digits combined with the merchant ID, Tieken said.

He called the technology "hardware agnostic," meaning it is meant to be used on all types of POS systems, both old and new. TransArmor is therefore designed to work with older swipe devices that mom-and-pops might use as well as with the large, integrated POS systems run by big-box retailers, Tieken said.

A future full of ISOs

The overarching goal of TransArmor is to relieve merchants of the burdens of Payment Card Industry (PCI) Data Security Standard (DSS) compliance – something that competing solutions do not do, Tieken said.

Some large merchants already employ tokenization and encryption technology, he noted, but they have the responsibility of housing the token servers and the subsequent data security compliance requirements. "What we're doing is we're pulling that back and taking that burden away from [the merchant]," Tieken said.

A product like TransArmor, scheduled for availability to ISOs starting in the summer of 2010, seems to affirm First Data's commitment to ISOs.

"Looking into the crystal ball, I think we will continue to grow this channel," Goudie said. "We don't see it stopping anytime soon."

News

ATM ISOs threatened by MasterCard's new fee structure

ATM industry acquirers face major revenue declines following MasterCard Worldwide's April 2010 implementation of a new fee structure for Cirrus, its ATM transaction routing network.

MasterCard's revamped interchange structure divides into three tiers what had been a uniform rate levied on issuers for Cirrus-routed transactions and makes the previous flat rate the new top tier. The new pricing system also includes a marked increase in the "support fee" leveled on ATM acquirers, which jumped from 5 cents to 18 cents for every transaction routed over the Cirrus network.

According to ATM industry consulting firm Tremont Capital Group, which was commissioned by the ATM Industry Association to study the potential business impacts of MasterCard's new fee structure, ATM industry ISOs stand to lose between $19.7 million and $25.6 million annually as a direct result of the changes. According to Tremont, about 17 percent of U.S.-based ATM transactions flow through Cirrus.

"As you look at the pattern that's occurred since MasterCard and Visa have gone public, they've continued to raise their fees to the merchants and, in this case, to the ATM owners," said Ken Musante, President of Eureka Payments LLC. The 13-cent fee increase is "huge," he added.

Under MasterCard's new pricing system, banks that issue Cirrus-enabled debit cards on a large scale pay the lowest interchange rate; medium-scale issuers of such cards pay an in-between rate; and small-scale issuers of the cards dish out the highest rate. This highest rate had been MasterCard's across-the-board rate under the previous, single-tiered system.

That rate is 50 cents per transaction, while the new middle- and lower-tiered rates are 45 cents and 35 cents per transaction, respectively.

Reverse flow

Why these lowered rates are a detriment to ISOs relates to the flow of money in the ATM niche, where interchange moves in reverse to its usual course. Rather than receiving interchange, as they normally do in the bankcard sector, issuers in the ATM business pay interchange fees to ISOs, merchants and other acquirers (that is, ATM owners).

The reasoning behind MasterCard's tiered system is that

banks will be motivated by the prospect of lower fees to issue more Cirrus-enabled cards. But the incentive-based system will almost certainly work against acquirers, who lose in interchange money what issuers save.

"The card networks want issuers to issue their cards, and where they see an opportunity to push interchange to the favor of their card issuer, they will do that," Musante said.

ATMs can connect to certain networks and not to others. According to Don Apgar, Senior Vice President at ISO and ATM service provider Payment Alliance International, the possibility of some acquirers boycotting the Cirrus network is "a hot topic right now." But he said acquirers who do that risk losing the business of customers whose ATM cards only travel over Cirrus (or Cirrus and other select networks not connected with a particular ATM, which would then rely on Cirrus for that transaction).

Risk for MasterCard?

In any event, MasterCard's decision is risky because ATM transactions are usually routed, by electronic switch, to the connecting network that provides acquirers with the highest interchange, according to Apgar. He said some transactions that would have normally run over Cirrus may now be routed to a more lucrative network, adding that there are "at least a dozen" electronic funds transfer networks for routing ATM transactions.

The transaction volume MasterCard stands to lose depends on how its old interchange rates measured up to other network providers, Apgar said.

The old MasterCard rates may have been comparatively low, in which case the estimated 17 percent of ATM transactions routed over Cirrus were presumably mostly linked to ATM cards enabled only for that network. But if its old rates were competitive, MasterCard risks losing business to other network providers whose rates could have jumped MasterCard's after it changed its fee system.

"That's the million dollar question: Is that 17 percent already the bottom line number, or is there room to move more business off of MasterCard at this point?" Apgar said.

Visa rattles payments with CyberSource acquisition

In a bold move that many think could be an absolute game-changer for the payments industry, Visa Inc. acquired e-commerce processor and fraud management firm CyberSource Corp. for $2 billion. CyberSource processes about 25 percent of all e-commerce dollars in the United States and is the owner

News

of payment gateway Authorize.Net, which the company bought in 2007.

"Online commerce continues to grow rapidly, and this acquisition will enable Visa to offer new and enhanced services that will better meet the growing demand among merchants globally for robust, secure online payment processing capabilities which in turn will grow the entire e-commerce category," said Joseph W. Saunders, Chairman and Chief Executive Officer of Visa, in a press release from the company.

The takeover gives Visa access to about 295,0000 CyberSource merchants, including the owners of the Internet's two most heavily trafficked Web sites, Google Inc. and Facebook Inc. It also gives Visa control of CyberSource's vaunted global fraud prevention platform, used to combat e-commerce-based fraud through complex software analytics and vast repositories of e-merchant data.

"It's pretty obvious that Visa's taken the gloves off and isn't feeling restricted anymore and is going after a new market," said Linda Mahy, CEO of payments industry consulting firm Connective IQ Inc. "When they have new entrants like a PayPal in their backyard, they have to be innovative, and the acquisition of CyberSource is going to give them a reach into e-commerce to further expand their rails.

"The other biggest thing Visa's going to pick up is the domain knowledge on fraud, where CyberSource has been a clear market leader."

Quite a number of payment parties are threatened by this deal – which may portend a much bigger e-commerce market share takeover by the credit card giant, Mahy said.

Among them are online fraud prevention providers that compete directly with CyberSource; alternative payment providers like PayPal, whose growing influence appears to be at least part of what propelled Visa's decision; and online merchant service providers more generally, including processors, gateway providers and ISOs.

"I think it's going to immediately change the face of e-commerce," Mahy said. "This is huge, and anybody who doesn't see how huge it is doesn't get it. This is Visa demonstrating that they get it when it comes to technology. I think a lot of people felt the [card companies] were asleep at the wheel and letting the banks steer them, and this is Visa saying, 'we know what time it is.' … With this they just picked up 25 percent of Internet market share and kept it from PayPal, and it's a brilliant move."

Monopolistic concerns

Yet it is possible the deal could face legal challenges over monopolistic concerns, Mahy added. "You think for one minute that First Data attorneys aren't having that con-

versation? I would assure you they are," she said. "I'm sure the announcement sent shockwaves through their e-commerce data division, among other places."

Payment attorney Jeffrey Shinder agreed, asserting that "CyberSource competitors have every reason to be concerned, and it would not surprise me at all if they attempt to do something about it." He said the deal "definitely merits scrutiny" for possibly infringing on antitrust laws and that he expects the United States Department of Justice will at least examine the case for legal conflicts.

The biggest legal issue surrounding the takeover, Shinder said, is the conflict between Visa's leading position on the PCI Security Standards Council and its control of a company whose domain – and that of its competitors – falls under the direct scrutiny of that governing body.

Visa's ownership of CyberSource could potentially afford the company access to the competitive secrets of other players in the fraud space, as well as give CyberSource undue control over the way Payment Card Industry (PCI) Data Security Standard (DSS) rules are formulated and enforced, Shinder noted.

"CyberSource's competitors have to make extensive disclosures of competitively sensitive information regarding how their systems operate to satisfy Visa and the rest of the Council that whatever services they're providing are compliant and will maintain the integrity of the data that travels through the system," he said. "And now you're in a situation where those competitors are providing information that could conceivably get to CyberSource.

"And the verticality between Visa and CyberSource could be used in various ways to favor CyberSource over competitors through its rule-making and could be used to undermine competition. I do think CyberSource competitors have every reason to be concerned."

Shinder contended that the deal held particular significance in the mobile commerce space, where a host of alternative payment sources (like the use of text messaging to bill a user's mobile account) are threatening the conventional paradigm of direct card payments in the electronic commerce sphere.

"Visa, I think, looks at mobile the same way it did PIN debit payments when they came out – as an alien force that needs to be contained," he said. "You go back 20 years ago, the fear was that PIN debit systems would undermine the existing paradigm, and mobile has that same capability, depending on how it grows, to disintermediate Visa. "Our kids are going to be paying with their cell phones, and Visa wants it to be on its platform, and I think this is a preemptive way to help maintain its position."

Possible effect on merchants, interchange

Shinder said the deal could hurt online merchants as well,

who would face the prospect of increasingly high interchange and merchant service fees in the face of reduced competition in the merchant services sector.

Mahy, however, said the federal government, which has long had interchange on its radar, is unlikely to allow interchange fees to climb much higher, regardless of who levies them. (It has thus far failed to enact legislation to restrict interchange, despite intense lobbying by the Merchants Payments Coalition, National Retail Federation and other merchant advocates in recent years.)

Mahy further contended that Visa's ownership of CyberSource opens up so many potential sources of revenue that it is unlikely interchange will continue to rule the day as a profit stream and may even go down as a result.

"Visa's going to pick up more volume," she said. "But more importantly, with CyberSource's core competency in fraud, Visa should be able to shut down more fraud, which is costly to everybody in the value chain, so this is a big uptick for Visa. I think it's going to lower interchange, and I see this as a brilliant move to counter the attack on interchange generally."

ETA honors top leaders

Four key players in the payments industry received awards for outstanding leadership and innovation during the 20th Gala Anniversary Celebration and President's Dinner held April 12 at the Electronic Transaction Association's 2010 Annual Meeting & Expo in Las Vegas. Also honored were two of the ETA's founders, Biff Matthews of Cardware International and Joyce Cook of International CyberTrans.

The Strawhecker Group earned the Business Partner of the Year Award for its distinguished commitment to furthering the ETA's goals and objectives. TSG is a management consulting company that specializes in maximizing growth and profitability for clients in the merchant acquiring sector.

"TSG is proud to serve the association and will continue to share our consulting, research and valuation expertise with ETA members and others in the electronic payments industry," said TSG President Kurt Strawhecker.

Todd Ablowitz, President of Double Diamond Group LLC, received the Member of the Year Award. Double Diamond's expert consultants serve global payment clients in the areas of strategic planning, business development, product management and international expansion.

An organization worth its salt

"As an ETA board member and active participant in this organization, I've been impressed by the high level of professionalism and the quality of discourse the association offers its members," Ablowitz said. "ETA is unparalleled in terms of government relations, access to education and information."

The ISO of the Year Award went to Propay, a leader in end-to-end payment security, credit card processing and electronic payment services.

"ProPay is a pioneer in data security and PCI compliance," said Carla Balakgie, Chief Executive Officer of the ETA. "They have moved the payments industry forward by using technology to increase merchant compliance and manage risk. They've also exhibited a strong commitment to alternative payments and other value-added strategies. For these reasons, ETA is proud to name ProPay as the recipient of ETA's ISO of the Year Award."

The Technology Innovation Award went to ROAM Data, a leading mobile commerce service provider for merchants to transact with consumers securely and affordably on mobile phones. With the release of the new ROAMpay Swipe solution, the company is poised to deliver the world's first encrypted card reader connected through the audio connection of mobile phones. Merchants will have the ability to process card-present swipe transactions on a variety of phone models.

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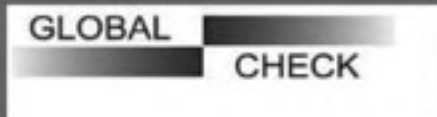
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*Patent Pending

U.S. consumers and businesses, combined, write more than 20 billion checks a year, according to the Fed. Although most of these are truncated, check writers and banks can request delivery of image replacement documents, which are legal, hard-copy replacements generated from the original, imaged check files.

According to Shy, the typical American consumer paid by check for 28.6 percent of transactions in 2007; only 16.8 percent were electronic transactions (for example, online bill payment and ACH debits); consumers used credit and debit cards for 54.6 percent of payments.

It's an entirely different scene in Europe, where consumers rarely write checks, having grown up with giro transfers.

The most popular consumer electronic payment method in the region, giro transfer enables account holders to transfer money by instructing banks to directly transfer funds from one account to another. Giro payments represent credit transfers; checks are debit transfers.

Additionally, European central banks and industry groups actively discourage check writing.

In the United Kingdom, for example, checks are to be made obsolete by Oct. 31, 2018. And in Germany, 84.7 percent of payments by the typical consumer were done electronically in 2007, and 0.58 percent were made by check, according to the Bank for International Settlements, which keeps tabs on payment trends in the major industrialized nations.

The American check habit

Shy addresses this chasm in check usage in a recently released policy paper titled Person-to-Person Electronic Funds Transfers: Recent Developments and Policy Issues.

Among other things, Shy asks if it's appropriate for the Federal Reserve to take additional, bolder steps to wean Americans from paper checks.

For instance, he suggests the Fed could widen the pricing gaps between check and electronic payment services, like the ACH, as a signal that paper checks will be replaced eventually by electronic exchanges.

Today banks pay the Fed or a correspondent institution upwards of 15 cents to process a paper check and about 1.5 cents to truncate and clear that same check electronically. The base price for an ACH payment can run upwards of 0.25 cents each for sending and receiving banks.

"The Fed could also adopt other means of intervention, such as public education and promotion," Shy proposes in his paper.

Shy also feels it's time to put an end to free checking. "Had consumers faced the true cost of using checks, electronic

P2P [payments] would probably have been able to gain market share" in the United States, he wrote.

Walker doesn't see the need. "Checks have been around for more than 300 years; the ACH has been around for just 40 years," he said. There are good reasons why checks have had such staying power, he added.

For example, despite the proliferation of ACH transactions intended to displace checks, there's been little growth in B2B payments via the ACH, and growth has slowed recently for several consumer-to-business (C2B) transactions, such as accounts receivables check conversion (ARC).

ARC transactions fell by more than 10 percent between 2008 and 2009, according to NACHA – The Electronic Payments Association. Back-office conversion payments saw the best growth, statistically, but there were only 160.5 million checks converted to ACH payments in this manner.

End-to-end electronic checks

In a paper published late in 2009 by the Federal Reserve Bank of Chicago, Walker and several Fed payment experts suggest that rather than eschew checks, banks and the Fed should create a new digital check instrument, which they're calling an electronic payment order (EPO).

"Our paper develops an exploratory proposal to digitally rejuvenate the check payment instrument in order to extend the beneficial properties that have made it a viable payment option for centuries," the authors wrote in their tome, Digital Checks as Electronic Payment Orders.

"It makes good sense; it's the next logical step to improve the system," Walker said. In fact, banks today already handle billions of like transactions, he noted, pointing to remotely created checks.

Remotely created checks (sometimes called "telechecks" or "preauthorized drafts") are used routinely by billers to collect late payments, as well as for other non-face-to-face transactions.

Customers authorize payees to draw checks on their checking accounts; in place of signatures, these drafts contain language indicating customer authorization.

These remotely created checks clear just like paper checks today, Walker noted – only they're electronic, from beginning to end. They are, in effect, EPOs.

So why not take the next logical step, and initiate all checks electronically?

In the report published by the Chicago Fed, Walker and his co-authors argue that a similar transformation took place 30 years ago when advances in technology made

it possible for banks to introduce ATMs to take some of the workload off branches. Today, ATMs are ubiquitous and far more than mere cash machines.

"We believe a similar radical transformation for paper checks could be at hand using an instrument that consumers readily turn to more than their wallets – a smart mobile phone," the report states. The transformation doesn't require significant change, just the elimination of what Walker refers to as "that tiny sliver" of the check system that's still dependent on paper.

EPOs are, in effect, end-to-end electronic payments, but they're treated legally like checks.

"We believe the costs to operate such a new system would not be large and allow the new product to compete quite successfully in terms of price and convenience with both debit and credit cards," the report states.

A business case for going electronic

EPOs, with check-like data fields, could also sway the millions of businesses that aren't using the ACH for B2B and B2C payments to move to an electronic version of a payment format with which there's existing comfort: the check.

From a corporate treasurer's point of view, ACH transaction formats don't provide for sufficient remittance detail, certainly not as much as checks.

That's a deal breaker when it comes to paying multiple invoices with a single transaction, which is the case with most B2B payments.

The result is that two-thirds of all monies received by businesses in the United States (from consumers and other businesses) are in the form of checks, according to the AFP.

Aite Group LLC predicts that among the nation's estimated 27 million small businesses, 90 percent of payments to other businesses this year will be made by check.

Former banker Ed McLaughlin, Executive Director of RemoteDeposit Capture .com, describes EPOs as "logical." But he cautions that the transition from paper checks to EPOs is not a slam dunk. Among other things, he suggests that banks could have problems distinguishing between EPOs and remote deposit capture (RDC) items. (For more information, see "The next generation of the check," by Ed McLaughlin, reprinted in this issue of *The Green Sheet*, May 10, 2010, issue 10:05:01.)

RDC items start out as paper checks and get truncated by the payee or its agent bank; an electronic image is taken (typically in a back-office environment), and that digitized information is transmitted for deposit and/or

clearing. Most RDC items clear as electronic check files.

The ACH is also an option, in which case the payments are legally considered electronic and thus subject to consumer protections spelled out in the U.S. Code of Federal Regulations, Title 12, Banks and Banking, Regulation E.

Mobile phones and RDC

RDC has great appeal, especially among the estimated 24 million merchants operating in the United States. It's convenient; it's automated; it helps slash bank fees; it accelerates cash flow.

Shy suggests that RDC is such a good deal that it reduces "the incentives of merchants to resist checks, and may also have influenced the banking industry against offering low-cost P2B and P2P electronic transfers via online banking."

John Leekley, founder and Chief Executive Officer of RemoteDepositCapture.com, estimates accelerated cash flow from RDC, alone, holds the potential to create 40 cents in added value for every $1,000 in daily check deposits a business makes. Spread that over the course of a year, and you're talking significant additions to revenues, he noted.

For financial institutions RDC offers an inexpensive way to boost deposits, Leekley added. "RDC is not just about checks," he said. "It has the potential to be a critical part of a bank's payments business."

Federal regulators came to this conclusion, too, and issued a joint document on risk management steps banks should take when implementing RDC. That document describes RDC as "a deposit transaction delivery system."

Leekley believes any risks identified with RDC are manageable. "There are so many ways to manage an RDC system that it really doesn't matter where the payment is captured and processed," he said. "Even a cell phone can become a payment capture device."

At a webinar last fall, McLaughlin suggested 90 percent of branch teller transactions these days are check related. By moving significant numbers of those to an alternative, electronic channel – like the mobile phone – banks could boost branch and personnel efficiencies.

"Banks need to be more flexible; they need to understand where the value is for their customers as well as for themselves" from RDC, Leekley said.

"There's much more value [for banks] in deposits than in fees." After all, deposits are the "lifeblood of banking," Leekley added.

Education

StreetSmarts℠

Referral strategies: What really works?

By Ken Musante
Eureka Payments LLC

As ISOs and merchant level salespeople (MLSs), we must provide value to our customers or they will leave us for lower prices or better service. If instead of a tangential relationship with our customers we are referred by a trusted source, we have a much greater chance of maintaining those customers.

A 2006 Aite Group LLC study reported that merchants selected they met in the following ways:

- By a trade association referral: 24 percent
- Through the merchant's bank: 18 percent
- Through a sales call: 15 percent
- Through an online search of processors: 12 percent
- By referral from a friend: 9 percent
- By referral from an accountant: 4 percent
- By a franchise corporation request: 3 percent
- Through a vendor: 3 percent
- Through a tradeshow meeting: 3 percent
- Through a mail solicitation: 2 percent
- From an existing merchant agreement: 2 percent

Five percent of merchants studied do not recall or do not know how they came to select their current processors.

This study brings to light that 28 percent of merchants obtained accounts via direct trade association or accountant referrals, and an additional 30 percent were referred or sold by the merchant's bank, a friend or a vendor.

Only 15 percent of merchants established their processing

relationship as a result of a sales call. And a mere 2 percent purchased processing as a result of a mailer.

Postcards, fliers and 'human billboards'

Given the results of this study, is advertising a poor use of resources? Should we be diverting our advertising dollars to referral partners or employees? To gain insight, I posted the following on GS Online's MLS Forum:

Sandwich boards to attract the hoards
Newsprint ads for the latest fads
Internet banners for ball-peen hammers
Merchants come and some will stay
But when interchange rises will they wash away?

Is advertising an efficient and profitable way to generate new clients? Which forms are most effective? Regardless of the relative effectiveness of advertising, how do we gain new referral partners, and is that a better use for our advertising dollars? Or is hiring more sales staff the most effective way to gain new merchants?

In addition to taking some pretty good shots for my rhyming, I got some good feedback. Ccguy left the following: "Best advertising is flyers. Hand out a good flyer, postcard and letter. Something that gets the message out and gives the merchant a call to action."

StreetSmarts

"I keep a small ad in the Yellow Pages. ... In this case, size does not matter. You won't get a ton of calls, but every now and then you reel in a pretty nice catch. I met with the Yellow Book sales agent a few weeks ago ... and learned that they now give you a free website with an ad package of 40 something dollars per month, so Ol' Slick will soon arrive in the 21st century and have his own website."

Slick Streetman
Green Sheet Forum Member

The Dustman agreed. His team has a very methodical, face-to-face approach. They seek out areas that have sufficient size to cold call, then physically canvas the area and leave cards and flyers behind. Upon completion of the "blitz," they repeat the process two more times. By the third pass they have enough merchants in the area to generate sufficient referrals.

They have enough experience doing this to know they will capture 10 percent of the market they are pursuing. The Dustman calls his staff "human billboards" selling not just merchant services but all the services his company offers.

In fact, merchant services is not the primary or lead product. So his advertising expense is his staff. I suspect many MLSs work this same way.

I've found postcards to be effective. But for them to be successful, you have to follow up with a call. I like postcards because the prospect does not even have to open the letter to get the message. Like any direct mail, however, finding the prospect list is difficult or costly.

Coach Bob argued that, because some sales folks employ an application fee and/or a lease, they are then able to employ a direct-to-merchant sales approach that may require two or three visits to close.

This enables a higher payout upfront to fund using a two- or three-visit close. I do, however, believe in using canvassers to get leads.

Niche marketing

As far as advertising and rate of return in our business, we have done it all over the years: postcard, newspaper, penny saver, flyer et cetera. There was a time when some of these were profitable.

My belief is that in a major market these have become ineffective due to the amount of agents walking into retail locations or calling merchants every day. Why pick up a phone and make a call from an ad when someone is standing in front of you?

Ccguy pointed out that some new merchants in Florida see 20 to 50 postcards promising unbelievable rates, free terminals and free vacations or cruises. But it is hard to believe that blatantly misleading postcards or advertisements could lead a prospect to call. Free computer? Free vacation? Obviously, ISOs cannot fulfill such expectations. So could such offers really be worth it?

Deepook wrote, "We have tried [a] majority of what has been said above. It seemed like there was a time and place for each one mentioned. For example, telemarketing worked great in the early 2000s.

Ever since the change in the market, the direct sales seems to be working. I still have telemarketers, but they just simply set appointments. If there is [a] niche market (in our case the MD [medical doctor] & lodging product), we advertise in their industry publications."

I like Deepook's suggestion on the niche advertising in the MD and lodging trade magazines. Niche marketing makes sense, given the desire to not waste your ad expenditure on folks who are not truly buyers in your space.

Targeting a magazine that is directed to your merchant type ensures your advertising dollars are efficiently spent, because even with the ad, you still have to pay a closer.

Slick Streetman shared some wisdom when he wrote, "I keep a small ad in the Yellow Pages. … In this case, size does not matter. You won't get a ton of calls, but every now and then you reel in a pretty nice catch. I met with the Yellow Book sales agent a few weeks ago … and learned that they now give you a free website with an ad package of 40 something dollars per month, so Ol' Slick will soon arrive in the 21st century and have his own website.

"One thing that urged me on to get the website is that I am joining the local chamber of commerce and their website has automatic tie-ins with members' websites. The chamber has a lunch meeting and a breakfast meeting every month and a chamber after-hours social mixer once a month, so it is a great networking opportunity.

"Also … as a member, you can send out flyers or post-cards to other members, and I've heard you get a pretty good response. Plus, if your office is in your home, it is only about $200 a year to be a member."

The common theme is that none of the advertisements are general ads. They are either paying for sales staff or targeted to very specific geographic or vertical groups.

TexasCommerce echoed this thought by writing, "Took one of our own mailer products, designed it for the merchant versus the consumer, with cash as the driver, mailed to specific vertical markets, within a defined three to six mile zone.

Merchants are calling in with inquiries about 'can I get this for my business and/or how much to get this for my business?' Warm lead created, within a very defined area, sales are closing daily."

Although few comments were made about Internet advertising, JayStuart provided some thoughts that were consistent to our niche advertising theme: "The price of AdWords [Google's online advertising service] has no relation to their effectiveness.

The price is simply a function of demand for that particular word. You are essentially bidding against others who wish to use that word.

"I've used pay-per-click in other industries and, based on my experience there, I can pretty well imagine that (in the [credit card] processing industry) one could spend major dollars with nothing to show for it at the end of the day. The conversion ratio is probably laughable. Plus, as has been mentioned, when you pull in your nets, they're full of bottom feeders."

Referral partners

For my part, although name recognition is valuable, a referral partner is a far more beneficial way to spend your advertising dollars. To effectively maintain them, you must provide them something in return. An MLS may maintain such a relationship by paying the referral partner.

Payments may be made to all kinds of entities and organizations in exchange for referrals. Certainly there are hundreds of types of companies and partners – you need only seek them out and be able to service their unique needs.

Advertising can be effective but must be narrowly focused. Mass media is both expensive and ineffective. Advertising with your referral partner, however, is extremely effective. Anything with your partner's name can drive business to you – whether or not a merchant sees the advertisement.

Advertising with your partner is like marrying the person you live with. You are publicly declaring to the world your devotion to each other. Doing so will inspire your business partner to refer you even more.

Word of mouth

I'll give Clearent the last word on the topic of advertising to attract merchants' attention: "I find advertising, honestly advertising, is not worth the money. A few years back, a large ISO sponsored the Dallas Stars.

They even ran ads during the hockey games. I asked the marketing team their response – and they said to me that the comments were mostly – who are you, and what do you do again?

"We are a B2B [business-to-business] industry. In many cases, we are seen as a very small part of the business. They don't see an ad and say, 'Hey, that's just what I need.' Better to sell using referrals, word of mouth, and shoe or ear leather than spend on ads … unless, of course, you are endorsed by an association – and it's their trade publication. That does have value." 📧

Education (continued)

Two steps toward plentiful referrals

By Jeff Fortney

Clearent LLC

Few would dispute that the best source of new business is the referral. A referral serves as an automatic door opener, enhancing your credibility; it turns cold leads to warm, making them easier to close.

All merchant level salespeople (MLSs) prefer working referrals to chasing cold calls, mainly because referrals require less time start to finish, opening time for other sales opportunities. Given this efficiency, business derived from referrals may be more valuable, even if it is priced lower than cold calls.

However, even with these unquestioned benefits, many MLSs are not highly motivated to meet the challenges involved in generating a significant number of referrals.

When MLSs are asked where they generally look for referrals, common answers include friends, software companies, vendors and others who also sell to businesses. They will also tell you they attend networking meetings and events to help find leads.

Some MLSs say they ask their merchant customers for referrals, but few say they actively work their merchant base for leads. There are many ways to increase referrals from clients, and you can do so in ways that benefit your customers.

Two examples: creating and distributing newsletters and sharing cost control tips.

Step one: Newsletters

Newsletters sent on a consistent basis are an effective tool in keeping your name in front of merchants. They don't need to be lengthy and don't always need to be about payment processing.

Realtors have mastered this art. Many will write a two-sided newsletter with information on home services and neighborhood specials. Generally, they include only brief mentions about home sales.

The difficulty in preparing a newsletter is content. It's obvious what a realtor provides and, as such, content is easy to identify. For an MLS, it's easy to drift into either useless information or techno-speak. The need to be brief and spur interest makes it even harder.

One idea is to highlight one of your merchants (with his or her permission). This will inform other merchants and increase your rapport with the highlighted merchant as well.

You can also provide pertinent updates regarding the industry. Information regarding Payment Card Industry Data Security Standard compliance is a prime example of a beneficial service, if clearly written in words merchants can understand.

Other options include coupons, or notices of discounts and referral bonuses.

Consider having a stack of newsletters with you when making sales calls, as well as hand-delivering copies to local merchants.

Step two: Cost control

A common sales technique is to ask for a copy of a prospective merchant's statement and say, "I can save you money." Since this remains the most common sales practice in our industry, why aren't you taking this one step further and approaching your merchants with ways they can help control their costs?

This is contrary to what many have been trained to do. Others will tell you this costs you money because

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Education

it takes away from your selling time. However, if your competition is claiming cost savings, your proactively showing merchants cost control measures builds their confidence in you, making them less likely to listen to competitors' claims.

Teach merchants the proper transaction handling steps to ensure they receive the best possible rates. Tell them to swipe all cards whenever possible. Emphasize that they should answer every question the terminal asks when accepting payments. For merchants priced at interchange pass through, go into more detail, emphasizing the various requirements of each category.

It is not uncommon for MLSs to teach merchants cost control measures when they install or download terminals. However, to generate referrals, it's important to reach out to your customers regularly. The key is identifying opportunities as they arise. This requires that you monitor your portfolio monthly.

Do this at the beginning of each month. Look for merchants who have had either an increase in costs or a significant volume increase. An increase in cost without a volume increase is a key indicator.

Acknowledging increased volume shows merchants you're aware of their success; it also provides an opening to remind merchants of their initial training.

To monitor effectively, you will need access to your merchants' data or statements. Also, it's important to show merchants how their actions can help control their costs. (It is not prudent to attempt this exercise if there is a change in pricing during the month you plan to analyze.)

After you have completed your cost control evaluation, remind your merchant that other MLSs will promise to save them money. Tell them that when it happens, they should call you before taking any such promises to heart.

Then close your conversations with, "I'm sure you know merchants who signed with their processing partner and never saw them again. Do you think they would benefit from my services? I'm sure I can help them, too."

The key to success is to actively seek referrals. Using a newsletter and training merchants on cost control measures are two steps you can take to gain their trust – and gain leads. The time you spend on both activities will be worth it. 🖼

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

Education (continued)

Digging into PCI – Part 11:
Regularly test security systems and processes

By Tim Cranny

Panoptic Security Inc.

In this installment of our multipart series, I will drill down on the eleventh 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 ISO, bank or processor can do to help them.

Requirement 11 is "Regularly test security systems and processes" and is the second half of the section "Regularly Monitor and Test Networks."

What Requirement 11 is all about

The idea behind Requirement 11 is pre-emptive testing: regular probing of your own card-processing environment as if you were a hacker looking for security flaws in your network setup, your computer programs and anything else that could possibly be attacked. The bottom line is that if you have a security weakness, someone is going to find it: better that it be you than a real attacker.

Just like the issues discussed in Requirement 10, this testing needs to be an active, ongoing process: you cannot simply address it once and then forget it. Instead, you have to keep coming back to it regularly – the more often the better. PCI sets minimums on how often you need to do certain things: some types of testing must be done at least every quarter; other tests need to be performed at least annually.

This section of PCI interprets "security systems and processes" in a narrow, computer-centric way, which makes the section only officially relevant to those with computer systems. But, in reality, all security solutions should be regularly tested, even those pertaining to physical security, training, processes and so on.

The challenges of Requirement 11

Even though it is short, Requirement 11 can be extraordinarily difficult for merchants to comply with. Some of the requirements are a bit like saying "Run a marathon each month." This requirement packs a lot of pain into a few words.

That is not to say that Requirement 10 is wrong. Just as with Requirement 10, the solutions called for have real value and can do much to prevent real disasters. Like most serious security issues, the cost of a missing solution can be thousands of times higher than the price of purchasing and implementing a preventive solution.

As with Requirement 10, the main challenge of Requirement 11 is that it requires both continual effort and software solutions: a nasty combination.

What merchants need to do

While it is always true that merchants should earnestly endeavor to avoid or minimize the challenges of PCI rather than simply try to defeat them, that can be hard to do with Requirement 11. Avoiding the problems can be too painful in terms of business disruption for that approach to work.

Merchants need to do the following:

1. If merchants have computers connected to the Internet, each quarter they must get a certified company to do an external vulnerability scan of their computers and network. This is the information technology equivalent of getting a security guard to "rattle the doorknobs" while walking around the outside of a building.

   These scans are a big deal in PCI and are a highly visible part of the process. Merchants must use one of the companies certified by the PCI Security Standards Council (PCI SSC) as an Approved Scanning Vendor (ASV). For almost all merchants, these scans are really the only time their choice of vendor is restricted by the council. A current list of ASVs can be found at *www.pcisecuritystandards.org/pdfs/asv_report.html.*

   Merchants also need to do these scans after they make significant changes to their card processing environments. This is because test results immediately become "stale" after you change the system that requires testing.

   Merchants need to do the internal version of these scans each quarter as well. This sort of test is a useful complement to the external scan, because doing it from inside reveals different parts of the merchant's world, and can bring tolight different problems.

2. At least annually, merchants need to do a more intense and active test of their security. This "penetration test" consists of actively trying to exploit any weaknesses or gaps in security, not just identifying them. (Instead of just rattling doorknobs as in a vulnerability scan, those involved in testing should try to open the door, go through it and see how far they can get.)

> *Requirement 11 is one of the very hardest parts of PCI for most merchants, so even a little assistance will be appreciated. The first step, as always, is to give merchants advice to minimize, as far as possible, the number and types of devices subject to PCI compliance.*

Obviously, the test should not involve doing any damage, but it does involve actual testing of network setup, applications and anything else that forms part of the card processing environment.

As with the vulnerability scans, this should be done both from outside (trying to get in, just like a real attacker would) and from the inside (seeing what attackers would be able to do if they were to get past the outer layer of defense).

Unlike vulnerability scans, these penetration tests do not have to be done by a certified party approved by the PCI SSC. They can even be done in-house (but ideally done by someone who knows what he or she is doing, and preferably not the same person who set up the systems being tested).

These penetration tests are a genuinely good idea but can be expensive and confusing for merchants, particularly for small-business owners. They should keep in mind that the PCI SSC states, "The penetration test should be appropriate for the complexity and size of an organization," so there is no need to go overboard on complexity and cost.

It is better to do something small and simple than never get around to doing something extensive and expensive.

Because these issues are complicated and confusing, the PCI SSC has written an explanatory document, which is available at *www.pcisecuritystandards.org/ pdfs/infosupp_11_3_penetration_testing.pdf.*

3. Each quarter, merchants should do a scan for unauthorized wireless usage on their networks. This is important even for those who do not use wireless because an attacker or a careless employee could add wireless functionality to a network by adding a cheap access point. This can be a serious security problem, especially since wireless access points are now so inexpensive and easy to set up.

4. Merchants also need to use Intrusion Detection Systems that employ "always on" software (the computer and network equivalent of a burglar alarm) or the more modern and more active Intrusion Prevention Systems (which are more akin to a burglar alarm combined with doors that all slam shut when the alarm goes off).

Additionally, this software, or other software, also needs to detect when critical computer files are tampered with because that sort of tampering is a big indicator of an attack underway.

What you need to do for your merchants

Requirement 11 is one of the very hardest parts of PCI for most merchants, so even a little assistance will be appreciated. The first step, as always, is to give merchants advice to minimize, as far as possible, the number and types of devices subject to PCI compliance.

Any device or computer that is not clearly involved in dealing with cardholder data should be kept permanently and strictly separated from devices that do need to touch cardholder data. Doing this doesn't make Requirement 11 inapplicable to a given merchant environment, but it does directly reduce the cost and effort involved in compliance.

For the official vulnerability scans, ISOs and other portfolio owners can provide a clean, simple and low-effort answer by partnering with a specialist security company that provides this service directly to merchants. ISOs that leave their merchants to hunt down their own solution providers are missing an easy opportunity to help their merchants (and preemptively avoid costly support calls).

For the other parts of this requirement, ISOs should look for a solution package (either in-house or via partnership) that provides merchants with a customized remediation plan (preferably one that also gives ISOs detailed PCI insights and management tools).

Without these tools, parts of PCI like Requirement 11 can quickly become a portfolio management and support nightmare. But ISOs who focus on building the right partnerships and providing the right services can find that PCI becomes an opportunity for competitive differentiation and portfolio relationship-building.

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

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Education (continued)

The professional MLS protocol

By Jeffrey Shavitz

Charge Card Systems Inc.

As a long-time business owner looking for prospective sales partners, I have met and spoken with many merchant level salespeople (MLSs) with payments industry experience, many of whom are avid readers of *The Green Sheet*.

I have also spoken with numerous newbies on the verge of selling credit card processing for the first time; they've heard it's a lucrative career with residual income opportunity in an industry that will not be going away (at least we all hope this to be true).

With greater numbers of both experienced and inexperienced salespeople competing for merchant accounts, it's increasingly imperative to become a proficient professional versus just the credit card weekend warrior dabbling in our business. But how do agents go about attaining professional salesperson status?

Take five logical steps

As I sat down to reflect on this question, I started writing simple, common-sense answers. And I'm amazed that many people I encounter in this business are not following a process similar to the protocol that easily arose from my inquiry. These are the MLSs who always ask me, "Why am I not earning as much as the other guy who sells in my neighborhood?"

The protocol I recommend follows:

1. **Find a mentor who is a proven success in our business:** Learn from others who have made mistakes before. Find the right ISO that matches your personality, ethics, and background, and identify bankcard salespeople you wish to emulate. By doing a bit of research, it's relatively easy to locate the superstars in our business.

   Call the person who you believe can help you most, and join his or her team as an assistant. Become a sponge. Follow Jim Collins' advice (paraphrased) in his famous business book *Good to Great*: get the right people on the bus and make sure everyone understands your strategic direction.

   I was an investment banker before founding Charge Card Systems Inc. with my partners and knew nothing about the payments industry. By networking and asking many questions, however, I met people who became role models, strategic partners, banking allies and friendly competitors.

   They ultimately helped us launch our business. You can do the same as we did.

2. **Leverage *The Green Sheet*:** We are very fortunate to have such a valuable trade publication for our industry. I meet many people new to our industry who have found *The Green Sheet* through a Google search. Use all that this multifacetod publication offers, including the Resource Guide and GS Online's MLS Forum.

   As part of your professional approach to our business, spend time each week reading articles and sharing your insights through blogs or other communication tools. Even prior to becoming a member of The Green Sheet Advisory Board, I welcomed each new issue as a way to learn more about our business.

3. **Attend tradeshows:** These can be expensive, including travel, entertainment and other associated costs, but it's well worth the investment to attend a conference and meet the players in our industry and get a real pulse on our industry.

Whether you attend the Electronic Transactions Association's Annual Meeting & Expo, a local show or shows dedicated to subsets of our business (such as those focusing on ATMs, gift cards and pay-roll cards), the days spent at the shows can prove invaluable. In the long run, I would suggest that a $1,000-plus investment in a tradeshow experience will prove more beneficial than making cold calls and even closing a few deals.

It's all about the relationships and powerful part-nerships developed face to face. You will learn a lot more by talking to a terminal representative in person than visiting a website for a tutorial.

4. **Ask for help:** Tell your current ISO or bank partner that you want to develop professionally to strength-en your business and need advice and assistance to do so. So many MLSs work in a vacuum and don't use the resources at their disposal.

5. **Learn by doing:** Yes, there are lots of books, manuals, websites, seminars and other resources published about credit card processing. I wish it were that easy to learn how to become a payment professional. How hard can it be? Interchange is interchange, and transaction fees are transaction fees. But we all know that there's a lot more to it.

As a new MLS, you need to get out on the street, meet some smaller merchants to get your feet wet, make mistakes and never be scared to say to a merchant, "I don't know, but I will find out for you later today."

I've told all of our new salespeople (who are also new to our industry) that, even after just one hour of training, they know more than the average mer-chant. Will they know every detail? Of course not, but if you speak with confidence and truly care about your merchants, then you are performing a real service for them.

So many agents will not really learn until they are on the front line with their merchants. It's like learn-ing math in school: when the teacher shows you how to do the equation on the blackboard, it looks so easy and actually makes sense until you try it later that evening at home.

It's the same with credit card processing. Get out there; learn by doing; risk making mistakes. Don't make your first cold call to Wal-Mart Stores Inc., of course; start with the local neighborhood merchant. What's the worst thing that could happen: you don't get the deal? You'll get over it.

Always strive for excellence

There are multiple ways to better yourself within our industry. Do not accept mediocrity, and keep pushing yourself outside of your comfort zone to realize the suc-cess you desire. 🔲

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 website at www.chargecardsystems.com.

Education (continued)

Sales and marketing: Allies, not foes

Peggy Bekavac Olson

Strategic Marketing

One of the greatest opportunities for improving business performance is to integrate sales and marketing. When the two are properly aligned around business and revenue goals, they can produce dramatic improvements in sales productivity, marketing return on investment (ROI) and most importantly, revenue growth.

The words "sales" and "marketing" are often used interchangeably, and many people mistakenly believe them to be synonymous. So let's start off with some basic definitions. Sales is everything you do to close business and get a signed agreement or contract, while marketing is everything you do to reach and persuade prospects that your company and its products and services are what they want.

Marketing prepares the marketplace and prospects for a sale of your products and services utilizing tactics like brand awareness, public relations, advertising, communications and lead generation through vehicles such as tradeshows, direct mail, email marketing and so forth. Sales efforts consist of any activity that engages prospects on a personal level. It involves a series of interpersonal interactions like networking, cold calls, one-on-one meetings and presentations.

While closely entwined, sales and marketing are two different processes. Marketing supports sales to move prospects from cold to warm and then hot, making it easier for sales to close.

Where did we go wrong?

Ultimately sales and marketing should be harmoniously integrated, pursuing common growth and revenue objectives. Unfortunately, all too often, the two suffer a dysfunctional and sometimes even antagonistic relationship.

Recent Miller Heiman research confirms the void between sales and marketing is a serious issue. Only 37 percent of the organizations surveyed believe their sales and marketing teams are adequately aligned. They also note that best-in-class (BIC) companies that outperform their peers do a much better job at aligning these two critical functions. Aberdeen Group Inc. research indicates that 56 percent of BIC companies consider the alignment a target for improvement.

Core issues revolve around lack of synergy, communication breakdowns and just plain viewing things differently. Salespeople think they are the only ones in the company worried about making sales quotas, while marketing personnel believe they are the only ones thinking strategically. Those in sales wonder why they have to generate leads when marketing should be doing it, while those in marketing wonder why the sales team can't seem to follow up on the leads they receive from marketing and close deals. And so on.

In the book *Escaping the Black Hole: Minimizing the Damage from Marketing-Sales Disconnect*, author Robert Schmonsees identifies symptoms of sales and marketing misalignment with telling details:

- Twenty-five percent of all marketing and sales resources are routinely wasted.
- Seventy to 80 percent of leads generated by marketing are never followed up.
- Twenty-nine percent of a salesperson's time is actually spent selling.
- Eighty to 90 percent of marketing collateral is considered useless by sales.
- Salespeople spend 30 to 50 hours per month searching for and recreating customer-facing content.
- Eighty to 90 percent of customer-facing content created by salespeople is inaccurate and dilutes the brand.
- Fifty percent of salespeople do not achieve their sales quotas.
- 90 percent of sales opportunities don't close as forecasted.

Mending and moving forward with a plan

To break down barriers and move your sales and marketing teams into alignment, try developing a holistic approach with a concrete action plan.

Here are 10 steps for aligning sales and marketing:

1. Integrate sales and marketing teams as tightly as possible in terms of goals, reporting structure and office location.
2. Although they serve multiple masters within the organization, impress upon marketing professionals that their first priority is to serve the sales force by helping them sell more; make it clear to salespeople that although their job is to serve the customer, they must follow through on the company's established marketing direction regarding positioning, messaging, communications and campaign efforts.
3. Get sales and marketing teams to collaborate on common goals and objectives, and even the definition of what constitutes a valid lead. Salespeople are the beneficiaries of initiatives that marketing implements, and when the sales team buys in, the work of marketing is much easier.

4. Link key sales and marketing metrics to share ownership and overall accountability.

5. Create a feedback and reporting system between sales and marketing to address and resolve issues quickly.

6. Make sure your company's value proposition is clear and provides differentiation from the competition, in terms of the business itself and for each of the respective products and services it sells.

7. Develop customer-relevant messaging and strong marketing collateral for each stage of the sales cycle. Make sure your message is delivered consistently across all communication channels, which will enable salespeople to focus their time on selling with even greater impact.

8. Empower marketing professionals to nurture early stage leads using multiple touch tactics that provide prospects with education and information upfront. This typically requires seven or more meaningful touches to make early stage leads qualified and ready for sales team efforts.

9. Implement a formal lead qualification and management process or technology system.

10. Provide incentives, praise and rewards for both sales and marketing teams.

More revenue in view

With the goal of driving revenue and business performance in sight, your company must embrace the differing capabilities, expertise and functions each team brings to the table. Collaboration between sales and marketing will produce much better results than when teams work independently toward the same goal. Properly aligned, your company will realize substantial benefits such as improved productivity, shortened sales cycles, reduced costs, better marketing ROI and increased revenues.

So take a look at your marketing and sales teams and ask, Are we in alignment or do we need to make adjustments? If you're one of the few companies that are adequately aligned – congratulations! And if you're one of the many companies needing improvement – you're a step ahead of those that haven't recognized this opportunity, and you have a basis for making sales and marketing alignment a competitive advantage.

Peggy Bekavac Olson is the founder of 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.

A Breath of Fresh Air
In Payment Processing

SECURENET
PAYMENT SYSTEMS

New**Products**

Radically agnostic

Product: ROAMpay

Company: ROAM Data Inc.

It was hardly surprising that this year's winner of the coveted Electronic Transactions Association's Technology Innovation Award – announced at the April 2010 ETA conference in Las Vegas – was a mobile phone-based payment terminal and gateway.

It seems that downloadable mobile terminals have been, by a long shot, the most popular, oft-discussed and widely adopted new payment product of the past year.

Yet, given the large and still expanding number of providers deploying such terminals, it has become increasingly difficult to develop a unique product that distinguishes itself from the ballooning pack.

One product that has done so – and which won this year's Tech Innovation Award as a result – is ROAMpay, a virtual terminal from the Boston-based payment technology and gateway provider ROAM Data Inc.

ROAMpay has all the trappings of a high-end mobile gateway. It is the technological equivalent of, say, a baseball player who excels in every aspect of the game: a player who not only hits well, but who can run, catch and throw with the best of his peers as well. Suffice to say, ROAMpay seems to have all its bases covered.

And yet, even the baseball analogy falls short in one key respect: However multifaceted a top-notch, boundary-pushing athlete may be, he is limited to performing for only a single team at any given time.

In gateway terms, that translates into compatibility with a single phone operator – a constraint that many mobile terminal downloads have moved beyond.

Mobile gateway providers now commonly offer their software with several or more different mobile devices, focusing mainly on smart phones like the Apple Inc. iPhone, the Research in Motion BlackBerry and mobile devices that use Google Inc.'s Android operating system.

Features of **ROAMpay** include:

- Unprecedented scalability for a mobile terminal
- One software program used for all phones, making carrier switching seamless
- Voice recognition and reverse phone number look-up options
- Back-end merchant reporting system integration
- Optional card swipe feature with encrypted reader inserted into phone's audio jack

Unprecedented scalability

ROAMpay, however, takes scalability to a new level. According to ROAM Data founder and Chief Executive Officer Will Wang Graylin, the payment terminal and gateway works with virtually "all the major phone brands – hundreds of different models."

And that's not all: this mobile terminal isn't even exclusively mobile, as it integrates with Macintosh and PC desktop and laptop computers as well.

"What's unique about us is we are device agnostic," Graylin said. "In fact, we don't care whether it's a laptop, a Tablet, a Windows operating system, an iPhone, an Android or a BlackBerry. … We broke through that paradigm [of limited compatibility].

"A lot of people can write an iPhone application to process credit cards; writing an application on one device is very doable, but as soon as you start to go across many of these phones it becomes enormously difficult."

According to Graylin, such large-scale compatibility has eluded other mobile payment technology innovators because their software applications are "static," meaning they are designed for one particular mobile platform to the exclusion of all others. Among mobile gateways that have extended their compatibility to multiple platforms, programmers have had to write entirely separate applications for each one.

By contrast, ROAM Data has formulated – and patented – a single software application that integrates seamlessly with numerous mobile providers, according to Graylin.

"A key differentiation is our ability to reach across all these different operating systems and networks to service that end user with their application," he said. "We want to go to them, rather than dictate what phone they have to carry to use our service.

"Everyone else is writing one application at a time, meaning you have to write it for the iPhone, certify it, make sure everything's working right, publish [the software program] and then [deploy the product]. And when you make a change you have to start all over – rewrite it for every device you support."

But ROAM Data does it differently by deploying applications directly from its server. "We write it once, and it's interpreted and run by all our supported devices the exact same way," Graylin said.

"We did the heavy lifting one time such that when we deploy the application from the server side, the ROAM player interprets it so you don't have to rewrite it for every device. It's the next generation of technology."

A broader target market

Sellers of ROAMpay enjoy significantly higher market penetration than with competing products, Graylin said. He added that products compatible with a single mobile device will target, at best, 5 percent of the merchant market and that "all smart phones combined today" account for only about 15 percent of total market share.

He said ROAMpay is applicable to approximately 90 percent of merchants, meaning ISOs do not need to sell the service to merchants outside of the markets they already serve.

Other features of ROAMpay include a button for sending email receipts (which can be sent for any type of payment, including cash-based purchases) and a voice recognition feature that helps with data input relating to things like customer name and address.

"If you have a feature phone with just 12 buttons and want to input somebody's address, you could just say '280 Summer Street,' press that button and it would recognize your voice and repopulate [an information entry page]," Graylin said. "Our whole core competence is making the mobile experience simple."

NewProducts

To that end, the platform offers another convenience option alongside the voice recognition piece: a reverse phone number look-up, where customers listed in the white pages of phonebooks can have their names and address information automatically populated by entering their listed phone numbers.

More than payment acceptance

ROAMpay also includes email receipts and a direct connection between the payment gateway and back-end systems that assist with merchant sales data input and, for franchisees, "order fulfillment through the corporation," Graylin said. "We can combine functionalities of the merchant directly to their end user in such a way that it's not just a payment application," he added.

That robust functionality of ROAMpay is designed to attract direct selling companies and other entities with large fleet operations. "They want more than just accepting payments," Graylin said. "They might want order entry and may want that order to be fulfilled by the corporation; and they may want to capture the customer information and log it."

This order fulfillment feature comes into play when customers pay mobile merchants for goods that are shipped remotely from a corporate headquarters or the like. By clicking a button on the ROAM platform, a merchant can relay transaction and shipping information to corporate headquarters during the normal payment process – without getting on the phone or sending a fax.

Finally, ROAMpay includes the option of a small, encrypted swipe device for merchants who wish to take swipe transactions rather than keyed ones. The device – a small, plastic, semicircular attachment that connects into a phone's audio jack – is another product engineered by ROAM.

"We've come up with the lowest-costing encrypted card swipe in the world," Graylin said. "It attaches to the audio jack, and we're the first encrypted audio-swipe device on the market."

Considering that the company appears loaded with creative talent – and given its recent coup at the ETA – the company envisions that it won't be long before most mobile reseller channels lead, one way or another, to ROAM.

ROAM Data Inc.

888-589-5885
www.roamdata.com

Inspiration

**We make a living by what we get;
we make a life by what we give.**
– Winston Churchill

Get on track with a business mentor

When it comes to striving for business goals, some of us need a stronger push than others. As ISOs and merchant level salespeople, many of you created a business plan, wrote down your goals, set up shop and then quickly became very busy, perhaps even too busy to regularly review your goals.

This is understandable because a career as a payment professional typically entails becoming a business owner who not only closes sales but also makes sure the phones are working, the copier is supplied with paper, the bills are paid and so on.

And the more your business grows, the greater your responsibilities become.

Before long, those wonderful goals you wrote down in your business plan might seem like a distant memory. If you feel overwhelmed sometimes, that's normal; however, if you lose sight of your goals, your business could eventually fail.

If it's been a while since you've revisited your written goals, don't panic. A business mentor can help you get on track.

Now, a mentor won't take your place as a business owner or do any work for you. A mentor will be like a friend, but one who provides objectivity, not opportunities to socialize.

A mentor can help you reach goals and see the path to success clearly as you continue to do the work required of you day to day.

Benefits of having a mentor

Here are a number of reasons to have a mentor:

- Mentoring gives you one-on-one business counseling when you need it (and sometimes when you don't feel you need it but really do).

- A mentor can view your business from a different

perspective. While you're busy handling operations, managing employees and keeping up with paperwork, your mentor can provide creative ideas and help you organize your time and implement steps to improve the business.

- A mentor can also help you avoid pitfalls because he or she has gone before you and knows what obstacles lie ahead for a business owner.

This kind of guidance is priceless in the business world.

How to choose a mentor

First, locate candidates for the job:

- Research the top business owners in the payments

Inspiration

industry. You might find someone who owns a business similar to yours but is working a different market segment or region and is not in direct competition with you.

- Ask friends and relatives if they know of someone who might be able to mentor you.

- Seek resources online if you frequent the Web or if you own an Internet-based business.

Next, set up short interviews with promising candidates. And keep the following in mind while making a decision:

- Seek a mentor who is friendly and eager to help. If someone is an industry leader but is aloof and has no time for you, you will derive little from the relationship.

- Select someone trustworthy. You'll likely reveal sensitive information about your business and personal life, so you'll want to be sure your mentor can be trusted completely.

- Find a mentor who started a payments industry business from the bottom up, someone who went step by step from nothing to greatness. Don't pick someone who inherited a thriving business from a family member, for example.

- Be sure your mentor understands business marketing, sales, technology and customer service issues. Your mentor should be able to help you improve in all these areas and offer you wisdom drawn from experience. (And don't be afraid to ask for proof of results.

  If the mentor can show you tangible sales increases in his or her company that resulted from the techniques being recommended to you, you'll have more confidence to implement the concepts.)

The right mentor can guide you through the painstaking, but fruitful, process of building your business. So smile, take a breath: with the right mentor, your goals are within reach.

Good Selling![SM]

Paul H. Green, President and CEO

DateBook

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

Industry Events

Center for Financial Services Innovation
5th Annual Underbanked Financial Services Forum

Highlights: As the economy begins showing signs of a rebound, the financial services marketplace is in the midst of a major transformation.

This is a defining moment for the industry, with increased government regulation and oversight, radically shifting norms and expectations, and a customer base finding itself more financially underserved than ever.

Now is the moment for those serving the underbanked to take stock of the past and prepare for the future. What game-changing products and services are on the horizon?

What can your organization do to better meet your underbanked customers where they are, and help them move forward? Find the answers to these questions at the 5th Annual Underbanked Financial Services Forum.

When: June 9 – 11, 2010
Where: Doral Golf Resort & Spa, Miami
Registration: www.americanbanker.com/conferences/cfsi10/chair.html

Industry Events

American Conference Institute
American Conference Institute's 3rd Annual Forum on Prepaid Card Compliance

Highlights: This event promises to bring together a distinguished faculty of regulatory and enforcement officials, industry leading compliance experts and outside counsel specializing in prepaid card regulatory compliance.

Attendees will have the opportunity to hear discussions on best practices and receive targeted guidance on a variety of issues.

Topics include: Preparing for the impact of the Fair Gift Card Act of 2009 on the prepaid card industry; knowing what examiners will look for during a Bank Secrecy Act examination and implementing proactive compliance initiatives; evaluating your current anti-money laundering and fraud deterrence programs; ensuring compliance with expiration date restrictions and disclosure requirements; and determining the status of federal preemption in light of emerging regulations.

When: June 24 – 25, 2010
Where: The Westin Washington, D.C., City Center, Washington
Registration: www.americanconference.com/prepaidcard.htm

Trade Associations

Midwest Acquirers Association
8th Annual MWAA Conference

Highlights: Along with the ever-popular educational sessions from Field Guide Seminars, this annual event offers presentations on timely industry topics, a vendor's exhibit hall and opportunities to meet payments industry leaders and innovators.

If you want to spend three days developing your merchant services business, learning how to make more money, eating great food, enjoying your favorite beverages with friends and networking with people from across the bankcard industry, the MWAA's annual conference is the place for you.

When: July 21 – 23, 2010
Where: Renaissance Schaumburg Convention Center Hotel Schaumburg, Ill.
Registration: www.midwestacquirers.com/next_event.php

80

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