The Green Sheet

DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS

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Transportation payments in transition

In the payments industry, market potential is often characterized by the length of its "runway." And the longer the runway, the better. By any estimation, the runway for transportation payments is long. But it is perhaps more accurate to say that each vertical market within transportation – whether for gas stations, bus systems, taxis or parking – has its own individual runway, with some longer, and straighter, than others.

The trend in transportation payments is toward greater automation and efficiency, with payment cards and the systems that support them being the main driver, so to speak, of value to consumers, businesses and government agencies. From contactless cards used by commuters on subways to fleet cards used by truck drivers, the move toward electronification of the transportation world seems unstoppable.

It also appears to be inevitable since how we get from here to there, and how economically we can do it, is fundamental to our busy lives. Thus, moving from paper tickets punched by bus drivers to waving near field communication (NFC)-enabled cards at contactless readers seems not a mere triumph of marketing, but the workings of a much larger evolutionary force.

Feet on the ground

Dee Karawadra, founder, President and Chief Executive Officer at Impact PaySystem, found his niche in gas stations and convenience stores over a decade ago, where pay-at-the-pump was then a 20-year-old technology.

When he started, the market was wide open because of the specialized nature of self-service pumps, where setting up and servicing the complicated POS terminals takes specific knowledge and training, Karawadra said. While more ISOs have entered the market in recent years, Karawadra believes it is still a lucrative one for ISOs.

In contrast to a typical retailer who processes $8,000 per month in bankcard

The Green Sheet Inc.

AdvisoryBoard

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NotableQuote

If you are meeting someone for the first time over the phone or in person, do your best to gain an understanding of why the prospective buyer is in business. Don't worry about what you are going to sell. The prospect will reveal his or her real needs during the consulting process.

See story on page 62

Inside this issue:
CONTINUED

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Forum

How can I get up to speed?

I am a 63-year-old rookie in this business. I have been a pastor for over 30 years, and have many years' experience in direct sales, copier sales and automobile sales. I have owned a copier company and have no problem knocking on doors, business-to-business.

Last year, I started in this business and love it, with one small exception. Admittedly, I am part time now, but I want to make this business full time. My problem is my lack of knowledge: POS, gift cards, petroleum, interchange rates, IP pricing and so much more!

I have been reading *The Green Sheet* cover to cover every month for the last year, but each month, I feel more ignorant. I know so little, yet I am able to sell the processing. My question is this: How can I really learn this business?

I have a limited understanding of the processing itself. So, when I read articles, I am less than an informed reader.

As a small example, page 80, about tokenization ["Protecting cardholder data with tokenization" in the Research Rundown section in *The Green Sheet*, April 28, 2010, issue 10:04:02] ... I have never heard that one before. There is no need to explain that one; I just used it as an illustration.

I love this business; I am hungry to learn it. Is there any generic way to learn the basics?

Thank you in advance for any help.

Ken Babington
Merchant Level Salesperson

Ken,

We turned for advice on this question to Justin Milmeister of Elite Merchant Solutions. He is on our advisory board and one of our contributing writers. Following is his response:

"You have made a wise decision to embark on a career in merchant services, and I want to congratulate you on this.

"As you have realized, merchant services is a complicated industry to grasp, and only experience and the proper training will prepare you with the tools and the knowledge required to be the best you can be.

"The more you know about interchange, along with complementary products such as gift cards, working capital and POS equipment – and how they relate to merchants – the more sales you are going to make. It's that simple.

"Our industry has several resources to guide you through this web of information. However, my advice would be to partner up with an ISO that has a superior training program and is really hands-on with their partners.

"There are several companies such as mine that will fly you in for training and actually take you out in the field for hands-on experience.

"Additionally, you will want an ISO that has weekly trainings on the various products and services so that you have the knowledge which gives you an edge over competitors in closing deals.

"Additionally, you can visit the Electronic Transactions Association's website at www.electran.org and view their educational programs.

"I wish you the best of luck, and should you have any additional questions or would like some more information, please don't hesitate to contact me" at justin.milmeister@elitedatacorp.com.

Justin is one of many advisory board members listed in each issue of The Green Sheet. *The amount of industry knowledge these professionals collectively hold is breathtaking.*

It would behoove you to attend industry tradeshows where you can seek mentors, network with peers, see new technology demonstrated live and attend a range of informative presentations and panels.

We have a chart of upcoming industry events at www.greensheet.com/datebook.php?flag=display_chart. The next regional association event will be the Midwest Acquirers Association's annual meeting July 21 to 23 in the Chicago area.

Additionally, our published articles going back many years are archived online. If you enter a term (tokenization, for example) in the Fast Finder search engine in the upper left-hand corner of our home page (www.greensheet.com), a list of articles containing that term will appear.

We wish you great success in your chosen career.

Editor

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

Progress made on Internet gambling legislation

The **Safe and Secure Internet Gambling Initiative** applauded recent testimony by Reps. Barney Frank, D-Mass., and Jim McDermott, D-Wash., during a hearing on the Internet Gambling Regulation and Tax Enforcement Act of 2010 (H.R. 4976).

The legislation could generate as much as $72 billion in new revenue over 10 years for federal and state governments. "Witnesses clearly articulated why Congress should give fair consideration to regulating online gambling activity as a way to … stimulate the economy," said Michael Waxman, spokesman for the Initiative.

Heartland launches E3, makes Fortune 1000, settles with MasterCard

Heartland Payment Systems Inc. commercially launched its end-to-end encryption technology, called E3, which is designed to protect cardholder data by rendering it useless to cybercriminals. E3 is now available to merchants and business owners nationwide.

According to Heartland, E3 features "layers of security using both software and tamper-resistant hardware" and employs the Advanced Encryption Standard to encrypt "all Track 1 and 2 data from the card's magnetic stripe the moment it is converted from analog to digital data and enters a merchant's system as scrambled data … never storing card numbers or passing them through the merchant's system or network."

Additionally, Heartland entered into a settlement agreement with MasterCard Worldwide to resolve claims from MasterCard and its issuers related to a 2008 criminal intrusion by hackers into Heartland's payment system. As part of the settlement, Heartland will pay $41.4 million to eligible MasterCard issuers for alleged losses stemming from the intrusion.

The settlement hinges on financial institutions representing 80 percent of the MasterCard issuers who filed claims accepting the deal by June 25. All eligible issuers will soon receive full details from MasterCard on how to accept their recovery offers before the offers expire.

In other news, Heartland was named to the 2010 Fortune 1000 list of America's largest companies by *Fortune* magazine, debuting at number 954, with 2009 revenues of $1.65 billion.

SCA meeting highlights digital identity trust

How to establish and protect identity in online transactions was the dominant topic for the many sessions at the **Smart Card Alliance** Annual Conference, held May 17 to 20 in Scottsdale, Ariz.

At the conference, Mike O'Neil, Executive Director of the North American Security Products Organization, said the organization is developing a new identity verification standard and process that could be used to establish more trusted identities for individuals.

Mike Ozburn, a principal in Booz Allen Hamilton, said the web's move toward cloud computing is creating new challenges in cyber security. "Security has to be as implicit, as built-in, and as architectural" as the cost dynamics driving everything to the web and the cloud, he said.

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

THANK YOU, PLEASE READ AGAIN!
TRANS ID:468465 EMP:120400

- **The National Retail Federation**'s *2010 Graduation Consumer Intentions and Actions Survey*, conducted by BIGresearch, found fewer people will buy graduation gifts in 2010 (31.4 percent versus 32.5 percent in 2009) but each person will spend slightly more. Also, gift givers will buy for an average of two graduates, spending an average of $89.95, up slightly from $88.01 last year.

- **The Census Bureau of the Department of Commerce** released a report estimating U.S. retail e-commerce sales for the first quarter of 2010 at $38.7 billion, adjusted for seasonal variation, but not for price changes. This represents an increase of 1.5 percent from the fourth quarter of 2009.

- **The Home Depot U.S.A. Inc.** reported the number of individual transactions at its stores climbed 4.2 percent in the first quarter of 2010 – more than in any quarter since late 2005. Helping to boost customer spending were government stimulus programs such as tax credits for home purchases and rebates for energy-efficient products.

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Amazon implements Yodlee technology

Amazon Payments Inc. now uses **Yodlee**'s InstantAccountVerification technology to simplify how customers add and verify bank accounts to their Amazon Payments accounts. Yodlee's account verification technology verifies a person's account information, ownership and balance in real time, according to Yodlee

BlueStar named distributor of the year

BlueStar was named by Star Micronics America as its 2009 Distributor of the Year.

The award acknowledges distributors who demonstrate continued year-over-year growth in sales and best practices in reseller business development on behalf of the Star Micronics brand.

Accelerated emerges after division sale

The sale of the **CAM Commerce** POS software division to **Robertson Piper Software Group** has opened the way for CAM's integrated payments division to establish an independent brand for all of its POS partners: **Accelerated Payment Technologies**.

CCS launches proprietary gateway

Charge Card Systems launched CCS ePay, a proprietary gateway for e-commerce transactions. In addition to standard gateway features, CCS ePay reportedly provides retail and MO/TO merchants with pricing, integration with QuickBooks software, the ability to process PIN debit transactions and a back-end processor for specific wireless devices, as well as smart phones and virtual terminals.

First Data revenue up 16 percent

First Data Corp.'s consolidated revenue for the first quarter of 2010 was up 16 percent to $2.4 billion, with growth primarily driven by its alliance with Bank of America Merchant Services. The alliance substantially extended First Data's presence in merchant acquiring, the company stated.

Hypercom debuts L5000 line, meets security guidelines

Hypercom Corp. introduced the L5000, a new product family of multipurpose, multimedia payment terminals that connect to any POS register system.

The new product lineup enables multiple in-store uses beyond traditional checkout functions, including in-aisle product locating, bar code price checking, health insurance card processing at pharmacies, gift card loading and wedding registry processing at kiosks, according to Hypercom.

In addition, Hypercom reported that its HyperSafe Secure suite of payment data encryption technology meets the new security requirement guidelines issued by the Secure POS Vendor Alliance.

Moneris adopts Canada's voluntary code of conduct

Moneris Solutions Inc. adopted the voluntary code of conduct for the credit and debit card industry recently announced by Canadian Minister of Finance James Flaherty. "In accepting payments, merchants are entitled to an acquirer relationship that fosters and promotes transparency and choice," said Jim Baumgartner, President and Chief Executive Officer at Moneris.

PacketMotion, Wright Express join PCI SSC

PacketMotion and **Wright Express Corp.** joined the PCI Security Standard Standards Council (PCI SSC) as participating organizations. The companies said they will use their areas of expertise to work with the council to evolve the Payment Card Industry (PCI) Data Security Standard (DSS) and other PCI data protection standards.

PXT launches chip-based debit card

PXT Payments launched its chip-based, secure, smart debit

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card designed to create a safe, local currency for municipalities across the country. The PXT smart debit card provides merchant loyalty discounts and exclusive offers for consumers and a credit card-like settlement process.

Tempo wins CODiE award

Tempo Payments Inc.'s affinity debit card platform earned the CODiE Award for Best Open Source Solution from the Software & Information Industry Association. Tempo's affinity debit platform was built entirely using open source software and enables consumers to design and apply for affinity debit cards online, according to Tempo.

Ernst & Young heralds award finalists

Robert J. McCullen, Chairman and CEO of **Trustwave**, is a finalist for the Ernst & Young Entrepreneur of the Year 2010 Award in the Midwest. **TransFirst**'s President and CEO, John Slonsky, is a finalist for the award in the Southwest Area-North.

Regional award winners will be announced in June and are eligible for consideration for the Ernst & Young LLP Entrepreneur of the Year national program. The Entrepreneur of the Year award winner will be celebrated at a gala in November.

ViVOtech wins two awards for NFC trial

ViVOtech Inc. received two awards for its role as the NFC software solution provider for the Citi Tap and Pay mobile payment pilot in India: the Smart Card Alliance Outstanding Smart Card Achievement Award for Innovation in Payments Technology and the Contactless Intelligence "Monkey" Award for Competitive Advantage through Technology.

PARTNERSHIPS

CardinalCommerce, Evertec team up

CardinalCommerce Corp. integrated its Cardinal Centinel Platform with **Evertec Inc.**'s transaction processing services to provide Evertec merchants with continued, strengthened support for Verified by Visa and MasterCard SecureCode transactions.

Celent, CUNA launch research partnership

Celent, a Boston-based financial research and consulting firm, will provide strategic business and technology information to **Credit Union National Association**, the national trade association serving credit unions.

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The relationship provides CUNA's affiliated credit unions with access to Celent's research at reduced rates.

Cynergy signs with World Wide Payment

Merchant processing company **Cynergy Data LLC** signed a multiyear processing agreement with **World Wide Payment Solutions**.

Cynergy reported that it will provide to World Wide and its merchants the Vimas platform, an online account management system that allows merchants to track their daily credit transactions, deposits, chargebacks and retrievals.

EVO supports way5000

EVO Merchant Services Inc. released **WAY Systems Inc.**'s way5000 as a fully supported mobile device for its customers. EVO stated that it serves more than 235,000 small to mid-sized merchants.

Itelligence, Paymetric streamline payments for mid-market

Itelligence Inc. selected **Paymetric Inc.**'s XiPay On-Demand and XiSecure services to help mid-sized businesses integrate and secure electronic payments

within their enterprise resource planning systems. Paymetric's on-demand services will be pre-integrated with itelligence's solutions.

NanJingKeTai, Trustwave partner for compliance

NanJingKeTai Info Tech Ltd., an e-commerce provider in China, will use **Trustwave**'s services to provide merchants with single-source data protection. The agreement allows merchants to validate compliance with the PCI DSS.

PGP, Protegrity team for encryption

PGP Corp. and **Protegrity USA Inc.** are combining efforts to provide enterprise users comprehensive end-to-end encryption of sensitive data. Solutions from PGP and Protegrity will bring together desktop data protection and server data protection, all under centralized, automated key management, policy management and administration, the companies said.

VeriSign, BAMS bring SSLs to merchants

VeriSign Inc. is partnering with **Bank Associates Merchant Services** to allow BAMS to offer VeriSign Extended Validation (EV) Secure Sockets Layer (SSL) certificates to online merchants. VeriSign EV SSL certificates trigger high-security web browsers to display a green address bar with the name of the organization that owns the SSL certificate and the name of the certificate authority that issued it.

ACQUISITIONS

VeriFone acquires South Korea's Orange Logic

VeriFone Inc. is acquiring the assets of **Orange Logic Ltd.**, a South Korean payment systems provider. The acquisition is designed to enable VeriFone to gain the people and infrastructure to introduce its secure electronic payment product line into the Republic of Korea, as well as gain an existing domestic product line and customer base.

Cash N Go buys Insight

Cash N Go purchased **Inetco Systems Ltd.**'s flagship product Inetco Insight to guarantee cost-effective and continuous uptime and reliability of its ATM network. Cash N Go said it operates a nationwide network of more than 1,100 ATMs across Canada.

Summit to acquire stake in Ogone

Equity investor **Summit Partners** agreed to acquire a majority stake in **Ogone SA/NV**, a European payment service provider. Summit Partners said Ogone will remain an independent company, and its existing man-

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agement team and founders will continue as shareholders and advisors to the company.

Merchant Focus, Inner Fence acquire AppNinjas

The principals of **Merchant Focus Processing** and **Inner Fence** acquired AppNinjas, creator of swipe credit card terminals for the Apple Inc. iPhone. Inner Fence and Merchant Focus Processing have had an exclusive working relationship in iPhone credit card processing since 2008.

APPOINTMENTS

First Data promotes Kern, Winborne

First Data promoted **Kevin Kern** to Executive Vice President, Global Operations & Technology; it also promoted **Ray Winborne** to Executive Vice President, Acting Chief Financial Officer.

Kern joined the company in 2009 as Senior Vice President and Chief Technology Officer and subsequently assumed responsibility for international operations, including global technology solutions.

He has been in industry leadership positions for more than 33 years and has experience with global transformations.

Winborne joined First Data in 2009 as Senior Vice President, Finance and Controller. He is responsible for all corporate accounting activities. Formerly, he served as Corporate Controller and Chief Accounting Officer at BellSouth Corp. and Delta Air Lines.

Optio appoints Michieli

Linda Michieli recently joined accounts receivable management company Optio Solutions LLC. As Manager of the Dallas area office, Michieli will recruit, coach and support the office's sales team. She will also assist clients in reducing costs and increasing recovery rates. Michieli has more than 11 years' experience consulting in the collection industry and has held management positions at Transworld Systems Inc.

Charge Anywhere welcomes Peterson

Charge Anywhere LLC hired **Craig Peterson** as Sales Director. He will lead the company's distribution efforts for the ISO and processor channels in the Midwest. Peterson brings 17 years of industry experience to Charge Anywhere, having served at major payment processors, financial institutions and service providers.

The drive to innovate

By Scott Henry
VeriFone Inc.

Cost-cutting in the face of economic adversity will only get you so far. At some point, you have to break out of the bunker and invest in innovation and new services to grow your business.

During an economic downturn, the general instinct is to huddle down, limit investments in market expansion and wait out the bad times. But staying current with market and industry developments helps businesses take advantage of future trends and needs.

One foot in the future

Businesses that roar out of a recession are those that not only focus on core products, but also look toward innovative solutions that meet the changing needs of customers. When things pick up again, these companies are prepared for increased customer spending and have a jump on competitors by having pushed the envelope on their offerings.

This approach requires one foot in the past and one foot in the future, which is a posture customers truly value: they want to see their product and service suppliers keep pace with the latest developments – but without abandoning their existing investments.

As a payment technology supplier, we constantly assess our current and future directions. We know that acquirers have a vested stake in smooth migration between technology generations, have invested in software and training, incurred the "soft costs" of product and customer support services, and want to leverage those investments.

Guidelines for innovation

Our research into how payment systems are used today and how changing industry standards and challenges may impact usage tomorrow has led us to four key principles for innovation:

1. **Full-spectrum security:** Ever-evolving threats require vigilance and technology that adapts to meet the next wave of hacker assaults. The payments industry must stay ahead of the curve by moving to Payment Card Industry Data Security Standard PED Version 2 and integrating new technologies, such as end-to-end encryption, to secure data from start to finish for every transaction.

2. **Next-level performance:** Merchants want to offer consumers more services and features, such as electronic signature capture, larger screens with eye-catching color and the ability to stream multimedia marketing programs. More memory and the latest fast microprocessor technology provide the performance and capability to support these features at the point of service.

3. **Extended life design:** Reliability and consistency build merchant loyalty. Today's systems have to be durable and dependable. But they also have to be forward-looking so that customers are certain their investments won't become obsolete with the next revision to an industry standard or latest set of mandates from the major card brands.

4. **A proven platform:** Merchants are averse to investing in unproven technologies and hesitant to migrate from something reliable. Accordingly, we're reluctant to base next-level products on entirely new technology platforms. We want ISOs and merchants to bring their knowledge and investments forward by advancing a proven architecture to the next level.

Innovation fuels business growth. But there's a right way and a wrong way to innovate. So press forward with innovative technology, but also maintain backward compatibility that bridges the gap between current and next-generation technology.

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

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Canada: An untapped marketplace

By Jeffrey A. Shavitz
Charge Card Systems Inc.

For many years, merchant level salespeople (MLSs) made money upfront by leasing terminals and then building up their residual streams over time. This practice has taken a full 180-degree turn, however. Free terminal offers have flooded the market, cutting into leasing income. And interchange rates are now public.

Looking northward

As a result, margins have declined, and merchant accounts are often given away in favor of bonuses.

So what does an MLS do to counter this trend and return to earning residuals? Why not consider selling in other countries such as Canada? You may be surprised to learn that this market is very accessible and lacks the level of competition now existing in the United States.

Fresh prospects

What does this mean for ISOs and MLSs? It means there is a great opportunity to target new merchants, provide real value and earn well-deserved profit margins.

For me, getting into a bidding war on a merchant processing $10,000 per month and earning 10 basis points doesn't correspond with my many years of experience within the industry. I prefer to target merchants in a less competitive market, where I can earn fair profitability for my efforts. Canada fits that model.

Rewarding opportunities

Sales agents embracing this new frontier will reap the benefits and rewards in the months and years ahead. Colleagues ask me, though, How you can identify a Canadian merchant without living in Canada? My answer is, How do you prospect to a business in California when you live in New Jersey?

Many U.S. companies are now opening branch or satellite offices in Canada and need new merchant accounts. By expanding their horizons, MLSs now have the ability to provide merchants with a turnkey solution for processing both in the United States and Canada.

How to proceed

Other ways to capitalize on this marketplace include:

- Developing strategic partnerships with other MLSs in Canada
- Working with Canadian web developers
- Using direct mail, telemarketing and the Internet to research and approach new prospects

Use your imagination on how to target this new marketplace.

Opening accounts in Canada

Charge Card Systems began considering Canada more than two years ago and recently became registered in Canada to accept swiped, MO/TO and Internet business. "We needed to complete our agent offering and have been very excited about the opportunities north of our border," my colleague Adam Moss said. He is our company's National Sales Manager.

How does opening a Canadian merchant account work? It is similar to a U.S. merchant account, but with some distinctions.

A different environment

One such difference is that, based on my experience, a merchant's account is funded in 48 hours in Canada versus the traditional next-day funding possible for U.S. merchants.

On the other hand, interchange in Canada is much less complicated than in the United States. It also has fewer fee classes (unlike domestic Visa Inc. and MasterCard Worldwide, which have hundreds of rates).

In addition, equipment is handled differently, and the introduction of the Europay/MasterCard/Visa chip in Canada has created a promising opportunity to earn income on equipment.

Double the profit margins

By expanding into this new territory, you have the potential to double the profit margin you typically realize with your U.S. merchant accounts. Having worked with many agents nationally, I have seen in all cases that the basis points of profitability in Canada far exceed those of our domestic accounts.

If your selling and marketing techniques are working in the United States, don't change them. But do spend a percentage of your day also targeting Canadian merchants with the same successful techniques.

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.

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Selling Prepaid

Prepaid in brief

NEWS

Wal-Mart's MoneyCard 'first' to offer cash back

In what it called a first in the prepaid card industry, **Wal-Mart Stores Inc.** said it added a cash-back incentive feature to the MoneyCard. When customers use the MoneyCard to buy gasoline, they will receive 1 percent cash back. The program expires Dec. 31, 2010. "We know our customers need to stretch their budgets wherever they can," said Jane Thompson, President of Wal-Mart Financial Services. "It's one more way we can help families save money."

Treasury urges citizens to prepare with prepaid

As part of National Hurricane Preparedness Week (May 23 to 29), the **U.S. Department of the Treasury** recommended that federal benefit check recipients who live along the Gulf Coast and Eastern seaboard "disaster-proof" their money by switching from paper checks to electronic payments.

The Treasury Department said hurricanes can cause mail delays and other problems that may prevent federal benefit paper checks from arriving on time. In the case of Hurricane Katrina, for example, tens of thousands of emergency payments had to be issued to evacuees who did not receive their checks, according to the Treasury Department. The federal agency suggests two electronic payment alternatives to paper checks:

- Direct deposit through the Treasury Department's Go Direct service
- Direct Express Debit MasterCard card for Social Security and Supplemental Security Income benefits payments

Mercator maps prepaid globally

In *Global Prepaid Card Market Potential Ranking 2010*, **Mercator Advisory Group** provides an overview of the top international prepaid card markets worldwide. Based on 2008 data, the top prepaid markets are North America, Latin America, the Asia Pacific region and Europe.

The leading prepaid card categories are government,

gift, open-loop, general purpose reloadable, payroll, incentive and campus cards, according to Mercator. In 2008, the 30 largest markets in the world represented $762.2 billion in funds loaded, the Boston-based consultancy said. Outside the United States, Germany, Italy, France, the U.K. and Spain are the "world's most promising markets for prepaid cards," Mercator added.

ANNOUNCEMENTS

eCommLink joins PCI SSC

Prepaid card processor **eCommLink Inc.** joined the PCI Security Standards Council (PCI SSC) as a participating organization. "Membership and participation in this internationally recognized organization impels us to maintain the highest standards and follow industry best practices to ensure customer security and satisfaction," said Victor Newsom, Chief Operations Officer and Executive Vice President of Business Development at eCommLink.

Global Cash Card wins award

Global Cash Card was recognized as the "Overall Winner" of the *Paytech Magazine* November 2009 issue AdQ Study. *Paytech Magazine* is the official publication of the American Payroll Association.

'First' ID protection service on stored-value card

Identity theft protection and resolution service provider **ID Watchdog Inc.** launched idCheck, which uses ID Watchdog's patent-pending technology to immediately identify whether unwitting consumers have been victims of identity theft. Distribution of the product on prepaid cards will be managed by InComm.

Former AmEx company rebrands itself

Having purchased American Express Co.'s minority interest in American Express Incentive Services LLC, Maritz Holdings Inc. renamed the company **InteliSpend Prepaid Solutions LLC**.

MoneyGram expands

MoneyGram International said Canada Post added over 3,000 new locations to the existing 3,000 MoneyGram agent locations in Canada. The expansion marks the final phase of a 2008 agreement to increase the number of MoneyGram money transfer outlets through the Canadian postal service, the company said.

Additionally, MoneyGram added Ukio bankas, a Lithuanian bank, to its global money transfer network.

nFinanSe adds more music downloads

Prepaid card processor **nFinanSe Inc.,** in conjunction with entertainment partner Inspire, released Volume 2 of free music downloads on its online music site, nFinanSeMusic.com. The music, by new and emerging artists, is intended to attract young adults from 18 to 25 years old to the site, where nFinanSe can then promote its prepaid card products.

"We view nFinanSeMusic.com as a revolutionary new approach to brand marketing," said Jerry Welch, Chief Executive Officer at nFinanSe. "Simply put, it is event marketing meets technology and social media."

Mobile solution unveiled at Prepaid Expo Europe

U.K.-based **Stanton Consultancy Ltd.** launched its handheld mobile prepaid card sales solution at Prepaid Expo Europe, held in May 2010 in Brussels. Via SCL's UltraPoS automation system, mobile merchants can sell prepaid cards "on the move," SCL said.

"Mobilising prepaid services in this way allows retailers, or shopping mall owners, to take the sale of prepaid cards to their customers, targeting high footfall areas, relieving queues during busy periods, adding new capacity during seasonal hot spots and offering more convenient and quicker ways to purchase prepaid cards," said Ray Stanton, Managing Director at SCL.

Swapagift.com adds agent locations

Swapagift.com reported it now offers its gift card exchange service in over 685 agent locations nationwide. The service allows consumers to receive cash for unwanted gift cards. "We have seen an increase in gift card redemptions over the past several months," said Jason Wolfe, CEO of Swapagift.com. "Right now consumers are interested in getting cash, and being able to get cash on the spot without waiting is an added bonus."

TIO to offer mobile bill pay to Californians

Bill pay processor **TIO Networks Corp.** unveiled a mobile bill payment platform to allow Northern and Central California residents to pay bills via mobile phones. "TIO's mobile bill payment application will be free to download from Apple's App Store and will run on any iPhone OS powered devices such as iPod Touch, iPad and iPhone," said Chris Ericksen, Senior Vice President at TIO.

TSYS named Card Processor of the Year

Total Systems Services Inc. (TSYS) was named the 2010 Card Processor of the Year by Cards International. The international payment news source said TSYS "demonstrated its commitment to innovation in 2009 with the introduction of two new card products."

Utiba certified for Western Union program

Alternet Systems Inc. reported its partner **Utiba Pte Ltd.** is certified to participate in Western Union Co.'s Mobile Vendor Program. Utibe can now support Western Union services on its mobile wallet and mobile banking platforms.

PARTNERSHIPS

Bionic, Intercel ally for prepaid phone cards

Bionic Products Inc. and phone card company **Intercel Telecoms Group Inc.** signed an alliance to provide prepaid phone cards for bodegas and other stores in New York City. Beyond the functionality of the cards, Bionic expects the cards to be marketing vehicles for Bionic's energy drinks.

Deal struck to expand mobile money transfers

Denarii Systems LLC and **Arias Financial Solutions**, a product division of Microfinance International Corp., made a pact whereby Denarii will use the Arias remittance platform for back-end remittance processing and compliance monitoring of mobile money transfers conducted by customers in South America, Asia and the Middle East.

InComm Canada teams with Wonderland

InComm Canada signed an exclusive agreement with **Canada's Wonderland** to make prepaid admission ticketing products available at Toronto area grocery stores. Canada's Wonderland is billed as Canada's first theme park.

MoneyGram partnerships to expand services

MoneyGram signed a seven-year "super agency" agreement with **Money Transfer International Ltd.**, a U.K.-based remittance and foreign currency exchange business. Through the agreement, MTI will lead the acquisition and management of new MoneyGram subagents in Denmark, Finland, Norway and Sweden, Moneygram said.

In other news, Moneygram reported that a partnership with **Visa Inc.** will allow consumers to transfer money from MoneyGram locations in the United States directly to Visa card accounts of recipients outside the United States. Moneygram said the program will enable funds to be received on Visa-branded credit and debit cards issued by Banco Industrial, a MoneyGram agent in Guatemala.

New TruCa$h loyalty program launched

National Home Services, a division of National Energy Corp., collaborated with prepaid provider **DCR Strategies Inc.** to roll out a prepaid incentive card for National Home Services customers. People who

purchase energy efficient water heaters and enroll in the Green Billing Program will receive $50 gift cards, National Home Services said.

Parago taps PayPal for paperless rebates

Rebate card program provider **Parago Inc.** said it now offers rebates through **PayPal Inc.**'s online payment service. The move eliminates the need for printed paper checks, envelopes and postage to mail rebates, resulting in more ecofriendly promotional programs, Parago stated.

Wow Bao to use Mocapay platform

Lettuce Entertain You Enterprises Inc.'s Wow Bao teamed with Mocapay to provide the Chicago restaurant chain Wow Bao with Mocapay's customer marketing and gift card programs.

ACQUISITIONS

Leasing company to acquire Allianex

Kensington Leasing Ltd. reported that it entered into an agreement to acquire prepaid card provider **Allianex LLC** for $75,000 in cash, 575,000 shares of Kensington common stock and the assumption of Allianex's trade payables. Additionally, Kensington agreed to pay Allianex, in a combination of cash and Kensington common stock, 25 percent of earnings before interest, taxes, depreciation and amortization.

APPOINTMENTS

Butcher joins Neovia

U.K.-based online gambling service provider and Net+ prepaid card provider Neovia Financial PLC appointed **Keith Butcher** as Chief Financial Officer. Butcher worked as Finance Director at Datacash Group PLC and is expected to help Neovia reach the next stage in its development, said Mark Mayhew, CEO at Neovia.

iBasis appoints Lyppens

International long distance phone carrier iBasis named **Roelant Lyppens** to the position of CFO. Most recently an Executive Director at MeesPierson, he replaces Richard Tennant, who is retiring, iBasis said. Tennant joined iBasis in October 2001 as CFO and served concurrently as Senior Vice President of Finance and Administration and as Corporate Treasurer.

MasterCard taps Ong

MasterCard hired **Andrew Ong** as Group Head, Global Person-to-Person Payments. Ong, the former Regional Vice President and Managing Director in Western Union's North Asia region and board member of the Western Union Foundation, is tasked with advancing MasterCard's leadership in payment services through the company's MoneySend platform.

Features

Prepaid's role in monetizing social media

With the game card sector of the prepaid card industry growing exponentially, it is becoming apparent how important prepaid cards are in helping online game and social networking publishers translate virtual services into real-world profits.

Game cards act as a way for game card publishers to monetize digital content and interactive experiences, according to Dr. Joost van Dreunen, Lead Analyst and Managing Director at SuperData Research Inc.

Game cards exist in "that intersection between traditional retail know-how and more modern, technology-based distribution models," he said. For van Dreunen, game cards answer the fundamental question of how online game and social media publishers get consumers to spend money in virtual worlds and on networking sites.

"On the one hand you have the phenomenon of the emergence of virtual item sales," he said. "At the same time you have a growing number of game publishers and entertainment publishers, which are primarily or almost exclusively online. How do you translate real money into virtual currencies? The gift card and the prepaid card business is very simple. … It really enables and opens up revenue to publishers in a way that they haven't been able to do before. So you see a lot of people adopt it as one of their payment methods."

Leveraging content

Accordng to a SuperData report entitled *Prepaid Game Card Primer: Monetization and Marketing for Stored-Value Game Cards*, 2010 marks a large expansion in the game card market as game publishers like Zynga Game Network Inc. and Meteor Games LLC roll out game cards in retail stores. SuperData estimates the new game card offerings will generate $55 million in 2010.

In May, social networking site Facebook and Zynga entered a five-year partnership. Van Dreunen believes the partnership is part of Facebook's strategy to monetize its content. While Facebook has hundreds of millions of users, it has struggled to generate revenue, he said. Facebook made money through advertising, but that dropped off when the recession hit.

Zynga, on the other hand, has effectively incorporated prepaid cards into its game mechanics, according to van Dreunen. "You can play and play [a Zynga game] and then you hit a ceiling unless you spend a little money," he said. "And they're very, very smooth. And they've figured out the secret sauce when it comes to persuading customers to hand over a little bit of money."

Take a small-dollar purchase of a game card used on a Zynga game to buy a virtual tractor in FarmVille, for example, and multiply it by over 100 million users, and "that's a lot of money," van Dreunen said. Facebook wants a percentage of that revenue, he added. "They want to be the platform that everybody goes to," he said. "And then they take 30 percent of whatever people spend. … They've been missing out on a lot of the revenue that [Zynga] has been making."

Metrics

Based on a survey of 3,152 prepaid card shoppers, SuperData found that the majority of game card users (76 percent) are between the ages of 13 and 17. That most gamers are teenagers plays into a primary function of prepaid cards: giving unbanked or underbanked individuals without access to credit or debit cards a tool for purchasing goods and services online.

"For game publishers, this means that by offering a prepaid card, they can gain access to a desirable consumer audience," the report said. Additionally, prepaid cards offer retailers three main benefits, according to the report. Prepaid cards:

1. Create no inventory on balance sheets
2. Come without risk to merchants
3. Maintain their value

First, until a card is activated at the POS, it is not considered inventory from an accounting perspective. "This is radically different than most of a retailer's inventory, which must be acquired and shelved," the report stated.

Additionally, prepaid cards are useless to thieves until they are purchased and activated, which eliminates the risk of theft for merchants. Finally, prepaid cards, unlike other products, retain their value and never have to be marked down by retailers, the report said. Van Dreunen sees the aggregation model for game cards as a growing trend typified by the Ultimate Game Card, a product of PlaySpan Inc. and managed by its subsidiary PayByCash. Money loaded on the card can be redeemed at hundreds of online gaming sites.

With limited retail space, "aggregator cards" are more practical than one card per game, van Dreunen said. Also, marketing myriad games under one trusted brand, such as Ultimate Game Card, allows game card buyers (such as parents) to purchase in-game credit for their children without having to know for what specific games, he noted.

A new benefits option for Floridians

Increasingly, federal and state agencies view prepaid cards as a convenient and cost-effective alternative for the issuance and distribution of benefits payments. This fall, Florida's Agency for Workforce Innovation will implement a prepaid debit card program for unemployment benefit recipients.

The program, managed by Affiliated Computer Services Inc., is designed to give recipients another way to receive unemployment compensation. Currently, Florida residents have two options for receiving unemployment benefits: state warrant (paper check) and electronic funds transfer (EFT). The prepaid debit card will become the third option. "They'll have all three choices," said Robby Cunningham, Communications Director at the AWI. "Some states have gone mandatory but Florida has not."

More benefits for recipients

The prepaid benefits card will be an open-loop, Visa Inc.-branded card that can be used at 1,800 surcharge-free, "in-network" ATMs statewide, including Wachovia/Wells Fargo's and Elan Financial Services' MoneyPass ATMs. According to Cunningham, 619,083 Florida residents have a "continuing claim status" with the state (people either receiving or certified to receive unemployment benefits). Fifty-nine percent of them receive benefits via EFT; 41 percent receive paper warrants, he added.

Cunningham believes prepaid debit cards will be in some ways an improvement over EFT. "The money will be deposited more quickly onto the debit card account than an EFT account," he said. "They'll have funds immediately. They'll be able to take the card and walk into a grocery store, for example, and use it much like any other debit card."

More sunshine for unbanked

A primary market for prepaid cards is unbanked individuals who do not have access to bank accounts. Therefore, unbanked Florida residents cannot use EFT, which allows funds to be electronically wired into bank accounts. The prepaid benefits cards will thus give unbanked recipients an electronic alternative to state-issued paper checks.

The Federal Deposit Insurance Corp.'s 2009 *Survey of Banks' Efforts to Serve the Unbanked and Underbanked* found that 527,000 households in Florida are considered unbanked, which represents 7 percent of the total number of households in Florida. The largest unbanked minorities in Florida are African-American (24.2 percent) and Hispanic (8 percent), according to the FDIC. The AWI has taken that fact into account with the prepaid debit card program, with Xerox-owned ACS providing marketing materials and program access in Spanish and Creole, as well as English, Cunningham said.

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Company**Profile**

Vendor Safe Technologies

ISO/MLS contact:
Chris Melson
President and Chief Executive Officer
Phone: 713-929-0201
E-mail: *cmelson@vendorsafe.com*

Company address:
Suite 1700, Arena Tower II,
7324 Southwest Freeway
Houston, TX 77074
Phone: 713-929-0200
Fax: 713-773-2669
Website: *www.vendorsafe.com*

ISO/MLS benefits:
- PCI Managed Security Suite eliminates about two-thirds of the questions for merchants in the PCI questionnaire
- Self-configuring firewall can be easily installed without an on-site engineer
- Company specializes in providing security for Level 4 merchants
- PCI compliance package includes rogue device detector and data transmission regulator
- Merchants are insured up to $50,000 in related costs if they are breached

The firewall people

Vendor Safe Technologies has a motto: Security first, PCI second. The information technology (IT) security vendor specializes in merchant compliance with the Payment Card Industry (PCI) Data Security Standard (DSS), deploying comprehensive firewalling programs and other intricate security measures to get them there.

But its representatives also take pride in offering a package that goes well beyond the standard to ensure that merchants are carefully safeguarded from cyber criminals nearby and the world over.

The company, headquartered in Houston, Texas, was founded in 1989 by two brothers, Mark and Brad Cyprus. Today, Brad is the company's Senior Security Architect; Mark is the Chief Technology Officer.

Both are exceptionally smart "in different ways," according to Bill Pickard, Vendor Safe's Chief Operating Officer. Mark, who sits on several industry oversight bodies, including the PCI committee of the Retail Solutions Providers Association, is the "world's expert on Level 4 merchant PCI compliance," Pickard said. "He's unbelievable.

"I worked for Sprint, which is a Fortune 100 company, and he is as smart, if not smarter, than the smartest guy we had at Sprint."

Pickard joined Vendor Safe in 2007, around the same time the company hired its current Chief Executive Officer, Chris Melson. Both were recruited to help the company develop and market what has become its signature technology – what Vendor Safe calls its "self-configuring firewall architecture," a remotely configured and operated firewall for POS environments.

The technology, the brainchild of Mark Cyprus, is patent pending. Pickard noted that Vendor Safe is the only company that has it. POS firewall implementation normally entails an extensive on-site installation process. Vendor Safe's firewall, and the PCI Managed Security Suite package within which it's contained, can be installed in minutes, Melson said.

"When we send out the firewall we tell the customer to go to a location on our website and click a link," Melson said. "That's all they have to do is click this link, some software gets installed on their system that allows us to understand their network topology, and then it sends them a firewall.

Then we can talk them through installing the Ethernet cable on the firewall: they just have to plug in the cable; then they walk away, and we do everything remotely."

Focusing on the Level 4's

The package is aimed primarily at Level 4 merchants (those processing fewer than 1 million transactions per year), who are most in need of a relatively cheap solution that's automated and doesn't demand technological savvy from its user.

"The systems are very automated, which allows us to keep our cost down, which we pass on to them in the form of a low monthly fee to keep them PCI compliant," Melson said. "The guy that has a sandwich shop can't afford $25,000 to do a gap analysis or even $10,000 a year for security. But he can afford $50, $60 or $70 a month."

Pickard said merchants of all sizes subscribe to the service, but that its biggest customers are Level 4 merchants with "geographically distributed offices and small IT staffs." He added that Vendor Safe's products are sold almost entirely through reseller channels.

Vendor Safe's self-configuring security network automatically tailors itself to fit the differently configured environments of multilocation merchants, Pickard said. That ensures that networks are fully segmented, with the POS system sealed off from all proximate digital entryways.

"You have a market that is huge and underserved and has a need for security measures that are mandated not only by the Payment Card Industry, but also by a number of state governments that have passed the PCI DSS or some separate standard to protect credit card data," Melson said. "We have a solution that meets that need."

Pickard said the PCI management system allows merchants to skip over about two-thirds of the questions on the PCI compliance questionnaire, which contains 225 questions for merchants who store card information. "Think of those questions as requirements," Pickard said. "We're providing a service that allows you to answer positively that 'we are fulfilling these following requirements.'"

Melson added that merchants whose networks run over a dedicated phone line use Vendor Safe's PCI Compliance Reporting Suite, a less expensive option.

But those who process transactions over public data networks using, for example, a DSL or cable modem to route transactions over the Internet use the company's PCI Compliance Managed Security Suite, a more tightly controlled and monitored option.

"It's much more difficult to hack into a traditional phone line that's a dedicated point to point connection," Melson said.

Unrivaled patent-pending product

Pickard said that when the company applied for insurance on its patent, the insurer couldn't find a single company that had patented anything remotely similar (patent insurance rates are based largely on the insurer's

assessment of the probability of litigation by companies that have patented similar products). To the company's knowledge, its self-configuring firewall is unique and novel.

Pickard said Vendor Safe's firewall and accompanying PCI program can be installed with a simple plug-in and a few clicks of the mouse. The bulk of the installation and operation is performed remotely by Vendor Safe – although the package is, as advertised, largely "self-configuring," meaning it largely installs itself by forming around the existing contours of a given merchant's digital layout.

"The differentiator for us is we do compliance for a fixed monthly fee," Pickard said. "Other companies bring out security analyzers and tell merchants exactly how to build a specific solution. … We have a standard solution delivered via managed service.

"All our customers look the same to us: they all get a firewall; we manage that firewall 24/7 without sending somebody on site, and we don't make them change their IP address at the local land level."

Melson said the company's firewall automatically segments a merchant's POS system to keep it separated from other media channels that can function as gateways for hackers.

"Part of our service is to set the firewall up so [different networks] are zoned off," Melson said. He noted that typically, digital video recorders (DVRs), for example, have to be open to the Internet so they can be accessed remotely by managers monitoring stores from off premise locations.

"We don't want that Internet opening to migrate its way over to your point of sale network," he said. "Otherwise, the hole you might leave that allows you to access the DVR remotely might be accessed by a hacker to get into your point of sale system.

"If he's only accessing the DVR that's not a big deal, but if he found his way into your point of sale system and could access your credit card data, that's a serious problem. If you have a sophisticated firewall in place, you can fix it so that those are on completely separate networks.

So even though he's [hacked into] the DVR he still can't get into the point of sale system."

Rogue device detection

In addition to the firewall, the company's PCI compliance

package comes with a rogue device detector meant to monitor on-site criminals who try to siphon card numbers with malware that's injected using a laptop or skimmer.

"People in Russia and China are really good at accessing networks from afar, but there is also the threat that someone could walk into your restaurant and get into your system internally, whether through your wireless network or even walking up and maybe plugging an Ethernet cable into your switch," Melson said.

"Our system protects against that as well. If somebody plugs a rogue device into the network, we can detect it and block it. We have a 24-hour monitoring system. If we detect suspicious behavior, we'll alert the merchant."

Pickard added that somebody trying to gain external access could try to log on to the network 50 times in 20 minutes. "That's a machine trying to log on, not a person," he said. "And we would detect that something was wrong. Or there are man-in-the-middle attacks. … All the ways that hackers try to penetrate a system we are on the lookout for."

Pickard said the company's PCI compliance programs also include mechanisms for encrypting data and regulating its transmission. When a merchant registers with

Vendor Safe, it is required to list the parties that it communicates with – such as vendors, processors and other business partners.

The IP addresses of those workplaces are then noted by Vendor Safe, and any attempts at digitally communicating with IP addresses outside of those listed are blocked. That prevents hackers from sending card information to external sources.

Clients all over the continent

Vendor Safe services over 20,000 store locations in every state but Hawaii, as well as in Canada and Mexico. Pickard said the company tends to tackle client problems as if they were its own, adding that the company insures merchants for breach costs up to $50,000.

"This company was built around designing and managing data networks, and it's still that way today," Pickard said. "When you manage data networks, security is the major focus. … If you want to be PCI compliant, first and foremost you need to worry about security.

So that's what we do every day – 24 hours a day, eight days a week. You worry about security and PCI tends to fall into place."

Financial reform bill passes Senate, interchange targeted

Significant changes to the payments industry seem all but foregone following the U.S. Senate's approval of the sweeping financial reform bill on May 20, 2010. Along with the stricter regulation of practices that include consumer lending and derivatives trading, the bill contains provisions about merchant card acceptance and debit card-based interchange fees.

The Restoring American Financial Stability Act of 2010, which passed the Senate on a 59 to 39 vote, must now be combined with a similar bill passed by the U.S. House of Representatives; if that reconciliation bill is approved by both chambers of Congress – and there is broad agreement that it will be – it will go to President Obama to be signed into law.

Possible repercussions

The Senate bill contains provisions relating to payment card use and acceptance, and observers say it is unlikely any of them will be dropped from the pending reconciled bill.

One is that it gives the Federal Reserve the authority to ensure that interchange fees charged for debit card purchases are "reasonable and proportional" to the processing costs incurred by the card issuers setting the fees.

What "reasonable and proportional" precisely means will be determined by the Feds, as the provision does not cap interchange at a specific, predetermined level.

As it stands now, the bill only calls for regulating debit card, not credit card, interchange; it also exempts card issuing banks with assets under $10 billion from fee restrictions. Still, many in the industry worry that regulating interchange in any fashion potentially opens the way for broader and more severe regulations.

Regulating interchange is a "tax on the system, and it could involve rules that are extremely difficult, if not impossible, to follow," said Ken Musante, founder of Eureka Payments LLC, a Calif.-based merchant services firm.

"The rule makers don't have a full understanding of the card payments network, and the precedent of them regulating interchange is like the camel's nose under the tent: once that happens, you don't know what else you're going to see," he added.

The bill also contains a provision allowing merchants to set a minimum dollar amount for all payment card purchases and to offer discounts to consumers who pay with cash, both of which are currently forbidden under the Visa Inc. and MasterCard Worldwide rule structure; how-

> *Regulating interchange is a "tax on the system, and it could involve rules that are extremely difficult, if not impossible, to follow."*
>
> Ken Musante,
> founder of Eureka Payments LLC

ever, some merchants have long engaged in such practices in defiance of the brands.

The Senate bill also requires that credit card companies follow the laws of states in which a given card is used for leveling charges on consumers – and not those where the card companies are headquartered, which is the current practice.

Pushback by issuers

Card brands and issuers argue that interchange is a necessary fee for offsetting processing costs and that restricting interchange would stifle the industry's growth, make it harder for certain merchants to link with credit processing networks, prompt a rise in different merchant service fees to offset losses stemming from interchange reduction and curtail consumer rewards card programs funded with interchange money.

Paul Martaus, President of payment consultancy Martaus & Associates, said lobbyists for the card issuing sector have limited clout in the face of the hostility toward big banks and other financial behemoths that has helped push the regulation bill forward.

Martaus said Congress would have been more easily swayed by arguments from merchant service providers – which, he contended, would also be hurt by interchange restrictions – but the merchant acquiring sector lacks an effective lobby.

"Visa and MasterCard and the banks have their own lobbies, but nobody is working on the side of merchant services organizations," he said. "The ETA [Electronic Transactions Association] is an incredibly effective trade organization, but it's not made of professional lobbyists, and so far they've only been able to muster a very nicely worded answer to this.

"A merchant services provider might be able to come up with a better argument that makes more sense than what the issuers have done. Visa and MasterCard only want to

News

discuss the problems of the issuing side. But everybody's angry about the Wall Street bailout and the banks, and the arguments are not ringing true."

A call for regulation

Not everyone in the merchant acquiring sector opposes interchange regulation, however. Brian Relph, an Illinois-based merchant level salesperson with Merchant Services of North America, said he agrees with the contention of many merchants that fees leveled on card transactions are unnecessarily high.

Relph said merchants commonly blame ISOs, with whom they have the most face-to-face contact, rather than the issuers whom Relph believes are most to blame for excessive costs.

"In some cases I'm viewed as the enemy, and I try to point out that I'm not, that the banks are the enemy, that we sell an interchange program with very small markups and no ancillary [fees]," he said. "A lot of processors have a list of fees so long … and the issuing banks, which really control Visa/MasterCard, can do anything they like. But merchants look at salespeople, at the ISOs, as the people that are doing it."

Other congressional news

An amendment to the financial regulation bill introduced by Sen. Tom Harkin, D-Iowa, to cap ATM transaction fees at 50 cents was voted down earlier this week.

Meanwhile, a separate bill that targets the controversial practices of certain

online merchants was introduced May 19, 2010. The Restore Online Shoppers' Confidence Act, introduced by Sen. John D. Rockefeller, D-W.Va., proposes a ban on certain "deceptive" tactics used by some online merchants.

Those include bans on giving customer payment information to third-party merchants; on charging consumers for a product or service following a free trial period without providing a notifying email at least 10 days prior to leveling those charges; and on using "negative options" (pre-checked boxes) in charging consumers for a service.

Support for Rockefeller proposal

According to Musante, whose company specializes in acquiring "continuity" merchants that offer free trial periods followed by recurring billing, the Visa and MasterCard rules already cover some of the provisions in Rockefeller's proposal, although they weren't strictly enforced until recently.

Musante said he supports the Rockefeller proposal as long as it doesn't conflict with the existing rules.

"It will be very difficult if the rules are in conflict with card [brand] rules, or written in an ambiguous fashion," he said. "But if they're clear and conform to the card networks, it will actually make things easier by providing greater clarity and more uniformity to the rules."

Why won't Apple take cash for iPads?

Apple Inc. outlets are reportedly refusing cash payments for the iPad, a policy that drew widespread attention after a woman in Palo Alto, Calif., was denied cash purchase of the corporation's newest gadget.

Apple is said to be accepting only credit and debit cards or personal checks for the iPad, and is limiting purchases

of the item to two per customer. The policy is evidently meant to prevent the mass sale of iPads to consumers in certain countries overseas where the products carry much higher price tags.

Apple hasn't commented publicly on the matter, and it isn't clear whether the company intends to use consumer information for marketing purposes, or if it's just a method for controlling the illegal resale of iPads.

Apple and the law

Paul Stephens, Director of Policy and Advocacy for consumer advocate Privacy Rights Clearinghouse, called the policy "problematic," but added that Apple is within its rights to deny cash payments.

"I don't believe a merchant should put a consumer in a position where they're required to have a payment card to make a purchase," Stephens said.

"It's problematic from a consumer's standpoint. … Some people choose not to use payment cards or checks because they want to stay off the radar screen and maintain their privacy."

Stephens added that he is "not aware of any laws that say you can't accept cash, and I don't believe [Apple] is doing it to collect your data" for research or advertising. "They're trying to limit sales and re-sales is my assumption," he said.

Indeed, the website of the United States Department of the Treasury states: "There is … no federal statute mandating that a private business, a person or an organization accept currency or coins as payment for goods and/or services. Private businesses are free to develop their own policies on whether or not to accept cash unless there is a state law which says otherwise."

The decline of cash

Payment attorney Theodore Monroe theorized that Apple's policy represents the "rise of electronic payments and slow death of cash."

He agreed that Apple is probably operating within its legal rights, but added that he expected the company would use consumer information for marketing – a practice likely to draw ire.

"One way of looking at this is that Apple wants to know more and more about who it does business with and who is buying its product," Monroe said. "They're not even allowing gift cards, so they want to know the names of who they're doing business with. … One would anticipate that Apple will use this information in the future as a marketing tool, and that to me is the real story."

Monroe added that Apple would have to comply with certain Federal Trade Commission rules to market to its consumers in such a way, that "the area of privacy is a developing one," and that he "will be surprised if someone brings a lawsuit over it."

PCI SSC unveils new PTS requirements

The PCI Security Standards Council (PCI SSC) recently published version 3.0 of the PIN Transaction Security (PTS) Point of Interaction (POI) security requirements. The new PTS – the end result of a three-year review of the previous version of the standard – is a set of protocols for POS terminal manufacturers to follow when designing PIN entry devices (PEDs) and incorporating them into POS systems.

According to Bob Russo, General Manager of the PCI SSC, releasing PTS v3.0

News

> In its effort to further the education of merchants in data security, the PCI SSC upgraded its website to include a detailed listing of approved devices linked to pictures of each device so merchants can easily discern if their POS devices are PCI certified.

now is particularly important given that fraudsters are "picking up point of sale devices from stores and walking out the door with them. It's sort of a hotspot. We want to make sure that some of these devices, or all of these devices, certainly are not storing data that they shouldn't be."

The council said that, up until now, there were three separate sets of requirements, one each for POS PEDs, encrypting PIN pads and unattended payment terminals. Version 3.0 of the PTS combines those three requirements into one and provides a single listing of approved products for POS terminal manufacturers to reference when putting together secure systems.

Three additions to PTS

Additionally, Russo said PTS v3.0 incorporates three new modules: the Secure Reading and Exchange of Data

(SRED) module, an integration module, and an open protocol module. SRED is a first attempt by the PCI SSC to address end-to-end (E2E) encryption without promoting any one type of E2E technology, Russo said.

He added that SRED is not a mandatory requirement; it provides guidance as to encryption best practices for POS terminal vendors to follow.

The integration module is designed to ensure that disparate devices all conform to the Payment Card Industry (PCI) Data Security Standard (DSS) and related security standards.

Russo gave the example of a gas pump, which comprises many devices. The PIN pad, card reader, touch screen display, receipt printer and even the box that houses the different devices all have to be certified PCI compliant. "There has to be a secure methodology for integrating all of these things," Russo said. Finally, the open protocol module addresses wireless devices equipped with radio frequency identification technology.

Overall, the goal of the new PTS is to help POS vendors design systems that keep cardholder data secure. It's easier for vendors "because there's one place to go to get all of these things certified," Russo said. "And it's easier for the labs because now they have a methodology to certify each [POS terminal component]."

Enhanced website

Merchants have not been forgotten either. In its effort to further the education of merchants in data security, the PCI SSC upgraded its website to include a detailed listing of approved devices linked to pictures of each device so merchants can easily discern if their POS devices are PCI certified, Russo said.

PTS v3.0 is the first of three new standards to be released. The PCI SSC will publish the new Payment Application DSS and PCI DSS later this year.

The requirements of version 2.0 of the PTS are still in effect, with a sunset date of May 12, 2011. To learn more about the new PTS standard, go to *www.pcisecuritystandards.org/security_standards/ped/index.shtml*. The council also conducted a webinar on PTS v3.0. It can be accessed at *www.pcisecuritystandards.org/education/webinars.shtml.*

TradeAssociationNews

Rossi regales at W.net LINC

On May 20, 2010, close to 40 women in the payments industry gathered at a Wells Fargo & Co. penthouse meeting room in San Francisco to attend the Women in Electronic Transactions (W.net) Local Interest Networking Circle (LINC) for Northern California. The draw was Debra Rossi, Executive Vice President, General Manager of Merchant Payment Solutions for Wells Fargo.

The event, sponsored by Wells Fargo, TASQ Technology, POS Portal Inc., E-Merchant Solutions and The Strawhecker Group, began with ample time to check in with other attendees while nibbling on cookies and other treats. A networking exercise from the toolbox of professional coach and consultant Linda A. Curtis followed.

Curtis asked each woman to think of one challenge or issue that, if resolved, would make a positive difference in her life. Participants then paired off and took turns presenting their issues to partners who offered two brief suggestions on how to move forward. When pairs were done, they found new partners and thus worked the room.

Then came Curtis' one-on-one interview with Rossi, who, it turns out, studied for a career in radio and television. But when she finished school, she said, there were no jobs in that field.

She took a temporary job at Union Bank. Now, more than two decades and four bank mergers later, she is quick to credit others for her success. "I have always had the best people working with and for me," she said. "I owe them a debt of gratitude."

Curtis and Rossi covered a great deal of ground as they sat, relaxed yet poised, and conversed in front of the group. Rossi told stories from her personal experience and confessed that she's "not a good example of balance," but she does enjoy yoga, running, travel and spending time with her family when she's not immersed in the banking world.

Speak up and prosper

Rossi recommends Maria Shriver's Women's Conference as a place to do high-level networking and become empowered (*www.womensconference.org*). Shriver is "one of the most motivational speakers I've ever seen," she said. The next (and Shriver's last) conference is coming up in October; tickets will sell out "in 45 minutes" once they go on sale, she added.

And Rossi has advice for those who want to take their careers up a notch. "You have to network, rock the boat,

challenge the status quo," she said. She encouraged people to ask: Why are we doing that? Could we be doing something differently? "Be vocal at meetings, and if something's wrong, you have to stand up," she said. She noted that she encourages her staff to question colleagues' decisions. "It's healthy to challenge and debate what's going on," she said. "Learn how to disagree."

Rossi also believes it is important for women professionals to be collaborative and help one another. "You should be the best advocate for the women you're working with," she said. "We are paving the way for women of the future. We have to support each other if we want to see women succeed."

The next LINC will be held at Bloomingdales in New York City on June 7. For more information about this event and W.net, visit *www.w-net.biz.*

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sales, an average independent gas station takes in eight times that amount, Karawadra said. Larger card volume translates into larger residuals for ISOs and merchant level salespeople. Therefore, writing three new gas stations a month is equal to revenue derived from 24 average retailers boarded in that same time frame, according to Karawadra.

Fleet cards have proven to be a potent value-added product Impact PaySystem sells to trucking companies and other businesses in the automotive industry.

The fleet card is an open-loop, branded prepaid card that truckers and others use for fuel and maintenance on vehicles. Karawadra said truck stops have seen as much as a "40 percent revenue jump when they started accepting this card."

Voyager Fleet Systems Inc., a division of U.S. Bancorp., and Wright Express offer popular fleet card programs.

The wave of the present

Smart card contactless technology has been "the next big thing" since the early 1990s. But it seems to have finally hit its stride in the mass transit market. The transit systems of major cities like Chicago, Washington, Atlanta, San Francisco and Boston already run on smart cards, said Randy Vanderhoof, Executive Director of the Smart Card Alliance.

According to Vanderhoof, the primary objective for transit authorities to transition away from their legacy systems is to minimize costs. "Transit operators lose money on every rider for the most part," he said. "So they're trying to control their losses by streamlining their operations and providing better service to their customers."

The SCA defines cost savings as a ratio of fare collection to agency expenditures. A March 2010 SCA white paper entitled *Planning for New Fare Payment and Collection Systems: Cost Considerations and Procurement Guidelines* estimates a smart card ticketing system costs 17 cents in resources for every dollar collected in fare revenue.

How that metric compares to those of older, paper-based ticketing systems, Vanderhoof does not know. But it is universally agreed that transit agencies can achieve substantial savings by going electronic.

Smart card validation

David Cummins, Vice President of Sales and Marketing for the Transportation Solutions Group of Affiliated Computer Services Inc., put it bluntly. "When you are in a paper ticket world, it's just miserable," he said. "It's a self-defeating cycle."

ACS offers smart card, contactless solutions worldwide.

It has implemented systems in such far-flung places as Riga, Latvia, and Torreón, Mexico. It is currently implementing a system in Lima, Peru, where ACS is installing its E-Validator EVD200 smart card terminals in buses and minivans.

NFC-enabled cards waved near the terminals allows for more efficient loading of passengers and reduces "shrinkage" associated with paper- and coin-based systems, Cummins said. It could be drivers pocketing some of the cash, robberies or other hazards of handling money.

Because these agencies are often cash-strapped, ACS fronts the money for the installations and then receives its compensation as a percentage of fare collection revenue. The goal in Lima, as in its other installations, is for ACS to help the transit agency achieve a 95 percent revenue collection rate.

Fare is fair

In 2007, New York City and Philadelphia cabbies staged a two-day strike to protest the new, passenger-facing VeriFone Inc. payment terminals installed in their taxis. The cabbies complaints boiled down to a lack of control over the systems when they had been accustomed to taking fare payments directly, and in cash. The end result would be fewer tips and less money in their pockets, they argued.

But time has proven their fears to be unfounded. "We now know, being years into it, that tips have actually gone up," said Erik Vlugt, Vice President of Product Marketing at VeriFone. "People tip better on a credit card. People tend to spend more in general when they're not dealing with cash. And that's been true in taxicabs, too.

"If you took a poll of drivers today, they would give you a very different opinion than they would have three or four years ago."

The systems – 95 percent of which are equipped to accept contactless payments using MasterCard Worldwide's PayPass technology – have proven beneficial in additional ways. Cab companies handle less cash, which improves safety.

And, depending on the city, the terminals provide "information to customers, GPS mapping, advertising, newscasts," Vlugt said. "So that conversion to electronic payments came with a lot of other advantages, which are much more accepted and appreciated now."

Dynamic parking

If cabbies were initially resistant to change, others have enthusiastically embraced the new technology. It all depends on individuals and communities, said Jim Morin, Vice President of Business Innovation at First National Merchant Solutions. He offered a personal anecdote.

CoverStory

His hometown of Boulder, Colo., adopted a self-service kiosk parking system about 18 months ago, to great success, Morin said.

The kiosks are entirely unattended, which might have rattled a less tech-savvy population unaccustomed to dealing exclusively with an automated system. But Morin said Boulder "prides itself on being leading edge," a mindset the city counted on when it implemented the kiosks.

The market for electronic parking solutions – whether for municipal street parking, lots or ramps – is early in its development, but rapidly expanding, Morin added.

As the back-end payment processor, FNMS develops relationships with municipalities and then brings in its partners – program managers and equipment manufacturers – to put together programs. It has developed electronic parking payment solutions for New York, Miami, Los Angeles and Omaha, Neb., where FNMS' parent company First National Bank of Omaha is headquartered.

With the recession and cities losing revenue through shrinkage of tax bases, the move from a cash- and coin-based parking system to plastic has become an imperative, Morin said. It's a cost-saving measure in that cities don't have the expense of collecting coins from the meters. But, perhaps more importantly, an electronic solution allows cities the "flexibility to dynamically alter the price of parking," Morin noted.

Cities can charge more for parking in particular locations for particular events, such as concerts and fairs, for example. It is not necessarily a revenue driver, according to Morin, but more of a way for cities to better manage costs.

FNMS is also at the forefront of paying for parking via the web, which allows consumers to prepay and reserve parking spaces online before attending sporting or other entertainment events. "If you can print the boarding pass [on the web], why can't you print parking?" Morin said.

The last frontier

Opening up consumer payment for parking via the web channel mirrors a similar movement to open up mass transit to accept standard credit and debit cards. Currently, cities issue their own closed-loop cards that work only on their particular mass transit systems. In other words, the Boston CharlieCard and the New York City MetroCard are not interchangeable.

The benefits of going to a contactless, open-loop system are many, according to ACS' Cummins. Riders can pay for bus and subway rides with any network-branded, contactless card. From the transit authority standpoint, open-loop alternatives reduce the expenses

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*Merchant must qualify for merchant processing in order to be approved under the guaranteed lease program.

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associated with distributing the closed-loop cards and the systems designed to facilitate reloading of the cards.

VeriFone's Vlugt calls the open system the "last frontier." VeriFone is involved in open-loop payment trials in New Jersey and New York City where riders will be able to flash their network-branded bankcards on buses and at subway turnstiles. The pilots go live in June 2010, Vlugt said.

"I don't know if any transit authority is ready for bankcard only, but it's a nice add-on," Cummins noted.

The human element

Smart card mass transit systems are not without vulnerabilities, however. In the summer of 2008, London's Oyster card fare ticketing system went down not once, but twice. It was reported that the system failures were caused by the Oyster card operator Transys; the London transit authority, Transport for London, severed its contract with Transys soon thereafter.

Then, in the fall of 2008, Massachusetts Institute of Technology undergraduates cracked the security of the aforementioned CharlieCard. The Massachusetts Bay Transit Authority slapped a gag order on the students to prevent them from revealing their findings at a hacker's

convention in Las Vegas. But the lawsuit was rescinded and, by the end of the year, the students were working with the MBTA to help improve system security.

And in 2009 a self described hardware hacker and others reported at another hacker's convention how they breached San Francisco's smart card metered parking system in three days.

While Vlugt recognizes that the threat is there, he emphasizes that contactless payment security is "leaps and bounds" beyond security for magnetic stripe cards. Contactless cards are much harder to duplicate than mag stripe cards because the "authentication and communication protocols are way more complex and have security mechanisms built in that the mag stripe doesn't," he said.

Theodore Svoronos, Vice President, Business Development & Strategic Partnerships at Group ISO Inc., looks at it from a different perspective.

Fraudsters like anonymity, he said. That is why they have gravitated to the online environment. Additionally, sophisticated hackers want to crack large databases and steal millions of card account numbers. "I'm not going to defraud somebody for a $15 cab ride down the length of Manhattan," he said.

Svoronos emphasizes that the main flaw in security is the upfront enrollment process, not weaknesses in RFID chips or information technology systems. "Vetting out the identity of the individual getting involved in the program, I still feel, is the biggest problem out there, no matter whether it's for a transport card or a credit card or a bank account," he said.

That is why Svoronos believes the human element, such as attendants at parking garages and airport parking lots, can never be discounted in smart card installations. "I love automated," he said. "I think automated is great because that's where we are. And we're going to be more automated tomorrow than we are today.

"My question is, how do you get there? Do I want to give the ability for the person to put their credit card into a machine, purchase a card and go away? Or do I want to control that process somehow?"

But Svoronos does not see the human element as instrumental only in system security; it is also paramount in customer service, since smart card installations can be confusing or overwhelming for certain people, such as senior citizens and individuals new to a country or locale.

"I believe in faster, better, smarter," he said. "I also believe in backup plans: in case of this we have this. And the human element still needs to be present. Not in everything. Just in some of the newer things that are coming out today to show people that it's OK." ◾

Street**Smarts**℠

What does a merchant get for a PCI fee? – Part 1

By Ken Musante

Eureka Payments LLC

I've been confused about what a merchant gets with a PCI fee. What is the fee designed to do? Enable a merchant to ignore the Payment Card Industry (PCI) Data Security Standard (DSS)? Insure the merchant against PCI fines? Pay for the processor to become PCI compliant? Pay for the merchant to become PCI compliant?

In an attempt to learn more, I posted on GS Online's MLS Forum that the monthly PCI fee has become increasingly common and that it seems to range between $5 and $15. And I asked Forum members the following questions:

1. Is this PCI fee really as common as I am indicating? It seems that most acquirers are now charging it, and this fee has replaced some of the margin compression from lower rates.

2. Is my assessment on the range accurate, or are you all seeing numerous instances outside of the $5 to $15 per month range?

3. It's unclear to me what this fee covers. For example, some acquirers include insurance with the monthly fee in case a breach should occur. Other acquirers state the fee allows the acquirer to be PCI compliant. What does it really include and exclude?

4. Is the logical conclusion that this is just another fee? It seems, over time, we acquirers will get smart enough (I'm optimistic) that we will be deploying products that are inherently secure. Upon doing so, I don't see this fee going away. Do you agree?

5. If there is a breach at a third party (gateway, for example) used by many merchants within a portfolio, and the insurance company does not pay (for whatever reason), is the acquirer ultimately liable because it was the one charging the fee?

Many strong opinions

GMARTIN was the first to respond. Brief, yet clairvoyant, he said, "And let the flood gates open …" And open they did. Four pages, 51 replies and 733 views later, I begin this article. I can only hope my future posts will be as thought provoking.

FASTTRANSACT did a good job of framing an acquirer's concerns: "Let me begin with that PCI is more complex than just a scan," **FASTTRANSACT** wrote. "It is about educating merchants to protect cardholder data within their daily business practice.

"I know that some ISOs outsource their PCI compliance requirements to third-party vendors who offer a monthly scan and insurance in case of a breach. These services range from $20 a month to an annual fee of $99+.

"However, merchants and MLSs/ISOs need to look beyond the fee and the scan. … To take the time with each mer-

> *"Lastly, the argument about insurance, I am sure, is going to arise. When it does, consider who the insured is and if the true cost is disclosed. In most cases, the insurance plans I have seen have a markup, which, if I am not mistaken, is called profit. Again, not a problem, if everyone understands it."*
>
> Forum memeber CLEARENT

chant they [the MLSs] touch to go over their procedures and educate them on the consequences. If not at the MLS level, then the ISO needs to provide this service. It protects the merchant, and it protects both the MLS and the ISO."

FASTTRANSACT went on to argue that educating merchants is valuable and expensive, but necessary. Therefore if you are providing an educational service, a modest fee is acceptable, and the merchant is obtaining a valuable service.

She finished with, "There are numerous ISOs who do provide a quality PCI program and keep the costs/fees to the merchant relatively low with a strong value-for-value component." **FASTTRANSACT**, however, was in the minority of respondents.

A call for education

CLEARENT was a bit more cynical: "We, as an industry, are all too worried about what might happen at the switch, or at our host, etc.," he stated. "So a fee gets charged to cover that expense ... and, oh, maybe get info from the merchants.

"PCI is just a buzzword now. Truth is we should be educating our merchant base, over and over, about data security. It should become a mantra for all of us.

"A merchant is only secure the minute they complete the questionnaire and abide by the needs or instructions. They can do what they want and afterward be out of compliance.

"So, let's be real. The cost charged the merchant isn't for their compliance; it's for the host's compliance cost coverage. That's OK, if it's disclosed as such.

"Lastly, the argument about insurance, I am sure, is going to arise. When it does, consider who the insured is and if the true cost is disclosed. In most cases, the insurance plans I have seen have a markup, which, if I am not mistaken, is called profit. Again, not a problem, if everyone understands it."

CCGUY reported that he has seen fees as high as $30 per month. He cited statements in which a merchant had both a monthly PCI fee and an annual PCI fee in addition to a "standard" annual fee.

He also posted one of my favorite comments on this thread in a separate post while describing the complexity a merchant encounters while getting an integrated POS system into compliance: "Merchants are businesspeople, not computer geeks!"

Questionable fees

MARINESTEBAN brought an entirely new perspective to light. He asked, "What about those charging a 'noncompliance fee'? Does that means that the [merchant] customer is not PCI compliant, and instead of being [brought] to compliance or shut down they get a free pass as long as they pay $xx.xx/month?

"Sounds like a cop giving out tickets to drunk drivers instead of taking them in."

ALEXPHER acknowledged the costs in maintaining compliance but shared an additional question.

"Without doubt, there are costs involved for ISOs to become PCI compliant themselves, but they are recovering their own costs by charging ridiculous fees to their merchants," he wrote. "The processors are PCI compliant, too, but none of them passed on their fees to the ISOs. So where is the logic in charging the PCI compliance fees by ISOs to their merchants?"

CCGUY shared his experience and distrust of a PCI company that discussed the profit potential during a web presentation for MLSs.

He wrote, "A few things that stuck out from the meeting: 1. More than three times he mentioned that PCI compliance is an opportunity to make money. 2. Kept saying that PCI is a big time profit center. 3. Costs … here is an attention getter! Merchant with dial-up cc machine $5 a year! A year!

"Merchant who needs a scan $15 a year! And he says you can charge $5 a month and $10 a month or a yearly fee to your merchants."

STEVEN_PEISNER reminded us that even if the card networks were not pushing us all toward PCI compliance, state law would, as nearly all the states have enacted their own breach laws, which all have penalties. Additionally,

he provided a strong argument in favor of the PCI fee.

"But if a merchant couldn't afford to pay the fines assessed by the card associations and/or any litigations from issuers (including the cost of reissuance), it would be the responsibility of the ISO/MSP [member service provider], and in that case, I can understand the need to charge each merchant on the books a fee for PCI compliance," he wrote.

"The collected fee then becomes a reserve 'in case of catastrophic loss' derived from a merchant. I believe that in this equation the common denominator is the fear of loss versus actual loss."

A need for dialogue

CLEARENT added that the topic is "too hot with way too many emotional responses today. I think the article, no matter how well presented, has the potential to be misread and result in people thinking it not an article, but an opinion … doesn't matter how objective.

"The simple truth, from reading all the comments, is this: we, as ISOs, aren't educating the MLS or the smaller ISO well enough. We are not taking the time to inform our ISA [independent sales agent] partners and train them.

"I would like to think I am, as I have been very intentional in doing so, but obviously, across the industry, that doesn't seem to be perceived. As long as it's called a money grab all the time, there is information that isn't getting out there. Only pieces.

"For that reason, I suggest all the big players out there look inside, and reach out to your ISA/ISO relationships. Take the time to call them or email them, and give them enough information to open a dialogue.

"And you ISAs/ISOs out there with complaints and concerns: get your questions answered. If you are still not happy, find a partner who makes you happy."

More to come

Many opinions expressed in the Forum focused on dissatisfaction with the fees, which is understandable, given my questions. In the second part of this article, we will hear further thoughts from MLS Forum members, as well as find out what a respected compliance professional has to say about the assessment of noncompliance fees and who ultimately owns responsibility for a breach.

Regardless, when in doubt, sell something!

Ken Musante is President of Eureka Payments LLC. Contact him by phone at 707-476-0573 or by e-mail at kenm@eurekapayments.com. For more information, visit www.eurekapayments.com.

Education (continued)

The art of cross-marketing: How to maximize existing client relationships and boost sales

By Peggy Bekavac Olson
Strategic Marketing

I've had the honor and privilege of serving our industry during the past few years as a member of the Electronic Transactions Association's Annual Meeting Program Planning Committee. The committee is charged with determining the overall format of the conference, selecting a keynote speaker, and planning and organizing the many plenary or breakout sessions held throughout the conference.

During this April's ETA Annual Meeting & Expo, you couldn't help but notice the upbeat atmosphere. Attendees and vendors in the payment chain believed that we, as an industry and as a country, are starting to see real signs of economic recovery.

That got me thinking about one of the plenary sessions that I was directly involved in, "The Art of Cross-Marketing: How to Maximize Existing Client Relationships and Boost Sales," and how value-added products and services can help fuel business recovery by jump-starting sales for merchant acquirers, ISOs and merchant level salespeople (MLSs).

The value of cross-selling

It's common knowledge that selling to an existing customer is much easier and costs far less than new customer acquisition. Cross-selling value-added products and services provides an easy and realistic means of increasing revenue from your existing merchant base. These solutions also help you strengthen your business by providing new sources of income and profit while diversifying revenue streams.

Value-added solutions also allow you to address two of the top issues acquirers, ISOs and MLSs face in their businesses: merchant attrition and margin compression.

Complementary value-added solutions that meet real business needs strengthen customer relationships and improve loyalty and retention. There is a direct correlation between the number of products and services your merchants use and their "stickiness." The greater your product and service penetration, the less likely merchants are to turn to your competitors. Also, their supply chains are simplified by dealing solely with your company rather than several other vendors.

Value-added products and services help you differentiate

your business, which is especially important since payment processing today is frequently viewed as a commodity service. The conversation during the sales process shifts from talking solely about price to discussing the benefits merchants can derive from value-added solutions such as increasing sales, improving cash flow, reducing costs, streamlining processes and mitigating risk.

Single relationships, based solely on delivering credit and debit services to merchants, are inferior in every way to multifaceted relationships built on the delivery of value-added solutions.

The range of products and services

Today, a spectrum of value-added products and services is available for you to offer your merchants. Traditional applications – from check verification, gift cards, prepaid phone cards and loyalty programs to age verification, time and attendance, payroll, and electronic bill payment – are already attractive to many merchants and payment services providers.

Some of the more recent entrants and opportunities include dynamic currency conversion, remote deposit capture (RDC), online banking e-payments (OBeP) via automated clearing house payments, Payment Card Industry Data Security Standard compliance programs, chargeback and data breach insurance, merchant cash advance, and e-mail and mobile-based marketing programs.

Opportunities even exist to sell unconventional value-added solutions like professional services: think prepaid legal and health care referral services, computer support and repairs, and financial services.

Helping you compete

In the Aite Group LLC report *Acquisition and Retention in Today's Merchant Acquiring World*, merchant acquirers and ISOs surveyed indicated that revenues from value-added services made up about 15 percent of annual revenues in 2007 and that they expect this to almost double by 2010.

Value-added products and services help you compete, but how do you make money with these solutions? Many value-added solutions that run in conjunction with payment applications produce additional transaction and service revenue for your business when implemented. Others help generate referral income and residuals.

Some value-added solutions employ a revenue-sharing

model, making them even more attractive to you and your merchants. Another Aite report, *Merchant Acquiring in 2010: A Preview*, revealed that 67 percent of merchant acquirers and ISOs surveyed indicated they are "somewhat" to "very likely" to invest in new products and services and cross-sell during 2010.

So let's go back to this spring's ETA Annual Meeting & Expo. More than 100 conference participants attended "The Art of Cross-Marketing" plenary session, which profiled RDC, OBeP and chargeback and data breach insurance.

Speakers gave an overview of each value-added solution, identified the market opportunity and target markets, and discussed how to approach prospects and communicate key benefits and solution value. They also defined revenue potential for acquirers, ISOs and MLSs and how to successfully implement these solutions.

Creating cross-selling campaigns

How do you choose which value-added products and services to offer from the myriad available, and how do you create effective cross-selling campaigns? Here's some guidance to help you through the process:

- **Develop a cross-selling strategy and choose wisely:** Know where your business is going and choose value-added products and services that match your goals and objectives. You can't be all things to all merchants, so focus on what you're good at and what makes sense to complement your business.

  With the increasing number of value-added solutions available and the cost of their introduction, rollout and ongoing sales effort, it's critical to offer only the most important products and services for your business.

- **Create tactical plans:** Tactical plans for each value-added solution you offer are a must. These plans should align with your goals as well as your budget.

- **Develop clear and concise value propositions:** Focus on the customer, not on pushing a value-added solution. Customers need to know how useful your product or service is, and you must address or solve their problems. Tell them why they need it in a to-the-point and convincing way.

- **Train and provide an incentive:** These two items are perhaps the most critical elements for effective cross-selling. Your sales teams need proper education and the motivation to sell. If they don't understand the value-added solution or how they will be rewarded, they won't succeed in selling.

- **Track progress:** Measure campaign effectiveness and don't be afraid to make adjustments along the way. Don't forget to track product penetration for all the value-added solutions you offer so that you know where you're hitting and where you need to improve.

- **Focus:** Stay focused on your goals so that you don't get derailed or sidetracked onto another initiative.

- **Analyze results:** Document both successes and failures, and use these lessons to develop even stronger programs.

New value-added solutions address market opportunities as well as meet merchant needs and expectations. These value-added solutions can increase your revenue, strengthen merchant loyalty, improve customer value and make your business stand out from the competition. Which ones will you use to propel your business in this time of economic recovery?

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

Education (continued)

Consult your way to success

By Tom Hennigan

Retail Cloud

As a salesperson, how can you become a more effective consultant? To begin with, make it your goal to offer each prospect the feedback, guidance and solutions that are best suited for his or her business model.

What separates a salesperson from a consultant is that a consultant's first priority is to overcome initial objections by using good listening skills to build rapport and establish a relationship that is based on trust.

If you are meeting someone for the first time over the phone or in person, do your best to gain an understanding of why the prospective buyer is in business. Don't worry about what you are going to sell. The prospect will reveal his or her real needs during the consulting process.

Building better fences

Early in my career, I sold residential fencing. One day I

was asked to take along a new hire and report back to our vice president. We headed to the coffee shop to discuss what lay ahead of us. I asked him about his family, his kids and what type of work he had done previously. He answered each question in 10 words or less.

As we approached our first home, I did the bid and signed the agreement. On the next stop, I turned over the reins to him.

Here are the questions I asked following his first sales call: "Did you find out anything about the prospect? When you call next week, will he remember who you are or just the name of the company you work for?"

Needless to say, he could remember nothing about the prospective buyer. He also realized his physical and verbal presentation left prospects with little or nothing to remember him by. We summarized briefly what he could do next time to enhance his approach.

On our third call, I proceeded with the presentation while he measured the yard. I did not write down anything, but I did manage to speak at length with the prospective buyer about such things as sports, the prospect's children, neighborhood safety issues and which neighbors may or may not be ready for a new fence.

While the new hire was going over the proposal with this interested prospect, he somehow missed his closing line of asking the prospect when she would like to schedule their fencing installation. As a commissioned employee, I naturally jumped in and offered to get the new customer on our very busy schedule. Signed!

We went back to the truck, and I reinforced what he could do to break down the salesperson barrier. I tried talking about sports, activities, family, anything I could think of that would get this new hire excited. Nothing seemed to inspire him.

The sale is in the details

On to the fourth sales call we went. This time I stopped the truck in front of the house and asked the new hire what he saw. He replied, "A house, a car, a bike." Wanting to break through once and for all, I told him something that I always fall back on when I am going through a cold streak.

"Don't sell your product," I said. "Prove to the prospect that you are just like them and that you can be trusted. Offer a statement of fact, and then back it up with information and action. If you tell somebody that you will call them on Tuesday at 9 a.m., do exactly that."

As we approached the front door of the final house for the day, I once more asked him to observe what he saw. Again, he could see nothing out of the ordinary. I directed

> *"Prove to the prospect that you are just like them and that you can be trusted. Offer a statement of fact, and then back it up with information and action. If you tell somebody that you will call them on Tuesday at 9 a.m., do exactly that."*

his attention to the bumper and window stickers on the car, which indicated that this household had children who played soccer and lacrosse.

There were toys in the side yard and a doghouse. I advised him to talk about these topics and not about the fence. He did just that and signed his first deal.

On the drive home, I told him to buy a newspaper and read it from cover to cover before work the next day. It would give him the confidence needed to discuss current events with prospects, thus letting them know he was just like them.

I knew it would be a gradual process, but I also knew that the more time he spent conferring with prospective buyers, the more capable he'd become of advising them properly.

Gateway to the future

When you think about it, consulting is a gateway that allows you to forge long-lasting relationships. It's integral to the sales cycle. In my years of experience as a sales consultant, I've found that when I offer the right solution at the right moment, people are willing to cement their relationships with me.

Understanding the intrinsic needs of your prospective buyers affords you the opportunity to gear your product offerings in a way that benefits clients for the long term.

Tom Hennigan can be reached by email at thennigan@ retailcloud.com or by phone at 800-776-1450. For more information about Retail Cloud, a leading retail management solution company that coined the term MSIB (more stuff in the bag), visit www.retailcloud.com.

Education (continued)

Digging into PCI – Part 12: Maintain a policy that addresses information security for employees and contractors

By Tim Cranny
Panoptic Security Inc.

This final installment of a multipart series drills down on the last of the 12 requirements of the Payment Card Industry (PCI) Data Security Standard (DSS). In this article, I will talk about what the issues are, what merchants need to do, and what their ISO, bank or processor can do to help them.

The idea behind Requirement 12

The idea behind Requirement 12 is simple: security is a continual, often complicated process, and there is no chance of getting it right if implemented in a disorganized, ad-hoc manner. Having clear, formal objectives (policies) and plans on how to get there (procedures) creates success.

Requirement 12 lays out the basic areas that a merchant's security policy should address and makes sure the right general framework of procedures is in place and the right roles and responsibilities are properly assigned.

This framework of policies and procedures provides coherency for all the other requirements. It forms the foundation of everything else because merchants need to know what is expected of them before they sit down to construct their policy framework. It lays out the general high-level objectives (the what), while the other 11 requirements flesh out the details and specifics (the how, where and when).

The challenges of Requirement 12

Requirement 12 is not concerned with the technical details inherent in other parts of PCI. This makes it less scary but also introduces the risk that merchants will think it is too abstract to matter. Ignoring its importance would be a mistake, however. "Wasting time" on policies and procedures is like a hunter "wasting time" aiming the rifle before firing or a carpenter "wasting time" measuring the wood before cutting.

Another challenge with Requirement 12 is its high-level approach, which takes merchants away from the comfort of specificity. The PCI DSS is unusual for a modern security standard in its level of detail; most of the time it removes the need for judgment calls by effectively leaning over the merchant's shoulder and saying, "Do this, then this, then this, and don't do that." This hand-holding goes away to some degree in Requirement 12, and merchants who don't know much about security can easily feel lost.

For this reason, Requirement 12 is one of those dangerous sections that can generate horrific (but often hidden) support costs for ISOs and other portfolio owners if approached with a low-cost, low-feature solution.

What merchants need to do

Unlike many other parts of PCI, you can't avoid Requirement 12, nor does it make much sense to even try. However, complying with Requirement 12 doesn't have to be complicated and time-consuming; merchants with simple and relatively low-risk environments can make their policy and procedure frameworks simple as well.

Merchants need to do the following:

- Have a written security policy that addresses (at a high level) steps for complying with PCI in your particular environment. Avoid one-size-fits-all templates: they can either leave important information out or include information that is confusing or irrelevant (for example, a one-size-fits-all template may contain information about wireless networking that is useless to a merchant who doesn't use it).

  The policy should not be technology-specific: it is more about what, not how.

- The policy-and-procedure framework should be all-encompassing, addressing even how you treat your policies and procedures. Review and update the policies and procedures at least annually and distribute and explain them to staff.

- Put in place a framework of procedures that reinforces those policies and makes them real. Procedures are naturally more detail-oriented than policies, are not necessarily technology-neutral, and should detail specific sequences of steps to be taken, where appropriate.

- Assign and enforce roles and responsibilities for security issues. It never works to say, "Someone has to make sure that …" Assign specific tasks to specific individuals, or designate that a task requires no action.

- Because the world is so interconnected, you can't implement security inside your own company and ignore the rest of the world. Businesses that rely on partners or service providers need to pass their PCI responsibilities on to those partners.

- Put in place an incident response plan, so that when a security incident happens, no one has to think too much on their feet about what actions to take.

  A crisis is a bad time to start thinking about what your response ought to be. Clear, accessible guidelines should already exist for people to follow.

With all of these issues, merchants should recognize that it is better to actually put together a simple set of policies and procedures than never get around to creating the ultimate, most highly detailed version possible.

What you need to do for merchants

Merchants can't implement Requirement 12 by applying some hardware or software solution; they need expert assistance. ISOs can either provide this assistance directly or partner with someone who can.

The company providing this assistance must have the capability to craft merchant-customized security policies and other content-rich documents and help the merchant decide which parts of the requirement are relevant to the merchant's business.

ISOs that can provide this in-house or through partnership can turn PCI from an expense and inconvenience into a means of securing merchant loyalty.

Stay in touch

I hope you have found the guidance provided in this series to be helpful. If you have questions about the issues I've addressed or suggestions for further areas of PCI compliance you would like me to delve into in the future, please do not hesitate to contact me.

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

Education (continued)

A primer on accountability

By Jeff Fortney

Clearent LLC

When my son was in fourth grade, he brought home a curious note from his teacher. Unlike most notes from teachers, it was not a disciplinary message. Instead, it gave a detailed explanation of the next month's lesson plan on accountability.

To help the class understand that consequences are associated with one's actions, the teacher assigned each student an "accountabil-a-buddy." The pairs were tasked with holding each other accountable for their progress in class.

Throughout the month, students were given homework that wasn't necessarily a joint project, but grading was dependent upon each child's ability to complete the assigned tasks.

The students were also prompted to talk to their buddies daily, reminding each other of homework assignments providing help as needed – all while learning that by encouraging others they were also helping themselves.

Barriers to success

It's easy to claim we hold ourselves accountable for our sales efforts. As adults we understand the consequences of doing or not doing the tasks necessary for success, yet we still make rationalizations that prevent us from succeeding. They come in many forms, such as:

- I know this merchant, and he isn't going to talk to me about processing.
- This merchant is too small (or too large) to consider working with me.
- I don't know this merchant's business, so I'm going to look foolish.
- I really should be completing other things right now; I don't have time for cold calling.

Such thoughts are walls blocking true success. We all face similar demons. Do we ever really know for certain how anyone will react? Is there anything wrong with merchants saying they aren't interested? Why accept the negative repercussions of not doing what you're supposed to do?

Ask for backup

The difference between thriving and stagnant sales can be directly traced to how we handle our personal demons. The best way to deal with them is to apply the same success strategy my son learned in fourth grade: Find an "accountabil-a-buddy."

All great salespeople have individuals or groups that hold them accountable for their actions and are not afraid to speak up when demon thoughts attack, so they can overcome the negativity holding them back.

A buddy need not be a close personal friend. It can be someone on your team or in a peer group. For example, one salesperson demands that his entire staff keep him accountable to his sales plan.

He has a specific target for cold calling and telemarketing and measures this target by moving a stress ball from one drawer to another once he completes a call. His staff has been instructed to check the drawers often to make sure he stays on track.

You don't need to use this system, but you do need someone to ask key questions about your sales efforts. It can be anyone you trust – a spouse, friend, co-worker or even your ISO partner.

Find someone who is willing to ask you the right ques-

Education

tions, and give him or her permission to get honest answers from you. Your buddy will also need your assurance that your relationship will not be jeopardized by adding this new dimension.

Monitor results consistently

In addition, share what you want measured and how you plan to measure it. If you are measuring calls to prospective merchants, your buddy needs to know how many prospects you are targeting within a given day and over the course of a week, as well as when you plan to concentrate on selling.

You should also identify which demons trouble you the most. What discourages you from making that next call or handling a certain issue? Your buddy doesn't need to understand the payments business – he or she just needs to ask the right questions and hold you accountable.

To be an effective buddy requires a commitment of both time and attention. The best buddy is often someone who needs an "accountabil-a-buddy" as well, someone who also sells and is battling the same demons. This makes the time commitment less of a burden, as you can reciprocate with the same kind of support.

If you get off track, a good buddy will always ask why you didn't make your calls today or why you talked yourself out of doing so. If you're unable to answer such questions, you'll be more likely to make those calls in the future. When your buddy is done questioning your progress, it's your turn to play the buddy role.

Stay on track for life

In the fourth grade my son took his duties as an "accountabil-a-buddy" seriously. He called his buddy every day in the late afternoon, and his buddy would question him, too. The results were quick and obvious: both of their grades improved.

Now, as my son completes his doctorate studies, he has several buddies in the same situation who work diligently to keep each other on track. He learned early in life the tremendous value and benefits of accountability.

Now ask yourself, what demon is telling you that this won't work? This is your proof positive that it's time to start looking for a buddy. 🖾

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.

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Education (continued)

How to use technology to redefine today's economy

By Daniel Burrus

Burrus Research Associates Inc.

Today we're in an era of technology-driven transformation. That means you can attain higher profits when you use technology to redefine your products, your services or how the industry in general works.

Unfortunately, most companies use technology only one way: to lower costs and become more efficient. They view technology as a way to "do more with less," "streamline the workflow" and "trim expenses." Sound familiar?

While that is certainly one good use of technology, you can also use it to redefine the marketplace as well as your products and services so that technology becomes a creation tool. You can create new products, new services and entire new markets, which then creates new jobs and careers.

Why is this important? Currently the United States is digging out of the worst recession since the 1930s, and the global economy is suffering its worst setback in decades. Recovering is all about jobs and how to create them.

You don't create jobs by increasing productivity; you create jobs by creating new products, services and markets. So even though we have a statistical recovery, we have a human recession. And recovery can't be jobless.

We can use technology to eliminate jobs or create them. It's time for businesses to focus on redefining as a tool for job creation. If you're ready to start redefining your company so you can grow your business and stay profitable as you create jobs for years to come, consider the following guidelines.

Know where you're going

Look at your product, service or industry and see how you can use technology to redefine it. The classic example is Amazon.com. When its founders started the business, they used technology to redefine how people sell books. But they didn't stop there.

They expanded to other products and redefined how nearly everything is sold. Then they redefined again. They developed a large information technology (IT), logistics and warehouse system, and they now rent out their enterprise IT platform and warehousing space to other companies. They are not only redefining an industry; they're also redefining themselves.

Another example is Apple Inc. Back in early 2000, before Apple launched the iPod and iPhone, most people thought Apple was quickly going out of business.

That's when the company redefined itself around music. It redefined again with the iPhone, which is telecommunications. Now Apple's doing it again with the iPad, which will launch another revolution as it redefines ebook readers and media players. Like Amazon.com, Apple has redefined itself as well as its industry. So when it comes to your company and your industry, ask yourself:

- What is growing and what is shrinking?
- What is the future direction, based on technology? (For example, getting more energy efficient and going green are both long-term trends. Virtual marketing and social networking also represent long-term trends.)
- Given where your customers and your industry are going, how can you use technology to create new opportunities?

Understand how technology is affecting your customers

Look at how technology is affecting your customers in your industry right now. Don't just look at productivity. Look at the overall customer experience in addition to who is buying your offerings.

For example, in the late 1970s, when ultra light aviation was born, the first ultra light aircrafts were basically hang-gliders with engines. The Federal Aviation Association decided, due to the size and weight of the plane, people didn't need a pilot's license to fly an ultra light aircraft.

As a result, the first ultra light manufacturers targeted that demographic: people who wanted to fly but who didn't have the time or money to get a pilot's license. One company, UltraSports, thought it could attract a better customer, so it asked, "Why not redefine the product, the customer, and the market?"

Rather than target those who wanted to fly but didn't have a license or the income to afford an aircraft, UltraSports targeted commercial jet pilots and flight instructors for its ultra light aircrafts. After all, these were the best pilots; they loved to fly and they had money. However, because of their jobs, flying had become more automated and less fun.

Then UltraSports went one step further and redefined the ultra light aircraft itself by adding a stick and rudder

> *Staying ahead during a technology-driven transformation is indeed possible. It's all about looking at where your customers are going rather than where they have been.*

and instrument controls. It made the ultra light fly like an airplane rather than a hang-glider, which better appealed to its target market. UltraSports became a national leader in its first year, all because it redefined who its customer was and made product changes accordingly. So when it comes to your customers, ask yourself:

- Is there a better customer? For example, maybe you're selling to a customer who can only afford low-margin products and services.
- Who is your ideal customer?
- Is there a customer you don't have but should have?
- Could you redefine your product and attract that customer?
- How can you use technology to enhance your product or service in some way that opens up a market or creates a new market for you – and thus new jobs?

Take competition seriously

Look at the specific ways in which you compete in the marketplace, as well as what makes you unique. Then decide how technology can redefine the way you compete. For example, when was the last time you bought something from the Polaroid Co.? At one time, it was the king of instant photography.

But then technology and digital photography changed the industry, but Polaroid didn't change with it. Instead, it made the mistake many businesses do: it used technology to get more efficient and lower its costs.

Similarly, the Kodak Co. was failing for over a decade. Finally, the company looked at how it competed in the past, as well as what it would take to compete in the future. That's when Kodak embraced digital photography. And while the company still has traditional film labs across the country, it's the company's digital products division that's profitable today.

The moral: The longer you wait to redefine how you compete, the harder it is to survive. However, when you pinpoint a way to use technology to create new products and services, you add new revenue streams and new jobs. So when it comes to competing in a technology-driven age, ask yourself how you can use technology to:

- Redefine how you compete?
- Change your product or how you service people?
- Redefine your customer's experience?

A (re)defining moment

Staying ahead during a technology-driven transformation is indeed possible. It's all about looking at where your customers are going rather than where they have been. It's about looking at where technology is evolving and how it is shaping the market, not where it used to be.

When you ask the right questions and take action on what the answers reveal, you can use technology to redefine your company, create new jobs and experience higher profits than ever before.

Technology forecaster and business strategist Daniel Burrus is the author of six books, including the critically acclaimed Technotrends. He is also the founder and Chief Executive Officer of Burrus Research Associates Inc., a firm that monitors global advancements in technology-driven trends to help clients understand how technological, social and business forces are converging to create untapped opportunities. For more information, please visit www.burrus.com.
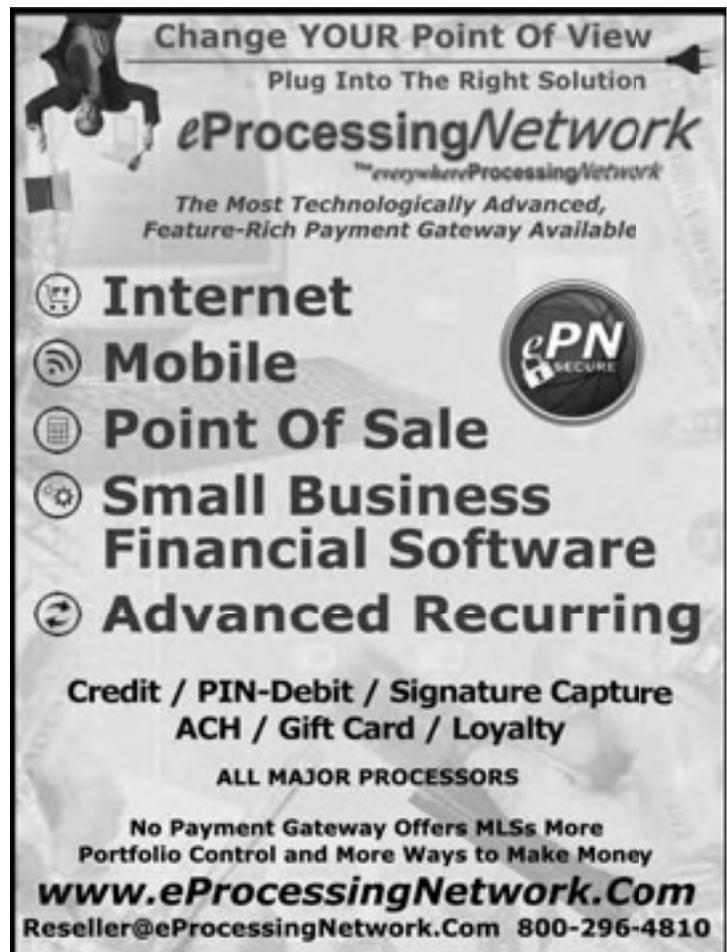
New Products

Skimming alert system

Product: VeriFone PED Authentication Service

Company: Verifone Inc.

We tend to think of data thieves as cyber criminals punching away on some remote computer keyboard, working invisibly and anonymously. In the world of credit card data theft, "skimming" is a distinct type of crime, as it involves an act of physical intrusion. Often, terminal devices are moved from their legitimate origin and either put back some time later (with a skimmer built in) or sold to another buyer.

A new service from terminal manufacturer VeriFone Inc., called the VeriFone PED Authentication Service, aims to clamp down on such terminal tampering. The service monitors and tracks a number of VeriFone-issued terminals using something called the Unique Manufacturers Authentication Key (UMAK) – an electronic code embedded in PIN entry devices (PEDs) of certain VeriFone terminals.

The service is compatible with VeriFone's VX Series, MX Series, SC 5000 and Omni 3700 Series devices, which account for between 80 and 90 percent of VeriFone terminals in use, according to Paul Rasori, VeriFone's Senior Vice President of Marketing.

"The deadline for unapproved [PED] devices is [July] 2010, but devices that followed are going to be valid for use in the marketplace until 2014," Rasori said. "Those devices were built on security technology that's now 10 years old.

"The fact is that we're seeing the sophistication of criminal attacks growing quite a bit, with criminals exploiting these older devices in the marketplace. Without mandates for acquirers to remove those devices, we thought there was another layer of security that would be required here."

Secret code

The UMAK is, in fact, a secret codification of information that's unique to each PED – including the device's serial number and precise location (that is, street address and, where applicable, the exact lane or counter where it is used at a given merchant outlet). Only VeriFone knows the UMAK on any one of its products.

The VPAS service uses the UMAK to detect anything out of the ordinary with a given PED. Merchants who subscribe to the service will have their terminals remotely programmed to send out a signal that VeriFone's monitoring system receives at regular intervals. That signal will contain the UMAK that's programmed

Features of **VeriFone PED Authentication Service** include:

- Signal is sent at frequent intervals indicating proper position of terminal
- Signal is encrypted to protect against "spoofing" by skimmers
- System is compatible with 80 to 90 percent of existing VeriFone terminals
- Service is optional and delivered at a low cost monthly fee
- False positives can be avoided by indicating repairs on acquirer web portal

into the device, indicating that it is locked down at its proper location.

If a device is removed from its location – as devices often are, even only momentarily, when they are tampered with – the UMAK signal is interrupted, alerting the company that the device is no longer in its proper place (or wasn't in its proper place for a certain stretch of time, but is now). VeriFone can then notify the owner of the terminal that there may be tampering; if the terminal isn't still missing, the merchant is advised to inspect it for damage or rogue attachments.

The presence of rogue devices with skimming capabilities is indicated by either the lack of a UMAK signal or the transmission of an aberrant one. In most cases, the replacement device won't send out a UMAK signal, and the absence of that signal will trigger an alarm.

No 'spoofing'

A more sophisticated criminal who fraudulently programs a rogue terminal with address information will also trigger an alarm because the programmed information won't match the encrypted format of the UMAK, which is known only to officials at VeriFone. Anything other than the original code coming through would indicate that the device is fraudulent, Rasori said.

"The premise behind the VPAS service is we've developed a centralized database of all these devices and are able to track both the serial number of each device and also the location of the device right down to the lane it's installed in," Rasori said. "With UMAK, we're able to securely authenticate [that a device is in its proper place] using the secret code that VeriFone has which relates to each device. So it's impossible for criminals to spoof that system because they'd never be able to recreate that information."

Rasori added that the removal of the device for legitimate repairs can trigger a false positive emergency signal. But he added that "every merchant acquirer has access to

a web portal where they can register different types of events like that, where they can say device with serial number such and such was taken out of service for repair. Then that device is basically put on hold, and when they want to put it back into service, they can go back in and say, 'This is where the device is going to be and where it should be.'"

VeriFone Inc.

800-837-4366
www.verifone.com

End-to-end bulwark

Product: E3 Secure

Company: Heartland Payment Systems Inc.

When it was revealed, in early 2009, that Heartland Payment Systems Inc. had suffered a major data breach, the future of the processing giant was very much in question. But the breach prompted Heartland to take a leading role in revamping the payments industry's data security approach.

Heartland co-founder and Chief Executive Officer Robert O. Carr helped steer the formation of the Payments Processing Information Sharing Council, a forum for exchanging ideas in the fight against data theft. Carr also led the charge in Heartland's development of E3 Secure, Heartland's end-to-end encryption network for card accepting merchants, which was launched commercially in May 2010.

Advanced encryption and automated encryption key changes

The technology is designed to encrypt card information from the moment it enters a merchant's POS system (when it is swiped) up through its delivery to the payment processor to which the merchant is connected. The encryption employed, known as the Advanced Encryption Standard, is reputedly among the most sophisticated encryption formulas in use today.

"Centuries ago, cities across the world gave up on trying to protect themselves by making walls higher and thicker and more distant with motes," Carr said. "The enemy was always finding new ways to destroy the walls or circumvent the security efforts with Trojan horse attacks. We believe it is important to make card data indiscernible as it enters the payment cycle so, if the firewalls are too weak, the enemy gains nothing of commercial value. We believe this is the enhanced security method the payment industry requires in today's world."

The E3 features a layering of software and tamper resistant hardware that's designed to prevent skimming and

Features of **E3 Secure** include:

- Comprises a layered system of tamper resistant hardware and software

- Encrypts data from the point of swipe onward

- Uses the Advanced Encryption Standard, a sophisticated algorithmic method of encryption

- Automates the changing of encryption keys

- Indemnifies merchants against breach-related fines in the event of a breach

other rogue modifications. The E3 also automatically changes the network's encryption keys at regular intervals. Heartland has pledged that merchants who use E3 Secure are insured against all breach related fines in the event that the network's security bulwark is thwarted by a hacker.

Heartland Payment Systems Inc.

888-963-3600
www.heartlandpaymentsystems.com

Inspiration

Change – it never changes

Since the beginning of time our world has undergone changes. Yet, somehow, it still rotates on its axis and revolves around the sun. Some species (think dinosaurs) were not able to adapt and thus became extinct, while others evolved and flourished (been bitten by a mosquito recently?).

The U.S. Senate came one step closer to changing the payments world with the recent passage of the financial services reform bill.

GS Online's forums are ablaze with predictions of both the end of the industry and ideas on how to adapt to the changes.

Let's face it; change is inevitable. Whether you like it or not, whether you want it or not, things will change.

But here are some more predictions:

- People will still exchange items of value for other items or services of value, known to us as payments.
- This exchange of goods and services will still require someone to manage it, known as acquirers, processors, merchant level salespeople (MLSs) and so forth.
- Someone, somehow, will figure out a way to make money managing whatever system evolves.

Keep abreast

The question is, Are you a dinosaur or a mosquito? If you fear you may be the former, here are some steps you can take to learn how to adapt to a changing world.

It is important that you stay apprised of current events within the industry. Keep abreast of shifting industry trends and the evolution of new technology by reading *The Green Sheet* and other payment publications.

Also, find a niche. ISOs and MLSs who rely on selling terminals and basic processing services to conventional merchants are a dying breed.

Developing a merchant portfolio with a specialty – such as veterinary hospitals or cigar shops – will give you a better chance of survival and success.

Make sure to stay aware of the changing needs of merchants and the ever-evolving services and technologies available to them. By positioning yourself as an industry expert, you can leverage that knowledge to board new merchants and retain the ones you have.

And don't forget to communicate regularly with other payment professionals. The GS Online forums are a great place to start. In general, communicating with your peers is a great way to stay
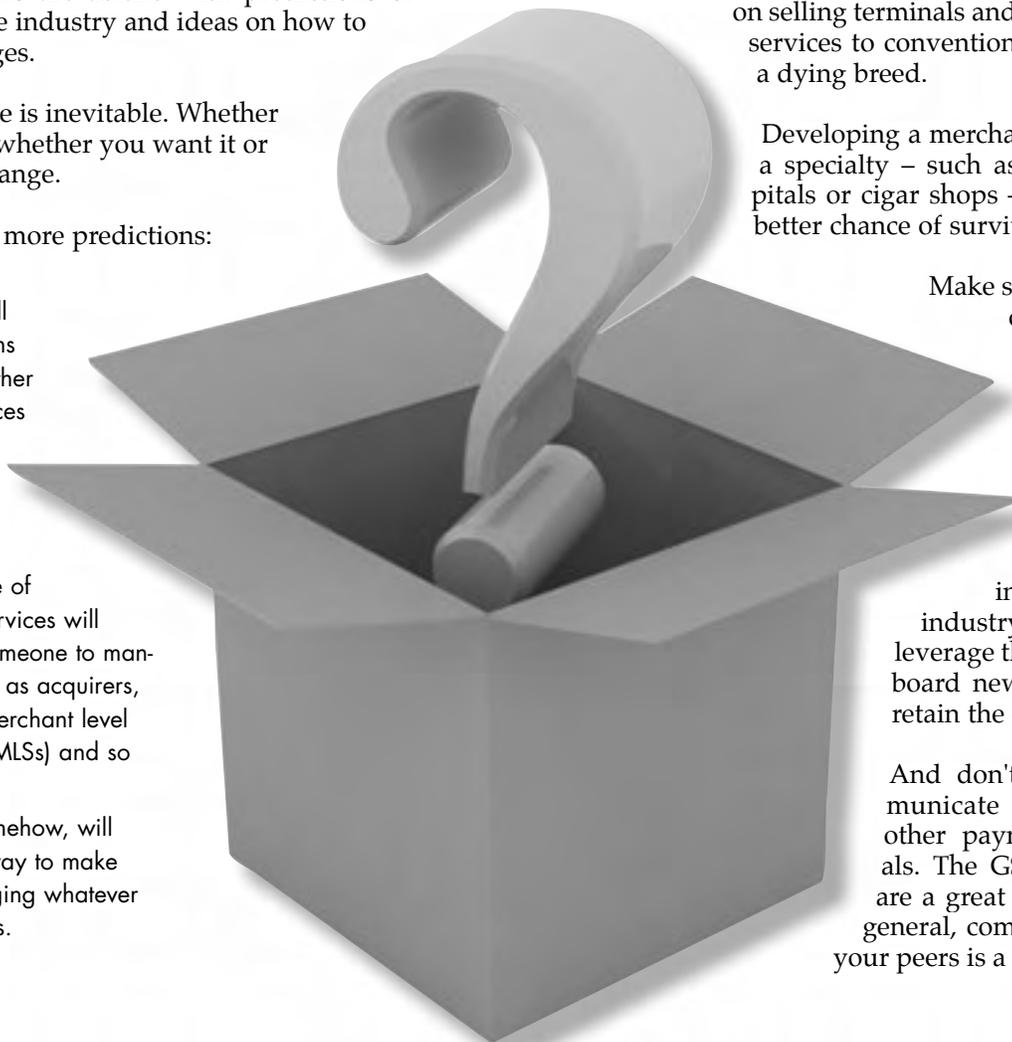
updated, get advice, engage in networking and forge new partnerships.

Learn to thrive

Embrace the fact you must forever continue to change. Revel in it. When you successfully reach your quota for the month, does that mean you can now rest on your laurels?

No, it means you work just as hard, or harder, to reach or exceed next month's quota. Enjoy the work.

If you have successfully implemented a new program or service that has helped you attract new merchants and has kept your present merchants happy, can you now afford to take the rest of the year off?

No, you must be continually thinking how you can improve the program, expand it or devise a new one that helps your merchants do business more effectively and make more money. Relish the challenge.

Not only are successful companies continually in the process of making changes to improve business now, they are also planning for the future – five years, 10 years down the line.

They are constantly thinking about how they will react if new federal legislation is enacted a year from now or how they can take advantage of mobile payments in the coming years.

Of course, it's always a delicate balancing act. Too much change can be as detrimental to a business as no change at all.

If a company's workforce is constantly in flux or a new program goes live too quickly, without the proper attention to detail given to its implementation, the consequences can be upsetting to say the least. So take a breather, elicit the viewpoints of others involved and evaluate options to ensure the best possible outcome.

Determine a manageable level of change, one that is neither too little nor too much for your enterprise to handle. But once you have found that equilibrium? You guessed it; it might be time to change it.

Give yourself a pat on the back for all that you've accomplished to date, and then get to it.

Good Selling!℠

Paul H. Green, President and CEO

DateBook

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.

The impact of the Fair Gift Card Act of 2009 on the prepaid card industry will be discussed.

Other slated topics include knowing what examiners will look for during Bank Secrecy Act examinations and implementing proactive compliance initiatives; evaluating your anti-money-laundering and fraud deterrence programs; ensuring compliance with expiration date restrictions and disclosure require-

ments; 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*

Trade Associations

Western Payments Alliance (WesPay)

Payments Symposium 2010: Tools of the Trade

Highlights: WesPay's annual symposium promises quality education seminars, networking opportunities with hundreds of payment professionals, strategy guidance workshops and a technology showcase.

The two-day conference's areas of focus include automated clearing house (ACH) operations, card products, fraud and risk management, and regulations and compliance.

Among the discussion topics are emerging person-to-person payments, ACH revenue opportunities, the impact of regulatory changes to the future payments landscape, cyber attacks against financial institutions, check fraud in an image-based milieu and fighting Internet fraud.

The event also includes optional post-conference hands-on sessions dealing with the ACH world.

When: Sept. 20 – 21, 2010
Where: Long Beach, Calif.
Registration: *www.wespay.org/content/navigationmenu/symposium*

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

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

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

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

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

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

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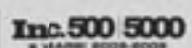
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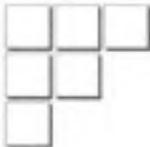
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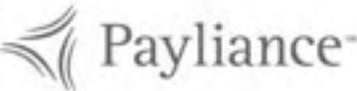
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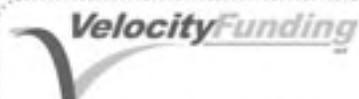
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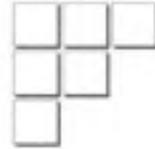
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888.505.2273 ext. 205
or Adam Moss at
888.505.2273 ext. 207

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Sell or Lease Equipment on EVERY Merchant Account!

Just about every new merchant signed in Canada comes with a terminal leased or sold. Most merchants opt to lease their terminals for **60 months!**

Let's look at the profit:

60 month lease* x $49.99/Month:

*Note: Even though 90% equipment is leased, cash price when sold outright averages $1,595

Lease Funded Amount	$1,886
Equipment Cost *(Canadian VX570 chip compliant)*	– $503
Equipment Profit	**$1,383**
Application Fees	+ $125
Set up Fee *(Misc.)*	+ $199
Standard Upfront Profit (Per Merchant)	**$1,707**

In addition, you can commonly charge any or all of these upfront reasonable and customary fees including but not limited to:

- Application fees
- Administrative fee
- Encryption fees
- Site survey fees

- Set up fees
- Training fees
- Activation fee
- MOPO set up fees

- Programming fee
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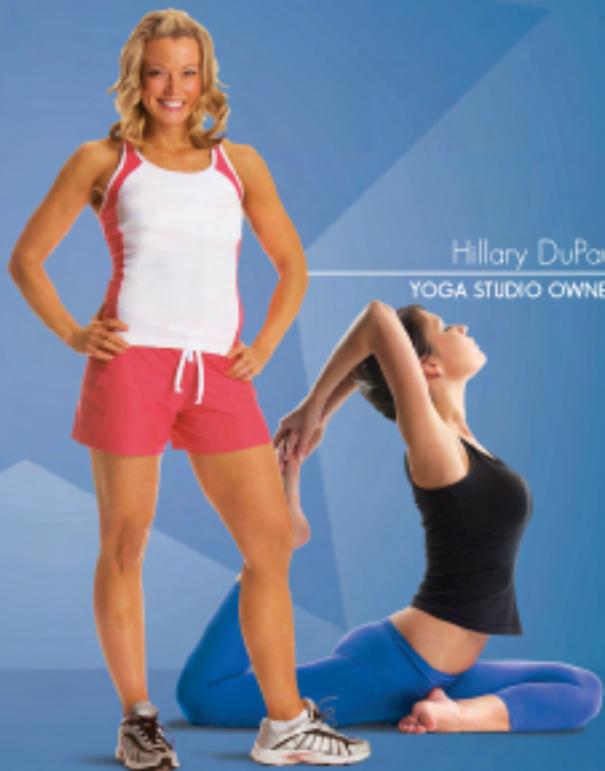
RESIDUAL PROGRAMS

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

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

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

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

OR

70% Split for the Highest Commissions

DO IT ALL, WITH TOTAL MERCHANT SERVICES.

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

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

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

NOW IS THE TIME.

Start processing all your accounts with us today!

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Or get the full program details at www.upfrontandresiduals.com

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