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DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS
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News



Features



Views



Education



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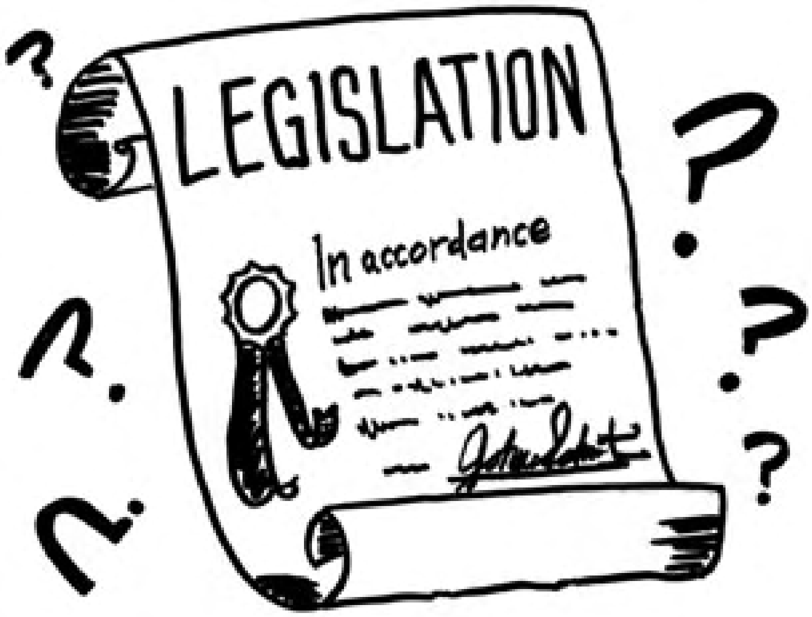
# Durbin, a mixed bag




**By Patti Murphy**
*ProScribes Inc.*

The Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 struck the acquiring sector like a bolt of lightning, forcing banks to scramble to come up with new models to support once lucrative debit card programs, and to do so by Oct. 1, 2011.

"As a result of the Durbin Amendment, the payments industry will be forever changed," said Madeline K. Aufseeser, Senior Analyst at Aite Group LLC. "Debit and prepaid card issuers are grieving over significant losses in revenue and the added expense of making it all work."

But the news isn't all bad. Some ISOs and acquirers could see revenues increase once debit interchange is capped, as mandated. So, too, could merchants, or at least those that negotiate to ensure they get the new, lower rates.

Robert O. Carr, Chairman and Chief Executive Officer of Heartland Payment Systems Inc., told a meeting of restaurateurs (a key niche for the company) that Heartland's average restaurant customer will save nearly $2,000 a year from lower debit interchange fees. Carr's remarks came before the Fed's final rules were issued; analysis of the final rule indicated interchange fees would be cut by about 40 percent.

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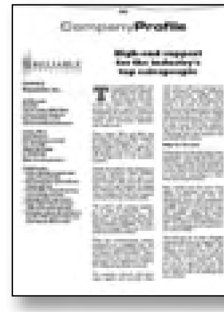
## NotableQuote



**On the face of it, the idea seems counterintuitive: why help the ISOs and MLSs that, owing to their experience in the industry and track records of success, seem to be the least in need of assistance?**

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# Forum

## High-risk merchants and chargebacks

GS Online MLS Forum member **BER** posted the following question on the forum:

> I'm no expert in high risk and have been bumping into more opportunities in that space lately that I'd like to explore. I'm interested in finding out how ISOs manage chargebacks for high-risk merchants. I understand there are certain practices for merchants to implement to help fend off and avoid chargebacks, as well as technology solutions to help the fight.
>
> But what happens when merchants reach or exceed the acceptable chargeback percentage? Is the chargeback percentage set by card networks or the processor? If set by the card networks, how can an ISO/processor keep the merchant on the books? If the merchant exceeds the percentage allowed by the card networks, what happens? Are they given time to correct it? Cut off altogether?

Forum member **JESTEP** provided this detailed response:

> The least restrictive high-chargeback monitoring program states 100 chargebacks per month, and greater than 1 percent chargeback volume. Acquirers and processors have much more restrictive thresholds that are never published. The reason: codes play into it a lot. Fraud-type reason codes are looked at much closer. Retrievals and even returns may be aggregated in the chargeback ratios.
>
> The rules are a little different for Visa and MasterCard. This is the basic breakdown; it's actually a little more complicated than this.
>
> For Visa, merchants are first put into the Merchant Chargeback Monitoring Program (MCMP). The processor is basically put on alert, and they are told to notify and help the merchant get their chargebacks down. If the merchant cannot get the chargebacks under a suitable level, they are put on the High Risk Chargeback Monitoring Program (HRCMP).
>
> The HRCMP allows Visa to fine the processor/ISO $100 for each chargeback that the merchant receives in addition to other larger fines. The processor is responsible for collecting the fine from the merchant. The regs may read that the merchant gets fined, but Visa takes the money directly from the processor and doesn't deal with the merchant on these at all.
>
> Once a merchant hits this level, the chargeback fine liability can be huge. I've also seen Visa retroactively fine a processor for several months of chargebacks because they deemed that the processor did not do enough to try and correct the situation.
>
> MasterCard's is called the Excessive Chargeback Program (ECP), which has two levels: Chargeback-Monitored Merchant (CMM) and Excessive Chargeback Merchant (ECM). These are chargeback percentage based. CMM requires a 0.5 percent chargeback rate, and the ECM requires 1 percent, with at least two months. The fines for these are $50 and $300, respectively.
>
> There are also programs that specifically look for fraud-related chargebacks. Merchant Fraud Performance (MFP), Risk Identification Service (RIS) and MasterCard's Merchant Audit Program are separate programs. ... Fines can be in the tens of thousands of dollars for continuing, fraud-related chargebacks.
>
> Anyway, in a nutshell once they get on one of these programs, major fines are to follow. Realistically, unless your ISO is specifically organized and priced to deal with these types of merchants, you don't want them on the books. Just based on the retroactive fining I've seen, you really want them off the books as soon as possible.
>
> Putting obvious ethics aside, merchants running businesses that have chargeback rates this high will usually be happy to pay 10 to 25 percent for their processing rate, plus a massive uncapped reserve, and anywhere from a few days to a month delay on their deposits.
>
> They're extremely volatile, and the liability on even a single account is huge. Businesses that get put on these are also often on the FTC's radar, as well. The FTC has stepped in more than once and seized a merchant's reserve and assets in order to pay people that were ripped off. It's a pretty tough argument that a legitimate business ends up on one of these programs unless they are doing a huge volume of transactions."

For perspectives on a range of payments industry issues, please visit our forums at *www.greensheet.com/forums/*.

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


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# 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.**

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Cover Story

## Durbin, a mixed bag

The Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 has roiled the payments sphere. With implementation of debit interchange fee caps set for Oct. 1, 2011, speculation about winners and losers is mounting. But how the regulations will affect the nation's fastest growing form of noncash payments is still anybody's guess.

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## Jumio aiming to change CNP landscape

A new technology developed by Jumio Inc. reportedly turns online card-not-present transactions into more secure online card-present transactions. Using a computer webcam as a card reader, the Netswipe suite encrypts and password protects card data.

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## Visa, MasterCard settle with DOJ

An analysis of the settlement of antitrust litigation brought by the U.S. Department of Justice and 17 state attorneys general against Visa Inc. and MasterCard Worldwide indicated that it is a step toward promoting competition, but merchants will not fully benefit because they lack adequate information on the discount fees applicable to their customers' credit cards.

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## Processing pricing study

The *Merchant Processing Pricing Benchmark Study* by The Strawhecker Group found the cost of processing transactions has dropped more than 10 percent since 2010. This sixth edition of the study provides acquirers with benchmarks for processing services in different segments of the payments industry.

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## TIN matching: A problem with solutions

The industry has known for some time about the new requirement to annually file 1099-K forms disclosing merchant card transaction receipt totals. With a Jan. 1, 2012, deadline looming, some acquirers are scrambling for fast, effective ways to ensure they have valid tax identification numbers and business names for every account.

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## Taking PCI seriously

Payment Card Industry (PCI) Data Security Standard (DSS) compliance has been relatively slow-moving in some regards, but with payment brands ramping up enforcement penalties for noncompliance, minimalist programs often fall short of satisfying basic requirements. Here are several reasons why merchants should avoid them.


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# IndustryUpdate

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## NEWS

### Durbin may spur move to EMV

An **Atlanta Federal Reserve** executive suggested the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may lead to more interest in moving debit cards to EMV (Europay/MasterCard/Visa) smart card technology.

Douglas A. King, a payment risk expert in the Retail Payments Risk Forum at the Atlanta Federal Reserve Bank, said the controversial cap on debit interchange fees in the Durbin Amendment will have "a positive impact on migration to EMV." His comments were published in an Atlanta Federal Reserve blog posted in July 2011.

"The [Federal Reserve] Board's final rule suggests that issuers may be able to recoup some, but not all, costs associated with an EMV migration," he wrote. "Given the board's addition of fixed costs as allowable costs, hardware and software costs incurred by issuers to migrate to EMV might be included in future adjustments to the base component of the interchange cap. Should issuers adopt EMV, R&D costs incurred are allowable under the fraud prevention adjustment standard."

King noted the Fed's final rule excludes the cost of card production and delivery – a requirement for migration to EMV – as an allowable cost.

In addition, King said he is "optimistic that future potential adjustments to the components of the interchange standard under the final rule's expanded set of allowable costs – along with the consideration of R&D costs as part of the fraud adjustment component – will have a positive impact" on development and implementation of EMV cards in the United States.

### Global Payments' strong fiscal fourth quarter

**Global Payments Inc.**, which ranked No. 5 among top acquirers in "The State of Acquiring 2010," *GSQ* Vol. 13 No. 4, December 2010, reported results for its fiscal fourth quarter and year ended May 31, 2011.

For the fiscal year, revenues grew 13 percent to $1,859.8 million (about $1.86 billion) compared to $1,642.5 million (about $1.64 billion) in fiscal year 2010. Normalized diluted earnings per share from continuing operations grew 9 percent to $2.77 compared to $2.54 in the prior year.

Global Payments Chairman and Chief Executive Officer Paul R. Garcia stated, "We are pleased with our strong fiscal year 2011 financial performance, which was driven by solid execution of our business strategy across our regions and the December 2010 addition of Spain.

"We delivered exceptional results in the fourth quarter, driven by strong performance in North America and outstanding results in our international segment. Our execution during fiscal 2011 established a basis from which we expect to drive margin expansion of as much as 30 basis points in fiscal 2012."

David E. Mangum, the company's Senior Executive Vice President and Chief Financial Officer, also commented. "On a cash basis, the company reported fiscal 2011 fourth quarter and full year diluted earnings per share from continuing operations of $0.86 and $3.08, respectively, which represents 32 percent and 10 percent growth over the respective prior year periods," he said.

"For the full year of fiscal 2012, the company expects annual revenue of $2,100 million to $2,150 million, or 13 percent to 16 percent growth over fiscal 2011."


- The **National Retail Federation**'s *2011Back-to-School* and *2011 Back-to-College* surveys by BIGresearch found families will spend $600 on primary and secondary school students and $800 on college students. Total spending for school supplies, apparel, electronics, dorm furnishings and so forth is expected to reach $68.8 billion.

- According to a mid-July **ShopperTrak** *National Retail Sales Estimate*, general merchandise, apparel, furniture and other retail sales saw 3.2 percent growth year-over-year for the same period in 2010.

- Research by **comScore** estimated online flash sales of $1 billion in 2010. By 2015 that figure could reach $6 billion, based on analytics from BIA/Kelsey. Said flash sales (limited-time offers of designer brands at bargain prices) emerged in recent years to encourage consumer spending on luxury goods.

## SmartMetric promises vigorous patent defense

**SmartMetric Inc.**, the maker of the biometric card computer that enables smart card technology, filed a form 8-K disclosure with the U.S. Securities and Exchange Commission notifying stockholders it will continue to vigorously defend its patent on both contact and contactless smart card technology.

The company disputes a June 2011 judgment finding Visa Inc., MasterCard Worldwide and American Express Co. did not infringe on SmartMetric's U.S. Patent 6,792,464 (the "'464" patent). The company said in both its SEC filing and in court appeals it believes the trial court was wrong in its interpretation of definitions and limits on the '464 patent.

"While the company is confident that the judgment in the Visa and Mastercard case and the AmEx case will be overturned on appeal, the results of any litigation is inherently uncertain, and there can be no assurance that we will prevail in the appeal of the litigation matters stated above or otherwise," SmartMetrics wrote. "We plan to pursue our claims and defenses vigorously and expect that the litigation matter … will be protracted."



# ANNOUNCEMENTS

## Credomatic has touch-screen POS solution

**Credomatic of Florida Inc.** released its Ordyx Lite targeted to single terminal restaurants. Ordyx Lite turns an Apple Inc. iPad into a cash register. Peripherals include receipt and optional remote printers, mag stripe readers and cash drawers. The software package includes touch-screen POS and order entry, payment processing, employee timekeeping and a web-based back-office.

## Datacard's new card delivery system

**Datacard Corp.** enhanced its Datacard MXD Card Delivery System and Datacard MXD Mailer Card Delivery System. The changes reportedly allow financial institutions, retailers and other card issuers to deliver one-to-one marketing messages, cross-sell products and services, issue coupons and certificates, and encourage card activation. Marketing messages can be customized and printed on demand

## Dwolla processing $1 million per day

**Dwolla Corp.**, a mobile payment startup, reported it is now processing $1 million a day in transactions. Dwolla works with social networks Twitter and Facebook to send and deliver payments. Dwolla also offers financial institutions its FiSync integration service distributed through The Members Group; FiSync allows banks to connect to Dwolla technology on their existing systems.

## Dynamics' large patent portfolio

**Dynamics Inc.** publicly acknowledged it acquired one of the largest patent portfolios in the payments industry. Its cards are currently in trials with payment card issuers. Its patents cover such payment cards as programmable mag stripe cards, exposed chip EMV cards and radio frequency identification contactless cards.

The company noted its patents also include phone-based payment devices; next-generation back-end processing schemes; portable and stationary payment terminals; and next-generation, form-factor agnostic payment applications such as reward redemption, coupon redemption, payment options, enhanced security and merchant promotions.

## Element wins Trustwave's trust

**Element Payment Services Inc.** said its new Hosted Payments solution, an integration option to Element's Express Processing Platform, won **Trustwave Holdings Inc.** approval of the software's ability to remove integrated software vendors' applications from the scope of Payment Card Industry (PCI) Data Security Standard (DSS) and Payment Application DSS compliance requirements.

According to Element, Hosted Payments removes the need for software applications to keep cardholder data during authorization and settlement.

### Itautec has free help for ATM vendors

**Itautec S/A**, a Brazilian manufacturer of ATMs, stated it has a new, free form ready for downloading that will assist financial institutions in the United States in assessing the readiness of their ATMs to meet current standards set in accordance with the 1990 Americans with Disabilities Act (ADA). ATM vendors in the United States have until March 15, 2012, to ensure their machines comply with new ADA regulations. Itautec estimates almost 55,000 ATMs "may not be worth upgrading" to meet the new regulations.

### JHA has EMV cards

**Jack Henry and Associates Inc.** released Visa-branded EMV chip-and-signature cards for its credit union customers. The new cards were introduced by its JHA Payment Processing Solutions division and are targeted to credit union customers who regularly travel overseas.

### pcAmerica has restaurant POS solution

Restaurant Pro Express Mobile, a new sales solution, was recently introduced by **pcAmerica**, a trademark of **Automation Inc**. The software works as a POS terminal on an Apple iPod or iPhone. The technology allows servers to take table orders, split checks with credit card payments made through an attached encrypted credit card reader, print receipts on a wireless mobile printer or simply email receipts, according to pcAmerica.

### TMG text system fights fraud

**The Members Group** released the Fraud Text Alerts service for cardholders of its financial institution clients. The text alerts are triggered by a financial institution's fraud strategy. When a transaction looks risky to the financial institution, TMG fraud experts look at the transaction in the context of the account and the financial institution's strategies.

The customer is notified of the transaction verification by text message. The cardholder can then either dismiss the notice or confirm the transaction was fraudulent. If the consumer reports a fraud, a hold is put on the account, and a second text is sent to the cardholder with a request to phone the TMG fraud prevention team for more details and instructions.

## PARTNERSHIPS

### Avant-Garde markets Hypercom solution

**Avant-Garde Marketing Solutions Inc.** signed to


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market **Hypercom Corp.**'s Optimum M4230 multi-application mobile payment terminal and Mobile Network service. Avant-Garde selected Hypercom after a competition among global payment providers. Financial terms of the agreement were not disclosed.

### First Data offering VeriFone's PAYware Mobile

Payment processor **First Data Corp.** is offering clients **VeriFone Inc.**'s PAYware Mobile solution for smart phones. Using PAYware, merchants can swipe customer credit cards, capture customer signatures, electronically transmit payments and email receipts.

First Data said the PAYware system is perfect for merchants who "operate remotely, or on the go, such as home services and in-home sales, events and markets, limo and taxi services, or restaurant delivery."

### Mazooma, Discover partner

**Mazooma Inc.** and **Discover Financial Services** are partnering to introduce Mazooma's micropay-in-a-box, online banking-based payment solution for digital merchandise purchases.

Mazooma said its new solution can reduce fees 71 percent for digital merchants. The new technology allows consumers to pay using online bank accounts.



### NPC renews deal with Select Merchant Services

**National Processing Co.**, a Vantiv LLC company, renewed its contract with ISO **Select Merchant Services Inc.** (doing business as Retriever Merchant Solutions) to provide processing services for the ISO. SMS has been with NPC for more than 10 years.

### USA ePay teams with Payliance

**USA ePay**, a GorCorp Inc. company, will deliver **Payliance**'s ICL Check Truncation service through its payment gateway. The ICL Check Truncation product eliminates high bank return fees for merchants with higher than average return rates who process all types of check transactions as a cost saving alternative to credit and debit card processing, the companies said.

### Vantiv, CB&S join up

**Vantiv** and Alabama's **CB&S Bank** are collaborating on the release of Vantiv's Sales Force Administration (SFA). The SFA service is a component of Vantiv's Merchant Bank sales referral strategy program. SFA is reportedly a proven method for mining sales prospects among debit, credit and merchant services businesses. CB&S is the first bank to offer this in addition to Merchant Bank.

## ACQUISITIONS

### ACI bid puts S1 Corp. in play

Global payment solutions provider **ACI Worldwide Inc.** bid $9.50 a share in cash and stock for the outstanding shares of integrated financial services provider **S1 Corp.** S1 is valued at approximately $540 million. S1 currently has an agreement to merge with **Fundtech Ltd.** in a $700 million stock deal. If stockholders accept the ACI deal it would scotch the Fundtech merger.

### Cardtronics gets EDC ATMs

**Cardtronics USA Inc.** purchased **EDC ATM Subsidiary LLC** and **Efmark Deployment I Inc.** for $145 million. The buy gives Cardtronics 3,700 ATMs in the United States. The company reported it now has ATM branding relationships with eight of the 15 largest U.S. banks.

### Transactis, Data Impact merge

Business-to-business and business-to-consumer payment processors and electronic billing companies **Transactis Inc.** and **Data Impact Inc.** have merged. The two companies stated that, combined, they process more than $2 billion in payments annually. They also include a number of large U.S. banks in their account portfolios. Financial terms of the deal were not disclosed.

# APPOINTMENTS

### Badran named Senior VP at Digital River

**Souheil Badran** was named Senior Vice President and General Manager of Digital River World Payments Inc. in Minneapolis. Badran will be responsible for leadership and strategic direction to drive business growth in his newly created position. Previously, he was a Senior Vice President and General Manager of the e-commerce Solutions Division of First Data.

### BofA's Gordon joins National Cyber Security Alliance

Bank of America Corp. Senior Vice President for Online and Mobile Channels **Keith Gordon** joined the board of directors of the nonprofit public-private cyber security group The National Cyber Security Alliance. Gordon develops authentication and security strategies for BofA.

### Guerrino named EVP at FS-ISAC

The Financial Services Information Sharing and Analysis Center (FS-ISAC) appointed **Eric Guerrino** Executive Vice President of Operations.

Guerrino previously served as Treasurer of the association formed to share information about physical and cyber security threats and vulnerabilities.

Guerrino will be responsible for improving incident response processes and member products. He served as a Director of the FS-ISAC from 2006 to 2008 and formerly worked as an executive at the Bank of New York Mellon.

### MoreMagic brings Obremski aboard

**Kimberly Obremski** joined MoreMagic Solutions Inc. as the Vice President of Sales, North America. She joins MoreMagic from Velti PLC, a mobile marketing and advertising platforms and solutions firm, where she was Vice President of Sales. Obremski will be selling MoreMagic's mobile commerce and financial services technology and solutions to U.S. and Canadian service providers.

### Ready to Accel Partners

**Bill Ready**, former President of iPay Technologies, joined Accel Partners, a venture capital and growth equity firm, as Executive in Residence. Ready is responsible for working with companies in the Accel Partners portfolio and for finding new investment opportunities.

# Visa, MasterCard settle with Justice Department

Call it the settlement that settles nothing. An economic analysis by the Federal Reserve Bank of Boston of the recent settlement of antitrust litigation brought by the U.S. Department of Justice and 17 state attorneys general against Visa Inc. and MasterCard Worldwide concluded the agreement won't work.

The Justice Department's suit alleges the card companies' rules prevent merchants from telling consumers about differences in card fees and prevents merchants from incentivizing the use of cheaper cards with discounts, rebates and other rewards. It also alleges this is a violation of the Sherman Antitrust Act.

## Agreement

According to court documents in *United States of America et al. v. American Express Company et al. (No. CV-10-4496, U.S. District Court for the Eastern District of New York)*, Visa and MasterCard agree to allow merchants to advertise and encourage the use of a particular card brand through discounts, rebates or other incentive plans.

They also agree to allow merchants to tell customers the estimated or actual costs to the merchant when a customer uses a particular type of card.

The final judgment stipulates that while Visa and MasterCard agreed to the terms of the settlement neither company admits wrongdoing.

A third party, American Express Co., did not join the settlement and reportedly is vowing to continue to defend itself against the Justice Department's antitrust allegations.

AmEx, with its highly selective base of cardholders and its array of member benefits, typically charges higher fees than its competitors. In response to a query from *The Green Sheet*, AmEx confirmed it has decided to press on with its defense against the DOJ allegations.

## Federal Reserve paper

The Federal Reserve of Boston issued a Public Policy Discussion Paper in July 2011 looking at what was then the proposed, now finalized, settlement.

According to the paper, written by Director of the Consumer Payments Research Center Scott Schuh, Senior Economist Oz Shy, Senior Economist and Policy Advisor Joanna Stavins, and Boston Federal Reserve Vice President Robert Triest, the settlement "represents a significant step toward promoting competition in the credit card market."

However, the authors also stated, "merchants are unlikely to be able to take full advantage of the … settlement's new freedoms because they currently lack comprehensible and complete information on the full and exact merchant discount fees for their customers' credit cards."

## Around the world

The authors pointed out that the United States, unlike countries in most of the rest of the world, does not regulate interchange fees on credit cards. Antitrust settlements in other countries often result from the assumption that card networks fix interchange prices

rather than allow market forces to determine the rates. The result is other countries regulate interchange fees.

"To our knowledge, the United States is the only country that does not allow card surcharges, but permits cash discounts," the authors wrote. Instead of imposing more regulation, the new U.S. settlement elects to use market forces to channel customers to the merchants' preferred card option, the paper noted.

### The problem

The paper identified a weakness in this approach, stating, "The basic problem is that merchants lack sufficient information to disclose fees or differentiate their prices according to the method of payment.

"In practice, however, merchants may not be able to use these privileges effectively because they may not know the exact merchant fee on each credit card until long after the transaction has taken place, and even then merchants typically learn only their aggregate monthly fees and not the specific fee for accepting a given card."

Interchange fees, which make up the bulk of what merchants pay for card services, range from below 1 percent to more than 3 percent, the paper noted. "Merchants may be aware of this range, but they currently do not have all of the information they need to enable them to match an individual credit card presented by a consumer to the corresponding merchant fee for that card," the authors wrote.

"Therefore, merchants would not be able to disclose the relevant card fees to their customers or to completely and accurately differentiate prices across payment instruments."

### Good ideas

The Boston Reserve researchers believe the ideas behind the settlement – full information and transparency – are good ones "likely to encourage reductions in interchange fees and give merchants incentives to steer consumers toward lower-fee cards."

Transparency, they added, will encourage competition among merchants by giving them the ability to offer lower retail prices."

However, the researchers also stated "[R]elying exclusively on market forces without resorting to directly regulating the level of those fees has not been tried before, so the extent to which market forces can and will bring about the benefits of enhanced competition in payments markets remains to be seen.

"Because card issuers compete for cardholders by offering cards that generate higher rewards, competition in the current market structure generates fee increases rather than decreases, unlike the typical case in competitive markets." The settlement does not require acquiring banks to disclose fees to merchants, the paper's authors also noted.

### Industry view

"It will be difficult to give consumers the information the settlement allows because there are so many kinds of cards out there and so many different interchange rates," said Nashville Attorney Kevin Kidd, a member of the Electronic Transactions Association's Government Relations Committee.

Kidd feels it would be difficult, if not impossible, for the United States to have just one interchange rate, and he doesn't believe consumers would like losing the benefit of their rewards cards and other programs.

"This settlement is not about protecting consumers," he said. "This settlement is about protecting merchants and allotting better terms to merchants. Consumers are not going to see gas prices down by 5 percent because of this settlement. It's not going to happen."

Jay Reeve, a payment attorney in Gun Barrel, Texas, who also works with the ETA, agreed. "I think this settlement is worthless," he said. "Most merchants don't have the technology or sophistication to handle distinctions in pricing. Merchants can get and could get the information, but only the biggest of the big merchants can run through to completion.

"The bulk of the merchants trying to do it will blow the opportunity. Processors and data consultants are going to have to do the technology involved. I do think there is an opportunity here for somebody to implement a solution. Just because you have access to the information it doesn't mean you can implement anything that will allow you to take advantage of it."

# TIN matching: A problem with solutions

A new tax reporting requirement directed at payment processors and acquiring banks may pose significant compliance difficulties for some companies, as well as economic damages to merchants and processors – unless processors come up with a fast, effective and reliable way to ensure they have valid tax identification numbers (TINs) and business names for every account.

The payments industry has known about the requirement to annually file 1099-K forms for most accounts since Congress passed The Housing and Economic Recovery Act of 2008. This legislative requirement, which goes into effect Jan. 1, 2012, is designed to assist the Internal

Revenue Service's fraud detection and tax collection. The Congressional Office of Management and Budget estimated the new rule could bring in more than $9 billion in additional tax revenue. The industry has also long known of the corresponding requirement that processors will face penalties unless they submit valid TINs and business names for each of the 1099-K forms filed.

## Penalties

Penalties for noncompliance – including failing to report and filing with incorrect TINs and/or incorrect business names – are severe. Noncompliance can result in backup withholding of up to 28 percent of the non-compliant merchant's gross receipts. Processors face penalties of up to $100 per error (up to a maximum $1.5 million) for information returns, $100 per error ($1.5 million maximum) for payee statements, and $250 per error (no maximum) for intentional disregard.

## IRPAC complaints

The Information Reporting Program Advisory Committee, a group of payments industry professionals who act as official advisers to the IRS on payment matters, urged the IRS to delay implementation of the new rules and relax compliance penalties until the difficulties of the reporting requirements are sorted out.

The new reporting rule "allows insufficient time for many reporting organizations to determine whether they, in fact, must report and, if so, whether they can establish the necessary procedures and systems to reasonably comply with the rules," IRPAC Chair Elizabeth Thomas Dodd wrote to the IRS in March 2011. "The fact is many reporting organizations simply cannot timely comply with these rules.

"IRPAC believes that the implementation of section 6050W reporting is so significant that it is unlikely that many of those subject to these rules, particularly in the context of third-party network transactions, will be able to timely comply by the current effective date.

"It is unlikely, if not impossible in many cases, for business software providers and the IT functions of reporting organizations to develop and test software that conforms to the rules in sufficient time to allow for reasonable compliance with the section 6050W rules."

IRPAC recommended postponing the effective reporting date for one year or making the reporting optional for 2011 and 2012. It also recommended "adoption of a much more lenient standard for penalty relief during the transition period to section 6050W reporting." The IRS ignored IRPAC's request for a delay.

## Industry view

SecurityMetrics Inc., an Internet security firm, estimates less than half of the acquiring banks in the United States have begun the compliance process.

"Given there are only five months until the deadline, this federal regulation is an extremely urgent issue for acquirers and ISOs," SecurityMetrics Chief Executive Officer Brad Caldwell, whose company sells a TIN matching service, said. "We've worked with acquirers whose merchant TIN validations are 15 to 90 percent complete. The law requires 100 percent. Most merchant businesses can't financially handle the federally mandated 28 percent withholding of all credit card revenues."

Payment processors and acquirers who are trying to comply with the new regulations also face technical problems. "There are some significant challenges for every business dealing with IRS TIN matching," Electronic Transactions Association Director of Government and Industry Relations Mary Bennett said.

Bennett listed three concerns she has as the industry attempts to interface with the IRS and come into compliance. The first is the age and size of the IRS TIN matching system. "The technology is not the latest and the greatest," Bennett said. "The system is a little bit dated. The system, I'm sure, gets overwhelmed with TIN information requests. You can't get a speedy match for a long list of TINs. You have to submit and wait, and then all you get back is the number of matching IDs and the number of mistakes, but there is no explanation of the mismatch."

The second problem Bennett pointed to with the IRS system is the "very mercurial TIN matching construction" and the "large possibilities for mismatched names" in the system. "Many business owners may not know themselves what name is registered with the IRS," she said. "This is a huge issue that these businesses need to be so precise." The difference between an ampersand and the word "and" in a name could throw off the TIN matching with the IRS, she said by way of example.

Finally, Bennett pointed out for many small merchants their TIN is the same as their Social Security number. Merchants may be understandably reluctant to share this information with processors they are not familiar with but who may have a legitimate need for the information.

### Who is compliant?

There is a general feeling among those professionals surveyed by *The Green Sheet* that the largest acquirers are getting ready for the new rules and will be fully compliant by Jan. 1. Midsize to small acquirers, however, may be falling behind.

Wells Fargo & Co. Executive Vice President of Merchant Services Debra Rossi said her bank is ready. "Here's my view," she said. "We don't have a choice. It is a law. This is the new IRS mandate and at Wells Fargo we are ready."

Convey Compliance Systems' Executive Vice President of Marketing Troy Thibodeau expects there will be "a lot of gnashing and wailing out there" when the new rule goes into effect. "The new reporting requirements are different than in times past," he said.

"In situations like these, you get waves of compliance. In the first wave are the early people who get into compliance early. The second wave says, 'holy cow, we are going to have to get into compliance soon or we are going to get penalized.' In wave three people are hoping the IRS is going to give lots of compliance time and leniency."

Thibodeau, whose company sells a TIN matching solution, said processors are not required to go verify that merchant TINs and IDs are properly matched before they submit their 1099-K data to the IRS; however, turning in 1099-K forms with nonmatching TINs or IDs can be costly. "At the end of the day there is still a lot of public debate about this legislation as it currently exists," he said.

# Jumio aiming to change CNP landscape

New technology developed by Mountain View, Calif., firm Jumio Inc. is designed to turn online card-not-present (CNP) transactions into online card-present transactions. The company believes its new product suite, Netswipe Start, Netswipe Scanning and Netswipe Processing, is a more secure online option for consumers and promises to introduce the technology to smart phones by mid-September 2011.

Simply put, Netswipe turns a computer webcam into a card reader. "Jumio bridges the gap between the security and trust of credit card payments at the point of sale and the availability and convenience of modern day online transactions," Jumio founder and Chief Executive Officer Daniel Mattes said. "At a time when both consumers and businesses are looking for more efficient and safe ways to make credit card purchases, Netswipe promises to usher in a new era of disruption that makes online payments easier than ever before."

Mattes co-founded the Voice over Internet Protocol service JaJah Inc. and was with that company until 2009 when it was purchased by Telefonica S.A. for $207 million.

### Consumer simple, merchant secure

According to Jumio, Netswipe offers consumers simplicity and merchants security. Consumers use Netswipe to make an online payment by showing their credit cards to their webcams and typing in the card verification value numbers found on the back of the cards. The technology uses a Flash-based application to access the computer's webcam.

When the card is passed in front of the webcam, the program checks card authenticity. It can "see" whether the card is plastic and whether the numbers on the card are properly embossed. It can also detect if the card's hologram is real.

On the security side of the transaction, Netswipe does not photograph the credit card, and no data is stored on the payment computer. All data, including the video stream data, is encrypted and password protected. Data storage complies with Payment Card Industry Data Security Standard regulations. Only merchants with the proper passwords can access the data from their accounts.

The company indicated it is working on adapting Netswipe to eventually read government documents, which would give it the ability to allow transactions using other tokens such as driver's licenses. The technology may even open a door for facial recognition in credit card verification.

### How Netswipe works in the marketplace

Jumio charges 2.75 percent on each transaction for processing. The customer receives monthly statements with charges deducted from payments.

There are no charges to consumers and installation is free for merchants. If an online customer does not have a webcam, the payment can still be made. A manual payment form is automatically displayed, and the customer can enter data manually. Netswipe neither has nor needs access to the merchant website.

Jumio said Netswipe works for and is available to merchants of all sizes – from the tiniest micro merchant to the largest retail behemoth.

### User survey

Jumio reported an early Netswipe survey conducted in the first two quarters of 2011 with 2,500 early Netswipe users produced impressive findings.

The survey found 52 percent of online retail customers abort shopping with items still in their shopping carts. When consumers in the survey used Netswipe, only 21 percent aborted payment while shopping.

When CNP transactions were conducted without Netswipe, 6 percent of the transactions were later found to have been wrongly rejected legitimate payments. With Netswipe the number of wrongly rejected legitimate payments fell to less than 1 percent. Netswipe does not currently work with prepaid cards. Netswipe technology is patent pending.

# ResearchRundown

## Processing pricing study

A new pricing study by The Strawhecker Group written by Senior Associate Mike Goding found the cost of processing transactions has dropped more than 10 percent since 2010. This sixth edition of the *Merchant Processing Pricing Benchmark Study* provides acquirers with benchmarks for processing services in different segments of the payments industry.

The study divided processors into four groups: small, up to 250,000 transactions per month; medium, 250,001 to 1 million transactions per month; large, between 1 million and 3 million transactions per month; and jumbo, more than 3 million transactions per month. The study focused on the number of transactions per month rather than dollar volume or number of merchants.

Goding said he believes the drop in processing costs is due, at least in part, to the economic recession that has forced processors to become more price-competitive. He called this good news for acquirers negotiating new contracts but a liability for acquirers in long-term contracts who have to compete with processors that have "fresher" agreements. Goding said he expects processing prices will continue to fall.

Other conclusions in the report include:

- Merchant on file fees increased between 76 percent and 104 percent over the past year for medium and large processors. Goding believes this may be because these processors have used merchant on file fees to compensate for lower transaction fee prices.
- Customer service and terminal help-desk support costs have gone up significantly for the top three segments of the industry.
- New business has a significant pricing advantage over legacy customers as processors compete for new business. Goding recommended legacy customers do a request for proposal process when renewing to get "new" customer treatment.
- Despite complaints about "per merchant" fees charged by processors, the survey found less than 15 percent of acquirers actually pay these charges.

## Incidence of bank account access

**(percentage of consumers)**

| | |
|---|---|
| Branch Visit | **77.4%** |
| ATM | **69.0%** |
| Online Banking | **61.4%** |
| Telephone Banking | **32.4%** |
| Mobile Banking | **8.9%** |
| Mobile Payment | **3.0%** |
| By Text/SMS | **2.1%** |
| Contactless (NFC) | **1.2%** |

Source: Boston Federal Reserve Consumer Payments Research Center's *Survey of Consumer Payment Choice*

**"We believe that if banks can roll out a safe, easy to use and ubiquitously accepted system, consumers will very quickly adopt mobile payment solutions as they have other mobile services."**

– Mitch Siegel, KPMG LLC Financial Services Practice Principal and co-author of *Monetizing Mobile: How Banks are Preserving Their Place in the Payment Value Chain*

## Security investment driven by brand concerns not fines

A new report from CyberSource, a Visa Inc. company, and the security and compliance firm Trustwave found nearly 70 percent of e-commerce merchants surveyed upgraded data security because they believe a security breach would negatively impact the brand. Only 26 percent of respondents said they upgraded to comply with the Payment Card Industry Data Security Standard.

## SB Authority index up for June

Newtek Business Services, *The Small Business Authority*, released the SB Authority Index for June 2011. The index was up 1.17 percent from May 2011, reaching 106.07 points. Approved SBA loan volumes, the Russell micro-cap index and retail sales caused the increase. The other five components of the index are the Automatic Data Processing Inc. national employment report, Newtek's proprietary merchant processing volume data, the estimated small business default loan rate, the Government Loan Solutions default rate and the prime rate.

## Consumer credit card debt down

CreditKarma.com released its midyear U.S. Credit Score Climate Report and the survey shows consumer credit card debt down 10 percent from December 2010 and down 17 percent from a year ago. Consumers in New Hampshire, Hawaii, Wisconsin, Alabama, New York, West Virginia, Minnesota, Missouri, Illinois, California, Massachusetts and Texas led the U.S. in credit card debt reduction rates.

# Taking PCI seriously

**By Tim Cranny**
*Panoptic Security Inc.*

Payment Card Industry (PCI) Data Security Standard (DSS) compliance has been relatively slow-moving in some ways. In the last seven years we've seen the economy ride a roller coaster, multiple technical innovations (tokenization, mobile payments and so on), and a few revisions of the standard, but as an industry force, it's been more of a threatening cloud than something completely real on the ground.

Some may argue with that opinion, or call it vague, but even today there are ISOs who have dealt with PCI compliance thus far by simply ignoring it. Also, confusion and misinformation still proliferate regarding the scope of PCI or what a PCI program really has to achieve.

That isn't what you'd expect with a program that has been successfully driven from theory to widespread practice. There are signs that all this is changing, though.

## Stepped up PCI enforcement

One looming change is that we are now seeing real signs from multiple sources that the payment brands are planning to ramp up noncompliance penalties imposed on merchants (as opposed to penalties only in the case of actual breaches).

This will fundamentally change the economics of PCI for ISOs, processors and banks, as well as bring to light in visible and painful ways the shortcomings of some PCI programs.

ISOs and other portfolio owners need to be aware that solutions that worked yesterday may not work tomorrow. Some PCI solutions were viable in the past because until now, almost any PCI program, even one that achieved almost nothing, counted as good enough and did not attract meaningful penalties or risks.

However, if portfolio owners are fined for poor compliance rates, the low-cost, low-results balance will break down, and the savings from low-cost programs will be swamped by the new downside of inadequate results.

In this case, I expect a shift will occur in the industry away from minimalist programs and toward those that are more feature-rich and more able to deliver results by driving compliance rates upward.

## The cons of minimalist programs

The five areas where minimalist PCI compliance programs perform poorly include:

**1. Failure to help merchant lacking expertise**

Despite the efforts of the standard-writers, the PCI self-assessment questionnaires (SAQs) include a number of questions that, for the average merchant, may as well be written in Swahili.

Putting questions about network topology or post-authentication encryption on a web page does nothing to make the actual content of the questions easier to understand, and merchants will continue to stall and fail unless they get some sort of active assistance.

**2. Lack of direct merchant support**

A number of ISOs figure they already have a direct relationship with their merchants and don't need to add an additional support system just for PCI. The problem with that idea is that PCI is not more of the same from a support perspective; it needs support based on expert knowledge of the PCI DSS.

*Despite the efforts of the standard-writers, the PCI self-assessment questionnaires (SAQs) include a number of questions that, for the average merchant, may as well be written in Swahili.*

Furthermore, the support system for PCI needs to be tightly integrated with the merchant experience of working through the SAQ; the program should not be stand-alone or separate.

These first two notions can reinforce each other in ugly ways: a program that doesn't help merchants avoid problems and doesn't provide proper support is a guaranteed way to create angry merchants looking for someone to blame.

**3. Inaccurate or incomplete reporting**

Low-cost programs need to push merchants through the process and out the door as quickly as possible, but that doesn't work properly for the security issues integral to PCI. A number of low-cost programs being pedaled today do not endeavor to fully and accurately assess the merchant's compliance state; they concentrate instead on minimizing the effort that goes into the program.

This exposes the portfolio owner to a significant, systemic risk because when the inevitable merchant breach happens, the audit that ensues will reveal that the compliance rates being reported are largely fictional. And as

PCI is taken more seriously, there is a greatly increased likelihood that this will trigger fines and penalties to the portfolio owner in addition to painful and expensive ongoing oversight.

**4. Making the program passive, not active**

PCI isn't just about putting merchants through an assessment; it's about fixing the problems discovered (what security professionals call "remediation"). However, the passive assessment phase is the easiest part of the process, and far too many vendors are doing only that part.

They are doing the equivalent of taking their partners and customers a half-mile down the road and then abandoning them.

As PCI becomes more systematically enforced and more results-oriented, it will be all the more important to make sure your PCI program can effectively provide merchants the solutions they need to fix their problems. A critical part of that type of initiative is the ability to efficiently reach out to exactly the right subgroups of merchants, at exactly the right time, and communicate directly to them.

**5. Having a one-size-fits-all program**

A key part of creating an active PCI program is realizing that before you can take action, you need the right information to tell you what needs to be done. Portfolio owners must have detailed, real-time insight regarding what is going on – from an aggregate level all the way down to the individual merchant level.

## Winnowing ahead

As PCI compliance programs come to be held to an increasingly higher standard, they are going to need to avoid all of the pitfalls just mentioned. Some of the low-end solutions in the market may mature to meet more stringent expectations, but it is likely many will stall under the weight of their technical limitations.

This will lead some to become magnets for noncompliance fees, which will contribute to a further maturing and clearing out of the PCI vendor space. This instability is another reason ISOs should be increasingly suspicious of the low end of the market and embrace the reality that PCI is being taken more seriously and deserves an equally earnest response on the part of all those involved in compliance efforts.

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# SellingPrepaid

## Prepaid in brief

## NEWS

### FinCEN clarifies MSB definitions

The **Financial Crimes Enforcement Network** (FinCEN), a bureau of the U.S. Department of the Treasury, issued the final rule concerning which financial service providers qualify as Money Services Businesses (MSBs) and are therefore subject to the anti-money laundering (AML) regulations contained in the Bank Secrecy Act (BSA).

The final rule released on July 18, 2011, defines MSB as any business that conducts $1,000 worth of transactions per person per day or any entity that engages in money transmission of any amount. Such businesses must comply with the BSA's AML rules.

The rules also include MSBs based outside the United States that conduct business within U.S. borders. This addition was necessitated by the Internet and other technologies that allow foreign-based entities to operate as MSBs in the United States.

The ruling can be accessed at *www.fincen.gov/statutes_regs/frn/pdf/MSB_Final_Rule_Definition_and_OtherRegulations.pdf.*

### FinCEN issues 'prepaid access' final rule

To clarify how prepaid card businesses are affected by the new AML regulations, **FinCEN** issued a separate final rule that distinguishes MSBs of stored-value instruments – such as prepaid cards – from issuers, sellers and redeemers of traveler's checks and money orders.

The final rule:

- Renames "stored-value" as "prepaid access"
- Focuses on regulating sellers of prepaid access products that pose the greatest money laundering risks
- Exempts prepaid access products that can be loaded with a maximum of $1,000, as well as some payroll products
- Exempts closed-loop prepaid access products sold in amounts of $2,000 or less.
- Excludes government benefits and health care benefit account cards

"The final rule addresses regulatory gaps that have resulted from the proliferation of prepaid access innovations over the last 12 years and their increasing use as an accepted payment method," said FinCEN Director James H. Freis Jr.

The final rule is available at *www.fincen.gov/statutes_regs/frn/pdf/Prepaid_Final_7-22-201.pdf.*

### Groupon's expiry policy investigated

The **Attorney General of Connecticut** is questioning the expiration date policy of deal-of-the-day website Groupon Inc. By having expiration dates on some of its discount offers, the popular discount provider may be in violation of Connecticut's gift certificate law, according to Jepsen.

A press release reported that Attorney General George Jepsen wanted Groupon to explain the terms under which its discounted gift certificates, called "Groupons," are sold and redeemed by consumers, how much revenue those sales generate in the state and how frequently expiration dates are imposed on Groupons.

Connecticut law prohibits expiration dates on gift certificates.

## ANNOUNCEMENTS

### APS advances Cashplus in U.K.

Cashplus prepaid MasterCard provider **Advanced Payment Solutions Ltd.** won contracts to provide prepaid card programs to the U.K. councils of Merton, Nottinghamshire and Bury. APS called the contracts evidence that the program manager's service provides government agencies functionality and innovation.

### Website traffic up at BillMyParents

**BillMyParents**, the teen payment solutions brand of Socialwise Inc., reported a tenfold rise in its website traffic over the previous 90 days. BillMyParents attributed the increase to its multiplatform marketing campaign, which included digital ads, a television commercial and its sponsorship of a reality TV show.

### New Visa travel card unveiled

U.K.-based program manager **Caxton FX Ltd.** rolled out a Visa Inc.-branded travel card that will be accepted at 31 million outlets across 170 countries and give cardholders the benefits of the Consumer Purchase Protection

and no ATM fee charging. The Caxton FX Visa card will be issued by the U.K.'s Raphaels Bank.

### Texas power company taps into options

Irving, Texas-based **First Choice Power** launched new payment options for its prepaid energy customers. Participants in the electric company's QuickPay program can now pay for energy use via mobile phones.

### Plastic Jungle wins AlwaysOn award

Online gift card exchange **Plastic Jungle Inc.** landed an AlwaysOn Global 250 award for the second year in a row. Corporate event organizer AlwaysOn selected winners based on five factors: innovation, market potential, commercialization, stakeholder value and media buzz. Winners were recognized at the ninth annual Innovation Summit held July 28, 2011, in Santa Clara, Calif.

## PARTNERSHIPS

### CardSmith to process through Agilysys

Campus card program manager **CardSmith LLC** integrated its payment platform with **Agilysys Inc.**'s POS system, InfoGenesis. The integration expands CardSmith's system to a 100 percent web-enabled meal plan and campus card processing solution.

### TxVia teams with Discover

**Discover Financial Services** certified **TxVia Inc.** to process prepaid cards over the Discover network. The relationship will support processing for a number of TxVia clients, including InteliSpend Prepaid Solutions, which Discover partnered with in January 2011.

### Flint subsidiary to process over STAR Network

**Flint Telecom Group Inc.** subsidiary Power2Process signed a strategic processing agreement with **First Data Corp.** for the reloading of phone cards via First Data's STAR Network, which boasts over two million retail and ATM locations in the United States.

### FIS inks deal with CU association

**Fidelity National Information Services Inc.** (FIS) reached an agreement with the **Association of British Credit Unions Ltd.** to provide bank identification number sponsorship, card acquisition and transaction processing services for the association. ABCUL, which will issue its own prepaid cards on FIS' platform, said prepaid cards are a safe way for credit unions to issue loans while reducing cash holdings.

### MoneyGram re-ups with Canada Post

**MoneyGram International** renewed its agreement with **Canada Post** to continue to provide money transfer services at over 6,200 post office and postal outlet locations throughout Canada.

### ReliaCard is focus of new trio

U.S. Bancorp's chief financial institution **U.S. Bank** teamed with **Monitise Americas**, the U.S.-based mobile payment software arm of U.K.-based Monitise PLC, and processor **FIS** to offer a new mobile application for U.S. Bank ReliaCard Visa cardholders. The application gives ReliaCard users free mobile access to prepaid accounts.

## ACQUISITIONS

### Mint adds payroll card portfolio

**Mint Technology Corp.** acquired the payroll card portfolio of United Arab Emirates-based **Workers Equity BSC**. Mint subsidiary Mint Middle East LLC, located in Dubai, builds and manages payroll card programs. The deal adds approximately 180,000 prepaid cards to Mint's portfolio.

## APPOINTMENTS

### Evolution1 retains C-level continuity

The merger that formed benefits card program manager Evolution1 keeps intact the upper management from the two companies. **Robert E. Patricelli**, founder and retired Chief Executive Officer at Evolution Benefits Inc., will serve as Chairman of the Board.

**Chris Byrd**, President and Chief Operating Officer at EB, assumes the same positions at Evolution1. And **Jeff Young**, CEO of Lighthouse1, becomes Chairman and CEO of the new company.

Features

# Meta achieves closure on 'difficult year'

In Meta Financial Group Inc.'s third quarter financial statement for the period that ended June 30, 2011, the holding company said it resolved issues surrounding its discontinued iAdvance loan program and is expecting positive financial results for the coming fiscal quarter, thereby ending what Meta Financial President and Chief Executive Officer J. Tyler Haahr called a "difficult year."

The iAdvance program, managed by Meta Financial's prepaid card division Meta Payment Systems on cards issued by the holding company's subsidiary MetaBank, provided small-dollar lines of credit via NetSpend Holdings Inc. prepaid cards.

In October 2010, the program was shut down by the Office of Thrift Supervision. The federal bank regulator determined that MetaBank engaged in "unfair or deceptive acts and practices in violation of Section 5 of the Federal Trade Commission Act" based on MetaBank's "failure to implement a recurring use plan," Meta Financial said in its quarterly statement.

The OTS required Meta Financial and MetaBank to reimburse certain iAdvance customers, implement management and compliance plans and programs, and pay a $400,000 fine to the government.

The total amount Meta reimbursed to iAdvance customers came to $4.8 million. The statement also said MPS experienced a third quarter 2011 net loss of $1.9 million, compared to net income of $3 million for the same period in 2010, before the iAdvance controversy surfaced.

## Issue resolved

While Meta Financial and its bank neither admit nor deny the OTS' claims, the entities agreed to submit to the regulator's demands. Additionally, MPS must seek written approval from the OTS' regional director before the program manager can enter into third-party relationships for initiatives involving credit and prepaid products, as well as ATMs. Other stipulations are also involved.

The financial statement said Meta Financial and MetaBank were in the process of meeting the OTS' requirements by specific deadlines; they consider the iAdvance matter closed.

"We are pleased to have consensually resolved the OTS matters in the interest of our shareholders," Haahr said. "With the resolution of the OTS administrative actions, we have put the uncertainty of the reimbursement and the assessment issues behind us."

Haahr expects profitability for Meta Financial in its fiscal fourth quarter of 2011, which will partly reflect a reduction in its consulting and legal costs with its OTS obligations now behind them.

## Hybrid's future

Madeline K. Aufseezer, Senior Analyst at Aite LLC, said the iAdvance issue highlights the increased level of regulatory scrutiny directed at the prepaid card industry. "I think the industry on a whole is very careful right now with what they're doing because of the amount of regulation that's being initiated," she noted.

IAdvance was shut down because of the program's fee schedule and how it was disclosed to consumers, according to Aufseezer. One way to avoid what Meta Financial experienced with iAdvance is to separate the prepaid and credit components by employing two cards for each account, she said.

"Though they might be attached to the same type of account, one card is used for the actual prepaid portion of the products, where people have money in their accounts to support that, verses another card that is used to trigger the line," Aufseezer noted.

While Aufseezer recognizes that two cards per account can be "cumbersome" for cardholders, it helps to compartmentalize the program's functions. "From a consumer mindset, now they are clearly aware that what they are doing is triggering a line of credit as opposed to using their existing funds," she said.

Despite the troubles with iAdvance, Aufseezer extols the viability of the so-called hybrid card. As prepaid cards help unbanked and underbanked consumers establish alternative bank accounts and offer convenient access to electronic payments, the loan feature gives them access to additional capital they would not otherwise have, Aufseezer said.

"The credit function actually serves a very good purpose in that it helps people: a. establish credit; b. learn how to use it responsibly; and then c. ultimately be able to get a more mainstream product," she said.

# Gift card potential still untapped

A new First Data Corp. study reveals the future growth of the gift card segment will rely on initiatives that maximize gift card revenues. The main way to increase profits with gift cards is for merchants to use them to attract and strengthen relationships with new customers, according to a First Data executive.

The 10th annual *2010 Consumer Insights Gift Card Survey* identifies market and consumer gift card trends and provides analysis on how the cards are used.

The survey results may be downloaded at *www.firstdata.com/downloads/thought-leadership/firstdata_2010usgiftcardconsumerinsightssurvey.pdf.*

"The most important thing to take from this study is, despite changes in the economy, consumers still like gift cards," said Michael Hursta, Vice President of First Data Prepaid Services. "The biggest change is the way these cards are distributed through different venues. There are so many different ways to access cards: vendors and partners, kiosks, malls, charities, schools and fundraisers."

Trending shows birthdays remain the most popular reason among consumers to purchase closed-looped gift cards, while Christmas is the second most popular occasion. However, gift cards for birthdays in 2010 showed 4 percent growth over the previous year while Christmas gift cards had a 5 percent decline in 2010 from 2009.

Gift card purchasing for other occasions, such as weddings, graduations and anniversaries, is "quiet a bit smaller" in terms of market share and showed no substantial change from year to year, Hursta said.

Gift cards make up only 1 to 2 percent of the overall payments market, according to Hursta. But he noted that some retailers – especially in the quick service restaurant market – may see as much as 10 percent of their payments coming from gift cards and other types of prepaid cards.

## Relationship building

The one action merchants can take to increase revenues is use gift cards to build customer relationships, Hursta said. Gift cards offer merchants the opportunity to attract new customers and build better, more sticky relationships. These relationships can be nurtured via data analysis that targets individual shopping preferences, which can then be leveraged through rewards programs and reloading options, the survey concluded.

Additionally, the survey reported consumers chose open-loop, reloadable gift cards 15 to 25 percent of the time because of their rewards features; 18 percent considered reloading more convenient than carrying cash; 8 percent prefer reloadable cards to credit and debit cards; and cardholders generally prefer to reload cards in-store, but up to 30 percent now reload online.

The study concluded that reloading encourages more store visits and that consumers spend 20 percent more per visit with reloadable cards.

First Data recommends merchants develop and implement electronic gift cards that enable consumers to purchase and gift virtual cards online. For the moment, however, the public still seems unsure about electronic gift cards; only 25 percent of the consumers surveyed said they were likely to use this option.

Still, Hursta believes there is a "robust future" for gift cards. "Gift cards are striking a balance between not knowing what you like but still having the more intimate and knowledgeable gesture of knowing where you like to shop," he said.

# CompanyProfile

RELIABLE SOLUTIONS

## Century Payments Inc.

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2601 Network Blvd., Suite 200
Frisco, Texas 75034
Telephone: 866-706-4066
Fax: 972-292-7780
Website: *www.centurypayments.com*

**ISO/MLS benefits:**

- Merchant relationship management, agent training, full-service boarding
- Quick, thorough phone support for MLSs from educated support team
- Financial stability to fund growth and incorporate new technology and systems
- Relationships with two major processors
- Regular feedback tailored to each agent's portfolio to help maximize sales returns
- Email updates, conference calls and webinars to keep ISOs and MLSs apprised of industry news and developments within the company

# High-end support for the industry's top salespeople

The pedestal that ISOs and merchant level salespeople (MLSs) in the payments industry strive for is that of a closer; that is, a salesperson who has a special knack for completing the deal on a merchant account, someone who boards merchants with uncommon regularity and relative ease.

These "super" ISOs and MLSs are precisely the type of sellers targeted by Century Payments Inc., a company formed in 2006 by a group of high-profile executives with extensive backgrounds in the payments business.

Within the indirect sales division of Century Payments, called Reliable Payment Solutions, the aim is to have the best sales force the world offers, and to get there by recruiting the industry's best ISOs and MLSs with a platform of first class support and top of the line compensation.

"We started with putting together an 'A' team of executives … the best team of executives from the industry," said Garima Shah, Senior Vice President of Reliable. "We said, 'What is missing? What can we do to make the industry better?'"

What this brainstorming session produced was a singular idea: the creation of a company that homes in on superior ISOs and MLSs – those with at least two years of industry experience and tremendous skill in the selling of merchant accounts.

The company contracts with these super agents and provides them with what it calls its concierge service: education, training, assistance with paperwork, updates about industry news and developments, access to an array of tools, top of the line processing partners, and the help of an army of support staffers manning the phones in case an MLS has any sort of question or request. In other words, all of the supporting tools the feet on the street need to leverage their sales expertise and maximize their returns.

## Help for the best

On the face of it, the idea seems counterintuitive: why help the ISOs and MLSs that, owing to their experience in the industry and track records of success, seem to be the least in need of assistance? According to Shah, there are several reasons.

First, among even the most savvy sellers of merchant services and related products, many who can effortlessly close a deal nonetheless struggle with the technical and procedural aspects of merchant sales (for example, selling the newest technology, troubleshooting problems that arise in the boarding process, maximizing up-sell opportunities, and so forth).

"We leverage all of their strengths while giving them the support they need to be successful," Shah said. "People who know how to sell to merchants sometimes just need the extra tools to be successful. They can use our support line and talk to someone on the other end for the best support with any problem that you can find."

Second, the strengths of high-powered ISOs and MLSs can be leveraged to increase the amount of money they're already bringing in. Their expertise is used as a launching pad for developing new revenue streams in a host of different ways.

For example, a salesperson who has mastered terminal sales can be trained to sell newer, higher-end terminals or various value-added products and services – such as state of the art gift and loyalty programs – that add new revenue streams to what the agent is already bringing in.

Shah noted that Century Payments is contracted with two of the world's largest processors, allowing the company to offer its ISOs and MLSs any number of different merchant products and services. "Between our two processing partners, we have almost every certification out there," she said.

## Aboveboard residuals

Perhaps most significantly, Century Payments pays a higher residual percentage to its ISOs and MLSs than they would normally receive, according to Shah. The higher percentage reflects the experience and know-how agents bring to the company.

Shah said such agents have been particularly hard hit in the down economy, with merchants focused on getting the lowest prices while growing less interested in the superior salesmanship, high-level support and expertise provided by top of the line ISOs.

Merchants have become more willing to sacrifice quality of service for a lower price. The same goes for ISOs looking to recruit new MLSs; those working on the cheap are preferred, now more than ever.

According to Shah, even the most skilled agents typically don't receive higher residual percentages than their less savvy counterparts – at least not when they begin working for a particular ISO. Eventually, their percentage may go up when they establish themselves as topnotch salespeople, but that can take a little while.

By contrast, because Century Payments recruits only the best salespeople in the business, those ISOs and MLSs get an unusually high residual percentage right off the bat, Shah said. Such favorable splits help Century to attract the industry's best talent, she added. "It's a win-win," she said. "They get paid more, and we're getting more ISOs – and boarding more merchants – because we are paying those ISOs a larger share."

Paying a higher residual does two things. One, it attracts top of the line talent; two, it brings the company extra money through the additional merchants it ends up boarding.

Thus, what Century loses in the extra residual money it's willing to part with, it wins back with the unusually high number of merchant contracts its sales force brings.

"Our system is transparent," Shah said. "A lot of times, people are receiving 70 to 80 percent of their residuals, but it's really a percent of a percent. So they're told they'll get 50 percent, but it's actually 50 percent of 50 percent, which is actually only 25 percent. When we say 70 percent of the dollar amount, they are getting the full 70 out of 100."

Shah added that the company can afford to pay more because the experienced agents they employ require a much lower level of support than the average agent would, saving resources and money.

"Oftentimes, these guys are not getting paid what they should be for their experience and expertise," she said. "When we go after an ISO or an agent who knows what they're doing, we know we can give them a larger percentage of the pie because they're doing all the work. We're just the support structure and the backbone, so we can pay them more than we would agents who require more support."

## Support aplenty

The company still provides plenty of support where needed, Shah added. The firm's support staff helps with everything from building referrals and partnerships, helping with business management, training ISO sales teams, teaching new pricing methods, conducting business analytics and providing what Shah called "competitive intelligence" – or knowing what practices are needed, in the context of an ever-changing industry, to stay ahead of competitors and at the front of new trends.

"We show them trends from their own portfolio and do a portfolio analysis," she said. "Like we'll tell them, 'Did you know you're pricing a lot of your merchants where they shouldn't be?' We'll analyze their specific attrition rates, trends, margins – how they can make the most money possible – help them understand pricing, equipment, how to improve their rate of merchant approvals. … They may know how to sell to a merchant but might not be maximizing their returns."

Such individual portfolio analyses are often provided in conjunction with industry-wide trends and news about such things as new products, pricing fluctuations and POS trends. With individual profiles examined in the context of broader trends like these, the company believes it can assess how its agents can maximize their returns.

"We help them with everything from technical support to questions of how to make their business better," Shah said. "And we keep them abreast of current events, of new technology and of new or impending financial regulations like the Durbin Amendment."

Such updates flow in from a number of places, Shah said. For one, ISOs and MLSs receive automatic email and text updates about sales information; the company also holds weekly conference calls with agents where they go over all the relevant current events, as well as both industry and company updates.

## Ample resources

Finally, for issues that generate a lot of questions and for other important news, the company holds live webinars where the issues in question are discussed in detail.

"Any significant industry news we set up a live webinar – like something about mobile payments, because we're seeing a lot of that," Shah said. "People may want to know, for example, what's the difference between ROAMpay and PAYware Mobile? And we'd explain that this is the different pricing, and this is how the different platforms work."

Aside from these updates, salespeople working under Century Payments can call the company's support staff and receive immediate help on a variety of issues or questions. "They will speak to a person, and we will help figure out exactly what they need," Shah said. "This is not a cookie cutter approach; it's a system tailored to the specific needs of each ISO or MLS."

Shah has observed that many of those questions pertain to the paperwork-based process behind boarding a merchant. "They may have a quick question on something that needs to be faxed, or they are missing a form they forgot – for example, they might be missing a wireless contract – and we'll take care of all of that for them," Shah said. "Or if something is pending, we'll know what is pending and work to fix the problem."

The way the company recruits top notch salespeople is through networking, Shah noted. The company's executives, as well as its existing ISOs and MLSs provide referrals. "We are all very well networked, our executives have years and years of experience and that's really how we find our sales agents," Shah said.

She added that the company can provide stellar service to its ISOs largely because it has the financial backing to do so: it is capitalized by Texas-based Austin Ventures.

"With the expertise and financial backing, we have the ability to provide just about any service that caters to an agent's or a merchant's specific needs," Shah said. "We're only three years old, but we're so nimble that we can leverage all of our resources to provide a perfect fit to our agents, rather than having a cookie cutter, red tape approach that doesn't necessarily address the very different problems faced by each ISO."

# CompanyProfile

## Empower Processing

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Fax: 832-286-0403
Email: *sales@empowervets.com*
Website: *www.empowerourveterans.com*

**ISO/MLS benefits:**
- Cause-based processing supports veterans' organizations
- Nonexclusive ISO programs and revenue stream ownership
- Full-service payment processing and merchant services
- Online merchant tracking, management and residual reports
- 24/7 customer support available to ISOs and merchants

# Working to empower today's war veterans

When the opportunity arose to build a new brand under Orion Payment Systems in May 2010, Empower Processing was the result. From the outset, the Houston-based processor's core mission embraced the concept of charitable giving. After a thorough review of worthy organizations, Empower selected Wounded Warrior Project to be the focus of its philanthropy; the company feels it couldn't have found a more perfect match.

"I had heard of cause-based marketing, but we were a little bit concerned because we knew that cause-based efforts can become gimmicky if you don't do it the right way," said Reese Kimball, Chief Executive Officer at Empower. "We decided, because we are a fairly patriotic bunch, to support Wounded Warrior Project because of the work that they do for our young servicemen and [service] women coming home from battle."

The company also decided to give back more than "just a little piece" of its revenue. "We give back 10 percent of our revenue, not 10 percent of the profit but of the revenue we make off the accounts, back to Wounded Warrior Project," Kimball said. In July 2010, Empower began making monthly donations with the goal of one day reaching $1 million in donations to WWP.

Empower President and Chief Operating Officer George Norvell said one reason Empower was intrigued by WWP was that a significant portion of the group's funding directly benefits current war veterans, which was reported by WWP to be 82 percent of its total fiscal year 2010 expenditures. Since 2003, the nonprofit organization has endeavored to raise public awareness and aid for the needs of injured service members, while facilitating rehabilitative efforts to assist veterans in transitioning back to civilian life.

Russ Goebel, Executive Vice President for Empower, said that since Empower is an official corporate sponsor of WWP, its marketing licensing agreement with WWP allows Empower merchants to display company-approved window decals, POS terminal overlays and checkout placards carrying the WWP logo. Merchants can also display a printed message stating that a portion of the proceeds from each transaction is donated to WWP.

"What's unique is that when you become part of the Empower team, you're helping the men and women of our military," Goebel commented. "I think that's a differentiator. One of our core values when we started this company was to create the Empower brand and do marketing agreements and work closely with Wounded Warrior Project and other military charities that help our troops when they return from the Middle East."

### Witnessing WWP in action

Goebel said Kimball and several Empower sales representatives have visited WWP headquarters in Jacksonville, Fla., where they were able to witness the organization's programs firsthand. "They came back changed guys, because they could see what these individuals have gone through," Goebel said. "It's a moving experience. [Veterans] need some additional training, mentoring and education to help them return to society, find employment and get their mind, body and soul healthy."

Empower employees also participate in local events, where public recognition and support of veterans' organizations is encouraged. "Our CEO is huge in the international livestock and rodeo show, and they have Armed Forces day," Goebel said. "So we just try to get involved in anything having to do with the military, and we feel strongly about helping these organizations." He added that the organizations are funded through public and corporate donations rather than by the government.



## Sharing the vision

When discussing benefits to ISOs and merchant level salespeople (MLSs), Kimball said, "I think it gives you an advantage in bringing potential customers that may not show interest in seeing you in the beginning of the sales process. It opens doors. I think that it helps with retention and is a win-win for everybody."

Empower ISO Bobby Williams, agreed. "The typical salesman going out and trying to convince somebody why they should be changing to you over Brand X is mostly an exercise in mathematics these days, and very small number mathematics as well," he said.

"My experience with this is the story or the cause is such a compelling one that the math is really a secondary issue, if at all."

Williams noted that initially he hadn't realized "how this was going to touch people and how many people Wounded Warrior Project has already touched directly, having served over 6,000 wounded soldiers. It's added extra fire in my spirit for getting out here and doing the work. It's a mission now. It's not just a sales project."

Anthony Cecil, a Texas-based ISO affiliated with Empower, said, "I'm finding that once it soaks into merchants that they can redirect the money they're already using and send it to a worthwhile cause, they're very much in favor of it. I like to do a lot of the outdoor sports type places, and the response has been overwhelming."

Empower has found connection to WWP appeals to more than outdoor recreation and sporting goods merchants. "We initially thought that different retail stores, like hunting and fishing and outdoor shops [would be most interested], but everyone has been welcoming to participate in this program," Kimball said.

Goebel pointed out that, unlike war, helping veterans isn't a controversial issue. "A good thing, too, about this program is you walk into merchants, and then you might be against the war,

**$60,000+**

Funds raised by
Empower Processing to benefit
the Wounded Warrior Project

Source: *www.empowerourveterans.com*

but the program is really apolitical," he said. "So, you can be against the war, but no one is against our troops. When we walk into businesses, and we work with chambers of commerce and different associations, a 20-minute conversation usually turns into a two-hour conversation because everyone is touched by our military."

Goebel added that he's encountered a number of merchants who had been interested in supporting veterans but hadn't known where to turn. "Through Empower, they have an opportunity to get involved," he said. "They realize that by doing one transaction with a credit card, they're going to be giving back to a deserving organization. We would encourage anybody that's interested in our program to give us a call, but not only that, we always encourage everyone to give directly to WWP."

## Focusing on service, equitable terms

In the fast-paced world of business today, finding good customer service can be more difficult than in the past. When an ISO, MLS or merchant calls Empower, someone is always there to answer the call.

"We don't have automated answering devices for the phones or the auto attendants," Kimball said. "We actually pick up the phone whenever someone calls. I think there are a lot of reps out there that are looking for that. They're not getting it right now."

Goebel believes the root of great service is getting to know your sales offices and your sales reps. "We pride ourselves in building that relationship," he said. "And as far as the programs, we're as competitive as any other program out there."

As a registered ISO/MSP of HSBC Bank USA, Empower offers one-stop shopping for financial instruments, which, in addition to credit and debit card processing, include recurring payment solutions, a capital and cash advance program, online bill payment and other services. Empower also offers PC and terminal products, wireless terminals, Internet integrated POS systems, PC-based card processing and a program that specifically targets the petroleum industry.

"We're full service, so we do just about everything," Kimball said. "We provide services for check processing, software products, payment gateways and gift cards. We do our own underwriting."

According to Empower, there is no cost to participate in the company's WWP program, nor are there any hidden fees. When a customer makes a credit or debit card purchase at participating Empower merchants, proceeds from transactions are automatically calculated and included as part of the company's monthly contribution to the project.

One year into the project, Empower's website indicated the company has already raised more than $60,000 in donations for WWP. But as word about the program spreads, Empower expects that number to grow exponentially.

For ISOs and MLSs who partner with Empower, benefits include the ability to give back to charity through merchants boarded, twice daily electronic merchant tracking reports, complete online reporting, true interchange revenue sharing programs, ownership of residual streams and the flexibility of nonexclusive agent agreements.

"We have competitive programs," Kimball said, "They're all based around a revenue share model. We don't have gimmicky upfront bonuses and terminal giveaways. It's very straightforward. It's a real deal revenue share."

Durbin from page 1



## Regulation II, an overview

The Durbin Amendment places the Federal Reserve Board in charge of debit card interchange. Specifically, the Fed was told to craft rules for setting "reasonable" interchange fee assessments by debit card issuers and ensuring merchants have the freedom to select clearing networks.

Financial institutions with assets under $10 billion are exempt from the new rules, which were published by the Fed in July 2011 as Regulation II. The new regulation takes effect Oct. 1, 2011. To allow for potential programming hurdles, issuers of certain types of prepaid debit cards (such as health and benefits cards) get an additional six months to comply with the network choice provisions, the Fed said.

These are the industry's new marching orders per Regulation 11:

- Debit interchange is capped at 21 cents plus 0.05 percent of the ticket.
- Issuers that abide by prescribed fraud prevention policies and procedures can charge 22 cents plus 0.05 percent of the ticket.
- Prepaid cards that are all-electronic are exempt from interchange caps; exempt programs cannot offer check privileges or direct deposit of payroll.
- Merchants must be given the option to select from at least two competing processing networks for routing debit card transactions.

In addition, the Fed said it will publish annually average debit card fees assessed by both large and small card issuers.

"I've had conversations with ISOs who see this as a revenue opportunity," said attorney Adam Atlas. That's because nothing in the legislation or the Fed's regulation requires ISOs to pass along to merchants the savings from reduced interchange assessments. Acquirers and ISO-acquirers that have accounts with national and large regional chains aren't apt to be able to pocket the savings, since many of those businesses are active in the campaign against interchange and are on the lookout for tangible savings.

Likewise, merchants benefitting from lower debit card interchange fees are not required to pass their savings on to consumers, although at least one convenience store franchisee expects consumers will reap financial benefits from the new rules.

"The cost for a debit card transaction for the average store will decrease by almost half," said Bruce Maples, Chairman of the National Coalition of Associations of 7-Eleven Franchisees, in an interview with the website Payments.com on July 11. "The reform will save each franchisee in the country almost 50 percent of the cost of a debit transaction, which ultimately will be passed on to the customer, in an effort to be more competitive, or used by the franchisee to grow their business or hire new employees," Maples said.

Carr had a similar message during a July earnings call. "We are the company that is going to send every single dollar that was mandated in the Durbin legislation to the place it was intended: to our merchants' bank accounts," he said.

### What's at stake?

The Durbin Amendment (named for Sen. Dick Durbin, the Illinois Democrat who authored the amendment) instructed the Federal Reserve Board to cap interchange fees on debit card payments at a rate it deemed "reasonable" and "proportional" to the costs of clearing and settling those transactions.

As a result, beginning Oct. 1, 2011, debit card issuers can charge only 21 cents plus 0.05 percent of the transaction in interchange. Issuers that can prove they went the extra mile to protect against fraud may collect an extra penny per transaction in debit interchange. By the Fed's reckoning, the new rules mean the most an issuer could charge would be 24 cents on the average debit card payment, which the Fed puts at $38.

The legislation and implementing regulations also require that merchants be given a choice of at least two unaffiliated networks (for example, Visa Inc.'s and MasterCard Worldwide's) through which to route debit card payments for processing. Banks with technologically challenging card programs get until April 1, 2012, to be in full compliance. Also, all-electronic prepaid card programs (no check-writing privileges) are exempt.

The 21-cent cap the Fed decided on is a far cry from what issuers collect today in debit interchange – 44 cents per transaction on average – but a substantial improvement over the 12-cents-per-transaction ceiling the Fed originally proposed. The original proposal amounted to a 70 percent reduction in interchange per transaction, according to industry estimates.

Retailers had been complaining about interchange rates for years, yet few outside the merchant and banking communities had any understanding of the issue, or had even heard of card interchange. That is until several merchant groups came together under the banner of the Merchant Payments Coalition and launched a grass roots campaign against "swipe fees," the catchy moniker that has become popular among retailers.

The two lawmakers whose names appear on the legislation – Chris Dodd, former Democratic senator from Connecticut, and Rep. Barney Frank, D-Mass. – have both publicly complained about the Durbin Amendment. In fact, at the Electronic Transactions Association's Annual Meeting & Expo in May 2011, Dodd said he was surprised the final legislation included Durbin's amendment. "We really didn't expect it to pass," he said.

### Plenty of pain to go around

But it did, and the Fed, which had only a year to come up with rules implementing the new law, has been taking flak from all sides. "The Fed's rule is an irresponsible abdication of its legal duty to implement the law," said Lyle Beckwith, Senior Vice President of Government Relations at the National Association of Convenience Stores. Beckwith is a founder of the MPC.

Adam Levitin, Professor of Law at Georgetown University and a vocal champion of interchange price controls, complained the final rules amount to a $4 billion a year gift to banks. "That's $4 billion that will be added onto the cost of goods and services consumers purchase, meaning a wealth transfer from families to the 100 biggest banks of roughly $40 per family per year," he wrote in a recent blog posting.


Mallory Duncan, General Counsel at the National Retail Federation and Chairman of the MPC, said the final rule was "unacceptable to Main Street merchants and consumers who were counting on the Fed to issue a fair rule that followed Congress' law."

The National Association of Federal Credit Unions doesn't like the new rules either. "To be clear, this is not a big bank issue," the Arlington, Va.-based trade group said in recent letter to lawmakers. "This is an issue about consumers and community institutions such as credit unions." The letter was written in support of legislation to postpone the effective date of the Durbin Amendment; that legislation failed to pass.

Aite's Aufseeser expects large banks and the card companies will be hard hit by the new fee caps. "Meanwhile, the consumer stands to be the biggest loser," she added. "Banks will likely raise the direct cost of banking to make up for lost revenue, while merchants are unlikely to pass any of their savings on to consumers."

Consumers are already starting to feel the pain, as several financial institutions are implementing plans to curb rewards programs. JPMorgan Chase & Co., the second largest issuer of debit cards, told cardholders earlier this year it will end popular debit card rewards once the new rules kick in, including airline miles and cash back offerings.

USAA Savings Bank, a large credit union serving veterans and their families, told members it will end debit card rewards effective Sept. 1, 2011. "Unlike other banks responding to the new law, USAA Bank is not adding fees or eliminating benefits that members value most, including free checking and ATM free withdrawals," Aufseeser said.

A recent survey of consumers undertaken by the website Bankrate.com revealed 64 percent of respondents would consider switching financial institutions if those institutions were to raise fees on checking accounts.

The research and ratings agency, Moody's Investors Service Inc., agrees big banks will be big losers, but predicts less red ink now that the Fed has set the cap at 21 cents instead of 12 cents. The higher cap will save banks about $3.5 billion, Moody's reported. The Fed's original proposal for a cap of 12 cents would have cost the industry $11 billion-plus, analysts said earlier this year.

Moody's said Bank of America Corp. and Wells Fargo and Co. will be hit hardest (to the tune of about $1 billion a year) but should be able to recoup those losses through other products and services. In filings with the Securities and Exchange Commission in July, BofA, which boasts more checking account customers than any other bank in the country, told investors its annual costs would be closer to $2 billion.

In late July, Visa reported it may not be hit as hard by the Durbin Amendment as it had originally expected. The company had warned investors earnings increases would likely remain in the single digits during fiscal year 2012, but in late July it revised that forecast and projected earnings in fiscal year 2012 of between 11 percent and 13 percent, according to published reports.

Visa CEO Joseph Saunders said in a call to investors that the card company is working on strategies to keep it a preferred processing network after Oct. 1. "Providing some level of incentives to specific merchants may be an effective strategy to ensure Visa continues to receive routing profits," he said.

## The likely winners

First Data Corp. owns the STAR Network, which handles ATM and POS transactions. The company counts as clients both card issuers and acquirers, as well as ISOs, and it isn't overly concerned about the financial impact of the Durbin Amendment.

Ed Labry, President of First Data – North America, said in a prepared statement the company has been busy developing new programs to help "comply with the changes resulting from the new regulations. These include reinvesting in the STAR Network; routing programs to negotiate effectively with other payment networks; and near-field communications (NFC) technology for use at the point-of-sale for the future of payments acceptance."


Moody's predicted TCF National Bank would be a winner under the new interchange regime, but executives at the Wayzata, Minn.-based bank aren't celebrating just yet. In a July conference call with investors, the bank's President and CEO, William A. Cooper, said TCF expects to lose $50 million to $60 million a year in debit card fee revenues. He said he is hopeful, though, that new products and services to be introduced in the fourth quarter 2011 will help staunch those losses.

TCF, an $18.7 billion bank, earlier this year took the Fed to court in an unsuccessful bid to halt or delay implementation of the Durbin Amendment. When the bank dropped the suit, Cooper fired one last salvo at Washington and proponents of interchange caps. "We continue to believe that the Durbin Amendment is unconstitutional because it requires below-cost pricing and exempts 99 percent of U.S. banks," he said.

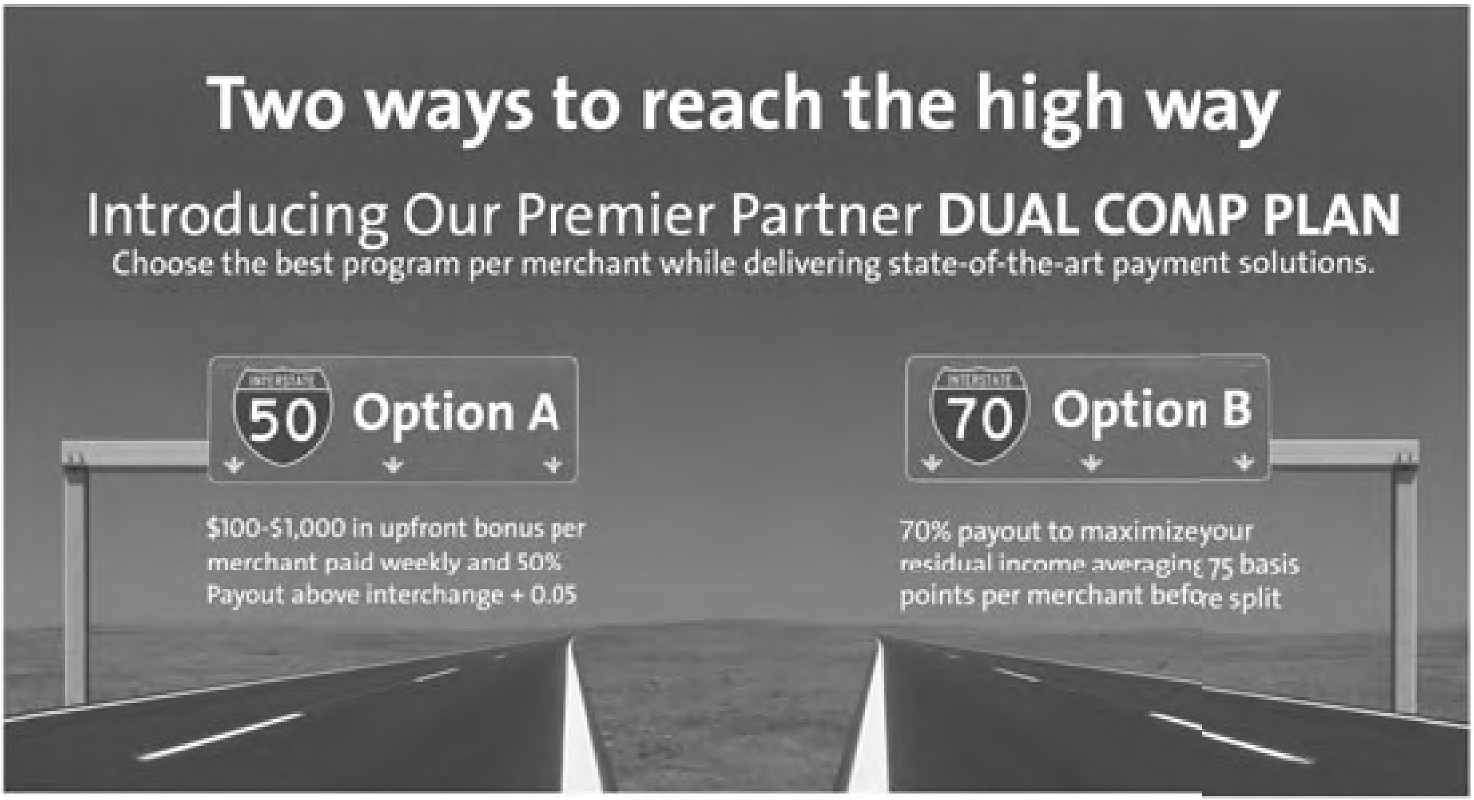
## Impact on debit growth

The debit card market is huge and growing. According to the *2010 Federal Reserve Payments Study*, debit cards are the fastest growing way to pay when it comes to non-cash. In 2009, U.S. consumers made 37.9 billion payments using debit cards – a 14.8 percent jump over the 25 billion debit card payments made in 2006. Credit card payments totaled 21.6 billion in 2009, down slightly from 21.7 billion three years earlier.

The latest monthly analysis of card spending by First Data shows dollars spent using signature debit cards grew 8.5 percent in June. Dollars spent with PIN debit were up 6 percent, according to First Data's June SpendTrend which analyzes traffic on the company's processing networks. Credit card usage, meanwhile, was up 10.7 percent in June, First Data said.

A survey undertaken in early July by the Associated Press found nearly two-thirds of respondents use their debit cards more often than credit cards. However, when asked what they would do if their banks charged them $3 a month to use debit cards, 61 percent said they'd find another way to pay. Among consumers who would scale back on debit card usage, 53 percent said they'd pay with cash instead, 42 percent said they'd start writing more checks, 22 percent said they'd use credit cards and 12 percent said they'd switch to prepaid debit cards.

Generally, prepaid debit card interchange is subject to the Durbin Amendment. Only fully electronic prepaid debit card programs are exempt from the law. To be fully electronic, a prepaid program can offer no check-writing privileges, nor can the cards be used in most electronic bill-payment programs, which use the automated clearing house system to route payments.

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- Free terminals to sell/lease or place including Verifone VX510 and Hypercom 4210 POS Terminal
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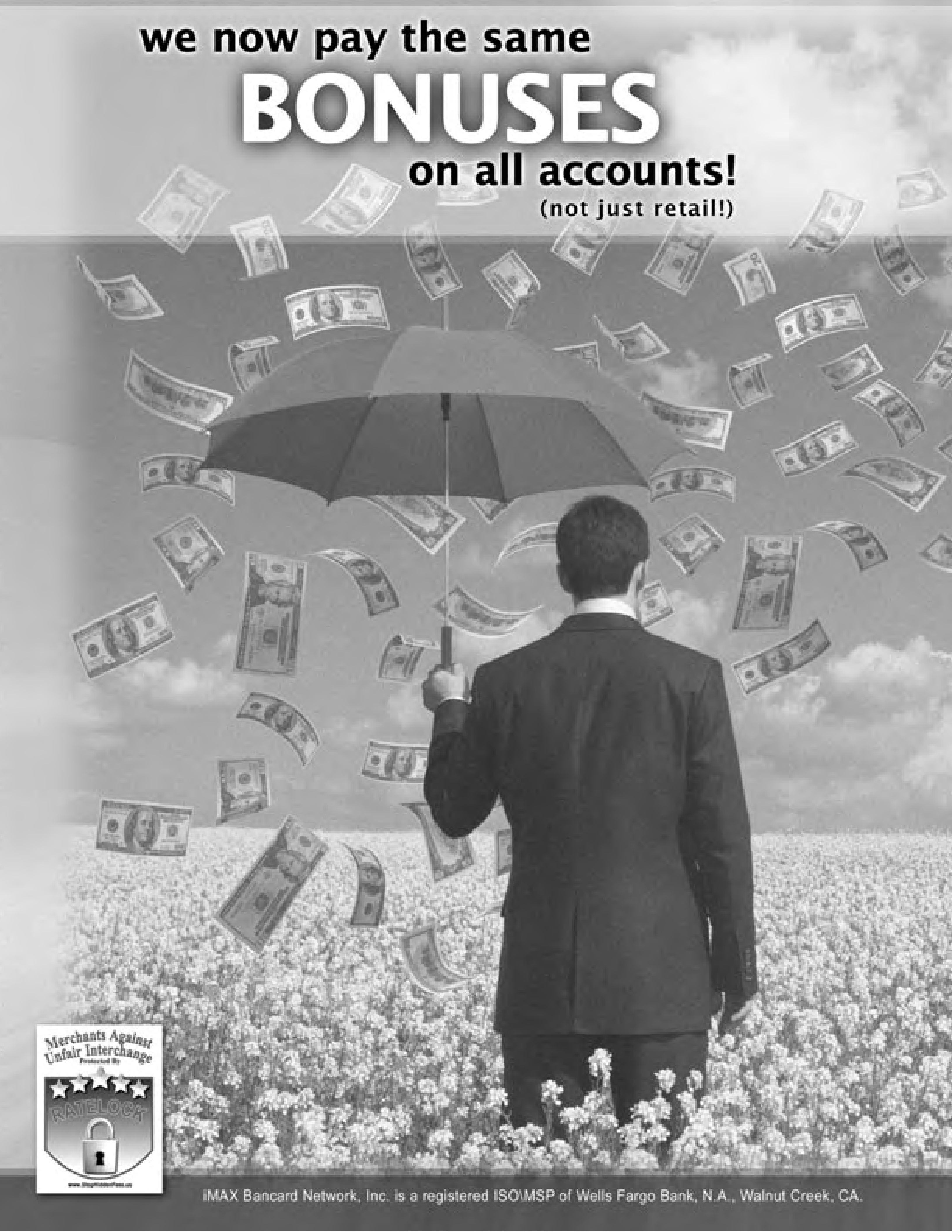
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# Networking groups and referral marketing – Part III

**By Bill Pirtle**
*MPCT Publishing Co.*

This article completes a three-part series on networking and referral marketing and offers more ideas to help merchant level salespeople (MLSs) use such groups for optimal return on investment (ROI) of time and money. (For the prior installments, please see *The Green Sheet* issues 11:07:01 and 11:07:02 published July 11 and 18, 2011, respectively.)

Some professionals started their own networking groups by adapting Business Networking International best practices to their specific business needs. BNI is a prominent networking and referral group founded by Dr. Ivan Misner.

For Local Business Network, based in Clarkston, Michigan, founder Chuck Gifford introduced a twice-per-month meeting schedule, and a member can regularly visit any chapter as long as the chapter does not already have one of his or her direct competitors in attendance.

In all, there are nine ways to generate LBN referrals; among them are an intranet, specialized training and specialty groups. One group is the Blue Marlin chapter, which targets midsize and larger companies. An Entertainment chapter includes a music group, caterer, D.J., limo service representative and photographer, among others.

## An ideal group

GS Online's MLS Forum member **STEVE NORELL** posted his idea of a perfect networking group. It includes: "1. Members need to be [butt] kickers. No wimps allowed. 2. Meet only every other week and there is no penalty if you don't show each time. 3. Meet on a Wednesday or Thursday at 5:30 p.m. at a venue where liquor is available, not just food. 4. No mandatory leads need to be supplied." He added that he doesn't need "super-duper" leads. "All I need is information, such as, 'I saw this or I heard that,'" he wrote. "I can take it from there. If you have a good mix of super-pro salespeople, you will get more from that than any BNI meeting."

ION Strategic Partners would be the perfect group for **STEVE NORELL**. This high-powered group is well-connected among the movers and shakers in the Detroit market and intends to expand to Chicago and other areas soon.

Each chapter is limited to 15 members and meets according to the chapter's own choice. My chapter meets on the first and third Wednesdays of every month at 5 p.m. for a social hour. At 6 p.m. there is a members-only dinner where business owners can discuss specific targets or struggles (every member signs a nondisclosure agreement).

What separates ION Strategic Partners from LBN and BNI is that there are no referral requirements. The founders

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***"I started by doing direct mail to web developers and followed up with phone calls. I felt that web developers were a natural fit because they build websites with e-commerce and could refer the credit card processing to me. In return, I would make the web developer a subagent and cut him in for 50 percent of my commission."***

Jared Sparr of Java Payment Systems

believe it is not how many people you know, but how well you know them.

When I joined ION, the annual fee was being raised 70 percent, from $500 to $850, with dues of $30 per month (combined, a jump from $860 to $1,210). Guess what happened to the number of members? It doubled within six months and may triple by the end of the year. Prospects told the founders they saw no value at the lower price. At the higher price, they perceive more value (and more serious networking).

Regardless of which group you choose, if you do not try to help others or you do not know how to do so, you will fail. But if you buy into the philosophy and work hard to find the right partners, you will succeed. You also need to train your referral partners properly and list expectations. In the end, as Dr. Misner and Tim Green would both say: if the referral group does not work for you, it is your own fault.

## A success story

I met Jared Sparr of Java Payment Systems at an ION event in December 2010, along with Andy Patros of Merchant Processing USA. We all do the same thing, but I still introduced them to friends in the group who could help them. As peers, we find value in discussing the things we would like to change in the industry.

Last year, Sparr was producing six applications a month. Now he is averaging about 35 and expects to be at 60 by year's end. In a recent interview, I asked him to give others in the industry some pointers to make referral marketing produce a good ROI.

"You were doing six to 10 applications a month last year," I said. "You now exceed 35 and expect to be at 60 by year end. What is your secret?"

Sparr replied, "I have always felt that I was good at marketing. My background was in marketing from Michigan State University. As a beginner in the credit card processing industry, an agent needs to work on two fronts. First is the one we all hate: cold calling. I did more on-the-phone work to save time and gas. This is the necessary evil until an agent can build relationships with referral partners.

"I started by doing direct mail to web developers and followed up with phone calls. I felt that web developers were a natural fit because they build websites with e-commerce and could refer the credit card processing to me. In return, I would make the web developer a subagent and cut him in for 50 percent of my commission."

After a year, Sparr had partnered with more than a dozen web developers. "I was getting maybe two to three accounts a year from each, and those were small startup businesses. In retrospect, maybe they weren't the best target. Commissions were maybe $6 to $10 a month per customer."

In 2010, Sparr met Tim Green and took his class at the Referral Institute. "It helped me to refine my relationships," Sparr said. "I evaluated each referral partner and changed the way I was spending my time. The first thing I changed was to work with other sales reps who sold business-to-business. I teamed up with an insurance agent, a payroll rep, a phone service salesperson and an alarm company rep.

"I tried to go out with one of them once every two weeks for joint sales calls where I introduced them in person to three of my accounts that could use their service, and they did the same for me. On average, I was able to sign up one new account from every outing … even if I got a no, it didn't waste a lot of my time getting it.

"As I refined my approach, I started to form a 'hub firm,' which is basically a group of vendors who call on the same industry, but who are not in direct competition with one another.

"I chose an industry that was profitable for me (there was no point in wasting my time on small accounts like when I worked with the web developers) and the idea was not to pass referrals within the group but to generate new business through collaboration."

Sparr believes this group generated industry-changing ideas. "One is a new payment software that we can offer clients, which will virtually eliminate [some of] their credit card processing fees," he said. "I am no longer selling; instead, customers are beating down my door to get it.

"In the evolution, it's a much more efficient use of my time. I now have an assistant that does my applications and installs/trains the clients. We are working on


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**"In the long term, pick an industry you are familiar with and enjoy pursuing. Focus in on that industry. Learn all you can. Link up with others who serve it, and form a hub firm to provide solutions to their problems so they will come running to your door."**

Jared Sparr of Java Payment Systems

duplicating this software for different/similar industries and expect sales to grow exponentially."

I asked, "When referred in, do you negotiate on price, or does the potential customer accept your rate?"

Sparr replied, "With the web developers, I had a flat-rate pricing. Working with partners doing introductions, I was exposed to so many industry types that I did have to work on pricing and reduce my margins. With the new program, I set my pricing at IC [interchange] and 40 BP [basis points]. I have only had one customer question it to date. The benefit the customer gets with the partners I bring in far outweighs his cost."

I then asked what his average profit per sale is.

"With the target I am working on and the services we are offering, the gross profit is over $400 per month," Sparr replied. "Of course, I have a 50/50 split with the processor and split my commission with my partners, so my cut is around $100 per month [per merchant]."

My next question was, What referral partners work best with ISOs and MLSs?

"As a new agent, I would join a BNI or LBN group," he said. "They pre-screen members so you know you have good people to work with, and they offer outstanding training to help you learn how to pass referrals and train your referral partners. In a typical hard-contact networking group, you can meet several business-to-business referral partners and start doing joint sales calls right away.

"In the long term, pick an industry you are familiar with and enjoy pursuing. Focus in on that industry. Learn all you can. Link up with others who serve it, and form a hub firm to provide solutions to their problems so they will come running to your door."

In speaking about the best referral partners for him, Sparr said, "One thing I learned from the Referral Institute was that the type of business was a great start, but the type of person was the deal-breaker or -maker.

You can have a perfect profession like a sales rep for salon products who has current relationships with over 200 salon owners and who can pre-qualify them for you and make personal introductions … but if she is not of the right mindset, it will never work.

"So, what we concentrate on more is the target market and other vendors who specifically serve it. [We] interview them to see if they would make good referral partners. [We] only work with the ones who have the right mindset."

Next, I asked if Sparr had any final tips to give readers.

"Once you have a year or two under your belt with a hard contact group and experience with credit card processing sales, you will know the product and have some confidence in yourself," he said. "Then I strongly suggest you take the leap of faith and work with Tim Green and the Referral Institute [of Michigan or Referral Institute in your state]. He can refine your sales process and make you more efficient. You can get more info on the Referral Institute at www.riofmi.com."

## A nudge

I believe Sparr's success with referral marketing speaks for itself. Besides Tim Green's book on referral marketing (mentioned in my prior articles) I highly recommend three additional books on networking and referrals:

- *The 29% Solution* by Dr. Ivan Misner and Michelle R. Donovan. This book lists 52 weekly networking success strategies.
- *Endless Referrals* by Bob Burg.
- *Networking Your Way to $100,000 and Beyond* by Chuck Gifford and Minesh Baxi.

I challenge you to apply these ideas. Most MLSs spend hours cold calling with a closing rate of no more than 2 percent; referral marketing done properly closes at 75 to 85 percent. If you want to work 60 hours a week to make a fraction of what successful referral marketers can earn in 30, it's up to you. But don't you owe it to yourself to at least investigate how it can work for you?

What you do today, determines your tomorrow.

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# ISO and MLS dispute settlement

**By Adam Atlas**

*Attorney at Law*

Let's face it; disputes happen – between ISOs and merchant level salespeople (MLSs), ISOs and processors, processors and acquiring banks and so on. The purpose of this article is twofold: to highlight key features of disputes in our industry that make them different from disputes in other industries and to offer suggestions on how to avoid disputes, as well as resolve those that do arise.

## Time becoming money

A dispute over a merchant portfolio is a bit like a dispute over a truckload of tomatoes in 100-degree weather. In the payments industry, regardless of whether you are the person making payments or the person receiving payments involved in a dispute, you will, of course, want to preserve the value of the portfolio in question.

Therefore, it is in the interest of both parties to reach a resolution as soon as possible.

During the dispute, the person who usually receives payments will be tempted to (rightly or wrongly) move merchants to another processor. And both parties may lack motivation to service merchants in the normal manner, which could exacerbate attrition.

In my experience, reaching a prompt settlement – meaning within a matter of days – will lead to the best result for all parties.

## Amicable versus adversarial

While I am full of admiration for my esteemed colleagues who practice in the field of litigation, I have a strong bias toward the amicable settlement of disputes in the payments industry.

Setting aside the cost of litigation, which is never insignificant, adversarial dispute settlement raises a number of additional issues that would not necessarily arise through an amicable negotiation.

For example, adversarial settlement procedures tend to build on the distrust between the parties rather than build on whatever trust there may be.

Adversarial parties may also end up trying to claim amounts that are very much greater than their true losses and begin to compete on issues unrelated to the fundamental, core issues of the dispute.

Amicable dispute settlement is also more likely to be faster than adversarial dispute settlement.

## A test of character

Disputes between payment businesses or within individual businesses themselves, like divorces, offer an interesting test of character for the parties concerned. If a party is behaving in a dishonest manner through a dispute, that dishonesty will only serve to undermine the value, solidity and effectiveness of the ultimate resolution of the problem.

As distrust mounts within a crumbling relationship, parties tend to withhold information from each other and hold their cards close to the chest. Without foolishly disclosing all information, it is in the interest of both parties to summon the courage to be honest with each other so they can build a settlement that is reliable and worthwhile for both parties.

For example, if one partner in an ISO business is buying out another, the purchaser should consider buying at a price that is similar to the price for which he or she would sell his or her share of the same business, on a proportional basis.

## Raw data from third parties

Parties to a dispute should at least agree on certain underlying facts, such as the actual revenue from the merchant accounts concerned, the confirmed track record of the agent involved and the documented facts underlying the dispute at issue.

Of course, it is not always possible to agree on the facts, especially when trust has broken down. However, our industry has the advantage of reporting provided by processors which, on a general level, is supposed to offer objective information with respect to portfolio activity. Parties should rely on objective third-party data as much as possible so as to avoid arguing about the underlying facts.

## Litigation versus arbitration

Ever since arbitration became popular in commercial matters in the 1990s, lawyers and others have been debating whether it is better than litigation. In payment disputes, arbitration does tend to be faster and less expensive. However, arbitration will not always be faster or less expensive than litigation; it depends upon the evidentiary questions and the complexity of the dispute.

Arbitration can also be more expensive in larger cities like New York or Los Angeles and less expensive in smaller metropolitan areas. On balance, in my experience, arbitration tends to be a better way to solve disputes in patent matters. But this general recommendation does not apply to all cases.

## Prevention and remediation

Payment businesses should avoid getting into disputes in the first place by carefully reviewing all relevant documents before signing them and maintaining a steady flow of accurate information to all parties to agreements. This will help to avert misconceptions and discord.

When misunderstandings do occur, as is normal, the parties should be able to fall back on raw information from an objective source and work together amicably and efficiently to solve the problem. Doing business with a trustworthy party is also invaluable, so due diligence before entering into agreements is essential.

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# Become a profit asset, not an operations cost

**By Daniel Wadleigh**
*Marketing Consultant*

It is common knowledge that in today's business climate, it is necessary to do far more than provide excellent products and services. It is also accepted that value-added products and services increase the chances of making sales and retaining customers.

Following are five suggestions to help you become irreplaceable to your prospects and established customers.

**1. Over-deliver from the start**

Surprise your customers or prospects in a good way. Find something appealing and deliver it. For example, after culmination of a sale, offer a free lunch for two at a nearby, reputable cafe. Or give two box seats for the local baseball team's next home game.



**2. Offer sales and referral training**

For each new customer, offer sales training at your place of business or at a neutral location, such as a hotel conference room. Bring in an outside expert to help. This will likely boost your customer's sales and customer loyalty – and lead to business success.

Also, print up 500 referral cards for your customer's business that contain a special offer, along with your customer's contact information and logo. Give these cards to your customer free of charge, and demonstrate how easy it is to hire temporary help to pass them out to shoppers in the area. This will bring new consumers through your customer's door, as well as help cement your relationship.

In addition, provide a stack of referral cards for your own business. Ask your customer to pass them out to friends who might want to use your services. Be sure to offer a reward that makes it worth your client's time to send referrals your way.

**3. Conduct ongoing focus groups**

Focus groups can enhance the image of all participants. Offer a gift for attendance, and be sure to cater lunch. Such a group will enable you to hear firsthand what matters most to your clients. This is good for solving problems, upselling and building loyalty. A one-on-one follow-up meeting will strengthen your relationship with each attendee.

**4. Provide marketing information**

Provide your customers weekly marketing articles via email or snail mail, whichever each customer who has opted in prefers. This will reinforce your relationships and stimulate referrals in addition to helping your customers' businesses flourish.

**5. Be a coach**

Coaching your customers will help them identify and pursue their goals. Most small-business owners wear many hats. They may like the ideas you provide but not know how to select the appropriate ones and implement them. Guidance from you can lead to staggering results for them. Coaching is becoming a necessity for most small businesses.

I hope these suggestions will help you become a profit asset for your merchant customers instead of just an operations cost.

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

# ISOMetrics

## Global stats on mobile payments

The global market for mobile payments continues to expand. Whether the mobile application involves near field communication (NFC) technology that enables proximity payments at the POS or allows consumers to transact via the mobile web, mobile payments are increasing in popularity and availability.

### Looking ahead

- The number of mobile payment users worldwide will surpass 141.1 million in 2011, marking a 38.2 percent increase from 2010.

  *(Gartner Inc.)*

- Global mobile payment volume is forecasted to reach $86.1 billion in 2011, up 75.9 percent from the 2010 total of $48.9 billion.

  *(Gartner)*

- Twenty countries are expected to launch NFC services in the next 18 months, resulting in transactions approaching $50 billion worldwide by 2014.

  *(Juniper Research Ltd.)*

- The top three regions for mobile payments (the Far East and China, Western Europe and North America) will represent 75 percent of global market gross transaction value by 2015.

  *(Juniper)*

- In 2011, 41 percent of all mobile transactions will have been initiated in the Europe-Middle East-Africa region, followed by 35 percent in North America, 22 percent in the Asia-Pacific region and 1 percent in Latin America.

  *(Yankee Group Research Inc.)*

### Breaking it down

- From 2009 to 2010, mobile phones as payment devices gained familiarity as more users wanted to: initiate money transfers to friends and family members (8 percent in 2009, 14 percent in 2010); receive text alerts whenever credit or debit cards are used (from 19 percent to 23 percent); and receive text alerts whenever potential fraud is detected (40 percent to 44 percent).

  *(Mercator Advisory Group)*

- In December 2010, 9.8 million Japanese mobile subscribers (almost 10 percent of the country's total subscribers) used mobile wallets to make payments, with the following user totals broken down by sector: retail/convenience stores, 7.6 million; vending machines, 3.2 million; public transportation, 2.7 million; grocery stores, 2.6 million; and restaurants, 1.5 million.

  *(comScore Inc.)*

- In many developing nations, the majority of mobile web users are mobile-only, with per capita usage highest in Egypt (70 percent) and India (59 percent).

  *(On Device Research)*

# Identifying and securing your highest risk merchants

**By Steve Robb**
*ControlScan*

Although data breaches within Level 1 or Level 2 merchants are well-documented and garner the majority of attention, information in the *Verizon 2011 Data Breach Investigations Report* notes a significant, recent decline in large-scale breaches.

At first, the numbers might give us cause to celebrate the lowest amount of data lost since 2004. A closer look, however, also unveils an all-time high in the number of incidents investigated. And within Level 4 merchant portfolios, the potential risk – particularly to accounts that are not Payment Card Industry (PCI) Data Security Standard (DSS) compliant – is unsettling.

In an article about the report, *SecurityWeek* wrote that hackers "may be making a classic risk versus reward decision and opting to 'play it safe' in light of recent arrests and prosecutions. Numerous smaller strikes on hotels, restaurants and retailers represent a lower-risk alternative, and cybercriminals appear to be taking greater advantage of that option."

## Level 4 in the crosshairs

Visa Inc. defines Level 4 merchants as businesses processing fewer than 20,000 Visa e-commerce transactions annually or all other merchants processing up to 1 million Visa transactions annually.

While these smaller numbers may lead some to envision mom-and-pop stores using knuckle busters, it is likely today they also have websites selling their goods and pay little time and attention to firewalls or securely coded payment pages.

The Level 4 distinction may also include ultra, high-end hotels or restaurants with complex POS networks. Level 4 merchants have the broadest array of payment technology in use and, therefore, are at the greatest risk for data breaches. This is mainly a result of merchants being defined by their volume, not by their sophistication, product or service.

The Verizon report identifies an alarming trend in how breaches occurred over the last year. Ninety-two percent of data breaches originated from external sources, usually involving a hack or introduction of malware. For the first time, physical attacks, which include ATM compromises and credit card data theft, ranked third and accounted for 29 percent of breaches.

## Level 4 PCI validation is up to you

The PCI Security Standards Council (PCI SSC) prescribes an ongoing process for Level 4 merchant compliance, including completion of an annual self-assessment questionnaire (SAQ) and potentially a quarterly network scan by an Approved Scanning Vendor (ASV). The card brands, through the PCI SSC, do not require onsite assessments and leave management of compliance deadlines – validation and revalidation – largely to the discretion of ISOs and acquirers.

Almost all organizations reporting payment card breaches in 2010 were not validated as compliant with the PCI DSS at the time of the breach – a staggering 89 percent, according to the Verizon breach report.

## How to identify risky merchants

Segmentation is the key to identifying and prioritizing risky merchants within an acquirer's portfolio. To get started, consider the following approaches:

- **Industry or vertical:** What industries do your merchants serve? Health care? Higher education? Hospitality? Hospitality businesses such as restaurants are typically targeted more than any other merchant category and are therefore the riskiest. E-commerce websites are also attractive targets because of their ease of access via the Internet and the challenge of completely eliminating vulnerabilities in website code.

- **Card acceptance:** How do your merchants accept payments? Card present or card not present? Mag stripe? Is a PIN required?

- **Payment processing:** Are your merchants using dial-up terminals or an integrated POS system? Integrated, networked POS systems are at greater risk than stand-alone, dial-up POS setups. Do they store card data within their systems? If so, storing card data poses one of the biggest security risks, which is avoidable through implementing such technologies as tokenization.

- **Number of locations:** How many locations does each merchant have? How much do locations vary in terms of payment processes and technologies? Do they make sales online? Are there franchises? The greater the number of locations accepting card payments, the greater the potential for noncompliance and breaches – especially if POS equipment and procedures are not uniform.

- **Merchant versus service provider:** In many cases you may find what initially looks like a merchant may actually be a service provider. Thus, the risk goes up. Be sure to understand PCI's definition of a service provider.

- **Number of third-party service providers being used:** While using third parties to outsource functions like payment processing and information technology (IT) infrastructure can reduce the effort required to comply with PCI, merchants must maintain a complete inventory of third parties who touch their cardholder data; they must also know the PCI compliance status of each party.

- **Merchant resources:** How large is the merchant's staff? Does the merchant employ dedicated IT personnel? Has the merchant delegated PCI responsibility to someone within the organization? Merchants with a staff member focused on PCI are more likely to maintain compliance and less likely to be at risk of a breach.

After reviewing this list, you will inevitably have additional questions or be able to identify merchants warranting further evaluation. This is where good, old-fashioned merchant relationships come into play. Based on what you know about a given merchant, how the business accepts payments and whether the merchant is active in PCI compliance, can you determine whether the merchant is at high risk for a breach?

## Risk identified – now what?

Now that your portfolio is segmented, gauge what your risky merchants know about PCI compliance. Can an out-of-compliance merchant's risk stance be remediated through education and context-setting? With the help of your PCI compliance solutions provider (who typically will have a library of educational material) you can promote the importance of a secure environment.

Next, monitor each merchant organization's completion of security awareness training, which should include guidance on how to properly handle card data. Ensure that merchants track employee completion of training. Also consider helping risky merchants set up comprehensive security policies. Ask your PCI compliance solutions provider to help with security policy templates your merchants can use to create customized security policies based on how each one processes payments.

Once you have educated your risky merchants on PCI compliance and have provided them security awareness training, continue to monitor their compliance progress.

Do they know which SAQ to fill out? Have they completed and submitted it? It is OK to maintain healthy skepticism of your merchants' responses. Some business owners put significant thought, research and effort into filling out the SAQ. Others simply check the boxes. Of those who are required to fill out SAQ C or D (the most complex versions), do you know if they are completing their quarterly ASV scans?

### Level 4 merchant compliance

Visa's Level 4 five-step merchant compliance program:

1. Timeline of critical events
2. Risk-profiling strategy
3. Merchant education strategy
4. Compliance strategy
5. Compliance reporting

Also consider whether your PCI compliance solutions provider offers you a robust reporting and notification system to help you stay on top of risky merchants. Compliance represents a state at a point in time and must be monitored; many merchants can (and do) fall out of compliance.

## Still concerned?

Even after you take the suggested steps, a few high-risk merchants will remain of concern. For those, consider engaging a Qualified Security Assessor (QSA) to identify and document, in writing, the steps required for them to achieve PCI compliance.

With a QSA's assistance, you can also formally scope the merchant's cardholder data environment and suggest ways in which it could be reduced. Remember, the smaller the scope of your merchant's cardholder data environment, the more secure the card data and the smaller the impact and costs of compliance.

## Low risk doesn't mean unavoidable

There is little hope of stopping fraudsters, hackers and identity thieves from attempting to exploit vulnerabilities in merchants' systems to steal customer data. That is not an excuse, however, to wait passively for them to attack.

The Verizon report notes 83 percent of victims were targets of opportunity, and 96 percent of breaches were avoidable. This is a clear sign that identifying risky merchants, or those who have not met the PCI DSS, is well worth your time, that of your merchants and definitely that of your PCI compliance solutions provider.

Hackers tend to gravitate toward what they perceive to be the easiest targets. Helping your merchants guard against security attacks by taking basic steps toward PCI compliance is perhaps the most productive move you can make.

*Steve Robb is Vice President of Operations for Atlanta-based ControlScan, a provider of PCI compliance solutions and QSA services that fit the specific needs of small- to medium-sized merchants. He can be reached at* srobb@controlscan.com.

# Can a POS system determine your success in a vertical market?

**By Jerry Cibley**
*United Bank Card Inc.*

As ISOs and merchant level salespeople (MLSs), we are often asked by our merchants how they can become more profitable, or we otherwise find ourselves in a position to teach merchants how to increase their bottom lines. Are we strictly the credit card people, or should we take on a greater role for our customers?

If you work in the restaurant vertical, for example, you needn't become an expert in haute cuisine or server training, but you can use the opportunity to become invaluable as a consultant or mentor to your clients by expanding your horizons. Why not do so?

> **Checks are audited to make certain all served items are included on the bill and that the math is correct. The POS also eliminates handwriting confusion and errors coming out of the kitchen as a result of such confusion.**

When I worked in the field, it was not unusual for me to receive phone calls from my customers asking my opinion on various potential marketing concepts or asking basic questions such as where they can buy good, used restaurant equipment.

My personal network always included local vendors that I had met in various restaurants. I always had the business cards of a restaurant broker; heating, ventilation and air conditioning company; used equipment broker; web designer; electrician; and refrigeration company. Sometimes I would feel like a human Yellow Pages, but it cemented my relationship with my end users.

## Help cut costs, increase revenue

Having been in the POS business for more than 25 years, I am still shocked when I walk into a restaurant and see an antiquated cash register. When operators choose not to have a POS system, two possible reasons go through my mind:

1. They want one but cannot afford the cost of a system.
2. They can afford one, but do not understand how a system will enhance their businesses and increase their bottom lines.

Either of these reasons can easily be overcome. To counter the cost argument, you can offer one of the free or very affordable POS systems now on the market. Merchants no longer have to spend the enormous upfront costs once required for a POS system.

The second argument takes a little more explaining, but is just as easily overcome once the business owner has the facts. POS systems offer many crucial benefits to the restaurant's bottom line:

- Forced accuracy: checks are audited to make certain all served items are included on the bill and that the math is correct. The POS also eliminates handwriting confusion and errors coming out of the kitchen as a result of such confusion. Research has determined restaurants typically lose approximately 2 percent of revenue due to these types of errors which can easily be avoided with a POS system.

- Servers remain on the floor, allowing them to sell more food and drinks. According to a 1980 Cornell University study published by the National Restaurant Association, the extra sales amount to approximately one extra drink per six customers and an extra dessert per eight. Although this study is over 30 years old, I believe it is extremely accurate and reflective of today as well.

- Increasing the throughput via automation and added efficiency, the restaurant is able to increase the number of table turns by approximately one-half to one and one-half turns per day. This increase is dependent on the type of restaurant. Fine dining generally has the lowest increase while pub style table service will see the highest increase in table turns.

- Miscellaneous cost savings on things such as a two- or three-part guest check. Typically, carbonless guest checks cost over 2.5 cents each while thermal paper is only 0.25 cents per guest check. For an average restaurant doing 400 covers per day that is a savings of nearly $8.00 per day on physical guest checks.

Add up all the savings, and the general rule of thumb is as follows: a POS integration can bring as much as 12 percent of the yearly sales back to the owner. In a restaurant averaging $1 million per year, it is not uncommon to see an increase in profits of $80,000 to $120,000 after the installation of a POS system.

Unlike the disclaimers we often see at the end of weight loss television commercials, these figures are typical and should be achieved by the majority of merchants who install POS systems.

## Find further revenue opportunities

In addition to these cost savings, many programs can easily be administrated through the POS system to generate additional return for your merchants. Imagine increasing the daily revenue for one of your clients by as much as 85 percent. Here are three ways to do it:

1. **Direct email:** email marketing programs are simple to administer and design. Most POS systems can export customer names, or you can easily do the collection the old-fashioned way with paper and pencil.

   Professional quality email blasts targeted to the restaurant's slowest days will have immediate return and can be executed in a matter of minutes if you plan ahead and have predesigned emails in the queue.

2. **VIP loyalty programs:** Most POS systems have integrated loyalty programs in which points are given for meal spending. Think of it as frequent flyer miles. The restaurant can choose to run double or even triple reward points to boost slow days with some amazing results. Even if the POS does not have a VIP loyalty program, many stand-alone systems will accomplish the same goals.

3. **Server contests:** Promise a $100 gift card for the server who can up-sell the most wines, appetizers or desserts can fire up your servers. Most POS systems can give the owner the requisite information, although it can also be done manually if necessary.

## Become indispensable

The bottom line: become invaluable to your clients, and they will not leave you. Provide this kind of business consultation, and they will begin to see you as a trusted advisor.

Cement relationships on a personal level as well. Start by becoming a customer of your merchants' businesses. Then go even further. For example, my wife, who is an excellent cook, often shares recipes with some of my clients.

One of my clients who owns a restaurant called a few years back and asked to speak to my wife (she is a college professor but loves to cook). A chef needed to ask her where to buy a specific dried cranberry and nut assortment that she had suggested for his salad.

I chuckled to myself and happily handed the phone to my wife. On the next visit to the restaurant, we were not charged for our meal. I thanked the owner. He told me to thank my wife and said he would buy his next POS system from her.

This kind of relationship greatly enhances merchant retention. To increase your overall portfolio as an ISO or MLS, step outside the box and find new ways to solidify your residual stream. Consultative POS sales may just be the way to do that.

*Jerry Cibley is a 25-year veteran of the POS industry. He has been the founder of three POS dealerships servicing New England during his career. Today, Jerry is the National Sales Trainer for United Bank Card's Harbortouch POS division. As National Sales Trainer, his role with UBC is to train the company's sales partners on the intricacies of the POS business so that they can become POS experts themselves, ensuring their success with the free Harbortouch POS program. Jerry can be reached at* jcibley@harbortouch.com.

# Look like a leader: Seven essential steps

**By Peggy Bekavac Olson**
*Strategic Marketing*

I've been approached three times recently by startup payment companies on a quest to look big. While they are part of the same industry, the nature of their businesses and the scope of their respective products and services differ: one is an independent merchant level sales agency, another is a value-added services provider and the third is a payment financing company.

What they have in common is a desire to compete on a level playing field in their particular niche areas and to be recognized and accepted as viable alternatives to the market leaders.

Looking like a leader means you have to act like a leader. You must walk-the-talk to make your company look bigger and more established to the outside world by taking steps to actually become the image you're projecting. There are no excuses or exceptions. To really make it happen you can't just talk about it; you must simply do it.



## Steps toward market leadership

So what can and should you do to look like a leader? Here are my recommendations:

1. **Establish your company's mission, vision and values:** Your mission describes the overarching purpose of your organization – the reason it exists today. It answers who you are, what you do, what business you're in, who you serve and the value you deliver.

   Your vision is a guiding image of future success with the purpose of inspiring, motivating and guiding employees to work together. It articulates what success will look like at a point in time, and challenges and inspires your company to stretch capabilities to achieve its purpose.

   Values are the basis of your company culture and are common beliefs put into practice to guide work efforts and foster organizational integrity. They reflect what is truly important, how your organization is special and, for the most part, do not change over time. Mission, vision and values are the basic building blocks of your organization.

2. **Create a strategic plan for growth:** Your strategic plan sets the agenda for your company and is broad and global in nature. Operating without one is like driving a car without a steering wheel; you don't have a clear direction as to where you're heading. Obviously, the results are unpredictable.

   Your strategic plan should contain two to five high-level objectives that give action to your mission and vision. Then, define quantifiable, measurable and achievable goals to reach each objective. Your strategic plan is a living document and is subject to change and adjustment over time.

3. **Develop a polished and professional corporate identity:** Image does matter, and you should cast your business in the best possible light. Dress your business for success by sending a message of seriousness and credibility to prospects, customers, suppliers, employees, job seekers and anyone else you interact with.

Make sure your corporate identity is applied consistently to all marketing communications materials, vehicles and tactics, from simple items such as business cards, stationery and brochures to presentations, post cards, emails, advertising, tradeshow booths, your website and more. Developing the most impressive image you can is a key step in gaining visibility, being taken seriously and getting people to want to do business with you.

4. **Craft clear and concise brand messaging:** Brand is the promise of value your company delivers to its customers and the marketplace. It's what your business stands for. Brand messaging describes the value that doing business with you represents and articulates what prospects can expect from their experience with your company. Your brand defines who you are, how you do business and how you're different from the competition.

   Customers buy from you because of their perceptions, expectations, and the reputation, trust and likeability of your company. They buy because they like your brand. The consequence of not having clear and concise brand messaging is that your efforts are diluted; your company, at best, is likely to just blend into the crowd.



5. **Commit financial resources:** You have to spend money to make money. Using the percentage of revenue approach, 8 to 10 percent of company revenue is generally the recommended marketing spend for small to midsize businesses, with approximately 4 to 5 percent of that going to labor, either in-house or an outsourced marketing firm.

   A 2008 International Data Corp. benchmark study indicates companies typically allocate 51 percent of their marketing budgets to lead generation efforts with the remaining 49 percent dedicated to awareness building.

   The percentage of company revenue you allocate for marketing should be higher than the average recommended spend because you have more education and awareness building to do, as well as lead generation, if you intend to look big and grow fast.

6. **Construct a comprehensive marketing plan:** An integrated marketing plan documents in detail the actions required to support reaching your business goals and sales objectives. The plan identifies what to do, when to do it and how to do it, with all activities and tactics working together in a consistent and repetitive approach.

   You don't want to shoot from the hip with a hit and miss approach. Study the competition and document their efforts. Then generate a comprehensive list of potential programs, campaigns and tactics you'd like to employ, and pick the ones that you believe will give you the most bang for your buck. Don't just copy the competition; make sure your final plan is unique and designed to meet your business goals.

7. **Execute, execute, execute to get the word out and drive sales:** Make the time and exert the effort and be disciplined. Your actions speak louder than words. Remember a great strategy never executed is an exercise in futility, and a mediocre strategy exceptionally executed almost always yields better results than a great strategy poorly executed.

Look and act like a leader by taking these steps to make your company big. I think you'll find the outcome to be dramatic.

*Peggy Bekavac Olson 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. She can be reached at 480-706-0816 or* peggyolson@smktg.com. *Information about Strategic Marketing can be found at* www.smktg.com.

# Dress for successful sales

**By Jeff Fortney**
*Clearent LLC*

When I was growing up, school dress codes were very clear: no jeans, no tennis shoes, and no T-shirts; shirts had to have a collar; boys had to wear long pants; girls had to wear skirts – unless they wore culottes (garments that look like skirts but are actually pants).

These dress codes made back to school shopping a challenge. But in hindsight, it's easy to now see their benefits. They created the proper atmosphere: how a person dressed was (in theory) not used to define his or her status.

It reduced gray areas, making it less likely someone's arbitrary personal tastes could define "appropriate" attire. Ultimately, it made everyone similar in appearance, the aim being to create an enviroment where nothing detracted from academics.

## Then and now

In the 1960s, dress codes existed in the professional world, as well. White collar was not just a way of defining a job; it was what was worn. When Ross Perot founded Electronic Data Systems he carried forward the IBM dress code of the day.

You could wear anything you wished as long as it was a white shirt and a dark – black or blue – suit. You also wore your sport coat everywhere, including when you were sitting at your desk.

In the 1980s, there was even a popular book titled *Dress for Success*. The premise was that dressing appropriately to fit your intended role was the first step toward succeeding in business. Brown clothing of any kind was worn only by those that had already "made it." What you wore helped you demonstrate an air of professionalism so you would be recognized as such.

Today, the Dress for Success philosophy has created a cottage industry, including organizations that give free suits to job seekers for interviewing purposes. Yet applying these principles to the sales profession poses problems. Indeed, evidence suggests that by following the tenets as defined in the book, you could actually harm your efforts, rather than help them.

## Two questions

So the question arises, What's the best way to dress for a sales call? The answer is no longer black and white. In fact, before you can determine how to dress for a particular sales call, you must first ask two questions:

**1. Who am I selling to?**

The original concept behind dressing for success was to create a positive initial impression. Today, wearing a white shirt, tie and black suit has a strong likelihood of leaving the wrong impression if worn at the wrong time.

First, identify your target and then seek to mirror your target's standard style of dress. For example, if you are calling on mom-and-pop stores, you may find these retailers commonly wear polo shirts and slacks.

In today's economy, walking in wearing a black suit may give them the impression that you represent the IRS. This first impression would prevent you from building a strong rapport with the merchant.

On the other hand, if you're selling to banks or major corporations, not dressing in suit and tie like a banker or financial expert could cause you to fail before you even begin your presentation.

**2. What am I representing?**

Notice the question is not, Whom am I representing? You are creating an initial visual impression, and in conjunction with your 30-second commercial, that impression can make or break the sale.

It's critical to help define that initial impression. Do you want to appear sophisticated? Sporty? Studious? Dress in accordance with the way you wish to be perceived.

Remember, over 60 percent of any face-to-face conversation is visual. What someone sees often influences what he or she hears. Don't create an added hurdle to the sale by over- or under-dressing.

## Rules to follow

Once you've answered the two questions, follow these basic rules:

- Never dress at a level below your potential client's. If you're calling on tuxedo shops, you are not required to wear a tuxedo, but you should consider wearing a tie.

  Yet, if the tuxedo shop is just one of many prospects you plan to target that day and most of those prospects dress casually, dress to the level of the majority.

- Never dress at a level significantly above your client's. In almost every case, a suit and tie are no longer the common merchant dress code. A button down shirt may even be too high. Again, consider whom you're calling on, and ask yourself, Does this make me look like a bill collector?

- Conversely, remember that there is a minimum acceptable dress code when selling. Certain attire is never appropriate: shorts, T-shirts and tennis shoes. If it looks like you're running errands on your day off and just happened to drop in on the merchant, your attire is not acceptable.

Yes, how you dress really is that important. It won't help you overcome objections or close sales, but it can close doors before they even open. Sales is already a difficult profession; don't let how you dress make it even harder.

*Jeff Fortney is Vice President, ISO Channel Management with Clearent LLC. He has more than 17 years' experience in the payments industry. Contact him at jeff@clearent.com or 972-618-7340.*

# 10 years ago in The Green Sheet


The Green Sheet
The Financial Services Industry Source for Education, Inspiration and Actionable Advice
August 13, 2001
Issue 01:08:01
Inside This Issue:
Features
Company Profiles
News
New Products
Inspiration
Departments
How To Beat the NACHA Rule Now
Notable Quote:
"In all, the estimates are that more than 200 million computing and communications products are infrared capable."
Story on Page 9


The Green Sheet was **48** pages.

## NACHA set to revise EFT Act implementation

NACHA – The Electronic Payments Association was in the process of revising its official commentary to Regulation E to the Electronic Fund Transfer Act. The change would permit service fee collection without written authorization from consumers, which was at odds with another rule requiring separate transactions and signatures for service fee collection.

## Wireless payment protocol sought

The Infrared Data Association formed the Infrared Financial Messaging Special Interest Group to establish one worldwide standard upon which hardware and software manufacturers could base universally applicable wireless payment solutions. The standard would pertain to devices exchanging transaction data within close proximity of each other.

## Smart card milestone reached

Providian Financial Corp. reportedly conducted the first credit card payment transaction using smart chip technology. The company had previously issued more than 1 million smart cards to consumers. The cards could be used for traditional POS transactions, as well as for Internet transactions utilizing smart card readers connected to consumers' computers.

**Read archived issues back to 1995 at *www.greensheet.com*; click on Publications.**

# NewProducts

## Mobile POS with tableside manners

**Product: Restaurant Pro Express Mobile**

*Company: pcAmerica*

A new mobile POS solution from pcAmerica has joined the ranks of innovators making it possible for wait staff to place orders and process payments tableside. Restaurant Pro Express Mobile offers the same functionality of a stationary POS terminal but on an Apple iPhone or iPod Touch, pcAmerica reported. And it synchronizes guest checks and menus in real time with the company's Restaurant Pro Express touch screen system.

RPE Mobile, which debuted at the RSPA RetailNOW Convention in July 2011, is scheduled for rollout soon. "We have already a restaurant product that's pretty widely used for both table service and quick service," said David Gosman, Chief Executive Officer at pcAmerica. "It is still a PC-based product, so you would still need to have our Restaurant Pro Express core product within the business."

But instead of installing four or five POS terminals in a restaurant, which requires servers to take orders on paper and transfer information at a POS station, orders can be entered accurately into the mobile device and payments processed through an attached encrypted card reader, Gosman said.

"It is routing it back into their primary POS system, which does connect through SSL," he added. "Our POS system has all the power and ability to do special pricing, calculate taxes, send orders to the kitchen – all the features you would expect in a high-end POS. But we're giving it that mobile extension where the server can take orders and process payments at the table and spend more time with the customers."

### Pocket-sized navigation

Gosman believes mobile POS solutions are gaining popularity because they offer the functionality of a traditional POS package in an affordable unit that fits into your pocket. The company has found that tableside ordering not only reduces wait times and errors, but it also enables staff to deliver more personalized service and, in the process, up-sell drinks, side dishes and desserts.

"It has a really great design in terms of how everything is laid out," Gosman said. "It's very colorful and moves forward in a list format that a lot of users are familiar with," and because it operates with the touch of a finger, no stylus device is required.

### Features of Restaurant Pro Express Mobile include:

- Places orders and processes payments tableside
- Integrates with full-featured restaurant POS system
- Accepts credit, debit or automated clearing house payments
- Offers software-as-a-services revenue share model

In synchronizing with the main POS system, servers can walk around a busy bar placing orders through the device with happy hour pricing reflected on each order, Gosman noted. "You can also split checks, so if somebody wants to pay with two separate credit cards, you can do that in the mobile device as well," he said. With RPE Mobile, tips can be applied and signatures captured electronically on the signature pad.

### A broader profit perimeter

According to pcAmerica, RPE Mobile not only enhances the profit potential for traditional hospitality businesses, including restaurants, bars and nightclubs, but it expands sales to virtually any environment where wireless POS capability is required such as stadiums and other outdoor venues.

"It really is going to be any table service restaurant application, whether it be an independent or a chain," Gosman said. "It's priced on a very scalable model. The pricing itself works on a monthly fee, and the monthly fee applies to a per terminal basis, so you can scale up or down as many terminals as you want at any point in time." RPE Mobile's software-as-a-service technology will be available through pcAmerica's reseller channel under a revenue share model.

**pcAmerica**

**800-722-6374**

***www.pcamerica.com/rpemobile***

# Putting social into mobile payments

**Product: ProPay Link**

*Company: ProPay Inc.*

Having won the Electronic Transaction Association's 2010 ISO of the Year award and ETA's Technology Showcase Challenge in 2011, ProPay Inc. is clearly onto something. The latest development from this company is ProPay Link, a mobile payment technology that allows smart phones to be used as both payment devices and social tools. Initially coined Zumogo, the final product will be released as ProPay Link sometime this fall.

"We should be in the market nationwide by the end of the quarter," said Heather Mark, Senior Vice President of Market Strategy for ProPay. "We're doing another pilot with some of our larger clients, and so far we've been getting very positive feedback on that."

ProPay has boarded over 1.5 million merchants to date, and expects to have a couple hundred thousand merchants enabled with the new technology within a couple of months, Mark said.

"Some of the mobile payment applications that are out there are not keeping the merchant experience in mind," she noted. "We're really creating the value-add for the merchant and offering them new channels of communication, new marketing channels. That added ability to talk in real time with their customers, I think, is somewhat unique."

## Secure command center

Core to the system, ProPay Link's Merchant Console allows merchants to connect with customers via mobile chats for a personalized shopping experience. It enables merchants to make special offers, execute payment requests and complete credit, debit or automated clearing house transactions. The console monitors pending and completed transactions, which can be sorted by register, store or individual server, the company noted.

According to Mark, one of ProPay's top priorities was maintaining security in a mobile environment. "When we began building ProPay Link, we used ProtectPay as the foundation of that product," she said. "There is no data stored on the phone whatsoever. The merchant has no data in their environment either – they use the tokens."

ProtectPay is the company's Payment Card Industry Data Security Standard compliant end-to-end encryption and tokenization solution; ProPay has been validated as a compliant Level 1 service provider.

### Features of ProPay Link include:

- PIN-based, authenticated mobile platform protects customers
- Web-based merchant console interfaces with customer app
- Integrated ProtectPay tokenization secures payments
- ProtectPay increases PCI compliance in mobile environment

Mark said ProPay Link customers need not worry about anyone gaining access to credit card information should a phone be misplaced. "When they use the app, they have to authenticate the application using a PIN, and then anytime that there is a payment request that they are going to approve, they have to authenticate again," Mark said.

## Mobile without limits

"Mobile technology is great, but with most mobile technology there are limitations," said Scott Nelson, ProPay Vice President of Marketing. "Either proximity is a limitation because you have to be next to a kiosk, or you're in a situation where a card has to be present for you to be able to accept payments.

"With ProPay Link those just aren't issues at all. Whether you're two blocks away or 2,000 miles away, you can conduct commerce, and the payment data never resides on the system of either the merchant or the consumer."

At press time, ProPay was in the process of developing pricing models for partners. "We are looking at sort of a departure from our normal partner strategy, so we're looking at all types of partners," Mark said. "Certainly ISOs are among those that we're speaking with." The ProPay Link app is free to customers; merchants pay a monthly fee for the service.

**ProPay Inc.**

801-341-5563

*www.propay.com*

# DateBook

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

## Women's Network in Electronic Transactions (W.net)

*Career Development & Leadership Summit; LINC Northern California*

**Summit highlights:** W.net will hold its 2011 Career & Leadership Summit in Atlanta. The event will kick off with a Diva awards ceremony, followed by an opening session focused on the state of the industry.

Breakout sessions will cover such topics as industry economics, building your professional brand, organizational savvy and future trends.

**LINC highlights:** W.net's LINC Northern California will host a networking session and special guest speakers at the San Francisco Airport Hyatt Regency. The intent is for attendees to gain valuable payments industry insights during this collegial, informative gathering.

W.net's LINC meetings occur periodically throughout the United States and provide a forum for women in the payments industry to empower and inspire each other through networking opportunities.

*Career & Leadership Summit*

**When:** Sept. 12 – 13, 2011
**Where:** Hyatt Regency Hotel, Atlanta
**Registration:** *www.w-net.biz*

*LINC Northern California*

**When:** Sept. 21, 2011
**Where:** San Francisco Airport Hyatt Regency, San Francisco
**Registration:** *www.w-net.biz*

## Western Payments Alliance

*Payments Symposium 2011: Payments in Transition, Strategies for a Changing Landscape*

**Highlights:** This event offers payments industry professionals an opportunity to network with peers and interact with experts to learn about the latest developments shaping the industry.

Daily sessions and workshops will address technological innovations in automated clearing house (ACH) and card networks, as well as mobile and other payment channels.

It will also feature discussions on risk and fraud in addition to changing regulatory and compliance requirements.

Symposium attendees can also earn Accredited ACH Professional (AAP) renewal credits, as well as maintain AAP certification status through participation in this event.

**When:** Sept. 19 – 20, 2011
**Where:** The Westin San Diego, San Diego
**Registration:** *www. www.wespay.org*

## Western States Acquirers Association

*WSAA 8th Annual Conference*

**Highlights:** WSAA's 2011 Annual Conference for payment professionals will be held in the San Francisco Bay Area region. The event will feature networking opportunities and a chance to participate in breakout sessions and panel discussions on issues pertinent to the payments industry.

WSAA is a self-governing, nonprofit volunteer organization dedicated to creating an independent forum for educating and linking professionals engaged in the payments industry.

Rather than offering memberships, the organization is funded through revenue generated by events it hosts.

**When:** Sept. 21 – 22, 2011
**Where:** San Francisco Airport Hyatt Regency, Burlingame, Calif.
**Registration:** *www.westernstatesacquirers.com*

## Georgia Automated Clearing House Association

*GACHA Solutions 2011*

**Highlights:** GACHA, a nonprofit regional member of the National Automated Clearing House Association, will host a conference with daily sessions addressing ACH and card networks, alternative payment channels, mobile payments, changing regulations, fraud and risk management.

Guest speakers will include Janet Estep, President and Chief Executive Officer of NACHA – The Electronic Payments Association; Steve Mott, Principal at BetterBuyDesign; and Marianne Crowe, Vice President for the Federal Reserve Bank of Boston.

Attendees can earn Accredited ACH Professional (AAP) credits to attain or maintain AAP status.

**When:** Sept. 21 – 23, 2011
**Where:** Marriott Atlanta Northwest, Atlanta
**Registration:** *www.gachasolutions.org*

# CASH IN ON UNITED BANK CARD'S NEWLY RELEASED IN-HOUSE GIFT CARD PROGRAM!



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A simple and intuitive online wizard offers merchants two customization options:

- Choose fom a wide selection of pre-designed card templates
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Merchants can further customize their cards with their business information. They can select diffeent fonts, colors and text placement to suit their unique business needs.

For more information, contact:
Brian Jones, EVP Sales and Marketing: 800-201-0461 x 136
Jonathan Brandon, National Sales Manager East: 800-201-0461 x 145
Max Sinovoi, National Sales Manager West: 800-201-0461 x 219
Brian Fitzgerald, National Sales Manager Central: 800-201-0461 x 257
or log on to www.isoprogam.com

# 2011 Calendar of events

To submi your event to this calendar, email a press release to *press@greensheet.com*. Please include the nam, date and location of the event, as well as highlights of planned activities and registration contact information.

| 2011 Event | Date | Location | Web site |
|---|---|---|---|
| ACH Direct and UMACHA, WEB and TEL Entries | Aug. 16 | Online | *www.achdirect.com* |
| ETA, EMV and Fraud Prevention | Aug. 30 | Online | *http://eo2.commpartners.com/users/eta/session.php?id=7036* |
| W.net, Career & Leadership Summit | Sept. 12 –13 | Atlanta | *w-net.biz/PageDisplay.asp?p1=8607* |
| National Retail Federation, 2011 Shop.org Annual Summit | Sept. 12 – 14 | Boston | *www.shop.org/summit11* |
| ACH Direct and UMACHA, Check Basics/Check21 | Sept. 13 | Online | *www.achdirect.com* |
| WesPay Symposium 2011 | Sept. 19 – 20 | San Diego | *www.wespay.org/symposium/registration.htm* |
| ETA, The Impact of EMV | Sept. 20 | Online | *http://eo2.commpartners.com/users/eta/sessionphp?id=7038* |
| WSAA 2011 Annual Conference | Sept. 21 – 22 | Burlingame, CA | *www.westernstatesacquirers.com* |
| GACHA Solutions 2011 | Sept. 21 – 23, | Atlanta | *www.gachasolutions.org* |
| Bank Administration Institute, BAI Retail Delivery | Oct. 11 - 13 | Chicago | *www.bai.org/retaildelivery/registration* |
| MWAA, Wisconsin Payment Professionals | Oct. 11 | Madison, WI | *www.midwestacquirers.com/index.php* |
| Payments Authority, Concepts 2011 | Oct. 12 – 14 | Mt. Pleasant, MI | *www.thepaymentsauthority.org/source/Events* |
| MWAA, Chicago Payment Professionals | Oct. 12 | Oak Brook, IL | *www.midwestacquirers.com/index.php* |
| Epcor Payments Conference - Fall 2011 | Oct. 25 – 27 | Kansas City, MO | *www.epcor.org* |
| ETA, 2011 Strategic Leadership Forum | Oct. 25 – 27 | Chicago | *www.electran.org/content/section/6/38/* |
| PaymentsSource, ATM, Debit & Prepaid Forum 2011 | Nov. 1 – 4 | Las Vegas | *http://register.sourcemediaconferences.com* |
| 2011 AFP Annual Conference | Nov. 6 – 9 | Boston | *www.tradeshowregistrar.com* |
| Comexposium, Cartes & IDentification 2011 | Nov. 15 – 17 | Paris | *www.cartes.com* |

**September 12 – 13**

**September 21 – 22**

**October 25 – 27**

# Inspiration

**WaterCoolerWisdom:**

**Ultimately, the only power to which man should aspire is that which he exercises over himself.**
– Elie Wiesel

## Cocktail hour confidential

Every stop on the convention circuit represents an important landmark in the payments industry year. National and regional tradeshows are where new products and services are unveiled, businesses consummate deals, and colleagues make new contacts and catch up with old friends.

Shows are also where people gather at prodigious buffets and alcohol-infused industry nights and meet-and-greets. Making new acquaintances and business contacts over food and drink is part of the job. But there can be a downside. If you imbibe too much at cocktail hour, for example, you might embarrass yourself in a very public fashion. The repercussions can be harmful to the reputation of the business you represent and to your very employment.

### Soda and spirits

Knowing your limits is important. Recognizing that having a good time is always secondary to your role as the professional face of your organization is also essential. It is also incumbent on you to realize you are in control of how you interact.

Peer pressure is a powerful force at tradeshows, especially when you're trying to impress. But you can create strategies that enable you to fit in and maintain self control at the same time. You can choose soda over wine and feel perfectly content. Or you can nurse an umbrella drink all night long without drawing attention to yourself as the one nondrinker in the group.

Additionally, you can avoid the bar scene by steering one-on-one meetings to a café in the convention center or even outdoors, where fresh air and relative calm can invigorate conversations and steer them in productive directions.

It is also important to have a sidekick you can trust in social situations. If you and a friend from work are attending an event together, it is no sign of weakness to lean on that individual when it comes to successfully navigating the "party" aspects of conventions.

### Croutons and calories

Delectable food is in ample supply at industry events. For people with dietary restrictions or who are trying to maintain a certain regimen, the food courts, corporate-sponsored lunches and after-hour gatherings are challenging to say the least.

It takes discipline to forgo pizza and chocolate cake and choose salad and yogurt instead. You might weigh the short-term pleasure of rich food with the long-term consequences to your waistline and find the strength to resist temptation. Or you can treat yourself to a reasonable indulgence at the end of a long day of networking and realize you will burn it off when you make that long trek on foot from your hotel room to the convention floor the next morning.

When it comes to food, having a companion who sympathizes with, or better yet shares, your dietary goals may be the essential bulwark against culinary excess. You can make it a game with your companion, counting calories on your smart phones and adding up the totals from all your meals. The one who consumes the least calories wins, and the loser buys you both a celebratory cappuccino at the end of the show.

Of course, make that cappuccino nonfat.

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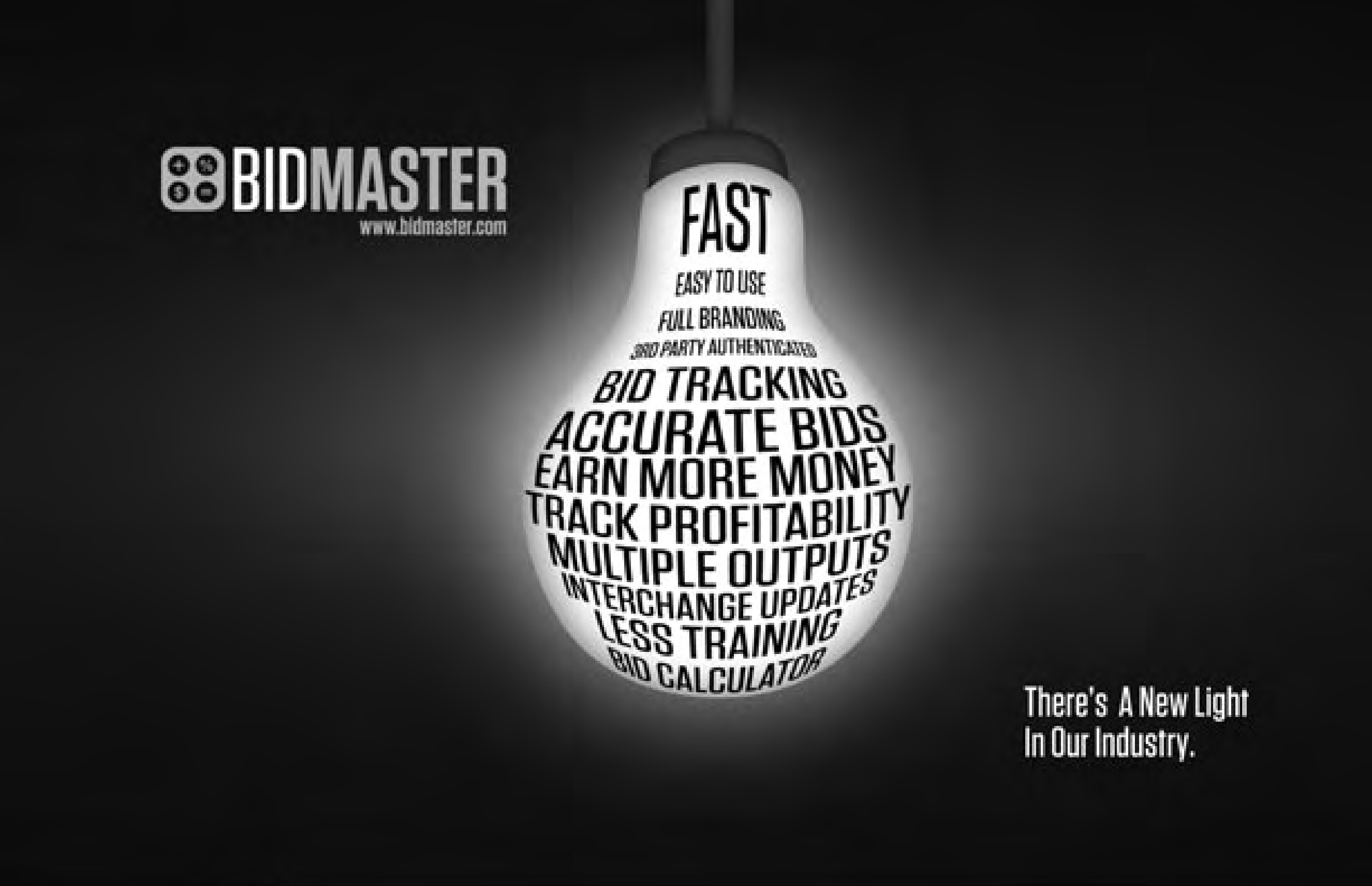
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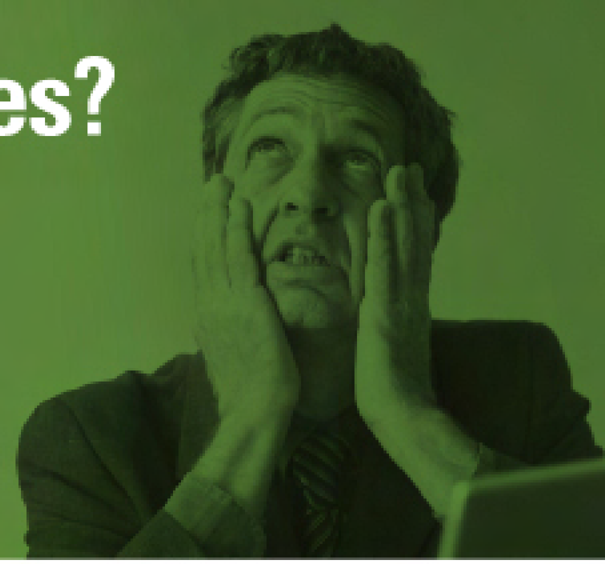

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