



The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

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What's New in Biometrics

On Jan. 5, 2004, as part of its U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT) program, the Department of Homeland Security began scanning fingerprints of foreigners entering the United States. The fingerprint scans are being gathered at 115 airports that handle international flights and 14 major seaports...

This recent national news brought more attention to a method of identification (and authentication) gradually making its way into the mainstream: biometrics.

In the financial services industry, especially at the point of sale, the biometrics technology that is primarily being tested (and being implemented on a limited basis) for authentication at the point of sale is also fingerprint scanning.

It's been almost two years since The Green Sheet's last report on biometrics ("Big Brother is Scanning You" April 15, 2002, issue 02:04:01), so what's changed since then? Are payment companies succeeding in bringing this technology to the POS, and are merchants and their customers embracing it?

A number of issues still surround the widespread adoption of biomet-

rics in payments—consumer education and trust, technology and merchants' willingness to test and change their current POS system.

But most experts agree that the technology does work, and now that it's becoming more affordable, it's just a matter of convincing merchants and their customers that the use of biometrics at the point of sale is the right method of payment for them.

"Biometrics is not a technology story, it's more a consumer behavior story," said Jim Nickerson, Global Communications/PR Manager for VeriFone, Inc. "The idea is to get consumers to accept this new weird way of payment."

There are many benefits to be realized using this type of payment authentication. For consumers, biometric authentication at the point of sale helps protect them against identity theft; and tender time is typically faster and more convenient—there's no need to fumble through a wallet or purse.

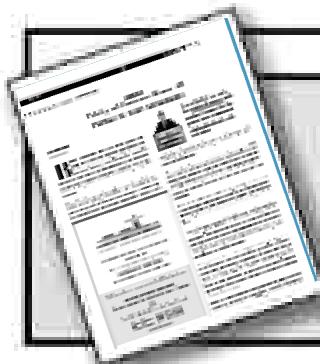
"Speed is an important attribute of the shopping experience, particularly for grocery, convenience and dol-

 See Biometrics on Page 23

Notable Quote:

Most ISOs and processors are incapable of legally forcing a bank to perform for a merchant. As such, channels of communication between ISOs, processors and banks must be available if ISOs are to deliver the level of service that merchants expect in this business today.

See Story on Page 72





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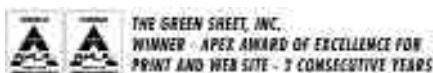
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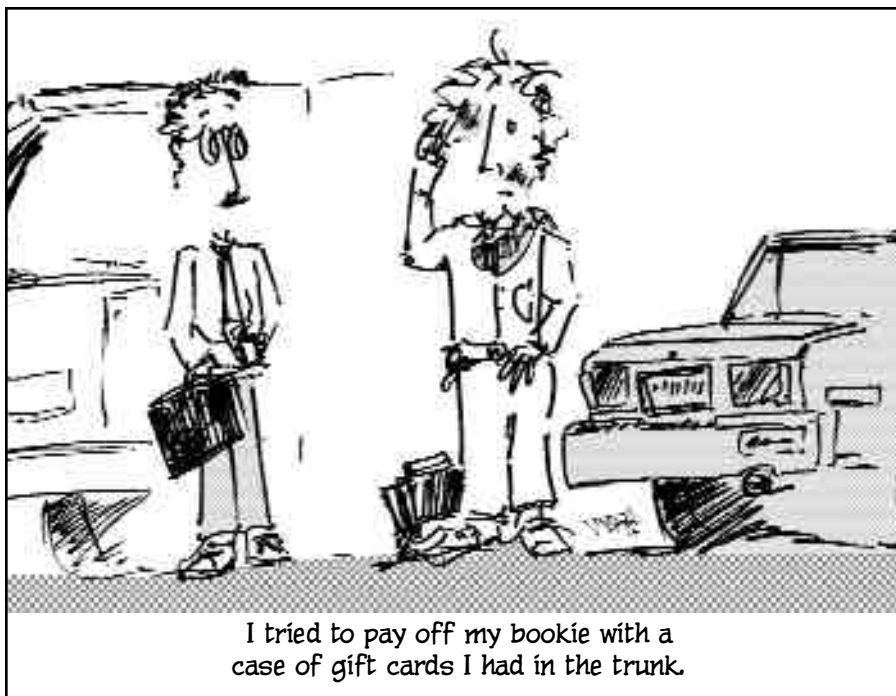
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In Search of Interchange Untangled

In religiously reading The Green Sheet, somehow I seem to be missing Parts I and III of the Education series: "Interchange Untangled." I looked in the archived editions where I thought these would appear, but I cannot locate them! In which issues are Parts I and III found?

Also, in the header of each "Interchange Untangled" article, it mentions that the interchange chart was available in the Aug. 25, 2003 issue of The Green Sheet...I looked in both August 2003 and 2002 editions, but I can't find this chart. Am I doing something inaccurately in my search? Where is the chart located?

Thanks in advance!
Tony Hoffman
BanCard Services Trust

Tony:

- Part I appeared in issue 03:06:01, June 9, 2003
www.greensheet.com/PriorIssues-/030601-/15.htm
- Part III appeared in issue 03:11:01, Nov, 10, 2003
www.greensheet.com/PriorIssues-/031101-/14.htm

On The Green Sheet's Web site, if you search for "interchange untangled" using our FAST FINDER search engine and limit the search to Green Sheet issues, you will be given links to all of the articles. The Interchange Chart is available in the PDF format of issue 03:08:02. From the GS Archive on The Green Sheet's Web site, select the PDF version of the August Issue 02 2003. The chart appears as pages 23-24, www.greensheet.com/pdf/030802.pdf

Editor

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A Special Request

How about posting as many as possible agent programs you know of on a chart similar to that of consumer reports, and rating them for their true payouts, not what the ISO tells you, but what the agents tell you and prove to you based on what they actually get—plus flexibility transferability, honesty, customer service waiting time, etc.?

All information should be taken from the field not from the companies. Your staff could also try calling all the different companies' customer service [departments] at different times of the day, checking how long they take to answer at 9:00 Monday morning, how much the agent knows and how quickly problems are solved, for example.

You could also write a questionnaire asking agents to rate the companies for whom they have written. All payouts should be backed up by residual reports (and that the agent understands his report and is really an agent for whom he claims).

Please don't suggest a list of ISOs for agents to rate—it only confuses us and makes us think they are the only ones being rated. Let the whole thing be a write-in names program, and possibly write in topics of rating. This could be an idea for the next GSQ, if you haven't planned it yet.

Thank you,
maketelinc

maketelinc:

That would be an enormous undertaking and well beyond the scope of our publication. I suggest that you take this idea to the NAOPP. This may be a project the association would want to attempt. To contact the association or register for the next meeting, please visit their Web site: www.naopp.com

Editor



INDUSTRY UPDATE

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ANNOUNCEMENTS

Cash Systems To Trade on AMEX

Cash Systems, Inc., provider of cash access solutions for the gaming industry, is listing its common stock on the American Stock Exchange. Cash Systems said it expects to begin trading on this exchange in January 2004 with the stock symbol CKN. In other news, Cash Systems will provide cash access services at five **Seminole Tribe of Florida** casinos in the State of Florida, including ATM, check cashing and cash advance services.

Datamark Class A Certified on Talento

Datamark Technologies, Inc., a provider of integrated stored value, promotion and loyalty solutions, announced the Class A certification of its full set of capabilities on **Thales e-Transactions, Inc.**'s Talento line of products.

New and Improved Payment Web Sites

Both **Electronic Clearing House Inc. (ECHO)** and **USA ePay** announced changes to their Web sites. ECHO (www.echo-inc.com) provides electronic payment and transaction processing services; USA ePay (www.usaepay.com) is an ECI-certified gateway on the First Data Nashville and the Vital Platforms.

GO Software Installs 100,000 Products

Return On Investment Corp. subsidiary, **GO Software Inc.**, announced that it has had its 100,000th product

installation. The company said there has been a 50% increase in GO Software installations over the past two years. The company contributes its success to products PCCharge, a Windows-based payment processing solution, and its Rapid Transaction Authority (RiTA) Server, a scalable transaction switch supporting high volume, multi-threaded transaction processing.

New White Paper on 3DES Compliance

e-ClassicSystems, Inc. released a white paper titled, "Managing the 3DES Project: A Business Perspective." The white paper analyzes a 3DES compliance project, and how it can be an opportunity rather than a mandate by identifying ways to maximize investment of time and money. Thomas F. Meurer, President of e-ClassicSystems, wrote the paper, which is the third in a continuing series. e-ClassicSystems provides software solutions to organizations that deploy or manage ATMs. To obtain a copy of the white paper, visit www.atmmanager.com, e-mail your request to tnargassans@atmmanager.com or call 781-551-9123.

Ingenico Ships 300,000 e^N-Touch 1000 Terminals

Ingenico announced that it has shipped its 300,000th e^N-Touch 1000 touch screen and signature capture terminal to major retailers in the United States. Retailers such as Wal-Mart, Home Depot, Toys "R" Us, 7-Eleven, Safeway, Eckerd Drug, Sam's Club, Orchard Supply, Kmart, Sports Authority, Office Depot, Cingular Wireless, The Wiz, Ross Stores, CSK Auto, AAFES and RadioShack use the terminal.



- ▶ **The Conference Board's Consumer Confidence Index**, which had increased in November, slipped in December 2003. The December Index is 91.3, down from 92.5 the previous month.
- ▶ A new 180,000-square-foot **Sears Grand** store opening in Rancho Cucamonga, Calif. will include a convenience store that will carry items such as milk, beverages, snacks and frozen pizzas, the NACS Online reported. Sears will test five additional store outlets with convenience stores inside.
- ▶ The **National Retail Federation** reported that **2003 holiday sales** in the GAFS category were \$216.32 billion, an increase of 5.2% over last year. The GASF category includes general merchandise stores, clothing and clothing accessories stores, furniture and home furnishings stores, electronics and appliances stores and sporting goods, hobby, book and music stores.

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Shift4 Certified on Fifth Third

Shift4 Corp. said it completed debit testing and certification on **Fifth Third Bank's** Fifth Third Processing Solutions (FTPS) platform for Shift4's **\$\$\$ ON THE NET** product, a Web-based e-payment gateway with electronic payment authorization, settlement, reporting and fraud control.

In addition to Fifth Third, Shift4 has certified debit processing interfaces with First Data Merchant Services (FDC), Global Payment Services (formerly NDC) and Vital Processing Services.

Smart Card Alliance Opens Web Store

The **Smart Card Alliance** has many published reports available on its Web site (www.smartcardalliance.org). The fees range from no charge up to \$149 per report and are available only in electronic (PDF) format. The Alliance is also offering copies of past conference proceedings on CD-ROM at \$295.

All items will be free to member organizations of the Alliance. Two Smart Card Alliance workgroups—Secure Personal ID Task Force and Terminal and eTransaction Infrastructure Task Force are currently working on their next set of deliverables.

PARTNERSHIPS

Pay Cash for Continental Airlines Tickets

Continental Airlines and First Data Corp. subsidiary **Western Union Financial Services, Inc.** have partnered to provide people traveling in the domestic United States and Canada with a way to pay for their tickets in cash when they book their flights online.

This is how it works: When travelers book a flight on Continental they can then choose to send cash payment for their reservation, instead of using a credit card. After the flight is booked, they are given a confirmation number to take to a Western Union agent location. Tickets must be paid for in full, within 24 hours, to guarantee a reservation.

eFunds Branded ATMs Surpass 7,500

North Valley Bank Corp. joined **eFunds Corp.**'s ATM branding program, which has increased the number of eFunds' branded ATMs to more than 7,500. eFunds' program enables financial institutions to increase their brand presence and the availability of surcharge-free ATM access to their customers. eFunds manages more than 17,500 ATMs in the United States and Canada.

10,000 Omni 3750s at Family Dollar

Family Dollar Stores, Inc. has successfully installed more than 10,000 **VeriFone, Inc.** Omni 3750 payment terminals in 5,000 retail locations throughout the United States. VeriFone and Direct Source partnered to provide Family Dollar a point-of-sale solution. The terminal is certified by **Concord EFS, Inc.**, meets the latest 3DES security standards and is smart card ready. Atlanta-based **PRE Solutions, Inc.** is providing prepaid telecom services directly from the VeriFone Omni 3750 payment terminals.

ICE Partners to Offer Credit Card Services

International Card Establishment, Inc. (I.C.E.) said it has entered into a marketing agreement with a Toronto, Canada-based company to provide Visa and MasterCard credit card services to Canadian merchants. ICE said it would not disclose the name of the Canadian company it has partnered with for competitive reasons. ICE and its Canadian partner will share equally in the net revenues generated by their joint marketing and sales efforts.

ACQUISITIONS

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Inc., acquired all of the assets of **Atomic Software Inc.**, including Atomic's dial-up product, Authorizer, and its payment gateway solution, iAuthorizer. Prior to the acquisition, Atomic had shut down iAuthorizer gateway.

As part of GO Software's expansion plans and the development of a more complete product line in order to become a one-stop shop for payment processing, the company will redevelop iAuthorizer and release an enhanced gateway product in 2004. GO Software said it will continue selling, supporting and maintaining the dial-up Authorizer product for customers with existing integrations.

ICE Acquires GlobalTech Leasing

International Card Establishment, Inc. (formerly iNetEvents, Inc.) completed its acquisition of 100% of **GlobalTech Leasing, Inc.** GlobalTech Leasing provides microticket leasing services to ISOs, their agents and processors.

Under the terms of the merger, GlobalTech Leasing shareholders received five million shares of restricted I.C.E. common stock in exchange for their GlobalTech Leasing stock. GlobalTech Leasing will operate as a wholly owned subsidiary and a separate entity of

International Card Establishment (ICE).

Euronet Subsidiary Acquires Precept

Looking to establish itself in the U.S. prepaid market, Euronet Worldwide, Inc.'s subsidiary **PaySpot, Inc.**, acquired 100% of the shares of **Prepaid Concepts, Inc.** (Precept), a California corporation that sells prepaid services via point-of-sale (POS) terminals in the United States.

Precept distributes prepaid products and services (such as wireless access cards for major U.S. wireless carriers: ALLTEL, AT&T, Cingular, T-Mobile, Tracfone and Verizon) through a network of approximately 4,500 retail locations. Shares of Precept were purchased with a combination of cash, debt and Euronet stock.

APPOINTMENTS

Pamela Esche Joins Solveras

ISO Solveras Payment Systems hired **Pamela L. Esche** to serve as Director of Financial Analysis for the company's growing merchant account portfolio. Esche most recently worked at JSK Consulting Services, serving as a consultant to Solveras for the past year. Before JSK, she

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was Director of Business Strategy for Universal Companies in Milwaukee, Wis. until Fifth Third Bank acquired it.

CardinalCommerce Appoints Two to Board

CardinalCommerce Corp. appointed Gary Heatherington and Andreas Drimiotis to its Board of Advisors. Heatherington, who will serve as Chairman of the company's Board of Advisors, has more than 27 years of management and board experience. He was CEO of Cyota, a provider of electronic payments technology solutions from 2000–2001.

From 1999–2000 he served as President and CEO of Bank One Int'l. Heatherington worked at MasterCard from 1992–99, and served as EVP Global Markets; President Canada Region; and President and CEO Maestro Canada. Before MasterCard, he was a Group VP at National Trust Company. He worked at the Bank of Montreal and National Westminster Bank. And he has held or currently holds Directorship positions at Cyota, First Data Corp., Visa Canada, Bank One Canada, MasterCard Canada, Maestro and Paradata Systems Inc.

Andreas Drimiotis is the current Chairman of Athens, Greece-based Delta Singular, the largest card processor in the Southeastern Europe. Drimiotis has 35 years of

experience in IT and card processing services. Drimiotis has been the CEO and one of the founders of Delta Informatics since 1984 when the company was formed with Alpha Bank as the main shareholder. Prior to Delta Informatics, Drimiotis served as CEO of Unisystems, the Greek distributor of Unisys Inc.

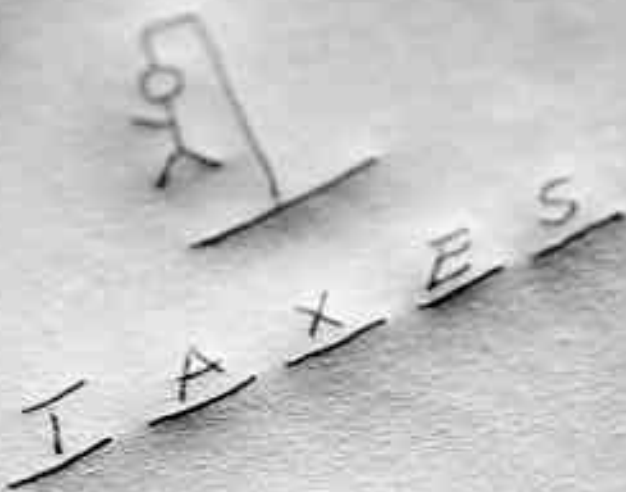
First American Payment Systems Promotes CFO

First American Payment Systems, L.P. named James B. Walburg Senior Vice President and CFO, succeeding Debra Bradford, who will now serve the company as Executive Vice President and Chief Operating Officer. Bradford joined First American as Senior Vice President and CFO in 2001. Prior to that, she was Senior Vice President and CFO of ACE Cash Express, Inc. She also had a 15-year career with IPS Card Solutions (formerly NTS, Inc.), a division of First Data Corporation, serving in various positions and leaving in 1999 as Chief Operating Officer.

James Walburg most recently was Senior Vice President in charge of finance and administration at IMCO Recycling. However, he is not new to the transaction processing industry. He spent 11 years with NTS, Inc. working in various financial roles including Vice President of Finance and Operations. ☐

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- NPC Access™ offers online Internet reporting for both ISO's and merchants
- Comprehensive ISO training program



Use of Electronic Payments Growing

How Consumers Make In-store Payments

(Source: Dove Consulting)

Method	1999	2001	2003
Cash	39%	33%	32%
Check	18%	18%	15%
Debit	21%	26%	31%
Credit	22%	21%	21%
Other*	n/a	2%	2%

(*such as prepaid cards)

When making purchases in stores, U.S. consumers are using their credit and debit cards for payment more often than cash and checks; however when paying bills, they prefer to pay by check, according to the results of a new study of consumer payment preferences from the American Bankers Association and Dove Consulting.

Debit cards—growing in populari-

ty—contributed significantly to the increased use of electronic payments. In 1999, debit cards represented only 21% of in-store transactions; today about 31% of purchases (or every one out of three) are made with a debit card, the study shows.

The study found that together, cash and checks now account for 47% of consumers' in-store purchases, compared to 57% in 1999 and 51% in 2001.

But focus on the single most frequently used method of payment in stores, and you'll find that cash is still king. Although its share in the payments mix has fallen from 39% in 1999 to 32% in 2003, cash is still the number one way to pay—with more than 32% of consumers using their greenbacks in stores.

Consumers pay by check for only

15% of in-store purchases, but still prefer to pay bills with them. However, electronic methods such as automatic payment and online bill payment are increasing in popularity.

Sixty percent of consumers use some form of automatic payment and 41% of consumers use online bill payment—it represents one of the fastest growing payment methods. "As consumers write fewer checks for bill payments, financial institutions and payment organizations have the ability to play an active role in influencing what payment methods are used in their place," Tony Hayes, Managing Director of Dove's Financial Services Practice and author of the study said in a statement.

ACI Worldwide, eFunds Corp. and PULSE EFT Association sponsored the research. More than 2,000 people responded to the survey. ■

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Insider's Report on Payments

Dinner Conversation: MasterCard and eFunds Partner for Debit Processing

By Patti Murphy

While dining out the other evening, my partner (a.k.a. husband), posed an interesting question. He wanted to know if I had a sense of Visa's share of the credit/debit card market, vis-à-vis MasterCard. When I responded with a ballpark estimate—that Visa transactions probably accounted for 65% of the bankcard market—he asked if there was any obvious explanation. I didn't have an immediate answer, although I think it's safe to say that lapses in strategic planning and product development certainly have contributed to the problem.

Consider, for example, debit cards. Visa banks practically own the off-line debit market, and Visa's Interlink network has allowed it to create inroads in online debit, a market dominated today by the two big ATM/POS networks—Star and NYCE. MasterCard, by comparison, places its share of the online debit card market at 1%.

About 20% of the market's signature (off-line) debit card transactions are initiated with Debit MasterCard (the company's answer to the Visa Check card), according to Rick Lyons, Senior Vice President for MasterCard Debit Products. And that's probably a generous estimate.

Lyons has been in the payments space since the early days of ATM networks. His resumé includes several high-level positions at ATM networks and banks, including Honor (an East Coast ATM/POS network that was acquired a few years back by Star) and Comerica Bank in Detroit, where he was the company's e-banking expert.

Just over a year ago, MasterCard

managed to woo Lyons back to the East Coast. His mission: grow MasterCard's debit card business to a level that can seriously compete with Visa.

"We want to be the global payments leader," Lyons said in a telephone interview. "And debit has a whole lot to do with that." It sounds like a tall order. But then Lyons doesn't put any time limit on MasterCard achieving global leadership status in payments.

Today, MasterCard counts 250 financial institutions as debit card issuers. That number certainly needs to grow in the face of current trends in debit. "It's the fastest growing payment type," Lyons said. "That's why we've made so many significant changes in debit."

For example, Lyons noted, last summer MasterCard revised several policies and procedures that seemed to detract from growing debit, including the elimination of a policy that rendered Maestro as the debit network of last resort for MasterCard debit acquiring banks. In other words, MasterCard, until recently, actually encouraged its member/owner banks to use Star, NYCE or another network to clear debit card transactions they acquired—not its own Maestro switch.

Visa has always looked at the business this way—Visa first—even if it means going to court to enforce this view. Let's not forget the legal proceedings now underway, pitting Visa against First Data Corp., over First Data's efforts to keep 'on-us' items (transactions where First Data processes on behalf of the issuer and acquirer) off the Visa clearing and settlement network

MasterCard's policy changes had a huge impact on Maestro. In 2002, Maestro logged just under 600,000 ATM transactions; in 2003 that tally nearly doubled to 1.139 million transactions, according to Lyons.

Now MasterCard wants to work similar magic with POS debit. The company announced in mid-December 2003 that it had entered into a "Debit Processing Alliance" with eFunds Corp., an electronic payments company and spin-off of Deluxe Corp., the check printer.

The alliance is the basis for what MasterCard calls its Complete Debit Processing brand. And while the arrangement with eFunds, on face value, seems little more than a fancy reseller's agreement, Lyons and his colleagues at MasterCard insist that it's much more.

eFunds, which traces its genesis to one of the first ATM networks, was once known as Deluxe Data. Deluxe Data developed software that today is used by scores of financial institutions for debit processing, either in-house or through ATM networks, although that number has diminished since 2002 when eFunds lost a critical contract with Star.

Star is owned by Concord EFS, which is in the process of being acquired by First Data, Visa's legal adversary. (Ah, what a tangled web.)

eFunds also supports check authorization and bank new account screening. It's considered the largest non-bank deployer of ATMs in the country. And, according to Lyons, "nearly 85% of online debit transactions [including Visa-branded debits] pass through eFunds' technology."

"Our partnership with eFunds is clear indication of the MasterCard commitment to better serve our debit customers," Ruth Ann Marshall, MasterCard President said

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in a prepared statement announcing the deal. "We have channeled our resources to create the most comprehensive and compelling branded debit program in the United States."

Lyons said the eFunds alliance patches a gaping hole in MasterCard's services offering. While MasterCard supports ATM debit technologies through its St. Louis-based operations center, it had no clear way of supporting POS debit. He describes the eFunds alliance as a "finishing touch" in the realignment of MasterCard's debit strategy.

But what's to stop a bank from going directly to eFunds for debit processing software and/or services? While Lyons conceded there are no real roadblocks to this, he's optimistic it won't happen, or at least not very much. "MasterCard is eFunds' preferred distribution channel," he emphasized, suggesting that eFunds might actually encourage prospect banks to work through MasterCard.

I get the sense that MasterCard may be banking on the fact that it can forge new and/or better relations with merchants now that it has eFunds in its camp. It's not a stretch: eFunds operates SCAN, the Shared Check Authorization Network.

SCAN isn't just any check authorization service. SCAN owes its genesis to a small group of national retailers that ran the check authorization network a bit like an exclusive club before selling it to Deluxe in the mid-1990s.

Lyons, when we spoke earlier this month, said MasterCard had in hand a letter of intent from a leading acquirer that was interested in using MasterCard to gateway to other debit networks. He said he's seeing even more interest from large, national merchants that want direct connections to MasterCard for debit card applications.

The benefits to retailers, he said, include lower costs, higher quality service and fewer opportunities for failure since merchants don't have to jump between networks for different steps in transactions.

So now the question is: Can MasterCard and eFunds, working together, make MasterCard the "global payments leader?" It looks like a long shot, but stranger things have happened in the payments space. ■

Patti Murphy is Contributing Editor of The Green Sheet and President of The Takoma Group. She can be reached at patti@greensheet.com



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Biometrics from Page 1

lar stores," said Susan Landry, Vice President and Research Director for GartnerG2, a technology research and advisory firm. "Positioning payment solutions as being faster, particularly if there is unique privilege associated with its use, will be a compelling value proposition for consumers."

For merchants, there's greater security and more protection against card and check fraud; and improved customer loyalty. One biometrics solution, offered by San Francisco-based Pay By Touch, provides an automatic link to consumers' membership and rewards programs.

The Terminal Manufacturers

Many point-of-sale terminal manufacturers have not yet developed proprietary biometric devices, but instead are designing their current equipment to be ready to implement a biometrics solution at a later time.

Merchants using these types of payment terminals in their stores have more flexibility in the long run, depending on what the next widely adopted payment method will be.

VeriFone, Inc., a provider of point-of-sale solutions, released the Omni 7000MPD in February 2003. This terminal is a modular payment device with an open platform that gives merchants the option to purchase necessary components now and upgrade later to other capabilities and emerging technologies, including a biometric solution.

And better yet, merchants and their account managers can do this upgrading right in the field rather than sending the terminals back to VeriFone.

"Retailers are no longer forced to predict the future by buying terminals loaded with unnecessary features," Douglas Bergeron, VeriFone's Chairman and CEO said in a statement on the release of the product. "With the Omni 7000MPD, they can add functionality on their schedule, when their business demands it."

"I like to use the term 'modality agnostic' to describe our biometric strategy," Nickerson said. "We can't tell what the leading technologies are going to be, but we can design our own technologies to be prepared for them."

Ingenico, another developer of point-of-sale solutions, said it is not doing too much with biometrics right now in the United States, although the company partnered with South Pasadena, Calif.-based Cogent Systems, Inc., a global provider of integrated biometric systems, at the

end of 2002 to develop a biometrics system for the future. Cogent and Ingenico teamed up to offer an end-to-end solution based on digital fingerprints, secure PIN entry and smart card technologies for Ingenico devices in emerging markets such as Nigeria and Hong Kong and down the road for the United States, Spain and other European countries.

Ingenico offers a free white paper on fingerprint recognition on its Web site (visit www.ingenico-us.com/white_papers/fingerprint.html to download the document).

Many of the leading terminal manufacturers are also partnering with providers of biometric technology to test and offer a full solution at the point of sale here in the United States. VeriFone teamed up with Pay By Touch (which bought Indivos, a developer of biometrics solutions for the POS) in May 2002, contributing its payment terminals, as part of a pilot program at a Thriftway Supermarket in Seattle. VeriFone's terminals were equipped with a simple finger-image reader through which consumers access the Pay By Touch service.

In September 2003, Hypercom Corp. announced a partnership with BioPay, LLC, a provider of biometric sys-





tems for processing financial transactions. BioPay has had many successful implementations of its products—including bCheck, its check authorization service and Paycheck Secure—in many retailers in the United States.

Nearly 25 merchant locations in Virginia and Maryland, including General Nutrition Center (GNC), are implementing BioPay's biometric payment services along with Hypercom's own BioPIN finger scanning pads and ICE 5000 payment terminals.

Hypercom also recently partnered with I-Med Red Médica, a network of financial, suppliers and beneficiaries of the health system in Chile to rollout its biometric technology. I-Med is also using Hypercom's BioPIN pads and ICE terminals.

"If you look at Chile, it's going from an almost non-existent paper system to a huge electronic system," said O.B. Rawls IV, President of Hypercom North America. "It makes sense that if you're going to build infrastructure to build new infrastructure."

Rawls said Hypercom has been exploring biometrics for quite a while and became interested in it because "how better to prove who you are at the point of sale?"

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Hypercom calls it the "oldest form of identification."

"I think that biometric technology will take off, but I don't think it's going to leap out of the starting gates," Rawls said.

"For biometrics to be really successful it will have to be introduced by the government in some security module for it to work, and I think it will be in combination with a smart card and a matching biometric. There is a lot of public trust that has to be gained."

Finger Scan Provides Access to e-Wallet

Pay By Touch is a newly reorganized private company offering biometrics payment solutions. The company's management team consists of seasoned professionals from the technology and financial services industries, including Eula Adams, former Senior Executive Vice President of First Data Corp. since 1991, who now serves on Pay By Touch's Board of Directors.

Pay By Touch (formerly known as Solidus Networks, Inc.) acquired Indivos Corp. in April 2003 for its portfolio of more than 35 patents (12 of which are pending) dating back to 1994 that cover tokenless biometrically authenticated financial, loyalty and related transactions. Six months following the acquisition, Solidus received \$10 million in financing and changed its name.

The Pay By Touch technology was first released in May 2002 as part of a pilot program at a Thriftway Supermarket in Seattle. The program has been successful, and it is still up and running today. Pay By Touch is also currently in use as part of a trial program in five stores of a large video retailer.

"In the first 30 days of the pilot at the video retailer stores, we had over 60% of the consumer population sign up for the service," said Craig Ramsey, CEO of Pay By Touch. "At the end of 120 days, we had over 80% of the consumer population enrolled."

The Pay By Touch product works like this: During check-out, customers place their finger on a scanner and enter their access code; they then are identified and linked to their financial accounts (Pay By Touch calls this an e-wallet or e-purse). Next, they select their payment method—credit or debit card or electronic checking account—and pay for their purchases.

Consumers sign up for the system by visiting any retailer using Pay By Touch. They put their finger down, and then swipe cards that they want to access through their e-wallet: loyalty cards, gym memberships, video store cards, etc.

"You do this once, and then at any store that supports Pay By Touch, you are able to access this e-wallet by putting your finger down, entering a 7-digit PIN code (which is your telephone number) and all the vehicles that you put in your wallet are presented to you," Ramsey said.

All consumer data, including the fingerprint scan, are captured in a highly secure IBM DB2 database that resides in an IBM data center.

In mid Jan. 2004, Pay By Touch signed a deal with IBM that would allow retailers using Pay By Touch technology to give their customers the option of paying for purchases on IBM point-of-sale (POS) systems using a finger scan to access their financial accounts.

Ramsey believes that convenience, reduction of tender time (once customers are given the total, the length of time it takes for them to provide the method of payment and the transaction to be completed) and affordability of the technology will be the main drivers in the adoption of this point-of-sale system.

He said that with Pay By Touch, tender time is reduced to 10 seconds (versus about 20 seconds when paying with a credit card or about 65 seconds when paying with a check).

"I think the most significant thing that has happened is that we're now at a point in the technology where we've reached the economics that make it feasible to put this out in market in mass," Ramsey said. "One thing that came out of 9/11 for our industry is that it expedited the investment and the progression of the technology."

He said the technology being used two years ago at the Seattle Thriftway location cost a few thousand dollars. Today, it has advanced to be available right off the shelf for a fraction of that price.

Pay By Touch currently sells through its own internal sales force, but sees potential in the ISO sales channel down the road.

"Our primary focus over the next year is to get all the \$2 billion-and-above retailers to adopt our product, and then via telesales and potentially through ISO channels, we would address how we get to the middle tier and lower tier marketplace," Ramsey said.

Touch Me: A New Report on Biometrics


A report titled "Biometrics in Financial Services: See Me, Hear Me, Touch Me," released in April 2003 by Glenbrook Partners, a consulting and research firm for the financial services industry, explores the emerging role of biometrics technologies in financial services.

It provides guidance on the best way to manage a biometrics deployment project and identifies common obstacles and misperceptions that companies must overcome before project launch.

Allen Weinberg, author of the report, a co-founder of Glenbrook Partners and a former Vice President for Visa U.S.A, said implementing biometrics at the point of sale is still a little tricky, but not because of the equipment, but rather that it's a change in conventional practices.

"This is not a short sales process, and it won't be in the early lifecycle phases," he said. "Merchants have to come to grips with the whole value proposition—forget the equipment itself—that's an afterthought."

"If biometrics can be used to spot terrorists..., says conventional wisdom, there must be commercial applications in financial services," according to Weinberg.

Using biometrics at the point of sale still may be considered an emerging technology, but what's been proven is that it does work. Now it's a matter of proving that to merchants and their customers. 





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ISOs Head to the Great Outdoors

By Ann All, Editor, ATMMarketplace.com

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Like most independent ATM deployers, Mark Dalton rarely stops thinking about his next ATM site.

He had a "Eureka" moment when driving into a strip mall in Franklin, Tenn., about 30 miles south of Nashville; and he saw a patch of grass adjacent to the road that looked empty.

The mall owner readily agreed when Dalton, the owner of DAS Express ATM, offered to place a drive-up ATM in a small kiosk on the spot.

"He liked the idea of generating some money with a piece of property he was doing nothing with," said Dalton, whose Franklin-based company owns and services the machine and shares surcharge revenue with the mall owner.

Wide, Open Opportunity

DAS Express is one of a small but growing number of ISOs that have installed exterior drive-through or walk-up ATMs. More ISOs are considering exterior placements, lured by increased options in exterior ATMs, lower prices for kiosks and the potential for high transaction volumes.

"I think ISOs are realizing there are some tremendous opportunities to make money," said Steve Lutt, Sales Manager for Heritage Industries, a manufacturer of ATM kiosks. "You'll normally do about five times the number of transactions at a drive-up ATM as you would at an interior machine."

Lutt said that ISO inquiries about ATM kiosks have picked up dramatically in the past two years. To cater to the market, Heritage tweaked its designs to support smaller machines such as the Qualtex WeatherMaster and lowered its prices, primarily by shrinking the size of the kiosks and eliminating extras such as bumper guards.

"A drive-up is the most convenient ATM there is," said Haze Lancaster, a founding partner in ATM USA, a Raleigh, N.C.-based ISO that has deployed a handful of drive-up machines.

Five months after installing two Tranax Technologies

NanoCash ATMs side-by-side in a kiosk in a Portland, Ore., parking lot, ATM USA is generating 500 to 700 transactions a month at both machines, Lancaster said.

He expects the number to increase, although he's not sure by how much. He estimates that ramp-up to full transaction volume takes three to four times as long at a new exterior ATM site—up to a full year—but ATM USA took over in Portland when Wells Fargo pulled out.

Transaction records show that ATM usage by Wells Fargo cardholders has dropped, but Lancaster believes new users are beginning to take up the slack.

Transaction volumes at a walk-up ATM in Chicago's Wrigley Field neighborhood are 20% to 30% higher than at interior ATMs in the same area, said Brad Zerman, President of Qualtex, manufacturer of the WeatherMaster ATM and owner of a number of its own machines.

Qualtex last year became an authorized distributor of Heritage kiosks, one of about 80 across the country.



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Zerman has since sold kiosks to several ISOs, including DAS Express.

Incredible Shrinking Kiosk

To accommodate the dimensions of a WeatherMaster, which is smaller than the NCR and Diebold ATMs typically deployed by banks in exterior locations, Zerman said Heritage created a kiosk that is seven feet high, four feet wide and four feet deep. That compares to a more typical size of eight feet high, seven feet wide and seven feet deep, Lutt said.

Shrinking the kiosk means that machine maintenance and replenishment must take place outside the kiosk rather than inside, under the protection of a locked door. "Some ISOs don't mind filling the machine standing out in the open with the door open," Lutt said.

Kiosk prices vary widely, Lutt said, from \$5,000 for a small basic building to \$25,000 for a full-size, fully outfitted building. Aesthetic extras like canopies and lighting vary in price from \$900 to \$9,000 but can pay off in increased transaction volumes, he said.

"Your kiosk is like a billboard for your ATM, so you want to make it as noticeable as possible."

It'll Cost Ya

In addition to the price of the kiosk itself, ISOs often must pick up the tab for landscaping and other services not required in interior ATM deployments.

Dalton said his Tennessee drive-up costs less than the \$30,000 he had projected. His investment included backlit signage and a brick overlay on the metal kiosk, which he said fit the upscale atmosphere of the neighborhood where the mall is located. "We really wanted it to look good."

Lancaster spent less than \$15,000 for the Oregon drive-up, a price he said might intimidate many ISOs. "You could do three or four interior ATMs for that."

The previous deployer had done much of the site work, which kept Lancaster's costs down. He purchased a refurbished kiosk from Atlanta Computer Group (ACG). Woody Alderman, ACG President, said that a refurbished kiosk generally costs \$6,000 to \$7,000 less than a comparable new one. ACG is also a reseller of new Heritage Industries kiosks.

ACG has an industrial paint shop at its 35,000-square-foot facility in the suburbs of Atlanta and employs a part-time



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graphic designer to help deployers get the look they want for a kiosk. A larger-than-usual number of kiosks are currently available on the refurb market, due to a flurry of recent bank acquisition activity, Alderman said.

Like Lutt, Alderman said he's fielding more inquiries from ISOs and has sold some kiosks to them in the past two years. "It's not a huge number but it's growing," he said.

Alderman believes more ISOs are evaluating exterior deployments as the "usual" interior sites—convenience stores, gas stations and the like—become less profitable due to declining transaction volumes and intense price-based competition.

It's Complicated

Dalton, Lancaster and Zerman agree that exterior deployments, in addition to being more expensive than interior ones, are more complex.

"Just about anybody can go into a store, bolt an ATM into the ground and bring it live," Zerman said. "But with an exterior machine, you've got to worry about finding a good contractor to help you with the installation and getting all of the appropriate permits."

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Zerman believes that his company's WeatherMaster, along with exterior ATMs recently introduced by other retail-oriented manufacturers like Triton, are opening up new opportunities for ISOs to sell turnkey programs at sites once open only to banks.

"Without a card base, most ISOs couldn't justify the cost of a new NCR or Diebold through-the-wall machine," he said. "So before we came along, their best case scenario was a 10-year-old refurbished machine."

Dalton, for one, said he finds refurbished machines "not worth messing with," due to the lack of warranties and concerns over their capabilities to meet Triple DES requirements.

One of his biggest mistakes, Dalton said, was hiring the same construction firm used by the mall. "I thought I'd get a good price because they were already going to be out there, but my project kept getting put on the back burner."

Because of the delays, the machine sat idle for a few months. So Dalton used a large banner to direct drivers to the "live" ATM. He's also considering a receipt-based promotion that will offer some ATM users free movie tickets at a nearby theater—where his company also has an ATM.

Because exterior deployments have been so completely dominated by banks, Lancaster said more time, money and effort is required to sell property owners on the idea of exterior ATMs owned and/or managed by an independent.

But a proven ability to manage such machines is an effective sales tool when it comes to wooing malls and other marquee clients, Lancaster said. "You have to be flexible to get those accounts. They might want an interior machine, an exterior machine or both."

Site owners are generally more willing to lock into longer-term contracts with exterior ATMs, Lancaster said. This is a bonus—albeit one that could turn into a drawback if transaction volumes do not meet expectations. "You can't just pull up that machine and take it someplace else."

Because of their long histories of providing hardware and enclosures for exterior deployments, both Lutt and Alderman say their companies can offer advice to ISOs in, what for them, is a new market.

"Every exterior site is different. It's not like a c-store, where there are a lot more similarities than differences," Lutt said. "We work hard to help our customers address the needs of every site." ■

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TrustCommerce

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Senior Vice President
Business Development and Strategic Alliances
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e-mail: ja@TrustCommerce.com

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Open Source Applications for Each and Every Individual Solution

This might sound familiar: wrestling with a computer program, struggling to get it to do what you were hoping it would. You try tweaking and coaxing, but the darn thing just won't budge. It's a battle that usually ends in frustration for the user, who has to succumb to working around the software's limitations.

Proprietary, or closed-sourced software is convenient, but its preset features and functions might not provide the best tools for the job—when it comes to bathing suits, shoes and especially business solutions, one size never fits all.

If there are specific issues inherent to your customers' processing environment, think Open Source. The people at TrustCommerce did in developed their solutions for merchant services clients and those in industries including health care and mortgage lending.

Since 1999, TrustCommerce has provided solutions for a variety of commerce enterprises based on Open Source programming.

It also provides professional services including consulting, engineering services, software development, systems integration and system security.

Its IP transaction and payment processing applications are fast, comprehensive, secure and flexible, giv-

ing clients the ability to adapt the applications to their own needs and integrate them into their own specific environments.

"We custom-build applications," said John Allen Tharpe, TrustCommerce's Senior Vice President of Business Development and Strategic Alliances. "Our products and solutions are client-driven. We build what the merchant community desires. They're guaranteed, reliable, fast, secure, work painlessly and are easy to integrate. The clients can see what they're embedding into their own system.

"Our competition delivers shrink-wrapped solutions," he said. "Merchants look at those and find 80–90% functionality coverage. They may like certain features, but often require exacting, industry-centric functions to achieve 100% of their needs. Having the ability to acquiesce to client requirements provides us with a tremendous competitive advantage."

The company's principals are all industry veterans, Tharpe said; for example, he spent 12 years in acquiring, selling merchant card processing services and as an e-commerce specialist.

Tharpe compared the theory behind Open Source applications to buying a new car. In a closed-sourced environment, it's proprietary. At that car lot, the salesperson won't allow buyers to look under the hood to view



the processing engine. Who wants buy a car with the hood welded shut?

"In Open Source environments, though, it's 180 degrees opposite," he said. "The salesperson lifts the hood and buyers can examine everything. This way, the client can analyze and determine if the processing engine code is well written or appropriate."

This dramatically changes the playing field of software development. Users benefit from the labor of everyone else and adapt code written by others to their exact needs.

Open Source software is more thorough and secure since the author knows that every line of code can be audited by anyone in the world. Linux is probably the best-known and most widely used Open Source program; IBM is a major Open Source user and supporter.

TrustCommerce's software engineers and designers work with their clients to develop customized solutions. "We enable our customers with the ability to process transactions so it makes sense to their business models," Tharpe said.

TrustCommerce has a number of payment processing products and services available through wholesale and retail distribution channels and partnerships with many of the largest acquirers. They provide payment solutions for retail, MOTO, e-commerce, kiosk, call center and fulfillment environments—in other words, any processing environment that desires to transmit authorizations and settlements over the Internet (IP Protocol).

Its TC Suite of solutions offers easy integration and applications, which are platform-neutral and language independent. TC CrediKey offers innovative solutions for credit card

processing. TC Citadel offers robust recurring payment, subscription, installment or continuity billing solutions; it also delivers a card storage feature to alleviate local storage liabilities for clients.

TC CrediGuard is a neural network providing enhanced fraud forensics, velocity, heuristic and blacklist capabilities. TC Wallet is designed for micro payments and allows clients to process stored-value transactions or process-aggregated batches once a client-defined threshold is met. The TC Suite of solutions is CISP compliant and is the only payment product to win an award for 'Product Excellence' from the Association of Internet Professionals.

Throughout its offerings, in fact, TrustCommerce has incorporated security procedures into its systems that it says rival those used by governments around the world. Going



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well beyond the industry standards of DES encryption or 1024 bit data transfer practices, for instance, TrustCommerce uses AES database encryption and 2048-bit data transfer practices.

Tharpe said the company's Open Source foundation and the combined experience of the staff have enabled them to build a system of products and services that are not only extremely secure, but are equally reliable and fast. "We started out knowing more what not to do," he said. "We architected a system diametrically opposed to the standard and common 'monolithic' architecture which utilizes a primary processing engine with a singular back-up in a remote locale.

"We offer 100% up-time," he said. "I realize this is a bold statement, but due to our system's architecture we have never been down—ever."

Even for smaller merchants, TrustCommerce's system provides fast transaction times. "We use geographically distributed processing nodes located throughout the country so transactions don't follow the same path. There are no bottlenecks at the main processing engine and transactions are processed more efficiently and quickly," Tharpe said.

Due to security issues, the company doesn't publicize its client base but instead will provide references to clients and invites potential customers to contact them.

TrustCommerce has a reseller program designed specifically for the ISO/MLS channel. Working with TrustCommerce allows salespeople to close clients they might not otherwise get because of its flexibility in being able to customize applications.

"These days, successful sales reps have to be technically aware—they're not just selling terminals anymore," he said. "We are the engineering department who reports to the ISO/sales department."

The company actually encourages its resellers to seek out challenging merchant situations other ISO/MLS organizations shy away from. When TrustCommerce comes up with solutions, ISOs/MLSs are able to take that merchant relationship one step further to one that's consultant-based and long-term.

"We are the industry's 'go-to-guys,' or 'hired guns,'" Tharpe said. "We solve problems. We develop systems and custom-build applications that make sense for our clients' vertical markets."

TrustCommerce's clients range from merchants and acquirers, reseller and referral partners, to Fortune 500

and independently owned companies. The list includes government agencies, banks, universities, hospitals, finance companies, major retailers and Internet and mail order merchants.

TrustCommerce designed, developed and manages an inventory management database for one of the nation's largest warehouse clubs and a 'product presentment interface' for Amazon.com. Many companies hire TrustCommerce to provide security and assessment solutions, application development and consulting services.

The company also places importance on being community-minded. It donates services to registered charitable organizations. And according to its corporate charter, TrustCommerce will not process for companies it feels adversely affects the community as a whole, such as adult related businesses.

TrustCommerce is building on the communal philosophy of Open Source, each client, each step of the way. "We are not about offering quasi-solutions that work part-time—we are about achieving 100% of the merchant's intrinsic processing requirements," Tharpe said. "If we don't have it, we'll build it!"



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Lately there's a whole lot of litigating and legislating changes to processing fees and implementing new security requirements going on in the payments industry. To accommodate these varied initiatives, Hypercom Corp. has introduced the S9 payment device.

The S9 is a modular upgrade and is easily integrated into leading POS systems, providing merchants with lots of features—including a cost-effective way for them to take advantage of the increase in PIN-based transactions.

Hypercom says the S9 offers retailers the right technology, software, flexibility and branding opportunities—giving their customers a smooth payment experience.

The S9 also features several security certifications that meet or exceed industry standards. It reads both magnetic stripes and smart cards, is PED and EMV Level 1 certified, it achieved Infoguard testing and the system features a separate security processor and Master/Session DES, 3DES and DUKPT support.

The S9 offers a number of additional key advantages to merchants. Its distinctive ergonomic design can be deployed as a hand-over or counter-top PIN entry device; it can also be mounted to integrate into the existing point-of-purchase design, providing smooth and cost-effective EMV migration. It is compatible with Hypercom's T7 and

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ICE families of terminals.

Retailers will also not have to write any new code to run the S9—HyperWare FPE software with drivers such as Windows DLL, OPOS and JavaPOS controls is included.

The device's post-mold decorating technology lets merchants customize the S9 with their own brand or colors so that when customers swipe their cards, the brand and message become part of the transaction experience.

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Because the payment industry relies on a hierarchal sales channel composed of large acquirers, agents and sub-agents to provide services and products to merchants, tracking the activities and generating reports associated with each one along the way can be complicated. The Master Agent package lets managers gain access to the

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More Consolidation in U.S. Check Clearing Infrastructure

The oldest check clearing organization in the United States, The Clearing House, announced it has completed its acquisition of Western Payments Alliance's (WesPay) Check Services business, consolidating its own East coast operations with WesPay's West coast operations. Plans for the acquisition were announced on Oct. 20, 2003, and the transaction was completed on Jan. 7, 2004.

The deal makes The Clearing House the largest private check clearing organization in the country.

The merger is a reflection of the industry's need to "rationalize and standardize industry infrastructure," said Nicholas Alex, Senior Vice President/Director of Global

Products and Strategy for Bank of America.

Top West Coast banks, including Bank of America, use WesPay's clearing house. WesPay will continue to operate as an ACH Association.

The declining market for processing paper checks (estimated to be about 3-5% annually) is expected to further decelerate—because of growth in electronic transactions and with the recent passage of Check 21. Check 21 allows images of checks to be exchanged instead of the actual paper checks.

"In the past, just about any city of any size had its own clearing house," said Patti Murphy, President of The Takoma Group. "But we can

expect those to pretty much fall by the wayside with Check 21. As check truncation and electronic check clearing are ushered in by implementation of Check 21, geographical distance is no longer the consideration it once was."

Through several recent acquisitions, The Clearing House has become a payments powerhouse and is now "the only private sector operator of both paper and electronic payments utilities for the financial services industry," said Jeffrey Neubert, President and CEO of The Clearing House. It processes more than 4 million transactions per day totaling \$7.8 billion for its 35 participants in the Northeast.

In other words, by all appearances The Clearing House is becoming the chief private sector alternative to the Federal Reserve Banks, Murphy said. It is the only private sector provider with a coast-to-coast network. ■

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I know first hand how hard it is to be a successful merchant level salesperson. I come from the streets, having sold my first few thousand accounts personally. I'm recognized as a long-time advocate and spokesperson for merchant level salespeople. My allegiance is to MLS because I value the hard work you do. I possess an unwavering commitment to insure you not only get treated fairly but also get paid generously.

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I urge you to review Total Merchant Services' partner program in detail. Please stop what you're doing right now and take 10 minutes to check out our partner website - www.upfrontandresiduals.com - where all the specifics are laid out. Even if you have looked at us before, there are new program features that will make all the difference for you in 2004.

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If you consider yourself a bankcard sales professional and a merchant account "portfolio builder," then consider this: Are you building your merchant portfolio on a solid foundation—with a stable monthly residual income stream and merchant customers that will stay loyal and process with you for a very long time?

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If you think it's a good idea to work with a company that does not assess your merchants from a risk management standpoint, then you're making a big mistake. Poor risk management, or none at all, is a hidden bomb that eventually explodes.

Companies that don't consistently and rigorously manage their portfolios and the transactions their merchants make end up losing a lot of money. These companies are forced to go out of business because they must either sell their merchant accounts to pay off losses or liquidate portfolios to cover the losses.

When that occurs, what happens to your residuals? If your ISO hasn't dedicated the proper risk management resources, then your residual commissions are at risk of diminishing or disappearing.

How does this affect your merchants? We've seen many companies that need to make up for this lost income by increasing merchant rates and fees or charging the infamous "annual fee" more than once a year. As you know, these increases and additional fees are not usually added to your commission.

Have you wondered, "Since I'm not liable for merchant losses, should I really care about getting an accurate understanding of what merchants plan to do, what their average ticket is and the range of their tickets?"

Do you think you should be concerned with the real percentage of merchants' swiped transactions? Do you wonder if these issues are just questions that get in the way of getting the application through the underwriting

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process? To get answers, I posted the following on The Green Sheet's MLS Forum:

"When it comes to working with your ISO/MSP partner, what is your responsibility in the process? As a 'no liability' MLS, should you even care about risk management issues, or do you leave it all up to your services provider?"

"Do you prefer working with a company that closely examines each account before approval or do you prefer one that just approves all accounts and then handles whatever goes wrong later? As a hardworking MLS, what contributions do you feel you need to make to help your ISO/MSP partner manage risk and control losses?"

From the responses, it's obvious these are issues MLSs feel strongly about:

"I think that most MLSs are not in a position to share in the risk and financial loss that could be incurred on a given merchant account. I think that it is important to realize that there are really three types of loss that can take place: 1) Loss due to NSF; 2) Good merchants that fail; and 3) Fraudulent merchants. No matter what, over time every ISO is going to take a loss on an account here and there, despite all of the best 'preventive medicine.'

"Your reputation is on the line with every deal that you submit. So don't risk losing your agent status or the good will of your ISO by trying to submit a deal when something looks wrong on it. Do your due diligence, send in only deals that YOU would be comfortable underwriting and taking the risk on if YOU were the one who had your dollars on the line." —cdgcommerce

"I think in today's ISO world, in many companies, there isn't the same type of understanding and mutual respect between the corporate office and the reps in the field. Very few ISOs require any type of training, and the education process is very poor. The risk, underwriting and fraud prevention departments are looked at by many as the 'enemy' because many reps just want their deals done and don't really have an interest in the overall profitability of the ISO.

"I think that's wrong and that the agent on the street has the first responsibility in the process to ensure they are bringing the 'right' type of merchant to the ISO and making sure the site survey and application are true, fair and honest." —Too Tall

"I [have been] in the business three years, just 14 months as a MLS for an ISO, before that as an agent of an agent of an agent...I feel like if I answer the questions on the

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app[lication] and don't cover up anything that may be fishy, I have done what I should. If they come back with more requirements I have to get to get paid...no big deal.

"I care...but I think it is my job to bring the paper to the table and their job to flush out the bugs. I know how to do mine and they know how to do theirs, and we have a mutual respect. I do not fault them when they want more info or shut one down. I work for my customers...I answer to the ISO/MSP. Bring as many good deals as possible to the table...period. Sell, Sell, Sell!" —Bancardrep1

"As far as these quick approvals, I am hearing more about merchants being on the MATCH file after processing begins; and subsequently shut down. I know what the rules state, but these hardworking MLSs are getting a kick in the butt more often on this issue. There seems to be much more TMF than when I had my MSP. As much as it may hurt, the slower process proves a better result in most instances. As far as the no liability clause, if the MLSs do not dot their 'i's' and cross their 't's' 100% where required, that goes out the window." —Q

"After speaking with different types of ISOs, I can conclude that it is the money and the merchant count that dictate your underwriting and risk policies. The most dangerous part of the risk is when the rep signs the mer-

chant that is good and the merchant goes out of business. We have to be careful with these types of accounts. On the other hand you have a rep that worked hard on the niche market and only submits these types of accounts. Does that mistake make the rep not trustworthy? How can you tell—where is it a mistake, and where is it the intent?

"I believe the answer is simple. We all know the hit will happen and if you are able to afford to lose like big boys such as Chase and First Data then it should be a judgment call on the rep's part and the responsibility of being a full service processor. Otherwise retail has always been a much safer play. I also believe that this applies to the daily risk management as well." —nvs98

"I'll tell you what I already do for you, Ed: Four to eight app[lication]s a month never make it to you because I know they are fraudulent. I get gut feelings on some. I've asked [my assistant] to withdraw apps in the past because I suspected fraud after I submitted them. I take it personally when I let a bad one through. I don't want any risk on the apps I submit. That's why I pay that reserve to you, that you require to cover the risk." —Tazman

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get the right information upfront helps them make good decisions from the beginning—and even more importantly—helps them service and support your merchants into the future.

If you're counting on your ISO partner to provide you with the best merchant account program and to continue to pay you aggressive amounts of upfront and residual income, then you need to "help me, help you" by being a front line of defense for your ISO partner. In return, you will achieve your goal of building a stable, reliable merchant portfolio that will stay with you for a very long time.

I recommend that you discuss risk management issues (in a positive manner) whenever you are selling to merchants. They will see you as a professional sales consultant and a valued business partner, and this will differentiate you from a hack salesperson trying to rush an equipment sale or one who might disappear after the lease gets confirmed.

To help MLSs at Total Merchant Services achieve this goal, we provide color brochures in our merchant welcome kit that include risk management tips for retailers and MO/TO merchants. The information shows them

what to do when dealing with suspicious customers, what to do when the card won't swipe properly, how to visually check credit card and receipt data and how to watch for skimming activity.

Every hardworking MLS should also know certain facts about fraud. There are two types—credit losses and fraud losses. Credit losses can occur :

- when companies go out of business
- when companies do not ship products for weeks (resulting in chargebacks on those transactions that cannot be collected from the merchants)
- when merchant account acquirers are not able to collect their merchant account month-end fees

Following is an example of loss due to fraud: when a legitimate storefront agrees to process "skimmed" credit cards to earn some extra money illegitimately. Criminals make new credit cards with skimmed account numbers, and then start swiping the fake cards through a terminal they just had set up for their new "pet store." A new merchant processes the cards, gets the money and then the chargebacks start coming in 30–90 days later.

In situations like this, the merchant account acquirers will

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be out money if they cannot obtain properly signed receipts (which is not going to happen when you setup a fraudulent merchant). These merchants are not in business to process credit cards for a legitimate operation. They are simply set up to steal money from the system—which really means stealing money from merchant account acquirers (i.e. your business partners).

Honest professionals strive to effectively manage merchant credit losses. That's happening today and will continue to happen in the years to come, but your ISO partner needs your help—during the application processing stage and when dealing with any merchant who has risk management issues.

Keep in mind the motto from the movie "Jerry Maguire," when Tom Cruise's character emphatically screams at his client, "Help me, help you!" and be an outstanding MLS by helping your ISO partner help you.

My next column will focus on business philosophies, strategies and tactics that translate into financial success. We'll explore how MLSs run their professional and personal lives and how that correlates with success (or failure). Watch for my post on The Green Sheet's MLS Forum. As always, I'd love to hear from you. Please send feed-

back on this topic (and any others) to streetsmarts@totalmerchantservices.com. ■

"It is one of the most beautiful compensations of life, that no man can sincerely try to help another without helping himself."

—Ralph Waldo Emerson

See you next time where the rubber meets the road.

Ed Freedman is founder and President/CEO of Total Merchant Services, one of the fastest-growing credit card merchant account acquirers in the nation. Ed is the driving force behind all business development activity as well as the execution of Total Merchant Services' marketing plan, including recruiting and training independent sales offices and establishing strategic alliance partnerships with leading vendors, so that Total Merchant Services can provide its customers with the highest quality and most reliable services available.

To learn more about Total Merchant Services, visit the Web site at www.totalmerchantservices.com. To learn more about partnering with Total Merchant Services, visit www.upfrontandresiduals.com or contact Ed directly at ed@totalmerchantservices.com

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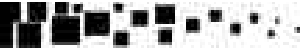
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▶▶ EDUCATION [CONTINUED]

Beyond Bankcard Big Payments Events in 2003 Mean Big MLS Opportunities in 2004

By Steve Eazell

Secure Payment Systems

Welcome year 2004, a leap year for those of you who didn't know, which gives us all one extra day—Feb. 29—for opportunity for success. This is the greatest time to be in the electronic payments industry, which is the greatest business in the world.

I strongly believe that there are more self-made millionaires created in this business than in any other. There have always been plenty of opportunities for those future millionaires who think outside the box and several events from 2003 should provide even more inspiration for industrious Merchant Level Salespeople (MLSs).

Readers of The Green Sheet are familiar with articles regarding the safeguarding of their wealth. I'd like to briefly re-visit a different aspect of this concept. If you're not concerned with your merchant base and reducing attrition, then you're probably in jeopardy of losing your customers, most likely forever.

It's no secret that the most expensive sale is the lost merchant. So many of us continue to lose accounts to competitors because we fail to look down the road to our future residual base, our most valuable asset. Instead, some of us focus only on the next sale. Let's face it: we entered into this business because of the recurring revenue aspect of it—remember 'money while you sleep?'

There were some important events in our industry during the last year that some of us have taken notice of (others have glossed over) and may have caused us to take our eye off the ball as we work toward our first (or next) million dollars. Consider these developments and what impact they may have on your business:

- The passing of the Check 21 initiative
- The Visa/MasterCard settlements
- The proposed First Data Corp./Concord EFS merger
- Wal-Mart's decision to stop taking MasterCard signature based-debit cards

I believe these events are not only important for the industry overall, but also for the opportunities that they could bring to our respective bottom lines. What ramifications could these monumental events have for MLSs?

The Passing of the Check 21 Initiative

First of all, let's look at the Check 21 initiative, passed by Congress late in 2003 to help financial institutions save money. When this legislation takes effect in Oct. 2004, images of paper checks can be transmitted electronically rather than being physically sent by planes and trucks, far more expensive modes of transportation.

The implications for MLSs are great, but not complicated. Some banks will choose to spend the money to image and store these documents.

However, there are numerous up-front, out-of-pocket

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Acquirers have had to accept interchange increases without so much as a 'thank you, may I have another?' before they're raised again. We would all agree that interchange is probably a necessary evil, but enough is enough.

expenses involved; there will be financial institutions (including credit unions, small community banks and others) that may opt to not participate.

This will provide an opportunity for us to form strategic alliances or agent bank relationships with these financial institutions to offer their merchant bases check conversion, ARC or other revenue generating ACH options.

These services also transmit the images of paper items electronically, but the financial institutions benefit without the initial capital outlay—and you reap the profits.

The Visa/MasterCard Settlements

Next let's look at the Visa/MasterCard settlement in the class action lawsuit, which Wal-

Mart and other retailers filed because of the associations' 'honor all cards' policy; as part of the settlements, Visa and MasterCard both agreed to lower interchange rates for debit signature cards.

I agree that smaller retailers will probably never benefit from this change, but with the outcome, we are seeing that the associations are no longer bullet proof.

Acquirers have had to accept interchange increases without so much as a 'thank you, may I have another?' before they're raised again. We would all agree that interchange is probably a necessary evil, but enough is enough.

For those selling it, the issue of pricing has come down to lost margins. Even though this may look like another opportunity for the rich to get richer, it could turn out to be the

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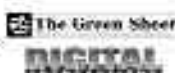
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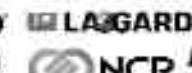
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end of the juggernaut of the monopoly-like price gouging we have been forced to endure.

The Proposed First Data Corp./Concord EFS Merger

What I'm getting at here is that opportunities exist where you would least expect them. If you're not paying attention, rest assured, someone else is. If you're not diversifying your product offerings, taking care of your customers and communicating with them regularly, they won't be around for long—and neither will you.

With that being said, let's look next at the FDC/Concord EFS merger. Once these behemoths merge their large portfolios and gain a gargantuan share of the market, it might seem like the beginning of the end to competition.

Let's think about this for a moment.

This merger will probably be finalized this year. Because FDC already controls both issuers and acquirers,

it will continue to process 'on-us' transactions (FDC is owned by FDC) without going through the associations' networks.

It is also true that the associations are trying to sue FDC for violating their regulations, but there is nothing holding them back from doing so in the absence of an injunction. Suppose FDC wins a lawsuit claiming Visa and MasterCard have been operating as a monopoly all of these years.

Perhaps simply due to market forces, the associations could see this as an opportunity to balance the scales by actually reducing interchange.

We could see a certifiable battle of the titans—"Godzilla vs. King Kong"—which might seem extremely far-fetched, but I believe it is feasible and will provide a chance for all to benefit from lower fees and

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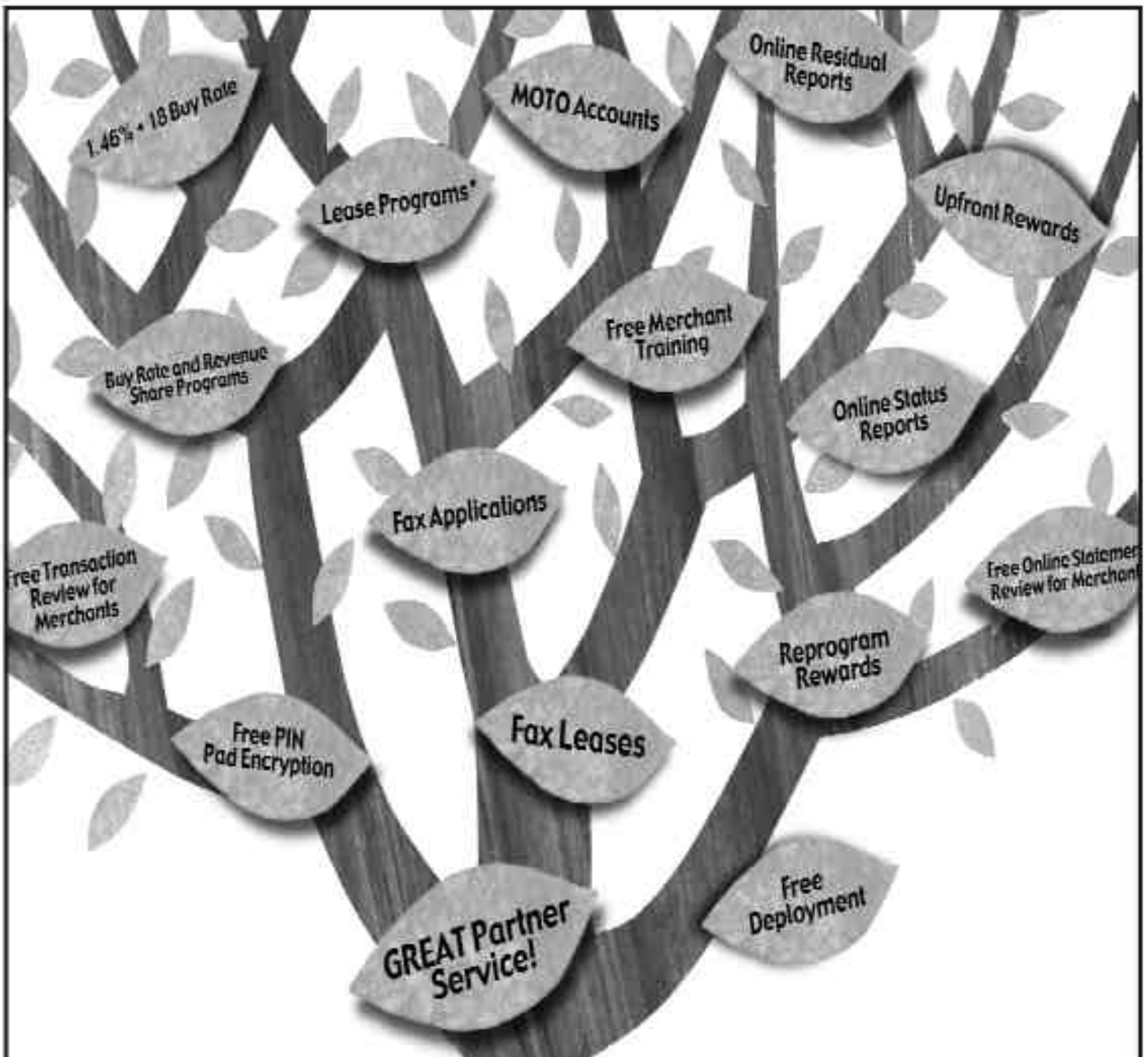
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Many of us currently use our "check" cards rather than our PIN-based "debit" cards because we know that we are going to get at least two days of float. But if the option ... isn't there, we may ultimately have no choice when our bank accounts are anemic and will have to carry checkbooks again.

fatter margins. We can only wait and see.

Wal-Mart's Big Decision

Last but not least, there's Wal-Mart's decision to stop taking signature based-MasterCard transactions. Let's say, for the sake of argument, that other retailers follow suit and decide to stop accepting one card or another.

Many of us currently use our "check" cards rather than our PIN-based "debit" cards because we know that we are going to get at least two days of float.

But if the option to use a payment card isn't there, we may ultimately

have no choice when our bank accounts are anemic and will have to carry checkbooks again. If checks ever become more prevalent again, the associated risk will increase.

This means opportunity for MLSs to generate more revenue by offering check services including conversion and plain old-fashioned check guarantee.

What I'm getting at here is that opportunities exist where you would least expect them. If you're not paying attention, rest assured, someone else is.

If you're not diversifying your product offerings, taking care of your customers and communicating with

them regularly, they won't be around for long—and neither will you.

There really can be a silver lining behind every black cloud. You just have to take a moment to look for it, even if it is somewhat faint. ☒

Steve Eazell, a 15-year veteran of the payment industry, is the Director, National Sales and Marketing for San Diego-based Secure Payment Systems, Inc. (SPS), a national provider of value-added services, including electronic check and stored-value gift card services.

For more about SPS, visit www.securepaymentsystems.com or e-mail Steve at seazell@securepaymentsystems.com

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►► EDUCATION [CONTINUED]

Updates for the New Year

By David H. Press

Integrity Bankcard Consultants, Inc.

There are several important updates to topics I wrote about recently in The Green Sheet.

Visa Operating Regulations

Since my last article, "What MLs Need to Understand About Underwriting" (The Green Sheet, Jan. 12, 2004, issue 04:01:01), the newly revised Visa Operating Regulations have gone into effect (as of Oct. 1, 2003); however, they now specify additional requirements for e-commerce merchant acquisition and monitoring.

To ensure that online merchants are financially responsible, the acquirer must inspect and monitor them as follows:

Business Description

Prior to signing an online merchant, the acquirer must obtain a detailed business description from the merchant.

Initial Web Site Review

Prior to signing an online merchant, acquirers must:

- Examine the merchant's Web site to verify that the merchant is operating within the acquirer's jurisdiction
- Ensure that the merchant is not engaged in illegal activities or any activity that could damage the Visa system or brand
- Retain copies of all relevant Web site screen shots

Annual Web Site Review

With existing online merchants, acquirers must:

- Examine the merchant Web sites at least once each year
- Retain copies of all relevant Web site screen shots (retained copies may be in either hard copy or electronic formats)
- Provide the retained copies to Visa upon request

In another article, "It's Time to Start Using Verified by Visa" (The Green Sheet, June 9, 2003, issue 03:06:01), I stated that Verified by Visa has become a useful tool for acquirers to implement.

When properly used, Verified by Visa eliminates the possibility of chargebacks resulting from fraudulent transactions. The risk of loss now remains with the issuer for these types of cardholder complaints. This is a huge benefit to acquirers and online merchants that have been plagued with chargebacks, which are most commonly fraudulent mail/phone order transactions, or 'Reason Code 61,' according to Visa terminology.

When online merchants use Verified by Visa, they eliminate 'Reason Code 61' chargebacks—and the new "I didn't do it" chargeback category where the cardholder does not recognize the transaction, or as Visa puts it, 'Reason Code 75'—and dramatically reduces overall chargeback totals.

Merchant acquirers using Verified by Visa will be able to represent any Reason Code 61 or Reason Code 75 chargebacks. The merchant is required only to submit the transaction for enrollment verification; the cardholder does not have to be enrolled in and using Verified by Visa.

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Visa has revised its Operating Regulations to support use of Verified by Visa. The regulations now:

- Require an Address Verification Service (AVS) inquiry for a transaction to qualify for CPS/e-commerce Preferred Retail, if applicable
- Must reflect the authorization characteristics indicator values and payment service values for:
 - CPS/e-Commerce Preferred Hotel and Car Rental
 - CPS/e-Commerce Preferred Passenger Transport
- Specify that an acquirer may optionally use 'D' for digital goods and 'P' for physical goods in the e-commerce goods indicator field of the clearing record in order to identify the type of goods purchased.

U.S.A. Patriot Act Compliance

Another article, "How the Patriot Act Affects Rules of Risk Prevention" (The Green Sheet, July 14, 2003, issue 03:07:01) reviewed what payment services providers need to do to comply with the U.S.A. Patriot Act. To prevent money laundering and terrorist financing through its system, Visa has implemented a new anti-money laundering program.

To ensure Visa and its members are in compliance with the Patriot Act, its Operating Regulations now require members to:

- Implement and maintain their own anti-money laundering programs
- Block the authorization of cardholder transactions or terminate all merchants that engage in the following activities:
 - Introducing illegal funds into the Visa system
 - Laundering money through the Visa system
 - Financing terrorist activity through the Visa system

Additionally, the new phrase "Visa Issuer Fraud Detection Service" will replace the previously used term, "Cardholder Risk Identification Service." Visa encourages acquirers to deal with any high-risk merchant activity and ensure compliance with its Operating Regulations.

Visa revised the regulations to expand the penalty amounts and assessment periods relating to Risk Identification Service fines.

The Operating Regulations now also modify the on-site review fees assessed in conjunction with the Risk Identification Service and the Acquirer Monitoring Program. The one-time fee of \$5,000 has been reduced to \$2,500 per day and a one-week minimum fee of \$17,500.

Visa assesses a \$5,000 fine to the acquirer when it desig-



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nates a merchant as high-risk. If a merchant has excessive fraud activity within a rolling six-month period, Visa will also assess the following penalties:

- 1st occurrence—\$5,000
- 2nd occurrence—\$10,000
- 3rd occurrence—\$25,000
- 4th occurrence—\$50,000
- 5th occurrence—\$75,000
- Each subsequent occurrence—\$100,000

There are additional fines and conditions if an acquirer or merchant attempts to avoid detection under the Risk Identification Service program.

If Visa determines that an acquirer or its merchant changed, modified or altered merchant data in any way to avoid detection by the Risk Identification Service, Visa may assess a \$25,000 fine to the acquirer for each occurrence identified.

Chargeback Monitoring Program Enhancements

To further enhance the effectiveness of its merchant, acquirer and high-risk chargeback monitoring programs, Visa revised its Operating Regulations to modify monitoring parameters, merchant disqualification

and fee assessments.

Visa will now monitor the total volume of domestic (U.S.) and international interchange and chargebacks for single merchant outlets and identify merchants that experience all of the following activity levels during any month:

- 100 interchange transactions
- 100 chargebacks
- A 1% ratio of overall chargeback-to-interchange volume

A merchant that moves an outlet to the United States at the same time it is operating in another region's chargeback monitoring program will be assigned the equivalent status in the U.S. region's comparable chargeback monitoring program.

With the increased number of chargebacks allowable per month, I expect Visa will be more vigilant in enforcing its new regulations. As a result, expect the number of merchants in violation of the parameters to decrease. ☐

David H. Press is Principal and President of Integrity Bankcard Consultants, Inc. Phone him at 630-637-4010, e-mail David at dhp@integritybankcard.net or visit www.integritybankcard.net.

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▶▶ EDUCATION [CONTINUED]

Interchange Untangled—Part 8

This is the eighth article in a series written in response to numerous reader requests for definitions of the various interchange levels. We are working with several industry experts to explain the interchange "buckets," and how transactions are assigned to the processing levels. For the associations' latest rates, see chart on page 77.

Corporate Cards

Visa Purchasing Card Large Ticket Rate

To qualify for the Purchasing Large Ticket program, a transaction must be made with a non-U.S. General Services Administration (GSA) purchasing card. The category applies to specific business-to-business Merchant Category Codes (MCCs) only. Merchant registration and applicable registration fees are required.

The MCC, Merchant Verification Value (MVV) and Acquirer BIN relationship must all be registered with

Visa. The transaction must meet Custom Payment Service (CPS) requirements, be cleared in eight days, and Level 2 and Level 3 data must be provided.

The transaction amount can be any amount up to and including \$10 million.


Visa GSA Purchasing Large Ticket 1 Rate

To qualify for this program, a transaction must meet GSA Purchasing Large Ticket requirements. The transaction must exceed the transaction amount threshold of \$8,750 to receive this rate.


Visa GSA Purchasing Large Ticket Rate

To qualify for this program, a transaction must have a MCC that is defined as a Non-Travel Service. The card must be a GSA purchasing card and the merchant must be a GSA participant.

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The transaction amount is equal to or greater than \$5,000 for up to a maximum individual amount of \$8,750. The transaction must meet CPS requirements; Level 2 and Level 3 data must be provided.

Visa Commercial Cards Rate

Visa uses the term 'commercial cards' to describe those designed for use in business-to-business transactions.

- Visa Business Card—intended as a line of credit for small businesses. It is used for various business expenses such as supplies, equipment and advertising.
- Visa Corporate Card—designed for large corporations' travel and entertainment (T&E) expenses.
- Visa Purchasing Card—created for large corporations' purchasing departments for buying supplies and equipment.

Visa Commercial Card Electronic (T&E and Non-T&E) Rate

To qualify for this rate, the transaction must be CPS qualified as defined in Consumer Rates and be settled within two days of the transaction date.

T&E Merchant Rate

This rate applies to all CPS qualified Corporate/Business/Purchasing cards used at T&E merchants. Hotel and auto rental transactions must meet CPS Hotel or Auto Rental Card Present requirements.

Non-T&E Merchant Rate

This applies to purchasing cards used at non-T&E merchants when Level 2 data are not provided. It also applies to Corporate/Business cards at non-T&E merchants when Level 2 data are not provided.

If a non-T&E merchant provides the additional data elements, those transactions will move to the Consumer Rates category and will qualify for the appropriate CPS rate. ■

To find more articles in this series, please visit www.greensheet.com and use the 'Fast Finder' function to search for 'Interchange Untangled.'

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▶▶ EDUCATION [CONTINUED]

Legal Ease

Privity of Contract: Know All Parties to Your Agreements

By Adam Atlas

Attorney at Law

Banks, processors and ISOs often forget that ISOs sign contracts between merchants and banks or processors and generally do not sign contracts directly with merchants. Whoever you are in the matrix of relationships in the electronic transactions processing business, it benefits you to consider who the parties are to the contracts in your specific business.

One of the first principles taught in any law school contracts class is 'privity of contract.' In a nutshell, if one party has privity of contract with another, it means that the parties have a contractual relationship directly with



In a nutshell, if one party has privity of contract with another, it means that the parties have a contractual relationship directly with each other.

each other. If you do not have privity of contract with another party, then in most cases you cannot sue the other party on the contract.

For example, if you are a processor and you sign an ISO deal with an ISO that has 10 sales representatives, the most likely scenario is that you have privity of contract with the ISO but not with the individual sales representatives. Those sales representatives, on the other hand, have privity of contract with the ISO but not with you, the processor.

As readers of The Green Sheet are generally aware, even if the merchant goes directly to the ISO or the sales representative when it has questions or issues, the merchant generally has no direct contractual relationship with the ISO.

It is in the best interest of the ISO to service the merchant even though the ISO has no direct relationship with the merchant. The motivation for an ISO to service one of its merchants is often purely business-based and not legally-based; however, sometimes business motivation is not enough to settle any or all of the issues that may arise between an ISO and a merchant.

It's important to know who really has the legal obligation to the merchant under the merchant agreement. Suppose a merchant agreement is between the merchant and a bank. In the event that the sales representative, the processor and the ISO are unable to address a significant issue for that merchant, all parties in this matrix should be aware of how to reach the bank to promptly address the merchant's issue.

Most ISOs and processors are incapable of legally forcing a bank to perform for a merchant. As such, channels of communication between ISOs, processors and banks



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By law, the ISO has no right to sue the merchant directly for merchant fraud because the ISO has no privity of contract with the merchant. It should be the industry standard that every party that is liable for losses has the right to sue the merchant on the losses for which they have been liable.

must be available if ISOs are to deliver the level of service that merchants expect in this business today.

While banks or processors generally have privity of contract with merchants and therefore the direct obligation to provide processing services, if you are an ISO, do not let your exclusion from that direct relationship mislead you into thinking that you are any less liable for losses that you have agreed to take on under your ISO agreement.

Given that the ISO usually has no direct privity of contract with a merchant, the ISO must rely entirely on the processor or bank to take all necessary action to recover uncollected merchant debt from merchants (See "How About Them Reserves?" The Green Sheet, Oct. 27, 2003, issue 03:10:02).

But what happens when banks or processors do not pursue merchants

that have defrauded them of significant sums? Typically, the bank or processor can immediately deduct uncollected merchant debt from the reserves held back from the merchant or the ISO, and not bother to collect those amounts from the merchant.

Occasionally, ISOs are left liable for uncollected merchant debt in this manner and have no right of action against the merchant for whom they have carried the risk. This is why it is important for ISOs and processors to negotiate in their ISO or processor agreements the right to sue merchants directly for any losses for which they indemnify the bank—for example, if a merchant has a merchant agreement with a bank, and an ISO assumes full liability on the account.

By law, the ISO has no right to sue the merchant directly for merchant fraud because the ISO has no privity

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of contract with the merchant. It should be the industry standard that every party that is liable for losses has the right to sue the merchant on the losses for which they have been liable.

This can be accomplished by inserting simple language in a typical ISO agreement—for example:

"Right of Action Against Merchants. In the event that ISO indemnifies Bank for any uncollected merchant debt hereunder, then Bank covenants to assign to ISO any and all rights of action under the Merchant Agreement with such merchants, or other agreements, as the case may be, such that ISO may sue merchants directly for all such amounts."

(Please note that the above language is generic language and will definitely have to be adapted to suit the needs of your particular agreement.

Do not use this language without consulting an attorney.)

The language above refers to the assignment of rights of action. These assignments are really assignments of rights that the Bank has under its merchant agreement with the merchant. The clause effectively obliges the bank to assign the merchant agreements to the ISO to the extent that the ISO is held liable to the bank for merchant losses. Ideally, this would prevent the ISO from being liable for a loss for which it has no chance of recovery.

I advise all processors and ISOs to take a moment and look at their processing services or ISO agreements to see if this kind of language is included. If not, you may wish to have a discussion with your counterparty about your right to sue merchants.

Privity of contract is useful in other contexts as well. Without going into great detail, a good principle to remember is that if you want an individual or a company to be obligated to you, then make sure you sign a contract directly with that individual or company. Without direct privity of contract it becomes very difficult from a legal perspective to sue.

Consider your risks and negotiate your contracts accordingly. ■

In publishing The Green Sheet, neither the author nor the publisher is engaged in rendering legal, accounting or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

For further information on this article, please contact Adam Atlas, Attorney at Law by e-mail: atlas@adamatlas.com or by phone: 514-842-0886.



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CPS/Retail Debit – Performance Threshold II	1.25% + 0.10	0.83% + 0.15
CPS/Retail Debit – Performance Threshold III	1.25% + 0.10	0.95% + 0.15
CPS/Retail Debit – All Other	1.25% + 0.10	1.05% + 0.15
CPS/Supermarket Debit – Performance Threshold I	\$0.40	0.70% + 0.15 (0.35 max)
CPS/Supermarket Debit – Performance Threshold II	\$0.40	0.83% + 0.15 (0.35 max)
CPS/Supermarket Debit – Performance Threshold III	\$0.40	0.95% + 0.15 (0.35 max)
CPS/Supermarket Debit – All Other	\$0.40	1.05% + 0.15 (0.35 max)
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CPS/Retail Key Entry Debit	1.80% + 0.10	1.60% + 0.15
CPS/Card Not Present Debit	1.80% + 0.10	1.60% + 0.15
CPS/Retail Service Station, Debit	1.25% + 0.10/1.39% + 0.10	0.70% + 0.17
CPS/Automated Fuel Dispenser Debit	1.50% + 0.05	0.70% + 0.17
CPS/e-Commerce – Basic, Debit	1.80% + 0.10	1.60% + 0.15
CPS/e-Commerce – Preferred, Debit	1.80% + 0.10	1.55% + 0.15
CPS/Hotel and Car Rental Card Not Present, Debit	1.58% + 0.10	1.36% + 0.15
CPS/Hotel and Car Rental Card Present, Debit	1.58% + 0.10	1.36% + 0.15
CPS/e-Commerce Preferred – Hotel and Car Rental, Debit	1.58% + 0.10	1.36% + 0.15
CPS/Passenger Transport, Debit	1.70% + 0.05	1.60% + 0.15
CPS/e-Commerce Preferred – Passenger Transport, Debit	1.70% + 0.05	1.60% + 0.15
CPS/Small-Ticket, Debit	N/A	1.60% + 0.04
CPS/Restaurant, Debit	1.25% + 0.10/1.39% + 0.10	1.19% + 0.10
CPS/Account Funding Debit	2.00% + 0.10	1.75% + 0.20
Express Payment Service, Debit	2.00% + 0.02	1.95% + 0.02
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<u>New Fee Program Name</u>	<u>New Rate</u>	
Credit Voucher – MOTO and e-Commerce, Consumer Debit	1.87%	
Credit Voucher – Non-Passenger Transport, Consumer Debit	1.31%	
Credit Voucher – Passenger Transport, All Card Types	1.94%	

MasterCard Consumer Debit Interchange Rates *effective April 2, 2004

	Pre-Settlement Rate	New Rate*
Convenience Purchases (23)	1.80% + 0.00	Eliminated
Small Ticket (25)	N/A	1.60% + 0.04
Petroleum – CAT/AFD (27)	N/A	0.70% + 0.17
Petroleum – Service Stations (28)	N/A	0.70% + 0.17
Merit III – Tier 1 (10)	N/A	0.70% + 0.15
Merit III – Tier 2 (11)	N/A	0.83% + 0.15
Merit III – Tier 3 (12)	N/A	0.95% + 0.15
Merit III – Base (70, 80)	1.40% + 0.10	1.05% + 0.15
Supermarket – Tier 1 (13)	N/A	0.70% + 0.15 (0.35 max)
Supermarket – Tier 2 (14)	N/A	0.83% + 0.15 (0.35 max)
Supermarket – Tier 3 (15)	N/A	0.95% + 0.15 (0.35 max)
Supermarket – Base (71, 81)	1.20% + 0.00	1.05% + 0.15 (0.35 max)
Warehouse Club – Tier 1 (16)	N/A	0.70% + 0.15 (0.35 max)
Warehouse Club – Tier 2 (17)	N/A	0.83% + 0.15 (0.35 max)
Warehouse Club – Tier 3 (18)	N/A	0.95% + 0.15 (0.35 max)
Warehouse Club – Base (91)	1.10% + 0.00	1.05% + 0.15 (0.35 max)
Consumer Standard (75, 85, 95)	2.65% + 0.10	1.90% + 0.25
Merit I (78, 88, 98)	1.90% + 0.10	1.64% + 0.16
Key-Entered (92)	1.80% + 0.10	1.64% + 0.16
Passenger Transport (93)	1.70% + 0.10	1.60% + 0.15
Restaurant (26)	N/A	1.19% + 0.10
Travel Industries Premier Service (97)	1.58% + 0.10	1.36% + 0.15
Public Sector (22)	1.50% + 0.10	Eliminated
Service Industries (90)	1.15% + 0.05	1.15% + 0.05
Emerging Markets (29)	N/A	0.80% + 0.25
Payment Transaction (20)	0.19% + 0.53	0.19% + 0.53

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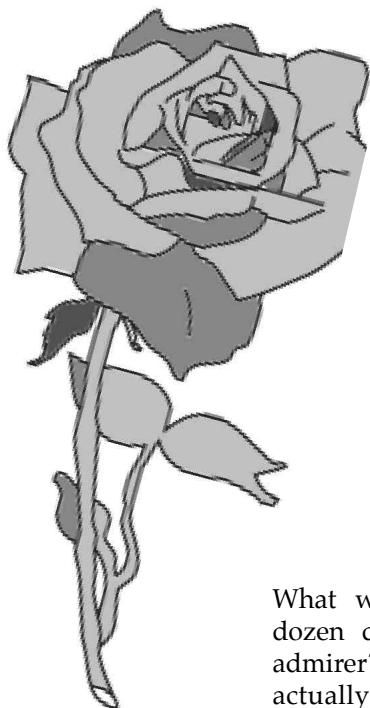
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WATER COOLER WISDOM

**"What's in a name? That which we call a rose
by any other name would smell as sweet."**

— William Shakespeare



A Rose is a Rose is a Rose...

While it is true that a rose would still smell sweet if we called it a deadly nightshade, it would probably not have the same romantic connotations attached to it—or be such a best seller on Valentine's Day.

What would it mean to receive a dozen deadly nightshades from an admirer? Although a name may not actually change physical characteristics or inherent traits, it matters a lot

when it comes to how something is perceived by others.

Even more so than with flowers, what you decide to name your company has a huge impact on many aspects of running the business and will be one of your company's most important assets. The company name will probably be the first impression you make on your customers; that first contact should instill confidence.

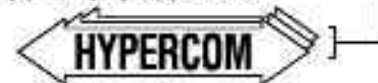
There are a few simple steps to follow when choosing your company's name. The first thing to consider is that this will be your brand. It will create and establish recognition for you and your business.

Does the name accurately describe what types of services and products your company provides? If you're selling credit card processing, it might be unwise to name your business Giraffes Unlimited. It will only lead to confusion.

But also keep the future in mind. Don't let the name of your business limit your options. For instance, if you call your business Merchant Credit Card Processing Services

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of 5th Street, will you be able to expand to 6th Street or even the next town?

The next thing to keep in mind is to make sure the name is easily recognizable and memorable. Is it easy to pronounce or will your customers need to consult a dictionary to figure out how to say it?

The idea is to devise an original name that your customers can both remember and repeat, which makes it easier for them to contact you—and refer other customers to you.

When choosing the name, refer to your business and marketing plans. What? You don't have a business plan?



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When: Feb. 17 - 19, 2004

Where: Tampa Marriott Waterside Hotel and Marina, Tampa, Fla.

Registration: Visit www.atmianortham.com; phone 605-528-7270

No problem. Go to past issues of The Green Sheet, Sept. 8, 2003 (03:09:01) through Nov. 24, 2003 (03:11:02) and review how to create a business plan.

Use the business and marketing plans to guide you in the decision. Look to your mission statement as a great tool in developing a company name, which should impart the values of your company.

When you have a few possible names selected, take the list to other people. Try the names out on friends, family and current customers. Make sure you get feedback from merchants—they are your target audience after all.

Once you have your final name, you're not quite done yet. It's now time to do a little research. If you plan on trade marking (it offers more protection, but is more expensive to do) or registering (it offers less protection, but is less expensive to do) your name, you will need to do a search for available trademarks at the U. S. Patent and Trademark office's Web site at www.uspto.gov.

You will also need to check on the laws for your state to make sure that you can legally use the name you have chosen. You can usually find the information you will need through the appropriate Secretary of State or Department of Corporations.

After you have made you name official, make sure you use it. Let all your current customers know the name. Send a formal letter on letterhead with the name and logo; don't forget business cards, either.

Finally, once you have chosen the name, keep it. Nothing will confuse your customers more than not knowing what to call you. They want to believe that you will be there for them in the future and that they know whom to trust.

As you set out to name your business venture, remember the rose and avoid the deadly nightshade.

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