The Green Sheet

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News

Features

Views

Education

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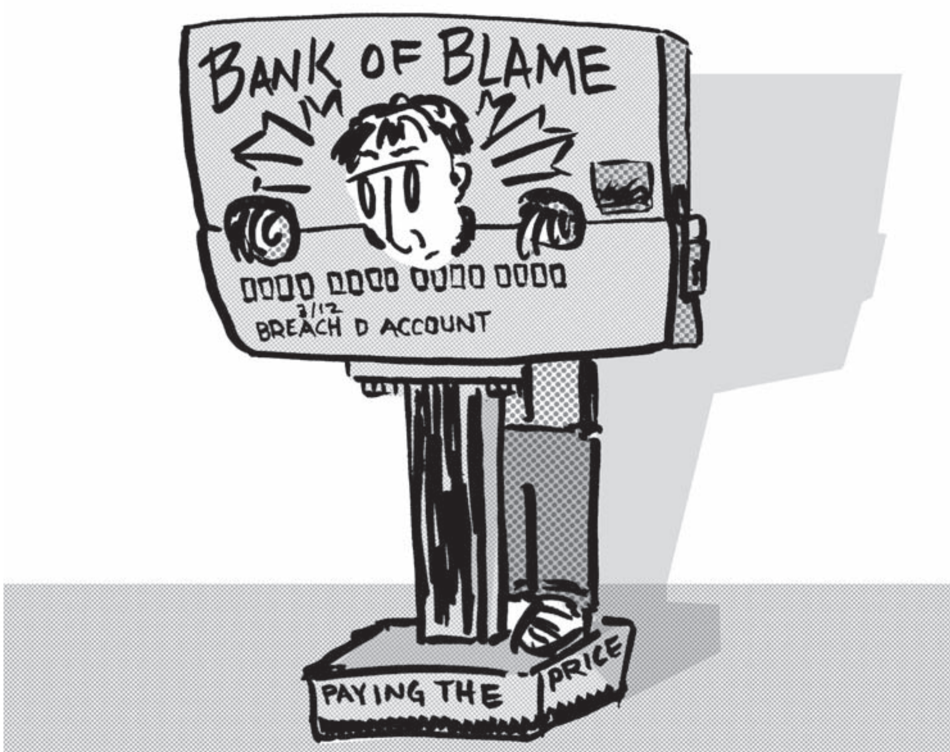
Tough love in compliance and breach liability



Consumers with credit cards have long been afforded the most crucial of all protections: immunity from fraud liability. When card data is stolen – no matter how it happens – all charges that follow are someone else's to pay.

Fraud liability has to fall somewhere, of course, and while some say the fraudsters themselves (those who get caught) should contribute, typically they are punished with civic fines and jail time, not restitution.

Rather, that cost is placed squarely on the occupants of the payment chain, one or more ill-fated parties saddled with the byproduct of someone else's mischief. Yet, it varies precisely how those costs are apportioned, a task that can be a tricky business – especially when blame is difficult to find.

In the words of Rick Fischer, a Washington, D.C., lawyer who specializes in data theft and Payment Card Industry (PCI) Data Security Standard (DSS) compliance, the process of placing liability for data breaches is one of "rough justice."

"Someone asked me one time if the fines and the notice requirements were fair," Fischer said. "And I said, 'you know what would be fair in these circumstances? It would be fair if the hackers and the identity thieves give notice to the consumers and pay the fees – that would be fair.' But that's not going to happen."

See Breach liability page 59

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NotableQuote

Remember, you can only control your actions, not those of other people. No matter what you say or do, you cannot force someone to say yes. That is the individual's choice, not yours. If you do your part well, and your prospect says no, that is a successful call.

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WINNER WINNER WINNER WINNER WINNER WINNER WINNER WINNER

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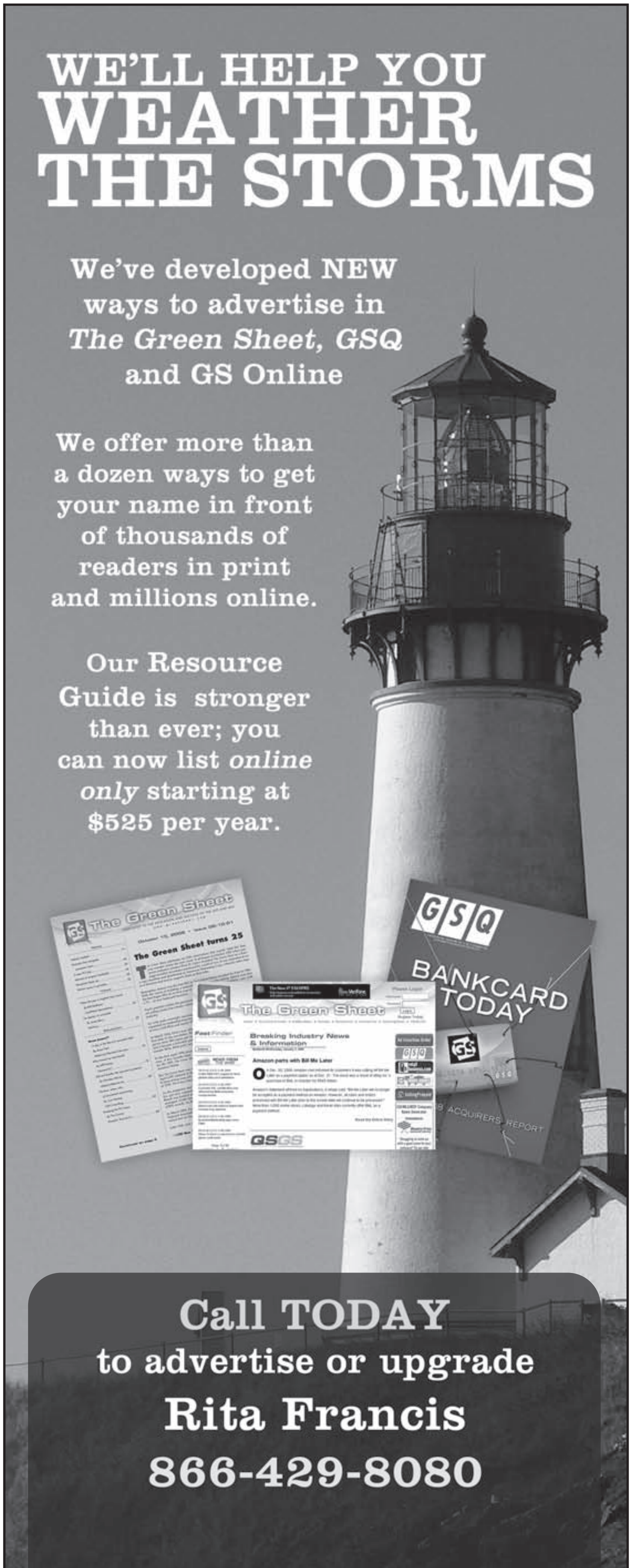

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Forum

Farewell to a payment champion

The payments industry lost a groundbreaker on July 17, 2009, when Paul William Noblett Jr. passed away. Noblett thrived on challenges and was instrumental in the growth of National Bancard Corp. (NaBanco), which is now First Data Corp.

A decorated veteran of the U.S. Army, he began his career in the industry by leading an intricate payroll automation project for the Army Finance Corp.

Noblett joined NaBanco in 1979, leading the company as operations manager through significant growth and acquisitions of several bank merchant portfolios. From 1983 to 1989, he worked for MasterCard International (now MasterCard Worldwide) where he oversaw, among other things, the deployment of Banknet, MasterCard's first global processing network. He then returned to NaBanco, which soon became one of the nation's largest acquirers.

In 1992, Noblett formed his own consulting firm, Noblett & Associates Consulting LLC. Mike McCormack, an Associate in the firm, said, "One of the things he specialized in was helping small and emerging ISOs and various technology companies in the acquiring space move up to the next level. … Paul's legacy is one of bringing a very optimistic, proactive, enthusiastic perspective to things."

The real story on tokenization

Your cover story, "Diverse perspectives on end-to-end encryption," dated May 25, 2009, states on page 63: One option, known as tokenization, is simply the use of a single, common encryption key by different parties up and down networks. It is considered by many to be a relatively uncomplicated way to avoid decrypting data when it's transferred, since each handler is privy to the original encryption formula.

This is an incorrect statement as it is describing encryption, not tokenization. As the person that coined the phrase tokenization as it is applied to payments, I urge you and your readers to read my 2008 white paper "Tokenization in Depth" – at *www.shift4.com/pdf/s4-wp0806_tokenization-in-depth.pdf*.

This white paper clearly defines that a token is not encrypted data; instead a token is simply a reference key to other data, in this case sensitive cardholder data.

Tokens, by definition, are not decryptable. The author of the article is describing a problem with one form of end-to-end encryption.

I guess the best way to distinguish the difference between an encryption solution and a tokenization solution is by example: One merchant has a plain text file on his server containing thousands of tokens. Another merchant has a plain text file on his server containing thousands of fully encrypted card numbers (for this example, the encryption doesn't really matter; it could be any strong cipher or hidden TDES [Triple Data Encryption Standard]), and further assume the encryption keys are secured in a Tamper Resistant Security Module (TRSM) that has not been compromised.

Both merchants get hacked and the files are stolen. Again assume TRSM has not been compromised; only the text files were stolen. The first is not considered a breach because true tokens do not contain cardholder data in any form, whereas the second is considered a breach because even though the card data is encrypted, it does contain cardholder data, and it has the potential of being decrypted.

There are big differences between tokenization and end-to-end encryption. Both have their strengths and weaknesses. I obviously have a bias for tokenization solutions; others have a bias for end-to-end encryption models. To me, the strongest solution would be a hybrid solution using an encrypted card reader feeding a tokenization solution. This would give you the strengths of both.

Steve Sommers
Shift4 Corp.

Steve,

Thank you for taking the time to send us this explanation. We strive for accuracy in all that we publish, but sometimes we don't get it quite right. We will use your white paper as a resource when writing about this topic in the future.

Editor

When will my news appear?

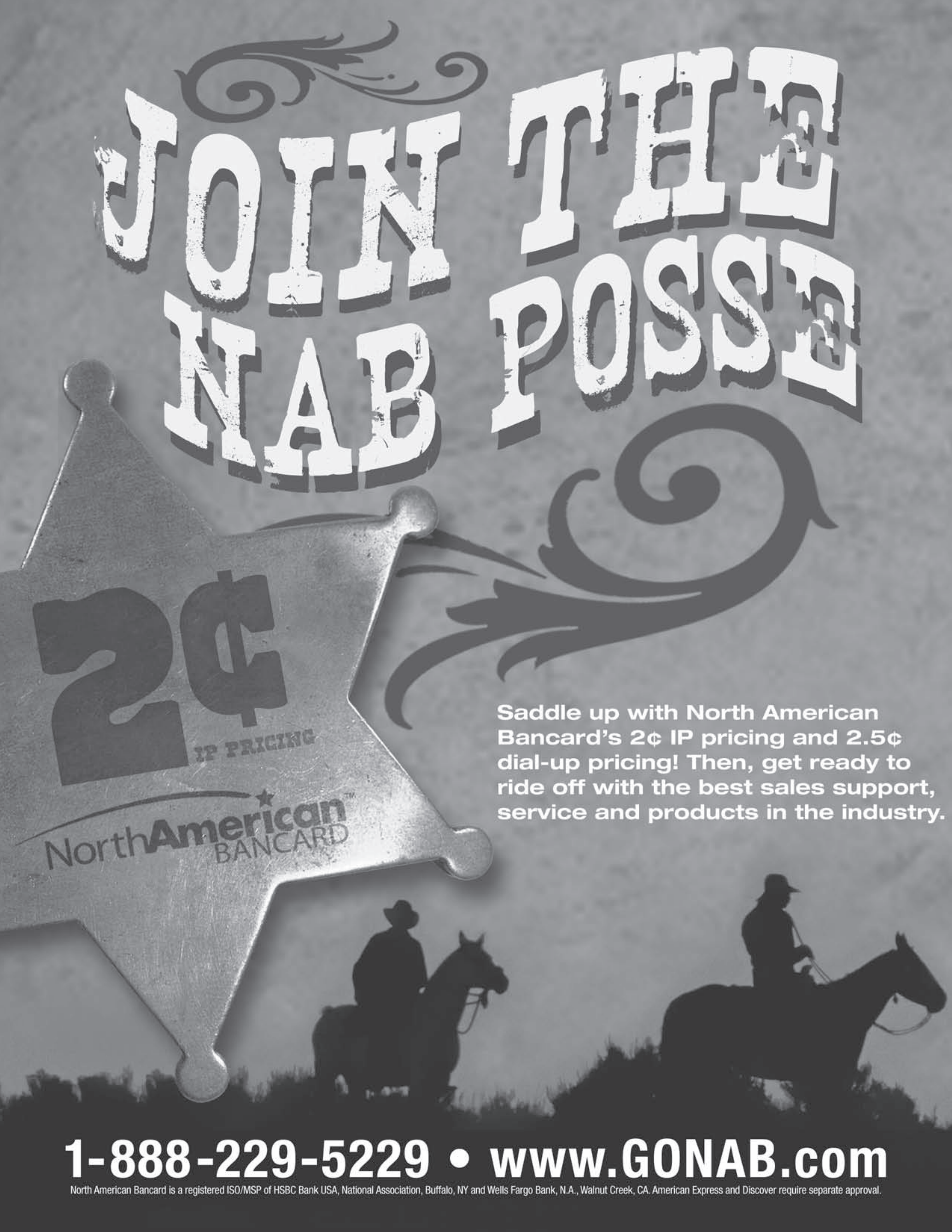
If I submit a press release to you containing relevant industry news, when will it be posted? And will you let me know once it's done?

Mary Hebert
Ometz Payments Ltd..

Mary,

We typically post press releases pertaining to the payments industry on the same day we receive them, but we do not notify parties who send us releases when they are posted. When your release is ready, send it to press@greensheet.com, *and check News From The Wire on the left-hand side of our home page later in the day to see if it's been posted. If you do not see your news there, it's just fine to send us a follow-up e-mail.*

Editor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A quick summary of key articles in this issue to help keep you up-to-date on the latest news and hot topics in the payments industry.

IndustryUpdate

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NEWS

Online bill pay on the rise

Online bill payment service **Billeo Inc.** has studied how consumers pay bills and shop online. Its 2008 survey revealed that two-thirds of e-commerce consumers pay at least one monthly bill with a credit or debit card.

"The most important thing we glean from this study is that a growing number of consumers are not only more comfortable doing a variety of transactions online, but they prefer it," said Murali Subbarao, founder and Chief Executive Officer of Billeo.

Further results included these statistics about consumers who pay bills and shop online:

- Seventy-five percent save electronic transaction receipts.
- Over 50 percent never pay late fees.
- More than 31 percent are baby boomers, with more than 58 percent over 45 years old.
- Over 56 percent have attended college, with more than half possessing a graduate degree.
- Ninety percent had credit cards; 47 percent of whom carried no debt on those cards.

Other Billeo research showed credit card bills represented the largest number of bills paid online. They also represented the highest average per transaction amount.

SSL vulnerability found

New research from **Intrepidus Group** revealed holes in Internet browser security. According to the report, fraudsters can perform "Man-in-the-Middle" (MITM) attacks on Web sites with extended validation (EV) secure socket layer (SSL) protection. Web sites purporting to be secure with the green badge have been determined to be vulnerable. The research showed that a common Web browser design flaw is to blame. This flaw can be turned on the Web site owners in two ways:

- SSL rebinding, in which a rogue MITM server uses a combination of SSL certificates to manipulate client behavior, bypassing security
- EV cache poisoning, in which cached content of an EV SSL-protected site is persistently poisoned without the victim physically browsing the site

Mike Zusman, Principal Consultant for Intrepidus Group, and Alex Stoirov, an Independent Security Researcher, presented their findings at the Black Hat USA 2009 Briefing & Training conference on July 30, 2009, in Las Vegas.

"Our research shows that the green glow [the sign of secure connection] can be misleading and provide a false sense of security," said Rohyt Belani, CEO for Intrepidus Group. "Employees and customers should be provided a holistic perspective on phishing to best train them to be resilient to this ever-growing threat."

Mercator weighs value of VARs

Mercator Advisory Group released a report examining the influence of valued-added resellers (VAR) on merchant account retention. The 27-page report included the following findings:

- Value-added technology is changing the merchant services industry and acquirers are looking for ways to increase their value-added technology presence.
- VARs have fueled the innovation that has driven processors and acquirers to seek out value-added technology.

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

- A survey by online payment system **2Checkout.com, Inc.** revealed retailers lose $4 billion each year to e-commerce fraud.

- Total 2209 spending for back-to-school and back-to-college is expected to reach $47.5 billion, according to a **National Retail Federation** survey conducted by **BIGresearch**.

- A mid-year 2009 report from **The Digital Entertainment Group** stated that 20 million Blu-ray discs were sold in the United States, almost 57 percent more than in the same period in 2008. Blu-ray disc player sales rose nearly 25 percent in the same period, to almost 11 million units.

- According to the May 2009 Port Tracker report from the **NRF** and **IHS Global Insight**, import cargo volume at major United States ports topped 1 million twenty-foot equivalent units for the first time in four months.

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

- Concerns about account attrition have also sparked acquirers' interest in value-added technology as a way to increase account retention.
- Because of their agnostic nature, VAR systems decrease merchant loyalty to the processor or acquirer unless the processor or acquirer is also the technology provider.

"Merchant attrition could be effectively alleviated if acquirers offered value-added solutions above and beyond the commodity service to merchants they want to retain, actually delivering value, making the merchants want to stay put," said David Fish, Senior Analyst in Mercator's Credit Advisory Service and author of the report.

"In the context of merchant-initiated voluntary attrition, technology can, and should, play a leading role in merchant account retention, thereby potentially reducing the amount of natural churn in the marketplace," Fish stated.

ANNOUNCEMENTS

ACI Worldwide Inc.

According to a survey released by **ACI Worldwide Inc.**, 18 percent of respondents had been victims of credit or debit card fraud in the past five years. If someone they knew was hit by card fraud, 22 percent would switch financial institutions and 27 percent would consider switching. The survey involved 2,400 consumers across eight countries.

Alpha Card offers MLS stimulus

Alpha Card Services Inc. has introduced the MLS Stimulus Plan. The company said it is an upgrade of its Zero Program designed to help its salespeople sign more merchants.

Way Systems' mobile POS certified

Way Systems Inc.'s way5000 device has been certified by Apriva Inc. With Apriva's Intelligent Gateway services, merchants can process credit and PIN-based debit transactions virtually anywhere with the way5000, Way Systems said.

Children's fund for late pro's family

To help support the family of payment professional Alan Gitles, who died in December 2008, **Calpian Inc.** has created The Gitles Children Education Fund for his children. Donations can be sent to Calpian Inc., 500 N. Akard St., Suite 2850, Dallas, TX 75201.

Doin' it right

The Electronic Payments Association, a group of over 60 financial institutions dedicated to educating policy makers, consumers and the media about the value of payment systems, received $30,000 in June 2009 from CO-OP Financial Services on behalf of its 3,000 member credit unions. The donation is designed to support the EPC's efforts to inform legislators on the facts surrounding interchange and to oppose changes to the current interchange fee structure.

"The EPC is charged with responding to merchants' drive to decrease or eliminate interchange fees and we think it is badly conceived legislation," said Eric Porter, Executive Vice President, Business Development and Marketing for CO-OP Financial. "We want to do our part to protect this income source for credit unions. If interchange is eliminated it could potentially put small credit unions in a highly disadvantaged position.

"If they can't generate income from the expenditures incurred to issue cards and do the processing and transactions, then they eventually won't be able to issue cards at all. We're supporting both financially and through our contacts nationally through CUNA [Credit Union National Association] to put pressure on Capital Hill to make sure this legislation takes the proper direction for financial institutions and consumers."

Support without strings

The contribution is being used to help pay for mailings and to support the EPC's lobbying efforts, though Porter said CO-OP doesn't put any conditions on the donation. "We're a part of EPC," he added. "We're on their board, but it's whatever the EPC decides is best. We're not going to give them money and say they have to do this or that; all we say is that we need to support our credit unions in this endeavor to make sure they don't get hurt."

The EPC and CO-OP are working to fight both the Credit Card Fair Fee Act of 2009 as well as the S. 1212 provision introduced in the Senate, which would allow the U.S. Attorney General to appoint a panel of electronic payment system judges to act as mediators in setting interchange fees. Additionally, the proposed legislation excludes credit unions regulated by CUNA and those with under $1 billion in assets.

"We feel Washington does not fully understand the implications of interchange legislation on credit unions that protect the consumers," said Stan Hollen, CO-OP's President and Chief Executive Officer. "And if the interchange fee is lowered through poor legislation, smaller institutions like credit unions would have to make the difficult decision to either raise fees or stop offering credit and debit cards, harming consumers in terms of restricted payment choices."

Contributions with purpose

Interchange is a key revenue source for credit unions that helps to partially reimburse them as card issuers for the activities they perform and the risk they take on each transaction; however, the EPC contribution is just a small piece of the CO-OP puzzle. The organization's mission is designed to support their members in any way possible.

Porter said that in addition to CO-OP's contributions to CUNA, it also financially supports regional credit union leagues through its patronage distribution program, which returned over $19 million to its credit unions in 2008. CO-OP contributes to more than 60 credit union charitable events annually and is a sponsor to the Salt Lake City-based Children's Miracle Network, a non-profit organization that raises funds for more than 170 children's hospitals.

"We're a co-operative and by law we must return a minimum of 20 percent of our retained earnings back to our members," Porter said. "But typically we return anywhere from 50 to 70 percent of retained earnings. More than anything else, we want to be a bright light in this industry, to be a leader who says, 'You can do business as well as give back and contribute to the [credit union] industry's growth.'

"Banks are spending significant dollars in their dues and to their associations with the purpose of trying to destroy credit unions, and we're helping to fight that off. As credit unions nationally we need to stick together. At CO-OP, we leverage our vendors to help our credit unions get better pricing and services. So if we can keep our credit unions happy and keep them on the positive side of the balance sheet then we all win. That's why we're a co-operative." GS

CUP Data growing, winning awards

In the last six months, **China UnionPay Data Services Co. Ltd.** (CUP Data), TSYS' joint venture with China UnionPay, has reportedly signed five new long-term processing agreements and won several major domestic and international awards.

Three CUP Data systems were named Most Excellent Software Products by the Shanghai Software Industry Association, and its debit card program for Citibank was awarded Best Retail Payment Project Award by Asian Banker.

Digital River launches B2B solution

Business Direct is the latest business to business (B2B) e-commerce solution from **Digital River Inc.** The new offering provides private, online portals for its global resellers, business customers and partners for direct purchases and subscription renewals.

EVS adds to anti-fraud product line

Electronic Verification Systems LLC has released new solutions for identity fraud protection which address distinct business aspects and help businesses prevent identity theft. "Our products have been restructured to easily incorporate into the identity verification portion of a company's Red Flag compliance plan," said Jay Stewart, Vice President, New Business Development at EVS.

Health Transaction Network going west

Buffalo, New York-based **HealthTransaction Network**,

which went operational in February, has signed a number of agreements to expand its operations throughout Western New York. It is also building relationships with organizations in other states, including Strategic Health Care, an Ohio-based health care advocacy and consulting organization that spans several states.

Carr drives keynote address in Vegas

Robert O. Carr, Chairman and CEO of **Heartland Payment Systems Inc.** will deliver the keynote address on data security at the 17th Annual ATM, Debit and Prepaid Forum in Las Vegas from Oct. 18 to 20, 2009. During the presentation, Carr will discuss how system intrusions have affected the market and spurred industry trends. Carr will also offer insight on the future of payment technologies and what every industry leader needs to know about cyber security.

Intracorp launches digital e-billing, processing

In answer to pending, state-mandated electronic billing requirements and customer needs, **Intracorp** now offers electronic billing and automated payment processing solutions.

With Jopari Solutions Inc.'s solutions, Intracorp said its medical management customers will save paper and avoid the need to create their own Web portal for payments and billing.

Iovation tops 2 billion fraud checks

Iovation Inc., the Portland, Ore.-based device reputation service provider, recently passed the 2 billion mark for number of scans performed. Iovation's device fingerprinting technology identifies unique devices and establishes device reputations based on each device's history of fraud or abuse.

Total Settlement simplifies accounts payable

J.P. Morgan Chase & Co. rolled out its Total Settlement solution. The technology consolidates automated clearing house (ACH), commercial card, wire, and standard paper check payments in a single file and simplifies the accounts payable process with a self-service Web portal.

Jack Henry gains 33 CUs in 12 months

Jack Henry & Associates Inc. said its Symitar division has signed 33 credit unions in just 12 months. Eighteen of these credit unions opted to outsource their transaction and information processing.

Javelin shows increased interest in P2P

A new **Javelin Strategy and Research** study found that 24 percent more consumers are likely, or extremely likely, to use person-to-person (P2P) payments and transfers than those sampled in 2007. The main points included were P2P's value to payments professionals, key marketing strategies for mobile P2P, viable initial targets and available P2P transfer offerings.

PayPass accepted at Home Depot

The Home Depot U.S.A. Inc. is now accepting MasterCard Worldwide's PayPass at 1,974 locations across the United States.

Nebraska court payments go electronic

The **Lancaster District Court**'s Administrative Office of the Courts in Lancaster County, Neb., has expanded its online payment options beyond assisting traffic violators not required to make court appearances. It now accepts credit card and ACH payments for: alimony, attorney fees, property settlements, probation fees and court costs.

RSA finds gap between security needs and tech

RSA Conference surveyed 150 C-level security executives and professionals about information security. The results, published in a paper entitled What Security

Issues Are You Currently Facing?, revealed that respondents' major concerns were e-mail phishing and mobile device security, while money for the technologies used to address those risks are getting axed from budgets.

Sports Authority a contactless sport

All 450 **The Sports Authority Inc.**'s Sports Authority locations now accept MasterCard's PayPass contactless payments. "Accepting MasterCard PayPass will help keep our check-out lines short, so customers spend less time waiting in line when they make their purchases," Tom McVey, Sports Authority's Senior Vice President, Store Operations, said.

UMSI unveils free ECR program

United Merchant Services Inc. launched a free electronic cash register (ECR) program for its ISO partners nationwide. The ECR program provides ISOs with a free integration module and free terminal placement. "Our integration module is the first of its kind in our industry," said Jay Yoon, President and CEO of UMSI.

Valid Systems debuts check casher

Valid Systems has added a new product, the AIO350, a check cashing solution designed for convenience and retail stores. The AIO350 includes the following options: guarantee or non-guarantee risk management programs, Check 21 or non-Check 21, and cash drawer, ATM and card load payout options.

Visa earmarks $7 mil for litigation costs

Visa Inc. set aside $700 million into a litigation account. It had put away $3 billion from the initial public offering proceeds in March 2008, for legal costs which might have arisen. Class B shares are held by U.S. financial institutions. As Visa funds the account, it reduces the conversion price for class B shares into class A shares.

PARTNERSHIPS

Absa picks ACI Worldwide platform

Absa Group Ltd., a Barclays Bank PLC member, is now using **ACI Worldwide Inc**.'s payment processing platform, BASE24-eps for Absa POS devices. The issuer processing has been migrated and the acquirer functionality will go online in the next phase.

An EPIC ear for payments

Fast Transact Inc. was selected by **Ear Professionals International Corp.** as its preferred payment process-

ing provider. EPIC members can apply online for a merchant account from Fast Transact. This partnership followed Fast Transact's research into markets that lack merchant services or payment gateway technology.

Fifth Third adds Western Union services

Fifth Third Bank will offer **Western Union Holdings Inc.**'s money transfer services at its 1,300 plus locations across 12 states. The signing of Fifth Third Bank is part of Western Union's North America "go-to-market" strategy.

1st Century Bank taps Goldleaf

Goldleaf Financial Solutions Inc. has been selected to provide its ACH solution for **1st Century Bank**, a Los Angeles-based financial institution with $260 million in assets.

Datamark Inc. wins Herae contract

Health care processor **Herae LLC** has selected **Datamark Inc.** to supply data entry services for Herae's Direct Deposit for Healthcare electronic payment system's paper conversion process.

Scanned explanation of benefits forms are transmitted to Datamark's outsourcing centers in El Paso, Texas, Juarez, Mexico, and Chennai, India, for data entry over a secure connection.

mPayy makes iOffer consumers can't refuse

Online and mobile payment provider **mPayy Inc.** teamed up with online auction and trading company **iOffer.com** to complete the deployment of the mPayy debit solution, which reportedly allows a cost-effective payment alternative to credit cards. With this solution, consumers can make payments from their checking accounts with just a cell phone number and a password.

Q2 community FIs get NetDeposit solutions

Payment processor **NetDeposit LLC** signed an agreement with **Q2 Software Inc.** to enable community financial institutions to access NetDeposit's remote deposit capture, branch capture, debit, credit card and automated clearing house payments.

QuikTrip chooses Balance Innovations for check conversion

To handle its back office check conversion, **QuikTrip Corp.** selected **Balance Innovations LLC**'s vbEPIX.

"With one solution we are able to process all checks with greater efficiency and speed," Carole Williams, Payment Systems Manager, QuikTrip, said.

Shazam to pilot Internet PIN debit technology

Shazam, an electronic funds transfer provider, will test **Acculynk**'s PaySecure Internet PIN debit service. The pilot is designed to help gauge consumer acceptance of Internet PIN debit. "We are always seeking new and innovative ways for our community financial institutions to effectively compete in the market," said Mike Hollinger, Shazam's President and CEO.

TSYS signs with Consumer Health Technologies

TSYS Healthcare partnered with **Consumer Health Technologies Inc.** to incorporate its payment card solution into CHT's BenefitSpan, which manages health reimbursement, flexible spending and health savings accounts. "This partnership offers a single source for all administrative activities related to plan members who use their debit cards to pay for healthcare products and services," Trey Jinks, group executive for Healthcare, TSYS, said.

Bling Nation teams with Viaero Wireless

La Junta, Colo. residents using **Viaero Wireless**'s nationwide wireless network can now make mobile payments with **Bling Nation Ltd.**'s Community Payments Service.

Viaero provides SIM cards that are read by BlingTag Readers at local merchants, keeping money within the community and saving community banks from network costs.

APPOINTMENTS

UMSI taps Daughtry

Bryan Daughtry, a 17-year veteran in sales leadership and management, has joined the United Merchant Services Inc. team as the Vice President of Sales and Marketing. Daughtry comes to UMSI from Global Payments Inc. where he held the position of Vice President of Sales for the Indirect Business channel.

WSAA expands advisory board

The Western States Acquirers Association has expanded its Advisory Board to include **Ryan Fenley**, POS Card Systems; **Deborah Camm**, Planet Payment Inc.; **Jason Putnam**, First American Payment Systems LP; and **Tim McWeeney**, Way Systems Inc.

Hamel named 3DSI's Platform Delivery VP

To oversee technical operations, compliance, system design, maintenance and support, and business development, 3Delta Systems Inc. welcomed **Peter Hamel** as Vice President of Platform Delivery.

"Pete's background and experience are superbly suited to his new role at 3DSI, having managed the development and growth of the payment industry's first Level-3 processor," said Aaron Bills, cofounder and Chief Operating Officer of 3Delta Systems.

New CTO for Turiss

Phil Mellinger, who is credited with drafting the original Payment Card Industry Data Security Standard, has signed on with Turiss LLC, a fraud software company, as its new Chief Technology Officer. Mellinger was previously Chief Information Security Officer for First Data Corp.

Discover gets Zaeske

Discover Financial Services has named **Mark A. Zaeske** as it's new Vice President, Finance and Chief Accounting Officer.

He will oversee accounting, external reporting, management reporting, corporate tax and corporate procurement and payment services.

Community counts

By Biff Matthews
CardWare International

Malcolm Gladwell's best seller, *Outliers*, opines that all highly successful people have benefited from "a community around them that prepared them properly for the world." I believe community is not just important for what it does for us, but for how we return the favor.

Community, I think, has three spheres for most of us in the payments industry: The first is at work and consists of management and co-workers. Next, there is our customer community, and then there's the outside community in which we live.

At CardWare, we have a Community Committee. One of the committee's missions is to identify – or create – worthy causes or events, centered within our town, that the majority of our employees would be enthusiastic about supporting. The committee – and everyone involved with its work – is self-directed and passionate about the causes they're supporting with their time and energy.

No money required

Notice I did not mention checkbooks. While charities and service organizations always welcome money, there are fewer discretionary dollars available today in corporate or personal accounts. Combine that with an economy whose future seems less than stable, and the bottom line is that the outlook for charitable giving is not favorable.

In fact, donations in virtually all categories (except religious) declined in 2008, with the biggest decline — almost 13 percent — affecting services groups providing aid to the disadvantaged.

What we can give, though, is what many of us have more of right now: our time. And that presents opportunities that can be substantial – and sometimes surprising.

Most communities have numerous nonprofits that need help. We've been involved in several direct-impact causes such as food pantries, and children's causes like mentoring. (The latter, these days, brings on mind-numbing paperwork, background checks and other roadblocks, but that's a different article.)

Hospice Foundation of America, Habitat for Humanity and Breast Cancer Awareness are just a few excellent community-centered causes that both welcome new volunteers and are set up to manage them.

My challenge to readers of *The Green Sheet* is to recognize that, for a change, time is something we have more of. Consider taking stock of your own corporate citizenship and what it might mean to you and your community. Consider organizing, with your staff or co-workers, a community committee, in which the company and employees can work together to contribute to something worthwhile.

It's hard to go wrong with anything that helps children. The same goes for animals, emergency shelters of any kind, and special-needs facilities, such as burn centers. The most entrepreneurial among us can even create a cause from scratch.

Giving a boost to a worthy cause can have tangible rewards for the recipients and the community, but purely from a self-interest standpoint, the rewards for volunteers can be substantial as well.

Significant rewards

Several years ago, Rotary International had a program based in Carmel, Ind., that worked with sales teams that sold medical equipment. Doctors upgrading their equipment usually faced the question of what to do with old equipment. Rotarians picked up the old equipment and drove it to a facility where it would be fixed.

Other Rotarians then delivered the overhauled equipment to medical facilities in Central America. The team also worked with the manufacturers to make sure the doctors received a tax deduction. It was very creative and might be my favorite example of the "Doin' it right" theme discussed in recent issues of *The Green Sheet*. It certainly illustrates the idea that we all have sales, recruitment and managerial skills that can be put to use for worthy causes.

Giving a boost to a worthy cause can have tangible rewards for the recipients and the community, but purely from a self-interest standpoint, the rewards for volunteers can be substantial as well. Good causes, and the special events that surround them, produce positive media attention, as well as excellent networking opportunities for employees and employers alike.

In this regard, always participate in charitable work wearing apparel that tastefully shows off your company logo. And if there's an opportunity for your business to donate supplies or other goods as part of the activity, make sure the merchandise is handsomely logo'd as well. This is all about recognition – and perception.

And because perception is important, it is advisable to meet beforehand with staff regarding their participation

in charitable events. It's wise to have a light, informal discussion regarding both aspects of a community volunteer's role: responsibility, appearance and propriety on one hand and the potential of networking on the other. All of our employees have business cards (some without name or title), and the contacts they make while volunteering often ask what they do. Our cards feature a high-level menu describing what we're about. Encourage employees who don't have personalized printed cards to hand-write their name and job title on company cards and distribute them freely.

Spreading recognition

Since media will often cover charitable events, identify a point person in the organization who can be interviewed – and is assertive enough to engage a reporter who is looking for a good source. Wherever you invest your time, it's critically important to celebrate the results of good works. Recognize staff members who participate with news items or small ads in local newspapers.

Mention the program and its participants in company newsletters. People feel good about contributing to worthwhile causes, and recognition is a wonderful reward.

The second type of community, customer communities, can be leveraged in similar ways. Choose a cause with universal appeal, not the hot-button, divisive issues with which we're all too familiar.

The cause can be related to what you do locally, or something entirely different. Introduce a program whereby your customers have the opportunity to contribute in small increments – 1 cent per transaction, or a $1 match, which would entail adding $1 to the customer's invoice and matching it with $1 from your company, for example.

Invite customers to participate; then recognize those who do in your company's newsletter, Web site and e-mail promotions.

Issue a news release about the program and its participants for trade publication. Offer to write an article about your program, and the customer's participation, for your customers' own internal newsletter. Like personal sales networking, the multiplier effect has powerful potential to reach those whose opinions and influence can be helpful to you.

Biff Matthews is President of Thirteen Inc., the parent company of CardWare International, based in Heath, Ohio. He is one of 12 founding members of the Electronic Transactions Association, serving on its board, advisory board and committees. Call him at 740-522-2150, or e-mail him at biff@13-inc.com.

Consumers love rewards, why don't sales reps?

By Lori Breitzke
VeriFone

Who says you can't buy loyalty? Not consumers, that's for sure. A recent survey conducted for *Colloquy* magazine found that despite the recession, "over two-thirds of all U.S. consumers report that they still participate actively in at least one reward program."

But does that apply to the world of sales, where commissions and quotas have long ruled the day? You might be surprised. Experience demonstrates that rewards programs can help you weather economic storms, boost sales, identify and retain your best performing employees and sales reps, and increase product knowledge.

Outshine competitors

Companies with good rewards and loyalty programs outperform competitors, according to retail industry research from the Aberdeen Group Inc. in 2009. "Companies who have a loyalty solution in place, as compared to those without a loyalty solution, are performing at significantly higher levels across a number of important metrics, including a 53 percent higher compound growth rate," said Sahir Anand, Senior Analyst at Aberdeen and chief author of the report.

The Incentive Research Foundation (*www.theirf.org*) said research proves incentive programs can boost performance by anywhere from 25 to 44 percent. Furthermore, the IRF argued that quota-based rewards programs are most effective.

The foundation also stated, "Piece-rate programs, for doing more of something, also provide positive results, according to the research." Least effective, it said, are "closed-ended programs that reward a preselected number of winners, as opposed to open-ended, quota-based, or piece-rate programs that give everybody a chance at success."

According to the Incentive Performance Center (*www.incentivecentral.org*), there's a significant problem with relying solely on cash to reward performance. "Because cash quickly gets mingled with other compensation or expenses … it has very little residual or marketing value," the center noted. "Noncash awards, on the other hand – especially those targeting internal audiences – have a far greater chance of breaking through the promotional clutter than a straight cash award or discount."

The IPC further pointed out that the top 20 percent of staff are self-motivated and will likely outperform their colleagues regardless of incentives. The bottom 20 percent "are either new and on their way up or, in one way or another, on their way out," the center said. However, performance of the remaining 60 percent can vary dramatically, so the IPC pointed out that an incentive program "stands the best chance of affecting performance if it takes into account both the top performers and the middle 60 percent."

The right structure

A rewards program that reflects incremental sales benefits those who meet and exceed their goals and gives a clear picture of who is selling and who is not. Some key principals of a successful rewards program are that:

- The cost of the program is directly tied to incremental sales and is essentially self-funding.
- Promotions and short-term offers on specific programs are easily offered – and measured.
- A robust marketing plan is necessary to promote the program and offers.
- Rewards can often be anything from cash to travel to merchandise – whatever the participants want – which gives participants more control to get rewarded in the way most meaningful to them.

Rewards can be flexibly structured around a company's objectives and resources and participants' desires. They are most effective when participants are able to exert some control over the types of rewards they can select. Redemption strategies range from allowing rewards to be used for discounts on your own merchandise and services, to travel rewards, to various merchandise, gift cards and cash.

The rewards "host" has great leverage and control over the redemption program and can dictate when points must be redeemed, what the minimum and maximum rewards levels are, and parameters for special contests for bonus points earned when pushing particular products or services at a particular time. Sales reps may be further incented when they can pool points toward bigger items or have the option to redeem them anytime for smaller prizes.

Getting the word out

A successful rewards program requires a good marketing strategy to make it work. Key tools that may make sense to include are:

- Flyers to introduce the program
- Web site messaging
- External newsletters
- E-mail marketing
- Event attendance
- Webinars
- Promotions to drive registrations and redemption
- Direct mail

Since rewards generally are directly tied to results, the cost of the program is more controllable and measurable. Plus, companies can identify who the performers are and which areas need work. In addition, rewards may be a valuable tool in retaining the high performers. Those who are earning a significant number of points in a program are less likely to leave the company, especially if they're in the process of pooling points toward a bigger prize.

Participants are highly motivated by the opportunity to acquire items they really want – as opposed to cash that will likely just go toward everyday expenses.

But points can be used toward trips or items participants normally would not splurge on. Rewards programs can be especially successful during tough economic times and a win-win for the participant as well as the companies that offer them.

Lori Breitzke is VeriFone's Director of Marketing for North America. She can be reached at lori_breitzke@verifone.com.

AgenTalk℠

The working smart MLS

Esteban Marin, President of Merchant Services of Sunrise, knows the secret of success for merchant level salespeople (MLSs) in the payments industry: residuals. Of course, you have to work hard to build them up. Then you have to work to keep them up. But, as Marin knows firsthand, the residuals from a well maintained portfolio can be extremely rewarding.

The Green Sheet: Why did you choose a payments career, and when did you know you'd be able to succeed in this sphere?

Esteban Marin: Merchant services got me hooked because of the potential of the residuals. After a year doing this, and after a couple of ISOs down the road, I knew that this would be my career.

I got beat down seriously for the first couple of months due to poor or no training at all, and right when I was ready to throw in the towel, I found *The Green Sheet*.

After reading almost all of the past articles I realized what I was doing wrong, and I changed my attitude. After that I knew that with the right tools, and lots of knowledge, I would succeed.

GS: What's been your greatest success so far as an agent?

EM: My greatest success has been to establish a name and reputation with some large local merchants; they know that they can count on me to handle more than 50 percent of their stores' total income, and they pass the word to their friends. It's very rewarding when a stranger calls you and says he heard great things about you.

GS: What has been your most significant learning experience?

EM: Working for a large ISO. I went to their training trips a couple of times, and boy, those are very intense.

GS: What do you like best about your career, and what's been most challenging?

EM: I love the potential (even with the competition and margin compression). And I also love the freedom that this career gives to you.

On the flip side, some ISOs are using all kind of tactics (from giving the house away to flat-out lying to the merchants) in order to acquire new merchants, therefore making my life a little bit harder.

I try to pitch every day; I am more a face to face kind of person rather than a phone cold caller. I usually work straight from 8:30 a.m. all the way to 5:30 p.m., and I am definitely putting in more hours than when I first started working.

GS: Are you working as an employee or contractor for someone else, or do you own your own company?

EM: I am in a 1099 position, but I did work for some very large ISOs who trained me and taught me a lot. I am very satisfied right now, but I would not eliminate the thought of working for somebody again.

GS: How has the industry changed since you started?

EM: I started when free terminals were starting to emerge, and that has affected the industry in so many ways, mostly bad ways. I now see a lot of new merchants getting interchange plus pricing, when that used to be reserved for larger accounts only. But I also see that merchants are more educated, and I appreciate that because it is easier for them to identify the good from the bad.

GS: What goals do you set for yourself?

EM: I set weekly goals, and I go over them every Friday. If I don't make it, they roll over for the next week. (I am a little behind right now).

GS: Describe your typical work day.

EM: I try to pitch every day; I am more a face to face kind of person rather than a phone cold caller. I usually work straight from 8:30 a.m. all the way to 5:30 p.m., and I am definitely putting in more hours than when I first started working.

GS: How do you balance the demands of your work and personal lives?

EM: That has to be the most challenging part of this business. I give my merchants my cell phone number, and sometimes merchants call at crazy hours.

If it is something that I can handle, I usually help them out, but if I see that it may take hours, I reroute them to tech support and do a follow up call later.


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GS: Have you ever tried to move your merchants from one processor to another? If so, what happened?

EM: One of the first processors that I sold for let me down big time with several customers. After I stopped sending them deals, they cut my residuals off. I tried to move one of the merchants, and I got a letter from them threatening to send me to court. After that I learned to read my ISO contract.

GS: Have you ever lost or almost lost a residual stream?

EM: I lost residuals due to minimums hiding deep in a contract, and every time I'd ask the recruiter about that, he would keep going around the bush. I learned to read before I sign.

GS: What would people be surprised to know about you or the way you do your job?

EM: I like to keep an eye on everything. I treat my merchants in a very personal way. I know their partners' names and give them a call on their birthdays.

GS: Do you have a surefire way to resolve conflict?

EM: I always tell the merchant that the first number they need to call is my cell phone, that they are supposed to be running their business, not waiting on hold. That usually keeps me in the loop with any potential problem.

GS: What is unique about your sales style?

EM: I am very passive and act the opposite of a salesman. I also approach the business as a consultant trying to see how I can help him to make more money and streamline his operations.

GS: What is your most successful value-added product? Why?

EM: That has to be POS. I was lucky to partner up with a very knowledgeable person who only pitches large businesses, and we have a deal. She doesn't go into merchant services as long as I don't go into POS.

GS: Merchants are savvier now about credit card processing. How does this affect MLSs?

EM: I see this as an edge; educated merchants know right away if your offer is too good to be true, and they would send you out the door if you are trying to pull a fast one.

GS: How do you secure referrals?

EM: My best advice is to focus within your existing clientele base; a happy merchant is the best lead source that you could ever wish for.

GS: Why is it important to have a full arsenal of products to offer merchants?

EM: Merchants are demanding; so is the market. And if you only focus on one product your chances get slimmed. By offering several products you are building the value of your relationships, and value has proven to weigh more than cost.

GS: How do you explain interchange rates to prospects?

EM: I tell the merchants that interchange plus pricing is similar to when they go to a market and they get a very detailed receipt showing exactly what they are paying for. On the other hand, tiered pricing shows them: bread, milk and cheese.

GS: What types of merchants do you prefer to work with?

EM: I love high-risk merchants, travel, time share, et cetera. I find great pleasure working with them, and I was lucky to establish very good partnerships for those types. These merchants won't be flipping just because somebody offers them a free terminal or a 10 bps [basis points] lower rate. They know that it takes time and hard work to properly place them, and they appreciate that by sticking with you.

GS: How do you get merchants to see you as a consultant rather than just another salesperson?

EM: My approach is very informative. I try to keep up to date with all the new technologies by reading and talking to my fellow professionals. I try to steer away from pricing and rather show them why my services will benefit their bottom line.

GS: Do you think there will always be street sales?

EM: Savvier merchants like to do business face to face. Telemarketers are so stereotyped that I don't think large merchants would trust them.

GS: What is your approach to terminal placement?

EM: I am a firm believer of the lease. If well-used it gives a merchant an edge. That being said, if the accounts justify, I like to do my own loaners from time to time.

GS: What are three things an MLS should never do?

EM: Never lie to a merchant. Never save your way to a sale. Never give up; this business is rewarding if you work hard.

GS: What does it take to succeed in this business?

EM: This business takes consistency, constant training and ethics. You miss one, and you are condemned.

GS: What is your experience with agent training?

EM: I trained agents back when I worked for the super ISO, but I'd rather be a one man band now.

GS: What would an ideal training program consist of?

EM: Basics of interchange, how to read and understand statements, how to properly price an account and, lastly, how to make money. Lots of people in this industry are driven by bonuses, and they would forget the true potential of this business: the residuals.

GS: Did you know enough about industry contracts before you signed one?

EM: I knew little about bankcard contracts when I first started in this industry. I only looked for the Schedule A, and I was not aware that a simple choice of words would make it or break it. Some ISOs take advantage of the new agents by emphasizing bells and whistles in their contracts, and they forgot to mention that you are signing your future away.

GS: How do you research new verticals?

EM: I try to research vertical markets by reading a lot. *The Green Sheet* is an excellent source, especially the press releases because they show what the big boys are up to.

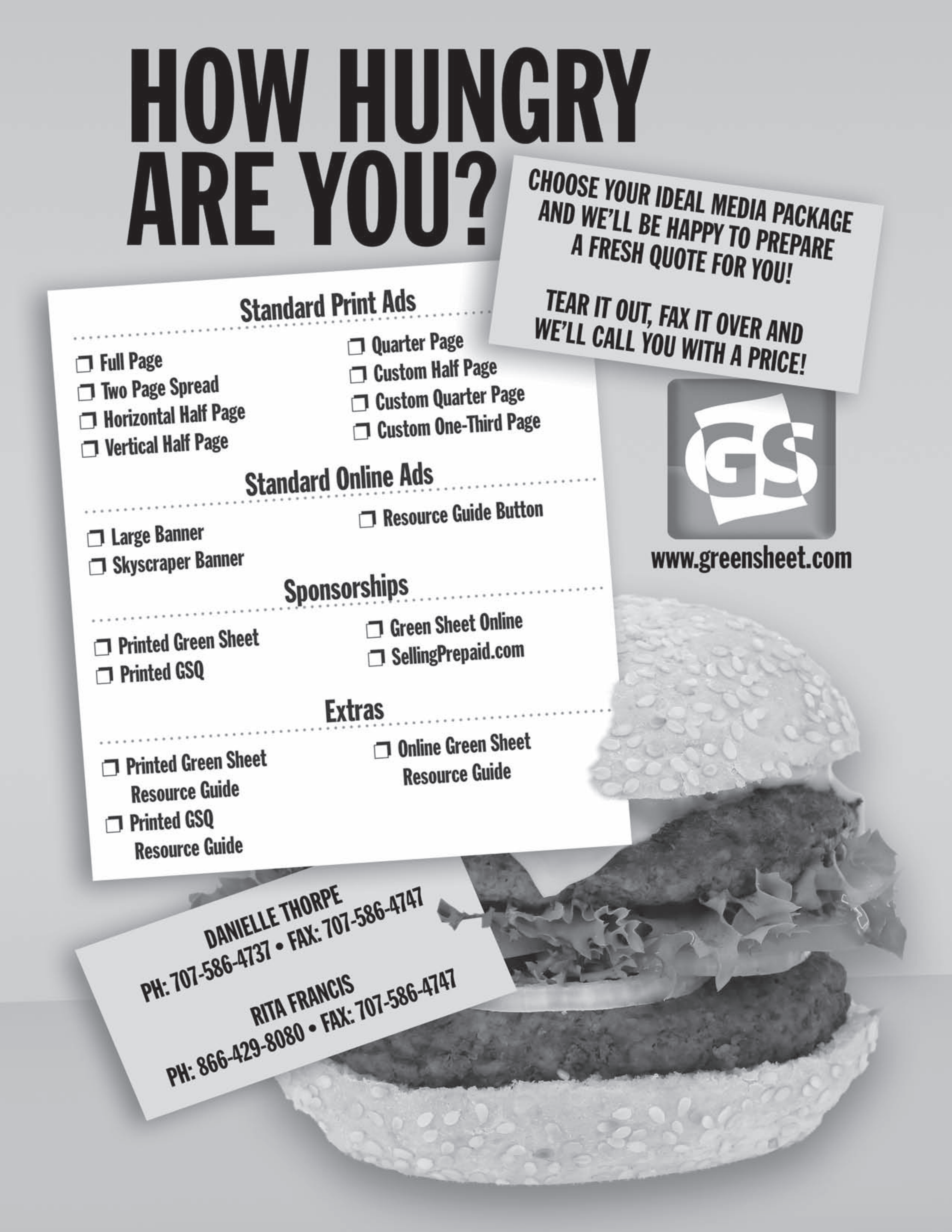
GS: How else have *The Green Sheet*'s publications and Web site helped you?

EM: Without *The Green Sheet* I would not be in this industry. You guys have earned my devotion.

Anybody in this industry should read *The Green Sheet* in order to be aware of the changes in the industry. I found the online forum when I was giving up, and it opened my eyes, literally. I chose to participate because that allowed me to get in touch with professionals across the country. It also allows people to learn from each other at no cost.

GS: Any advice for newcomers?

EM: Read your contract, know your partner, educate yourself in merchant services and read *The Green Sheet*.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SellingPrepaid

Prepaid in brief

NEWS

Wire transfer remittance attractive

According to a survey by the **Association for Financial Professionals**, 95 percent of 331 financial services professionals said remittance information in wire transfers would be valuable to their organizations. According to the AFP, companies do not receive sufficient information on wire transfers to post the payments to the correct amounts without manual intervention.

While 91 percent of wire transfer recipients – the main beneficiaries of remittance information – indicated they would use the new data to receive and post incoming wires, 61 percent said they would include remittance information in outgoing wires, the survey said.

Holiday buying trends for 2009

In a report entitled Gift Card Buying Trends: Shopper Intentions and Purchaser Behaviors 2009, Dublin, Ireland-based **Research and Markets** stated that gift card purchases continue to increase even in the face of the economic downturn. The report explores who buys gift cards, when, where, why and how.

It compares shoppers' intentions pre-holiday 2008 with their holiday gift card purchase behaviors to determine what was actually spent, the types of cards bought, and the occasions when gift cards were given and received, as well as to predict what may be in store for the 2009 holiday shopping season.

Visa glitch charges cardholders quadrillions

According to **Visa Inc.**, a programming error at Visa Debit Processing Services in July 2009, resulted in inaccurate charges being posted to some Visa prepaid card accounts. As reported on CNN.com, certain users of the prepaid cards discovered a $23 quadrillion charge on their statements.

"The technical glitch, which impacted fewer than 13,000 Visa prepaid transactions, has been corrected, and erroneous postings have been removed," Visa said. "Importantly, this incident had no financial impact on Visa prepaid cardholders." Visa added that it has taken the necessary steps "to ensure this error doesn't occur again."

ANNOUNCEMENTS

InComm adds patent

Prepaid processor and POS solutions provider **InComm** received notice in July 2009 from the U.S. Patent and Trademark Office that the company's patent for the System and Method for Authorizing Stored Value Card Transactions was issued. This latest patent protects a computer-implemented method for POS activation, deactivation and redemption of prepaid or stored-value cards via POS terminals.

iKobo assists in global payouts

iKobo Money Transfer, a product of processing technology manufacturer **M2 Global Ltd.**, introduced the iKobo for Business, a new mass payment service designed for small and medium- sized businesses. The payment service offers U.S. companies a way to distribute funds globally, including commissions, payouts, incentives and rewards, to multiple affiliates on a recurring basis using iKobo Visa Inc. prepaid debit cards.

MoneyGram expands services in Canada

Money transfer specialist **MoneyGram International** will offer its services to thousands of additional Canada Post Office locations by the end of 2009. In addition to network expansion, MoneyGram will introduce its MoneyGram Rewards customer loyalty program in Canada, which offers fee discounts and form-free money transfers.

PaySpot unveils new brand

PaySpot Inc., a subsidiary of **Euronet Worldwide Inc.**, unveiled a new, worldwide brand under the name **epay**. The epay division is a payment and cash collection network and electronic mobile top-up transactions processor. Epay offers a portfolio including top-up or recharge services for prepaid mobile airtime, prepaid debit cards and e-wallets, bill payment services, road tolls, and money transfer and gift card marketing and distribution.

Fly Away without cash

Starting Aug. 1, 2009, Calif.-based shuttle company **Van**

Nuys Fly Away will accept only credit and debit cards for bus ticket purchases. Passengers can swipe-and-ride to Los Angeles International Airport with their Visa, MasterCard Worldwide, American Express Co. credit and debit cards. Discover Financial Services cards will not be accepted. The switch to cashless is expected to save the company approximately $220,000 annually.

Veritec registered as third-party Visa processor

Mobile banking prepaid card solutions developer **Veritec Inc.** was registered by Fresno-based **Security First Bank** in Visa's Third Party Registration Program. Veritec is now a registered ISO, allowing the company to promote and sell Visa-branded card programs, as well as provide back-end processing services for programs on behalf of Security First.

VIPGift a valuable CAST member

Prepaid solutions and consumer incentive program provider **VIPGift LLC** launched its Customer Acquisition Sales Tool, an administrative software application that enables merchant level salespeople to "close the deal" with indecisive customers, while allowing managers to adjust promotional incentive terms and rules. As a result, companies can maximize their customer acquisition and selling opportunities and minimize overall sales costs.

PARTNERSHIPS

UniverCity Online HYPEs itself

HYPE UniverCity Online partnered with **Visa** to offer the Prepaid Visa Rush reloadable debit card to its members. The interest bearing HYPE Rewards Scholarship Account also gives instant cash-back rewards to help parents and students save money for college every time they make purchases at the HYPE Web site. Cardholders can also send and receive money in real time on HYPE UniverCity.

JPMorgan, WSEA extend EBT alliance

JPMorgan Chase & Co. renewed its 13-year agreement with the **Western States Electronic Benefits Transfer Alliance** (WSEA) to distribute benefit payments via electronic benefits transfer (EBT), direct deposit and prepaid cards. Through its continued partnership with JPMorgan, WSEA can supply "needy" families with convenient, safe and easy-to-use EBT and debit cards that allow recipients to access their benefits and payment programs.

MoneyGram expands Thai footprint

MoneyGram formed an alliance with **CIMB Thai Bank Public Co. Ltd.** and will offer its money transfer services at nearly 150 CIMB Thai bank branches. The addition of CIMB Thai increases MoneyGram's footprint in Bangkok, Thailand, by nearly 20 percent. According to the World Bank, an estimated $1.8 billion was sent to Thailand in 2008 by the increasing number of Thai people studying, traveling and working abroad.

O2, NatWest help those on tight budgets

Mobile services provider **Telefónica O2 UK Ltd.** partnered with retail bank **NatWest** to introduce O2 Money cash cards and "fee-free" Visa prepaid cards Cash Manager and Load & Go. The cards are designed to help consumers manage their budgets by sending real-time balance updates to the cardholders' mobile phone.

Multichannel payments expedited

Multichannel bill payment processor **TIO Networks Corp.** teamed with marketing firm **Budget PrePay Inc.** to process TIO bill payments at more than 5,000 of TIO locations in 45 states. Budget will leverage TIO's transaction bill payment automated programming interface to gain access to TIO's processing entities, which include wireless, utility and cable bill issuers.

Kids get home safe with Taxi on Demand

TransCard LLC deployed a prepaid transportation card program with Chattanooga, Tenn.-based prepaid card provider **Taxi on Demand**. TOD cards are issued in denominations of $35, $50, $100 and $200, which provides cardholders with taxi-specific services anywhere, anytime in the United States.

UKash, epay sign global deal

Online payment specialist **UKash** signed a deal with **epay**, a division of **Euronet Worldwide**, to distribute UKash vouchers across the epay retailer network in Australia and Europe. The deal reportedly means Ukash and its holding company **Smart Voucher Ltd.** are accessible for either direct-to-consumer or "white-label" solutions (a product or service produced by one company that other companies rebrand) on six continents.

3-D gift card introduced

Versatile Card Technology, a U.S.-based manufacturer of payment cards, and **Stored Value Solutions** launched the TerrainCard. Versatile said the new card construction – a "multilevel" card front and a flat back – opens up opportunities for designers to add a degree of perspective and dimension to card designs that were previously not possible. Designs can include one or more raised levels with beveled or sloped edges.

Alliance expands European NFC, contactless technology

Dublin, Ireland-based mobile prepaid, gift card and loyalty solutions provider **Zapa Technology** selected payment software solutions firm **Postilion**, and **S1 Corp.**, to provide the payment platform for its European card processing services. Zapa will make use of contactless and near field communication technologies to drive customer acquisitions, including its Zapa TAG, an NFC sticker on a mobile phone that collects loyalty points or holds stored value.

Features

Financial storm perfect for prepaid?

The regrettable state of the economy, with unemployment pushing double digits and the credit markets struggling to regain stability, makes prepaid cards that much more of an appealing alternative. So says Dennis Moroney, Research Director, Bank Cards for payment consultancy TowerGroup.

A report coauthored by Moroney, Credit Card 2.0: Smaller Balances and Tighter Margins, states that U.S. consumers have lost half of their net worth since 2007. Trust in major U.S. financial institutions is low. And household debt has increased from $3.6 trillion in 1994 to almost $14 trillion in 2008 – a compound annual growth rate of 10 percent.

Consequently, consumers are looking for alternative ways to reduce debt and save money. "What is the saying – rising tide lifts all boats?" Moroney said. "I think you've got some of that going on here." According to Moroney, one component of this rising tide is consumers – young and older – turning to alternative payment tools for different reasons.

The older

For example, the aging baby boomers who were set to slide into retirement on the funds invested in 401ks must devise new financial strategies since many of their retirement nest eggs were reduced or destroyed by the plunge of the stock market in 2008.

"I think now the savings rate is almost at 7 percent, when it was hovering around 1 percent for the last several years," Moroney said. "So people are squirreling away money to try and build up some reserves."

One way they do that is by foregoing credit cards and their double digit interest rates for prepaid cards, which disciplines consumers to spend within their means, Moroney said.

The younger

On the other end of the spectrum are generation Y consumers – teenagers and young adults – who have come of age using debit-style products and constitute one reason for the steady rise of debit card usage over the past decade.

TowerGroup's report demonstrates that shift from credit card to debit card usage. In 1999, debit cards accounted for only 22 percent of Visa Inc.'s and MasterCard Worldwide's total annual purchase and cash volume. It stood at 48 percent in 2008.

Therefore, the comfort level younger consumers have with prepaid cards for activities like person-to-person money transfers and online gaming bodes well for prepaid's future.

The alternative

What Moroney likes about prepaid cards is their versatility. In a 2006 TowerGroup study, Moroney said prepaid cards help banks cultivate new relationships, cross-sell additional products and retain existing customers by helping them control credit card use.

For example, the wage earner in a family may lose his or her job and be unable to pay off a credit card. Instead of the bank severing the relationship with the customer, the institution can issue a prepaid card.

"The idea is to maintain the relationship," Moroney said. "Work with the consumer so you have a customer for as long as they live."

Moroney recognizes two main obstacles to the growth of the industry: excessive fees and government regulation. He believes the strategy of taking advantage of financially vulnerable cardholders by charging undue fees is a "short-sighted" practice of smaller industry players. "I think it's given a black eye to the industry," he said.

The issue of regulation has become vexing, Moroney stated. The Credit Card Accountability Responsibility and Disclosure Act (known as the Credit CARD Act) hit the payments industry hard, he said. Signed into law by President Obama in May 2009, the act places restrictions on issuers, such as limiting interest rate hikes and fees and imposing new disclosure requirements.

"They're all running around, trying to figure out how to get into compliance by 2010," Moroney said. "It's an enormous amount of work."

An outcome of the new law may be that issuers turn to prepaid products to offset the added burdens on credit card issuing. As Moroney said, prepaid cards may be the "final frontier for organic [economic] growth."

Keeping patients sticky

As payment ecosystems go, the health care marketplace is perhaps the most complex. To advance electronic payments in this arena, insurers, health care and merchant service providers, financial institutions, as well as consumers, must all be on board. The intricate coordination that must be achieved is why the health care marketplace has been slower to develop than other verticals.

But MasterCard Worldwide's decision to extend its multi-year contract with the banking division of OptumHealth Group to issue MasterCard-branded health care payment cards is a sign that the electronic conversion of paper-based health care payments may be gaining momentum.

"A key component in card adoption and usage is ensuring availability of these card products through relationships with issuing banks and program managers," said Jennifer Vanderwall, Senior Business Leader, Healthcare Solutions, MasterCard. By having access to OptumHealth Bank's over 2 million health care cardholders, MasterCard is able to reach "a significant audience," she added.

Vanderwall said MasterCard's deal with OptumHealth includes the accounts the health and wellness company manages for United Healthcare Services Inc.

Cost escalation

According to a November 2008 report prepared by the Office of the Actuary, Centers for Medicare & Medicaid Services and the Department of Health and Human Services, health care expenditures in the United States are projected to hit $4.3 trillion in 2017, more than doubling the $2.1 trillion spent in 2006. As a percentage of gross domestic product, spending is expected to reach 19.5 percent by 2017, up from 16 percent in 2006. "That represents a tremendous opportunity for electronic payments," Vanderwall said.

She cited a 2008 MasterCard survey that reported two-thirds of doctor's offices and nearly 90 percent of hospitals use electronic payments. Additionally, almost all large medical practices (defined by MasterCard as offices of five or more physicians) accept plastic, Vanderwall said. Such figures lead her to conclude that "there's certainly demand from both consumers and providers for electronic payment options."

New paradigm

With skyrocketing health care costs and employers cutting back, or eliminating, insurance to employees, health care payments are undergoing a transformation through implementation of the Consumer Directed Health Care (CDHC) model.

Under CDHC, health care providers collect directly from patients, not insurers. Therefore, CDHC places more of a burden on consumers. But with that comes greater control over what products and procedures they utilize. Proponents of CDHC believe that when consumers take greater ownership over their health care choices, and pay more out-of-pocket expenses, they will make wiser decisions.

One driver of CDHC adoption is prepaid card programs. The three primary types of programs are employee-funded flexible spending accounts (FSAs), employer-funded health reimbursement accounts (HRAs) and employee- or employer-funded health savings accounts (HSAs). Vanderwall said the first FSA cards were MasterCard-branded.

A 2008 Celent LLC report estimated consumers spent $250 billion in out-of-pocket health care costs in 2007. But only $8 billion of that was paid via prepaid health care cards tied to FSAs, HRAs and HSAs. If 10 percent of the remaining $242 billion migrates to electronic payments, industry players may achieve $363 million annually, not including processing fees, finance charges and other revenue streams, the Celent report said.

Optimal solution

Vanderwall believes that to reap that revenue, consumers must be informed of the advantages of putting health care payments on prepaid cards. "Educating consumers about the ease and convenience of using a payment card to access funds in their tax-advantaged accounts are paramount to wider adoption," she said.

"For example, MasterCard cards issued under the agreement with OptumHealth Bank can be used as a form of payment for eligible health care expenses, eliminating the need for employees to file lengthy, paper-based claims for reimbursement," she said. "Eligible health care expenses include: copayments, deductibles, prescriptions, vision care and certain IRS eligible, over-the-counter items. Payment cards make it easier to pay for health care expenses without extensive paperwork."

According to Vanderwall, MasterCard has seen the greatest approval from health care providers. Office managers labor under the burdens of back-end paperwork and patient billing. They must also deal with patients confused and frustrated by the insurance claim process.

"Providers count on patient payments to keep their business going, and that's where we've seen the most satisfaction from providers as a result of accepting card payments," she said.

"In fact, a recent MasterCard survey shows that physicians cite patient convenience, safety and security for their office; guaranteed payment; and ease of recordkeeping as among the top benefits of payment card acceptance."

Triumphs and travails of kiosk deployments

Self-service kiosks are an important tool for reaching customers with prepaid card products. Situated in supermarkets, convenience stores and financial institutions, automated kiosks can function around the clock and facilitate myriad services. For example, unbanked individuals without access to traditional bank accounts can use kiosks to transfer money, deposit their pay, check balances and pay bills.

But significant effort and resources must be expended to deploy kiosks effectively. A webinar sponsored by the Self-Service & Kiosk Association highlighted three companies whose kiosk deployments proved successful, but not without missteps along the way.

FSCC's risky venture

When the Financial Service Centers Cooperative Inc., which calls itself the largest shared branch network in the United States, realized in 2003 that it needed to expand its services to provide more convenient access for its 36 million customers nationwide, it decided on self-service kiosks.

"We knew we needed something more than an ATM but less than a million dollar brick- and-mortar branch," said Sarah Canepa Bang, Chief Executive Officer at the FSCC.

The kiosk solution agreed upon was a combination of the FSCC's own kiosks deployed at credit unions and the Vcom (Virtual Commerce) units located in 7-Eleven Inc. stores. But Bang was not certain the FSCC's customers would use the kiosks.

Statistics showed that while 85 percent of bank customers visit their branches at least once a month and 50 percent of all banking transactions are performed at branches, only 5 percent of customers are "branch independent," Bang said.

So the FSCC's kiosk proposition rested on the hope that customers set in their ways would use something that wasn't a branch but wasn't an ATM either. Bang's worries were lessened when customers started using the simple-to-navigate kiosks 15 minutes after they were deployed.

The FSCC has found that 60 percent of transactions performed at the kiosks are deposits, with the average deposit amount of $600. Additionally, loan payments have been popular, which has been especially gratifying for the FSCC, given the recession.

With credit unions closing due to the economic downturn, the FSCC was able to retain its customers because kiosks were conveniently located in 7-Elevens within three to five miles of where they live, Bang said.

Avery Dennison's learning curve

According to Faith McPherson, Director, HR Transactional Services at Avery Dennison Corp., the pressure-sensitive technology provider rolled out kiosks on the shop floors of its U.S. manufacturing plants in 2004. The company's goal was to give its blue collar workforce access to employee benefits information, job postings, and paycheck reviewing and printing.

McPherson and her colleagues thought they were providing the company's workers with a valuable service. But they were wrong. "The feedback we got back from the employees at the manufacturing facilities was that we were taking the human out of human resources," she said. "So here we were trying to better things for our shop floor employees, and they saw it as taking something away from them."

What Avery Dennison had failed to do was understand the mindset of its workers, McPherson noted. The company corrected the problem by manning the kiosks with support personnel to help workers understand the benefits of the kiosks and how to use them.

Dave & Buster's powers up

Greg Clore, Vice President, Information Technology at Dave & Buster's Inc., has overseen the deployment of 283 POS and 62 loyalty kiosks in Dave & Buster's restaurants and fun centers in North America. The POS kiosks accept and dispense Power Cards, which are gaming cards used to play Dave & Buster's arcade and video games. The loyalty kiosks allow Power Card customers to enroll in the chain's loyalty program. According to Clore, successful kiosk deployments save companies money in the long run and improve customer or employee satisfaction. In Dave & Buster's case, the kiosks have done both, he said.

The kiosks upsell customers better than Dave & Buster's employees because the kiosks convey a consistent message. The solution also "drastically" reduces costs for the chain by eliminating stations where employees once sold the cards. Furthermore, the kiosks reduce customers having to wait in lines to purchase or reload their Power Cards.

Clore stressed that companies should invest in usability studies to understand what customers want in kiosks and how they prefer to go through the transaction process. In addition, companies should thoroughly investigate kiosk vendors before deciding on the right one based on the company's deployment parameters.

"Another important point is to pilot your kiosk," Clore said. "Measure the result. Are you getting what you need? Change those results if needed. Pilot again. Measure again before you do full deployment."

CompanyProfile

A right-sized acquirer

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ISO benefits:
- Single-source provider of front-end authorization, bank sponsorship and back-end settlement
- Stability of a privately held financial institution
- Consistent service
- Team-oriented approach
- 50-plus years of experience

In an advertisement that has frequently appeared in the pages of *The Green Sheet*, National Processing Co. states that First National Merchant Solutions provides the back-end settlement function for NPC's card processing. Why? Because, as the ad states, FNMS "sets the standard as a strong, stable, dependable, back-end service provider."

As Diana Mehochko, President of First National Merchant Solutions, points out, that mention is a testament to the Omaha, Neb.-based processor's stature in the payments industry. "That's right in your magazine, their advertisement – the second bullet point," she said.

Proven

FNMS, a subsidiary of First National Bank of Omaha, started processing electronic transactions in 1953. The family-owned bank, which was founded over 150 years ago, is still owned by the Lauritzen family. Boasting low employee turnover and 190 sales professionals in 45 states, FNMS claims stability and reliability in an often turbulent industry and economy.

"It's not only from a knowledge and experience standpoint, but certainly from a reputation standpoint," Mehochko said. "That's what we bring literally in spades. It's our reputation, our stability in bringing the level of service that I think truly is unparalleled in the marketplace." In 2008, FNMS processed $51 billion in sales, which breaks down to over 700 million transactions at more than 300,000 locations.

In *Bankcard today: 2009 acquirers report, GSQ* Vol. 11, No. 4, December 2008, FNMS was ranked seventh among acquirers. It reports over 19 ISO relationships and has dedicated a specialized internal group to maintain its ISO, agent- and referral-bank programs.

In-house

According to Mehochko, FNMS is still one of the few processors to provide its customers with full, in-house services – from card production to back-end processing. That

First National Merchant Solutions' Trustkeeper Web site
www.getcompliantwithfnms.com

attribute gives the company a flexibility and agility that its competitors do not share, she said. "I think with the large processors out there, like a TSYS, a First Data, a Global, those entities certainly did outsource [functions] in the past years," she noted. "They haven't brought it back in-house because it is an expensive venture to start from scratch to do that."

Keeping functions in-house enables FNMS to respond to customers' needs comprehensively and speedily, since FNMS executives can quickly convene to make prompt, informed decisions, Mehochko said.

New initiatives

Along with a push into the Puerto Rican and U.S. Virgin Islands markets, FNMS is expanding its operations into three key areas: health care payments, data security compliance and prepaid cards. About FNMS's health care payment program, Mehochko could only say the company is on the verge of signing a relationship with an entity that will bring a first-in-class product to the marketplace. But the processor is also aggressively undertaking a Payment Card Industry (PCI) Data Security Standard (DSS) compliance program targeted toward level 4 merchants.

Mehochko agrees that level 4 merchants – businesses that process fewer than 20,000 Visa Inc. or MasterCard WorldWide e-commerce transactions per year and all other businesses, regardless of acceptance channel, that process up to 1 million transactions annually – are the most vulnerable to breaches because they lack the funds and know-how to put in place state-of-the-art security systems.

Therefore, FNMS has partnered with security compliance firm Trustwave to offer Trustkeeper, Trustwave's on-demand, proprietary vulnerability assessment and compliance management solution. FNMS merchants go to *www.getcompliantwithfnms.com* to enroll with Trustkeeper. Then merchants are guided through the steps to bring their businesses into compliance with the PCI DSS.

Mehochko considers the service to be part of FNMS's responsibility as a consultant to its merchants. But it is also part of a larger strategy. "[We're] certainly looking at how we can manage our business in this economic crunch," Mehochko said.

Taxi-sized

The third area of expansion for FNMS is in the prepaid card arena. In January 2009, Yellow Cab Cooperative of San Francisco, which operates 500 taxis in the city, began offering the smartOne Visa Inc. Pay Card to its cab drivers.

According to Scott McCormack, Vice President of Prepaid Solutions at FNMS, the co-op had to have tens of thousands of dollars on hand to pay their cabbies in cash at the end of their shifts. On some days, the co-op would run out of cash. So the co-op contracted FNMS to furnish a program that would alleviate the burden of having to make daily trips to the bank.

Now, instead of being paid entirely in cash, the co-op's cabbies get most of their pay loaded onto open-loop, Visa-branded cards. Now cabbies – mostly recent or fairly recent immigrants – don't have to leave the co-op with large amounts of cash on their persons. Additionally, the cards provide cabbies with greater convenience and flexibility in their financial choices. Cabbies can use the cards to withdraw cash from ATMs or make purchases anywhere Visa debit cards are accepted – online, over the phone or in-store.

For the co-op, the program has been a "significant" money saver, McCormack said. On the front-end, the co-op is not charged fees by the bank to withdraw large sums of cash every day. And, by doing daily automated clearing house deposits to the cards versus doling out cash payments to cabbies standing in line, the co-op speeds up payments to cabbies and can divert staffing resources to other areas of the business.

Metavante Corp. provides the authorization and denial engine for the taxi payments solution. Mehochko said that function is the only one FNMS outsources. FNMS chose Metavante because of its expertise in prepaid card processing, McCormack said. Another deciding factor was that the two companies were a "good fit" for each other, with both having evolved out of similar banking cultures, he added.

Parking is another vertical that FNBS is looking at as a possible way to expand its prepaid card services. "Certainly the existing relationships we have in the parking lot [vertical], we are using those as stepping stones to provide or sell or cross-sell other products and services," Mehochko said. "We have a large sales force here – close to 200 people," McCormack said. "Certainly our opportunity is to utilize that sales force to bring additional solutions to not only prospects we are talking to in various different vertical markets, but also our existing client base."

Right-sized

FNMS's definition of a client includes agent banks, merchants and ISOs. Since the company views ISOs as customers, it operates a full-service Account Management Team to support its ISO partners. Its duties include operational, technical and conversion support. Mehochko said the team is there to answer ISOs' questions. If needed, FNMS representatives will travel to ISO locations to offer in-person education and training.

Additionally, FNMS offers annual First Focus seminars to ISOs to bring them up to speed on chargebacks, fraud, security and other issues. FNMS's hands-on services seem inextricably tied to the moderate size of the company.

Mehochko believes FNMS is of a business size neither too big nor too small. It is big and strong enough to withstand tough economic conditions. But it isn't too big that customer service is affected as it may be for giant corporations. Mehochko said FNMS is in "a nice niche" in terms of its size which enables it to enjoy "having the control from an in-house processing standpoint, having that flexibility, having that nimbleness, and certainly today, having that stability and that wherewithal that perhaps other financial institutions are not appreciating in this economic time."

Visa consolidates, restructures

Visa Inc. Chairman and Chief Executive Officer Joseph W. Saunders reported on July 27, 2009, that the company is reorganizing its executive management team to heighten the effectiveness of its global operations. As part of the restructuring, Visa's global sales, client services, marketing, product development and information technology functions will be consolidated under the leadership of John Partridge, the company's Chief Operating Officer.

During this changeover, John C. Morris will step down as President. He will remain with Visa until the end of 2009 and work with Saunders to assure the transition is seamless. Morris joined Visa in 2007 and played a central role in the company's successful initial public offering (IPO) in 2008.

"We've come a long way since October of 2007 when we merged five different independent Visa operating regions, Visa International and its global payment processing subsidiary, Inovant, into one company called Visa Inc. and successfully took the company public," Saunders said. "Since the IPO, we've expanded our core debit and credit business, reduced operating costs by hundreds of millions of dollars and heightened our focus on product innovation."

Pushing the stock

Visa officials were unavailable for comment. Meanwhile, opinions about the cause and potential ramifications of the company's restructuring are varied. Visa's IPO opened at just over $44 a share in April of 2008. The stock is currently at $66.60 per share, down from a 2009 high of $70 on June 5. In contrast, MasterCard Worldwide's stock price since its IPO in 2006 has gone from approximately $44 to just under $200 per share on July 29, 2009.

Paul Martaus, President of consulting firm Martaus & Associates, believes Visa's move was not done to consolidate the company as much as it was to bolster its stock. He feels that Visa has simply not responded well to its IPO.

"The board of directors had to announce their earnings yesterday and though they did meet the guidance, the bottom line is that their stock has gotten the stuffing beaten out of them by MasterCard, who is doing just fine," Martaus said.

"So they take the architect of the IPO and, not wanting to embarrass him completely, put him in an unspecified capacity in what the banking industry calls the old lateral arabesque. I just think it means that they're no longer invulnerable."

Another take

But Lee Manfred, Partner, First Annapolis Consulting, sees Visa's restructuring a bit differently. He believes it shouldn't come as a big surprise given the present economic climate, which has forced businesses to make cost and workflow management streamlining a top priority.

"The company is 18 months out from their IPO, which involved a restructuring of massive proportions and was much more complex than the MasterCard IPO," Manfred said. "Visa not only moved from a member of an Association to a public company, but they consolidated from many regions and subsidiaries into a single company. So I see it as more of an ordinary course of health and hygiene in running a big business; you have to be ever-vigilant in addressing costs."

Indeed, Manfred believes Visa's performance during the transition has been commendable and that the company is on solid ground. "I think a more efficient Visa is good for the market," he said. "Aligning product, technology and client services makes all kinds of sense. And Partridge knows the tech and product side and has very strong customer relationships. That's one thing that Visa has always done very well, so I think they'll be just fine."

Cabbies roll with VeriFone terminals

In 2007, complaints about VeriFone terminals integrated into New York City and Philadelphia taxis forced a two-day cabbie strike. Times have changed. VeriFone worked to eliminate bugs in the system, and acceptance of paying for cab fare with plastic increased among cabbies and consumers. And VeriFone reported in August 2009 that over 1,000 payment terminals were successfully implemented in Boston-area cabs.

VeriFone Transportation Systems, a joint venture between VeriFone Holdings Inc. and taxiTronics, installed ATM-style, interactive systems into the Boston cabs. The terminals are based on VeriFone's MX870 multimedia payment systems and are integrated with VTS' wireless technology to allow mobile acceptance of credit and debit cards. Additional features include dispatch automation and voice-guided navigation.

Good to go

John Ford, President and owner of Boston's Top Cab Inc. and City Cab, said the systems (in place since June 2009) are working well. "So far, so good – no real problems, no real complaints," he said. According to Ford, passengers recognize the benefits of paying for longer cab rides with plastic. Instead of taking short cab rides to train stations as first legs in longer trips, passengers are opting to make the whole journey in the cab and paying with their cards.

Ford said, "They now see the credit card machine and say to the cab driver, "How much to go to my [final] destination?' And they get a price and they end up doing it." The cabbies are happy, too, he noted. Longer trips mean higher fares. Additionally, Ford has seen an increase in ridership in the over 500 cabs he operates.

Ford said Top Cab and City Cab had been working with VTS on the terminals since February 2009. A pilot program proved successful; now his entire fleet of cabs is equipped with the VeriFone solution, Ford added.

Red to green

The present circumstance seems far from the problems VeriFone encountered in September 2007 when East Coast cabbies staged a two-day strike to protest the POS terminals integrated into their cabs.

Reports varied as to how many of New York's approximately 44,000 licensed cab drivers and Philly's 1,600 medallioned drivers participated. But it was enough to generate considerable attention on the street and in the media.

The drivers filed a list of complaints about the new technology, including: "glitches" in the system, which caused delays and other problems in dispatching; the noise and distraction of the passenger screens over which drivers had no control; and transaction fees of up to 5 percent assessed on drivers; Long waits for payments

At the time, Pete Bartolik, spokesman for VTS, said, "Not all technical issues are equipment-related. Some may be affected by the cars' mechanical problems, driver training and drivers' [unwillingness] to adapt to change. ... Finally, data from our implementation in Philadelphia shows that drivers benefit from higher tips when customers use card payment." This mirrors reports from the restaurant industry, which show measurably higher tips for wait staff from patrons using credit cards instead of cash.

Negotiating the wireless security minefield

In July 2009, the PCI Security Standards Council's Wireless Special Interest Group (SIG) published an information supplement on how the Payment Card Industry (PCI) Data Security Standard (DSS) applies to wireless retail environments and what practical methods and concepts should be implemented to secure wireless devices in those environments.

"Wi-Fi has made a large penetration into the wireless POS market and we felt there was a need to define a common set of concepts and vocabulary," said Doug Manchester, Director of Product Security for VeriFone and the Wireless SIG Chairman. "So the very first thing we needed to do in the SIG was help merchants and auditing people understand what is inside and outside the scope of the wireless environment.

"We want to educate everyone that is under the DSS compliance umbrella what issues they will have to deal with because of the prevalence of wireless technology today and the potential for it to be used in a nefarious method."

Raising the scope

The SIG was formed in 2008 by the PCI Security Standards Council (PCI SSC) to investigate wireless technology, make specific recommendations to increase its security in accordance with the PCI DSS and reduce the potential for wireless implementations to be entry points for attacks on networks containing cardholder data.

The SIG's wireless operational guide for complying with the PCI DSS is broken down into two primary categories:

- Generally applicable wireless requirements
- In-scope wireless networks

The SIG recommends all organizations institute the requirements specified in the first category to protect their networks from attacks via rogue or unknown wireless access points and clients. The "in-scope" requirements are specifically for organizations that transmit payment card information over wireless networks.

Leveling the field

"The paper is designed to provide a common nomenclature for the merchant, the Qualified Security Assessors [QSAs], ISOs and financial institutions so that everyone is speaking the same language and is on the same page," said Troy Leach, Technical Director, PCI SSC. "It's really about trying to draw together a common understanding so that ISOs, merchants and financial institutions can talk on a level playing field with the assessors.

"The council is focused on providing documentation guides to flesh out what these requirements mean. A lot of folks think of the wireless environment as just requirement four – wireless transmission of cardholder data over public networks – but there are requirements in all 12 domains that are applicable to wireless."

To help supplement the Wireless SIG's paper, the PCI SSC opened its two-and-a-half day QSA training workshop to *all* payment professionals and merchants. "It's very core technology that is discussed, but I think it's another demonstration on our part that we are trying to work with everyone and educate them on how to appropriately secure cardholder data over wireless transmissions," Leach added.

Lowering the confusion

Up until now, merchants and payment professionals misunderstood the wireless requirements of PCI, Manchester said. Therefore, the PCI SSC wanted the SIG to provide clarity in this arena. Manchester feels the guidelines take the best current security practices for wireless and extend them into actual working scenarios that ISOs and merchants might encounter.

"Wireless is going to be moving into a non-linear growth phase," Manchester said. "Payment solutions on wireless devices have existed since 2005. Now there aren't huge volumes of that.

"But what has happened – especially in the case of Wi-Fi – is this proliferation of hot spots like coffee houses, grocery stores, airports, buses and trains. So the decision was made by all participants in the SSC that the time has come to get out there and get this tuned before we hit critical mass."

For more information, visit *https://www.pcisecuritystandards.org/pdfs/PCI_DSS_Wireless_Guidelines.pdf.*

SPVA broadens membership base with global players

A primary focus of the newly formed Secure POS Vendor Alliance is to develop its membership base. To that end, five payment organizations have joined its ranks since May 2009: Heartland Payment Systems Inc., Moneris Solutions Inc., Radiant Systems Inc., Atos Worldline and Witham Laboratories. The SPVA is a nonprofit organization dedicated to enhancing data security worldwide.

"We decided to join because we want to support all attempts to build a more secure payment network," said Robert O. Carr, Chairman and Chief Executive Officer at Heartland. He doesn't know what Heartland's role will be at the SPVA, but he expects it will be an active one.

Brian Strange, Senior Manager for Product Development for the Hospitality Division for Radiant Systems, said his company wanted to participate in the SPVA's information sharing mandate. "Exposure to other people in the payments space is just all around good for business," he said. "There is some sharing, but certainly processors aren't jumping through hoops to tell us exactly how one of our competitor's may have been breached. And so being around other people in this space is definitely important."

Australia-based Witham Laboratories has similar goals. "There are various security requirements and standards that apply around the world," said Mario Sist, Operations Manager at Witham. "Sometimes they align well and other times they don't. Membership to SPVA will provide a forum to discuss how these requirements interact."

Additionally, Witham hopes to achieve "a closer relationship with POS vendors within the industry, as well as an increased exposure for our company worldwide," Sist noted.

Structure

At the April 2009 press conference to announce the founding of the SPVA, Paul Rasori, VeriFone's Vice President of Global Product Marketing and the SPVA's first Treasurer, said, "Membership is the most important part of what we are putting together."

The SPVA has two classes of membership. General membership is open to organizations in POS terminal manufacturing, such as founders Ingenico, VeriFone and Hypercom Corp. Their mission is to create secure POS terminals. An associate member is defined as any payments industry organization that offers products and solutions that interact with POS terminals.

"Obviously we want to have a much broader view of the overall environment, so we're also inviting membership to essentially any other company that is involved with the payment system, which would include banks, acquirers, merchants, point of sale vendors, software vendors, other standard setting bodies," Rasori said.

Through working groups, general and associate members will attack security issues together, Rasori added. The SPVA's management committee, which will be elected on a rotating basis after the founding members have completed their terms, will oversee the working groups.

The committee currently consists of founding members Christophe Dolique, Ingenico's Executive Vice President, Global Marketing & Transaction Services, serving as the SPVA's first Chairman; T.K. Cheung, Vice President of Global Quality and Security at Hypercom, serving as the SPVA Vice Chairman and Chief Technology Officer; and Rasori. Two additional general membership participants elected by their peers serve on the committee as well.

The goal of the management committee is to "maintain an open and inclusive membership, facilitate these technical working groups, agree on what problems we are going to try to attack in the marketplace, and then bring the entire membership together to actually solve those problems and create best practices and other types of auditable security guidelines," Rasori said.

Once security standards are formalized and ratified by the committee, the SPVA will implement an approval program where POS vendors can achieve certification and receive the alliance's endorsement, Rasori said.

Connectivity

Earlier in 2009, Carr founded the Payments Processing Information Sharing Council, which held its first meeting in May. Carr said a priority of the PPISC is to develop end-to-end security, and since that requires security parameters for the POS terminals themselves, it made sense for Heartland to join the hardware manufacturers' association.

Carr said that to do a better job of securing the payments system from destructive data breaches, it is vital that payment businesses talk to each other about security issues through facilitators like the SPVA, the PPISC and the Payment Card Industry Security Standards Council.

"The most important thing is to share information about known attacks," he said. "I think that's the key. And a lot of people, I think, agree with that."

The SPVA will hold its first meeting Aug. 26 to 27, 2009, at the Hotel InterContinental in Miami. It is scheduled to host its next meeting in Paris in November 2009.

To find out more about the SPVA, visit *www.spva.org.*

TradeAssociationNews

MWAA raises the conference bar year by year

Satisfaction was in the air as the Midwest Acquirers Association's seventh annual conference came to a close July 24, 2009, at what the *Chicago Tribune* rated the "coolest" Chicago suburban hotel: the Westin Lombard Yorktown Center in Lombard, Ill. The show offered a mix of classic tradeshow offerings, refinements to previously tested ideas and new options – all coordinated to help industry professionals adapt and thrive in today's uncertain economic environment.

"Some new people on the advisory board and on the board really came through for us," said Mark Dunn, MWAA Treasurer and founder of Field Guide Enterprises LLC. "Donna Embry's connections to the banking industry and the Federal Reserve really beefed up our meetings, and the idea of the Innovation Hall came from a group of people on the board. It's a little bit different change in format, but I think it brought in a lot of people."

Indeed, the event had 53 more participants than in 2008, broken down as follows: 311 participants were ISOs, banks and merchant level salespeople (MLSs), and 166 were vendors, for a total of 477. Dunn attributes the increase to "a better overall program than last year and Chicago being a better overall business destination than St. Louis for the merchant services industry."

Innovation

The 11 companies participating in the Innovation Hall each had a 12-foot booth with special placement and signage instead of the standard 8-foot booth, and company representatives were given time to present their innovations either at dinner on Wed., July 22, or lunch Thurs., July 23. And one, SecurityMetrics, was selected to receive the MWAA's Innovator's Award for its Payment Card Industry Data Security Standard compliance solution.

While exhibitors were setting up their booths on Wednesday afternoon, other participants were able to attend either "Growing your ISO in a difficult economy," a Field Guide Seminar produced and hosted by Dunn, or presentations on the ABCs of remote deposit and prepaid. The keynote, "Leveraging analytics and insights to manage fraud," by Global Solution Leader Phillip M. Miller preceded the opening reception. And after dinner, comedian Greg Morton entertained the crowd.

The following day was packed with general sessions on industry legislation, pricing methodologies and breakout sessions: one track designed for ISOs, processors, vendors and banks, and the other geared for MLSs. There was also plenty of time to mix with partners, clients and peers in the exhibit hall. The MWAA's passport program, initiated in 2008, was expanded to enthusiastic feedback. It required those who wanted to be included in a drawing for prizes (everything from gift cards to getaways) to attend a certain number of events and visit a variety of exhibitors to qualify.

Inspiration

The closing keynote by Juan Ortiz, Vice President of Business Development for BluePay Processing LLC, echoed the conference theme of creating opportunity from uncertainty. Drawing from his experience in overcoming extreme challenges in his youth, Ortiz illustrated how the principles he learned early on can be applied to great effect by people in all walks of life, including merchant acquiring. The principles, in brief:

1. Get a dream and a reason to live.
2. Find a mentor.
3. Set goals.
4. Devise a game plan.
5. Give back.

Planned with the help of Tina Smith and Bob Giese of Travel Leaders, a franchise of the Carlson Companies, the conference was both electric and relaxed. People were engaged in animated conversation over meals, at booths, in hotel suites and in corners of the lobby. Some folks made new connections; others solidified existing relationships. Some sought answers; others provided them. Some reaffirmed what they are already doing; others found entirely new directions. Those who signed up for Friday morning's golf excursion had partly cloudy skies, but the fresh, warm breeze and lush, green landscape offered one of the best summer environments to be found anywhere.

An article about Donna Embry's Lifetime Achievement award, presented during the conference, follows in this Trade Association News section. In addition, insights offered during the show by a small sampling of participants can be found at *www.greensheet.com/reports/mwaacomments09.pdf*. For more information about the MWAA, visit *www.midwestacquirers.com*.

Embry enters payment hall of fame

Donna Embry, Senior Vice President for Payment Alliance International, was honored with the Midwest Acquirers Association's Lifetime Achievement Award at its seventh annual conference held in Chicago in July 2009. A 43-year veteran of the payments industry, Embry said she was overwhelmed by the accolade.

"The fact that your peers recognize you for something over and above what you deal with on a daily basis was very humbling," Embry said. "I've always considered myself a student of the payments industry, and I guess I've earned my degree now. And it's such an interesting business because you get to touch on everything from consumer behavior to economics and technology. Once payments is in your blood, it's hard to get it out."

Giving without hesitation

Over the past four decades, Embry has served in a number of executive positions and has inspired and motivated many other industry veterans. Linda Mahy, President and Chief Executive Officer of Connective IQ, said there are people you know and appreciate for a reason, a season or a lifetime, and her relationship with Embry falls into the latter category.

"No matter where we've worked we've kept in touch throughout our careers," Mahy said. "The best thing about Donna is that she works her network tirelessly, stays in touch with her relationships and is always helping other people. She is a living, breathing example that the good you do comes back to you tenfold. Donna can truly deep-dive on any subject in payments. I just can't say enough good things."

None more passionate

PAI President and CEO John J. Leehy III – and Embry's current boss – worked with her in the 1990s, and when he formed PAI in 2005, he wanted Embry on board. "There is no one in this business more passionate – not only about the industry itself, but about the possibilities in it," Leehy said. "She has created so many opportunities that so many of us have benefited from. She just brings a genuine love to this industry." Embry's enthusiasm for her chosen career remains as strong as ever. "I've been so lucky to have worked with outside-the-box thinkers who are just as passionate as I am," she said. "There is so much dynamic change and opportunity in this industry; my only sadness is that I don't have another 40 years."

ControlScan extends involvement with ETA

Payment Card Industry (PCI) Data Security Standard (DSS) compliance solutions firm ControlScan Inc. said it will participate on two committees of the Electronic Transactions Association to help educate ISOs, acquirers and the smaller (level 4) merchants on PCI DSS compliance issues. Joan Herbig, ControlScan's CEO, renewed her position on the Fraud and Risk Committee. Heather Varian Foster, Vice President of Marketing, joined the Education Committee.

"Small merchants make up the largest percentage of the overall merchant population and they are also the most frequently breached," Herbig said. "We felt the ETA would provide a platform that will allow us to talk about the unique challenges small merchants face in the PCI compliance game. Many level 4 merchants – as well as many ISOs and acquirers – are just not well educated about PCI. We want everyone to better understand what they need to do to become compliant."

Nuts and bolts

Foster said that in the two years she and Herbig have been with ControlScan, they have developed a mantra to elevate security "across the board" and build programs that target both of their audiences. "We want to make sure this is not just a check the box and get it done type of thing," Foster said. "It's about building a security platform where they are assured their credit card data is protected.

"It's not so much explaining PCI as it is getting tactical and explaining the procedure step by step, to deliver short snippets of education applicable to where the merchant is in the PCI compliance process. The main thing here is that we need everyone to know that level 4 compliance is a big deal and that it takes an army of people to get this message out there. We want to be significantly contributing to that."

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Last year, my 1099 reflected another record year of making income!

The new cost structure is sweeeeeet! I know I'm making the most I can on every deal.

It's been 5½ years for me with Total Merchant Services. There's no stopping me now – I'm looking forward to 20 more prosperous years.

I feel really secure financially, especially during these times of economic hardship.

Last year, I gave my son Tyler a guitar for Christmas. He is my driving inspiration.

Breach liability from page 1

Finding liability

Generally speaking, determining liability is a top-down process that begins with the card issuer. If the issuer itself is breached, the ensuing process is relatively straightforward, at least in theory; that organization takes the hit, pays whatever costs were racked up with stolen card data and then undertakes the expensive process of clean-up.

This latter job, which involves things like notifying customers affected by the breach and issuing new cards, can be more taxing than one might think.

According to Walter Conway, a payment business Data Security Consultant, the process of notification by itself will typically involve sending mailers, making phone calls, creating a Web page and establishing a "credit monitoring service" – the price on all of which can run between $40 and $200 per account compromised. At that rate, he said, fewer than 5,000 notifications could well put the price tag into the millions of dollars.

In the event that liability falls on a processor or merchant, these and other associated costs are passed down by the issuer – and in both cases they go initially to the acquirer. If a breach occurs in the merchant sector, fines usually are passed down twice – from the issuer to the acquirer and, in turn, from the acquirer to the merchant.

"I think in that situation those [acquirers] can be dealt with very quickly and very harshly by the brands," Conway said. "An acquirer is supposed to be secure – that's what they do for a living. You expect them to be secure."

Using a middleman

The aftermath of a breach to the merchant sector is far less clear-cut.

Because issuers and merchants hold no direct business contact and have no contractual agreements, issuers have only limited ability to recoup their costs.

Any fees they do impose go first to an intermediary – the acquirer, with whom both parties are contracted – which will absorb the cost, pass it to the merchant or absorb part and pass the rest, depending on the acquirer's contract with the merchant.

Fischer said virtually every merchant-acquirer contract stipulates precisely how issuer fees will be distributed between them – although such a clause has only become a regular part of their contracts in the last several years. He said those fees commonly range between $100,000 to a ceiling of around $500,000, and they're sized roughly equally whether it's a merchant or processor that's been breached.

According to Conway, "generally all" contracts stipulate that the merchant will absorb everything – although he added there were exceptions, including instances in which acquirers turned the tables and paid the whole tab themselves. "I do know cases where there's been a breach – not terribly large, and the acquirer has decided for the business relationship or whatever reason not to pass the fine – they've eaten it," he said.

Fischer said it isn't uncommon for acquirers to absorb at least some of the costs, noting that "there's a lot of competition" among acquirers to secure merchants, and any provision that helps relieve cost burdens can be used as a selling point.

But he added that significant contractual concessions are usually reserved for the larger retailers whose businesses are deemed lucrative enough to make certain risks, like the assumption of liability, worth taking.

"This is a business world and these agreements are intensely negotiated, and there's a lot of competition," Fischer said. "So as an acquirer you try to get as much of [the fines] as you can back on the retailer and not lose the retailer."

A breached merchant may also face third-party lawsuits, usually filed by the issuer to skirt the limitations of industry fees – which Fischer said can only go so high, or else get blocked by the overseeing card brand (either Visa Inc. or MasterCard Worldwide, depending on the issuer). He said such cases are usually decided in favor of the merchant, leaving the issuer to eat a large portion of the breach costs.

He sited the clothing retail giant TJX Companies Inc., which, after suffering the largest breach ever by a merchant in 2007, was spared by the courts from paying a good chunk of its penalties even though, according to the Federal Trade Commission, the company was nowhere near compliant.

"Even in that situation, while they ended up paying a significant amount to issuers through the Visa settlement that was orchestrated, it was significantly less than the issuers wanted," Fischer said. "So if you look at it on a rough justice basis, it probably was an appropriate amount."

Plenty of suffering to go around

Indeed, each party on the payment chain seems to suffer "rough justice" its own way. For their part, issuers absorb the initial shock of every fraudulent transaction, and bear the burden of having to recover all those costs – some of which they never get back. Especially when a merchant is breached, an issuer can be almost certain that it will shoulder a bulk of the expenses.

Unlike merchants, processors that are breached often bear the burden of reimbursing the issuer completely, the total costs of which can be huge. Heartland Payment Systems Inc., which reported a breach in 2008, said in May 2009 that its costs had reached $12.6 million and counting.

Processors, which in most cases play the role of acquirer as well, are also go-betweens for the fines issuers levy on merchants, and in many instances absorb at least a portion of those costs.

Merchants, meanwhile, are rarely responsible for what happens to other parties (unless those parties aren't certified PCI-compliant) but frequently have plenty on their own plates. They are the most likely of all parties to experience a breach, and, of the ones that are hit, typically the least able to absorb the costs.

"The vast majority of breaches are in the merchant sector – it's an overwhelming number," Conway said.

Breach liability and PCI compliance

Unavoidably, the issue of post-breach liability ties into some key points of contention regarding PCI compliance more generally.

Liability (excepting outside lawsuits) hinges on establishing noncompliance at the time of a breach, which is determined by a forensic audit. Breached parties found to have been compliant are supposed to enjoy "safe harbor" from industry fines – but of all the post-breach audits conducted to this point, not one has made that finding.

"No compromised entity has yet been found to be in compliance with [the standard] at the time of the breach," the PCI Security Standards Council (SSC) declared earlier this year – and it maintains that position today.

Some take issue with that position, asserting that, while the PCI DSS makes a very good guide for security implementation, perpetual PCI compliance is basically an unattainable goal – and, among breached entities subject to forensic audit, a set-up for failure.

"It's always easy to be a Monday morning quarterback, to come back and take a look at and say, 'Ah ha! What about this?' That one spot that these very talented criminals had to discover," Fischer said.

"There are literally tens of millions of point-of-sale terminals and lots and lots of retailers of all sizes and they can only do so much," he added. "They gotta run a business – sell products and the like. So it's not possible for them to protect all their information all the time, and even if it was [possible] yesterday, it won't be today and won't be tomorrow."

Conway expressed a different view, asserting that the difficulty of PCI compliance "can be blown out of all proportion. Merchants are going to have to spend a little time, maybe a lot, depending on what changes you're willing to make, to become compliant. But do I think it's an onerous burden that's unfair and driving people out of business? No … I think a lot of the mashing teeth, a lot of the whining, quite honestly, is misplaced."

He added that the findings of post-breach audits have revealed substantial malpractice.

"Some people say … you could always find something somewhere [in a post-breach audit]," he said. "Well, that's not what [the PCI SSC] said. What they said was, not only were [breached parties] noncompliant, but the source of noncompliance was related to the breach. So it wasn't because of something trivial – where they were noncompliant actually was materially important to the breach."

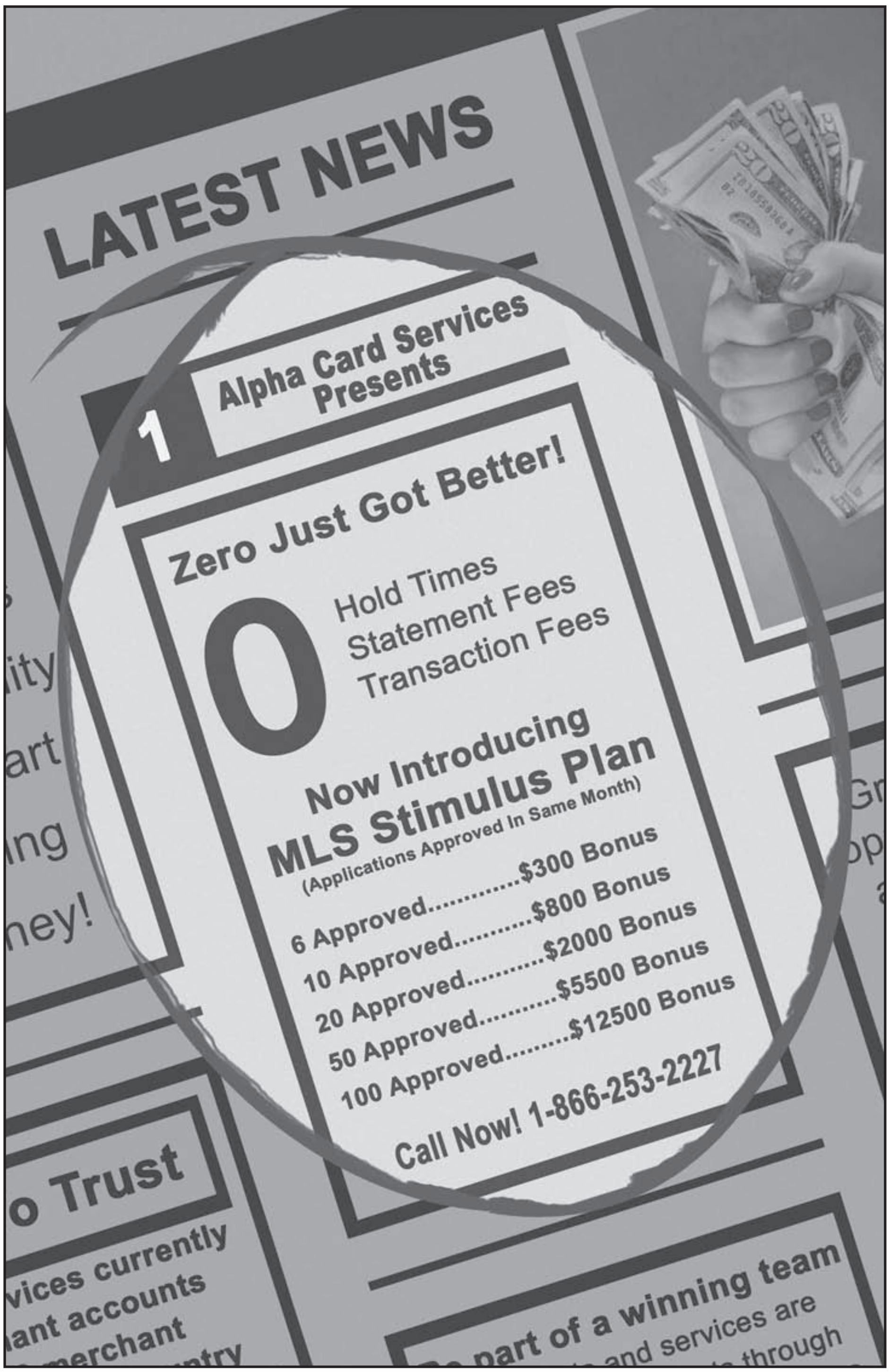
To a large extent, opinions about post-breach liability are rooted in the perceived roles of the different parties involved in preventative security – including the audits that businesses must undergo at least once a year along with a quarterly or monthly systems scan required as part of compliance maintenance – and the extent to which those audits provide assurance of compliance.

Conventional notions about the different roles played in ensuring security continue to be challenged, not least when Merrick Bank took the unprecedented step of suing

a security auditor in May 2008. CardSystems Solutions Inc., which conducted card processing for Merrick's 125,000 merchants, had been certified Card Information Security Program (the precursor to the PCI DSS) compliant in June 2004, only to be breached several months later.

That lawsuit, which is ongoing, may hinge on the scope of responsibility that auditors can reasonably be expected to take on – in other words, the extent to which a system deemed secure at one point in time can be assured to stay that way.

"The challenge with compliance is, it's a point in time exercise," said Andy Bokor, Chief Operating Officer of Trustwave, an information technology security consulting firm.



"So from an assessor's standpoint, we can go into an organization and take a look at the profile of all the controls we need to look at, and at that given time they may have been satisfying those.

"But organizations are very dynamic … if new [technology] gets added between compliance cycles, that's where you get some of the vulnerabilities that are exposed."

Bokor added that, while the roles of outside parties in security maintenance can be significant, ultimately "the onus is on the end user. It's their responsibility – it's their system, and they are the people doing the configuration. The auditor is really just there to do the white-glove audit."

Dual burden

Some contend, however, that many businesses, especially merchant stores, can do only so much to guarantee their own security, and the role of outside parties with more technical savvy and PCI knowledge is crucial – particularly the roles of acquirers, with whom merchants are most closely associated.

"Acquirers have a dual burden," said Paul Rasori Senior Vice President, Global Marketing for payment technology provider VeriFone. "One is to make sure all their merchants are compliant. And the second is they need to make sure they're PCI compliant themselves, because they're also storing and transmitting and capturing information."

"There's a lot of people to blame [for security weak spots]," Conway said. "And I'm going to start with the banks, and all the people that have done an absolutely appalling job of communicating PCI to the merchant community.

"… I don't blame the merchants for this. PCI is a reasonable set of safeguards that will protect the merchant, their brand and the merchant's customers, but the merchants simply aren't properly informed about it. And I'm using a broad brush because some of them I know are doing a great job, but I wish I saw more of it," he said.

Conway added that the PCI SSC "has done most of what it can as a standards body" to promote enforcement of PCI regulations, but that it "doesn't do any enforcing, and maybe that's the flaw in the whole model."

Indeed, the roles of different parties in security prevention mirror those in the post-breach scenario. Just as issuers cannot impose post-breach costs directly on merchants, the enforcement of PCI standards cannot flow directly from the top down; in both cases, the extent to which those who reside on the bottom of the chain are impacted depends on the role of a middle party.

Legally accountable or not, such parties will usually face consequences of some kind – reputational damage, outside criticism and the loss of merchants – when the merchants they are contracted with suffer a breach.

"Those who sleep with dogs get fleas," Fischer said. "Well, an acquirer that does not have a significant compliance program for their merchants … is going to end up with fleas."

Many acquirers are finding, furthermore, that to avoid the tremendous burden of security breaches to their merchants, it is best to assume more of the burden for prevention.

"We're trying to come to market with a managed service that allows merchants not to have to worry as greatly about PCI," said Bill Clark, General Manager, Point of Sale Division for payment system solutions provider Apriva. "We want to be an advisory partner and to manage the networks.

"It's our opinion that helping the merchants be educated and, in many cases, offloading some of the work of staying vigilant helps them and really helps all of us in the industry."

Better technology on the horizon

Others say the quickest and most effective way to relieve the merchant burden is through better security technology that would limit the ongoing and complex procedural work required of PCI compliance – and there are indications the broader use of such technology is forthcoming.

In April 2009, the founders of the Secure POS Vendor Alliance, Rasori among them, marked the organization's official inception. The organization's aim is to address the industry's most pressing issues with data security, primarily with technological solutions that include, most prominently, end-to-end encryption.

"There's a big cry for something more definitive that takes the responsibility away from the retailer, and maybe even the acquirer, and that's referred to in the industry as end-to-end encryption," said Rasori, the SPVA Secretary and Treasurer. "Doing an encryption of the information before it even enters the retailer's system could potentially take it out of the scope of all retailers."

The PCI SSC appears also to be considering the use of new technology. In June 2009, it commissioned the security consulting firm PricewaterhouseCoopers to research new approaches to the adoption of security technology by merchants, processors and acquirers.

Meanwhile, after suffering one of the most high-profile breaches in recent years, Heartland is leading the way toward the use of end-to-end encryption, implementing the technology in-house and at the site of every one of its merchants.

Indeed, the Heartland situation could well symbolize the plight of the industry at large, which appears to be, slowly but surely, heading for changes largely compelled by the constant battering of a relentless criminal front – and the "rough justice" that so often results. As the Heartland case seems to demonstrate, sometimes getting dragged through the mud is the best impetus for change.

10 years ago in *The Green Sheet*

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

The Green Sheet

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August 9, 1999

Cipherspace

Have you ever wondered how we are going to identify one another as we move further into the cyber world in which Internet and other such gateways to anonymous Electronic Commerce become ubiquitous, and we all become strangers to one another until otherwise positively identified?

Yeah, me too. I haven't thought much about it either. But, the truth is, we are standing on the technology's edge and the plans are being drawn out before us. The question is, will we be comfortable in this new community being created, and will we know how to get around? For most of you, it is important that you have more than a general idea of these concepts, because your customers will be asking **you** the questions when they get lost. (You **are** planning to include eCommerce in your service and product mix, right?)

Of course, one of the first questions is about security and what the nature of the risk really is. Aren't Internet transactions already very difficult to steal, because they travel all over the Internet in pieces? Do merchants need to add security to their Web sites, and if so, is SSL enough? Will Visa and MasterCard require commerce-enabled sites to have SET, and will the implementation costs of SET be worth any potential savings in Interchange?

One thing that will help shape answers to these questions is the value of the information being exchanged. If the information is of minimal importance and can be seen by anyone, then little or no identification protocols will be necessary. If it is of more importance, and carries critical confidential financial information, then we must be sure that only the proper recipients receive it and are able to read it. This process will require layers of security measures such as encryption, electronic signatures, and even digital certificates.

You are probably already involved in setting up encryption for your physical merchants, selling PIN-based debit acceptance, and providing PIN encryption, even though you may not yet have personal knowledge of the process. As more virtual payments take place, and more of the evolving new payment mech-

	Security Today	eCommerce Security
Goal	Block threats	Enable access
Main Principle	Deny unless explicitly allowed	Allow Unless explicitly denied
Method	Prevention	Accountability
Enforcement	Centralized in security point-products	Embedded in applications and networks
Approach	Reactive	Proactive
Control	Centralized in Information Technology Dept.	Distributed across company
Scalability	Poor	Good

Source: The Forrester Report, "Security [illegible] DOA & Turning Security On its Head," and Deloitte Consulting

Inside This Issue

The Green Sheet was **32** pages.

Magstripe-based gift certificate program

American Banknote Card Services Inc. (now ABnote Group) rolled out a mag stripe-based gift certificate program for retailers and restaurateurs. Touted benefits included increased sales, float and unused value, elimination of cash back, strong marketing and promotional applicability, automated settlement and reconciliation, improved security, consumer convenience, and easy in-store return. ISOs benefited from per-transaction cost and residuals.

Cipherspace – decoding online security

As the Internet hit its stride and e-commerce began to grow, ISOs and merchant level salespeople had to learn about data security on the Web. They had to understand the basics of online data security: Why it is necessary; what does the encryption process entail; what are electronic signatures and digital certificates; and what protections do the various methods provide?

CyberCash expanded

CyberCash Inc. (now PayPal Inc.) released an automatic form-filling feature to add convenience to online Web sites. Jim Condon, CyberCash President and Chief Operating Officer, said the company planned to include integration with incentive and reward programs, fraud control, order tracking, currency conversion, and other benefits in future releases of its Agile Wallet.

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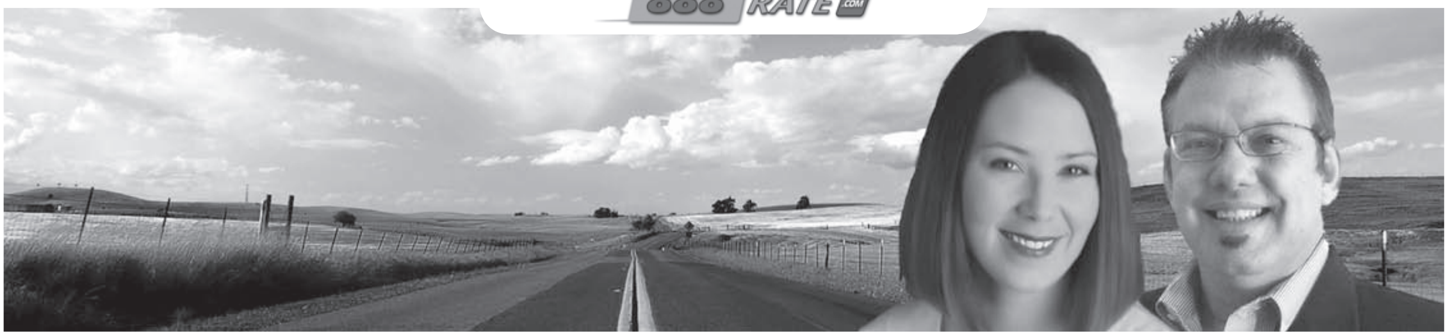

The proper approach to MLS hunting

By Jon Perry and Vanessa Lang
888QuikRate.com

There is a moment in the life of an ISO or merchant level salesperson (MLS) when you reach your plateau – when you just can't put any more deals through unless you start to work overtime. You are ready to take the business to the next level. We are talking, of course, about hiring your first sales representative.

While making that first hire will give you a great feeling of accomplishment, there can be danger ahead if you're not prepared. Vanessa found this out first hand.

A strike versus the gutter ball

Vanessa likes to bowl, so she joined a league. When she introduced herself to the league, the range of personalities was interesting. There were people like her, white collar professionals with fresh manicures and pedicures. There were also bikers clad in leather, truck drivers and mechanics, as well as retirees and future professional bowlers. Not a likely place to find a potential sales representative.

Over time Vanessa befriended many in the league. And since her team name was Merchant Services, most of them had an idea what she did for a living.

They knew she installed those darn machines that sucked their money out to some crazy black hole never to be seen again. Time passed, leagues ended, life got in the way, and she lost contact with many of those with whom she bowled.

Then, one day, Vanessa was waiting at a tire shop for new tires to be put on her car when a fellow bowling league member approached her. Let's call him John. His story was not uncommon. He had been injured on the job. He was disabled and needed something to bring in money.

Education index

He was looking for a major life and career change. He literally begged her to give him a shot as an MLS. Here was her first prospect – someone she knew, but she had no idea how to make sure working with him was a good idea. But the excitement was palpable.

We were ready to take on our first sales rep, and he had fallen right into our lap. John signed up as a 1099. Needless to say, John did not work out. It was certainly not due to lack of hustle.

Our business picked up the tab for chamber memberships. There were weeks of training and lots of time in the field. Vanessa spent close to three weeks preparing him for a career in merchant services.

Ultimately he found, like so many, that he was too worried about money to focus on closing business and building relationships. We never heard from John again.

Innocence versus experience

But one try was not enough for Vanessa. Enter Jack. Now Jack was a salesman. He had a résumé a mile long and had done everything from financial analyst to customer relationship management software installer. He had even worked in the payments industry a few years ago.


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As business owners, we wear so many different hats and often find ourselves venturing into areas that are not our strengths.

Since he had industry experience, he wouldn't require all the training, right? And he was definitely in need of money, so what better way to motivate him than to show him the money?

He had skills in cold calling, and on day one he set his first appointment. Vanessa went with him and closed the deal; Jack sat quietly, a little too quietly. But, ultimately, it got him a nice commission check on the sale of equipment. He was hooked.

A week went by, and we checked up to see how many appointments Jack had set. Zero. We asked him, "Well how many calls did you make?" His response was a long, drawn out saga of marital and family issues, bills and more. He wanted to stay with it, but eventually he started looking for another job. Like John, we soon could say of Jack – never heard from him again.

Head versus heart

Both John and Jack were brought into our organization based on emotional decisions. We wrote in our last article about the pit bulls around us. (For more information, see "Unexamined emotion, a pit bull that mangles business," *The Green Sheet*, July 27, 2009, issue 09:07:02).

John and Jack were Vanessa's pit bulls. They looked promising and had those puppy eyes that said give me a chance, and Vanessa fell right into the trap.

While Jon had advised her not to move forward with either relationship, Vanessa disregarded his warnings and thought, "What better way to learn than by trying."

Guided by the anticipation and emotion associated with wanting to grow the organization, Vanessa made errors in judgment. Sure we got a deal or two, but the major loss was of Vanessa's time.

Strengths versus weaknesses

Vanessa had that "aha" moment after Jack dropped off the radar. Her strengths are in operations and customer service. She can balance a budget to the penny. She can hold the hand of a new merchant until he or she feels warm and fuzzy. But she does not excel at judging talent.

On the other hand, Jon is the sales and marketing specialist. His skill sets are vision and negotiation. He is also much more capable of identifying a good potential MLS fit.

There came a point in contract negotiations with Jack where Vanessa realized he was playing her. Jack understood that if he asked Vanessa for X percent, he might get it, but if he asked Jon – fat chance. So now any potential reps Vanessa finds go straight to Jon for vetting.

As business owners, we wear so many different hats and often find ourselves venturing into areas that are not our strengths.

The mistakes Vanessa made were not financially impactful, but a great deal of time was lost. Looking back, that time should have been dedicated to defining the operational aspects of managing new MLSs as opposed to trying to learn how to hire them.

Although we control the hiring procedures internally, many other organizations may not. Identifying a reputable third-party recruitment firm can bring objectivity to your hiring decisions. Outsourcing recruitment responsibilities may weed out potential hires who are not a good fit and, therefore, save your ISO time and reduce stress.


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Finding out that joy and excitement is not found in the hiring process itself, but in actually seeing your new hire prosper, was a realization.

The hunt versus the catch

Finding out that joy and excitement is not found in the hiring process itself, but in actually seeing your new hire prosper, was a realization.

Hiring decisions should not be forced or based on emotions. A variety of different hiring models can be used to make intelligent choices regarding whom you hire.

Gather upfront what your prospects' needs are for income, time, family and so forth. Do this before providing them any contracts. A well-tailored contract based on prospects' needs and what you can afford saves valuable time negotiating.

Knowing your best and final offer can help you to say – Sorry, this is not a good fit. Then you can move on.

Reflecting on our own experiences, as well as learning from others in our industry through GS Online's MLS Forum and acquirer association meetings, has highlighted important questions to consider when selecting the optimal approach for hiring for your organization.

W-2 employee versus independent contractor

This decision comes down to two major factors: control and cost. With a W-2 employee, you will be able to have your say regarding the job's parameters: the who, what, when, where and how.

A 1099 independent contractor is just that. Make sure you consult with an industry professional when managing your contractors, and be aware of the IRS guidelines.

Following are questions you should ask yourself when searching for MLS candidates:

- **What caliber salesperson are you looking for?**
  Some organizations want only experienced MLSs; others desire zero experience. The more experienced MLSs will have a better understanding of how residuals and bonuses operate and generally will cost more, but the rewards should be greater. However, it may be difficult for someone "old school" to adapt to solution selling. On the other hand, newbies will demand much time and upfront training.

  Have your business plan in place and let it guide your choice of sales professionals.

- **Should I get a lawyer?**
  Absolutely. There are industry specific lawyers who have these processes locked and loaded. There is a cost associated, so only approach them if you are serious about moving forward with hiring. Ultimately, the guidance and information payment attorneys can provide in terms of contract law are vital. You may also want to consider a human resources professional to address state-specific labor requirements.

- **What are the industry specific compliance requirements?**
  To address this, you will need to involve your ISO or sales partners. Also spend time reviewing past articles in *The Green Sheet* that address these requirements. We always err on the side of caution to protect our organization from rogue sales agents. One bad egg can damage a good reputation.

- **What is a fair reimbursement?**
  Again, there are a variety of compensation models to choose from. Many great mentors in the industry have succeeded by paying their top performing sales professionals as much as they can afford. Understand what percentages of residual are fair (if any) and what bonus structures you want to implement. Execute a standard contract, and negotiate from there.

Hit versus miss

Your decisions should be based on what will increase your top-line revenue, minimize your exposure to risk and focus on customer retention. If it doesn't feel right, don't do it.

That is a mantra we have followed for many years. Spend your time preparing upfront and learning from others who have been there and done that will be time well spent.

Happy hunting.

Jon Perry and Vanessa Lang are the owners of 888QuikRate.com, an ISO based in Ft. Worth, Texas, that was named Small Business of the Year by the local newspaper, The Star Telegram. For more information, tweet them at http://twitter.com/dfwcard, *comment on their blog at* http://merchantservices.cc *or visit their profile at* http://linkedin.com/in/jonperry *or* http://linkedin.com/in/vanessalang. *Alternatively, you can contact Jon and Vanessa by phone at 817-857-3557 or by e-mail at* jon.perry@888quikrate.com *or* vanessa.lang@888quikrate.com.

Legal ease

Seven reasons to avoid exclusivity

By Adam Atlas
Attorney at Law

Exclusivity means you can't sell bankcard processing and value-added services for anyone other than the party with whom you have signed a contract. Whether you are a processor, ISO or merchant level salesperson (MLS), an exclusive relationship is often a recipe for stress – or worse – somewhere down the line.

The purpose of this article is to summarize some of the reasons to avoid getting into exclusive relationships in the payments industry.

1. One size does not fit all

No matter which processor you select, it will not be able to take the full variety of merchants you are likely to have in your portfolio. Therefore, every sales organization necessarily needs a secondary or tertiary provider to board merchants who are not acceptable to an agent's or ISO's primary processor.

Not being able to sign a merchant with whom you have already established a relationship is frustrating and tantamount to leaving money on the table. You should build into all of their agreements enough flexibility to have at least one or two other places to board business that cannot be placed with your primary provider. This applies to all ISOs and MLSs.

2. Exclusivity as tight rope

ISOs are often confronted with a long list of scenarios which will lead to default under their processing agreements. When they enter into exclusive ISO-processor relationships, the variety of ways ISOs can default increases because of the severe constraints and limitations that exclusive contracts place on their activities.

As for MLSs in relationships with ISOs that are less than friendly, exclusive relationships create opportunities for ISOs to terminate agents for the slightest slip-ups, such as finding another place to board a merchant who was rejected by the ISO. Neither party benefits from this level of insecurity. In the long run, the stress placed on business relationships by exclusive arrangements subverts the interests of both parties.

3. Exclusivity may be illegal

In some states, such as California, the law may render unenforceable exclusivity clauses in sales agency relationships. Both parties may be setting themselves up for disappointment in jurisdictions where exclusivity is not supported by the courts.

ISOs will be disappointed because the contract will not be legal as far as exclusivity is concerned. And MLSs will be disillusioned because they will have given up opportunities to place business elsewhere because of the exclusive relationships they thought they were obligated to follow.

Before entering into any such relationship, review the applicable law in your jurisdiction to see whether exclusivity is even permissible.

4. Building on the negative

Having advised hundreds of ISOs over the past few years, I have observed that the most successful ones build on strengths and business incentives rather than on restrictions and restraints.

If MLSs or ISOs are given flexibility to sell competitive products at competitive prices, they will more likely be provided with suitable residuals; consequently, they will be more motivated to continue to sell than if they are told to sell a single product at a single price.

An ISO's business culture built by individuals attracted to the payments industry for sound business reasons is likely more inherently positive than the culture of an organization built on legal restraints and parameters. Requiring exclusivity from the get-go also informs the person bound by that exclusivity as to the nature of the organization requiring it.

MLSs will inevitably learn about the myriad possible relationships and layers of involvement in this industry. In my experience, exclusivity stifles the development of effective sales organizations.

5. Pricing, a bind for all

No matter how well-priced the exclusive relationship is, it will never be able to fulfill all the needs of an MLS, who will inevitably find a variety of merchants needing a range of pricing models that cannot all be satisfied by a single provider.

Having only a single pricing grid with which to work, agents will become frustrated and seek to either renegotiate their exclusive relationships or breach them. Businesses requiring exclusivity may also be uncomfortable taking all the merchants sent to them.

Being on the receiving end of exclusivity may increase your triage burden when receiving applications. Agents

with a variety of relationships will – for their our own best interests – send merchants to where they best belong.

6. Train wreck exit

Very few buyers would be willing to buy an exclusive relationship. As such, from the agent's perspective, exclusivity has the effect of dampening the interest of potential portfolio buyers. Some MLSs will be selling only the residual stream instead of the whole relationship.

However, a question will arise as to whether the purchaser of the residual stream will be tied into some kind of exclusivity with the organization paying the residuals. Agents in exclusive relationships also have difficulty transitioning to other relationships.

Businesses requiring exclusivity often find it difficult to let their agents go. That creates tension when relationships end, which results in either one or both parties being very disappointed.

7. Non-circumvent

Another clause that often appears in contracts governing exclusive agent relationships is the non-circumvent clause. This is an obligation on the part of agents to not enter into relationships with the banks that sponsor their ISOs. It is an indirect way of telling MLSs they must not graduate to a direct relationship with ISOs' sponsoring banks.

Exclusive words

Some common exclusivity language in payments industry contracts:

- Agent shall not promote merchant services *of any third party.*
- Agent shall not promote merchant services *of any third party to merchants.*
- Agent may refer merchants to a third party only after they have been *declined by ISO.*

Note:
New agents should *never* sign exclusive agreements.

(Adapted from Adam Atlas' November 2006 National Association of Payment Professionals teleseminar)

While this will work for some agents some of the time, it will not work for most agents most of the time. The kind of agents that ISOs want to employ are those who are ambitious, entrepreneurial and energetic. Those agents will quickly understand the import of the non-ci cumvent clause.

As an alternative, ISOs can provide the opportunity for their MLSs to register as sub-ISOs with their respective acquiring banks and continue their mutually beneficial relationships rather than try to stymie the agents' revenue growth.

Sometimes exclusivity is a great idea

Exclusivity isn't bad all the time. Sometimes pricing, buyout commitments, portability, rights for MLSs or access to support systems will be sufficient consideration to fully justify exclusivity. Some ISOs and agents are also dedicated to specific kinds of markets or merchants and do not need the variety required by general sales offices. The added pricing benefits of exclusivity may therefore be helpful to those kinds of organizations.

Readers should not interpret this critique of exclusivity as necessarily applying to everyone all the time. Some exclusive relationships are immensely profitable and pleasing to everyone involved. However, many exclusive relationships create stress for both parties that ends up inhibiting the prosperity of all concerned.

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Education (continued)

Marketing 101

A case for case histories

By Nancy Drexler
SignaPay Ltd.

Let's face it. All ISOs provide similar products and services in much the same way – and at comparable prices. Yes, some of us have built brands that connote dominance in key industries. Others of us are known best for our technology or our sales incentive programs. But, at the end of the day, differentiating ourselves to end users is not easy.

That's where marketing comes in. When I started in our industry seven years ago, most ISOs were relying on clip-art ads and tradeshow meetings to build sales. Today, many have come to depend on more skillful and experienced marketing practices and practitioners.

We, however, are not miracle workers. To maximize our companies' differentiation and awareness, we continually rack our brains for new or different ways to set ourselves apart. And sometimes, we remember an old way to do it that worked pretty darn well.

Timeless solution

One old standby is strategic placement of case histories. They are, quite simply, stories told by satisfied customers about how your company helped them achieve an objective or exceed a goal. Also known as case studies, they are testimonials fleshed out to include facts, details and results in the form of a narrative.

The benefits of including case studies among your marketing staples are numerous. For one, they are fairly simple to do. They require none of the design or print work that a sales piece or advertisement requires and, as a result, they cost far less.

In fact, they can cost nothing, depending on how you use them, which is another benefit of employing case studies: They can meet a variety of marketing needs. Formatted similarly to this article, case studies can be "white papers" used on Web sites, offered in e-mails, or presented at meetings or tradeshows.

Related as narratives and wrapped in four-color design with photos of your "speakers," case studies can also be lovely additions to sales kits, presentation materials or direct mail campaigns.

Because they are stories, case histories can be much more attractive to readers than other marketing collateral – and far more compelling. People remember stories. Best of all, case studies are likely to be the most credible form of marketing you use. They involve, after all, your customers, not your marketing director, extolling your virtues.

Easy implementation

Ready to get started building your own library of case histories? This article will guide you through the process.

Decide what you want to accomplish. Every case study should clearly demonstrate how you were able to get tangible, measurable, successful results for businesses similar to the ones you are targeting for this project.

Ideally, you should decide what the focus of your case history will be and then find the best story to illustrate it.

Admittedly, some of us start from the opposite end, identifying a willing customer spokesperson and then basing the narrative on that person's experience.

Either way, it helps to decide upfront what your end goal is. Then, you have a framework by which you can take the following steps:

- **The media:** First, pick your medium. Then, before you begin to gather your data and prepare a budget for your project, you must answer five questions to develop a sense of what form your case study will take.

    1. Do you plan to incorporate case histories into your selling process or simply host them on your Web site?
    2. Will you be printing copies for distribution or offering a Microsoft Inc. Word document to a publication, or a PowerPoint presentation to a meeting group?
    3. Are you focusing on one sales advantage or a series of advantages that work together to build a whole?
    4. Will you use one spokesperson, or will you feature a number of different customers?
    5. Will your pieces be used individually or as part of a series?

- **The content:** Amass your information. I don't have to tell you how difficult it can be to get people to say what you want them to say (without paying them to say it). Sometimes we are pleasantly surprised. But, most of the time, it's best to have a Plan B.

You might want to begin by preparing questionnaires and having some of your best customers or reps fill them out.

This could give you some new ideas for presenting information about what makes your products and services different or special. It can also help you identify spokespeople who are prepared to give you the information and responses you are hoping for.

Once you select the person or people you'd like to interview for your case histories, make sure your company is OK with your choices. And make sure your spokesperson's company is also on board. You will, after all, be using information about them in a public way.

When the necessary executives from both organizations have signed off on your case study candidate, it is time to set up a personal interview with your subject.

Meet him or her in a quiet place, and be prepared with a list of questions designed to get the responses you need. And use a tape recorder to catch every word (after receiving the interviewee's permission to do so).

Keep in mind that the interview process should be comfortable and rewarding for your spokesperson. First and foremost, this means establishing what the customer is or is not willing to see in print and establishing his or her credibility to an audience.

From there, it is a simple matter of prying loose interesting and factual information that supports the veracity of your sales pitch.

- **The narrative:** In crafting your case study, you now have two objectives:

  1. Write a story that people will want to read.
  2. Write a story that convinces readers they will get the same positive results as your spokesperson did.

The second objective is not as simple as it sounds. You may want to create different narratives for different media. A full-blown white paper, for instance, will incorporate many more facts and specific examples, while a Web testimonial will move far more quickly to the bottom line.

Never forget to submit your final copy to your spokespeople for approval. Keep a signed copy in case you need proof that the exact use of words and facts was approved by the signer. You never know how people will react to your summation of their views.

Distinct advantages

You've done the hard part. Now, make sure you reap the benefits. Case histories never go out of date; they can be reformatted and used for years. Turn case studies into sales letters.

Send your spokesperson to tradeshows to speak on your behalf. You can even submit well-written case histories to trade journals, garnering publicity for your customer and yourself, and probably picking up a few good clients in the process.

Have I made my case? If so, then go ahead and make yours.

Nancy Drexler is the Vice President, Marketing for SignaPay Ltd., an ISO headquartered in Dallas. Reach her at nancyd@signapay.net.

Education (continued)

The MLS opportunity

By Christian Murray
Global eTelecom Inc.

Over the past few years the payments industry has seen a major spike in new agents joining our ranks. This, in part, is due to major companies in other industries laying off workers and downsizing.

The majority of top contributors amid fresh recruits come from the mortgage, real estate, automotive, insurance and, more recently, the funding or cash advance sectors. Most new merchant level salespeople (MLSs) are after the quick sale and potential to build an attractive residual income.

Those who are beginning a new career in payments most likely are finding it difficult to cultivate new business. Times are tough. Consistently closing deals each month can be highly challenging if you're still learning the business and have not built up a pipeline for leads.

It's not easy to hit the ground running and build a base of merchants quick enough to survive during the beginning stages of a bankcard career.

Typically it takes at least six months to a year, or longer, to learn the business and cultivate and develop a sales method that works effectively. Surviving on 1099 income derived from accounts and commissions can be trying, even for the most seasoned sales professionals.

Stand out from the crowd

For those entering the industry, the following are important qualities that MLSs must possess to help build a strong foundation for success:

- **Determination:** It's OK to be money motivated. Harness it.
- **Desire to learn:** Don't settle for standard program knowledge.
- **Honesty and integrity:** These qualities are more important than anything.
- **Initiative:** Following through and taking action will set you apart from the pack.
- **Generosity:** Sharing knowledge can help you build lasting relationships.
- **Creativity:** Focus on the goal and brainstorm about what is needed to obtain it.

Selecting a strong partner

Success in the payments space, or any other industry, requires dedication and perseverance. Choosing a partner to write business with is an integral piece of getting started. Not all ISOs are created equal, and it's necessary to thoroughly and cautiously evaluate ISO relationships before signing a contract.

A key element in MLS success is having a strong in-house support system so that the majority of the focus is on closing new accounts and supporting existing clients. In some cases, smaller ISOs may not have a robust internal team but do well supporting the business efficiently.

It's not always the size of the office that matters; it's the people behind the operation and how well they follow through with getting accounts serviced.

Go to school

To succeed, MLSs must have a strong educational support base and ongoing training from their ISOs. Therefore, when selecting a processor or ISO, it's important to do your homework. Find out what a potential partner's reputation is within the industry.

Check Better Business Bureau reports and other complaint resources online. Make sure you are partnering with a respected organization from day one. Important questions to ask about a new ISO partner include:

- Does the business offer a lucrative compensation package and options for medical benefits?
- Is it providing thorough and ongoing bankcard and sales training to agents, or just as needed?
- Will the ISO provide detailed online reporting and access to residuals and payouts?
- Do you have the option of building a portfolio and then selling it if necessary?
- How well-organized are the deal flow and paperwork processes?
- Are promotional and marketing options available to help you drive sales?
- Are value-added products internalized and well supported by the ISO?
- Are leads sources and sales tools available to help you prospect for business?
- Does the office have a strong, efficient customer service department for merchants?
- Is 24/7 technical support offered to merchants who need assistance with terminals?

As you can see, you must evaluate many areas to be sure the relationships you establish with ISOs will thrive. Initial bankcard training is very important and can make the difference for new MLSs starting out. Ongoing sales strategies and prospecting techniques should also be given to help you succeed as an agent.

Most ISOs offer basic training to new agents, but in

Trust is a must

If you answer no to any of the following questions, trust may be an issue in your business.

- May your merchants call you at anytime with any problem?
- Do your merchants always take your calls?
- Do you send congratulatory notes to your merchants for a good sales month?
- Do you regularly offer support to your merchants as opposed to waiting to be asked?
- Have your merchants referred you to new accounts?

(Adapted from *Good Selling! Thirteen Weeks to Personal Success* by Paul H. Green)

some cases the curriculum is very limited. One reason for this is a desire to not overload the new hire and to gradually feed information over time instead. Agents will need to determine the pace at which they want to learn the material.

The consultant sales model

Don't make the mistake of relying on free terminals or selling on lower interchange rates as the primary method of selling or piquing interest with merchants. This business already has enough MLSs running around doing that very thing. Much more business can be closed utilizing value-added services in conjunction with bankcard processing.

The key is to learn how to be a consultant and employ methods that show merchants your core products and value-adds, as well as the level of service you provide, are more valuable than free equipment and bargain-basement rates.

Many of the feet on the street continue to use free terminals as the primary way to get in the door. However, there are many more effective ways of motivating merchants to set up those all-important appointments with you. Taking time to learn or understand services that can benefit a given merchant's business can make a huge difference in your ability to establish meaningful rapport with that merchant.

Ethical and responsible sales practices

Choices made early-on have a way of resonating throughout one's career. Learning about and adopting ethical sales tactics and methods at the outset can help you establish a solid, rewarding career.

Unfortunately, a handful of ISOs and MLSs continue to use predatory sales tactics and may suggest ways of selling that are not ethical. Greed and dishonesty exist within all sales verticals, no matter what products or services are being sold. The payments industry is no exception.

Typically, dishonest individuals don't last long in our industry. They are quickly discovered and weeded out. But the after-effects of rogue ISO and MLS actions can plague the industry long after the perpetrators have moved on. Established and new MLSs must steer clear of disreputable organizations and tactics.

Expending the same effort in doing things honestly and ethically instead of the opposite will pay much larger and lasting dividends in the long run. Also, misrepresenting merchants and committing fraud in this industry is no joke and can result in severe penalties – possibly even jail time.

Take the next step

A career in the payments industry is not for everyone. Because of the slow economy and lower processing volumes, MLSs starting today have added challenges compared to previous years. But one of the great things about this business is that it is somewhat recession-proof; merchants and consumers will always need to use payment options other than cash.

Economic downturns can be scary for individuals who are untested in the payment waters. However, many can attest to the resilience of the industry. The benefit that can come from selling payment services is the satisfaction of helping merchants survive in these tough times and the prospect of a solid income that, in some cases, allows for long-term residual payouts.

Times are changing within our industry. The practice of focusing only on bankcard processing is passé; those in the know approach their prospective customers as business consultants.

Focusing on solutions that help merchants increase sales and efficiency while reinforcing loyalty among merchants' new and existing clientele is what matters today. Be sure not to fall into the "turn and burn" mentality that so many others use today.

Focus on an outlook and attitude that promotes personal growth and strengthens relations with merchants. It's never too late to make adjustments or change directions. Begin making a difference today.

Christian Murray is the Director of Business Development for Global eTelecom Inc. He has more than 12 years' experience within the payments industry. GETI provides check processing and gift and loyalty solutions. For more information, visit www.checktraining.com *or* www.giftcardtraining.com *(the sites are compatible with Internet Explorer only). You may also contact Christian directly at 877-454-3835 or* cmurray@globaletelecom.com.

Education (continued)

Call reluctance: Diagnose it and treat it

By Jeff Fortney
Clearent LLC

It is common today to hear merchant level salespeople say, "I just don't seem to have much success on calls today; it must be the economy." There is no doubt the economy has affected our industry.

More merchants are closing than opening today, and in some states, the number differential is quite large.

However, are we using the economy as a scapegoat to justify poor performance? Could we be facing the dreaded disease, call reluctance?

Call reluctance has to be identified early and immediately treated. If not, it will lead to lost momentum, stagnant growth, worsening financial pressures and, ultimately, to the death of your business.

The symptoms

The following simple test can identify if you have contracted call reluctance:

- Do you begin your day by scheduling activities that are not sales related?
- Do you avoid any call that could be classified as a cold call?
- When looking back at your normal day, do you find the majority of your time was spent on activities unrelated to sales?

If you answered yes to any of these, you have call reluctance. Without immediate treatment your businesses growth – and your future – may be in peril.

Luckily, you can take steps to reverse call reluctance's effects, but they only treat the symptoms. Without addressing the root cause, you are likely to remain under call reluctance's spell.

Call reluctance is a failure to make the necessary calls for sales success. The onset is subtle, but the disease grows quickly. Its primary trigger is an increased rejection rate: The same number of calls does not lead to the same level of signing success as previously. Success is measured only by signed merchants – no other result matters.

The initial treatment for call reluctance, as well as the steps necessary to avoid it, requires correcting your definition of a successful call. Indeed, a successful call should be defined by only two results: a decision (a yes or a no) or a positive next step.

When we define a successful call as only a signed contract, we begin measuring our success not by our efforts, but by items outside of our control. A no is seen as a failure to be avoided at all costs. We accept even a flicker of a maybe, and then proceed to chase that maybe for weeks or months when the chance for a yes is truly nonexistent. This leads to frustration, the first sign of call reluctance.

The treatment

First, you must drive for an answer, even if the answer is no.

Remember, you can only control your actions, not those of other people. No matter what you say or do, you cannot force someone to say yes. That is the individual's choice, not yours. If you do your part well, and your prospect says no, that is a successful call.

Therefore, it is important that early in the process you give your prospects permission to say no. If they are interested, your customers won't say no.

However, if they are like most people, unless they are certain they can say no without hurting your feelings, they may offer platitudes like asking you to leave them something to read. This isn't a positive next step; it's an avoided no. It becomes a maybe to you, and your time is too valuable to chase maybes.

The recovery

By first addressing your success measurement, you address the emotional impact of all calls. Your value will not be defined by the number of signed contracts, but by your success in getting decisions. Also, by eliminating maybes you eliminate the false hope that results from repeated calls with no success, as well as gain valuable time to spend on positive steps to grow your business.

The second step in avoiding or overcoming call reluctance is to execute a consistent, measurable call plan designed around your definition of success. Again, don't measure the number of signings. Measure success.

For example, you may say you want to sign one merchant a day, but that doesn't define what you are trying to accomplish, as you may make 20 or 30 calls and sign no one. It would be better to say, "I want to get 10 decisions today."

What happens if the first call you make leads to a signed merchant? Many would stop there and call it a successful day. Instead, by measuring decisions, you will have nine more decisions to get before your day is done – even if all are no. You may be surprised at the number of times people say yes instead.

The prognosis

You will likely sign more merchants because you won't be frustrated with those who say no, nor will you be wasting time on those that say maybe.

By chasing decisions, you impact what you can actually control. Measure your call plan by decisions received, and you can find success even in a day when no merchant signs a contract. Ultimately, that is what eliminates call reluctance. The economy is no longer an excuse; you will succeed every day.

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

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Education (continued)

Digging into PCI: Part 1 – Securing the network

By Tim Cranny
Panoptic Security Inc.

At the heart of the Payment Card Industry (PCI) Data Security Standard (DSS) are 12 requirements. All businesses that accept electronic payments must comply with them. In the first installment of a 12-part series that drills down on each requirement, I will discuss what issues merchants and their partners face, where the greatest challenges will be in practice and what can be done about them.

ISOs, processors, acquirers and others need to deal with this level of detail either by partnering with a company that specializes in data security or by effectively becoming security experts themselves. Either way, the time has passed when a general, high-level understanding of the issues is enough.

Merchants are confronting specific (not to say complicated and confusing) issues, and are increasingly demanding equally specific assistance and service from their providers.

Requirement 1

The first of the 12 requirements is titled "Install and maintain a firewall configuration to protect cardholder data," and is part of the section, "Build and Maintain a Secure Network." Unfortunately for many, this is one of the most technically complicated and demanding sections of the PCI DSS.

By the way, this isn't a failure of the Standard. Its complexity is a fundamental part of the issue being addressed, so there are really only two choices: to meet the complexity head-on or to get this whole section badly wrong.

Demands of Requirement 1

There is absolutely no substitute for reading the PCI DSS, but the core of Requirement 1 is that cardholder data stored on computers is not safe if the computers themselves are not safe. Consequently, the first requirement mandates that merchants put a "wall" around their networks to keep hackers out.

This is done (in part) by using firewalls. To be effective, these firewalls must be positioned at all appropriate places throughout the network. Firewalls must be configured to block all the traffic that must be blocked (and allow all the traffic that must be allowed). Additionally, firewalls must be set up and managed in such a way that they continue to work in a proper and predictable manner.

A few minor extensions to the key message should be mentioned. For example, network-based firewalls do nothing to protect laptops taken out into the vulnerable world beyond a merchant's walls.

Thus, Requirement 1 also states that laptops need their own "built-in," personal firewalls to protect the data stored within them. But these extensions do not significantly distort the relatively "clean" message of Requirement 1.

"Clean", however, is often very different from "simple," as we'll see in the next section.

Challenges of Requirement 1

Unfortunately, while the core objectives of Requirement 1 are relatively clear, for many smaller merchants this is the first time they have ever been asked to tackle any sort of security requirement.

In fact, for many of them, this is the first time they have ever been asked *anything* about their network other than: Does it work? and Can you connect to your processor?

Many merchants have never given a second thought to firewalls, network segmentation, and so on, and the first challenge they face is simply that of understanding the requirement itself.

They will need assistance with the technical meaning of many words found in this section, such as "firewall," "router," "configuration," "DMZ," "internal network," "network diagram," "protocols," "ports," "hypertext," "HTTP," "SSL," "VPN," "stateful inspection," "TCP" and "IP."

It would be easy to double the size of that list, and many of these words defy quick and easy explanation. For example, I encourage any doubters to find a nontechnical family member and explain "internal IP addresses" to them over the phone. It is best to make sure it's someone with whom you have a strong relationship.

It is no use saying "these are simple terms" because that is only true for people who know networking. Direct experience with thousands of merchants has taught us that for many, many merchants, this is an entirely new world.

What merchants need to do

With complicated demands like those of Requirement 1, by far the best approach is to *avoid* the problems, rather than *defeat* them. To see how effective that tactic can be, you only need to look at how the different Self-Assessment Questionnaires (SAQs) handle Requirement 1.

I am not saying that all merchants need to get rid of their computers, or even that they must stop storing cardholder data. What is needed, though, is for all merchants to know the huge advantages of stopping the practice of data storage and be able make informed decisions about the costs and benefits of doing so.

The SAQ is the document that merchants are expected to complete each year. It is designed to help merchants identify where they fail to meet the requirements of the PCI DSS. There are now four different versions of the SAQ, with SAQ A being used for merchants with the simplest, least risky environments, through SAQ D for merchants with complicated networks or with the most data at risk.

Of course, merchants can avoid the challenges of Requirement 1 altogether. One only has to understand that SAQs A and B (for merchants who have *no* computer network, at least as far as PCI is concerned) have *no* questions in the Requirement 1 section.

SAQ C is for merchants with at least some limited exposure to the potentially dangerous world of the Internet. Therefore, they cannot completely avoid Requirement 1. But they only have to answer two relatively simple questions.

SAQ D is the most complicated and demanding of the questionnaires. Merchants who fall into this category have 18 questions to answer in Requirement 1.

Merchants should seriously consider a few useful, intermediate steps. For example, using wireless networking introduces a whole range of security concerns, and makes the entire compliance story more difficult.

Avoiding the use of wireless usually doesn't change the SAQ selection that applies, but it does go far in making merchants safer, and it makes PCI compliance simpler.

I am not saying that all merchants need to get rid of their computers, or even that they must stop storing cardholder data. What is needed, though, is for all merchants to know the huge advantages of stopping the practice of data storage and be able make informed decisions about the costs and benefits of doing so.

For those merchants who *have* to face Requirement 1 head-on, there is simply no substitute for getting assistance from someone who understands computer network security. This is a complicated area that requires deep and specialized technical knowledge, and failing to get the right assistance will very likely lead to poor security and compliance failures.

This can get merchants "in trouble" with the PCI Security Standards Council (SSC). But the real problem is that it makes merchants more at risk of being breached and of their customers being hurt.

What can be done

Unfortunately, we can't offer a single easy answer or one magic product that would make the firewall problem go away. It is also true that almost all merchants simply cannot do it themselves, since they don't have the expertise, time or resources. This means merchants are going to beg for (or demand) help from their ISOs, acquirers or processors.

The bottom line is that ISOs and others will, in practice, have no choice in the matter: They either need to become security experts themselves or partner with companies that specialize in data security. It may seem unfair, but it is the reality of the situation.

It is also critical to know that the solutions and partners you seek match the security issues of merchants in your portfolios. If you have a small number of merchants who are all high-transactional volume merchants (level 1), then the best solution might be to partner with a Qualified Security Assessor (QSA).

If you have a relatively large number of smaller merchants, QSAs are not the right solution, since small merchants will never be able to afford to pay for them. Instead, these merchants need a solution that is much lower-cost and more specific to their needs.

In Part 2 of this series, I will look at the next set of PCI requirements, what problems they cause for merchants and how ISOs can best help merchants achieve compliance with them.

The full PCI DSS is available at the PCI SSC's Web site at: *www.pcisecuritystandards.org/security_standards/pci_dss.shtml*

GS

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

NewProducts

Advertise for free processing

Product: UpClick

Company: UpClick

UpClick, a new product from a company of the same name, is an online processing platform that works symbiotically with its merchant users: they agree to advertise (though there's no work involved) for other companies and get free processing in return.

"We have basically a simple business model, which is that we process credit card transactions for free," said Daniel Assouline, the company's Chief Operating Officer and co-founder. (The company's other founder is Michael Dadoun.)

"And in exchange, what we get is the ability to cross-sell customers post-checkout," Assouline added. "So once the customer has actually completed his transaction online and bought the software from the merchant, we get an opportunity to come out and place one, two or three offers that are complementary to the product that was just purchased."

Discreet ads

Assouline stressed that the advertisements appear only on the checkout page after a purchase has been made, "because we didn't want to interfere in our customers' sales processes in any way, shape or form.

We want to secure that sale on their behalf first and foremost, and once we've secured that sale and got the authorization from the bank, only then do we go out and try to find the best possible cross-sale for them."

That said, a second feature of UpClick is it gives merchants the option of doing their own cross-selling with the same companies that make up the affiliate advertising base.

Assouline said those partnerships are negotiated entirely between the merchant and the company for which it cross-sells, who also enjoy all the revenue.

Assouline noted that with the advertising program, UpClick chooses certain products that it feels will best complement what the merchant is selling and "maximize every sale." However, merchants have "veto rights" and may choose not to advertise for a particular product.

Assouline added that because UpClick is an online platform, where processing fees tend to be higher than in brick-and-mortar stores, merchant savings are particularly substantial.

Features of **UpClick software** include:

- Free online processing for merchants who advertise
- No extra work for merchants
- Merchants can cross-sell advertiser's products
- High "attach rates" for all parties
- Advertisements displayed only after checkout

"We basically manage absolutely everything for them," he said. "All they have to do is when calling our checkout page, which is branded with their logo, is choose which other product they'd like to offer their consumers."

Assouline noted that advertisers don't decide where their brand name goes, but UpClick "tries to do a lot of rotation so that everybody gets a fair chance." He added that the advertising side, like everything else within the platform, is a totally commission-based arrangement. Advertisers pay nothing up front.

Atypical

"We're not a typical advertising network where we make money by letting advertisers display their ads on our pages," he said. "We're only paid when a sale is actually made. So only when we've successfully cross-sold that customer … does the provider of that [product] actually pay something."

Any online merchant can participate in UpClick, regardless of size or client base, Assouline said. He added that the platform is used internationally and includes an automatic currency and language conversion option, which users in foreign countries can use by simply clicking a button.

"Typically what we've found and our merchants have found is in the software space our merchants have one, two or five different products, and there aren't always complementary products, so the attached rates – the number of buyers who actually buy the cross-sell – is greatly diminished.

"If they're able to pool from a much larger marketplace where they can choose other products from other companies, their attach rate significantly goes up."

UpClick

888-448-6822
www.upclick.com

Purchasing made easy and secure

Product: codeOne

Company: M-CodeOne

A new product called codeOne from New York city-based technology firm M-CodeOne has been termed by its makers a "payment application authentication" – an intermediate device that streamlines and secures the usual card-to-terminal purchasing process.

"Basically, we have a platform on one side, and there's a bunch of technological solutions on the other side – credit cards, debit cards, chip on the credit card – and codeOne is right in the middle of all this," said Ivan Silva, President, M-CodeOne.

Simply mobile

Simply put, the "m-payment" online cell phone application allows its user to access any number of credit or debit cards with a single code unique to each user, using a wireless signal to connect with a merchant's payment terminal.

After registering one or more cards within the application, the consumer is equipped to make purchases by opening the program on a mobile device, entering a personal password, selecting a registered card and entering the purchase amount.

The program then condenses that information into a single purchasing number that changes with every transaction, and which the consumer dictates to the merchant along with his or her cell phone number.

The merchant enters the cell and purchasing numbers for authentication – into a cell phone or conventional payment terminal using the PIN pad – and the transaction is complete (the program interfaces with an acquirer's network).

"You can go online and register one, two, maybe three major credit cards you'd like to use with it and then forget about them," Silva said. "Don't take any of those things out – just use a cell phone – because people continue to use lines of credit … and expose that information when they have to carry those [cards] with them."

SMS-less

Silva said the program provides both security and safety to consumers in a number of ways.

One is that consumers do not carry around any physical cards, which can be lost or stolen and difficult to keep track of; another is that having a password makes fraud much more difficult than in conventional credit card purchases, where verification involves only signing the receipt.

Many POS mobile purchasing solutions use simple message service text messaging, often requiring several back-and-forth communications and excessive button-pushing – using a slower and less reliable connection, according to Silva.

"It takes more time for you to find the card and swipe and sign or provide I.D. And by the way, how do you know it's secure? Anyone today can fake a credit card.

With this function, the authentication is 100 percent; it is unique for that person and the time it takes for him to open his phone and enter in the phone; it's just pushing the buttons and it's done."

Features of **code One** include:

- Unique personal password for protecting payment cards
- Consumer uses single number to access all cards
- Transactions authenticated by purchasing number – card number is never communicated
- Wireless connectivity employed for faster transaction time

M-CodeOne

518-282-4652
www.prweb.com/emailmember.php?prid=2628214

Inspiration

WaterCoolerWisdom:

How we spend our days is, of course, how we spend our lives.
– Annie Dillard

As in work, so in life

Many facets of life are within your control. If you're like most people, you surround yourself with possessions to ease your burdens, bring you joy or express your unique taste and style. But the framework within which everything – both tangible and abstract – operates is time. Time is uncontrollable, but the course of your life and how you make every moment count is completely in your control.

What if you were able to see into the future and found out that you were going to die in two weeks? How do you think you might react? Would such knowledge motivate you or fill you with a sense of dread? With such a short time left, what would you do in those few precious days?

If you truly thought about how finite life is, would you learn to live in the moment and squeeze every drop of life out of each encounter, no matter how routine? Do you think relationships would matter more to you? And if so, what would that mean for the people in your life?

It is difficult to speculate on the hypothetical, but in a practical sense there are two ways to go: You could fall into a depression and count the hours and minutes until your time is up – or you might be inspired to dash off and take that dream vacation or perhaps reconnect with old friends or distant relatives. You may decide to be philanthropic and devote your time and financial resources to a worthy cause.

But how does this relate to you as a payment professional? What could you do to leave a legacy to others in your professional sphere?

Two weeks notice

When merchant level salespeople (MLSs) give two weeks notice on the job, it's nothing like facing death, but it is a life change. Imagine you have given notice and are leaving your present employer on good terms. How should you spend your last days with the company, the one that has helped you learn and grow into an exceptional employee, salesperson and leader?

Would you be generous to your co-workers or would you distance yourself from them as your last day neared?

What sort of parting message do you want to leave? To end your tenure on a positive note, here are some things you could do to give back to your colleagues:

- Brief your replacement on the contacts you've made that may still bear fruit. If no replacement is at hand, document your progress to date.
- Make sure your filing system, both paper and electronic, is in order.
- Document procedures instituted under your watch so that others can benefit from your efforts.
- Introduce your replacement to your most valued clients, making the transition easier for both the new hire and the clients. The next time those merchants meet other merchants who may need a new processor, you might get the referral.
- Add notes to contact information about merchants – birthdays, anniversaries, family members and personal quirks, and the special things you do for them.
- Be generous with words of encouragement to your co-workers, and offer to provide references or personal recommendations for those who excelled.

No more procrastination

On the personal side, don't ever be afraid to share your feelings, make amends where needed and reconnect with those you've lost touch with. If you knew you had a short time left on this earth, would you sweat the little things? Would you waste time with grudges and trivialities?

Maybe you have shied away from doing things that seem extravagant, or perhaps you've always put things off because you're too busy working. But what price can you put on seminal experiences? Are a few more dollars in the bank worth sacrificing things that could bring new meaning to your life and deepen relationships with those you care about?

You know better than anyone else what you want to experience before you die. Give yourself permission to pursue those goals now.

The trick is to accept the truth of mortality without becoming morbid – to remember that today will never come again, so it should be spent wisely.

Good Selling!SM

Paul H. Green, President and CEO

DateBook

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

Industry Events

The Prepaid Press

The Prepaid Press Expo

Highlights: The prepaid industry has grown in three distinct branches – calling cards, wireless, and alternative payments, including gift cards. These three sectors converge at the retail level but are still approached as different industries. The Prepaid Press Expo focuses on this convergence.

The conference will address the latest technology developments in all three sectors, the effect of today's economy, prepaid virtual operators, industry regulation and the emerging market of near field communication payments.

The event will also include an exhibit hall for companies marketing prepaid services and a networking "toga" party at the Garden of the Gods pool at Caesar's Palace.

When: Aug. 18 – 20, 2009
Where: Caesar's Palace, Las Vegas
Registration: *www.prepaidpressexpo.com/index.php*

Trade Associations

Western Payments Alliance

Operations Conference

Highlights: This event is designed specifically for individuals with automated clearing house (ACH) responsibilities who are looking to take their ACH payments expertise to the next level.

Through a combination of keynote addresses, general session panels and numerous concurrent sessions led by payments industry leaders, attendees will learn about the latest operational issues facing the ACH in light of changing ACH Operating Rules, compliance requirements and evolving risk issues.

The conference will include lectures, product showcases, a ceremonial luncheon and workshops – including an ACH basics workshop and an Accredited ACH Professional (AAP) preparation workshop for individuals interested in taking the AAP exam in 2010.

When: Sept. 9 – 10, 2009
Where: Harrah's Hotel and Casino, Las Vegas
Registration: *www.wespay.org/Content/docs/pdf/education/ops_con_reg_form.pdf*

Trade Associations

Electronic Transactions Association

2009 Strategic Leadership Forum

Highlights: This annual event will unfold in Times Square, at the financial center of the world, and will include high-profile speakers looking at what the payments industry will face in the years ahead.

Slated seminar topics include the shift in payment types, new technologies, and the three things that can put you out of business and other aspects of risk management. An opening reception will convene the night of Oct. 14. The conference's second day will include an evening reception and an afterglow party. The forum also promises a few "new twists … you won't want to miss."

When: Oct. 12 – 14, 2009
Where: The New York Mariott Marquis, New York
Registration: *www.electran.org/content/category/6/75/123*

Trade Associations

Western States Acquirers Association

Western States Acquirers Association's 2009 Conference

Highlights: WSAA's sixth annual show will feature a keynote address by industry veteran Paul Martaus and Mark Dunn's Field Guide Seminar. Topics to be discussed at educational sessions include Payment Card Industry Data Security Standard compliance, gateways and data security, and sales strategies. An open forum will be paneled by high-level industry executives who will take questions from the audience and elaborate on their successes despite the economic downturn.

In addition to the always popular exhibit hall, the WSAA will give away thousands of dollars in prizes to show attendees. Sponsorship opportunities are still available; please contact Xavier Ayala at 707-269-3222 or via e-mail at *xavier.ayala@moneris.com*.

When: Oct. 14 – 15, 2009
Where: Sheraton Park Hotel at Anaheim Resort, Anaheim, Calif.
Registration: *www.westernstatesacquirers.com*

Industry Events

EPCOR

Payments Summit 2009

Highlights: This annual event includes one full day and one half day of informative general and breakout sessions. There will be a networking reception at the Ohio Theater, plus continental breakfast, lunch and coffee breaks each day.

Topics addressed will include check acceptance technology covering Check 21, ACH, remote deposit capture and image exchange, current crises and changes ahead in the payments industry, managing end-user risks (fraudsters and hackers), alternative payments, mobile payments and the industry's use of Web services like Facebook, Twitter and PayPal. There will be a networking reception and roundtables.

When: Oct. 22 – 23, 2009
Where: Hyatt on Capitol Square, Columbus, Ohio
Registration: *www.associationdatabase.com/aws/pc/pt/sp/home_page*

2009 Calendar of events

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

2009 Event	Date	Location	Web site
2009 Annual Direct Response Forum	Aug. 10 – 12	Tampa, FL	*www.directresponse.org*
BlueStar, Vartech 2009	Aug. 13 – 15	Nashville, TN	*us.bluestarinc.com/vartech09*
The Prepaid Press Expo 2009	Aug. 18 – 20	Las Vegas	*www.prepaidpressexpo.com/index.php*
Western Payments Alliance, Operations Conference	Sept. 9 – 10	Las Vegas	*www.wespay.org*
Western Payment Alliance, Payments Symposium	Sept. 13 – 15	Long Beach, CA	*www.wespay.org*
Western Payment Alliance, Operations Conference	Sept. 15 – 16	Long Beach, CA	*www.wespay.org*
Finovate, Finovate 2009	Sept. 29	New York	*finovate2009.eventbrite.com*
Association for Financial Professionals, Annual Conference	Oct. 4 – 7	San Francisco	*www.afponline.org/pub/conf/annual_conference.html*
ETA, Strategic Leadership and Networking Forum	Oct. 12 – 14	New York City	*www.electran.org/content/category/6/75/123*
Western States Acquirers Association, 2009 Conference	Oct. 14 – 15	Anaheim, CA	*www.westernstatesacquirers.com*
Merchant Advisory Group, MAG Annual Conference	Oct. 13 – 16	Santa Ana Pueblo, NM	*www.merchantadvisorygroup.org*
Source Media Conferences, ATM Debit and Prepaid Forum	Oct. 18 – 20	Las Vegas	*www.sourcemediaconferences.com/atmdebit09*
Financial Services Collections and Credit Risk Conference	Oct. 18 – 20	Las Vegas	*www.sourcemediaconferences.com/fscc09/*
EPCOR, Payments Summit 2009	Oct. 22 – 23	Columbus, OH	*http://associationdatabase.com/aws/pc/pt/sp/home_page*
8th Annual Smart Cards in Government Conference	Oct. 28 – 30	Washington DC	*www.smartcardalliance.org/pages/activities-next-conference*
Electronic Transactions Association, Compliance Day	Nov. 11 – 12	Chicago	*www.electran.org/content/section/6/38*

tpp EXPO'09 THE PREPAID PRESS EXPO WHERE PREPAID CONVERGES

The Prepaid Expo
August 18 – 20

WESTERN PAYMENTS ALLIANCE

Operations Conference
September 9 – 10

ETA

Strategic Leadership and Networking Forum
October 12 – 14

WSAA Western States Acquirers' Association

2009 Conference
October 14 – 15

Smart Card Alliance

Smart Cards in Government Conference
October 28 – 30

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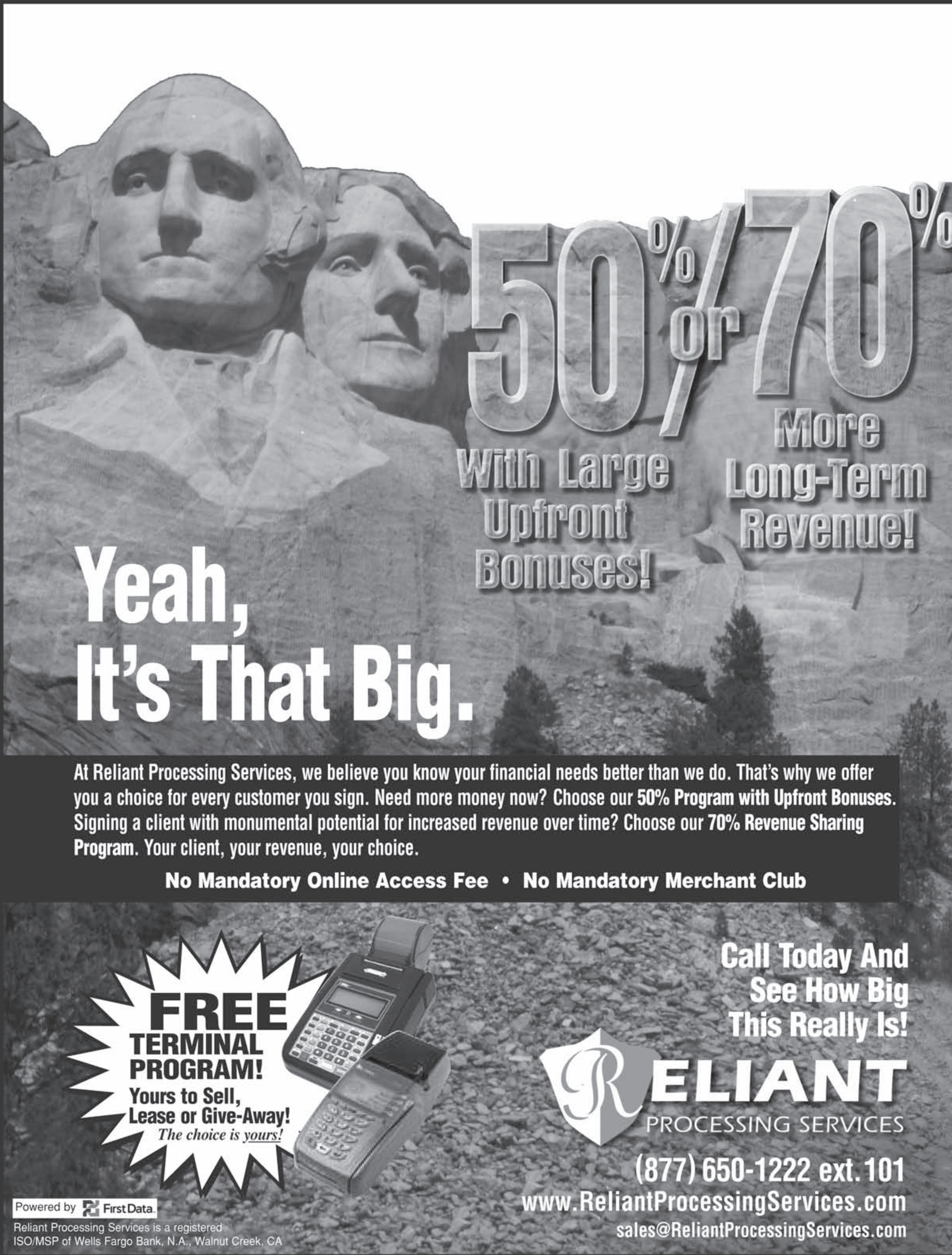
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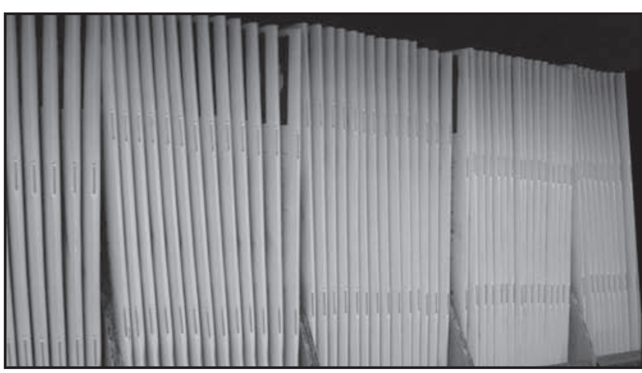


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