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September 13, 2010 • Issue 10:09:01

# The United States of microfinance

By Patti Murphy

The Takoma Group

**M**icrofinance, an industry more than 30 years in the making, is finding a home in the U.S. economy. The implications of this for the acquiring sector will be significant, as this movement compels millions of Americans to transition from cash to card payments.

Microfinance was conceived in Bangladesh in 1976 as a strategy for alleviating poverty. Today, that first Bangladeshi microfinance institution (MFI), known as Grameen Bank, has gained footholds in dozens of countries, both underdeveloped and developed countries like the United States.

Here's how the news magazine *Newsweek* described Grameen in a recent headline: "It's Payback Time: How a Bangladeshi bank is growing in the U.S. making tiny loans to groups of poor women with entrepreneurial dreams." In Bangladesh, a \$50 loan from Grameen was sufficient to help lift a family from poverty. In the United States, loans of several thousand dollars are more common. In addition to Grameen, dozens of other MFIs are doing business in the United States.

## Taking stock

The object of microfinance is to empower the poor through access to basic financial services, such as low-cost checking and savings accounts, small-dollar loans and insurance policies. Individuals and households targeted by microfinance programs have little or no interaction with regulated financial institutions. Instead, in the United States, these people spend \$320 billion a year on nonbank financial services, according to the Federal Deposit Insurance Corp.

Half that money (\$160 billion) is spent loading value onto prepaid debit cards in addition to remittances, money orders and check cashing services. The other half is spent on loan products, such as payday and refund anticipation loans, according to the FDIC.

The FDIC estimates that 7.7 percent of U.S. households are unbanked; they have no bank accounts or credit or debit cards. At least 17 million adults reside in these unbanked households, according to the 2009 *FDIC National Survey of Unbanked and Underbanked Households*.

Another 17.9 percent of U.S. households (or about 43 million adults) are underserved or underbanked. They may have checking or savings accounts with federally regulated financial institutions, but they also use nonbank financial services providers with some regularity.

An additional 4.5 percent of households (more than 11 million adults) that have bank accounts may also be underbanked, but the FDIC was unable to be pre-

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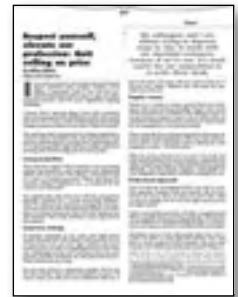
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**Notable Quote**

**On a typical sales call, many of us will ask a prospective merchant customer for a current processing statement. Why? To undercut the merchant's existing fee structure. And then one year later, the merchant will give our statement to another salesperson who will then undercut our rate structure. This is why attrition is such a big issue in the industry.**

See story on page 27



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# Forum

## **Merchant retention, taking the initiative - revisited**

Due to a technical snafu, Curt Hensley's responses to the last set of questions we asked of our advisory board did not reach us in time for inclusion in "Merchant retention, taking the initiative – Part 1" and "– Part 2," which were published, respectively, in *The Green Sheet*, July 12 and July 26, 2010, issues 10:07:01 and 10:07:02.

Hensley is the Chief Executive Officer of Impact Payments Recruiting.

1. What kind of initiatives are you taking at your organization to keep clients happy and loyal?

Our clients are all merchant service providers and various other payment companies. They rely on us to weed through the vast array of available candidates to find the cream of the crop that fits their culture and will be very productive in the roles they are placed in.

Placing great people keeps our clients happy and loyal. We've added additional quality control measures and an even more extensive candidate vetting process to make absolutely certain that each candidate we send has been a superstar at his or her previous positions.

Our entire team has read several books from top recruiting industry trainers to make sure we are all performing at the top level and using the best recruiting practices possible. Since we're busier than ever ... this process has required us to all work a little harder; we've also hired a few more talented recruiters.

2. How critical are value-added services to this process?

Adding value is very important. Clients recognize when they are working with someone providing a quality service. It's unwise to underestimate how important it is to provide your client with the best possible customer service and to be as fair as possible if any problems arise.

We try to always focus on how our client can "win." If our client wins, it's almost always a win for us as well. There are so many different types of companies providing terrible customer service these days. This allows a company that excels at treating customers well to really stand out.

3. What types of value-added services do you feel merchants need/desire these days, and why? Are their wish lists realistic?

In terms of wish lists, we've found some merchant services companies expecting top talent to be willing to take pay cuts because "everything is 20 to 30 percent less expensive" right now. We've explained several times that this is unrealistic because true "A" players don't need to take pay cuts.

If your company is looking for the bottom 50 percent performers, we recommend searching or placing ads on Monster or Careerbuilder; poor performers are easy to find there. If you want true performers, they need to be enticed away from their current position.

## **Sam Caine helping children with cancer**

As many of you know, I successfully fought cancer last year. Unfortunately, it has come back looking for a rematch. I will be undergoing surgery in a couple of weeks at MD Anderson in Houston and fully plan on winning round two and getting back to normal ASAP. During my toughest days, I am always inspired by the children I encounter suffering far worse than I face.

Tragically, an average of 10 children are diagnosed with brain tumors every day.

The Pediatric Brain Tumor Foundation ([www.pbtfus.org](http://www.pbtfus.org)) is the largest nongovernment source of research in this area. Over the past 20 years, the foundation has helped improve the five-year survival rate from under 5 percent to over 60 percent.

Cancer ... is obviously hard on both patients and the families. I need your prayers and positive thoughts. But the kids need more. Since the PBTF does such important work, I am asking for your help in my fundraising efforts on their behalf. Please open your hearts and wallets to donate anything you can. No amount is too small.

There are two easy ways to donate: online at [www.firstgiving.com/samcaine](http://www.firstgiving.com/samcaine) or by mail to Card Payment Services Inc.; Attn: Sam Caine; 2591 Dallas Pkwy, Suite 208; Frisco, TX 75034.

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# QSGS

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

Cover Story

1

## The United States of microfinance

Microfinance, an industry more than 30 years in the making, is finding a home in the U.S. economy. The implications of this for the acquiring sector will be significant, as this movement compels millions of Americans to transition from cash to card payments. Some big players have jumped into this sphere. Will you?

Feature

32

## Getting started in prepaid

With the success of Green Dot Corp. and others, stakeholders in the merchant channel are taking note of prepaid opportunities, which can take many forms, each with varying levels of investment, product control and economic return. This article is a primer to help interested payment pros develop an effective strategic plan for doing business in the prepaid sphere.

View

24

## The Dodd-Frank Act: What it might mean for issuers and acquirers

The Dodd-Frank Wall Street Reform and Consumer Protection Act is now the law of the land. Included in it is the Durbin Amendment, a provision aimed at debit card interchange fees and other issues to increase competition in payment processing. This article discusses what the act does and doesn't address, and how it might affect the payments sphere.

News

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## FDIC to seek public input on financial reform rules

The Federal Deposit Insurance Corp. stated it will accept public input as it prepares regulations for the implementation of the Dodd-Frank Act. Find out how to voice your opinion where it counts.

View

28

## Patent, patent, who's got a patent?

It seems just about everyone in the payments space has a patent (or patent pending) for a proprietary solution. What exactly is involved in getting a patent and how important is this topic for ISOs? For starters, if you are providing a merchant solution, you'd better make sure you're not infringing on someone else's patent rights.

News

42

## Are thermal paper receipts toxic?

A July 2010 study confirmed that high concentrations of the chemical bisphenol A (BPA) were found in 40 percent of thermal paper receipts in a sampling culled from national retail chains, post offices and ATMs. Scientists have recognized a link may exist between BPA and a host of disorders, including cancer, obesity and diabetes. What's in the receipts you provide?

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News

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### PCI SSC summarizes changes to upcoming standards

In advance of the October 2010 release of the updated security standards that govern how merchants and payments businesses safeguard sensitive cardholder data, the PCI Security Standards Council disclosed a summary of changes it intends to make to the standards.

Education

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### Use three basic desires to your marketing advantage

No matter what business you are in, all the benefits you offer are wrapped up on three basic human drives: the desire for love or approval, the desire for security and the desire for significance. Given the strength and universality of these desires, it is critically important to address them in all of your marketing campaigns and advertising.

Education

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### Street Smarts<sup>SM</sup>: Riding the merchant chargeback learning curve

If you're confused about card brand rules, imagine how merchants feel. Reviewing comments from a recent thread on GS Online's MLS Forum gave an entirely new perspective on how perplexing card network rules are to merchants. The topic – chargebacks – initiated surprising responses.

Education

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### Assignment provisions in ISO and agent agreements

The assignment provision in an ISO or merchant level salesperson (MLS) agreement usually lies near the end of the document, along with other general and standard clauses like governing law and severability. You could easily overlook an assignment clause thinking it was standard and not worth studying. But you should always read the assignment clause closely.

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## QSGS

Education

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**Social media and the MWAA**

Social media is a force that will have increasing impact on business practices in the future. The recent Midwest Acquirers Association's annual conference addressed this topic in several sessions, including the event's keynote address. This article reports on what was said about this powerful way of communicating and provides tips on how to use social media to your advantage.

Education

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**Considering consequences improves results**

We all learned about consequences as children, right? But in sales, consequences are often ignored for the sake of the sale – to the detriment of long-term business relationships. There's a lot to be said for slowing down, listening and addressing potential difficulties head on.

Education

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**A primer on PCI scans**

Many merchants, ISOs, MLSs and even acquirers are unsure about the role vulnerability scans play in the Payment Card Industry Data Security Standard. In an effort to dispel confusion, this article explores what scans are and aren't, what to look for in a scan vendor and where the most common pain points are.

Inspiration

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**Organize your life for peace of mind**

Do you often reach the end of the day and wonder where it went? Are you frazzled? Maybe you run a business seven days a week; feed your children and help them with homework; run errands for an elderly parent; and attend a slew of ball games, recitals and community meetings. Perhaps your life needs a bit of reorganization. Here are three tips to enhance your peace of mind.

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# IndustryUpdate

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## NEWS

### CU wants mobile payments regulated

Consumers Union, the nonprofit publisher of *Consumer Reports*, is calling on the Federal Reserve Board to regulate the emerging mobile payments sphere.

"As mobile payments systems come to the U.S., product providers and regulators need to make sure that they are at least as safe for consumers to use as traditional credit card and debit card payments," Michelle Jun, Staff Attorney for the CU, said in an Aug. 24, 2010, statement. "It is critical that mobile payment systems are covered by strong rules to protect consumers from losing money because of fraud, processor error or a dispute with a retailer."

The CU noted that if the Fed doesn't take action to protect consumers who pay with mobile devices, the Consumer Financial Protection Bureau, established under the Dodd-Frank Wall Street Reform and Consumer Protection Act, has authority to address unfair payment practices.

### Meetings set to examine DSS revisions

In conjunction with the upcoming October 2010 revisions to the Payment Card Industry (PCI) Data Security Standard (DSS) and the Payment Application DSS, the PCI Security Standards Council is hosting two community meetings to review and discuss the new versions of the standards.

The North American Community Meeting will be held in Orlando, Fla., from Sept. 21 to 23, 2010 ([www.pcisecuritystandards.org/community\\_meeting\\_2010/orlando/index.shtml](http://www.pcisecuritystandards.org/community_meeting_2010/orlando/index.shtml)); the European Community Meeting will take place in Barcelona, Spain, from Oct. 18 to 20, 2010 ([www.pcisecuritystandards.org/community\\_meeting\\_2010/](http://www.pcisecuritystandards.org/community_meeting_2010/)

[barcelona/index.shtml](#)). The revisions are intended to improve the flexibility of organizations to implement controls, manage threats, and address scoping and reporting elements. A summary of the changes is posted at [www.pcisecuritystandards.org/pdfs/summary\\_of\\_changes\\_highlights.pdf](http://www.pcisecuritystandards.org/pdfs/summary_of_changes_highlights.pdf).

### WesPay readies members for ACH self-audits

Are you ready for the automated clearing house (ACH) self-audit, due Dec. 1, 2010? If not, **Western Payments Alliance's** 2010 ACH Audit Requirements in-person training sessions can help.

Participants learn how to protect against noncompliance with NACHA – The Electronic Payments Association's Appendix Eight Rule Compliance Audit Requirements. WesPay reviews areas to be audited and describes the most pressing compliance issues its auditors discover in auditing WesPay members.

The sessions cover ACH rules and regulations, government payments, Federal Reserve Bank Operating Circular 4, and the E-Sign Act. Also up for discussion are new requirements related to Reg GG: Prohibition on Funding of Unlawful Internet Gambling.

For dates and locations, visit [www.wespay.org/imis15\\_live/wespay/education\\_training/course\\_descriptions/core/events/coursedescriptions.aspx](http://www.wespay.org/imis15_live/wespay/education_training/course_descriptions/core/events/coursedescriptions.aspx).

### Identity Theft 911 draws attention to fraud practice

A fraudulent debt-collection trend getting press attention is "debt tagging." The term was coined by **Identity Theft 911**, which warned of the practice in its May 2010 newsletter after the company noticed a spike in reports from clients.

BOTTOM  
LINES

HEADLINES  
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- According to the **National Retail Federation's** *Stores Hot 100 Retailers special report*, of the five primary retail segments, food/drug/mass merchant and e-commerce have shown market-share growth during the recession; soft goods, hard goods and restaurants have experienced declines.
- The Aug. 10, 2010, **U.S. Census Bureau's** *Advance Monthly Sales for Retail Trade and Food Services* estimates total retail and food services sales for May through July were up 5.9 percent from the same period in 2009, while July gasoline sales were up 12.2 percent over a year ago.
- **Autodesk Inc.** released results from a survey conducted by **Infogroup's Opinion Research Corp.** about how online 3D visualization impacts consumer behavior: 80 percent of respondents said 3D images would make them more likely to purchase a product; 65 percent indicated they would be less likely to return such a product.

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## IndustryUpdate

Debt tagging occurs when collectors target the wrong person for an outstanding debt – usually someone with a similar name, according to the Arizona-based firm.

"We notice new patterns in identity theft very early because of the large number of victims we help through our Fraud Resolution Center," the company stated.

## ANNOUNCEMENTS

### CPAY charts new growth

Central Payment Corp. (CPAY) reported that it has signed more than 11,000 new merchants since offering the First National Merchant Solutions processing platform service in December 2009. The platform opened up the gas station market for CPAY, which now processes for some 35,000 businesses.

### Epcor signing conference exhibitors

The Epcor Mid-America Payments Conference 2010 in Kansas City, Mo., seeks exhibitors. Organizers for the Oct. 26 to 28 conference expect 300 attendees. The vendor information packet can be found at [www.prodevmedia.com/wacha-umacha-epcor/wuevendorpacket.pdf](http://www.prodevmedia.com/wacha-umacha-epcor/wuevendorpacket.pdf).

### Payment recruiting firm hits decade milestone

Search firm **Impact Payments Recruiting** celebrated 10 years in the business of placing payment professionals. Originally founded as an on-site resource for Vital Processing Systems – now TSYS Acquiring Systems – Impact's 13-person team has placed 1,700 professionals.

### Tokenization boosts Paymetric's Q2 results

**Paymetric Inc.** attributed its strong second-quarter performance to the rise in demand for tokenization at the POS. The company reported that the number of signed customer agreements grew 150 percent over the same quarter last year, while recurring revenue grew 110 percent year over year. The launch of Paymetric's Data Intercept product, which operates with tokenization software, was key to new business signings.

### Homegrown SafetyPay enters domestic market

Florida-based **SafetyPay Inc.** entered the U.S. market as a payment facilitator and clearing house for online merchants through a retail pilot program. The company is already established in some countries in Europe and Latin America.

The pilot lets U.S. merchants tap into the online banking customer base of a U.S. bank partner for a three-month period. Customers complete their purchases in real time through their banks' online platforms, paying merchants in U.S. dollars regardless of the customer's country of residence.

### Visa adds social media features to business network

**Visa Inc.** expanded the social media capabilities of the Visa Business Network to allow its 100,000 active members to help each other collaboratively. The changes include a Question & Answer Forum, content ranking, a small-business mentor program, and business goal toolkits. The forum and mentor programs enable small-business owners to get personalized guidance from other successful business owners who have faced similar challenges. The network is found at [www.visabusinessnetwork.com](http://www.visabusinessnetwork.com).

## PARTNERSHIPS

### RBS WorldPay teams up with Aldelo

**Aldelo Systems Inc.** added **RBS WorldPay** as a preferred electronic payments processor for its restaurant POS software and equipment. RBS, the U.S.-based processing division of The Royal Bank of Scotland Group PLC, recently completed certification of Aldelo's POS application.

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### Dairy Queen turns to Vendor Safe

American Dairy Queen Corp. made Vendor Safe Technologies LLC a preferred provider of PCI DSS compliance services for the chain's more than 5,000 franchise locations. Vendor Safe's Self Configuring Firewall Architecture reportedly enables franchise owners to achieve PCI compliance within 30 days.

### Bling Nation signs more bank partners

American National Bank and Guaranty Bond Bank adopted mobile payment capability provided by Bling Nation Ltd. Bank customers with checking accounts can attach BlingTag microchip stickers to their mobile phones to enable debit transactions.

### CRE gets new funding, integrates with PayLeap

CRE Secure Payments LLC obtained \$3.18 million in funding from Total Technology Ventures LLC, Miller Capital Partners I and several angel investors. Total Technology principal Sean Banks cited as a reason for the investment CRE's position as a bank-independent and gateway-agnostic hosted payment acceptance platform that is compliant with the PCI DSS. He valued the market for hosted payment services at more than \$1 billion.

In other company news, CRE is now integrated with payment processor PayLeap. Online customers of PayLeap merchants are redirected to CRE's hosted payment platform through a window mirrored from within merchants' websites, enabling merchants to maintain branding continuity.

### Etronics partners with Mazooma

Online electronics retailer Etronics.com adopted an online debit payment system from Mazooma Inc. The bank-authenticated system provides immediate authorization.

### FEDChex joins ECCHO

FEDChex became a member of the nonprofit Electronic Check Clearing House Organization. ECCHO maintains rules for check image exchange and serves as an industry advocate.

### FIS lands deal with Banco Bradesco

Fidelity National Information Services Inc. signed a deal with Banco Bradesco for Fidelity Processadora e Servicos S.A., a third-party card processor in Brazil and a subsidiary of FIS. Under the 10-year services agreement, FPS will provide card processing, call center and back office services for Bradesco's bankcard portfolio. The agreement increases Banco Bradesco's ownership in the joint venture to 49 percent, while FIS's stake remains at 51 percent.



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## Industry Update

### 41st Parameter signs South American reseller

Horus Fraud Prevention was signed by 41st Parameter Inc. as the exclusive reseller of 41st's FraudNet software in Brazil. Horus also has the right to market 41st products throughout South America. 41st Parameter provides person-not-present cross-channel fraud prevention systems.

### Infoscore supports Burroughs check scanners

Infoscore Inc.'s Remote Capture Plus and PayData.NET applications now support scanners from Burroughs Payment Systems Inc. The remote deposit capture (RDC) software supports the SmartSource Professional, Expert and Adaptive scanner models. Both software programs are built on Microsoft Corp.'s Silverlight, which facilitates web-based hosting.

### Acculynk signs NetWorks deal

NetWorks, a nonprofit processor serving 10 Midwestern states and operated by Nebraska Electronic Transfer Systems Inc., signed up for Acculynk's PaySecure, a software-only Internet PIN debit service. PaySecure is available to NetWorks' 300 member banks and credit unions.

### SignatureLink verifies vacation transactions

Players Vacation Club, a vacation financing company, began using software from SignatureLink Inc. to verify online credit card transactions and reduce chargebacks. The club embedded the electronic signature pad on its site for transaction verification. Club members must sign using a mouse – or a finger on touchscreen devices.

### Semtek signs RBS WorldPay

RBS WorldPay signed up for security services from Semtek Innovative Solutions Corp. RBS is installing Semtek's Cipher Decryption Service on its host systems to capture encrypted transactions.

### Colombian processor picks Ingenico terminal

Colombia-based Redeban Multicolor ordered POS devices from Ingenico. The MasterCard Worldwide processor is buying 9,000 iCT220 terminals.

### Cardtronics, Scotiabank ink ATM deal

Toronto-based Scotiabank will place its brand on 200 ATMs owned and operated by Cardtronics Inc. in a long-term deal, the first between the two companies.

The agreement covers ATMs in stores in Puerto Rico, where the bank has operated for a century. It also

establishes a framework to brand Cardtronics ATMs in other Scotiabank markets.

### Pivotal Payments signs StoresOnline

StoresOnline Inc. will make its shopping cart technology fully compatible with Pivotal Payments. Merchants of StoresOnline reportedly get a simplified payment system, special partner pricing and 24-hour customer support.

### Continental partners with TNS

Transaction Network Services Inc. will process online payments for Continental Airlines Inc. The airline's reservation system will put transactions through the TNSPay gateway, which replaces Continental's internal payment system.

### U.S. Bank and Panini join in marketing promotions

U.S. Bank, a subsidiary of U.S. Bancorp, now offers the i:Deal check scanner from Panini for Deposit Express, an RDC system for small business. The two companies have several joint marketing promotions under way.

### ViVOtech adopts Voltage encryption

ViVOtech Inc. implemented an end-to-end (E2E) encryption POS system from Voltage Security Inc. in its ViVOPay contactless near field communication payment terminals. ViVOtech also joined the Voltage SecureData Open License Program to simplify the implementation of E2E encryption on electronic cash registers, mobile payment devices and e-commerce payment platforms.

### RBS WorldPay certifies WAY Systems device

WAY Systems Inc.'s way5000 was certified as a Class A mobile POS device by RBS WorldPay. The classification represents the broadest, most comprehensive Class A release in WAY's history, according to the firm.

## ACQUISITIONS

### MasterCard buys European e-commerce processor

In a \$520 million deal, MasterCard agreed to buy European payments processor DataCash Group PLC. The deal is expected to close in October 2010. In 2009, DataCash processed transactions for 1,400 merchants. The acquisition is expected to expand MasterCard's e-commerce merchant gateway in Europe, Asia, Australia and other emerging markets.

### RBS sells majority stake in GMS

The Royal Bank of Scotland Group agreed to sell an

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## Industry Update

80 percent stake in **Global Merchant Services** to a consortium formed by Advent International and Bain Capital. The consortium agreed to pay up to £2.03 billion. The sale leaves RBS with a minority stake of about 20 percent of GMS.

Advent and Bain committed to making investments in the technology platform and products. The sale will close in the fourth quarter 2010, subject to approval by European and U.S. regulators.

## APPOINTMENTS

### eLayaway appoints Heisman winner as spokesperson

Layaway payment processor eLayaway Inc. named National Football League great **Marcus Allen** as the company spokesperson to promote the brand.

A Super Bowl champion, MVP honoree and winner of the Heisman Trophy, Allen played for the Los Angeles Raiders and the Kansas City Chiefs.

### TradeCard appoints Copeland

TradeCard Inc. hired **Bob Copeland** as Senior Vice

President of Product Strategy and Business Development. Copeland previously worked at Kurt Salmon Associates. He is a past Chairman of the Supply Chain Leadership Committee of the American Apparel and Footwear Association.


### FTSI hires Downey

ATM service provider Financial Technology Solutions International Inc. hired **Terry Downey** as Northwest regional Sales Manager. He previously worked at Pendum LLC and Fiserv Summit.

### Comodo selects Hallam-Baker

Internet security organization Comodo Group Inc. appointed **Dr. Phillip Hallam-Baker** Vice President and Principal Scientist to spearhead web security and software development in the Americas. Hallam-Baker was previously Principal Scientist at VeriSign Inc.

### Yodlee promotes O'Shaughnessy

Payment software vendor Yodlee Inc. promoted **Jason O'Shaughnessy** to Managing Director for Europe, the Middle East and Africa (EMEA). He was previously Director of EMEA at Yodlee. 



**partnership** | pãrtnêr sh ip| *noun*

close cooperation, association, collaboration, alliance, relationship, connection, working together.

**excellence** | ekselens| *noun*

distinction, outstanding, extremely good, superior quality, greatness, accomplishment.

**integrity** | in tegritê| *noun*

honesty, principle(s), ethics, virtue, fairness, trustworthiness

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AGENT



# The Dodd-Frank Act: What it might mean for issuers and acquirers

By Mark Brady and Ross Federgreen

CSRSI, The Payment Advisors

**T**he Dodd-Frank Wall Street Reform and Consumer Protection Act, signed by President Obama on July 21, 2010, is now the law of the land. Included in the act is the Durbin Amendment, a provision in the final bill aimed at debit card interchange fees and other issues to increase competition in payment processing.

Section 1075 of the Act ("Reasonable Fees for Rules and Payment") offers implications for acquirers and issuers. The Federal Reserve Board still has to write specific rules for implementing the new regulation; the devil will be in the details. The following discusses some of the major points of Section 1075 and provides our take at this point in time.

## Issuers must provide costs to justify debit interchange rates

Section 1075 states that "the amount of any interchange transaction fee that an issuer may receive or charge with respect to an electronic debit transaction shall be reasonable and proportional to the cost incurred by the issuer." This is the most far-reaching piece of Section 1075. Experts predict electronic debit may surpass cash in the next few years. According to the National Retail Federation, merchants pay approximately \$20 billion annually in fees for accepting debit cards. American Banker's PaymentSource.com estimates that if debit fees are cut by 50 percent, \$4.15 billion in interchange fees for Visa Inc. issuers and \$1.45 billion for MasterCard Worldwide issuers would be eliminated. As such, the stakes are significant.

Several years ago MasterCard and Visa justified interchange rates, at least in part, on a cost basis. They now promote their product based on value. For example, in January 2010, *The New York Times* reported that, according to Visa, merchants' cost for accepting debit hasn't gone down because the cards provide greater value than they did previously and that merchant acceptance has doubled in the last 10 years, so the costs of accepting debit cannot be too onerous.

The article also quoted Elizabeth Buse, Visa's Group Executive, International, who said the fees are "not a cost-based calculation but a value-based calculation" and William M. Sheedy, Visa's President for the Americas, who said, "Debit has become so mainstream, some of the people who have benefited have lost sight of what their business model was, what their cost structure was."

The Fed is requiring issuers to provide information bian-

nually on costs "in connection with the authorization, clearance or settlement of electronic debit transactions." It further stipulates that "costs incurred by an issuer which are not specific to a particular electronic debit transaction shall not be considered."

## Fed can allow adjustments for issuer fraud costs

Section 1075 states that the Fed may allow for "an adjustment to the fee amount received by an issuer if such adjustment is reasonably necessary to make allowance for costs incurred by the issuer in preventing fraud in relation to electronic debit transactions."

Given that fraud rates for signature debit are much higher than for PIN debit, it will be interesting to see how issuers and the Fed deal with that aspect of the law. Will the Fed address the issuer promotion of signature debit versus PIN debit due to higher fraud rates for signature? Or will the Fed disallow a portion of signature debit fraud from issuer's cost calculations?

Also, Section 1075 states "any fraud-related adjustment of the issuer ... takes into account any fraud-related reimbursements (including amounts from chargebacks) received from consumers, merchants or payment card networks in relation to electronic debit transactions." This appears to say fraud-related chargebacks issuers return to merchants (and are not successfully represented back to issuers) must be removed from the issuers' interchange cost workups. Many fraud related chargebacks are not returnable to issuers per MasterCard and Visa rules. Will the Fed require issuers to eliminate these chargebacks from their cost workups?

Finally, the law allows issuers to include data security costs in their fraud calculations. While issuers certainly incur costs for data security, it is the acquiring side of the business that is responsible for data security breaches. These acquiring costs include reimbursement to issuers for new card reissuance in the event of data security breaches. Will the Fed consider these acquiring data security costs in the issuer interchange cost calculations?

The cost data will provide the Fed significant information about this market – information issuers may not be happy to provide. In 2009 the Government Accountability Office requested some of these costs and had a difficult time obtaining this information.

The Fed intends to prescribe the new regulations no later than nine months after the law was signed. This means the new interchange rates will probably be determined in the first quarter of 2011 or early second quarter.

## Regulation is limited to the largest U.S. banks

Section 1075 states that the regulations will not apply to any issuer that, together with its affiliates, has assets of less than \$10 billion. As such, most U.S. banks will be exempt from Dodd-Frank, even with their affiliates included. How will these banks react to their exemption? How will it affect their merchant business? Will they be helped or hurt?

## Government programs are exempt

Governments appear to have exempted themselves from the interchange transaction fee regulation for "a debit card or general-use prepaid card that has been provided to a person pursuant to a federal, state or local government-administered payment program." The U.S. government was obviously concerned about the debit card issuing impact on its own government card programs.

## Issuer network fee increases are restricted

The regulators appear to be concerned that the card companies will substitute increased network fees for interchange rate decreases. As such, the Fed will "prescribe regulations to ensure that a network fee is not used to directly or indirectly compensate an issuer with respect to an electronic debit transaction, and a network fee is

not used to circumvent or evade the restrictions of the regulation."

Also, issuers may not restrict the number of payment card networks on which an electronic debit transaction may be processed. This may help MasterCard, which trails Visa significantly in debit card transaction volume. Concern also exists among issuers that the United States will further pressure MasterCard and Visa to lower network fees.

## Merchants can set minimum or maximum amounts for credit card transactions

The law allows merchants to establish minimum and maximum dollar values for credit card transactions: "A payment card network shall not, directly or through any agent, processor, or licensed member of the network, by contract, requirement, condition, penalty, or otherwise, inhibit the ability ... to set a minimum or maximum dollar value for the acceptance of credit cards." Merchants may not differentiate between issuers or between payment card networks, and the minimum dollar value may not exceed \$10.

Minimums at the POS are much more pervasive than maximums and are bound to confuse merchants, as the new rule does not apply to debit card transactions. Many transactions under \$10 involve signature debit cards.

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## View

Clerks at the POS are going to have a difficult time distinguishing between debit and credit cards; they will understandably think the \$10 minimum applies to all cards. It's bound to result in confusion at the cash register.

The regulation also allows maximum limits to be set by merchants, specifically citing "institutions of higher education." Colleges and universities have been among the most likely entities to set maximums. Again, maximums may not differentiate between issuers or between payment card networks and apply to credit card transactions only.

### Merchants' ability to establish discounts is expanded

The regulation stipulates that networks may not "inhibit the ability of any person to provide a discount or in-kind incentive for payment by the use of cash, checks, debit cards or credit cards to the extent that – the discount does not differentiate on the basis of the issuer or the payment card network." The discount must be applied to the advertised price of the item or service. As such, a "card price" cannot be added to the regular price of an item in the form of a surcharge.

The card brands and issuers appear to have given up little here, except that merchants can now offer a discount for,

say, PIN debit. As the MasterCard and Visa rules are now written, discounts for cash are allowed under these conditions. These cash discounts have been common in gas stations for several years.

It's difficult to predict whether the new discount provisions will be utilized by a significant number of merchants, especially small merchants. Many big-box and wholesale or warehouse merchants do not offer discounts for entering a PIN at the POS, but they make sure a PIN pad is right in front of the customer at checkout.

MasterCard, Visa and card issuers may have successfully avoided repeating their Australian experience several years ago when courts in that country allowed merchants to surcharge transactions. Over the next several months, as the Fed issues drafts of the new regulations, there will be more to say about the Dodd-Frank Act and its implications for the major card brands, issuers and acquirers. Stay tuned. ■

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# Respect yourself, elevate our profession: Quit selling on price

By Jeffrey Shavitz

*Charge Card Systems Inc.*

If you sell a product or service that can be purchased almost anywhere from multiple vendors, you're selling a commodity. Such is the case for payment professionals endeavoring to sign and retain merchant accounts. And this poses significant, ongoing challenges.

I always find it amusing when I meet with a merchant who is processing less than \$5,000 per month and is proud that he or she is such a smart businessperson for having changed processors three or four times within 24 months.

The merchant feels empowered for having negotiated a contract with no termination fee with each processor and reduced interchange-plus pricing from interchange plus 10 to interchange plus eight and now, finally, secured an amazing deal at interchange plus five basis points.

## Losing proposition

Why does this happen? Since merchant card processing services are ubiquitous, many merchant level salespeople (MLSs) sell only on price. But selling a commodity based on a price is a losing proposition. There will always be someone willing to undercut you, as evidenced by the scenario I just described.

On a typical sales call, many of us will ask a prospective merchant customer for a current processing statement. Why? To undercut the merchant's existing fee structure. And then one year later, the merchant will give our statement to another salesperson who will then undercut our rate structure. This is why attrition is such a big issue in the industry.

## Long-term strategy

To become successful in our space and build future wealth (the kind that will include a solid portfolio five to 10 years from now), you must offer solutions that aren't based on price, as well as compelling reasons to buy from you. Salespeople always say to me there aren't any such solutions and that merchants are only interested in price. These individuals are wrong.

I'm not naive. Price is a significant variable. But it's not the only variable. Must you be competitive on price? Of course. Must you offer all of the traditional skill sets to

*My colleagues and I are always trying to improve ways to stay in touch with our merchant customers, because if we're not, it's much easier for our competition to rewrite those deals.*

get in the door? Of course. But you need to discover or uncover that "sticky" attribute that will make the merchant stay with you.

## Regular contact

Maybe it's as simple as being a good friend and checking in with each merchant monthly. People want to feel loved; merchants are no different. My colleagues and I are always trying to improve ways to stay in touch with our merchant customers, because if we're not, it's much easier for our competition to rewrite those deals.

Think creatively. Study. Become inspired by the many relevant articles (mine included) in *The Green Sheet* archives. If you don't, your competition will be offering the same programs as yours – at a lower price.

Offer fair pricing whereby you can earn a fair profit, and teach merchants that you are not selling a commodity but rather a financial program to help their businesses operate efficiently, one that includes targeted, value-added services designed to keep their customers coming back, too.

## Professional approach

Don't be like the shortsighted MLSs who sell on price. This approach cheapens both the industry and our profession. Of course, there are times you must take a deal at very low margin, but do it for the right reasons and in the right context.

I find it comical that merchants will allow unsophisticated MLSs to handle their processing programs. Transactions are the lifeblood of retailing; picking an MLS is as important as selecting an attorney or certified public accountant.

Merchants want to work with people they trust. Isn't it worth it to them to work with true advisers who want them to thrive instead of MLS hucksters who just want to make a few dollars per month per account? I hope so. 📧

*Jeffrey Shavitz is one of the founders of Charge Card Systems Inc. He is also an active member of The Green Sheet Advisory Board and the First Data ISO Advisory Board. He can be reached at [jshavitz@chargecardsystems.com](mailto:jshavitz@chargecardsystems.com) or 800-878-4100. For additional information on CCS, please visit [www.chargecardsystems.com/gsadvisoryboard](http://www.chargecardsystems.com/gsadvisoryboard) or the company's corporate website at [www.chargecardsystems.com](http://www.chargecardsystems.com).*

# Patent, patent, who's got a patent?

By Brandes Elitch

*CrossCheck Inc.*

It seems just about everyone I speak with these days in the payments space has a patent (or patent pending) for a proprietary solution. This got me thinking about what is involved in getting a patent and how important this topic is for ISOs.

When you are providing a merchant solution, you must be careful not to infringe on someone else's patent rights. The American Intellectual Property Lawyers Association did a survey a few years ago and concluded the direct legal cost (not including business costs) of a typical patent litigation is greater than \$1 million.

## A smart approach to patents

Recent federal legislation will affect the profitability of merchant acquiring businesses. ISOs excel at calling on merchants and selling something, but the something (processing, related services and equipment) and the margins will change significantly in the near term. ISOs need to continually generate new ideas for products for merchants.

I'm sure we'll soon see a series of innovations and technological developments that we haven't even thought of yet. Successful ISOs will be able to match these solutions to the merchants that need them. But this is easier said than done.

Here's an example: 50 years ago, Xerox Corp. introduced its 914 copier and revolutionized the modern office. It was a democratizing technology that changed the way work was done; it gave people access to information and capabilities they didn't have before.

But early market research said the machine "had no future in the office copying market." That's because the researchers talked to the mailroom managers, not the secretaries who would actually be using it. They didn't understand their customers.

As an ISO, you don't need to be Xerox, and you don't need to steal a patented product. Just recognize what your customers need, and get a licensing agreement so you can meet that need. Patents are the rules and regulations, the property rights, if you will, that allow the market to function efficiently.

## One patent suit thrown out

What does it take to obtain a patent? A patent can cover a piece of machinery, of course, or something that is manufactured. But today it seems more likely it will address a

process, a new or useful improvement to another patent, or the composition of something.

The idea behind a patent has to be something new, and it has to be useful. Generally, patents have industrial applications; business methods are excluded from the patent process.

Today, you will hear the word "obvious" mentioned in discussions about patents. This idea was redefined by the U.S. Supreme Court in *Teleflex Inc. v. KSR International*, a dispute over adjustable gas pedals that KSR was supplying to General Motors Corp.

The Supreme Court, which only hears one or two patent cases a year, stated that "inventions in most, if not all, instances rely on building blocks long since uncovered" and that "discoveries almost of necessity will be combinations of what, in some sense, is already known."

However, the court invalidated Teleflex's patent on the theory that what it claimed was an "innovation" was really just a "combination of known components"; in this case it was an adjustable gas pedal working with an electronic throttle sensor, and these two components worked just as they were designed to work. The court held that this was just a case of "ordinary innovation," and was too obvious to be patentable.

So there is a high bar set by the courts. But, as patent lawyer Kirk Teska pointed out, "At the end of the day, what is obvious is still highly subjective. Following the KSR ruling, for better or worse, obviousness is also a legal question decided by a judge rather than a jury."

## The strong LML patent

Here are two examples of when you need to license a patent and when you don't.

First, the case of LML Payment Systems Inc., a Canadian company that controls five automated clearing house (ACH)-related U.S. patents issued since 1996.

These patents apply to the check to ACH conversion process in NACHA codes POP, ARC, WEB, TEL, and possibly, BOC. In 2006, LML settled a case against First Data Corp., Electronic Clearing House Inc. (now part of Intuit), and Nova Information Systems Inc. (now Elavon Inc.). Recently, LML settled with RBS WorldPay. LML has never lost a patent suit. If you are doing check conversion to ACH, you need to talk to LML ([www.lmlpayment.com](http://www.lmlpayment.com)).

One thing about having a patent is that you have to demonstrate that other people are using your invention and are paying you royalties. It seems clear that LML has met this test. This doesn't mean that someone won't invent a new process that clears ACH transactions differently than was contemplated by the patents here, but it does mean that right now LML covers the waterfront.

Check conversion to ACH may seem obvious today, but the fact is that LML figured it out before anyone else did, and it was the first to patent it.

Without patents, inventors and manufacturers would live in utter chaos. Moreover, if everyone who uses the patent pays a licensing fee, there is a level playing field, at least insofar as this cost is concerned.

### A product that can't be patented

For my second example, I chose a company called Blueprint SMS. This company has a great product. If you've ever had to write call reports (or manage salespeople), you will immediately understand why. Salespeople hate writing call reports. They put them off to the last minute, and they write what they want their boss to hear.

Great salespeople tend to be good at one thing: sales. Writing reports is not their strong suit. This is why Blueprint's sales management system works so well.

The concept is simple: when a salesperson walks out of the call, he or she picks up a mobile phone and, using short message service (SMS), inputs seven to 10 letters/codes, each of which represents information collected on the call (for example, O stands for order). This generally takes less than a minute.

Imagine if you had, say, 50 or 100 salespeople working for you. Without a sales management system like this, just how current do you think you would be in tracking what your team is accomplishing in today's calls? I think you know the answer. With this solution, you would be able to respond to issues that arise immediately, not days or weeks later.

Also, with the Blueprint system you can change behavior via a feedback loop, and sales managers can manage their people effectively.

Using the system's metrics you can quickly see if reps are calling on the right clients, selling the right products and closing deals. Plus, you can see where you need to coach someone who is not following the processes or not filling his or her pipeline – before it's too late.

If configured correctly, you can see a 20 percent increase in activity in the first three to six months after implementing Blueprint's program. A phone-based browser isn't ideal for this. (When is the last time you used the browser for something this important?)

Sales-force automation software can work well, but reports suggest that only 40 percent of salespeople using it are ever current on their reporting.

I see Blueprint's product as a "must-have" for good sales managers. But it is a business system and therefore is not patentable; also, you cannot patent an "obvious" use

of SMS (if this were possible, Verizon would have done it already).

### The ethical licensing option

Yes, you could attempt to replicate Blueprint's system, but why? You would quickly spend more than the licensing fee in trying to do that, and you would have no guarantee that your imitation would work. And frankly, if you are a successful ISO, you have other priorities besides building an information technology department.

From the Department of Obvious Things, it may be tempting to copy someone else's idea and not pay a licensing fee, but it would be stupid – and morally repugnant. And in case you forgot this definition, economist Howard Scott said, "A criminal is a person with predatory instincts who doesn't have sufficient capital to form a corporation." That wouldn't be us, would it? 📧

*Brandes Elitch, Director of Partner Acquisition for CrossCheck Inc., has been a cash management practitioner for several Fortune 500 companies, sold cash management services for major banks and served as a consultant to bankcard acquirers. A Certified Cash Manager and Accredited ACH Professional, Brandes has a Master's in Business Administration from New York University and a Juris Doctor from Santa Clara University. He can be reached at brandese@cross-check.com.*

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# Selling Prepaid



## Prepaid in brief

### NEWS

#### Fed grants gift card rule extension

The **Federal Reserve Board** approved an extension to the date by which gift card issuers and retailers must comply with gift card disclosure requirements of the Credit Card Accountability Responsibility and Disclosure Act of 2009. The rule pushes the deadline from Aug. 22, 2010, to Jan. 31, 2011.

#### Microfinance gaining momentum in South Africa

International prepaid card processor **FNDS3000 Corp.** reported that its microfinance program offered through micro-lending institutions in South Africa is experiencing brisk growth. Citing the trade association MicroFinance South Africa, FNDS3000 said microfinance contributes the equivalent of over \$2 billion per year to the country's financial services sector.

#### PIF India celebrates year one

The **Prepaid International Forum**, a global trade organization for the prepaid card industry, said its India chapter celebrated its first anniversary. PIF India, launched in August 2009 with the patronage of U.S.-based processor Total Systems Services Inc., said its membership base is rapidly expanding.

#### Prepaid businesses raise venture capital

**WePay**, an online payment service that allows groups and organizations to collect and manage money through the WePay Prepaid Visa Card program, raised \$7.5 million in its latest round of venture capital funding. Additionally, rewards and loyalty platform provider **Cardlytics** and online gaming payment provider **PlaySpan Inc.** each secured \$18 million in equity from investors.

### ANNOUNCEMENTS

#### Bank Freedom joins surcharge-free network

Bank Freedom, a subsidiary of Prepaid Card Holdings

Inc., joined the MoneyPass ATM network to offer its prepaid cardholders surcharge-free ATM access. Bank Freedom cardholders will therefore save between \$1 and \$3.50 per ATM transaction by using MoneyPass ATMs, the company said.

#### eCommLink to process GenieCard payments

Las Vegas-based **eCommLink Inc.** signed a five-year agreement with AllCom to process its GenieCard. The agreement coincides with AllCom's plans to increase the distribution of GenieCard to its existing client base, as well as expand its retail distribution network in the United States and Canada.

#### iPayStation spins out Nucleus

Payment platform provider **iPayStation Network** launched Nucleus to enable merchants to provide customers with integrated customer relationship management and rewards solutions utilizing credit, debit and gift cards.

#### MoneyGram extends U.K. postal contract

**MoneyGram International** signed a multiyear contract extension with the U.K.'s Post Office. The postal service, which has been a MoneyGram agent since 1997, reportedly offers MoneyGram's money transfer services in 12,000 branches throughout the United Kingdom. MoneyGram said over 93 percent of the U.K. population live within one mile of a post office.

#### PlaySpan adds Hello Kitty Online

Online game publisher Sanrio Digital tapped **PlaySpan** to monetize the digital content of Hello Kitty Online. With UltimatePay, PlaySpan's patent-pending, in-game digital goods commerce and micropayment platform, gamers will be able to pay for digital content in the upcoming Hello Kitty Online with various payment methods, including via PlaySpan's Ultimate Game Card prepaid card.

#### PNB celebrates milestone with travel card

To celebrate the enrollment of over 10 million debit cardholders in India, **Punjab National Bank** launched its prepaid product, the MasterCard Worldwide-branded PNB World Travel Card. The travel card, designed for residents of India traveling abroad, can be used with the U.S. dollar, the euro and the British pound, PNB said.

#### New Christmas card unwrapped

Sears and Kmart, both Sears Brands LLC stores,

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## Selling Prepaid

announced the return of the Christmas Club card. The stores said they reinstated the card to help consumers budget and save for the 2010 holiday season.

## PARTNERSHIPS

### Fifth Third, edo buddy for card personalization

Fifth Third Processing Solutions LLC and edo Interactive Inc. entered a partnership to offer Fifth Third's financial institution customers access to edo's Interactive Preward loyalty and rewards programs. The edo Preward Platform enables merchants to deliver digital offers directly to a targeted consumer base of active cardholders that have registered to receive Prewards, edo said.

### eNational, Mocapay team for mobile payments

Mobile commerce platform provider Mocapay Inc. struck a deal with contactless and stored-value card processor eNational Payments to offer merchants a way to reach consumers with real-time, mobile marketing.

## APPOINTMENTS

### Blackhawk makes promotions

Gift card mall operator Blackhawk Network promoted Don Kingsborough and William Y. Tauscher. Kingsborough, founder and CEO at Blackhawk, assumes the role of the company's Executive Chairman of the Board of Directors. Tauscher, formerly Blackhawk's Executive Chairman, becomes CEO.

### Knight becomes Director at paysafecard

Former Travelex executive Richard Knight joined paysafecard group subsidiary Prepaid Services Co. Ltd. as a Director. Knight will bring his expertise in compliance and risk management to the U.K.-based subsidiary.

### Cardlytics names Lanier to board

Concurrent with Cardlytics having raised \$18 million in equity from its investment partners, the loyalty and rewards marketer appointed Campbell B. Lanier to its Board of Directors. Lanier is a Director at ITC Holdings and Kinetic Ventures, investment partners of Cardlytics.

### RGCA taps Rowe

Payment veteran Andrew Rowe joined the Retail Gift Card Association as President and Executive Director. Rowe will be responsible for the day-to-day management of the association, building membership and monitoring legislative issues that affect the gift card industry, RGCA said.

### Spot Mobile hires Turel

Prepaid mobile phone provider Spot Mobile International Ltd. named Larry Turel Vice President, Corporate Development and Investor Relations. Turel, a former investment banker, will be responsible for Spot Mobile's investor relations and corporate communications initiatives, the company said.



## Feature

## Getting started in prepaid

By Barry J. Kessler

*(Editor's note: This article originally appeared in GSQ, Vol. 13, No. 2, June 2010.)*

**R**eloadable, open-loop, network-branded prepaid cards are big business, as evidenced by the July 21, 2010, initial public offering of Green Dot Corp., which raised approximately \$164 million in its first day of trading.

With the success of Green Dot and others, stakeholders in the merchant channel are taking increased notice of opportunities in prepaid – from selling cards to customizing programs. These opportunities can take many forms, each with varying levels of investment, product control and economic return, and the decision process can be daunting.

Here is a primer to help you develop a strategic plan, establish the requisite relationships and execute your plan for maximum benefit.

### Speaking 'prepaid'

The prepaid space is still relatively new, and terminology can be confusing or often misapplied. So let's make sure we're speaking the same language.

The network-affiliated banks (issuers) that issue reloadable prepaid cards typically contract with third-party partners (program managers) to operate and market prepaid programs.

Under these arrangements, program managers must use certified, issuer-integrated processing partners (called issuing processors or more simply processors), and these processors must be distinguished from acquiring processors that route card transactions for authorization.

The issuer submits the program to its affiliated network for approval. Once approved, the issuer supplies the



program manager with a designated set of card numbers (the bank identification number, or BIN) for which the program manager assumes financial and compliance responsibilities.

The processor then sets up the program on its platform, identifying the assigned BIN, establishing the authorization parameters, storing cardholder registration and card account transaction data, maintaining card account balances, and providing card authorization, cardholder support and other program-connected services.

### Exploring options

Your prepaid options are simple. You can build and operate your own product for maximum control; engage a program manager to fully customize and manage your solution; or manage product sales channels for a single program manager or an aggregation of program managers.

Or you can retail pre-labeled or private-labeled, off-the-shelf cards for commission. You determine your right choice by your market access and available capital resources, both financial and human.

#### Option 1 – Operate:

Program managers can enjoy greater program control, portability and transactional margins by working directly with issuers and processor partners. But these benefits do not come cheaply, or quickly. Many program managers focus on building and marketing their own specific card products, while others leverage investments and relationships to manage a portfolio of client programs. Scalable account portfolios are a prerequisite to success.

#### Option 2 – Incubate:

To establish a market for your specific program opportunity, external program managers can minimize upfront expenditures, expedite time-to-launch and provide an operational infrastructure that lets you focus on building a market for your products. But it's important to weigh incremental servicing costs or revenue sharing against the benefits of lower costs and operational efficiencies of this "incubation" process.

Seek program managers with the types of industry expertise, technology resources, partnerships and enabling technologies that can support specific program needs. The ultimate goal is to establish a sizable portfolio base and to become your own program manager.

#### Option 3 – Distribute:

With limited exceptions, the networks and issuers permit wholesale distribution of open-loop prepaid products by program managers only.

The large aggregators, such as Blackhawk Network and InComm, are program managers for their own reload-

able, open-loop card offerings. Likewise, Green Dot serves as program manager for the Wal-Mart Stores Inc.'s MoneyCard, as well as for its own branded reloadable prepaid product line.

If distribution is your strategic opportunity, consider establishing yourself as a program manager, either independently or in partnership with an existing program manager.

#### Option 4 – Sell:

This option offers a share of the prepaid profits, even if the company has limited resources or market reach. Program managers establish the turnkey product (including branding, card collateral and related functionality) that merchants can sell in their marketplaces.

Card merchants earn a commission for card sales and, particularly in the retail environment, can gain additional revenue based on card loads or spending. In addition, opportunities may exist for private-labeling and flexibility in establishing the retail price and cardholder fee structure. This can be a good introduction to the prepaid space.

### Proceed with caution

The road to prepaid gold can be long and bumpy. Here are a few guidelines to help make the ride smoother.

- **Don't underestimate.** Prepaid debit is a multifaceted enterprise encompassing card operations, banking and technology issues; risk and compliance; cardholder services; vendor relations; inventory management; marketing; and more. Make sure you have the bandwidth for the engagement.
- **Partner wisely.** Carefully choose your banking, processing and other resource partners, and clearly articulate everyone's roles and responsibilities. Partners are the backbone of your business.
- **Be adaptable.** As with most things in life, a prepaid strategy may not go as planned. Anticipate and react effectively to business disruptions, regulatory changes, bank mergers, service outages, vendor snafus and like situations.
- **Plan ahead.** Experienced consultants and knowledgeable legal counsel can help you remain in control and protect the portability of your card program and cardholder relationships.

So there you have it. Apply these basic tenets to your niche, and you're ready to chart your own path in the prepaid world and enjoy the wealth of opportunities this fast-growing market offers. 📍

*Barry J. Kessler is CEO and President of Prepaid Resources Inc. He has developed, launched and managed many successful prepaid debit card programs during his career, and is considered an industry leader in the general-purpose, reloadable prepaid card segment.*



## Company profile

### Prepaid profile: Plastic Jungle Inc.

## King of the 'plastic' jungle

Depending upon the research, the secondary closed-loop, private-label gift card market is somewhere between \$30 billion to \$50 billion annually. As the name suggests, the secondary market complements the primary market, where gift cards are initially issued and sold. The secondary market is therefore where unused, discarded or disregarded gift cards get a second life.

According to Bruce Bower, President of the online gift card exchange Plastic Jungle Inc., 90 to 95 percent of gift cards sold in the primary market are redeemed by consumers who received the cards. But that leaves 5 to 10 percent of cards that are "misgifted"; maybe the recipient does not live close to an outlet of the gift card's retailer or the recipient would prefer cash instead of the card, Bower said.

Whatever the reason, consumers find out about Plastic Jungle via word of mouth or social networking sites and log onto the company's website where they exchange gift cards for other gift cards, for cash, for credits that go toward a purchase on Amazon.com or to buy virtual cows for virtual farms on Facebook, for example. Consumers can also donate gift cards to their favorite nonprofit organizations

When consumers sell gift cards to Plastic Jungle and physically mail the cards to the company's fulfillment center, Plastic Jungle adds the cards to its online marketplace and resells them at a discount (typically around 10 percent, depending on the retailer).

### Benefits consumers, merchants

Gary Briggs, Chief Executive Officer at Plastic Jungle, said the process gets money "trapped" on gift cards moving again to the benefit of retailers – an idea sometimes lost on them.

Bower said certain retailers look at Plastic Jungle for the first time and think that the company is unfairly profiting off of their gift cards. To dispel that myth, Plastic Jungle works directly with retailers to educate them on how the service actually benefits them by maximizing the value of retailers' gift card programs.

By getting the right cards in the hands of the right shoppers, Plastic Jungle helps put retailers "back in the driver's seat" of getting consumers to purchase goods from their stores, Bower said.

"We have over 400 brands we accept on our site," Briggs said. "And different consumers have different brand loves. And so we're just helping consumers, whether it be a teenager or mom, connect to those brands based upon their shopping preferences."

A study conducted by Plastic Jungle of over 600 respondents concluded that consumers generally view retailers more favorably when consumers are given the option to either sell a retailer's gift card for cash or swap it for another retailer's gift card. Plastic Jungle also helps merchants from a regulatory perspective. With the passage of The Credit Card Accountability, Responsibility and Disclosure Act of 2009, gift cards must come with at least a five-year expiration date. But Plastic Jungle can render the issue of escheatment moot.

"What we really represent is a private industry solution to that, giving consumers choices regarding what to do with these unused gift card balances," Bower said.

### The virtual future

Briggs reports that Plastic Jungle is rapidly increasing its user base and attracting the attention of venture capitalists. He said the company is growing by 15 to 20 percent per month; by April of this year, the four-year-old startup doubled its total payment volume of 2009.

Looking ahead, Plastic Jungle recognizes that the future of gift cards is in virtualization. Bower said the company partnered with First Data Corp. to develop an e-certificate program that will reduce the inefficiency of having to process, warehouse and mail out physical cards. Once money is separated from the form factor of a plastic card, it can be delivered in a variety of ways, such as via text messages and e-certificates.

"I think retailers, when they first sell a gift card, there are still going to be reasons for them to be plastic – the least of which is, you can touch it, feel it, buy it in a more tangible fashion," Bower said.

But retailers are also looking to expand distribution and the number of "touch points" they have with customers, Briggs added. "And that's certainly something that virtual gift cards provide and we believe we provide as well," he said.

To learn more about Plastic Jungle, contact:

Kristin (Cunningham) Donelson  
 Director, Marketing at Plastic Jungle  
 kc@plasticjungle.net  
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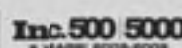
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# Research Rundown

## New paradigm for card data security

**A** brief titled *Secure Payment Services: Card Data Security Transformed*, released by **RSA**, the Security Division of Egan Marino Corp., urges merchants to manage card data by not storing card numbers at all. This new model for card data security, called "secure payment services," is favored by many industry experts and involves outsourcing card data security to service providers equipped to handle the complexity and cost of achieving PCI compliance.

The brief examines external conditions fueling the shift toward new payment paradigms, as well as innovations in security technology that will change processes within business enterprises. It also provides practical guidelines for evaluating secure payment service providers. The brief is available for download at [www.rsa.com/document.aspx?id=10990](http://www.rsa.com/document.aspx?id=10990).

## Expanding same-day ACH to other networks

**A** report from **Javelin Strategy & Research** suggests the automated clearing house (ACH) network must integrate the best technology and infrastructure advances adopted by other payment networks. Same-day ACH, which went into effect Aug. 2, 2010, will be offered by just one of the two ACH operators, the Federal Reserve, as an opt-in program known as FedACH SameDay.

The report, *Strategic Guide to Same-Day ACH: Is Half a Solution Better than None?*, recommends NACHA – The Electronic Payments Association change its rules to mandate same-day service across all network participants. Such a change would increase the profitability of same-day ACH and strengthen the network for the future, according to the report. For more information about the guide, visit [www.javelinstrategy.com/research](http://www.javelinstrategy.com/research).

## Better screening pinpoints fraudsters

**CyberSource Corp.** reported that its new white paper offers the latest tools fraud managers can deploy for early detection of fraudulent transactions, especially in card-not-present environments. *Staying Ahead of the Challenge: Improving Automated Screening to Overcome Increasingly Sophisticated Fraud* discusses advanced screening tools, such as device fingerprinting technology, packet signature inspection and cross-merchant transaction comparison.

Indicative of an alarming trend, over half the merchants surveyed by CyberSource for this study said they've experienced a recent uptick in "clean" fraud, where fraudulent data on the surface appears to be valid. To order the report, visit <http://forms.cybersource.com/forms/OrderScreeningWPQ310CYBSwwwJuly2010>.

## Challenging times for merchant acquirers

**A** 20-page report by **Aite Group LLC**, *A Merchant Acquiring Update*, discusses the hurdles facing merchant acquirers through 2011 and maps several opportunities that lie ahead.

Based on surveys and interviews conducted with industry executives, Aite found the three areas of greatest concern for merchant acquirers today are regulation related to PCI compliance, the economy and technology. For a copy of the report, visit the Retail Banking Reports page at [www.aitegroup.com](http://www.aitegroup.com).

## Cashless vending spikes

**D**ata released by **USA Technologies Inc.**, a network provider of wireless noncash vending systems, indicates accelerated adoption of cashless vending across the United States. According to USAT, vending operators and bottlers have seen 15 percent growth in sales revenue per machine within 12 to 24 months of installation of cashless payment terminals, with net operating profits rising from the industry average of 2 percent for cash sales to 10 to 12 percent for cashless payments.

USAT reported the vending channels where demand is highest include education, business and entertainment, where cashless transactions account for more than 30 percent of all purchases. In the military sector, cashless transactions have been averaging over 50 percent. USAT attributes the surge in cashless vending to customer convenience and positive effects on sales, margins and net operating profits. For more information, visit [www.usatech.com](http://www.usatech.com).

## Payments industry in a nutshell

**T**axonomy of Payments: *Everything You Wanted to Know About Payments But Were Afraid to Ask*, a two-part report released July 14, 2010, by London-based **Celent LLC**, offers a detailed analysis of the payments industry, including recent payment trends and developments.

Part one introduces the basics of payments, covering key terminology, primary payment instruments, the value chain and transaction economics connected with each type of payment, and the major players in each category.

Part two provides an in-depth analysis of trends and developments in the categories of online, mobile and corporate payments, as well as a discussion of how payments are managed within banks.

To order Part I of the report, visit [www.celent.com/124\\_3087.htm](http://www.celent.com/124_3087.htm); for Part II, see [www.celent.com/124\\_3089.htm](http://www.celent.com/124_3089.htm). 

# Company Profile



## SignatureLink Inc.

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### Company address:

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Ridgeland, MS 39517  
Phone: 800-511-2050  
Fax: 601-510-9323  
Email: [customerservice@signaturelink.com](mailto:customerservice@signaturelink.com)  
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## The mouse is mightier than the pen

**W**ith the recent signing of five ISO clients, SignatureLink Inc. seems to be entering cruise mode. The Jackson, Miss.-based company is riding the wave of sea change in a world that's shifting toward wireless, paperless solutions.

SignatureLink's role boils down to one fundamental thing: the use of digital signatures in place of paper and ink.

SignatureLink was founded in 2005, and the history of its creation is unusual. According to Chito Collins, Lead Sales and Marketing Consultant for SignatureLink, the company was formed when Cypress Funding LLC., a venture capital firm, bought the rights to its digital signature technology from two young inventors.

"Two kids apparently created the technology, and Cypress eventually bought them out," Collins said. "Later, they brought in [a management team] and migrated the platform to be scalable and highly redundant to play with the big merchants and big ISO partners."

### The David Nutt factor

According to Greg Stamitis, SignatureLink's Chief Operating Officer, part of the driving force behind Cypress' acquisition relates to the venture capital company's connection to a Mississippi law firm called David Nutt and Associates. Mr. Nutt is a Principal at Cypress Funding, and his interest in investing in digital signature technology was driven by his experience as a lawyer, Stamitis noted.

"Mr. Nutt, being an attorney, understood the need and significance of a signature on a document," Stamitis said. "He realized [digital signatures] were a pretty neat thing, and when he found we had the ability to do it over the web remotely he saw the potential of signatures being used anywhere you need one. I think that's the basis of the story: he understood that signatures are a time honored standard from the day they started putting the king's seal on documents. Signatures are a holy grail."

SignatureLink's products all relate to digital authentication of some kind, although each solution is tailored to fit the needs of a particular client, Stamitis added.

"Merchant providers have a very specific workflow on how their documents flow through their process, and we're able to help them integrate an electronic signature into their work flow," he said. "They may, for example, use a multi-part form where a company representative fills out the first part, sends it to a client who fills out and signs the second part, then it goes to an approver who signs and approves the final contract. We have the ability to facilitate that entire work flow."

The company's central payment-related offering is an e-commerce digital signature option called SignatureSafe, which allows consumers to sign for trans-



## Company Profile

**"We are utilizing [SignatureSafe] for our e-commerce merchants to help protect them against chargebacks. It's another line of defense for your card-not-present transactions. It allows our clients to get a signature, and it does help protect them when a chargeback comes in. We find it most useful for our larger ticket guys that are selling certain things where the average tickets are considerable and this provides a good, solid defense where they potentially stand to lose a lot of money."**

- Justin Milmeister,  
President and founder  
Elite Merchant Solutions, a SignatureLink client

actions using either a mouse or a touch pad. The product has a track record of minimizing merchant chargebacks, particularly those related to friendly fraud, Collins said.

Customers who disavow online transactions usually have an easier time getting reimbursed precisely because card-not-present transactions tend not to be authenticated with either a signature or a PIN. But SignatureSafe prevents unwarranted chargebacks because a customer's signature is unique and personal – even with a mouse.

If a customer who disavows a purchase has signed for

that purchase, his or her biometric imprint all but proves ownership of that transaction.

### Double biometric authentication

Collins said SignatureSafe's software makes its mouse- and touch pad-based signatures even better authenticators than conventional signatures because the program captures both the signature itself and the unique manner in which a signature is drawn. Together, those two biometric identifiers make every signature unique and inimitable, Collins said.

"We are utilizing the service for our e-commerce merchants to help protect them against chargebacks," said Justin Milmeister, President and founder of Elite Merchant Solutions, a SignatureLink client.

"It's another line of defense for your card-not-present transactions. It allows our clients to get a signature, and it does help protect them when a chargeback comes in.

"We find it most useful for our larger ticket guys that are selling certain things where the average tickets are considerable and this provides a good, solid defense where they potentially stand to lose a lot of money."

Milmeister added that EMS plans to also use Signature Link's Electronic Agreements Solution for boarding merchants because it not only provides convenience, but also protects against attrition.

"You go online, fill out our application and sign right then and there," Milmeister said. "Everything's done online, and then we're good to go. Rather than having to fax or email it to them, it shortens the sale cycle and gives you the chance to strike while the iron's hot. Now you can do with one phone call what would be two to three.

"Usually it's fax me the paperwork and I'll follow up with you, and you know how that goes. Where with this they just fill out and submit, and what was a process of chasing the merchants trying to get the paperwork back, now we can just do all of that in one call."

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## Sell to and through

Collins said SignatureLink sells its products both directly to merchants and indirectly through ISOs. Merchant service providers who carry the product usually offer it to their merchants as an optional service, she said.

She added that many ISOs use it to board new merchants and then sell it to those same merchants for use in the e-commerce sector.

"Our model is basically the sell to and sell through model," Collins said. "Our customers can resell it, white label it – whatever. We don't care."

Other than its electronic agreement and traditional e-commerce pieces, SignatureLink's authentication software is also used for remote authorizations – such as those used with prescription drug transactions – and with smart phones. Collins said clients use SignatureSafe for credit, debit, online check and automated clearing house (ACH) transactions in conjunction with both traditional online and smart-phone transactions.

"The key for e-check and ACH payment methods is, if there's a dispute, it's very different than credit cards," Collins said. "With credit cards you're liable for at most \$50; for [contesting] ACH you literally have to go to the bank to be fingerprinted and sign an affidavit saying you did not buy it online and provide a legally binding wet signature. With our signature capture, you can do that online."

## Front-end authentication

Collins said SignatureLink's products are generally used retroactively, meaning signatures are analyzed for authenticity only after a transaction is disputed. But she said the company plans to eventually use a front-end authenticator that validates or invalidates transactions at the POS by comparing customer signatures to ones stored on file.

Collins said merchant and ISO interest in SignatureLink's products has grown in concert with the company's offer of a 90-day free trial period, along with the

explosion of mobile commerce and the growth of ACH transactions.


"Cell phones and payments via cell phone have made authorization and validation that a consumer transferred money or made payments more critical than ever," she said. "Companies that make the phone the most authenticated tool ever will succeed the most; people need to understand that it's all about mobility, and that everything is going wireless.

"The key for us is going to be having that web signature on file. It's really a deterrent that stops a lot of consumers from the 'I did not buy that' syndrome. It makes them think twice." ■

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## FDIC to seek public input on financial reform rules

**O**n Aug. 12, 2010, The Federal Deposit Insurance Corp. stated it will accept public input as it prepares regulations for the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law on July 21.

Under the complex, 2,100-page law, the FDIC and the Federal Reserve are each given distinct regulatory responsibilities; the Fed, for example, is charged with devising regulations pertaining to Section 1075, "Reasonable Fees for Rules and Payment," which addresses, among other things, debit card interchange.

According to industry insiders, many other provisions of the law may also affect the acquiring section. Said provisions require notice-and-comment rulemaking and action by the FDIC or other duly appointed agencies. This reportedly reflects a level of transparency heretofore unseen, extending beyond the 1946 Administrative Procedure Act, which governs the way federal agencies propose and establish regulations.

"Transparency is always a good thing," said banking expert Travis Powers, Vice President of Partner and ISO Relations at CrossCheck Inc. "I believe consumer advocacy groups will become actively involved in the process. The question in the end will ultimately be whether they actually use that public input to create the policy changes."

According to Andrew Gray, Director of the Office of Public Affairs at the FDIC, variable timelines are associated with the required rulemaking. "We intend to move quickly through the process," he said. "We've already announced a reorganization as part of the legislation and will be moving forward through the formal rulemaking process, allowing for notice and comment, etc."


The FDIC board-approved reorganization includes the creation of a new Office of Complex Financial Institutions and Division of Depositor and Consumer Protection to help carry out its newly mandated responsibilities.

### Voicing an opinion where it counts

The primary forums for federal disclosure and public input on reform policy rules are as follows:

- The FDIC will conduct a series of roundtable discussions with outside parties on implementation issues, which will be made available for public viewing via webcast.

- The FDIC will release bi-weekly reports listing the names and affiliations of private sector individuals who meet with senior FDIC officials to discuss provisions in the legislation open to independent or joint rulemaking. Topics discussed and new policy developments can be obtained by subscribing to [https://service.govdelivery.com/service/multi\\_subscribe.html?code=USFDIC](https://service.govdelivery.com/service/multi_subscribe.html?code=USFDIC).
- The public will have the opportunity to schedule meetings with FDIC staff on implementation issues. Appointments can be arranged by completing the "request a meeting" form available online at <https://fdicsurvey.inquisiteasp.com/surveys/S3GJR6/>.
- To consolidate public input on reform policy rules, the FDIC created a dedicated mailbox. All public comments will become part of the official record. Those deemed applicable will also be posted to the FDIC website. Email comments about financial reform implementation are being accepted at [finreformcomments@fdic.gov](mailto:finreformcomments@fdic.gov).
- The FDIC will also webcast all open board meetings, including those regarding regulatory reform.

For further information, visit the FDIC's dedicated financial reform page at [www.fdic.gov/financialreform/](http://www.fdic.gov/financialreform/). The FDIC will also file chronological posting notices on proposed and final rules pertaining to the legislation at [www.fdic.gov/regulations/laws/federal/notices.html](http://www.fdic.gov/regulations/laws/federal/notices.html). 

## Are thermal paper receipts toxic?

**A** chemical used in thermal receipt paper is increasingly under scrutiny as a potential health hazard. A July 2010 study commissioned by the Washington-based Environmental Working Group confirmed that high concentrations of the chemical called bisphenol A (BPA) were found in 40 percent of thermal paper receipts in a sampling culled from national retail chains, post offices and ATMs. Scientists have recognized a link may exist between BPA and a host of disorders, including cancer, obesity and diabetes.

BPA is a component of plastic. It is also referred to as synthetic estrogen. It is applied to receipt paper so that when the paper passes through a POS device, the heat from the device's read head causes a chemical reaction with BPA to produce black print to appear on the receipt.

The EWG study, conducted by Warner Babcock Institute for Green Chemistry in Wilmington, Mass., found the presence of BPA in receipt paper from 8 of 10 stores. The level of the chemical in the paper ranged from 3 to 19 milligrams per 12-inch receipt, the study determined. John

C. Warner, President and Chairman of the institute, called the higher levels of BPA in the paper "massive" and urged more research on the uptake of BPA into the bloodstream via skin contact.

Other studies cited by the EWG showed that store clerks, who typically handle more receipts than other people, had 30 percent more BPA in their bodies than others. However, it is not known the extent to which the BPA in thermal receipt paper caused the higher readings. But given the ubiquity of thermal receipts in the marketplace dispensed from POS devices, ATMs, gas pumps, kiosks, etc., it begs the question: Is BPA necessary in thermal receipt paper?

### A necessary change?

The answer is no. In 2006, Appleton Paper Inc., the largest manufacturer of thermal receipt paper in North America, decided to stop using BPA in its chemical formulation.

"There were some government concerns about the chemical, and we felt it was not a chemical that we wanted to use in our product," said Bill Van Den Brandt, Manager of Corporate Communications at Appleton. "And there were enough questions around it that we felt that it was the responsible thing to do."

Appleton substituted BPA with bisphenol sulfone (BPS), which Van Den Brandt said is not linked to health concerns and does the job just as well as BPA.

According to Van Den Brandt, Appleton is the only thermal receipt paper manufacturer that does not use BPA. He said Appleton's two major competitors, Kanzaki Specialty Papers and Koehler Paper Group, still use BPA in their thermal receipt paper.

At press time, Kanzaki had not responded to *The Green Sheet's* request for comment. But Stefan Huber, a technical customer service representative at Koehler, confirmed that the company does employ BPA in its thermal paper.

"BPA is safe according to the U.S. authorities, the European authorities, the Japanese government and many more," he said in an email. "The most stringent EU risk assessment concluded that there is no human risk using or handling thermal paper including bisphenol A."

A Koehler whitepaper said 1,000 toxicological studies performed on BPA by regulatory agencies worldwide have concluded that BPA is neither carcinogenic nor mutagenic. Two recent studies conducted by the Food and Drug Administration came to the same conclusion, and that "studies involving non-oral exposure are of limited relevance to human health," the whitepaper added.

Using this data as evidence, Huber said, "a cashier would have to handle 60,000 cash slips per day only to reach the 'tolerable daily intake' – which is clearly far in excess of what may ever be realistic."

### Worth the risk?

Given this disagreement over whether BPA is harmful, Glen Taylor, Vice Chairman at General Credit Forms Inc., asks, why take the chance? "This is a risk that you don't need to own," he said. "And in the past, it was vague and there was a lot of uncertainty whether or not it's a valid risk or a pseudo risk, but we've all been on notice. ... Our basic comment is you can eliminate that by just not using that paper."

Taylor said CGR has used Appleton as its receipt paper manufacturer for over 30 years and supported Appleton's decision to stop using BPA. CGR, which receives Appleton's thermal receipt paper in bulk and then packages it for sale to banks, processors, ISOs and various resellers, does not distribute any thermal receipt paper that comes with BPA, Taylor noted.

But John McCormick, Vice President at CGF, recognizes that the marketplace is a complicated and competitive one. While he said CGF sells its products to about 75 percent of the merchant acquiring industry, it doesn't have control over the paper product mix of its clients.

"For instance, a reseller may be buying large quantities of 2 1/4" thermal rolls from GCF, which would be BPA-free,

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## News

but they may be getting their other thermal rolls from a different source that is using the thermal papers made with BPA," he said.

Taylor believes most ISOs may not even know whether the thermal receipt paper they supply to merchants is BPA free. According to McCormick, the best way to ensure that thermal receipt paper is BPA free is to contact the receipt paper manufacturer that can control and certify the raw materials being used in the making of the paper. ■

## PCI SSC summarizes changes to upcoming standards

In advance of the October 2010 release of the updated security standards that govern how merchants and payments businesses safeguard sensitive cardholder data, the PCI Security Standards Council (PCI SSC) disclosed a summary of changes it intends to make to the standards.

The council said that, while version 2.0 of the Payment Card Industry (PCI) Data Security Standard (DSS) and

the Payment Application (PA) DSS do not introduce new requirements, they reflect changes concerning updates, clarifications and guidance. According to Bob Russo, General Manager of the PCI SSC, chief among the changes are:

- Reinforcing the need for merchants to conduct thorough "scoping" evaluations of their networks prior to security audits
- Adding a mandate for centralized logging to the PA DSS
- Allowing organizations greater flexibility when conducting risk assessments in order to prioritize security vulnerabilities
- Clarifying the language of the standards

### Scoping

When organizations prepare for PCI assessments, they determine what parts of their networks are "in scope" for the assessment process. But determining that scope is apparently not so cut and dried.

According to Russo, the council received a "ton of feedback" from participating organizations, as well as its own advisory board, that level 1, global merchants are "finding cardholder data in places in their networks where they had no idea it could ever be."

The updated PCI DSS gives guidance on what data loss prevention tools might be useful in locating forgotten or misplaced cardholder data in networks, Russo said. It is important to pinpoint all places where that data is stored before engaging qualified security assessors (QSAs) to perform assessments, he added.

James Paul, Senior Vice President, Delivery, at Trustwave, said it is problematic when QSAs find sensitive data that is "out of scope" of the assessment when they are conducting an assessment. "If you get the scope wrong, the assessment itself is somewhat invalid," he said.

Security experts have a term for this problem – "scope creep," Paul said. If a merchant forgot about a data center that contained cardholder data, "all of a sudden the QSA says we can't ignore that," he said.

"It's part of the environment. We have to go visit that site and potentially have to apply the sector requirements to systems in that site."

### Centralized logging

Centralized logging is already included in the PCI DSS. Russo said the addition of centralized logging to the PA DSS is important because it is more likely companies will monitor the "events" that occur on their systems if event

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# DICTIONARY

## **in·de·pend·ent**

Pronunciation: \\_in-d\_-pen-d\_nt\

Function: *adjective*

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

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

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

**Antonyms:** dependent, subordinate, subservient

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- Bob Russo,  
General Manager  
PCI SSC

details are recorded at one location. "If your staff has got to go look in more than one place, chances are they're not going to go look for it," he said.

Paul likened centralized logging to giving information technology professionals a dashboard view of what is occurring on networks.

For example, if a USB device is plugged into a POS terminal to download malware into that terminal, that event is registered in the log, he said. And if a compromise should occur, centralized logging gives investigation teams a "breadcrumb trail for them to follow to help them determine the nature of the breach and the extent of the breach," he added.

### Greater risk profile flexibility

Russo said the council received strong feedback that

organizations wanted more flexibility in how they assess their systems from a risk perspective. A business might recognize a security vulnerability exists, but the risk of it resulting in a data breach is so low that they want to be able to put that vulnerability aside for now and focus on making more important aspects of systems PCI compliant, he said.

Paul sees this change to the standard as recognition that merchants have different risk tolerance levels. But he is concerned about who defines a business' risk tolerance. "Right now it looks as though [merchants will] be able to define that risk," he said. "I'm concerned a little bit about a situation where I, as the QSA, may feel a risk as a higher priority than, say, a client does and how that gets resolved."

### Language clarification


Russo said the PCI SSC also attempted to clarify certain language in the standards, for example, the exact meaning of masking and rendering the primary account number unreadable or how to ensure organizations use strong passwords. The council targeted language in the standards based on feedback from PCI participating organizations, Russo said.

"Certainly there are times when the language in the standard can be read one way by one person and another way by another person," Paul said. "By and large I think most of those have been addressed through questions to the council or through the SAQ [self assessment questionnaire] which is available on the council's website."

### A global standard

In the feedback period the PCI SSC sets aside to give participating organizations a chance to communicate their thoughts and concerns about the standard, the council received 400 detailed responses, Russo said.

During that feedback phase, 54 percent of comments came from outside the United States. "Now we're getting global uptake," Russo said. "This is a global problem; we need to make sure that we're getting participation from every corner of the globe. And we are."

Version 2.0 of the PCI DSS and the PA DSS will be disclosed in September with a more in-depth summary of changes, giving participating organizations time to digest the updated standards before their release on Oct. 28. 



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## Microfinance from page 1

cise on this count because of lapses in data collected from users of alternative financial services.

### Building awareness

Perhaps one of the most telling facts revealed by the FDIC survey, however, is that 41 percent of unbanked U.S. households have no plans for opening bank accounts. In response to this data, as well as the dictates under recent financial reform legislation, the FDIC and the U.S. Department of the Treasury (Treasury) are redoubling efforts to get more federally insured financial institutions to work with unbanked and underbanked individuals.

In August 2010, the FDIC began a pilot program to evaluate the feasibility of banks offering low-cost checking and savings accounts that leverage electronic banking technologies. Interested financial institutions were given until Sept. 15, 2010, to apply for the program, which will run for a year.

As part of the program, the FDIC developed an account template to guide financial institutions in creating these accounts without breaking the bank, so to speak. Designated features include free debit cards, direct deposit, online bill pay, electronic statements, check cashing and financial education, as well as free or low-cost money transfer and kiosk bill payment services.

The accounts also qualify for same- or next-day availability of deposits; feature low minimum balances (\$10 or less) and low monthly maintenance fees (no more than \$3 for checking accounts, nothing for savings accounts); and provide accountholders with affordable microloans (amounts under \$2,500).

In a statement about the pilot, FDIC Chairman Sheila C. Bair, said, "We've seen banks that have already been successful in providing safe, low-cost accounts, particularly designed for consumers new to the financial system. The FDIC Model Safe Accounts Pilot is intended to increase these account offerings by providing a voluntary roadmap for others."

Low-cost, limited transactions accounts for the unbanked have been around for years.

Treasury, for example, initiated an Electronic Transfer Account (ETA) program for unbanked recipients of federal payments about 10 years ago. ETA features include direct deposit of federal payments, no minimum balance requirements, debit cards for ATM cash withdrawals and POS purchases, monthly statements, and a \$3 monthly service fee. In return, Treasury pays financial institutions a one-time set-up fee of \$12.60 for each ETA opened.

As of June 2010, 118,137 ETAs existed at 392 participating financial institutions comprising more than 52,000 branches, a spokeswoman for Treasury said.

## The underserved among us

Unbanked Americans (7.7 percent of U.S. households) have no checking or savings accounts at federally regulated financial institutions (think in terms of FDIC coverage).

The underbanked, or underserved (at least 17.9 percent of households), have checking or savings accounts at banks, but they also use bank alternatives – payday loans, check cashing services, rent-to-own agreements, remittance services and pawn shops – at least once or twice a year.

Source: FDIC National Survey of Unbanked and Underbanked Households

### Banking on it

In addition, Treasury recently launched a new initiative to reach the unbanked and underserved: Bank On USA. The program, prescribed under the Dodd-Frank Wall Street Reform and Consumer Protection Act, builds on a recent surge in local Bank On programs that connect low-income consumers with local banks offering no-frills, low-cost accounts that build on debit cards and similar innovations.

The National League of Cities estimates more than 25 cities have Bank On initiatives today. The oldest and best known of these programs, Bank On San Francisco, is credited with helping San Franciscans open 25,000 new accounts through 170 participating bank and credit union branches since it was launched in 2006.

Financial literacy resources are also a key to these programs. Treasury asked Congress for \$50 million in its upcoming budget allocation to promote Bank On USA during fiscal 2011, which begins Oct. 1, according to Michelle Greene, Treasury's Deputy Assistant Secretary for Financial Education and Access. "We have a unique opportunity here, and it's one we want to be sure we don't miss," Greene said. "We have an opportunity to change the system and make it work for everyone."

Treasury also plans to redouble efforts to get more recipients of federal payments to accept direct deposit and to enroll those who don't want to deal with banks in a prepaid debit card program using the MasterCard Worldwide Direct Express debit card. More than 12 million benefits recipients have signed up for the Direct Express card since it was introduced in 2008, according to a Treasury spokeswoman.

## Targeting the unbanked

People can be unbanked for any number of reasons. But the two most common reasons seem to be credit and pricing issues. "Consumers that are unbanked or underbanked often choose to be so for practical reasons rather than attitudinal ones," noted Gwenn Bezard, Research Director at the Boston-based consultancy Aite Group LLC, and co-author of a 2009 report on the unbanked and underbanked. Yet check cashers and other nonbanks are not inexpensive. Bank On San Francisco, for example, estimates that, on average, unbanked people earning \$22,000 a year spend about 5 percent of their annual income at check cashing houses.

Aside from government agencies, several large retailers and a few boutique shops are pushing low-cost alternatives for the unbanked. Wal-Mart Stores Inc., for example, houses MoneyCenters in more than 1,000 stores and expects that number to reach 1,500 by the end of 2010.

Wal-Mart MoneyCenters offer just about every type of service a consumer could get from a traditional bank – except savings accounts. Check cashing, bill payment and prepaid card services are priced significantly lower than other nonbanks' fees, and check cashing customers can have paychecks applied directly to prepaid debit cards, according to Wal-Mart.

The retailing giant claims that consumers using its MoneyCenters saved \$450 million over what they would have paid in 2009 to other nonbank providers of financial services.

Wal-Mart also owns a minority stake in the prepaid card company Green Dot Corp., which is also the exclusive provider of prepaid cards to Wal-Mart. Considered the largest U.S. provider of network branded prepaid debit cards, Green Dot raised \$164 million through an initial public offering in July. The company also applied to purchase a federally insured financial institution, presumably so that it can further expand its product suite.

For its stores without MoneyCenters, Wal-Mart has agreements with more than 300 financial institutions that rent space and operate in-store branches during normal store hours. Urban Trust Bank, a bank with branches in Florida and Washington, D.C., is a Wal-Mart tenant.

Robert L. Johnson, Chairman of Urban Trust Holdings Inc., the bank's parent company, believes prepaid cards are key to banking the underserved. And he describes his bank as being committed to banking the unbanked by offering affordable and transparent financial services products.

In addition to prepaid cards, Urban Trust Bank offers microloans and a



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"second chance" checking account called Opportunity Checking.

### Competing through innovation

Not to be overshadowed by its largest competitor, Kmart Corp. has set its sights on the unbanked and underbanked markets as well. Kmart customers in eight Chicago-area stores can now cash checks, purchase money orders and pay bills while shopping for groceries and toys. This is in addition to layaway plans and store-branded credit card offerings now available at most Kmart stores.

"As the underserved market grows, it has created opportunities for retailers," said Susan Ehrlich, President of Sears Financial Holdings. (Kmart is owned by Sears, which launched the original Discover Card in 1985.)

The latest nonbank company to enter this market is Mango Financial Inc., which opened its first financial services store in April 2010 in Austin, Texas. It also serves customers through its website MangoMoney.com. Mango is a cross between a prepaid card company and a bank.

Mango is the brainchild of two brothers, Roy and Bertrand Sosa, who previously founded NetSpend Corp. and sold the prepaid debit card company to Capital One Financial Corp. for a reported \$700 million. The Sosa brothers also

founded MPower Ventures, the venture capital firm backing Mango and Rev Worldwide, an international version of Mango, as well as an upstart mobile telephone service named YAP.

Bertrand Sosa said he and his brother launched Mango because of what they saw as a continued lack of interest in creating innovative products for the unbanked.

"While prepaid cards have made tremendous strides, we can't stop there," he said. "We're showing it's possible not only to compete on innovation rather than price, but also to build a business by serving customers' financial needs over time rather than one fee at a time."

The brothers, who immigrated here as children, see huge opportunities in Hispanic markets. According to the FDIC's data, nearly one in four Hispanic households (24 percent) in the United States today are unbanked or underbanked.

Each Mango customer gets a reloadable MasterCard prepaid debit card with all kinds of freebies, including card activation, online account-to-account transfers, bill payments and money transfers. Bertrand Sosa said the Mango card is intended to be more than just another prepaid card product; it's a "platform" for bringing financial services to the unbanked.

Mango customers also can access accounts using YAP, Mango's trademarked mobile money service. And in June, Mango unveiled a high-yield savings account (5.1 percent per annum) that customers can open with deposits as small as \$1.

"Given the importance of savings to reducing Americans' reliance on debt and achieving long-term financial stability, we need better savings products and rates to make it worth their while," said Bertrand Sosa in announcing Mango's new savings product.

### Creating wealth opportunities

"The ability to accumulate and preserve wealth is dependent on the types of accounts, financial education, money management skills and access to other asset-building opportunities," stated *Community Financial Access Pilot: Elements of an Effective "Banking the Unbanked" Strategy*, a document published in January 2009 by Treasury's Office of Financial Education.

It's a sentiment shared by many bankers. At the Fifth Annual Underbanked Financial Services Forum in June 2010, Andrew Plepler, Global Corporate Social Responsibility and Consumer Policy Executive at Bank of America, remarked, "A banking relationship is still essential for wealth creation. I don't think there really is any substitute to creating a solid banking relationship." ■

*Patti Murphy is Senior Editor of The Green Sheet and President of The Takoma Group. Email her at patti@greensheet.com.*

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## Education

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## Riding the merchant chargeback learning curve

By Ken Musante

Eureka Payments LLC

If you're confused about card brand rules, imagine how merchants feel. Reviewing comments from a recent thread on GS Online's MLS Forum gave me an entirely new perspective on how perplexing card network rules are to merchants. The topic – chargebacks – initiated surprising responses.

Here are the questions I posted to start the discussion: What do merchants know about chargebacks? Does talking about chargebacks with a merchant help your sales efforts? What about from a residual standpoint? Do you all get interchange income back when a chargeback occurs?

I also wanted to know if all ISOs price chargebacks the same to merchants and to their own merchant level salespeople (MLSs); if merchants should dispute chargebacks if given the opportunity; and issues concerning credit reversals, including if erroneous credits generate chargebacks.

### Take care

**CARDPLAYER** weighed in first. From his post, I gather he serves primarily card present merchants. "If the merchant and/or ISO is doing enough chargeback volume for these to be more than rounding errors in revenue and expense calculations, they have much bigger problems than they realize," he wrote. "The best merchants are the guys that have no idea what a chargeback is ... that means they don't get any."

My company serves both card-present and card-not-present merchants. Some card-not-present merchants have many more chargebacks. This may be a function of their processes but, all too often, cardholders take advantage

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of the chargeback rules. Merchants need to be on guard and employ enhanced fraud control measures such as cardholder verification value (CVV2 and CVC2) and, for Internet merchants, sometimes even Verified by Visa and MasterCard Secure Code.

**CCGUY** supported these comments when he said, "If you are dealing with MO/TO and non-card-present merchants, they need to be made aware of possible scams. ... We have had calls from merchants who tell us we got an order for this or that and [the cardholder] want[s] it shipped to some international destination.

While it has upset a few merchants who thought they were about to make the sale of a lifetime ... we explain to them that they are about to take the loss of a lifetime. Rule 1: If it is such a great sale, take the time to verify the address. Rule 2: Shipping out of the U.S. is usually *not* a good idea."

**CCGUY** further explained the difficulties in representing an international chargeback and the inequities in the chargeback rules for international transactions. The inequities exist because international orders do not support address verification service; typically longer chargeback time frames are involved; and it is more difficult to validate proof of delivery.

**CCGUY** also addressed the profit potential of managing merchants with chargebacks. He wrote, "Take a portfolio of 300 merchants. 25 chargebacks a month, which is not a lot, \$25 each, cost \$10 profit \$15. 15 times 25 = \$375 a month."

### Clueless

Industry attorney Paul Rianda, who goes by **PRIANDA** on the forum, shared his experience. He stated, "Many merchants have no idea they are liable for chargebacks. I get calls from merchants fairly often asking me to help them fight their chargeback liability under a merchant agreement."

"I had one merchant tell me he got a large order for TVs and thought he had died and gone to heaven. He sent the TVs to an address in Russia and was dumbfounded when six months later he got a huge chargeback. Believe it or not, many merchants call me with stories like that."

"Another issue I run into is that merchants are astounded that, if they deliver a product to the customer, the customer can charge back the transaction and keep the merchandise in some cases."

Many merchants think paying by credit card is almost like a guaranteed payment. They do not understand that if there is a chargeback and the customer keeps the merchandise, the merchant may have to sue the customer to get paid."

Paul's experiences demonstrate the value we can provide when working with a merchant by explaining how the chargeback rules work and how chargebacks can be minimized.

### A few suggestions

**BILLPIRTIE** pointed out an inexpensive way to do this. "Visa has excellent guides for training merchants about fraud and accepting credit cards online," he wrote. "I cover guides with new merchants."

**GMARTIN** believes talking about chargebacks helps with sales. "It sets me apart from the rabble [who] just sell merchant services," he stated. "Discussing the risks involved in accepting credit cards helps build trust, which is required to gain and maintain a loyal merchant base."

Having the knowledge to help put procedures in place to minimize exposure is invaluable to a merchant. Helping them answer a dispute by reviewing and/or editing their response is very appreciated.

"Depending on the business type, we can recommend procedures to put in place, policies to utilize, etc. that can decrease a merchant's exposure. Things so simple as refund policies on receipts and/or websites, or getting

the 800 customer service number to put on a MO/TO merchant's file, can go a long way."

**WWW.PAYMENTLOGISTICS.COM** agreed, stating, "When it's first brought up, it's common for a merchant to minimize the importance of chargeback management with comments like, 'I've been in business for 14 years and only had two chargebacks.'"

"But, with some quick role-playing and real-life examples, it's easy to illustrate to the merchant just how easy it is to get defrauded. While a merchant might minimize the importance of chargeback management, most of them take getting scammed pretty seriously, and chargebacks can be a core component of getting scammed."

**WWW.PAYMENTLOGISTICS.COM** finds role playing is easy for MLs to do. "Not only is it entertaining for the merchant, but you can see the proverbial light go off in their heads when they realize just how easy it would be for one of their unsuspecting clerks to be taken," he wrote. "And when they come to that realization, you've just been promoted as their chief merchant account expert."

In a separate but related post, **WWW.PAYMENTLOGISTICS.COM** quoted Visa Inc.'s operating regulations pertaining to credit reversals. "An acquirer may initiate a credit

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reversal only to correct inadvertent processing errors," he said. "The acquirer must process a credit reversal or a debit adjustment within 30 calendar days of the processing date of the initial credit transaction."

**CLEARCENT** provided a deeper perspective on education: "The industry has a tendency to see this type of education as negative. 'It kills the sale to talk about bad things.' I say it positions the MLS and ISA as a trusted advisor, protecting the merchant's interests in the long and short term.

"We, as providers, need to make sure we don't overprice chargeback costs. We need to make sure we aren't looking at chargebacks as a profit center. It's simple: if we make a lot of money on chargebacks, it's likely the merchant will be turned off for excessive chargebacks."

### Other considerations

Some other questions and answers regarding chargebacks include:

- Interchange on chargebacks is paid back to the acquiring bank. Often, however, the merchant is not refunded the discount. Make sure your residuals reflect the interchange credit as well as the chargeback income.

- Advance travel lodge merchants, car rental merchants, e-commerce merchants and other unique category merchants have specialized chargeback rules that can be found within Visa's regulations.
- Check cards have the same chargeback rules as credit cards.
- PIN debit cards have unique chargeback rules, but PIN debit transactions can be charged back.

None of us ever got dumber from additional or remedial training. Providing this information improves the impression we leave on our merchants. Our industry stands to gain by educating merchants. Basic information and the chargeback cycle can be found at [http://usa.visa.com/merchants/operations/chargebacks\\_dispute\\_resolution/index.html#anchor\\_2](http://usa.visa.com/merchants/operations/chargebacks_dispute_resolution/index.html#anchor_2).

I would like to thank Gary Martin from Vision Payment Solutions LLC for suggesting this topic. I am seeking additional input and topics. Please log on and join in.

When in doubt, sell something. 📧

*Ken Musante is President of Eureka Payments LLC. Contact him by phone at 707-476-0573 or by email at [kenm@eurekaypayments.com](mailto:kenm@eurekaypayments.com). For more information, visit [www.eurekaypayments.com](http://www.eurekaypayments.com).*

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## Education (continued)

# Use three basic desires to your marketing advantage

By Daniel Wadleigh

Marketing Consultant

**T**hree basic human drives we all share are the desire for love or approval, the desire for security and the desire for significance. Given the strength and universality of these desires, it is critically important to address them in all of your marketing campaigns and advertising.

The two outcomes people want in relation to each of these areas are enhancement and protection. People want more approval, security and significance than they enjoy now or they want to protect the love, security and significance they currently enjoy – or both.

Three areas where these drives commonly manifest are in health, comfort and economics, which are often intertwined. And people will flock to you if you can save them time, grief or money in the process of fulfilling these basic desires.

### Remember the basic three

No matter what business you are in, all the benefits you offer are wrapped up in these powerful aspects of human character.

If you are selling flowers for a garden, you are really selling the gardener approval from his or her admirers, parents and friends. You are also selling enhancement of that approval.

If you are selling exercise equipment, you are selling approval in terms of better appearance and lifestyle, security through improved health, as well of protection of both of those aspects.

If you are selling payment processing services, you are selling merchants approval from consumers who want a range of payment options, security in the form of increased sales and significance if, for example, your services help a merchant become established as a local business leader or your state-of-the-art system provides a "wow" factor.

### Use these desires to brand yourself

Even if you don't specifically name these desires in your marketing collateral or sales pitches, the enhancement and protection of love, security and significance are what your potential customers are seeking; they are what your prospects will pay for. If you find ways to point out how your services benefit them in these ways, prospects will turn into customers time and again.

Think creatively. You can usually find several ways to brand yourself when keeping these basic drives in mind. For example, an auto repair company offers routine services to maintain the status quo, as well as preventive maintenance, which provides customers economic benefits (fewer surprises that drain the pocket-book), comfort (peace of mind) and health (reduced risk of wrecks).

Examine which aspects are affected by your products and services. Ask yourself what your merchants' hot buttons are and look for ways to emphasize the benefits you provide that satisfy their most pressing concerns.

I once worked for a heating and cooling company. We started including system disinfecting with each preventive maintenance agreement.


We created a handout that explained the risks of not disinfecting, and sales went through the roof. And we were getting \$59 per tune-up when our competitors were getting only \$29.

A printer in Atlanta started handing out a few pages on how to enhance effectiveness of ads. A cleaner asked potential patrons to stop in and learn three ways they could lengthen the life of their clothes. A restaurant offered a free nonalcoholic beverage to first-time customers. All of these were effective because they spoke to the three basic human desires in some way.

### Tailor offerings to hot buttons

So learn to address these drives when promoting the benefits you offer. Find free or low-cost value-added products and services that deliver on the hot buttons. Offering a handout containing useful tips on compliance with the Payment Card Industry Data Security Standard is just one idea that comes to mind.

Remember, don't get lost in all the technical payment bells and whistles; instead, figure out how the amazing array of offerings our industry provides address merchants' universal urge to enhance or protect their approval, security and significance in some way.

The specifics will be unique to each merchant. The more you tailor them to individual hot buttons, the more accounts you'll sign and the more loyalty you'll engender. 

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

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## Education (continued)

### Legal ease

# Assignment provisions in ISO and agent agreements

By Adam Atlas

Attorney at Law

**T**he seemingly innocuous assignment provision in an ISO or merchant level salesperson (MLS) agreement usually lies somewhere near the end of the document, along with other general and standard clauses such as governing law and severability.

You could easily overlook an assignment clause thinking it was standard, not negotiable and not worth studying. Instead, you should always read the assignment clause of your agreements closely.

The purpose of this article is to describe certain basic characteristics and functions of assignment clauses.

### Assignment clause

Every contract gives each party a set of rights and responsibilities, also called privileges and obligations. Every once in a while, a party to an agreement wants to consider transferring to a third party some or all of his, her or, in the case of a business entity such as a corporation, its rights or obligations under a given agreement. That transfer is called an assignment.

The problem with assignments is that when you assign your end of a deal to someone else, the other party to the agreement may not want to be in a relationship with your assignee. The specific law applicable to assignment will vary from state to state; however, the law is generally more accepting of assignment of rights than obligations.

For example, in a loan agreement, you can imagine it being easier for the creditor to assign rights than the debtor. A well-drafted assignment clause should foresee that over the course of the agreement, either party may at some point wish to assign some or all of his, her or its rights and obligations.

A flat-out prohibition on assignment may be unreasonably stringent, while an unbridled right to assign may make each party too insecure in the relationship.

### Processor's right to assign

A processor in a relationship with an ISO will wish to have the unfettered right to assign its rights and obligations under its ISO agreements. The basis of this right is that a processor, rightly, perceives the commitments made to it by its ISOs as part of its assets.

In order for assets to have the most possible value, they must be saleable. In simple terms, a processor will want to be able to sell its ISO portfolio by assigning, among other things, its suite of ISO relationships.

An ISO will, similarly, wish to have the right to assign its MLS relationships. It is common, although not necessarily always the case, that a processor will have the right to assign its ISO agreements to a third party. While these rights are common, it is also common to expect that the assignor (processor) will promise that the assignee under its ISO agreements will continue to honor the promises made to ISOs under them.

In simple terms, an assignment by a processor should not have the result of depriving an ISO of its rights under an ISO agreement.

### ISO's right to assign

The right of an ISO to assign its ISO agreement will depend on the commercial relationship it has negotiated with its processor and is often subject to prior consent of



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the processor. However, that consent should not be unreasonably withheld.

For example, if an ISO wishes to assign its ISO agreement to a proposed assignee that has terrible credit and no ability to run an ISO business, the processor may be acting reasonably by refusing to consent to the assignment. On the other hand, an ISO wishing to assign an ISO agreement to a disinterested third party that is experienced, solvent and not a key competitor to the processor, might be reasonable and acceptable to a processor.

### Three levels of assignment

Merchant acquiring sales agreements (ISO or agent agreements) are subject to three possible forms of assignment:

1. The assignment of the whole agreement
2. The assignment of only residual compensation rights under the agreement
3. The right of the assignor to cause the acquiring bank to assign the underlying merchant agreements to another acquiring bank


Which among these specific rights are set out in your agreement will depend on the agreement in force between

processor and acquiring bank, as well as the ability of the party opposite you to actually give you the right. For example, some ISOs make the mistake of giving agents a full portability right (item 3 above) when they themselves do not have that right to give.


Once you understand what rights you have managed to negotiate, make sure your agreement incorporates them.

### Due diligence

The terms discussed in this article are not necessarily industry standard; this article should not be relied upon to describe industry custom. Naturally, your specific agreement and the relationship that it represents may have other considerations that relate to its assignment clause.

This discussion should be complemented by your study of your own clause within the context of your agreement, along with competent advice regarding the clause. 

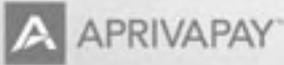





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## Education (continued)

### Social media and the MWAA

By Peggy Bekavac Olson

*Strategic Marketing*

I had the good fortune of attending the recent Midwest Acquirers Association's Annual Conference in Schaumburg, Ill. I was surprised, but pleased to see three educational sessions on the agenda that addressed social media. Since I field numerous questions in my business from clients and prospects in the payments industry about how to employ social media, this was the perfect opportunity to hear what others have to say on the subject.

#### What is social media?

Before getting into the details of the presentations, I'll define social media. I like to look at the two words individually and then combine their meanings. Media is a vehicle or channel for communication that reaches an audience. Examples are magazines, newspapers, mail, radio, television, telephone, email and the Internet. Social typically means belonging to a community and having relationships, interaction and friendship.

Social media is a category of media involving people who interact via talking, participating, sharing, networking and bookmarking on the Internet. It is the blending of technology-based media and social interaction for the exchange of information in a two-way dialog for the co-creation of value.

This can be as simple as posting information and asking for comments or as complex as recommending products and services based on the ratings of other people with similar interests.

Back to the MWAA conference: the three sessions on social media were *Impacts of Social Media on Payments*, *Social Media Marketing and the Merchant World* and *Driving Sales through LinkedIn*.

#### Impacts of social media on payments

There was considerable anticipation and excitement for the Impacts of Social Media on Payments keynote. Jack Dorsey, co-founder and Chairman of Twitter and Chief Executive Officer of Square, shared how he drew upon his interests in computers and maps in his teen years to develop rich, dynamic pictures of living, breathing cities in terms of tracking police cars, fire trucks, taxis, dispatch vehicles and even bicycles.

This led to creating an application that enabled roundtrip emails of short-format updates like, "I'm at the lake," which ultimately became prototypes of tweets from

Dorsey's first BlackBerry. When short message service text from one carrier to the next became available, Dorsey capitalized on his idea for Twitter and built the system in just two weeks.

Dorsey articulated three key takeaways about social media: immediacy, transparency and approachability. He said every post your company makes can be seen by virtually anyone around the world instantaneously, forming a global communication network for your business.

He also said that social media creates openness, communication and accountability and that this transparency can be used to build brand and drive sales.

Social media can also be used to turn a customer service disaster into a positive experience. Dorsey explained that your fans will root for you if you convince them you're honest. From an approachability standpoint, social media makes information more human so that people become more engaged.

It enables a greater understanding of how people are living and what affects them, resulting in more empathy, which hopefully builds image, reputation and awareness while reducing conflict.

In 2008, Dorsey formed Square because, as he said, "Payments are inherently social." He likes the immediacy factor that Square provides of being able to accept payments anytime, anywhere – even making sales and completing transactions in dressing rooms or in store aisles where consumers select merchandise, rather than making them stand in line for checkout.

Dorsey believes social media can provide transparency around card payments. He said most people don't understand fees or how the payment system works; they want easy-to-understand information and simple explanations, and they don't want to be kept in the dark.

From an approachability standpoint, Dorsey is focusing Square now on receipts and hopes to provide additional value-added promotional information based on what consumers buy.

Dorsey conveyed that Square is still trying to figure out its distribution model and needs help from players in the industry and groups like the MWAA. He said the company would be in pilot mode for a few more weeks and then would begin mass rollout.

#### Social media marketing and the merchant world

In *Social Media Marketing and the Merchant World*, payments industry advisor Mary Winingham from Mirror Consulting indicated that although still in its infancy, social media marketing is now a proven method for

building brand and attracting new clients. Social media campaigns can also be used to improve search engine standing, drive traffic to websites, promote products and services, and serve existing customers.

Winingham defined the four C's of social media marketing as being consistency, connections, content and courtesy:

- **Consistency:** Social media marketing should be part of a comprehensive marketing and branding plan, not a standalone activity. You need to have a plan, develop your value proposition and messages, select your target audience, drive great content, solicit referrals and endorsements, and then monitor and track your results.

You must make valuable and engaging contributions, beyond simply promoting a person, product or service to a community that may be challenging, questioning or even hostile.

- **Connections:** Connect with your target audience via members of groups you belong to and individuals with whom you share mutual contacts. Be visible by participating in open discussions to get your name out, build image, credibility and your reputation.

Use search tools to identify individuals, companies and groups whom you should be connected to and make these connections.

- **Content:** Drive great content by having something to say that is consistent with your marketing plan and serves your audience:
  - Schedule time for content development; if you don't, nobody will.
  - Engage in and start conversations, give an opinion, ask questions, initiate a poll or post a message on a blog.
  - Use key words consistently to get picked up by search engines.
  - Optimize your efforts to reach search engine front pages by cross-pollinating content with at least three social media platforms. For example, post content on your LinkedIn profile as well as your company's website and blog, or post content on your Facebook fan page while tweeting on Twitter and creating a YouTube video.
  - Remember to review your posts for comments and revise as appropriate.
- **Courtesy:** While the Internet can be very impersonal, social media is quite personal. Learn to connect to constituents in your target audience in a positive,

courteous way. When you invite someone, send a personal invitation stating why you want to connect with them and what you may be able to offer. Make it mutual; remember it's an exchange and not just a one-way connection.

When you are invited, send a personal response via email or pick up the telephone and make a call. Make sure that when you offer an opinion you remain polite.

The keys to social media success are education and execution. Winingham recommends educating yourself via platform tutorials, webinars, news articles and simply by learning from others.

Regarding execution, Winingham cautioned that social media marketing takes time. She advises developing a systematic approach, working in blocks of time, discovering efficiency best practices, utilizing tools and seeking professional outsourced help.

### Driving sales through LinkedIn

In the *Driving Sales through LinkedIn* educational session, Melissa Giovagnoli, President of Networlding, a social media consulting, training and coaching firm, differentiated the various social networking sites. She likened LinkedIn to the boardroom, Facebook to the office, Twitter to the water cooler and MySpace to the bar.

For payments industry companies and professionals, Giovagnoli believes LinkedIn is where time and resources should be spent. She cited *Nielson Online*, which references LinkedIn as, "The world's largest audience of affluent, influential professionals."

She likes that LinkedIn's membership is highly educated (over 80 percent have bachelor or graduate degrees), wealthy and successful.

Giovagnoli indicated that the average household income of a LinkedIn user is about \$108,000 per year, and over 20 percent of LinkedIn users are senior level executives and managers. Further, over 60 percent are either decision makers in their companies or have direct influence over key decisions related to product or service purchases.

Giovagnoli said achieving the best LinkedIn results depends on how you go about building relationships and trust. Here are her tips:

- Create an articulate and succinct personal profile.
- Display recommendations on your profile and obtain as many as you can.
- Focus on a unique target audience such as a geographic location, industry segment or special interest group, and attach yourself. Don't cast your net too wide.

## Education

- Join groups in your target audience.
- Search and find great people who are top connectors in your target audience, and develop relationships with them.
- Referrals are important, so get others to help you make connections within your target audience.
- Use company profiles to search for good business prospects and connect to decision makers through champions that can help you network into these companies and recommend you.
- Optimize group participation by sharing useful, relevant information that complements your work. Publishing links to helpful articles and blogs, asking great questions, posting weekly updates, conducting polls and adding value by answering questions are all great ways to get noticed.
- Consider starting your own group.
- Avoid selling; your first step is opening relationships rather than closing deals. The business will follow.
- Find time for LinkedIn daily. Make sure to schedule at least 30 minutes daily of dedicated effort.

inbound marketing is more than 50 percent less expensive than outbound efforts. Her belief is that social media, and specifically LinkedIn, can be used effectively and successfully to drive inbound leads resulting in new business.

My view is that social media is not going away and will only have more impact in the future. You need to start thinking about it as a component in your overall marketing strategy and plan. Social media is a long-term commitment and not a marketing gimmick. It's truly about connections where content is king and a consistent approach yields results.

It's understandable for many acquirers, ISOs and merchant level salespeople to not be able to commit to a comprehensive social media program today, but I believe it's reasonable to get started by dabbling, testing and experimenting before tactically embarking on and executing a full-fledged social media initiative. 📧

*Peggy Bekavac Olson is the founder of Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payments companies, after serving as Vice President of Marketing and Communications for TSYS Acquiring Solutions for more than five years. She can be reached at 480-706-0816 or peggyolson@smktg.com. Information about Strategic Marketing can be found at [www.smktg.com](http://www.smktg.com).*

Giovagnoli referenced a recent HubSpot survey that found



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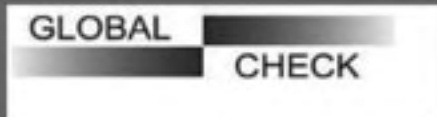


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## Education (continued)

### A primer on PCI scans

By Tim Cranny

*Panoptic Security Inc.*

**M**any merchants, ISOs, merchant level salespeople (MLSs) and even acquirers are unsure about the role vulnerability scans play in the Payment Card Industry (PCI) Data Security Standard (DSS).

This isn't surprising, given that many people in the industry are still uncomfortable with PCI, and the issue of scans in particular has been confused and distorted by vendors, security advisors, pundits and the creators of the standard.

This article will explore how to think about scans, describe what they are (and what they aren't), what to look for in a scan vendor, and where the most common pain points are.

#### Why are scans necessary?

The simplest answer is that the payment brands demand scans of their merchants, thus creating the necessity to have the scans done. But there are also valid, impartial reasons why scans are a good idea and a necessary part of keeping sensitive data safe from intruders.

A huge (and growing) number of merchants use the Internet or web to work with their processors or business partners, or to give their customers easy access to products, services or information.

For them, providing customers access to these computer systems is as essential as a brick-and-mortar business letting customers come in the front door. And, just like doors need locks to prevent access by thieves, computer systems need to be locked down so identity thieves, hackers and vandals don't get in.

External vulnerability scans do not actively perform security functions by attacking attackers; they are not like a drug that actively fights disease. They are more like a medical test to see if you are vulnerable to a particular disease.

Another analogy people use is that scans are like the security guard who comes around the building each night, rattling the doorknobs to make sure the locks are being used and working properly.

With cyber criminals, protecting against attack means both active security measures and regular scans/tests of their effectiveness.

#### What exactly are scans?

External vulnerability scans consist of a series of fairly

simple tests performed by a computer outside of your company and applied to computers you have that can be reached by that outside computer.

These tests basically check to see if your computers look likely to resist and ignore attacks or if they can be fooled into responding when they shouldn't. These tests can be done remotely and via automation, meaning they can be performed quickly, simply and cheaply.

Much more detailed types of tests (called penetration tests rather than vulnerability scans) can be performed, but they take more time, effort and expertise, and they are correspondingly more expensive.

It might help to compare the quick and simple vulnerability scan to the blood-pressure test you get from a nurse: it's useful and important, but don't confuse it with the more expensive and time-consuming tests you'd get from a pathologist.

#### Who needs scans?

The PCI DSS basically says that if a merchant's systems can be scanned, they must be scanned. The only merchants who escape the requirement are those who can't be scanned because they don't have computers or those whose computers aren't normally connected to the Internet (they either have no connectivity to public networks or have intermittent connectivity via dial-up rather than constant connectivity via broadband).

#### Who can perform scans?

Merchants can only get scans from a company that has been certified by the PCI Security Standards Council as an Approved Scanning Vendor (ASV). ASVs are listed on the council's website at [www.pcisecuritystandards.org/pdfs/asv\\_report.html](http://www.pcisecuritystandards.org/pdfs/asv_report.html).

The reason for requiring vendors to obtain approval before conducting scans is to make sure minimal standards are kept. Without this, both the price and quality of scans would quickly fall to zero in a vendor race-to-the-bottom.

#### How often should scans be done?

Scans must be performed at least once a quarter. They need to be done regularly for the same reason that security patrols of buildings or medical checks need to be done regularly: being safe today does not mean you'll be safe tomorrow. Too many things can change inside your world or externally, including the emergence of new types of threats designed to get past your defenses.

#### Do scans satisfy PCI requirements?

The role of scanning in satisfying PCI requirements is an area that confuses a great number of people in three primary ways:

**A significant number of merchants have trouble when confronted with the world of modern networking – Internet protocol (IP) addresses, public versus private, loopback addresses, ports, and acronyms like NAT, TCP, DNS and so on.**

1. **Scans are not PCI:** They are just a piece of PCI, and all merchants need to deal with a much broader range of issues as part of completing their annual Self-Assessment Questionnaire (SAQ). Likening the PCI process to a medical checkup, a scan would be like a blood pressure test: a quick, simple, standard part of the broader checkup – but obviously just one part.
2. **Passing a scan does not mean you are done with PCI:** Passing a PCI scan does not mean you have passed PCI or that you've finished with the paperwork. Merchants, even small ones, are also required to complete an annual SAQ, which covers a range of issues that scans don't even begin to consider.
3. **Passing a scan does not mean you are safe:** A passing scan means you've avoided some obvious dangers, but it doesn't mean you are safe from attackers (a good result on your blood pressure test does not mean you're immune to diabetes, the flu, alligators or drunk drivers).

Get the test, and fix any problems it identifies, but also protect your business from other threats. The SAQ is not perfect, but it gives merchants and their ISOs and banks a good place to start in identifying and dealing with potential threats.

### What are the real-world pains?

I regularly see a few repeated problems that ISOs and merchants have with the scanning process. The top issues include:

- **Identifying which systems need to be scanned:** This is tied in to the PCI question of scope, or identifying what systems need to be worried about and which don't. There are dozens of details to consider, but the general rule should be: when in doubt, include systems in the scan. The cost is low, and it is better to overdo security than to underdo it.

This problem is going to become more complex with time. For example, the old distinctions between dial-up and broadband services are blurring in a world with growing use of Voice over IP (basically dial-up via broadband).

And the issue of merchants' needing scans when using virtual terminals is confusing and frustrating for almost everyone involved.

One strong sign of this confusion that I often see is ISOs who regularly and dramatically underestimate the number of the merchants in their portfolios who need scans.

- **Dealing with technology issues:** Most of the time people can ignore almost all the technical machinery that makes the web and Internet work, but with scans that ability goes away.

A significant number of merchants have trouble when confronted with the world of modern networking – Internet protocol (IP) addresses, public versus private, loopback addresses, ports, and acronyms like NAT, TCP, DNS and so on.

The problem is going to get worse in some respects: in the next 12 months more people will be forced to use IP version 6, which is a necessary upgrade but will likely make PCI compliance more messy and complicated for the average merchant, at least initially.

- **Interpreting and responding to results:** When a scan is complete, the merchant gets a report listing which tests were passed and failed. This report can be perplexing for merchants, and that can very quickly create a surprisingly expensive support problem for ISOs.

### What should I do about it?

Because of the way PCI has set up the scan requirements, ISOs must work with an ASV rather than do the scans in-house. In choosing an ASV, ISOs need to remember that scans are all about two things: technical details (like the pileup of geek terms above), as well as support and communication.

ISOs and MLSs need to make sure that they or their partners are prepared and able to handle both of these issues.

Doing so will make the difference between expensive failure and confusion on the one hand and more content and lower-maintenance merchant customers on the other. ■

*Dr. Tim Cranny is an internationally recognized security and compliance expert and is Chief Executive Officer of Panoptic Security Inc. ([www.panopticsecurity.com](http://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](mailto:tim.cranny@panopticsecurity.com) or 801-599 3454.*

## Education (continued)

# Considering consequences improves results

By Jeff Fortney

Clearent LLC

One of the first lessons my children learned was about consequences. It was a big word but had a simple meaning: the things they did or didn't do affected them in positive or negative ways. If they didn't pick up a toy, the consequence was that it might be stepped on and broken. As they got older, they experienced the consequences of not doing their homework, using inappropriate language and other behavior.

They became aware that their actions caused reactions, some of which were not positive. With this came another valuable lesson: by understanding potential reactions, they could adjust their actions to avoid negative repercussions.

### It pays to pay attention

In sales, consequences are often ignored for the sake of the sale. I've heard thousands of stories of salespeople saying or doing anything to close the sale. This happens primar-

ily when a sales relationship ends at closing and money exchanges hands only once.

The payments world does not involve that type of selling; revenue is earned throughout the life of the merchant account. However, if merchant level salespeople (MLSs) fail to consider consequences before taking action, this can have long-term negative effects on their business relationships. Such actions often seem small initially, and the degree of potential damage seems negligible.

The most common action error occurs toward the end of the sale when the merchant asks a last-minute question: The merchant has agreed, in principle, to the pricing; the application is complete; and it's time to sign. As the merchant signs the application, however, he or she casually asks a question. It seems innocuous, and you reply casually as well. Afterward, you likely don't even remember the question.

### The details matter

For example, the merchant might say, "I assume you can provide reporting that meets our needs." The most common response is to say, "We can provide reporting – no problem."

Afterward you discover the business is using a unique accounting system that requires reporting you can't deliver. You spend hours – and sometimes days – trying to find a work-around or alternative. During that time, your merchant, who has started processing without the level of reporting promised, is very upset and is calling you daily.

Ultimately, this can result in a valuable merchant leaving your fold. You lose the revenue, as well as a referral source. You also lose credibility with any merchant your disgruntled former customer may know.

Every question is important. Alarms should sound when the merchant uses the word "assume" in any form. Usually that indicates the merchant has some sort of specialized need or perceives a particular need as unique. In all cases, that assumption has serious consequences.

### Rushing doesn't help

When a merchant asks a last-minute question, follow these three steps before answering:

1. **Stop:** If the merchant makes an assumption or even asks a question, stop what you are doing and put all of your attention on listening to the merchant.
2. **Clarify:** Ask for more information about the question. Don't answer immediately. Wait until you clearly understand the comment or question.

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3. **Be 100 percent sure:** If you are not able to answer a question with certainty, say so. If the merchant makes an assumption that could be misconstrued, be honest and let the merchant know.

In the example I gave about a merchant's reporting needs, the proper response to the merchant's assumption about reporting would have been to stop and say, "What type of reporting needs do you have? We have several options, but if it's important enough for you to have raised it, I want to make sure I can meet your needs."

If the merchant clarifies the reporting needs and you are still not 100 percent certain you can meet those needs, respond with, "I am not absolutely sure, but let me check." Then call your support person or mentor to find out.

The process may add five minutes to the sale, but it can change the consequences and can help avoid negative results.

### **Avoidance is worse than discomfort**

The second most common action is avoidance through inaction. It is human nature to avoid anything that is likely to provoke a negative response. But in sales, avoiding such instances can result in serious problems.

Avoidance occurs throughout the sales cycle. For example, you might not ask how a merchant currently handles card transactions or if the merchant has any special needs. Avoidance can occur when quoting fees. For instance, you might have a Payment Card Industry Data Security Standard compliance fee but simply list it rather than verbally disclose the fee. It can also happen after the merchant signs, like if a merchant gives you a voided check without an imprinted business name and you say nothing about needing more complete information.

In every case of avoidance, one more question would have likely solved the problem. Instead, fear of the answer prevented the salesperson from asking the needed question. The MLS tried to

work around the issue rather than address it directly. (For example, instead of asking for details missing from the merchant's check, you beg the processor to work with insufficient banking information.)


The best way to handle the urge to avoid something is to face it head on. In almost every case, when an issue is addressed right away, it turns out to be much smaller than anticipated.

### **Dialog helps**

An easy way to ensure you haven't avoided anything is to close with two simple questions:

1. What haven't I told you?
2. What question haven't I asked or answered completely?

These questions may seem akin to opening Pandora's box, but that isn't the case. They allow for a strong closing dialog and can help you bond with merchants.

Consequences can be great or small. They can be positive or negative. But at least in sales you can control them and thereby increase your income. All it takes is remembering what you learned as a child. 

*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](mailto:jeff@clearent.com) or 972-618-7340.*



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# NewProducts

## Data management for ISOs, merchants

**Product: Nucleus Platform**

*Company: iPayStation*

**N**ucleus Platform, a new offering from iPayStation, is designed to be a tool that ISOs can use both to enrich their merchants' payment platforms as well as to manage their own client boarding data.

For merchants, Nucleus is a gift and loyalty platform that helps with customer retention and acquisition, improves data analytics and eases the burden of Payment Card Industry (PCI) Data Security Standard (DSS) compliance, according to Bruce Burke, Director of Business Development for iPayStation.

### Flexible functionality

Merchants who subscribe can market to their customers using any number of channels, text messaging, email and online social media among them. Customers who enter

the loyalty program can keep tabs on their loyalty points or gift card balances through an online portal. They can also add gift card functionality to cell phones and conventional payment cards.

"Let's say you have a \$50 gift card, and you take your friends to lunch and the total comes to \$100," Burke said. "They swipe the gift card, take the balance off of it, and you give them a credit or debit card for the other \$50.

They can swipe your credit card for the remaining balance and then attach your credit card to that loyalty reward card right there on the fly.

"So now you don't have to carry around that loyalty/reward card: your credit card is that loyalty card, and every time you use that card within that loop, boom! You get both loyalty points with [the credit card issuer] and your [merchant's] loyalty/reward points."

Nucleus also allows merchants and ISOs to consolidate normally disparate streams of information into a single portal to facilitate marketing efforts.

Burke said merchants often deal with split data because



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they have separate processors for conventional card purchasing and gift card purchasing, while ISOs must deal with segregated data from the various processors to which their merchants connect.

Nucleus consolidates these different data streams into a single portal. ISOs see the aggregated data from all of their merchants; merchants see aggregated data from all their card transactions, including gift card purchases.

"If the ISO is selling three or four different processors to get deals done and that sort of thing – because some processors specialize in certain industries – they can still have all their data concerning all their transactions going through all their processors all in one easy to utilize format," Burke said.

### On the fly


Nucleus is also a data management tool for boarding merchants. Burke said MLSs can access the program on a smart phone, either through a downloaded application or web portal, and use it to send contractual and other merchant boarding information to their ISOs.

Burke added that agents can also use the program to track the merchant authentication process in real time.

"We have ISOs that, when they go to the retail store, all the applications and forms they need are in an application on their iPhone," Burke said.

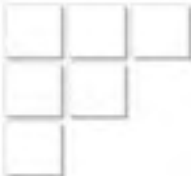

"They have the retailer review the documents, enter the information and when he's done entering all the info, the agent can submit the app via the iPhone back to headquarters.

"When headquarters receives it, the agent can start tracking it through the authorization process before they turn [the merchant] up as a live account. And once it becomes live, the agent can actually use the same application to track the commissions of all the sales for all these locations."

Nucleus is a software-as-a-service program that runs off of iPayStation's server, so neither ISOs nor merchants who use the platform store customer data. For merchants, that feature eliminates certain PCI requirements around safeguarding stored data, Burke said. 

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# ISOMetrics

## Breaches across America



Here is a compilation of major data breaches that have occurred since our last report in *The Green Sheet*, April 13, 2009, issue 09:04:01.

### 1 West:

#### California

**Los Gatos, Jan. 1, 2010** – A class action lawsuit was filed against Netflix Inc., claiming the company voluntarily disclosed sensitive and personal information of nearly 480,000 subscribers in an online contest.

**Cupertino, June 9, 2010** – A security breach exposed potentially confidential information of an estimated 114,000 Apple Inc. iPad 3G subscribers in the AT&T network, creating vulnerabilities to spam and malicious hacking.

#### Colorado

**Englewood, June 21, 2010** – Credit card information on orders placed with the Sony Style Telesales Department from May 23 to June 3, 2010, may have been illegally copied and sent to parties outside Sony Corp.'s third-party TeleTech network.

**Englewood, June 29, 2010** – Destination Hotels & Resorts uncovered malicious software inserted into its credit card processing system from a remote source, compromising the card data of nearly 700 hotel guests.

#### Washington

**Alexandria, March 24, 2010** – A skimming device was used at the Wachovia King Street Bank ATM to capture data and withdraw \$60,000 from bank customer accounts.

### 2 Southwest:

#### Texas

**Dallas, Feb. 28, 2010** – Hackers broke into up to 31 computer systems at Wyndham Hotels and Resorts, stealing an unknown number of hotel customer names, along with their payment card information.

**Fort Worth, July 4, 2010** – A hard drive was stolen from American Airlines Corp. headquarters, exposing personal and limited bank account information on nearly 79,000 American Airlines retirees, as well as former and current employees.

**San Antonio, July 9, 2010** – Thieves confiscated credit card receipts of 17,000 hotel guests from a storage room in the Emily Morgan Hotel in 2006 and subsequently charged hundreds of thousands of dollars in fraudulent transactions in three states.

### 3 Midwest:

#### Indiana

**West Lafayette, July 4, 2010** – Hackers infiltrated restaurant franchise developer Beautiful Brands International's credit card processing system, affecting an unknown number of credit card accounts.

#### Iowa

**Des Moines, Jan. 31, 2010** – An external account was used to gain access to the Iowa Racing and Gaming Commission's

server, which holds 80,000 casino employee records containing names, birth dates and Social Security numbers.

#### Minnesota

**Eden Prairie, June 4, 2010** – A data theft involving 200,000 personal records from e-commerce company Digital River Inc. led investigators to hackers in India and a 19-year-old in New York, who allegedly tried to sell stolen information to a Colorado marketer for \$500,000.

#### Ohio

**Miamisburg, May 1, 2009** – LexisNexis and Investigative Professionals notified 40,000 cardholders that unauthorized individuals gained access to names, birth dates, and possibly Social Security numbers; some were used by a Nigerian scam artist to obtain fraudulent cards.

### 4 South:

#### Arkansas

**Bentonville, June 7, 2010** – A credit card scheme totaling \$781,581.80 in losses occurred at Sam's Club and Wal-Mart Stores Inc. locations in Connecticut, New Jersey, Massachusetts, Rhode Island, New Hampshire, New York, Pennsylvania, Maryland, Delaware and Puerto Rico.

#### Florida

**Gainesville, Feb. 6, 2010** – Nearly 1.1 million records containing data on current and former AvMed Health Plans subscribers and their dependents was compromised in the theft of two company laptop computers.

### Georgia

**Atlanta, Jan. 6, 2009** – Criminals seized control of multiple CheckFree Corp. Internet domains, redirecting customer traffic to a Ukraine-based website, impacting 160,000 customers and 5 million records.

### 5 Northeast:

#### New York

**New York, May 11, 2009** – Thieves used ATM skimming devices and pinhole cameras at multiple financial institutions to steal account and password information from an unknown number of bank customers and created phony ATM cards to access bank accounts.

**New York, Sept. 5, 2009** – A Mitsubishi Corp. Internet shopping unit lost credit card details on 52,000 customers after overseas hackers breached the company's computer servers.

**New York, July 27, 2010** – Citigroup Inc's mobile banking iPhone application was found to have a security flaw that saves account numbers, bill payments and security access codes in a hidden file on the user's phone and computer. An upgrade to fix the problem is available for its 117,600 users.

#### Virginia

**Richmond, May 4, 2009** – The FBI was called in when hackers demanded \$10 million for records stolen from the Virginia Prescription Monitoring Program database containing data for over 35 million prescriptions dispensed since 2006 for federally controlled drugs with a high risk for abuse.

(Source: Privacy Rights Clearinghouse)



## 2010 calendar of events

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

2010 Event	Date	Location	Web site
Western Payments Alliance Payments Symposium 2010	September 20 - 21	Long Beach, CA	<a href="http://www.wespay.org/symposium/index.htm">www.wespay.org/symposium/index.htm</a>
SourceMedia, The Card Evolution Summit	September 20 - 22	San Francisco	<a href="http://register.sourcemediaconferences.com">http://register.sourcemediaconferences.com</a>
Online Trust Alliance, 5th Annual Trust and Cybersecurity Forum	September 22 - 24	Washington	<a href="https://otdalliance.org">https://otdalliance.org</a>
RemoteDepositCapture.com, RDC Summit 2010	September 29 - 30	Orlando, FL	<a href="http://www.rdcsummit.com">www.rdcsummit.com</a>
SourceMedia, 18th Annual ATM, Debit & Prepaid Forum 2010	October 3 - 5	Phoenix	<a href="http://www.paymentsource.com/conferences/dmdebit10">www.paymentsource.com/conferences/dmdebit10</a>
Finovate Conferences, FinovateFall 2010	October 4 - 5	New York	<a href="http://www.finovate.com/fall2010">www.finovate.com/fall2010</a>
Glenbrook Partners, Glenbrook Payments Boot Camp	October 6 - 7	Santa Clara, CA	<a href="http://www.glenbrook.com/bootcamp-payment.html">www.glenbrook.com/bootcamp-payment.html</a>
Western States Acquirers Association 2010 Annual Conference	October 13 - 14	San Diego	<a href="http://www.westernstatesacquirers.com/register.html">www.westernstatesacquirers.com/register.html</a>
Commercial Payments Int. Commercial Cards and Payments Summit	October 14	London	<a href="http://www.commercialpaymentsinternational.com">www.commercialpaymentsinternational.com</a>
W/Net, Designer Bootcamp and DIVA awards	October 15	San Diego	<a href="http://www.w-net.biz/PageDisplay.aspx?pl=7260">www.w-net.biz/PageDisplay.aspx?pl=7260</a>
Bank Administration Institute, BAI Retail Delivery	October 19 - 21	Las Vegas	<a href="http://www.bai.org/retaildelivery/registration.aspx">www.bai.org/retaildelivery/registration.aspx</a>
SourceMedia, Annual Collections & Credit Risk Conference	October 24 - 26	Las Vegas	<a href="http://www.collectionscreditrisk.com">www.collectionscreditrisk.com</a>
Electronic Transaction Association, Strategic Leadership Forum	October 26 - 28	Palm Beach, FL	<a href="http://www.electran.org">www.electran.org</a>
Epcor, Road to Knowledge: Mid-America Payments Conference	October 26 - 28	Kansas City, MO	<a href="http://www.epcor.org">www.epcor.org</a>
Glenbrook Partners, Glenbrook Payments Boot Camp	October 27 - 28	New York	<a href="http://www.glenbrook.com/bootcamp-payment.html">www.glenbrook.com/bootcamp-payment.html</a>
Association for Financial Professionals, AFP Annual Conference	November 7 - 10	San Antonio	<a href="http://www.afponline.org/pub/conf/an10.html">www.afponline.org/pub/conf/an10.html</a>
Smart Card Alliance: Identity, Security & Healthcare	November 16 - 19	Washington	<a href="http://www.smartcardalliance.org/poges/news-events">www.smartcardalliance.org/poges/news-events</a>
Cartes & Identification, Cartes & Identification 2010 conference	December 7 - 9	Paris	<a href="http://www.cartes.com/ExpositumCms">www.cartes.com/ExpositumCms</a>
Glenbrook Partners, Glenbrook Payments Boot Camp	December 8 - 9	Santa Clara, CA	<a href="http://www.glenbrook.com/bootcamp-payment.html">www.glenbrook.com/bootcamp-payment.html</a>



**WSAA**  
Western States Acquirer's Association

October 13 - 14



October 26 - 28



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November 16 - 19

# DateBook

Visit [www.greensheet.com/gs\\_tradeshow\\_events.php](http://www.greensheet.com/gs_tradeshow_events.php) for more events and a year-at-a-glance event chart.



## Western Payments Alliance (WesPay)

*Payments Symposium 2010: Tools of the Trade*

**Highlights:** WesPay's annual symposium promises quality education seminars, networking opportunities with hundreds of payment professionals, strategy guidance workshops and a technology showcase. The two-day conference's areas of focus include automated clearing house (ACH) operations, card products, fraud and risk management, and regulations and compliance.

Among the discussion topics are emerging person-to-person payments, ACH revenue opportunities, the impact of regulatory changes to the future payments landscape, cyber attacks against financial institutions, check fraud in an image-based milieu and fighting Internet fraud. The event also includes optional post-conference hands-on sessions dealing with the ACH world.

**When:** Sept. 20 – 21, 2010

**Where:** Renaissance Hotel, Long Beach, Calif.

**Registration:** [www.wespay.org/content/navigationmenu/symposium](http://www.wespay.org/content/navigationmenu/symposium)



## SourceMedia

*CardEvolution Summit*

**Highlights:** The CardEvolution Summit is a forum for networking and information-sharing among innovators, system integrators, industry reps and consultants from around the world. CardEvolution Summit, formerly CTST, enters the 2010 marketplace with a refreshed look and a streamlined focus on education and agenda, while continuing to bring best-of-breed vendors, seasoned veteran consultants and thought-provoking speakers.

There will be an exhibit hall, pre-conference workshops, keynote addresses, cocktail receptions and networking sessions. The agenda will include topics dealing with cards and payment technology, security and identity, and mobile and contactless payments.

**When:** Sept. 20 – 22, 2010

**Where:** Hyatt Regency, San Francisco

**Registration:** [www.paymentsource.com/conferences/ces](http://www.paymentsource.com/conferences/ces)

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## RemoteDepositCapture.com

*RDC Summit 2010*

**Highlights:** Remote Deposit Capture (RDC) is going mainstream. No longer simply a cash management product for financial institutions, RDC is being instituted by a wider array of organizations that understand its benefits.

This conference is dedicated to the trends, issues and innovations at the intersection of RDC and the payments industry. It will explore the many facets of RDC, including in-depth analysis of the leading developments, progress, best practices and lessons learned across the industry.

General and concurrent sessions will be targeted to RDC and payment professionals involved with banks and credit unions, ISOs and third-party service providers, corporations and businesses, regulators and government agencies, as well as organizations that accept check payments.

**When:** Sept. 29 – 30, 2010

**Where:** Omni Orlando Resort at ChampionsGate, Orlando, Fla.

**Registration:** [www.rdcsummit.com](http://www.rdcsummit.com)



## SourceMedia

18th Annual ATM, Debit & Prepaid Forum 2010

**Highlights:** Major changes have hit the ATM and payments industries hard recently, but they have also opened up enormous opportunities. PaymentsSource and American Banker have designed an agenda to help attendees better manage their businesses, understand new regulatory mandates, and track new competitors and solution providers.

This is an opportunity to join over 650 major players influencing the payments industry, including card issuers, payment networks, industry analysts, and payment product and service providers responsible for loyalty and points programs, emerging payments, payment business strategies, marketing, operations, and technology.

More than 80 industry leaders will share best practices and insights across five concurrent tracks: ATM, debit, prepaid, emerging payments, and regulation and security.

**When:** Oct. 3 – 5, 2010

**Where:** Arizona Biltmore, Phoenix

**Registration:** [www.paymentsource.com/conferences/atmdebit10](http://www.paymentsource.com/conferences/atmdebit10)



## Western States Acquirers Association

WSAA Annual Sales Conference

**Highlights:** The Western States Acquirers Association's 2010 Annual Sales Conference will be held at the San Diego Marriott La Jolla, an ocean-side location minutes away from beaches, vistas, theme parks and other attractions. The conference will include panel sessions, an exhibition hall and seminars.

The first day of the conference will comprise the Field Guide for ISOs seminar and an opening reception. The general session will begin the morning of the second day, and a closing session will be held that night.

The theme of this year's conference is "Catch the Wave of New Opportunities."

**When:** Oct. 13 – 14, 2010

**Where:** Marriott La Jolla, San Diego

**Registration:** <http://cwp.marriott.com/sanlj/westernstatesacquires>



## Women Networking in Electronic Transactions

Designer Bootcamp and DIVA awards

**Highlights:** A project of Women Networking in Electronic Transactions (W.net), this is a prime educational and networking event for women in the payments industry, providing them with resources to become exemplary professionals and better leaders.

The day follows WSAA's conference and will include a keynote address followed by seminars on topics ranging from globalization to business etiquette to the economics that drive the payment chain's various players. The event also promises a wine and cheese welcome and networking breaks.

As a lead-in to the Designer Bootcamp, W.net will host the Driving Improvement Via Action (DIVA) Awards at 8:30 a.m. The awards honor outstanding achievements of individuals, companies and W.net members who, throughout the course of the past year, have shown an unwavering commitment to W.net's mission to inspire and empower women in the electronic transactions industry.

**When:** Oct. 15, 2010

**Where:** Marriott La Jolla, San Diego

**Registration:** [www.w-net.biz/PageDisplay.asp?p1=7260](http://www.w-net.biz/PageDisplay.asp?p1=7260)

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# Inspiration

WaterCoolerWisdom:

**Habit is either the best of servants or the worst of masters.**

- Nathaniel Emmons



## Organize your life for peace of mind

**D**o you often reach the end of the day and wonder where it went? Maybe you run your own business seven days a week; feed your children and help them with homework before putting them to bed; frequently run errands for an elderly

parent; and attend ball games, recitals or community meetings after work and on weekends.

Does all this activity make you feel pulled in too many directions? Does it seem there's no time to pause and take a breath? Then perhaps your life needs a bit of reorganization.

Here are three simple ways to shape your life to enhance your peace of mind

### 1. Leave business where it belongs

Keep business at the office. Most business owners struggle with this because work issues are constantly on their minds.

Yes, your business is a very important part of your life, but family should come first, and your business already takes the majority of your time and energy.

You likely spend eight to 12 hours a day on the job and just a few hours each evening at home. So dedicate your time at home to having fun with your family and friends. Keep talk about work to a minimum.

### 2. Organize your home and keep it that way

A clean, well-organized home can foster a positive attitude, while clutter has a negative effect. Disorder can lead to stress, arguments and an unhealthy atmosphere.

Spend time making sure each item in your home has a place and is kept where it belongs.

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This will help you think clearly and feel refreshed. Organize your sock drawer, the kitchen cabinets, your home office, bath towels and washcloths, etc.

### 3. Create two calendars and use them

Every business owner should keep separate calendars for family and for business.

The family calendar is for important dates, such as parent-teacher meetings and school sporting events, if any; planned romantic dinner dates with your special someone; and birthdays and other important days. This is also where to allocate time for your friends, faith community, clubs and so forth.

The romantic dinner should be a planned date that you and your significant other can look forward to. This is especially important for parents.

And, if you are a parent, your children should each have the chance to plan something fun for the family periodically, whether it's a picnic, a day at the park or the beach, a night out bowling, or a matinee at the theater.

The business calendar is for all upcoming appoint-

ments with clients, employees and business associates.

Keep both calendars handy so you can make sure business appointments don't conflict with your family calendar. And check both calendars regularly so you aren't surprised at any upcoming events.

Also, create a business schedule that eliminates unnecessary overtime, and stick to it. For a business owner this can be difficult.

But the good news is you can delegate many tasks to managers and free up your time for other important business and personal tasks.

These three steps can contribute to your happiness. Using them will help you be more fully present at work and at home, so your life will be a meaningful journey, not just a busy, frantic whirlwind.

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Paul H. Green, President and CEO

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**WHEN** October 15, 2010

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The W.net 2010 Designer BootCamp will focus on developing the professional skills of women in the electronic payments industry and educating them on the key issues of the day with insights and presentations from some of the industry's most influential executives.

For the agenda and details, and to register for this exciting event, visit [www.w-net.biz](http://www.w-net.biz)



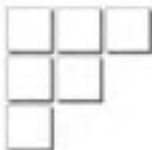
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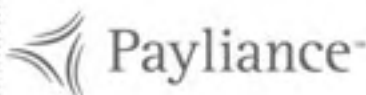
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(800) 996-5520 x223  
www.epiprogram.com

**EVO Merchant Services**

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www.goevo.com

**First American Payment Sys.**

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www.first-american.net

**Global Electronic Technology, Inc (GET)**

(877) GET 4ISO  
www.gettrx.com

**Group ISO, Inc**

(800) 960-0135  
www.groupiso.com

**Money Tree Merchant Services**

(800) 582-2502 x2  
www.moneytreerewards.com

**MSI, Merchant Services Inc.**

(800) 351-2591  
www.1800bankcard.com

**North American Bancard**

(888) 229-5229

**United Bank Card**

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**United Merchant Services, Inc.**

(800) 260-3388

**Xenex Merchant Services**

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www.goxenex.com

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

**Touch Suite** TS  
PRO

## ResourceGuide

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www.trustwave.com

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www.globalpaymentsinc.com

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Bartlett Info Tech  
Services, LLC  
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www.bits-pos.com

## POS SUPPLIES

## General Credit Forms, Inc.

(800) 325-1158  
www.gcfinc.com

APRIVA  
(877) 277-0728  
www.apriva.com

**Sometimes  
things  
appear**



**to be the  
same  
at first  
glance...**

6. The ink is black  
7. Only has 1 business card  
8. Many more papers in the tray  
9. Man is now bald  
10. Graph goes off the poster

1. The desk is longer  
2. The sign on the desk is mirrored  
3. Monitor is missing  
4. Extra number in cup  
5. Keyboard is missing

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- ✓ Bonus Programs
- ✓ Referral Programs
- ✓ Paid Daily
- ✓ Let BCD pay your Agents Bonus

I started with Bank Card Depot in August 2008; I have worked in the credit card processing industry for three years .BCD offers world class customer Service and the tools to grow your business. I had a great year in 2009 with the support from Stephanie Gerke ,National Sales Director and Phil Ludwig, Vice President. If you have a question or problem they always answer the phone and give you solid advice. Last year was my first full year as an ISO with BCD and I earned a high six figure income; an added over two hundred new merchants to my portfolio . BCD always offers solutions to merchant questions and needs. The most important thing about being an ISO for BCD is that Stephanie Gerke and Phil Ludwig always do what they say. I look forward to the future with BCD. It's all about teamwork, honesty and doing the right thing, and that is how I describe BCD..

James - West Virginia



612 Wheelers Farms Rd., Milford, CT 06461  
P 203.882.8597 F 203.882.8875

bankcarddepot.com

## ResourceGuide

**PROCESSORS  
LOOKING FOR ISOs**

**Elavon**  
(678) 731-5000  
www.elavon.com



**Moneris Solutions, Inc.**  
(877) 635-3570  
www.monerisusa.com  
/partnerProgram/iso

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**Gulf Management Systems**  
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www.gulfmanagementsystems.com

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COLOR INSERTS  
SPECIAL MAILERS  
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OPTIONS!**

- **ONLINE RESOURCE  
GUIDE EXCLUSIVE**
- **BOLD & REGULAR  
LISTINGS IN GSQ**
- **CALL FOR  
MORE INFO!**

**TO FIND OUT WHICH  
ONE SUITS YOU, CALL:**

**Rita Francis  
at 866-429-8080  
or Danielle Thorpe  
at 707-586-4737**



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The ultimate boarding and data management tool built for your success.

**OnBoard is EVO's proprietary boarding and information management system. We built an advanced infrastructure including a suite of proprietary products and services based on the needs of our partners. Our goal is to provide you with the foundation that you need to build your business. Take a closer look at OnBoard...**

**Account Management** – View profiles down to the individual level... merchant, sales rep, and ISO office. You can view batches, transaction and settlement information from multiple front ends, and receive daily chargeback updates. Plus, full roll up and drill down commission performance reporting at all organization levels.

**Boarding System** – Single point of entry workflow management tool (front-ends/back-end/Amex/Discover). You have the power to control the workflow process.

**E-statement Access** – EVO's electronic monthly merchant statements including statement history are available to you through OnBoard. *Our newest proprietary product!*

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**OnBoard API** – Real time programming interface to board and manage accounts. Leverage our infrastructure to automate your processes.

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**E-STATEMENTS**—Online Merchant Statements

**EVO CHARGE**—Specialized Computer POS Software

**MERCHANT FUNDING**—Merchant Advance Program

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**PROPRIETARY FRONT-END PLATFORM**



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## Inserts

Charge Card Systems  
 North American Bancard  
 Total Merchant Services  
**Cover Wrap**  
 North American Bancard  
**Gatefold Ad**  
 North American Bancard



... THERE WAS AN AD THAT HAD A GUY HOLDING A TERMINAL AND HE WAS WEARING A SPORT COAT AND THE PRICE WAS LIKE \$199 OR SOMETHING AND IT WAS BACK IN THE SUMMER. WHAT WAS THE COMPANY'S PHONE NUMBER ON THAT AD?\*

FREE PDF ARCHIVES OF ISSUES BACK TO OCTOBER 2001 (ISSUE 01:10:01). LOCATE PREVIOUS ADS, OR RESEARCH YOUR COMPANY'S AD HISTORY.

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**888.505.2273 ext. 205**  
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[www.chargecardsystems.com](http://www.chargecardsystems.com)





Monday 8  
Expand into petro market to  
increase \$\$\$

- Video?
- Unique marketing materials?

Tuesday 9  
Check merchant status  
(set up customized  
alerts?)

Wednesday 10  
Learn how to set-up my  
Free Website

Lunch w/ Al  
(Al's Dry Cleaning)

Thursday 11  
Sally's Soccer Game <sup>Oil change</sup>  
-do NOT be late!!!

Friday 12  
Dinner w/ Gen. Manager  
Kim's Birthday!

Saturday 13  
Sunday 14

Monday 15

Tuesday 16

Wednesday 17

Thursday 18

Friday 19

# NAB

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Anytime I  
want!!!

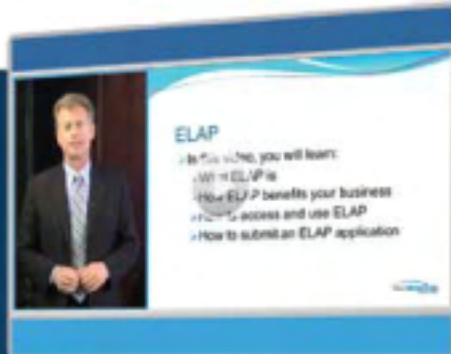


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NOTES

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