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August 22, 2011 • Issue 11:08:02

IRS says no merchant fees for 1099-K reporting: Who's listening?



Some of the biggest payment processors in the United States are assessing new merchant fees related to compliance with section 6050W of the Internal Revenue Code (IRC). However, the Internal Revenue Service indicated charging merchants for production or verification of taxpayer identification numbers (TINs) and business names, or for processing and filing 1099-K forms, is not allowed.

The IRS seeks to collect as much as \$9 billion in new revenue as a result of new reporting requirements contained in The Housing and Economic Recovery Act of 2008. The act is designed to help the IRS detect fraud and identify revenue. The IRS rule implementing section 6050W shifts the merchant income reporting burden to acquirers.

"Payment processors will need to integrate tax reporting into their customer facing applications," said The Fraud Practice, a risk management solutions consulting service in a December 2010 white paper. "They will have to change the way they collect and authenticate account holder data, they will have to set up customer service support for tax related inquiries and they will likely have to change the fundamental way they look at account holders."

Under section 6050W, payment processors and, by extension, ISOs must have valid TINs and business names for every merchant they service for processors

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Notable Quote

The old man was very tight lipped about his operation. He sent his son to get him another drink. I followed the kid to the bar and started a conversation. The son was not quite as sharp as the old man.

See story on page 62



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Forum

A tradeshow matter

I'm a relatively new agent on the street, and I've heard from those far more experienced in the industry than I am that it's a good idea for small operators (such as myself - I work with my wife and grown son) to attend regional tradeshow. I live in Colorado and would like to know if there are any shows coming up in my region.

Darius Evans
IRIW Payment Services

Darius,

You've gotten some valuable advice from your colleagues. Many extol the benefits of attending industry tradeshow. While there is no acquirers association in the Rocky Mountain Region, the Western States Acquirers Association is holding its annual conference this year in the San Francisco Bay Area.

Attendees, exhibitors and sponsors will gather at the Hyatt Regency San Francisco Airport in Burlingame, Calif., Sept. 21 to 23, 2011. For further details on the show, please visit www.westernstatesacquirers.com.

Also, this issue of The Green Sheet contains two articles that will give you a sense of what to expect from a tradeshow: "Why MLSs should attend tradeshow" by Bill Pirtle and "2011 tradeshow another feather in MWAA's cap" which is a report on the Midwest Acquirers Association's annual meeting that took place in July.

Best of luck to you in your career as one of the industry's invaluable feet on the street.

Editor

1099-K reporting

I know the industry is now responsible for reporting merchants' bankcard receipts to the IRS, but I haven't heard anything from my ISO about this, nor do my merchants seem to be aware of what will be needed from them. Can you point me to some good resources on this?

Sue Warbren
Independent Agent

Sue,

Coincidentally, our lead story in this issue - "IRS says no to merchant fees for 1099-K reporting: Who's listening?" - will be of interest to you. It's sidebar "Can new regulatory burdens become a competitive advantage," by Troy Thibodeau will also provide guidance on what is needed to deploy programs that comply with the new IRS reporting rules. In addition, the best source of information is likely your ISO. Find out what steps the company is taking to comply with this new mandate and what you might be able to do to help speed the process.

Editor

From GS Online's MLS Forum

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Kudos to Jeff Fortney

GS Online MLS Forum member **CROUELLETTE** posted the following note of appreciation about "Dress for successful sales" by Jeff Fortney, *The Green Sheet* Aug 8, 2011, issue 11:08:01:

Nice article. I see a lot of people in the industry who really need to read this and use your advice! Something I live by and teach my kids: you look good, you feel good, you do good!

Her note spurred a number of comments from forum members. For example, **STEVE NORELL** shared his thoughts on suitable attire for work:

When I first entered the business world as a young 23 year old, I remember seeing on the Phil Donahue show a guy who had a book called *Dress for Success*. I was fascinated by his findings and started to use his book as a guide. I never left the house without a jacket and tie. When I dressed good I felt good, and I was more successful in my sales. The customer also reacted to me more positively.

Well, flash forward from 1975 to present, go from temperate San Francisco to steamy South Florida, and I can't remember the last time I put a jacket and tie on, but I still get my shirts from Nordstrom and always dress for the environment that I work in.

To see all the comments, please register at the upper right-hand corner of our home page, www.greensheet.com, then go to the Forums page and follow the instructions for joining the MLS Forum.





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

Cover Story

1

IRS says no merchant fees for 1099-K reporting: Who's listening?

The Internal Revenue Service expects to collect as much as \$9 billion more in revenue per year from merchants beginning in 2012. The new 1099-K reporting requirements shift the burden of revenue reporting from merchants to acquirers, without acquirers being able to shift the compliance burdens back to merchants in new fees.

News

29

ACI thwarting S1-Fundtech merger

Payment software company S1 Corp. is apparently caught between a rock and a hard place. On one hand, the company is being pursued by payment software provider Fundtech Ltd., which wants to merge with S1. On the other hand, competitor ACI Worldwide Inc. wishes to acquire S1. What is the international corporation to do?

News

24

PCI SSC seeks focus group topic

The PCI Security Standards Council is looking for suggestion from payment professionals about a new topic to be addressed by an as-yet-formed special interest group (SIG). Through SIGs, best practices documents are formulated that help businesses secure sensitive payment card data. Proposed new topics must be submitted to the council by Aug. 29, 2011.

Feature

32

Trade Association News: 2011 tradeshow another feather in MWAA's cap

Renewal and reinvention were the themes of the Midwest Acquirers Association's annual tradeshow held at the Oak Brook Hills Marriott Resort in Oak Brook, Ill., just west of Chicago. The conference featured the popular Field Guide Seminar, an introduction to the Certified Payments Professional Program and a panel discussion called the "Shark Tank."

News

24

Visa outlines post-Durbin strategy

Visa Inc. reported it will lower fixed and variable processing costs in advance of Oct 1, 2011, when debit card interchange fee caps and transaction routing restrictions go into effect. The moves are designed to prevent erosion of Visa's market share once the rules take hold.

View

34

Checks: Like the Energizer Bunny, they just keep going

Despite repeated pronouncements of the check's imminent demise, it refuses to die. Yes, check usage has dropped, but the average dollar value on checks has risen. With individuals and corporations comfortable writing checks, a paperless world of payments seems a long way away.

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- Rhoda Steward, Director of Strategic Partnerships and Marketing



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Feature

40

Streit says Green Dot exempt from Durbin

In a conference call to discuss quarterly earnings, Steve Streit, Chief Executive Officer at Green Dot Corp., said the pioneering company welcomed greater state and federal scrutiny on the prepaid card industry and is confident the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 will not affect Green Dot.

Feature

47

Mobile payments present new sales channel

With the advent of flexible and affordable smart phone-based payments, the direct sellers' market has opened up for ISOs and merchant level salespeople (MLSs). Multilevel marketing companies and other direct sales organizations comprise a \$28 billion-a-year business. It is a market known for a low penetration of electronic payments, but not for long.

Feature

42

Winning prepaid's PR battle with regulation

The Center for Financial Services Innovation published research recommending the prepaid card industry adopt more stringent consumer protection and fee disclosure regulations. David Newville, Senior Policy Analyst at the CFSI, said implementing the measures would help the sometimes beleaguered industry win the PR battle in the public marketplace.

Education

60

Street SmartsSM: Why MLSs should attend tradeshows

Are industry tradeshows worth the time and money required to attend them? In this article, GS Online Forum members share their own experiences and weigh the pros and cons. It seems the regional shows trump national events in importance for the feet on the street.

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Education

66

SAFE Data notification bill: Does it go far enough?

In July 2011, a U.S. House of Representatives subcommittee passed a bill designed to protect consumers' personal information by establishing national data breach notification standards. But, like the Payment Card Industry Data Security Standard, the legislation reflects a baseline, not the highest level of security.

Feature

74

An interview with Kurt Strawhecker

Kurt Strawhecker, Managing Director of The Strawhecker Group, cut his business teeth as the Marketing Director for Godfather's Pizza. He leveraged that opportunity into a job at First Data Corp. By the time Strawhecker founded TSG, he had long realized a first principle: do right by your client.

Education

70

Working your P-L-A-N

"Plan your work and work your plan" is a payments industry mantra. When you plan your next sales call, resolve to be a problem solver, listen closely for the pain points of prospective merchants and ask the right questions. By working that plan, you stand a better chance of getting the right answer.

Inspiration

89

The art of venting

Bad days happen to the best of us. And many strategies exist for dealing with those days when nothing goes right. Sweating out the frustration through vigorous exercise is one strategy. Writing everything down in a flurry of words is another. The trick is to deal with negative feelings in ways that cause the least possible damage to yourself and others.

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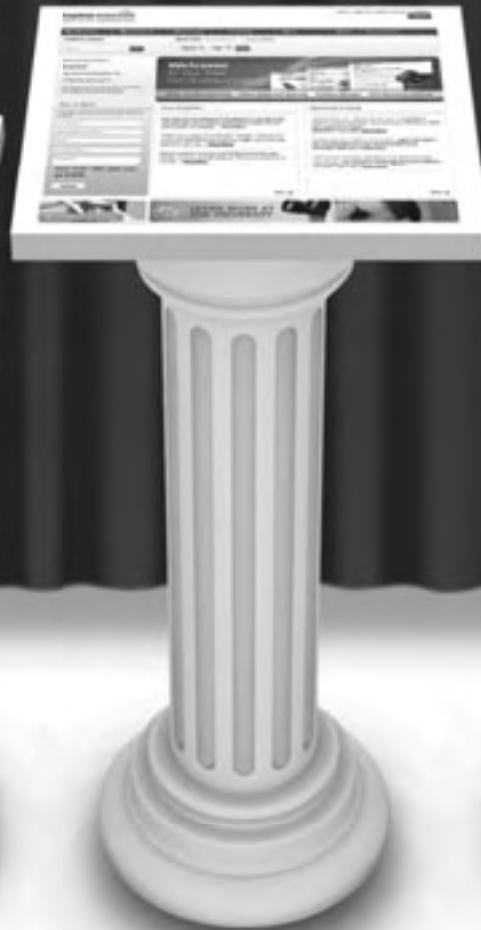
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NEWS

Visa promoting EMV, NFC in U.S.

Shifting Europay/MasterCard/Visa (EMV) contact and contactless chip technology into high gear in the United States, **Visa Inc.** is promoting dual-interface chip technology and building infrastructure for near field communication (NFC) -based mobile payments that support either POS signature or PIN entry. The new chip technology also increases card security and allows consumers to use cards in other countries.

EMV technology has a microchip embedded in the card. When a customer swipes the card, the POS device reads the chip and asks for a verification of authentic use with a personal identification number. EMV has significantly reduced POS fraud in Europe by eliminating the magnetic stripe that is on the back of most U.S. cards.

Visa is offering an incentive to merchants who implement smart card technology by eliminating the annual Payment Card Industry Data Security Standard validation requirement.

All acquirers and processors of the Visa brand in the United States will be required to support merchants with EMV technology by April 1, 2013. The company is also shifting liability for POS counterfeit fraud from card issuers to merchants whenever a merchant is a fraud victim and has not adopted contact chip terminals.

DOJ and Hypercom settle, sale final

VeriFone Inc. and **Hypercom Corp.** settled an anti-trust claim brought by the United States Department of Justice. The settlement allowed VeriFone to

complete the \$485 million buyout of Hypercom announced in November 2010. Hypercom and VeriFone together control more than 60 percent of the U.S. POS terminal market.

Originally, Hypercom intended to sell its U.S. terminal business to the French company **Ingenico S.A.**, the third largest U.S. POS terminal provider, to address DOJ antitrust concerns. The DOJ objected to the sale, arguing it would make for an anti-competitive POS terminal market in the United States. Under terms of the settlement, Hypercom agreed to divest its U.S. business to **The Gores Group LLC**, a private equity group in Los Angeles that manages over \$4 billion in assets.

Yahoo, Alipay reach accord

An amicable settlement was reached when **Yahoo Inc.** agreed to take no less than \$2 billion and no more than \$6 billion if there is an **Alipay** initial public offering (IPO). The agreement, reached with Chinese e-commerce giant **Alibaba Group**, also has the support of the other major Alibaba investor, Japan's SoftBank Mobile Corp.

Yahoo and SoftBank, which together own more than 90 percent of Alibaba, said they were both surprised to learn Alibaba spun off its Alipay payments business last year in order to meet China's regulatory requirements. Both Yahoo and SoftBank have representatives on Alibaba's board but said they did not learn of the Alipay separation until the spring of 2011 – well after Alibaba founder, Chief Executive Officer and President Jack Ma took Alipay private in 2010.

Alibaba, the largest e-commerce company in China, also owns Taobao, China's version of eBay Inc. Taobao is China's largest online retailer. The new agreement states

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- The **U.S. Census Bureau** stated that advance estimates of U.S. retail and food services sales for June 2011 – adjusted for seasonal variation and holiday and trading-day differences, but not for price changes – were \$387.8 billion, an increase of 0.1 percent from the previous month, and 8.1 percent above June 2010.
- According to **comScore**, international e-commerce purchases on U.S. websites rose 20 percent from 2008 to 2010, comprising 7.1 percent of sales.
- A recent survey by **Accenture** on back-to-school shopping found school supplies topped the list of items purchased at 87 percent; second in line was clothing, 80 percent; shoes ranked third at 67 percent

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Industry Update

Alipay will continue to provide processing services to Alibaba Group and Taobao.

The agreement also gives Alibaba Group a 49.9 percent share of its pretax income in return for royalties and software technology services.

The final stipulation said Alibaba Group will receive between \$2 billion and \$6 billion in an Alipay IPO with the exact number to be determined by multiplying the equity value of Alipay by 37.5 percent – up to the \$6 billion cap.

ETA CPP program asks ISOs to step up

Professional certification was a major topic at the **Midwest Acquirers Association** conference held outside Chicago in July 2011, and the conclusion is that much of the responsibility for certification and the success of such programs will lie with ISOs.

The **Electronic Transactions Association** begins its **Certified Payments Professional (CPP)** program this fall. The voluntary program will educate payment professionals in industry ethics and business standards to create a standard of practice and knowledge for ISOs, sales professionals and other payments industry professionals.

The ETA reportedly puts the onus on ISOs to ensure their agents are trained and certified. However, the ETA will offer CPP preparation courses. Testing topics include sales, pricing and interchange; process, operations and workflow; and products and solutions.

For full details about the CPP program and testing, a Candidate Handbook is available online at www.electran.org/docs/CPP/ETACPPHandbook.pdf. Applications for the CPP exam can be found at www.electran.org/content/view/773/444/.

Individuals wishing to take the exam must complete their applications by Oct. 1, 2011, in order to qualify for the first round of testing. There are two one-month testing windows at testing centers nationwide.

ETA is requiring of applicants one to three years experience in payment processing and recommending "strong working knowledge" of technology, operations, risk, compliance or security prior to taking the test.

Any W-2 employee or 1099 independent agent in the payments industry is eligible for testing. Application and examination fees for the CPP program are \$325 for ETA members and \$425 for nonmembers, which includes a nonrefundable application processing fee of \$125.

The Green Sheet wins APEX awards

Two annual **Awards for Publishing Excellence (APEX)** were awarded to *The Green Sheet* by Communications Concepts Inc. and the editors of Communications Concepts' publication *Writing that Works: The Business Communications Report*. *The Green Sheet* won awards for its website and feature writing.

The APEX awards are given for excellence in graphic design, editorial content and effectiveness in communication. APEX awards for publishing excellence have been handed out for 23 years.

The Green Sheet has won 41 awards in the 10 years it has been entering the increasingly competitive competition. This year there were 3,329 entries in 11 major categories with only 100 winners of the APEX Grand Awards.

"We are very pleased to have again competed so well in this national competition and to have two new trophies attesting to our publication excellence," *The Green Sheet* General Manager and Chief Operating Officer Kate Rodriguez said.

"*The Green Sheet* continues to win awards in a rapidly expanding pool of entries. These awards testify that we continue to strive to improve the quality of our magazine and its mission to educate MLSs and ISOs about our payments industry."

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ANNOUNCEMENTS

Comodo wins Golden Bridge Awards

Comodo, a certificate authority and Internet security organization, earned two Golden Bridge Awards for Excellence in the IT Software and Innovation categories for its GeekBuddy and LivePCsupport products. GeekBuddy is an online support service designed to give live, instant technical assistance to individuals experiencing difficulty with their computers. LivePCsupport is a chat-based support service for business. LivePCsupport provides a dedicated technician to take care of clients' information technology needs 24/7.

Credomatic's new iPad app

Miami processor and issuer **Credomatic of Florida Inc.** now offers Ordyx Lite, a touch screen POS application for the Apple Inc. iPad. The new system delivers most of the same features as the Ordyx POS System, but at a more affordable price, Credomatic said. The processor currently provides free placement of peripherals, such as remote printers, mag stripe readers and cash drawers.

First Data business tracker

First Data Corp. launched Business Track, an informa-

tion and analytical software suite based, in part, on its SpendTrend tools. The suite provides merchants and businesses fact-based information on customer spending and payments, and features First Data alerts notifying merchants of reconciliation and dispute deadlines, Data File Manager, enhanced monthly statements, SpendTrend access and the Prepaid Advisor Benchmarking Toolkit.

Global Payments' repurchase

Global Payments Inc. is repurchasing up to \$100 million of its stock. The company will repurchase common stock at the current market price, subject to market conditions, business opportunities and other factors. There is no expiration date for this offer and the program is subject to suspension at any time.

Heartland adds mobility

Heartland Payment Systems Inc. introduced Mobuyle, a payment solution offering merchants the ability to accept credit, debit and gift cards through smart phones and other mobile devices in both onsite and offsite environments. An encrypting reader is available through Heartland. The app itself is free to merchants through Android Market.

ISIS teams with card brands for mobile commerce

ISIS, a mobile commerce initiative funded by AT&T Mobility, T-Mobile USA and Verizon Wireless, is working with **Visa**, **MasterCard Worldwide**, **Discover Financial Services** and **American Express Co.** on a platform that will enable merchants and consumers to use network-branded cards to make payments using ISIS-enabled phones and payment terminals. ISIS' NFC service is slated for release in early 2012.

Street Savings supports SMS compliance standard

Mobile loyalty and rewards program provider **Street Savings** said it supports the **CTIA-The Wireless Association's** short message service (SMS) compliance best practices developed by the **Mobile Marketing Association**.

The CTIA, in collaboration with **Wireless Media Consulting Inc.**, began auditing SMS text message marketing programs on August 1, 2011, to identify and eliminate programs deemed noncompliant with the standard, according to Pal Flagg, Chief Operating Officer at Street Savings

Texas Bankers Association endorses NPC, Vantiv

The **Texas Bankers Association** and its subsidiary, TBA Services Co., made an exclusive endorsement of **Vantiv**


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LLC and **National Processing Co.**, a Vantiv company. NPC said it has delivered electronic payment processing in Texas for over 40 years.

YESpay North American office moves

London-based **YESpay International Ltd.** moved the location of its North American subsidiary. The new office is at 116 Spadina Ave., Suite 201, M5V 2K6, Toronto, Ontario, Canada. The global payment services company, founded in 2002, also has a subsidiary in Indore, India. For further details, visit www.yes-pay.com.

PARTNERSHIPS

ABC Mobile Pay and e-Nabler venture

A joint venture between **ABC Mobile Pay** and **e-Nabler Corp.** will enable ABC to deliver eMobilePOS, a full-featured mobile POS solution for mobile and brick-and-mortar merchants. The integrated system can capture payments on iPads, iPods, Microsoft Corp. Windows devices, and by end of summer, Google Inc. Android devices.

Alipay, CardinalCommerce partner

China's leading online payment company, **Alipay**, and

mobile payments platform provider **CardinalCommerce Corp.** are partnering in a new venture that will provide Chinese consumers online access to international shopping. CardinalCommerce added Alipay to its mobile commerce platform, Cardinal MAX, giving Alipay the ability to offer customers safe, secure, authenticated, wireless and mobile transactions.

Alipay is the first Chinese business of its kind to offer cross-border online payments.

AmEx, Verizon team for mobile

AmEx and **Verizon Wireless** joined forces in the mobile payments arena to compete with mobile offerings from Visa, MasterCard and PayPal Inc.

The deal allows AmEx to place its Serve mobile payments system onto Verizon phones and tablets. AmEx reached a similar deal with Sprint Nextel Corp. earlier this year.

Cardtronics, Kroger expand business

Cardtronics Inc., the world's largest retail ATM owner, agreed to expand its ATM services with **The Kroger Co.** grocery retail chain. Cardtronics placed an additional 350 ATMs in Kroger-owned stores, including the chains Ralphs, Food 4 Less, Foods Co. and Tom Thumb, bringing the number of installations to more than 1,150 Kroger-owned stores in 32 states.

NPS partners with eKIOSK

Nationwide Payment Solutions has partnered with **eKIOSK Solutions** to deliver a proprietary, customizable standalone payment solution powered by NPS's RetailPAY Payment Engine. The kiosks will accept electronic donations and payments to churches, schools and universities, municipalities, storage facilities, charitable organizations and other businesses.

VeriFone hitches Austrian railroad

Austrian private railroad service provider **WESTbahn Management GmbH** selected **VeriFone** mobile ticketing validation and payment service for its innovative, high-speed Salzburg-Vienna line.


Conductors on the double-decker trains will carry VeriFone's Payware Mobile Enterprise to scan and validate tickets. Payware features NFC, EMV smart card and PIN entry capabilities.

ACQUISITIONS

Blackstone gets Emdeon

Blackstone Capital Partners VI L.P. bought a controlling interest in **Emdeon Inc.**, a payment and revenue cycle management solutions provider for the U.S. health





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care industry. The deal is valued at approximately \$3 billion and Emdeon will become a private company. Emdeon stockholders will receive cash payouts of \$19 per share.

APPOINTMENTS

Baldez joins Alpha Card

Maryann Baldez was appointed National Sales Manager at Alpha Card Services Inc. Baldez has more than 14 years experience in the payments industry. Baldez formerly worked in sales with POS Portal and Tasq Technology Inc. In her new position, Baldez will be tasked with growing Alpha Card's ISO and merchant level salesperson sales channels.

First American promotes

First American Payment Systems promoted **Jason Putnam** to Vice President of Sales, Strategic Partner Channel, and **Tony Norrie** to President of Eliot Management Group, a First American affiliate.

Putnam, who served as Director of Business Development and Director of Client Relations, will guide business development, sales and client relations efforts. Norrie was previously Vice President and General Manager of affiliate Certified Payment Processing.

CPP hires Mann


Kirk Mann joined Certified Payment Processing as its new Vice President and General Manager. Mann formerly worked as Strategic Initiatives Leader and Chief Marketing Officer of GE Capital's Transportation Finance division, Regional Vice President at Financial Federal Credit Inc., and Vice President and Region Manager at CitiCapital, a division of Citigroup Inc.

Smith goes Global

Christopher Smith was named Business Development Representative for Global eTelecom Inc. Smith will be responsible for courting industry leaders, developing new processing business, and training and assisting ISOs and independent software vendors.

Smith was formerly Vice President of Business Development and Software Integration at Nationwide Payment Solutions LLC.

Square appoints new lawyer

Entrepreneur Jack Dorsey, founder of mobile payment service Square, appointed **Dana Wagner** as the new General Counsel at the startup. Wagner formerly served as Google Inc.'s Senior Competition Counsel. Prior to Google, Wagner served as an attorney in the U.S. Department of Justice antitrust division. 

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PCI SSC seeks focus group topic

Payment professionals are invited to suggest topics for a new special interest group (SIG) of the PCI Security Standards Council (PCI SSC). Previously established SIG topics include wireless security, Europay/MasterCard/Visa technology, point-to-point encryption and virtualized environments.

Proposals for new topics must be submitted to the PCI SSC by Aug. 29, 2011. A short list of recommendations will be submitted for a vote of those attending community meetings in North America and Europe this fall.

PCI SSC General Manager Bob Russo told *The Green Sheet* the council has made changes in the organization of its SIGs. "It used to be these special interest groups would deliver great stuff after a very long time," he said.

"We then publish the information in guideline documents." He added that the SIG work has not yet resulted in new requirements within the Payment Card Industry (PCI) Data Security Standard (DSS) and related standards.

An improved selection process

Russo said that to streamline the SIG process, the PCI SSC is introducing a new procedure this year for creating new SIGs. When a topic is selected and a SIG formed, the SIG will have one year to deliver a report; the council guarantees publication of the SIG findings.

The new process first directs suggestions for a new SIG to a technical working group that will sort the suggestions and select five to 10 topics as possible subjects for a SIG. The SIG topics will then be submitted to members at the community meetings for final selection.

When the topic is chosen and the SIG is formed, PCI SSC employees will manage the SIG and prompt it to make the one-year reporting deadline. Any member of the council can join a SIG.

"There can be a lot of people on these committees," Russo said. "That's why we are going to manage the process. That's why the charter of the group is decided before the group is formed."

Russo would not speculate on what topic may be selected for a new SIG, but he mentioned there is already interest in topics such as mobile, wireless, near field communication and smart card payments. For more information, please visit www.pcisecuritystandards.org. ■

Visa outlines post-Durbin strategy

Visa Inc. will lower fixed and variable processing fees and reach out to more merchants in an effort to keep its leadership in the U.S. debit card industry after implementation of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act's Durbin Amendment, according Visa Chairman and Chief Executive Officer Joseph Saunders.

Visa, the runaway leader in U.S. debit card issuance, seeks to prevent erosion of its market share after April 2012, when rules go into effect that require all debit card issuers to offer merchants the choice of at least two unaffiliated processing networks. Rules set by the Federal Reserve Board capping debit interchange in accordance with the Durbin Amendment will go into effect Oct. 1, 2011.

Visa has dominated the U.S. debit card processing industry so far by offering only its processing services for its popular signature and PIN-debit cards. The final rule also caps debit interchange at 21 cents plus an adjustment for fraud loss and prevention.

Durbin impact

Saunders told analysts listening to his recent quarterly earnings conference call the company has had double-digit growth in payment processing this year and plans continued profits navigating in post-Durbin economic waters.

"I continue to expect the impact resulting from regulation to be diluted but manageable, with fiscal 2012 bearing the majority of the financial impact," he said. "With the Federal Reserve's final rules in hand we have the clarity needed to execute our strategies. We are now moving forward on multiple fronts and with a variety of new offerings for our clients."

Saunders was not specific about the discounts his company will be offering after the new rules take effect next year, but he was clear the company will aggressively compete to hold on to old business and compete for new business.

"Regulation has dramatically altered the competitive environment in the United States and given merchants broad discretion over how transactions will be routed," he noted. "Recognizing this new dynamic, we are resetting our business approach and implementing a number of new strategies for all products.

"We recognize that we need to focus more than ever on delivering greater value to both issuers and merchants to win debit routing while continuing to grow our successful credit business. In that regard we are taking multiple

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actions to ensure we are positioned to compete for both issuers and routing."

New positioning, new fee

Saunders outlined two strategies for maintaining Visa debit dominance. "First, we are modifying our economics in a way that we expect will result in a reduction of merchant costs in total and on the margin," he said. "The modifications include both fixed processing fees and a reduction in variable fees. We expect this will help us win routing decisions and maintain debit volume in the new environment."

Specifically, Visa is implementing a fixed acquirer fee called the Network Participation Fee that "will apply to the acceptance of all Visa products and is based on both the size of the merchant and the number of merchant locations," Saunders noted, adding that the money from the new Network Participation Fee will be used to invest in security and the payments network.

"In the aggregate, Visa will also lower our variable processing fees for all Visa debit products across all merchant segments," Saunders said. "That combination of fixed and variable fees offers merchants an even greater incentive to route more transactions over our network by providing them an opportunity to lower their per unit transaction

costs and take advantage of economies of scale that are now more available to them.

"The second core element of our strategy focuses on additional value-added services aimed at winning routing decisions. These include powerful merchant benchmark loyalty rewards programs and real-time mobile messaging to drive merchant sales growth."

Saunders said Visa will now offer all its merchants the opportunity to join the same partnership programs the company has always offered issuers. The company will reach out to merchants through direct negotiations, through ISOs and by working with merchant associations. ■

Is biggest Durbin impact loss of routing control?

A new white paper authored by PayFusion LLC Chief Executive Officer Thomas "TJ" Riha asserts the biggest impact for community financial institutions (FIs) of the Durbin

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Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 is not the cap on debit interchange fees but the loss of network routing control on debit transactions.

In his paper titled *Race to the Bottom: Debit Card Network Routing in a Post-Durbin World*, Riha describes the impact allowing merchants to make routing decisions will have on the payments industry.

"Unlike the routing provision's headline-grabbing counterpart (i.e. the interchange cap), which exempts most credit unions and community banks, the Fed's final rules on debit network routing apply to all debit card issuing FIs regardless of size," Riha wrote. "What this may mean for credit unions and community banks is that their interchange cap 'exemption' is actually a false freedom from the rules."

Debit routing

It used to be debit card issuers could route cards to the path of least cost and highest interchange fees, but those days are past, and problems lie ahead, Riha pointed out. Challenges ahead include determining the bottom of the network interchange rates and defining potential new PIN POS network infrastructure troubles.

Recently Visa Inc., the nation's largest issuer of debit cards, indicated it will lower processing costs for merchants in an effort to maintain customer loyalty in the new debit environment. Riha anticipated this reaction noting, "In order to maintain or gain market share, it is quite possible that ... networks may actually lower their interchange rates and/or merchant fees to attract merchant routing.

"Sending transactions down the lowest-cost route for the merchant could lead to lower average interchange, as well as additional expense or fees for the issuer when transactions do not follow their preferred network path."

Predictions less certain

Riha believes the new rules make it more difficult for networks to manage their businesses. Pre-Durbin, networks could project infrastructure and capacity needs based on how many issuers were under contract, the number of cards in the network and projections of transaction volumes. Now the networks will also need to determine how many transactions will go down alternate, less preferred routes.

The CEO voiced other concerns, too. "The shift in control also leads to the risk that a network may not be prepared to handle the additional surge in volume when merchants begin to implement smart routing solutions," he wrote.

"If this scenario occurs, we are likely to see processing performance begin to suffer, leading to time-outs that may

result in higher-risk stand-in processing or failed transactions. "In the post-Durbin world, it will be critical for the networks to work closely with the merchant community to understand merchants' routing preferences and forecast potential capacity," Riha wrote.

Riha also urged networks to begin working with FIs that have chosen alternate, unaffiliated networks as soon as possible.

"It will be critical to review your FI's average interchange income by network, as well as understanding both network fees and processor-related fees when your transactions route through one network versus the other," he wrote.

After this review is done it is just a matter of projecting the financial impact of routing using one network or another to estimate potential loss of interchange income or cost increases, Riha added.

He also said unknown factors will affect the direction of post-Durbin debit transaction processing. These include new network discounts for interchange and fee routing services, as well as the impact of the two-tier interchange system on smaller financial institutions competing for post-Durbin dollars. ☒



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FiServe CEO says Durbin good for tech spending

The new debit interchange cap offers opportunity to financial services companies and will spur technology sales until year's end, FiServe President and Chief Executive Officer Jeff Yabuki told investors on a conference call held to report on his company's second quarter earnings. "We believe the finalization of the Durbin rules will allow financial institutions to make decisions that could positively impact IT spends this year," he said.

Processors gain advantages

Yabuki said the newly created two-tier cap system created in the Federal Reserve's final rule complying with the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 offers a number of advantages for processors. The two-tier system created in the rule distinguishes between financial institutions that process more than \$10 billion annually and those below that mark.

"We view this [two-tier system] as positive for our business in the near and the mid-term," Yabuki stated. He added he particularly likes the new requirement that all debit cards have two unaffiliated networks associated with them.

"The network exclusivity provisions in Durbin that require two unaffiliated networks on a debit card make real the opportunity for [FiServe's] ACCEL/Exchange PIN debit network to engage with larger issuers currently involved in exclusive network relations," he said. "We also believe the majority of these decisions will likely be made in 2011." Yabuki also predicted Durbin will push more prepaid sales. "While interchange limitations on prepaid were different than anticipated, Durbin has substantially increased financial institution interest in general purpose reloadable prepaid," he said.

"Market interest has us also optimistic about the broader prepaid opportunity consistent with our [\$465 million] acquisition [of payment processor CashEdge Inc.] earlier this year."

FiServe business up

Yabuki expects the CashEdge acquisition will close by the end of the third quarter and bolster FiServe's digital payments business. He emphasized the FiServe payments business was up 5 percent from this time last year and noted that regulatory actions have slowed – from 111 last year at this time to 74 regulatory actions this year.

The regulatory focus has been on smaller institutions

and resulted, on average, in a reduction of 70 percent of the total assets of the impacted institutions. "At the same time we continue to see increased voluntary acquisition this year and we expect that to continue," Yabuki said. ■

ACI thwarting S1-Fundtech merger

Payment software company S1 Corp. appears to be caught between a friendly merger and a forceful acquisition. S1's board of directors is attempting to move forward with a \$700 million all-stock merger with payment software company Fundtech Ltd. while fighting off a \$540 million cash offer by payment software competitor ACI Worldwide Inc. to acquire S1.

The story began in June 2011 when S1 revealed its plan to merge with Fundtech. The tax free deal called for S1 shareholders to own 55 percent of the new company to be called Fundtech after a stock swap. The two companies, neither of which have any debt, estimate they will save \$12 million annually beginning in 2012 if the merger is



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In July 2011, ACI Worldwide extended a \$540 million cash offer to S1 amounting to \$9.50 per share.

actualized. "The companies have complementary product offerings and extensive cross-selling opportunities which will position the combined company to secure larger contracts and cultivate more strategic relationships with customers," stated Fundtech Chief Executive Officer Reuven Ben Menachem in an announcement about the proposed merger.

"The future of the transaction banking industry is highly dependent upon innovation and state-of-the-art solutions and this combination will put us at the forefront of these advancements," S1 President and Chief Executive Officer Johann Dreyer added. "This merger will expand our geographic footprint and enhance our ability to accelerate revenue growth and increase profitability."

ACI advances aside, to proceed, the merger must be approved by both companies' shareholders, regulatory agencies and Israeli courts. Fundtech noted in a recent release that "there can be no assurances that the closing conditions will be satisfied."

ACI suitor

In July 2011, ACI Worldwide extended a \$540 million cash offer to S1 amounting to \$9.50 per share. This per-share cash offer was a 23 percent premium over the 52-week S1 stock high of \$7.75 per share. The deal would allow S1 stockholders to take up to 40 percent of the buy-out in ACI stock, tax free.

The acquisition would leave S1 shareholders owning up to 15 percent of ACI. "With S1, we believe that ACI would further enhance its current position as a global leader in the enterprise payments software industry as a larger, more diversified company that is strongly positioned in a wide range of markets and supported by a broader base of revenues and earnings," said ACI President and CEO Phillip Heasley at the time of the offer.

S1, Fundtech respond

S1 immediately responded to the ACI proposal, saying in a press release, "S1 continues to be bound by the terms of the merger agreement with Fundtech." S1, however, agreed to study the ACI offer "in a manner consistent with its obligations under the merger agreement with Fundtech."

Fundtech issued a statement, saying, "The merger agreement with S1 remains in effect."

S1 formally rejected the ACI offer in early August 2011. "The board unanimously concluded that pursuing discus-

sions with ACI at this time is not in the best financial or strategic interest of S1 and its stockholders." S1's commitment to the Fundtech merger was reaffirmed in the press release announcing the decision.

"The S1 Board gave careful consideration to each of the proposed terms and conditions of ACI's proposal," stated John W. Spiegel, Chairman of the board of directors for S1, when he announced the board's decision to reject ACI. "We believe that continuing to execute on our long-term business plan, which includes the business combination with Fundtech, will best help us maximize stockholder value and achieve our strategic goals."

ACI continues to pursue its offer to buy S1, however. Following the S1 rejection of its offer, ACI said in a press release that S1's rejection does not change ACI's "strong belief that ACI's \$9.50 per share cash and stock proposal is superior to the Fundtech transaction." ACI also stated it is "prepared to do what is necessary to make this happen." ■



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TradeAssociationNews

2011 tradeshow another feather in MWAA's cap

The Oak Brook Hills Marriott Resort in Oak Brook, Ill., was the setting for the ninth annual Midwest Acquirers Association's regional tradeshow. In an idyllic environment just west of Chicago, over 530 attendees were able to rethink their strategies, reinvent business goals and renew their energy in preparation for moving their businesses forward.

On Tues., July 26, those arriving early (and brave enough to defy the heat and humidity) teed off at the Willow Crest Golf Club, courtesy of SecurityMetrics. The rest of the evening was open for socializing and networking. Sponsors of the tradeshow were invited to a cocktail reception and dinner.

Wednesday began with the Field Guide Seminar put on by Field Guide Enterprises Inc. These one-day seminars have become well known at the regional shows. Mark Dunn, President of Field Guide Enterprises and MWAA Treasurer, always manages to assemble a dynamic group of industry leaders to address current industry topics and sales strategies.

After the seminar, Michael McNamara, Vice President MasterCard Spending Pulse at MasterCard Worldwide, delivered the keynote address. He was able to provide insight into the online shopping habits of consumers. Next the MWAA presented a Lifetime Achievement Award to Dan Neistadt, President and Chief Executive Officer of Electronic Merchant Systems Inc. The evening wrapped up with the opening reception with vendors.

Best show to date

The last day of the conference was certainly not the least. Thursday began with a breakfast to fuel attendees before they began the day's educational journey. Sessions included a presentation by the Electronic Transactions Association about its new Certified Payments Professional Program. (For details about the program, see "ETA to launch certification program," *The Green Sheet*, March 14, 2011, issue 11:03:01 and visit the ETA website, www.electran.org.)

There were also lively panels on mobile payments and



bankcard regulations in a post Durbin Amendment era. The final session of the day was a panel known as the "Shark Tank." The event concluded with another reception with vendors.

"This was, by all accounts, the best MWAA show ever," Dunn told *The Green Sheet* at the event's close. "We had the highest total attendance in four years; a full house of exhibitors; and a lot of fun with the Field Guide Seminar, the Shark Tank Innovation presentations, the SecurityMetrics golf outing and the great passport giveaway."

"We learned about the growing market for mobile transactions and the changing regulatory environment. We're very pleased with the response of our attendees. The show was very successful. The MWAA board and advisory board work together as a great team. We're already working on keeping the fun going next year for 2012."

For those interested in attending next year's event Dunn advised, "Next year will be MWAA's 10th anniversary, so we're planning a special show that will run from Tuesday through Thursday, July 17 to 19, 2012, at the Chicago Hilton and Towers on Michigan Avenue. We're planning a Roaring 20's Chicago theme party and several other special events."

"We expect MWAA 2012 to be a once-in-a-decade kind of conference. Sponsors can lock in the best spots on the exhibit hall floor now at 2011 rates. They only need to contact MWAA now to get started." ■

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Insider's report on payments**Checks: Like the Energizer Bunny, they just keep going****By Patti Murphy***ProScribes Inc.*

The Payments Council of the United Kingdom is putting the brakes on plans to shutter what remains of that country's check clearing system. The implicit message: Britons aren't ready to abandon their checkbooks.

To this I add, neither are Americans. And for good reasons: checks enjoy near universal acceptance, they clear quickly and efficiently, and they're cheap to use from the consumer's perspective. Factor in the unintended consequences of recent legislative mandates – such as revenue shifts brought on by the interchange caps dictated by the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 – and the motivation to shift checks to debit card payments could even dissipate.

Like the bunny made famous by Eveready Batteries, checks keep going, with no end in sight.

The numbers

U.S. consumers wrote 24.5 billion checks in 2009, according to the *2010 Federal Reserve Payments Study*. That was a 7.1 percent drop from 30.5 billion three years earlier.

The 2009 Survey of Consumer Payment Choices, from the Federal Reserve Bank of Boston, meanwhile, revealed consumers are less likely to abandon their checking accounts than they are newer access technologies. Nearly a third (31.7 percent) of accountholders at some point have discarded an ATM card, and 5.9 percent have ditched a debit card, but only 4.9 percent have ever relinquished a checking account, according to that survey.

It's not just consumers who cling to checks. The latest data from the Association for Financial Professionals suggests nearly three out of four U.S. companies use checks to pay trading partners.

And although the sheer number of checks written by corporations is down, the checks that are getting issued are for increasingly larger amounts. MasterCard Advisors predicted in *The State of Business-to-Business Payment Transformation*, a September 2010 white paper prepared for U.S. Bank, that should this trend persist, "the average size of a B2B check transaction in 2013 will be nearly three times what it was in 2005."

True costs

It's a fact borne out by generations of experience: old methods of payments never disappear completely. Cash and checks continue to thrive even as debit and credit and prepaid card payments soar. One obvious reason is pricing: few check writers are being assessed fees that even approximate the costs incurred by their financial institutions to provide that service.

It's ironic, really, that despite the public outcry over bank fees, many Americans (business owners and consumers) seem to consider free (or cheap) checking a birthright.

I use a mobile veterinary service. During a recent visit, I inquired about whether they took credit cards. The vet answered yes, but because the charges can mount, most folks write checks. "That's just fine with me since it's free to deposit checks," she added. I said that checks really aren't "free" and explained the cost of processing checks. She shrugged.

According to eCypress LLC, an Ohio company that specializes in helping companies implement electronic payment programs, the "hard" cost of issuing a check runs between 63 cents and \$1.14. Add to that variable costs (such as check processing, review and resolutions), and variable fixed costs (for example, utilities, depreciation and maintenance contracts) and you come up with an all-in cost of \$1.95 to \$5.40 per check.

Meanwhile, the all-in cost of payments through the automated clearinghouse can run as little as a nickel and as much as 21 cents, according to eCypress.

What has always perplexed me is the notion of banks charging huge sums for bounced checks and prioritizing debits to maximize overdraft fees, while continuing to perpetuate the myth of free or cheap checking.

No company likes to lose customers, and banks are no exception. And there's plenty of evidence, anecdotal and otherwise, to support fears that these are not the best of times to raise bank fees.

A 2011 poll of consumers by Bankrate Inc. found 64 percent of total respondents were willing to change banks if their banks hiked checking account fees. The most likely candidates: adults earning \$75,000 a year (75 percent said they'd bolt in response to higher fees) and those under 30 (71 percent).

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Checking trends

In March 2011, Moebs Services Inc., an Illinois-based firm that tracks trends in banking, predicted a huge shift in checking accounts this year to community banks and credit unions as large banks start charging for previously free checking accounts. "This shift is going to move about 13 million checking accounts to community banks and credit unions by the end of 2011," said Mike Moebs, the firm's Chief Executive Officer.

Moebs, an economist, calculated it costs a big bank about \$300 per year to provide a checking account to a customer. "[A]nd with fees falling below these costs, the average checking account at a Wall Street bank is unprofit-


able," Moebs said. "Because Main Street financial institutions can operate below the \$300 cost level, they can turn a profit and will continue to take market share away from larger banks."

The largest national and regional banks, combined, had 45 percent of checking accounts in the United States in 2009, while smaller regional banks, community banks and credit unions together had 55 percent.

Moebs predicted that going into 2012, the share of checking accounts held at the largest banks will drop to just 35 percent as smaller institutions woo customers with free checking.

Between July 2010 and February 2011 the share of community banks offering free checking rose by 1 percent, and the universe of credit unions offering free checking rose 9 percent, according to Moebs' data crunching. "To paraphrase Mark Twain, the death of free checking has been greatly exaggerated," Moebs said.

Here's some additional data from Moebs:

- Checking accounts with minimum balance charges rose from 25 percent of all financial institutions in July 2010 to 28.6 percent in March 2011.
- The median fee for failing to maintain minimum checking account balances was \$6.
- The cities of Los Angeles, New York, Philadelphia and San Francisco saw the largest increases in "Main Street" institutions with free checking.
- The cities of Denver, Milwaukee and Sacramento, and states of Maryland, Massachusetts and Ohio saw the largest decreases in numbers of financial institutions offering free checking. 

Patti Murphy is Senior Editor of The Green Sheet and President of ProScribes Inc. She is also the founder of InsideMicrofinance.com. Email her at patti@greensheet.com.

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Selling Prepaid



Prepaid in brief

NEWS

Senators target prepaid in AML bill

U.S. Senate bill S1419, drafted by Senators **Amy Klobuchar**, D-Minn., **Tom Udall**, D-N.M., and **Jeanne Shaheen**, D-N.H., would require prepaid cards that hold funds in excess of \$10,000 be declared when cardholders enter or exit the United States. Travelers need to declare cash totaling over \$10,000 when entering or leaving the United States, but the policy does not include prepaid cards, which makes them a prime tool for money laundering, the senators said.

On continent, South Africa is place for prepaid

At the first Gift Card & Prepaid Seminar Southern Africa held June 28, 2011, in Johannesburg, South Africa, gift card processor **Ceridian Stored Value Solutions (SVS)** called South Africa an "economic powerhouse" ripe for prepaid card market growth. Approximately 40 percent of the country's population are unbanked, according to Steve Bradbery, SVS Customer Service Director. "Prepaid cards have been the fastest growing form of payment in Southern Africa for six consecutive years," he said.

Momentum builds for Mint in Middle East

Middle East payroll card processor **Mint Technology Corp.** is reportedly growing at a rapid rate. A research bulletin issued by the research division of Ubika Corp. said the largest nonbank prepaid card provider in the Middle East has over 400,000 prepaid cards in circulation in the United Arab Emirates. It was only in April 2011 that Ubika Research said Mint had over 200,000 prepaid cards in circulation in the region.

ANNOUNCEMENTS

Contis pumps 2 million more pounds into prepaid

U.K.-based prepaid card technology provider **Contis Group Ltd.** has earmarked 2 million British pounds for prepaid card initiatives in the U.K. and India. The latest infusion brings to a total prepaid investment of 7 million

British pounds in the last three years, the company said.

edō Interactive scores venture capital

Prepaid card distributor and social network services provider **edō Interactive** secured \$20 million in Series B financing to fuel the growth of Prewards, edō's flagship digital deals and incentives platform.

Giftango adds to e-gift offering

E-gift card company **Giftango Corp.** is making available the Marriott Individual Incentives Stay Certificates to its distribution partners. The addition offers Giftango's 20 distribution partners another loyalty product to be delivered to email and mobile devices.

Toys"R"Us in Japan gets digital downloads

Via its operations in Japan, Atlanta-based prepaid card distributor **InComm** introduced gift cards to Toys"R"Us stores in the island nation. InComm implemented its patented POS activation technology in the toy stores and is now offering digital download cards for Apple Inc. iTunes and Nintendo Co. Ltd. games.

MoneyGram expands in South America

MoneyGram International reported the addition of three new agents to its network in South America: Bancolumbia in Colombia, Banco de Credito in Peru and Banco Vision in Paraguay. The additions expand MoneyGram's network by 1,103 new agent locations and expand MoneyGram's foothold in South America to 11,305 locations.

Western Union hits 1.1 million mark

In its second quarter 2011 financial report, **The Western Union Co.** said it had 1.1 million prepaid cards in circulation, with retail distribution of the cards available at approximately 12,000 U.S. locations.

PARTNERSHIPS

Avenues adds outlet for OxiCash

Mumbai, India-based e-commerce company **Avenues** signed an agreement with India-based payment provider **Oxigen** to offer OxiCash cardholders the ability to purchase and pay for products and services from merchants that use the CCAvenue.com payment gateway.

New team for microloans

Citigroup Inc., through its Global Transaction Services unit, said the South Africa branch of Citibank N.A.



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signed an agreement with South Africa-based financial services provider **Moneystar** that allows Moneystar to disburse microloans via Citi's Visa Prepaid Card program, managed by Citi Prepaid Services.

Givex integrates with Plastic Jungle

Loyalty and gift card program provider **Givex Corp.** partnered with online gift card exchange provider **Plastic Jungle Inc.** to enable Plastic Jungle users to buy and sell gift cards processed by Givex.

E-wallet initiative underway

Stored-value solutions provider **Global Payout Inc.** and prepaid card program manager **Tyburn Group Inc.** will develop an international e-wallet payment solution that will enable multinational companies to pay its members or employees in foreign countries through a web-based portal.

Big Gulps and prepaid smart phones

Telecommunications company **T-Mobile USA Inc.** marked an agreement with **7-Eleven Inc.** for the availability of a T-Mobile prepaid smart phone by launching the program Aug. 1, 2011, in 7-Eleven convenience stores.

SVS, Twitpay offer social commerce solution

The deal struck between **SVS** and social network payment provider **Twitpay Inc.** is designed to give SVS clients the opportunity to make payments via social networking sites like Twitter.

Penny auction bidders get new gift card

U.S. Bancorp's lead financial institution **U.S. Bank** and online penny auction provider **SkoreIt!**, owned and operated by Vesuvius Technologies LLC, will launch the SkoreIt! U.S. Bank Visa Gift Card for SkoreIt website members.

Vendtek, UseMyServices join for prepaid vouchers

Prepaid card software company **VendTek Systems Inc.** inked a deal with e-commerce service provider **UseMyServices Inc.** to distribute 3V Visa prepaid vouchers and Ukash vouchers at www.usemycard.com. 3V Visa prepaid vouchers are issued by Peoples Trust Co., a community bank in Vermont.


exclusive negotiations with **Oberthur Group** to purchase the Card Systems and Identity divisions of prepaid card manufacturer Oberthur Technologies. The former division specializes in security based on smart card technology; the latter manufactures such devices as passports, identity cards, driver's licenses and health care cards.

APPOINTMENTS

Jones becomes VP of Marketing at BillMyParents

Teen payment solutions company **BillMyParents** promoted **Evan Jones** to Vice President of Marketing. Jones, with more than 15 years of marketing experience, will direct the next phase in BillMyParents' multimillion dollar marketing campaign.

Coinstar names new CCO

Coinstar Inc. hired **Maria D. Stipp** as its Chief Customer Officer. With over 20 years of experience in sales and senior management, Stipp will help grow Coinstar's automated retail businesses. 



Features

Streit says Green Dot exempt from Durbin

Addressing the new regulatory environment for debit and prepaid cards, Steve Streit, Founder, Chairman and Chief Executive Officer of Green Dot Corp., told analysts in a conference call that the largest U.S. prepaid card company is exempt from the new, federally mandated interchange cap in the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

"Regulation has been the elephant in the room as it relates to our company's story for the past few months," Streit said in the July 28, 2011, call to discuss the company's second quarter 2011 results. But, after reviewing the Durbin rule, Green Dot concluded it would be exempt from it.

"All Green Dot managed programs, including our Walmart MoneyCard program, will be exempt from interchange restrictions under the Durbin interchange amendment and, therefore, our programs will not be subject to lower

ACQUISITIONS

Advent International to buy Oberthur divisions

Private equity firm **Advent International Corp.** entered

interchange nor restricted interchange when the rules go into effect on Oct. 1," Streit said.

Fee-free ATMs

The Walmart MoneyCard is a reloadable prepaid card managed by Green Dot and offered at Wal-Mart Stores Inc. outlets. Green Dot offers a fee-free ATM network for MoneyCard customers. Free ATM services, as it turns out, makes the MoneyCard program compliant with the Durbin regulation's exemption requirement that fee-free ATM services be available for prepaid card users.

"We have had a free ATM network on our Green Dot-branded cards for some time now, so we can predict with experience and confidence that the financial impact of adding a similar free ATM network on the Wal-Mart program will have a revenue-neutral or slightly positive financial impact in 2012," Streit said, noting any new costs are offset by higher volume and retention. Streit added there is no truth to the rumor Wal-Mart may force Green Dot to accept Durbin interchange caps.

FinCEN regulations

Streit also said new anti-money laundering rules will not impact Green Dot's bottom line. In July 2011, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) released new regulations amending the Bank Secrecy Act to increase regulation of the prepaid card industry. The Treasury Department is targeting the misuse of prepaid debit cards for money laundering, terrorist financing and other illegal transactions.

"Green Dot has always supported FinCEN on this issue and believes that new, tougher standards are important for the safety of our country and for the ongoing sustainability of the prepaid industry," Streit said.

After review of the new FinCEN rules, Green Dot concluded the new regulations would not harm Green Dot's business, Streit said.

Florida investigation

Furthermore, Streit said Green Dot is cooperating with, and supportive of, the Florida Attorney General's investigation into the reloadable prepaid card industry. In May 2011, Florida Attorney General Pam Bondi announced her office is investigating the prepaid card industry for possible deceptive and unfair business practices surrounding fee schedules and disclosures. The AG issued subpoenas to five prepaid card companies, including Green Dot.

Streit indicated that the investigation is warranted and Green Dot welcomes the AG's probe. "We agree with Ms. Bondi that there are many prepaid card issuers



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Selling Prepaid

and program managers who market cards in their state, but that not all of them have the consumers' interest at heart," he said.

Streit noted he and other Green Dot executives have met with members of Bondi's office and answered questions about Green Dot. Streit called the meeting "constructive and collaborative." 🗨️

Winning prepaid's PR battle with regulation

The prepaid card industry has taken several hits over the last year and a half. From the MetaBank iAdvance loan controversy, to the fee-laden Kardashian Kard, to law firms and attorneys general investigating the business practices of the industry, it seems prepaid has a public relations problem, despite its growing success. One way the industry can improve its image is through regulation, according to David Neville, Senior Policy Analyst at the Center for Financial Services Innovation.

"Every week you go online or you pick up a newspaper and you see GPR [general purpose reloadable cards] getting hammered in the news for not having deposit insurance, not having the same protections as debit cards, and part of it goes a little too far in not acknowledging that a lot of the major players are doing this, but it's also justified in a lot of ways too," he said.

The answer may be for the industry to formally adopt consumer protection standards to allay consumers' concerns. "From a consumer perspective, it will make people a lot more confident in the product and can probably enlarge the market," Neville said.

Three recommendations

A July 2011, CFSI report entitled *Prepaid Cards and Consumer Protections* recommends the industry:

- Embrace Federal Deposit Insurance Corp. pass-through insurance
- Extend Regulation E protections to GPR cards
- Require standardized fee disclosure information

The report stated that traditional demand deposit accounts (DDAs) come with legal protections designed to safeguard account funds, namely FDIC pass-through insurance of up to \$250,000 per institution for each individual account owner.

However, GPR card accounts are generally structured differently – instead of individual accounts, they are held in

pooled accounts, which may not afford cardholders the same level of FDIC protection per account.

While the report said most GPR card accounts come with a level of deposit insurance, it can vary from one GPR card provider to the next. The CFSI proposes all GPR card accounts be granted the same maximum level of FDIC pass-through insurance protection that DDA bank account holders enjoy.

Additionally, Regulation E, which implements the 1978 Electronic Fund Transfer Act and applies to prepaid payroll cards, should be extended to cover GPR cards as well. The CFSI said Reg E protections would lengthen the period of time transaction histories are made available to GPR card users and provide them access to ongoing paper statements, if requested.

Finally, the CFSI advises the industry to provide uniform fee disclosures in a standardized, easy-to-understand box format and have that information prominently displayed on packaging and websites. Having a limited space for fee disclosures would encourage less complex fee structures and fewer fees, according to the CFSI.

One bad apple

Newville, co-author of the report, recognizes the CFSI's recommendations constitute a burden to GPR card providers in terms of time and expense and may stifle innovation to a certain degree, as well as make it harder for newer and smaller providers to compete in the marketplace. However, the long-term benefits to the industry could be profound. Neville said 99.9 percent of providers can maintain the highest ethical standards and yet be undermined by one prominent "bad player," such as the providers of the ill-fated Kardashian Kard.

"Whether you think it's justified or not, there's a lot of skepticism about prepaid out there in the media," he said.

"It hurts everybody when something like that happens. One bad player [brings] guilt by association to the entire marketplace."

Newville asks that if companies are already providing high-level consumer protections and employing stringent disclosure practices, why not take the next step and make it official? "And so you can alleviate those legitimate concerns, not have that perception that the industry is not doing this," he said, adding that once people are comfortable the industry is doing its part, they'll say, "OK, any GPR I pick up has these regulations."

It's the equation of short-term pain versus long-term gain, according to Neville. "If you take the long view of it, versus the short-term compliance costs, getting up to speed and dealing with this, I think it will actually prove to be beneficial to the bottom line of the industry overall," he said. 🗨️

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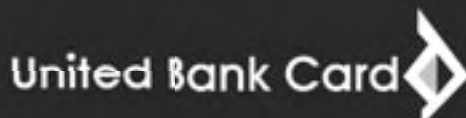
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The Mobile Buzz

Mobile payments present new sales channel

By Gene Distler

VeriFone Inc.

The availability and affordability of smart phone-based payment solutions represents a great opportunity to expand into what will be for ISOs and merchant level salespeople (MLSs) an entirely new and virtually untapped market: direct sales. This sector involves independent sales representatives who sell consumer goods person to person, usually in homes and offices.

Direct sales accounted for an estimated \$28.33 billion in retail sales for 2009, according to the Direct Selling Association, the national trade association for businesses that manufacture and distribute goods and services sold directly to consumers.

The largest growth sector of this industry has been in multilevel marketing, a concept involving distributors who sign up independent sales representatives and earn commissions on the sales made by those reps. Amway is a prime example of this type of business. Another concept is the party plan, which involves representatives holding sales "parties" at customers' homes.

There are over 6 million individuals, representing 22,000 establishments, distributing products through direct sales in the United States. Sales exceed \$28 billion a year, according to the DSA.

Low penetration

Credit and debit card use in this market segment is extremely low. Industry data shows the average ticket amount when a bankcard is used is in the \$200-plus range. But less than 1 percent of the estimated billions of dollars spent in this market is charged to credit and debit cards.

According to the DSA, the majority of independent sales representatives work part-time (less than 30 hours a week) and relatively few can justify the expense and fee structure of using dedicated mobile payment terminals.

These entrepreneurs might typically be accepting less than 30 card transactions monthly, so they aren't likely to pay \$600 to \$700 for a wireless terminal.

But they're undoubtedly running into issues with customers who don't want to see them writing down their credit

An overview of direct selling in the United States

Percent of sales by major product group

Home and family care, home durables	23.9
Wellness products (vitamins, weight loss, etc.)	22.8
Personal care	21.3
Services, other	18.4
Clothing and accessories	10.3
Leisure, educational (books, toys, etc.)	3.3

Percent of direct sales by sales strategy

Individual, person-to-person	64.3
Party plan, group	25.4
Customer with auto shipments or direct orders	9.8
Other	0.5

Percent of direct sellers by gender

Female	82.4
Male	17.6

Source: U.S. Direct Selling in 2009, Direct Selling Association

Direct seller profile

- **57 percent** were company customers before they started selling
- **47 percent** have been with their company for five or more years
- **40 percent** spend less than 5 hours per week on direct selling
- **10 percent** spend 30 or more hours per week on their business
- **29 percent** joined their company to get product discounts
- **3.6 years** is the median length of time with a company
- **\$2,420** is the median gross annual income (GAI)
- **\$34,130** is the median GAI for those working 40+ hours weekly
- **\$70** is the median cost per startup kit for a direct seller business

Source: Direct Selling 411

card numbers to be entered later into a PC. Who knows what could happen to those loose slips of paper?

High mobile phone use

Before the advent of smart phone-based payment systems, few ISOs and MLSs would think of this market segment as one worth the effort. That's no longer the case.

Many, if not most, independent sales representatives own smart phones (or can acquire them at relatively low cost) that they use for email, calendaring, web searching and direction finding, in addition to making phone calls.

Since they already own the core platform and means of communication and are paying for a data plan, the only issue is how to convince them to adopt mag stripe readers for their phones at little, if any, upfront cost.

It should be an easy sell. The basic proposition is simple: increased sales. The ability to accept credit and debit cards anywhere reduces the threat of bounced checks and lowers the risks associated with carrying around large amounts of cash. And that's just the payment aspect; these mobile systems also free up time previously needed for recording card transactions and writing out receipts, which can now be emailed to customers.

Where to start

Given that the payment acceptance device is likely already in their hands, direct sales associates represent a tantalizing potential market for ISOs. Now you just have to figure out how you're going to track down the right independent sellers.


Average revenue per distributor is fairly low, so it's important to focus your sales efforts on direct seller products that are expensive enough to warrant card payments and the benefits that come with them.

From a marketing viewpoint, the major association that supports this industry is the DSA. Most companies involved in the direct selling business are members of this group. A good place to start is the DSA's membership website – www.dsa.org and the organization's more consumer-friendly site, www.directselling411.com – where you can research the nature of the market and the characteristics of your target direct sellers.

Programs set up through the companies in this business may provide access to individual distributors either through regional or national meetings, newsletters, or direct mail.

Sales representatives may frequent meetings of local business organizations, which makes for a conducive environment to pitch the benefits of mobile card payments. Some may advertise in community newspapers.

Then you have to have the right portfolio of hardware, software and services that make sense for the particular direct sales reps you are targeting. While most are likely to be receptive to a smart phone-based solution, those with greater volume and higher ticket-price items might be better suited for dedicated devices.

There's no doubt that it's harder to find individual sales representatives who, unlike brick-and-mortar merchants, don't have storefront operations. But it's also plain that this is a largely untapped market with great potential for electronic payments. 

Gene Distler is Vice President, North America Mobile Solutions, with VeriFone. He can be reached at gene_distler@verifone.com.

Antiquated thinking could doom mobile payments at the POS

By Biff Matthews

CardWare International

While not the brightest bulb in a chandelier, I see critical problems in the practical application of mobile payment applications at merchants. I began my business career in retail management, so I have a bit of experience. I understand and embrace merchants increasing sales by taking transactions to where consumers make buying decisions on the sales floor.

To the merchant, how this happens is somewhat incidental. The "how" today is the race to merchant-oriented mobile payment apps running on a plethora of smart devices.

Whose devices to use?

I believe payments industry gurus are missing a critical factor that will be the downfall of mobile payment apps in retail. That is, on whose smart device will these apps be loaded and used? Application installation and use, just like transactions, don't just miraculously happen.

Is the merchant going to provide a smart device to each member of the sales staff? Is the sales clerk going to load the merchant's mobile app on his or her personal smart device? From a practical perspective, what have these sages been smoking to expect either to occur?

I'll share an example involving mobile apps in the tradeshow lead generation industry. At the example's end, ask yourself if there is a parallel with mobile payment apps.

Who controls the devices and apps?

A company, let's call it Izan, developed a tradeshow lead generation app for smart phones.

Typical of that industry, Izan rented smart phones with its app installed to exhibitors. Many of Izan's smart phones "walked away" because since they had retained their full smart phone capabilities certain exhibitors found them too irresistible to return. The rental fee was also less than the cost for a typical consumer smart phone plan. Duh!

Izan's next approach was creating similar apps for a variety of smart phones. For a nominal fee exhibitor personnel loaded the Izan lead generation app on their personal

The Mobile Buzz

smart phones. However, once exhibitors loaded the app, they used it at one tradeshow after another, ending recurring revenue for Izan. Worse, some exhibit personnel found the apps had viruses, causing critical problems in their smart phones.

Here's the parallel with mobile payment apps. A merchant-provided smart device with desirable consumer functionality would simply walk out the door. Also, retail sales clerks are unreceptive to providing their personal smart devices for their employers' benefit.

That is like telling them to bring their own cash registers. Neither will they be open to loading the merchant's mobile payment app on their personal devices.

What's the solution?

Proprietary devices and technology abound within the retail industry, with inventory being their primary function. And manufacturers in this sphere, Symbol Technology for example, can and have adapted inventory devices to add POS and card functionality. However, their devices are expensive for retailers who have numerous sales associates. They are also too costly for even midsize businesses.

An important factor is the ability of these devices to integrate with inventory and other in-store systems to offer significant multifunctionality. Imagine a robust POS system in your hand versus a single function device or app driven by the card payments industry. When economies of scale at these farsighted manufacturers reduce equipment prices, retailers will flock to their hand-held POS systems.

In my humble opinion, the payments industry suffers from decades-old, myopic, self-serving thinking when developing single-function payment apps just as they created single-function, gray boxes – but why? Have our industry's gurus considered why retailers migrated from simple cash registers to fully integrated systems? Or why merchants shun single-function devices or apps?

The card brands, terminal manufactures and mobile payment developers touted throughout this and other publications have lost sight of who the customer is. ■

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

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Company Profile



A blueprint for field sales success

Blueprint SMS

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Company address:

Blueprint SMS
291 Broadway, Suite 700
New York, NY 10007
Phone: 800-318-6208
Website: www.blueprintsms.com

ISO/MLS benefits:

- Deploys quickly for immediate return on investment
- Creates visibility and insight into ISO/MLS activities
- Reduces administrative burden for ISOs/MLSs
- Dramatically improves sales data and analytics
- Garner immediate feedback with new product launches

When asked to identify their most valuable business asset, a majority of business owners point to their sales force because without them business would likely cease to exist. Yet many companies persistently struggle with how to manage and guide their sales teams for optimal success. That's where Blueprint SMS offers assistance, believing that by using real-time, sales resource management tools, managers can create standardized blueprints to enhance field sales performance.

Sales management consultant Karin Bellantoni formed Blueprint SMS in 2010 to deliver what she describes as a highly effective, yet simple to use, sales force communication tool that drives sales performance. "I get involved in a lot of things that are ahead of their time, and you really have to then find people who are the early adopters," she said.

Bellantoni realized most systems on the market could track sales results, but not sales activities. "At the end of the month, if somebody had two deals or five deals, that's how we measured them," she said. "But if we measure the activities with what happens on calls where they don't get a deal, then we might see some trends. We might be able help the sellers who aren't closing as many deals close more." She added that the Blueprint system will provide insight and valuable data into the company's customer relationship management (CRM) that's "actionable and can be used for follow up."

She also witnessed Fortune 500 companies operating with limited quantifiable data on field sales activities. Measuring cash flow and production volume was not a problem, but few captured important information within the sales structure. She felt it could remedy these substantial information gaps by addressing such factors as low adoption of customer relationship management tools, manual sales reporting, information lag time and inadequate analysis.

Armed with effective sales resource management tools, external sales force activities can be measured against key performance metrics relative to the sales process, according to Bellantoni. An integrated system can give sales teams high-level visibility at all levels. From the insights gained, managers and executives can then make informed decisions and provide pointed guidance.

In the end Blueprint's sales management solutions (SMSs) were designed to combine sales management frameworks and intelligent sales software into a statistical hub of vital field sales activities that can be used to produce dramatic results. "Your art is better when you add science," she noted.

The 20-second sales report

The way it works: when a merchant level salesperson (MLS) exits a merchant's premise, the individual sends a simple coded text message via a mobile device. In the text, the agent enters a code to describe the outcome of the visit. The entire process averages about 20 seconds.

Company Profile

The system automatically captures basic information about the salesperson and sales division through cell phone number identification, and records date and time of visit based on the agent's text message entries.

Blueprint SMS captures key performance indicators pertaining to sales performance through the agent's mobile phone as well. The format of the message codes can be customized to meet the unique objectives of each client.

All codes, including business structure metadata and performance data, are entered through a secure server. Examples where coding may apply include: customer name, call type, call reason and call outcome.

When information is reported to the sales organization, a "trigger" text message can be issued to key personnel for immediate recognition of a salesperson's achievements or to route a problem. "If there's a service issue, someone can get on it right away," Bellantoni said.

"If there is sales follow up that needs to be happening and you have internal reps supporting the external reps, they can get that information. Salespeople love that aspect."

Bellantoni reported that one client remarked, "We literally had people in here all day Friday trying to piece their

week together and do follow up, but now it gets handled by this 20-second text message. Some of those messages trigger information to go to internal sales folks to start working on the follow up before Friday, and it's like we get a whole other day out of our sellers. So it's like a 20 percent increase in our productivity."

The system's software also interprets individual code and message details and organizes the information into an online database, which can be used to generate reports. Report information can be tiered and shared by management or accessed by authorized individuals and teams.

In all, 26 different reports can be produced and downloaded through the system's web portal.

"We call them push reports or general management reports," Bellantoni said. "Typically, these would go to the sales manager once a week, and he or she would be able to have a quick overview. You actually log into our system and get a report that says, by salesperson, any of the KPIs [key performance indicators] you want to track, such as number of calls, number of conversions and calls per deal."

"This gives you a blueprint of each seller, so you're not making major across the board decisions and blanket marketing. With our system, we feed your CRM, so you finally get a true pipeline, which is one of the top five reasons companies purchase CRMs in the first place."

She added that research by Forrester and Gartner indicates only 40 percent of sales agents use their company's CRM systems. "You can't have a true pipeline without 100 percent of the data," she noted.

According to Bellantoni, the adoption rate among Blueprint SMS users hovers between 95 to 98 percent. She considers the system's real-time capability, coupled with immediate access to information that enables companies to make continuous, rapid improvement of sales force activities, to be integral to adoption in the field.

Sales performance snapshots

Bellantoni described the system's core i-snapshot program as a user friendly, web-based application that significantly reduces upfront administrative activities and allows for 25 percent or more selling opportunities with resulting revenue enhancements. Additionally, i-snapshot, which is part of Profile Analysis Ltd., interfaces directly with existing CRM and sales force automation systems to optimize existing ISO programs.

Strategically, sales managers and other executives who analyze incoming data can enhance field sales results by establishing training and coaching around best practices.

"By sending in codes that represent data than can be aggregated and validated and turned into maps and charts, the managers have a much clearer roadmap and



blueprint on each rep," Bellantoni said. "It's not about micro managing. It's about macro data around micro activities that gives a company the power to say, 'We've noticed that if we call on restaurants before 11:00 a.m., we get a close in two visits instead of six.'"

Bellantoni added that the program has proven to be "extremely effective" in field sales management, providing managers with real-time, actionable information from the sales team. Managers can identify underperforming agents and offer recommendations for improving sales results before they lag.

Equally valuable are the real-time data capture and data sharing capabilities, which allow managers and sales teams to react immediately and make necessary adjustments while operating in the field, she noted. Lessons learned and helpful hints can be shared and acted upon in a dynamic and timely manner.

"We can identify 'master practitioners' on the team and understand what they are doing well so that we can coach our average performers and improve the overall effectiveness of their calls," said Shira Zucker, Sales Operations Manager, Financial Services at Symetra Financial Corp.

"We have 95 percent adoption in the field and a happy sales team, and i-snapshot is integrated into our coaching and performance assessment program. Our total implementation effort was less than 10 weeks, a small and powerful victory, and we are driving behavior."

Push versus pull tactics

Bellantoni said very little has changed in field sales practices over the past 50 years. "Push management doesn't work in an economy like this," she said. "Make more calls, make more calls. It's a numbers game. We know pull sales management is the only way to manage."

With pull tactics, instead of directing MLSs to make more calls, she said managers can tell them, "Here's your mission out in the field. I'm going to measure how you do that and be able to

influence your results and performance from the data." Another example she offered of pull management using the system is to survey merchants briefly over several visits and to present a contract only when certain facts have been gleaned and a relationship established.

Bellantoni also pointed out that Blueprint SMS also collects mission critical data that identifies and highlights unconscious behavior leading to poor sales and helps managers determine whether the right people are engaged in the right activities. The data connects field sales teams to broader business strategies and closes communication gaps between sellers and managers, sellers and CRM and sellers and marketers.

To motivate agents, the system keeps a consolidated performance scorecard. Bellantoni revealed when agents performing in the lowest 25 percentile were shown the data, 80 percent made marked improvements in their sales performance moving forward. She added that within six months of implementing the system, most organizations see an average of 20 percent sales growth.

"We systematically and continuously find revenue that you are leaving on the table," she said. "Our system typically shows an ROI in weeks." She added that clients using leading indicators and i-snapshot have exposed critical information and trends in as little as 10 days.

The Blueprint SMS system is available to ISOs as a software-as-a-service, web-hosted product. "They basically have a setup fee and then a monthly subscription fee per rep," Bellantoni said. "We work with companies of 50 or more." 📧



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Can new regulatory burdens become a competitive advantage?

By Troy Thibodeau

Convey Compliance Systems Inc.

Since Jan. 1, 2011, companies processing credit card or wire payments for merchants have been required to take on new regulatory responsibilities thanks to IRC section 6050W, a set of tax information reporting rules created by Congress and the IRS. For some, this is another example of restrictive bureaucracy that hinders business; for others it's an opportunity to take advantage of a new climate of increased customer service.

Attacking the tax gap

The federal and state governments have been on a three-year mission to collect underreported taxes. It is estimated the federal government misses out on \$345 billion in revenue each year. So Congress and the IRS have been enacting regulations to address this tax gap through more third-party tax information reporting. The objective is to gather a more complete picture of business and individual taxpayer income levels.

One area the IRS is focused on is better disclosure of merchant income by directing payment processors or merchant banks to report merchants' monthly payment card receipts to the federal government. Congress believes the collection of such information, through 1099-K forms filed by the processors and merchants, will encourage more complete disclosure.

to file the newly required 1099-K forms for their merchants in 2011.

The 1099-K is used to report the gross amount of payment card transactions to merchants and the IRS. If an invalid TIN or business name is submitted, the IRS will issue a backup withholding notice (B Notice) rejecting the 1099-K submission. If the B Notice isn't corrected in 30 days, the merchant is liable, and the processor must withhold up to 28 percent of the merchant's payments. Processors must also make certain the new information they are required to collect is secure.

"Merchants and consumers will ultimately pay for this," Security Metrics President Brad Caldwell said. "The prob-

New businesses under the microscope

Merchant banks and payment processors will be required to file a new form with the IRS and their merchant customers in January through March 2012 based on settlement transactions in 2011. For those who are unprepared, this will be an expensive, cumbersome process that will distract the business at best or hamper the business at worst.

For those who are ready, this is an opportunity to create new, positive merchant customer experiences and to take advantage of possible customer attrition from unprepared competitors.

This new reporting responsibility for the payments industry means millions of new forms need to be filed each year. This task will require new systems, changes to business processes and communications to merchant customers on what this new 1099-K form means.

A new reality

The problem is many payment processors have not woken up to this new reality yet. My colleagues and I have been talking to firms that are not ready for the reporting demands of Section 6050W – and we have been warning them that this is much more than just filing a few forms: it's a whole new set of business process and system changes.

If firms aren't ready for this – if they have not implemented the most efficient technology systems and created an effective customer service support system – their costs to comply may be significant. They will also deal with disgruntled customers and possibly face significant IRS fines.

We have been working with some large merchant processors and merchant banks for two years to prepare them for tax year 2011 reporting. In this process, we have informed them that on top of making sure they get their 1099-Ks out on time, they need to be ready to correct forms, handle B Notices, amend data discrepancies and be ready for backup withholding, as required. This can't be done overnight.

Collecting information

One of the demands these new regulations require of payment processors is the need to have correct TINs and legal names on all forms filed. That means asking merchants for information and then validating that information, which can be a major task. For example, one of our clients found it had incomplete or inaccurate TIN information for over 40 percent of the merchants with whom it does business. This is significant when a company deals with millions of merchants.

Collecting correct TIN information has never been a concern for merchant acquiring businesses before, but now they must get it right or face fines. An incorrect TIN or legal name submission will incur a B Notice from the IRS, requiring the filer to address the error. If the business does not correct the B Notice information (even after time and money are spent tracking down

See *Advantage* on page 56

lem is when you submit the DBA or TIN information, you don't know what is wrong until something is wrong. The forms are just rejected. They don't say why. The process is costly. ... This is going to cause a lot of grief to merchants."

Can't pass on costs

The IRS seems clear the law does not allow processors to recover costs related to 6050W compliance. In a frequently asked questions publication issued on the topic in July 2011 (www.irs.gov/pub/irs-utl/irdm_section_6050w_faqs_7_23_11.pdf), the IRS posed the question, "Can the parties responsible for filing the return pass the costs of collecting and processing the information on to their clients?"

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Advantage from page 55 (continued)

the required information from a customer), the business must start backup withholding of 28 percent on future payments made to the merchant in question.

The scope of backup withholding can be large, not to mention the additional remitting and reporting responsibilities that go with backup withholding. And the costs for failing to backup withhold can be significant through the penalties and interest the IRS may assign. To put it into context, if the payment processing industry is missing significant amounts of data, it may be forced to withhold billions of dollars every day.

Sharing the regulatory pain

Some merchant processors see these new regulatory requirements as an opportunity to make additional profits from their customers. Some are planning to charge clients as much as \$3.50 per merchant per month to handle the new regulatory burden. That's \$50 each year for every merchant for 1099-K processing.

Such fees reflect profiteering, inefficient systems or both. Either way, they will only hurt acquirers, especially as this is such a competitive industry. With the right systems in place, it should cost processors only a tenth of what these firms are demanding through fees – as with all regulatory burdens, some due diligence and thoughtful planning upfront can mean significant savings down the line.

See Advantage on page 58

The answer: "No. Because federal law requires payment settlement entities or electronic payment facilitators to file information returns and to furnish payee statements, such entities are precluded from collecting fees for costs incurred in fulfilling these requirements."

An IRS agent stated on background the IRS believes this prohibition is contained in the broker requirements of IRC section 6045, a reporting rule covering real estate brokers. "The regulation makes really clear the broker can't shift the financial burden to people making the report," he said.

Some believe the IRS' position is not a formal ruling. "The IRS commented informally that you can't charge for TIN matching," Electronic Transactions Association Director of Government Relations Mary Bennett said. "There are a lot of other components that go into this outside TIN matching. There is the ISO's relationship with customers and other business costs associated with TIN matching."

Still, Paula Porpilia, a TIN compliance consultant and member of the IRS Information Reporting Program Advisory Committee, confirmed "the IRS doesn't believe processors

will be allowed to charge for these services."

Companies passing on costs

According to First Data Corp. spokesman Andy Payment, First Data has instituted a new fee for a Regulatory Product Bundle. "The fee is for a new suite of services related to IRS 6050W regulations, as well as proposed legislative changes, which encompass much more than processing the 1099 forms," Payment told *The Green Sheet*.

First Data pricing is tiered from \$3.95 per merchant per month for acquirers with one to 2,500 merchants to \$1 per merchant per month for clients working with more than 10,000 merchants.

Sage Payment Solutions President Greg Hammermaster said his company has an optional service to help merchant customers with 6050W compliance. "While we recognize that merchants can monitor their own usage, Sage is providing an optional service for those who prefer assistance," he said.

"The service monitors merchant activity monthly and confidentially reports to them their gross transactions so they can prepare their 1099 submission when needed. ... This

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CoverStory

Advantage from page 56 (continued)

When the IRS gives you lemons

For merchant banks and processors to bemoan an impending business headache now is probably too late. This regulatory change wasn't just dropped on the industry. Congress passed the new Section 6050W legislation in 2008, and many payment processors have been preparing for its implementation for the past 18 to 24 months.

The IRS is under considerable pressure from Washington to reduce the tax gap and find ways to better collect revenues. The IRS has stated time and again that information

reporting is the best way to do that, and it will be leaning harder on those who do not follow the rules.

Some payment processors will take the lemon that is 6050W and complain how sour it is. On Jan. 1, 2012, they will have a lot more forms to file and will field a lot more customer calls as they try to comply themselves. They will then find they lose customers as rivals provide a far superior merchant experience more cost effectively.

Those that offer a positive experience to their merchant customers, and do so at the most efficient cost, will be able to take a bigger market share. Section 6050W is

not a regulatory burden; it's an opportunity for payment processors to make lemonade from the new rules by stepping up to become more rounded, helpful service providers for their merchant customers. ■

Troy Thibodeau, Executive Vice President of Convey Compliance Systems Inc., began his 20-plus year career as a CPA at Price Waterhouse and has spent the past 12 years helping organizations automate regulatory and financial processes.

With Convey, he ensures the company provides its clients the best possible tax information reporting experience. For more information, visit www.convey.com, call 800-334-1099 or email Thibodeau at tthibodeau@convey.com.

service is available as an option for a fee of \$9.25 per year plus \$2.10 per month."

An acquiring executive at a bank in the western United States (who agreed to speak with *The Green Sheet* if he would not be identified) said he knows of one large ISO with 20,000 accounts and no TINs. "They are going to

have to go back and manually get the data and fill it in," he said. "If we pass the costs on, the merchants complain, and they are right to complain. These are new fees not in their contract."

He added that ISOs are innocent bystanders getting hurt. "We're getting resistance from ISOs on these new fees, [which] may not sound like a lot, but added to other fees like PCI compliance and such, it's not competitive with others who are not imposing fees this year and are waiting until next year," he said. "It helps that First Data took the lead. ... They have half the market. If they are charging, it makes it easier for everybody getting out of the water."

Pushing back

Cynergy Data LLC Executive Vice President Sales Kevin Smith said ISOs are being cautious. "I don't think ISOs are prepared," he said. "The ramifications are not such that you want to be on the wrong side here. There are three ways to look at the impact: a revenue opportunity, a customer service opportunity or a sales opportunity. Every ISO is going to have to decide for themselves if this is a revenue opportunity."

Impact PaySystem President Dee Karawadra stated he will not charge merchants for 6050W compliance. He said he understood the need when PCI compliance fees were introduced, but in the last three years, additional fees have proliferated. "These are BS fees – Internet fees and cross-border fees – passed through to merchants," he said. "It's a short-term deal. Those who have a fee will see a big hike in residuals at first, but it won't be long before they see a big dip in them as the competition comes in with lower pricing."

About his clients, Karawadra added, "These are people I know and people my agents know. If we start changing merchant fees, we are going to lose these people." ■

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Why MLSs should attend tradeshow

By **Bill Pirtle**

MPCT Publishing Co.

I attended the Midwest Acquirers Association's annual meeting in late July 2011. I had planned on attending the show in prior years, but something always interfered. For this article, I decided to ask GS Online's MLS Forum members why they attend industry conferences.

SLICK STREETMAN responded, "My favorite event is the 'non-event' of hobnobbing with my peers in the halls, exhibit areas, happy-hour mixers and what have you. If I were a golfer, I would get there a day early for the networking that will take place at that event.

"When MLSs are not on our home turf, we tend to open up more and share little trade secrets with others. I have learned more ways to help grow my business in this manner than at any class or seminar I have ever attended. Of course, it is also nice to meet the owners and [other] key people of the ISOs to which you send business.

"Other reasons I like attending regional conferences are that it gives us a much needed break from the everyday routine, the meeting and mingling camaraderie we enjoy from being among 'birds of a feather,' seeing and experiencing different parts of the U.S., and last but not least, it's a great tax deduction for doing something fun and informative."

Meet and mingle

The agenda for the MWAA had several topics of interest, including Mark Dunn's Field Guide Seminar; Rori Ferensic, Director of Education and Professional Development at the ETA, discussing the Certified Payments Professional (CPP) credential; and a panel discussion on mobile payments.

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SLICK STREETMAN is right. Most merchant level salespeople (MLSs) do come to meet others from the GS Online Forum or to meet current or prospective processing partners.

CCGUY said, "[I want to] see all my current vendors, see new vendors and learn about new products. [The] breakout sessions are usually good. ... If you are going to do the CPP through the ETA to maintain [your standing], you need 36 hours of continuing education, so attending breakout sessions will count towards that.

"Also, you can socialize, party, mingle and meet fellow *Green Sheet* forum members."

BLUESTAR added, "I have attended SEAA [Southeast Acquirers Association] up until this year when we decided to exhibit there. As an attendee, I think the main focus is to try to get a glimpse of what is new in the business or to stimulate some ideas for new ways to market/sell/grow.

"As an exhibitor, our hope was to create some exposure for our new product that we released just before the event. We were very pleased with the results, adding 11 new agents to our program and establishing some nice connections for future ISO relationships.

"The value of face-to-face meetings is tremendous. We talk to each other on the phone in this business all the time, but when you can meet someone and have a drink with them after speaking to them 10 to 50 times prior



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"The reasons to go to these shows have changed as the life cycle of my business has changed. When I first started out, I would go strictly to pick brains. I would try to identify which attendees seemed to personify my ambition."

Forum member **THECREDITCARDMAN**

on the phone, it really helps to cement the relationship. When used properly, the event list of names is probably the biggest value. My guess is that most aren't using that data to their benefit the way they should or could."

Shows change as you change

THECREDITCARDMAN offered, "The reasons to go to these shows have changed as the life cycle of my business has changed. When I first started out, I would go strictly to pick brains.

"I would try to identify which attendees seemed to personify my ambition. Once I weeded out the guys with the fake Rolexes, I honed in on the truly successful and the up-and-comers – game on.

"Trying not to be obnoxious or too obvious, my mission

was to find out what made them winners in this business. I remember meeting people who were making \$10K, \$20K, \$50K a month and thinking, 'Wow, I really could do that.'

"One time I met a whale. He had his minions around him fetching drinks. The old man was very tight lipped about his operation. He sent his son to get him another drink. I followed the kid to the bar and started a conversation. The son was not quite as sharp as the old man.

"I pumped the kid with questions. He loved to brag. Those few moments and the nuggets I gathered still help me to this day.

"As soon as the father saw what I was doing, he yanked the kid behind the proverbial woodshed for a good beating. It was like Don Vito Corleone [from *The Godfather*] telling Sonny, 'Don't ever tell anyone outside the family what you are thinking.' I got what I was after and received the evil eye from the dad for the rest of the show.

"As my business matured, I went to the conferences to evaluate processors, new products and for the educational sessions. I wanted to know that the grass was not greener on the other processor's side.

"Schedule A's only tell part of what you get from a processor. The presentation of 'How to Become a Millionaire' by Jason Felts at the SEAA in Jacksonville is a session I will always remember.

"Now, I am a bit less inclined to go. The cost in dollars and in time away from the office versus the benefits gained is the main reason. It showcases the same basic products, the same workshops.... Location could be a reason to go.

"I see that the Western show [WSAA] is in San Francisco. From the East Coast it's a long trip. I asked my wife to go, but she is a teacher and school will just have begun. I would go and make a vacation out of it; I love Northern California in September. St Louis, Jacksonville, Chicago, New Orleans, just don't do it for me.

"I like Chicago; it's just not a destination for me. I love New Orleans, but I have been there a few times already. Vermont in the winter [NEAA] is not for me.

"How about Aruba in the winter? Or some place like a

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"The positive is the chance to catch up with several people in the business, but the negative weighs greater if you are unable to meet your expectation of gaining a lot of new business from these shows, there may be some, but not much gained."

Forum member **CLEARENT**

high-end casino in Vegas where you have something to do 24/7? About the annual conference hosted by the Electronic Transactions Association **THECREDITCARDMAN** added, "It's not that I can't afford the entrance fee. It is that I don't feel I should have to pay that much to attend ... and it is not geared to me, the little MLS office."

Reasons to go

But there has to be some real business going on, right? After all, sponsors pay up to \$2,000 for a booth and other sponsorships go for even more.

There are great reasons small ISOs and MLSs should attend regional or even larger tradeshows. Suppliers, of course, are there because of the large number of potential opportunities such events present.



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If your business revolves around merchant processing or meeting people, attendance is a must. The MWAA also provided an opportunity to play golf.

Theodore Svoronos, founder of Merchant University, and I recently founded C3ET Credit Card Consortia for Education & Training Inc. Our goal is to create a comprehensive training program for the industry. We are seeking experts to write about close to 100 topics we have identified.

We both have extensive contacts, but we'd have to travel all over the country to meet experts in so many fields; regional or national conferences are great places to network with these individuals.

I met *The Green Sheet* General Manager and Chief Operating Officer Kate Rodriguez on the first night of my stay at the MWAA. We enjoyed a stimulating conversation about the industry.

One thing I learned about these conferences is that business casual attire is fine for most regional shows, but the dress code may be more formal for the ETA's annual meeting and expo.

Is attendance worth the cost?

Some people wonder about tradeshhow pricing. **CLEARENT** said that for regional shows, each year the cost for attending as an exhibitor is hard to offset, and the regional shows "don't let you attend in any other fashion, with the exception of the WSAA."

He then weighed further pros and cons. "The positive is the chance to catch up with several people in the business, but the negative weighs greater if you are unable to meet your expectation of gaining a lot of new business from these shows," he wrote. "There may be some, but not much gained."

"Another positive is name recognition potential ... but the negative is that it only provides benefit to those who attend, and other exhibitors.

"Some regional shows offer value to exhibitors through email listings, etc. Others don't even provide that. As for attendees, I would be interested in hearing about their opinions or thoughts on content.

"All too often, the content repeats show after show (not exactly, but close enough) so attendance ends up suppressed at the later shows."

A voice for MLSs

Forum member **SEAZELL** said, "I would say that the reasons I attend the shows are many, but the main reason why we started the regional shows was to be the voice of the 'little guy,' so to speak.

"The ETA represents the acquiring industry as a whole, but the annual show and the networking show that are put on every year are always a little too highbrow for the average sales rep who makes up the heart of this industry.

"The regional shows are designed to meet the needs of the average MLSs who represent the very soul of the acquiring universe.

"They are out there every day working only for residuals and whatever monies they can generate demonstrating their own diminishing value proposition at the street level.

"These guys are out there day in and day out eking out the American Dream a little bit at a time in hopes that someday they will be able to become one of 'those guys.'


"But to be honest, most of these guys and gals will do nothing more than provide a good living for themselves, for their families and for the companies they do business with.

"Most cannot afford to take time out of their busy schedules to attend these shows for one day, let alone two or more.

"We cater to them and try to provide a complete value proposition in the shortest amount of time possible, so that these giants of the industry can get some networking, education and more tools for their road satchels before returning to their grind they call the 'day to day'."

The MWAA ran from July 26 to July 28 at the Oak Brook Hills Marriott Resort

in suburban Chicago. The next regional acquirers meeting is the Western States Acquirers Association conference coming up Sept. 21 to 22, 2011, in the San Francisco Bay Area.

For details about the WSAA meeting, visit www.westernstatesacquirers.com. 

Bill Pirtle is the President of MPCT Publishing Co. and author of Navigating Through the Risks of Credit Card Processing. He is also a merchant level salesperson for Clearent LLC, Electronic Payments Inc. and Electronic Merchant Systems Inc. Bill's website is www.creditcardprocessingbook.com, and his email address is billpirtle@yahoo.com. He welcomes all connections on Facebook and LinkedIn.



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SAFE Data notification bill: Does it go far enough?

By Nicholas Cucci

Network Merchants Inc.

On July 20, 2011, the U.S. House of Representatives subcommittee on Commerce, Manufacturing and Trade approved by a voice vote a version of the data breach notification bill. The legislation, the Secure and Fortify Electronic (SAFE) Data Act, is intended to enhance protection of personal information by establishing uniform national standards. If enacted, the SAFE Data Act (H.R. 2577) would preempt breach notification laws in 47 states and require notification of consumers within 48 hours after identifying specific information that was breached, unless the intrusion was inadvertent and unlikely to result in harm.

Data covered by the SAFE Data Act, is restricted to identification codes such as Social Security, passport, driver's license and credit card numbers. However, even with the progress toward a national standard for breach notifications, the legislation seems to give rise to ambiguity. For example, what is an inadvertent breach? If the breached

data is just an email address, the argument could be made that an email address is partially sensitive data. When a fraudster cannot pull down credit card or more sensitive personal information, the next best thing is an email address. With an address, a fraudster can start phishing, which is a way of attempting to acquire sensitive information such as user names, passwords and credit card details by masquerading as a trustworthy entity in an email. If emails are compromised, will that fall under "inadvertent breach unlikely to cause harm"?

Protecting the personal is political

Committee member Rep. Henry Waxman, D-Calif., said, "The biggest loophole in the bill is its definition of personal information. There is no protection for personal emails; no protection for personal photographs and videos stored online; no protection for records of book, video, and other consumer purchases; no protection for records of purchases of over-the-counter drugs, including pregnancy tests; [and] no protection for payroll records." The Federal Trade Commission supports provisions in the SAFE Data Act authorizing the agency to obtain civil penalties for violations. FTC Commissioner Edith Ramirez stated, "Civil penalties are particularly important in areas such as data security, where the commission's traditional equitable remedies – including consumer restitution and disgorgement – may be impractical or not optimally effective."

So far, the new legislation would require companies and other entities that hold personal information to establish and maintain appropriate security policies to prevent unauthorized acquisition of data. The law requires notification of affected consumers after discovery of a breach, unless that breach was an innocent or inadvertent breach unlikely to result in harm. Organizations must begin notifying consumers within 48 hours – after taking steps to prevent further breaches and determining who has to be notified.

Laws and compliance rules not enough

This prospective notification law sounds a lot like Payment Card Industry (PCI) Data Security Standard (DSS) and related security standard rules. We all know PCI compliance for our merchants is simply not enough to defend against preventing a breach. Unfortunately, if you meet only the PCI standards, you are still extremely vulnerable. Take, for instance, a PCI compliant merchant who keys in all transactions through a payment gateway's virtual terminal. In this scenario, the transmission from the keyboard to the computer is not encrypted and transfers clear text data. This is just one example in which being just PCI compliant and taking no extra security measures could result in a breach.



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Education

The FTC's top 10 consumer complaints in 2010, by category

Rank	Category	Number of Complaints	Percentage
1	Identity theft	250,854	19%
2	Debt collection	144,159	11%
3	Internet services	65,565	5%
4	Prizes, sweepstakes and lotteries	64,085	5%
5	Shop-at-home and catalog sales	60,205	4%
6	Imposter scams	60,158	4%
7	Internet auctions	56,107	4%
8	Foreign money/counterfeit check scams	43,866	3%
9	Telephone and mobile services	37,388	3%
10	Credit cards	33,258	2%

Why not set an industry standard that transactions keyed into virtual terminals must be done through encrypted keypads? By ensuring that every interaction is completely secure, merchants could rest easy knowing that if intruders were to break into their networks, they would have no access to any sensitive credit card or personal data.


Go the extra mile

Fraudsters' favorite way of stealing credit card information is a virus with a key logger embedded so they can

monitor and track the keystrokes from infected computers. When merchants use encrypted solutions, even with infected computers, data thieves cannot see anything being keyed into the computers. To show the importance of sensitive information and why we need more uniform laws, here are some appalling statistics from last year. The FTC recently released the list of top consumer complaints received by the agency in 2010. This list once again shows that for the eleventh year in a row, identity theft is still the number one consumer complaint. A total of 1,339,265 complaints were received in 2010; roughly 19 percent were related to identity theft.

An ounce of prevention, a pound of regret

One of the most common questions asked is whether identity theft can be prevented. The answer is both yes and no. You and your customers can take measures to protect yourselves and mitigate the risk. The more difficult you make your sensitive and identifying information to steal, the less likely someone will spend time trying to figure it out.

Fraudsters will move on to the next person or merchant who is not protecting him or herself. Criminals look for the path of least resistance. So make sure you, and your merchant customers, keep this in mind when selecting your preventive measures. Within today's payments industry, security needs to be solidified. Merchants and consumers need to feel comfortable when spending money, knowing that their personal information is being taken care of by the policies and procedures in place. Deficits in this regard will cause consumers to spend less. Is legislation going in the right direction? 

Nicholas Cucci is the Director of Marketing for Network Merchants Inc., a graduate of Benedictine University and a licensed Certified Fraud Examiner. Cucci is also a member of the Advisory Board and Anti-Fraud Technology Committee for the Association of Certified Fraud Examiners. NMI builds e-commerce payment gateways for companies that want to process transactions online in real time anywhere in the world. Contact him at ncucci@nmi.com.

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Working your P-L-A-N

By Dale S. Laszig

Castles Technology Co. Ltd.

What is a common trait of top-producing merchant level salespeople? They plan their work and work their plan. Paul Green describes planning as essential for success – not only for sales, but for every aspect of life.

"Before you pick up the phone or get in your car, set a goal for your meeting and plan how you will achieve that goal," Green said in *Good Selling!*SM "Know ahead of time the major points you want to emphasize during your meeting."

It helps to know as much as possible about the company and attendees of an upcoming meeting, as well as their reasons for meeting with you. What are the attendees' names and respective roles in the organization? Who among them would be most and least receptive to your services, and why?

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For best results, focus on these four areas when planning your next sales call:

Problem solving

Problems exist to be solved, and that's exactly what effective sales professionals set out to do. Identifying a central issue and its contributing factors requires due diligence. But it's worth the effort because it separates sales professionals from garden variety order-takers.

In his book *Good to Great*, Jim Collins calls the cumulative impact of solving one problem after another the "flywheel effect."

"The good-to-great companies understood a simple truth: tremendous power exists in the fact of continued improvement and the delivery of results," Collins wrote. "Point to tangible accomplishments – however incremental at first – and show how these steps fit into the context of an overall concept that will work. When you do this in such a way that people see and feel the buildup of momentum, they will line up with enthusiasm."

Sales pros are not afraid to jump in and figure out problems. They enjoy playing detective and are not too proud to call for backup when the going gets too technical. They're committed to continuous innovation by employing the latest technology and stellar, ongoing support.

Listening for crucial details

There's a reason we're constantly reminded of the importance of listening. It's too easy to make assumptions about our customers. In fact, the longer you know a customer, the more likely you are to assume you know everything about the individual's likes, dislikes and business requirements. People change, businesses change, and it's important to stay current with industry trends, consumer behavior and evolving business environments.

Pay attention to your prospects and existing customers, and show them that you care. You're not out to make a quick sale, and you're not out to just solve a problem. You're out to become a partner and "go-to" trusted resource for all aspects of card processing.

"When initiating a sales dialogue with a prospective client or current client, you must understand the importance of listening;" Stephen Giglio wrote in *Beating the Deal Killers*. "It gives you insight into the hidden needs and wants of the client – that iceberg below the surface.





"There are times when a client will utter a seemingly innocuous word or phrase that is critical to your sale. Your job is to pick up that innocuous phrase and turn it into a specific gap in the needs and wants of your client."

Active listening skills include paying close attention to tone, body language and behavior. It also involves




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Education

Being genuinely interested in your customers will manifest itself in everything you do and motivate you to find bona fide solutions to problems.

rephrasing what you hear to confirm your understanding of the content, context and intention of the speaker.

The habit of asking

Experienced sales professionals build up to a close with a series of smaller but highly important qualifying questions. For best results, Giglio suggests bringing a written list of questions to a meeting, itemizing everything you need to know about a customer before you engage in any recommendations or trial closes.

"A carpenter's punch list is a list of unfinished matters that require attention," he wrote. "Similarly, your list should itemize all issues (things you must know about before you can proceed) that require your attention."

Getting into the habit of asking is the master secret of closing sales, according to Charles Roth and Roy Alexander in their classic *Secrets of Closing Sales*. "Each time you call, try to close," they wrote. "A social call and chitchat may be pleasant. But it's not a sales call.



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"You are only selling when you're trying to close. In between calls, maintain contact with your prospects and customers – a letter, a telephone call, anything that keeps you in touch. These contacts build confidence – the priceless ingredient in making sales."

Needs assessment

Asking the right questions and actively listening to clients can frequently lead to an aha! moment when a sales professional uncovers a customer's unspoken, yet very critical needs. A potential buyer's resistance to a proposal can also be very revealing, according to Barbara Pletcher, author of *Saleswoman: A Guide to Career Success*.

"Objections are important because they provide clues to the buyer's needs and motives," she wrote. "A successful sales call is based on understanding the customer's needs. Active techniques to overcoming objections are really additional selling efforts in the areas in which the customer is not yet convinced of the wisdom of making this purchase."

When done right, needs assessment is more than a means to an end. It's being endlessly fascinated by other people's needs, motivations and what makes them tick. Being genuinely interested in your customers will manifest itself in everything you do and motivate you to find bona fide solutions to problems.

P-L-A-N

As Pletcher stated, "Planning the sales presentation so that you deliver the right message requires extensive knowledge of the customer, the competition, your products and your firm. In selling and almost all other human endeavors, preparation pays off."

Remind your customer that "problem solved" is just the first step; you and your company are committed to being there for the long ride, continually improving your technology, services and partnership with the merchant.

Whether you're a serial signer specializing in one-call closes or a business-to-business specialist who deals with longer closing cycles, planning your work and working your plan are a sure way to increase your confidence, sales and income. ■

Dale S. Laszig is Senior Vice President of Sales in the United States for Castles Technology Co. Ltd., a manufacturer and global provider of smart card, contactless and POS solutions. She can be reached at 973-930-0331 or dale_laszig@castech.com.tw.

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Pillars of payments**An interview with
Kurt Strawhecker****By Ken Musante***Eureka Payments LLC*

I first came to know Kurt Strawhecker, Managing Director of The Strawhecker Group, while he was an executive at First Data Corp., and I was a member of the company's client advisory team and one of its customers. Kurt had the difficult job of interpreting diverse user system requests and then scoping each request. With input from the advisory group, he determined which capabilities to enable.

Many of the requests were extremely complex. Yet he had to select the option that satisfied the user group while earning an appropriate return on investment for First Data. This was in conjunction with ensuring proper implementation of industry regulations.

I admired the way Kurt was able to assuage customer egos, inspire his staff and develop coherent initiatives within First Data's prescribed budget. I continue to value his friendship and advice and hope you, too, are able to gain some insight from this interview.

Q: How did you enter the payments industry?

A: My first job out of school was as a marketing director for Omaha National Bank, reporting to the president – great, broad, general marketing exposure. Next, I went to the advertising agency of the bank, and one of our clients was Godfather's Pizza.

From that introduction, I went to work for Godfather's as Marketing Director, where I was responsible for the promotions for all the franchisees. When I started, there were 30 stores, and when I left there were over 1,000.

While at Godfather's, I was recruited by First Data Corp. I was the first non-IBM or Xerox [veteran] in management, and I was responsible for creating new products and sales strategies. My marketing background served me well in this new industry that was process-focused. I was credited for initiating statement stuffers for issuing-bank customers. I then went to the U.K. and helped First Data manage the overseas operations from 1990 to 1993. I also assisted with the Signet acquisition, which really expanded First Data into a global processor.

In 1993, FDC split issuing and acquiring, and I started up the acquiring side as a distinct business line. This was about the same time that Roger Pierce came to First Data and came up with the concept of bank alliances, which allowed banks to focus on sales and First Data to focus on back-end and back-office processing. Twelve alliances were signed.

The concept was revolutionary and has helped shape the acquiring space, and the relationship between First Data and other processors and the many midsize and smaller banks, which now have some version of the alliance concept. I left First Data in 2001, but I am extremely fond of the relationships, experiences, accomplishments and opportunities I had there.

Q: What prompted you to start your own consulting agency?


A: I wanted to leverage the people I had worked with along with the knowledge and industry perspective I had gained. Traditionally, First Data stayed away from advising clients on pricing, marketing or the scope of their enterprise. Consequently, I believed there was an opportunity to advise clients in these areas.

With the assistance of my partner, Jamie Savant, who joined in 2005, the firm has grown and evolved into The Strawhecker Group. Directionally, I started with a small group of professionals, but we lacked the breadth to address all the different disciplines we needed, such as mergers and acquisitions, risk, pricing, and product development.

Next, I brought in subject matter experts in various disciplines so that we can now provide unique and specific seasoned experts that can respond to a wide spectrum of issues. We have 20 associates and the ability to assist senior managers address issues they face every day. We are now moving beyond acquiring into issuing clients, as well as anywhere payments are going. We recently helped a Fortune 500 company enter the issuing and acquiring space. I am excited about the coming release.

Q: How did you fund your startup?

A: I bootstrapped it through my own funds. Nick Baxter at FNBO [First National Bank of Omaha] was my first client, and we have had a 10-year relationship with him. Finances were very stressful for the first year. Within the first year I knew we had something.



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Feature

Q: What is your most challenging business issue?

A: The most difficult thing about my business is that although I was raised in a recurring revenue model, my business is not a recurring model. Every week, we review our opportunities and proposals to ensure we have future income. Our newest product, called Merchant Portfolio Performance Study, is a recurring revenue model service.

We have signed up 10 large acquirers and are slicing and dicing two years of confidential merchant level data and allowing them to compare their performance to nine other competitors without revealing the names of the participants. The total population is 500,000 merchants, which is 7 percent of the total U.S. market. This is a quarterly assignment and will, over time, smooth the earnings of our organization, while providing the industry with usable and interactive management information never before available.

Q: What would you do differently?

A: I would have started my business sooner. First Data was fantastic for me. It taught me this indus-

try. It gave me a foundation to start my own business. I wish I had launched The Strawhecker Group five years sooner, however.

Q: What is the biggest regret or error of your career? What did you learn from it?

A: Through everyone's career, you have those moments of truth when you or your peers must make decisions that may be harmful to a client, your staff or your employer. What I've learned is "do the right thing" for your client. The forces working in a decision – including your staff, yourself and your company and client – are not always the same. Doing right by your client first will ensure you make the right call.

Q: Of what are you most proud over your career?

A: I take the most pride in completing a project successfully and having a happy client. Our team played a small role in many transitional changes in our industry. I'm proud that my partner, Jamie Savant, and our firm have been a part of significant changes to our industry. Having the chance to build a firm with our great team, as well as having my son Mike be a part of it, has been very rewarding.

Q: How will our industry evolve over the next five years?

A: Loyalty. One of my sons owns a restaurant, so I now understand more of the merchant point of view. I have learned so much by being a partner with him in his business. His greatest challenge is how to get more customers into his establishment. Industry players that can drive customer behavior will succeed.

Groupon is a successful business model because it drives customer behavior. The power of payments and loyalty wrapped into one is extremely powerful. LinkedIn and Facebook pull customers instead of pushing them.

Payment providers have this same opportunity. Each card transaction contains a name, a time and the purchase amount. With a little work, it can also contain the product purchased. That data can be used to mine further customers. That is the next big play. I'm starting to see it.

The sales agent that can say "I can double your customers" will win. In addition, we are seeing more vertical market focus by acquirers, as well as those with an integrated business model. Even small merchants are buying business management software. It's all how to be smarter, better, faster.



Business is about leveraging different distribution channels. The traditional agent strategy has seen its zenith. There will always be sales agents, but it is past its prime because acquirers are always seeking ways to get closer to the merchant.

Q: How will the Durbin Amendment impact our industry?

A: The best thing this industry has going for it is young adults and those in their 20s. These folks do not carry cash and use their debit card for everything. This will fuel transaction growth. Average transaction amounts will decrease because these kids buy a \$3 cup of coffee with their debit card. Money habits are hard to change, but each generation will be more accustomed to electronic payments. This secular growth will be very helpful within our industry.

The Durbin Amendment will bring about short-term increases in profits. But longer term, 18 months from now, we may be talking about legislation of credit interchange. I am cautiously concerned that once government has entered this space, it is easier for them to further regulate.

Large retailers saw a weakness created by the negative perception of banks and took advantage of it.

If acquirers do not give some reduction in fees to merchants, we may breed further long-term adversaries. Higher and more annual fees, too, may endanger our future business and our independence.

Q: Is there anything else you wish to share?

A: The unintended consequences of the new consumer protection agency may have a negative impact on our image. We are thought of as bankers. The Durbin Amendment passed because lobbyists' were able to go to our elected representatives and state that if this was voted down, they would be painted as protecting banks.

As a consequence, entities that distance themselves from banks will be looked upon more favorably. ■

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

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Banks counseled to meet the underserved

By Patti Murphy

ProScribes Inc.

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It's ironic really: America's financially underserved came to be that way because, let's face it: banks really didn't want to play with the poor. Now, three years of a sagging economy have taken a toll, and there's an emerging recognition of the difficulties of growing an economy when upward of a quarter of the population isn't playing with banks.

KPMG LLP is the latest to suggest banks are losing big by ignoring the poor. And the consultancy is urging banks to consider new business models (as well as products and services) to turn things around.

KPMG LLP is the latest to suggest banks are losing big by ignoring the poor. And the consultancy is urging banks to consider new business models.

KPMG's data crunching suggests the underserved market includes 88 million adult Americans with nearly \$1.3 trillion in annual income and that as many as 6 million additional Americans could join the ranks of the underserved within the next two years, given current economic conditions.

"In the current environment, we see heavy competition among banks chasing customers with high credit scores, with decreasing margins, leaving the underserved market for those willing to invest in it," said Carl Carande, head of KPMG's banking and finance practice.

KPMG considers the "underserved" population to be those individuals without bank accounts (the unbanked) and the "underbanked," which it identifies as those who lack access to incremental credit. This differs from other characterizations of the underserved market. The FDIC, for example, makes distinctions between the "unbanked" and the "underserved," with the underserved moniker used to identify individuals who have some type of relationship with a bank, but who also use nonbank financial services providers (payday lenders, check cashers and the like).

Segmentation, new products and services

KPMG said its study of the underserved market identi-

fied four segments among the financially underserved, each with distinct socioeconomic characteristics. Briefly, these are:

1. Unbanked folks are 18 to 40 years old, often recent immigrants, and earn between \$12,000 and \$35,000.
2. Rebuilders, typically between 30 and 55 years old, are folks trying to rebuild their credit scores after a spate of bad luck (for example, unemployment and foreclosure). Their incomes range from \$50,000 to \$150,000, they have at least one checking account, but they have little to no savings. They have limited access to credit cards and may use payday lenders.
3. The work-to-pay crowd comprises folks 18 to 30 years old and typically hourly workers earning \$18,000 to \$40,000 who may have trouble maintaining consistent employment. They use payday lenders, stored value cards and cash, and they're very comfortable with debit cards.
4. The emerging retail segment consists of consumers 18 to 26 years old, with incomes ranging from \$25,000 to \$60,000. Typically, they are recent high school or trade school grads who are tech savvy. They pay bills on time and online, they use mobile phones, they're willing to pay for convenience and they're receptive to learning money management.

"Customer segmentation is critical to serving the underserved market, and each target segment requires a disciplined and strategic approach," said Timothy Ramsey, a Managing Director at KPMG.

"The KPMG study indicates that the underserved market is growing quickly because millions of wage-earning adults are, unfortunately, moving from the 'average' credit score to the 'damage' credit score category due to negative events" such as job loss or foreclosure, said Atif Zaim, Financial Services Sector Leader at the consultancy. "There are a number of services that banks can offer this segment as they recover or move up the value chain."

But these may require new delivery channels and marketing techniques, Zaim suggested. Possible new product offerings include international wire/card transfers, walk-in bill payment, check cashing (for noncustomers), secured credit cards and prepaid debit cards. The big question remaining: are America's bankers paying attention? 📧

Patti Murphy is Senior Editor of The Green Sheet and President of ProScribes Inc. She is also the founder of InsideMicrofinance.com. Email her at patti@greensheet.com.



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NewProducts

Cloud-based document printing hits college campuses

Product: Heartland Campus Solutions WEPA program

Company: Heartland Payment Systems Inc.

With funding cutbacks continuing to tap university resources, many campuses are scrambling to reduce overhead costs. Understanding this dilemma, Heartland Payment Systems Inc. formed Heartland Campus Solutions in 2007 and rolled out a broad-based product called the Campus OneCard System, which provides unique campus card programs, access control and security systems, and cost-effective payment processing for campuses nationwide.

Heartland now has a new player on campus: WEPA. The acronym stands for Wireless Everywhere Print Anywhere. WEPA provides a cost-effective, turnkey, cloud-based printing network that eliminates institutional dependence on equipment purchases or leases, hardware and software licenses, as well as maintenance and server integration fees.

"Given the rapid adoption of cloud-based applications and data storage, we wanted to help take campuses to the next level with cloud-based printing services," said Fred Emery, Vice President and General Manager of Heartland Campus Solutions. Heartland's WEPA kiosk program will initially be installed at the University of West Florida, but the company is working with other campuses interested in incorporating WEPA into their existing Campus OneCard systems as well.

Student convenience

"WEPA allows campuses to outsource a good deal of their print-related functions," Emery said. "They will place kiosks on campus, and students can send jobs to print from anywhere Internet service is provided. Students go up to the kiosk, log in or swipe their Campus OneCard, and it will retrieve their print jobs and print them out." A USB jump-drive may also be used to download documents at kiosks.

Registered students can select a method of payment and print documents at kiosks located in student unions, libraries, computer labs, classrooms and residence halls. The WEPA system integrates with Heartland's Campus OneCard, a multifunctional campus card program used for identification, bookstore transactions, dining and vending services, laundry, entertainment, copy and print management, and other applications.

"OneCard is prepaid debit, so you have to have money in the account in order to utilize the function," Emery said,

Features of Heartland Payment Systems Campus Solutions include:

- Turnkey document printing solution for college campuses
- 100 percent reduction in printer hardware and supplies
- Integration with Heartland OneCard campus card program
- Cloud-based application via touch-screen printing kiosks




adding that WEPA enables students to use a Campus OneCard or choose to pay with a credit or debit card. "In our relationship [with WEPA], we're working directly with the campuses," he pointed out. "They do need to have the OneCard component behind it to accept the campus ID cards."

An eco-friendly money saver

"Once you start adding in pay-for-print solutions, you see the number of print jobs drop on campuses that were allowing free print services previously," Emery noted. "The students think twice before they send a job to print, because now they have to pay for it. So it really cuts down on wasted paper and saves on a lot of natural resources."

Emery said WEPA manages the entire print service, so universities can outsource all document printing functions. "WEPA has the personnel in place to handle all that," he said. "They get notifications through their system when toner is getting low, when paper is getting low. If there are any issues, they can dispatch someone to take care of it. We can process the transactions for the campus card and allow WEPA to handle the technical side of the printing."

As an integrated part of the Heartland Campus OneCard System, the WEPA program will be available through Heartland Campus Solutions' and Heartland Payment Systems' sales divisions. 

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Product: IdentiFlo Management Platform

Company: *Electronic Verification Systems LLC*

The Federal Trade Commission estimates as many as 9 million Americans have their identities stolen each year. As interest in online commerce continues to soar, so do the potential risks for exposure to identity theft and payment fraud.

Electronic Verification Systems LLC has assisted businesses globally with fraud prevention, identity theft protection, government regulation compliance, and audit and control requirements since 1999.

EVS believes that its recently released IdentiFlo Management Platform provides its clients access to all the tools necessary to manage identity verification and authentication in-house.

The company's bundled services provide web-based coverage to businesses engaged in payment processing, mobile payments, high-value retail, health care, banking, insurance, education, vehicle and equipment rental, and other card-not-present transaction environments.

According to Eric Knapp, Vice President of Client Services for EVS, the IdentiFlo platform provides everything in a single, front-end user interface. "You get the verification and authentication, you can view historical transactions and you have an audit trail – everything from one platform."

The platform grants users full administrative control of user account setup and access levels and the ability to view login and activity times. It also allows them to determine account options for setting password policies and Internet Protocol (IP) address restrictions.

Businesses can monitor transactions of internal salespeople, the companies they service and end customers as well. The platform comes replete with robust security tools, product control, reporting functions and an internal support ticket system, EVS pointed out.

The platform offers extensive reporting capabilities. "You could have reports that show all the transactions by month, by day," Knapp said. "You can submit different transaction IDs and pull the reports in different time frames."

"We have a ticketing system, so you can submit help tickets. If you're having issues, you can reveal all the tickets."

Features of IdentiFlo Management Platform include:

- Reduces merchant exposure to identity theft and fraud
- Identifies and authenticates consumer and commercial data
- Gives users full administrative control over platform functions
- Provides multiple fraud prevention tools under a single lookup
- Delivers ISO buy-rate income opportunity in multiple industries

"We have announcements, so as an administrator on the account, you can create announcements for all of your users to see."


Fast and secure

According to EVS, because the IdentiFlo platform controls all functions in a single interface, it streamlines administrative time. "You can run transactions – synched in real-time to our data resources – collect information, return to the merchant, and it takes less than two seconds to complete the trip," Knapp said.

Through the platform, all client-supplied data is submitted to multiple global data sources. The response data is then returned to the EVS platform to be aggregated and distributed to the client in a customizable Extensible Markup Language format, all in about the time it takes to blink.

EVS stated no personal private data is ever stored or shared. Only specified customer data is accessed, and the systems and data centers used are regularly audited. "We restrict access by IP address, so it would have to come from an approved IP address," he said. "When we set up a new client on the platform, they give us their IP address and we approve that IP address."

"It would all be tracked back to authentication. From that computer you can add users' IP addresses. Then add to that 128-bit encryption; everything is SSL."

Knapp said EVS offers ISOs a buy-rate program, which can be white-labeled. "All of our pricing is per transaction," he said. EVS also provides live phone support, deployment and integration services, and product use and red flag plan consultation. 

Electronic Verification Systems LLC

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Boost Your Biz

The green advantage

Words like "sustainability" and "eco-consciousness" are gaining acceptance in the business world. Today, many professionals refrain from printing out emails or throwing old paperwork into garbage cans. On the corporate level, recycling programs and green awareness campaigns are being implemented. But did you know this concern for the limits of our natural resources can be translated into successful marketing campaigns?

A company that institutes a green policy gains instant likeability, without having to promote itself as friendly and approachable. It can issue a press release heralding an internal recycling program or create a page on its website describing the steps the company has taken to green its business practices.

Having credibility is even better than having likeability; going green also serves that purpose. Many folks believe green businesses are forward thinking. By inference, such companies are where people want to work and where innovators and thought leaders gravitate to – the type of organizations other businesses want to be associated with.

Green enterprises gain other perceived attributes as well; they are often seen as sophisticated, culturally sensitive, technically and media savvy, globally focused, and socially conscious. Of course, beyond perception lies reality. Many financial advantages accrue from going green, from tax breaks to lower overhead costs. It also improves employee working conditions, which leads to healthier, more productive workers.

Economic studies have shown the bottom-line benefits to companies that employ green technologies and sell green products. For example, Wal-Mart Stores Inc. commissioned an environmental impact study in 2009 to determine the annual savings from a prepaid payroll card program to the company and the environment.

By not issuing paper checks to employees, the program saved 3,116 trees from being cut down, reduced the amount of paper Wal-Mart processed by 257,572 pounds and cut the company's gasoline usage by 277,523 gallons – facts that do not go unnoticed by consumers. So institute your own green policies and then tell the world about it. The result may be that ultimate win-win: saving the planet and growing your business at the same time. ■



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Research

'Protect the brand' drives security investments

A joint study by CyberSource Corp. and Trustwave revealed nearly 70 percent of survey respondents cited the need to protect the brand as the primary driver for strengthening network security against hackers and other payment security risks. In contrast, only 26 percent said avoiding fines resulting from noncompliance with the Payment Card Industry (PCI) Data Security Standard (DSS) was the key motivator.

Dayna Ford, Senior Director, Product Management at CyberSource, said the data suggests companies recognize the greatest harm caused by a security breach is reputational. "By far the most damaging impact is to the company's brand, affecting revenue, customer loyalty and even stock valuation," she said.

James Paul, Senior Vice President of Global Compliance Services at Trustwave, said it was not surprising that brand integrity topped the results. "In the face of increasing numbers of security breaches and data theft, there's a real urgency for organizations to deploy powerful and effective security strategies," he said.

The study, titled *The Payment Security Practices and Trends Report 2011*, also found that over the next 24 months, an increasing number of organizations intend to remove payment data from their networks to reduce security risks. Also, those that don't capture, transmit or store data validate PCI DSS compliance more quickly and incur fewer overall costs to manage payment security.

The survey was conducted via an online questionnaire in December 2010 and January 2011. Survey respondents were required to have personal involvement in the management of their organizations' payment security practices.

To access the report, go to:
 <http://forms.cybersource.com/forms/PaymentSecurityReport2011cybspressrelease0711>

Cross-border consumer money transfers, 2000 to 2012

U.S. dollar amount (in billions) / year over year percentage change

2000	\$148
2001	\$157 / +6.5%
2002	\$181 / +15.3%
2003	\$210 / +15.8%
2004	\$242 / +15.3%
2005	\$283 / +16.9%
2006	\$323 / +14.1%
2007	\$377 / +16.8%
2008	\$419 / +11.0%
2009	\$387 / -7.8%
2010	\$398 / +2.9% (estimated)
2011	\$416 / +4.6% (estimated)
2012	\$437 / +5.1% (estimated)

Source: Cross-Border Consumer Money Transfers: An Update, Aite Group LLC

"Without a plan for niche segmentation and targeted solutions, competition for the general populace of potential card acceptors via smart phone could be quite bloody indeed."

- David Fish, Senior Analyst at Mercator Advisory Group
 Source: Acquiring Industry in 2011: Going Mobile

Millennials not malcontents

Research conducted by the Kenexa High Performance Institute showed members of generation Y, also called millennials, comprise, in general, a more positive workforce than the directly preceding generation X and the baby boom generation before that. According to KHPI, 60 percent of millennials are "extremely satisfied" with their employers, compared to 54 percent of both gen Xers and baby boomers.

Banks jockey for mobile payment relevance

A new report from KPMG International revealed that 84 percent of banking and financial services executives recognize the importance of mobile payments to the future of their organizations. In *Monetizing Mobile: How Banks Are Preserving Their Place in the Payment Value Chain*, KPMG researcher Carl Carande said top banks are working "feverishly" to develop mobile payment applications to stay ahead of the competition.

Demand increases for smart cards

The March 2011 data breach at RSA, the security division of EMC Corp., is the primary driver of the industry shift toward smart cards and their enhanced security, according to an Aberdeen Group report. *The Case for Smart Cards*, commissioned by ActivIdentity Corp., identified the RSA SecureID breach as exposing weaknesses in traditional network perimeters and authentication. The multi-factor authentication provided by smart cards would make an RSA-style attack "considerably harder," the report said.

Rundown

"The main thing that we walked away with was the fact that authorization and transaction-processing costs - the core services used - continue to decrease materially. This extends the trend we noted in our last pricing study. The bottom-line is that processors are continuing to compete vigorously on price to win and keep business."

- Mike Goding, Senior Associate at The Strawhecker Group
Source: Merchant Processing Pricing Benchmark Study

CEM is priority

Customer experience management (CEM) software provider Tealeaf Technology Inc. sponsored an OpinionLab Inc. survey that found 87 percent of 120 participating respondents consider online CEM as more important than ever. Fifty percent said their CEM strategy is a top priority. The other half reported they are still in the CEM planning and adoption stages.

SpendTrend shows rise in card spending

First Data Corp.'s June 2011 *SpendTrend* analysis highlighted year-over-year increases in dollar volume growth: 8.8 percent in June compared to May's 6.6 percent. First Data attributed the rise to inflation, as June average ticket growth was 2.1 percent, the largest increase in over a year. The exception revealed in the report was the hospitality industry, in which dollar volume growth slowed from 11.5 percent in May to 7.6 percent in June.

Debit fraud losses spur EMV adoption

An Aite Group LLC impact note said the rise in debit card fraud losses is driving the transition of the U.S. payments market to the Europay/MasterCard/Visa (EMV) security standard and near field communication (NFC) technology. "Card industry executives believe that EMV in the United States is no longer a matter of if, but of when," said Julie Conroy McNelley, Senior Analyst at Aite Group and co-author of the report. "The relevance of the magnetic stripe has disappeared."

Hidden costs in mobile payments?

Consumers Union, the nonprofit publisher of *Consumer Reports* magazine, said cardholders should get ready for the fees they will be charged when using mobile phones to make payments at the POS. According to its investigation published in the September 2011 edition of *Consumer Reports*, whatever costs consumers incur for using bankcards today will continue when they use mobile phones to make payments.

The report, *New ways to pay: At the checkout, should you use credit, debit, or cell phone?*, said that as new payment options proliferate, banks and technology companies are positioning themselves to capture their shares of the \$50 billion a year in fees generated by electronic transactions. "Most of the new electronic payment options are tied to credit and debit cards, so whatever costs consumers incur in using their plastic will transfer to the new methods," the consultancy said. "Paying by mobile phone won't save them money."

According to the report, merchant fees will accompany mobile payments. "Google Wallet merchant transaction fees are the same as those charged on plastic payments, and the same is expected to be true for Visa's digital wallet," the consultancy said. "Square and PayPal Mobile charge merchants even more than the average big bank fee, 2.75 and 2.9 percent of the transaction amount, respectively." But consumer fees will also be part of the equation. The report found that only person-to-person money transfer specialist Obopay Inc. charges consumers a flat 50-cent fee for payments over \$10. "You can transfer funds to your Obopay account from a bank account at no cost, but if you link a transaction to a debit or credit card, you'll pay a 1.5 percent fee," the advocacy group said. "So on a \$100 payment, fees can run from 50 cents to \$2."

The advocacy predicts prepaid debit card accounts on mobile phones will be especially costly for consumers, since the cards can come with activation, monthly maintenance, transaction, balance inquiry and reload fees.

For more information, go to:

www.consumerreports.org

Industry interchange revenue pre- and post-Durbin Amendment (in billions)

Pre-Durbin

Nonexempt issuers	\$14.7
Exempt issuers	\$4.9
Total.....	\$19.6

Post-Durbin (estimated)

Nonexempt issuers	\$7.6 (48% reduction)
Exempt issuers	\$4.9
Total	\$12.5 (36% overall reduction)

Source: First Annapolis Consulting Inc.

DateBook

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



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

Career Development & Leadership Summit;
LINC Northern California

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

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

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

W.net's LINC meetings occur periodically throughout the United States and provide a forum for women in the payments

industry to empower and inspire each other through networking opportunities.

Career & Leadership Summit

When: Sept. 12 – 13, 2011

Where: Hyatt Regency Hotel, Atlanta

Registration: www.w-net.biz

LINC Northern California

When: Sept. 21, 2011

Where: San Francisco Airport Hyatt Regency, San Francisco

Registration: www.w-net.biz



Western Payments Alliance

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

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

Daily sessions and workshops will address technological innovations in automated clearing house (ACH) and card networks, as well as mobile and other payment channels. It will also feature discussions on risk and fraud in addition to changing regulatory and compliance requirements.

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

When: Sept. 19 – 20, 2011

Where: The Westin San Diego, San Diego

Registration: www.wespay.org



Western States Acquirers Association

WSAA 8th Annual Conference

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

WSAA is a self-governing, nonprofit volunteer organization dedicated to creating an independent forum for educating and linking professionals engaged in the payments industry. Rather than offering memberships, the organization is funded through revenue generated by events it hosts.

When: Sept. 21 – 22, 2011

Where: Hyatt Regency San Francisco Airport, Burlingame, Calif.

Registration: www.westernstatesacquirers.com

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- Lyman Abbott



The art of venting

One of the greatest personal strengths you have, as an ISO or merchant level salesperson is the ability to establish and maintain rapport with people from all walks of life. Paying attention to others comes easily to you; so does knowing what questions to ask to draw people out.

But what happens if you're having a bad day? A really bad day: your front tire blew out on the way to the office, you lost your biggest merchant account to a cut-rate competitor, your best friend had a heart attack, your investment portfolio lost half its value, you just found out your processor experienced a major data breach – and then an intern you took under your wing as a favor to your cousin stumbled while passing you in the hallway and spilled a café latte all over your new suit.

You want to growl. You want to stomp. You want to yell. You want to throw your laptop against the wall. You, who are usually driven to succeed but very easy going, do not recognize yourself. And you have an appointment with a new prospect this afternoon.

What do you do?

First, realize that, even if you don't usually get upset because you've been blessed with superior coping mechanisms, it is OK to vent your frustrations. Sometimes just acknowledging that emotional release is necessary and healthy lets you to take a deep breath and gain a bit of distance from a negative situation.

Next, here are some possible ways to vent without causing you or anyone else harm:

- Go for a walk, a long walk, if possible. Sometimes

this alone is enough to clear your head and lift your mood.

- If you belong to a gym, get your gym bag and a change of clothes, and go there. Do a long enough workout so that you forget your troubles for a while. Then savor getting cleaned up and putting on fresh clothes.
- Find a quiet spot, a place where any noise you make won't disturb anyone. Shout and pound and say all sorts of things you know you'd regret if you actually said them to someone.
- Visit a friend or colleague whom you trust and tell the person what's going on and how much it bothers you. Be sure to offer to reciprocate when your friend needs someone to lean on.
- Locate a suitable place for writing, perhaps a corner table in your favorite café, and write for 10 to 15 minutes without stopping. Pour out everything that comes to mind. Then tear up your rant and discard it in a place where nobody can retrieve it. If you do this on your computer instead of paper, just delete the file when you're through.

Once you feel like yourself again, and you've had a productive meeting with your prospect, think about what you can do to ameliorate negative factors in your life, and take remedial steps. Life is full of ups and downs; accepting the downs, even when they're messy, is part of the deal.

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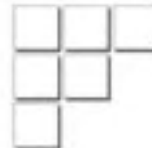
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It's gonna be a busy week!

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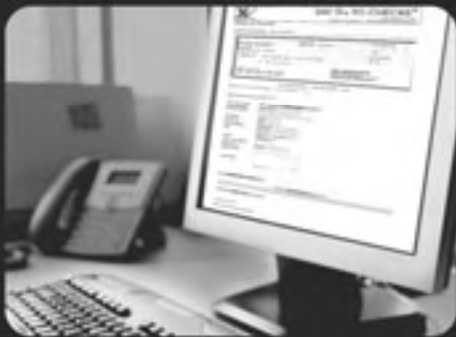
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... THERE WAS AN AD THAT HAD A GUY HOLDING A TERMINAL AND HE WAS WEARING A SPORT COAT AND THE PRICE WAS LIKE \$199 OR SOMETHING AND IT WAS BACK IN THE SUMMER. WHAT WAS THE COMPANY'S PHONE NUMBER ON THAT AD?*

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Transform Your Merchant's Credit Card Processing.

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No receipt printer is necessary as signatures are captured on the display and securely emailed to customers. Electronic receipts mean **additional savings for your merchants** as well as opportunities for future promotions or coupons.

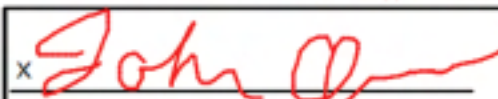
◆ Versatility

QwickPay works with **all major smartphones**, not just the iPhone. Whether your merchant owns an iPhone, iPad, Android or Blackberry, we have the solution for you.

◆ Price

With our **no-charge mobile placement reader** and downloadable QwickPay software app, the price is right for all merchants.

Name	CARDHOLDER/JOHN Q	Card Number	*****4321
Status:	Approved	Sale - Swipe	
Transaction ID:	VTH1A12345679	Amount:	100.00
Auth Code:	852838	Tax:	6.00
Date:	2011-04-01 09:51:26	Tip:	20.00
Invoice #:	000002	Auth Amt (\$):	126.00
Location:	+38.781052 -121.296525		

X 

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Doofus?

[doo-fuhs] *n. Slang*

A foolish or inept person.

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Total Merchant Services protects you and your merchants with total transparency. We take a reasonable approach in disclosing the financial details of our Compliance Program to every new merchant on our Schedule Of Fees in simple, clear language.

Easy To Sell

All our merchants receive the Compliance Program at no additional charge during the first year of their processing relationship with us and these services may be accessed immediately. On the 13th month of processing, and from that point forward, merchants will be assessed a fee of \$4.95 per month. We even offer a \$25,000 Compliance Reimbursement Program to make sure our merchants feel good as they are getting something in return.

Honesty is our Everyday Policy

At Total Merchant Services, you'll find no compliance fee trickery and zero surprises. We believe in being upfront, honest and ethical in all of our business dealings. We will not use bait and switch tricks or surprises to get over on merchants or sales partners. We know that doing anything less would be a recipe for disaster—not growth.

Still not sure? Want to be convinced?

If you'd like help comparing our program, including the true impact of the Compliance Program fees, please give us a call. We'll show you that chasing a deal that looks better is NOT going to make up for a Compliance Fee Program that destroys your reputation and your business.

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