The Green Sheet
DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS
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March 12, 2012 • Issue 12:03:01

Interchange under attack

Following a formidable ascent, debit cards may be falling out of favor with the U.S. buying public – a casualty of debit card interchange price caps instituted in accordance with the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. In addition, any increases to credit card interchange could be short-lived if banks and the card companies fail to prevail against a new legal challenge to interchange.

That challenge, on anti-trust grounds, comes from a group that includes 5 million merchants, the National Retail Federation and the National Restaurant Association. It accuses Visa Inc., MasterCard Worldwide and about a dozen banks of collusion in setting credit card interchange.

Plaintiffs argue that the average credit card interchange, at 2 percent of the ticket in the United States, is far in excess of what merchants pay in any other country. In the European Union the interchange rate on a Visa or MasterCard credit card transaction runs 0.3 percent; in Australia it is 0.5 percent.

"This could have far-reaching implications for the business," noted industry consultant Paul Martaus. But Lee Manfred, Partner, First Annapolis Consulting, said, "We're not done. There are plenty more tactics to be played out in the debit arena, and continuing on the credit card front, too."

This latest legal challenge is pending in the U.S. District Court for the Eastern District of New York and is being presided over by Judge John Gleeson, who is expected to render a decision in the fall of 2012. Gleeson was the presiding judge in the so-called "Wal-Mart suit." That lawsuit was settled out of court in 2003 after Visa and MasterCard agreed to refund billions of dollars to merchants for alleged interchange overcharges.

The new lawsuit could be even more costly. According to CardHub.com, a website that tracks consumer card spending, retailers paid $27.7 billion in credit and debit card interchange during 2010. If retailers prevail in this suit, the court could require reductions in interchange of 50 percent or more, in addition to punitive damages.

Felix Salmon, a financial expert who blogs on the Reuters news website, calculated assessed damages could exceed $90 billion, since retailers claim they've been overcharged since settlement of the Wal-Mart case. Recent public filings by MasterCard and Visa suggest the two companies combined have stashed away about $5 billion in special trusts to cover potential liabilities arising from the pending litigation.

Visa's Chairman and Chief Executive Officer, Joseph Saunders, addressed the class action suit during a Feb. 8 call with investors and hinted that a settlement was in the works but that Visa would not abide by major changes to interchange. "Visa is unwilling to agree to any significant or long-term credit

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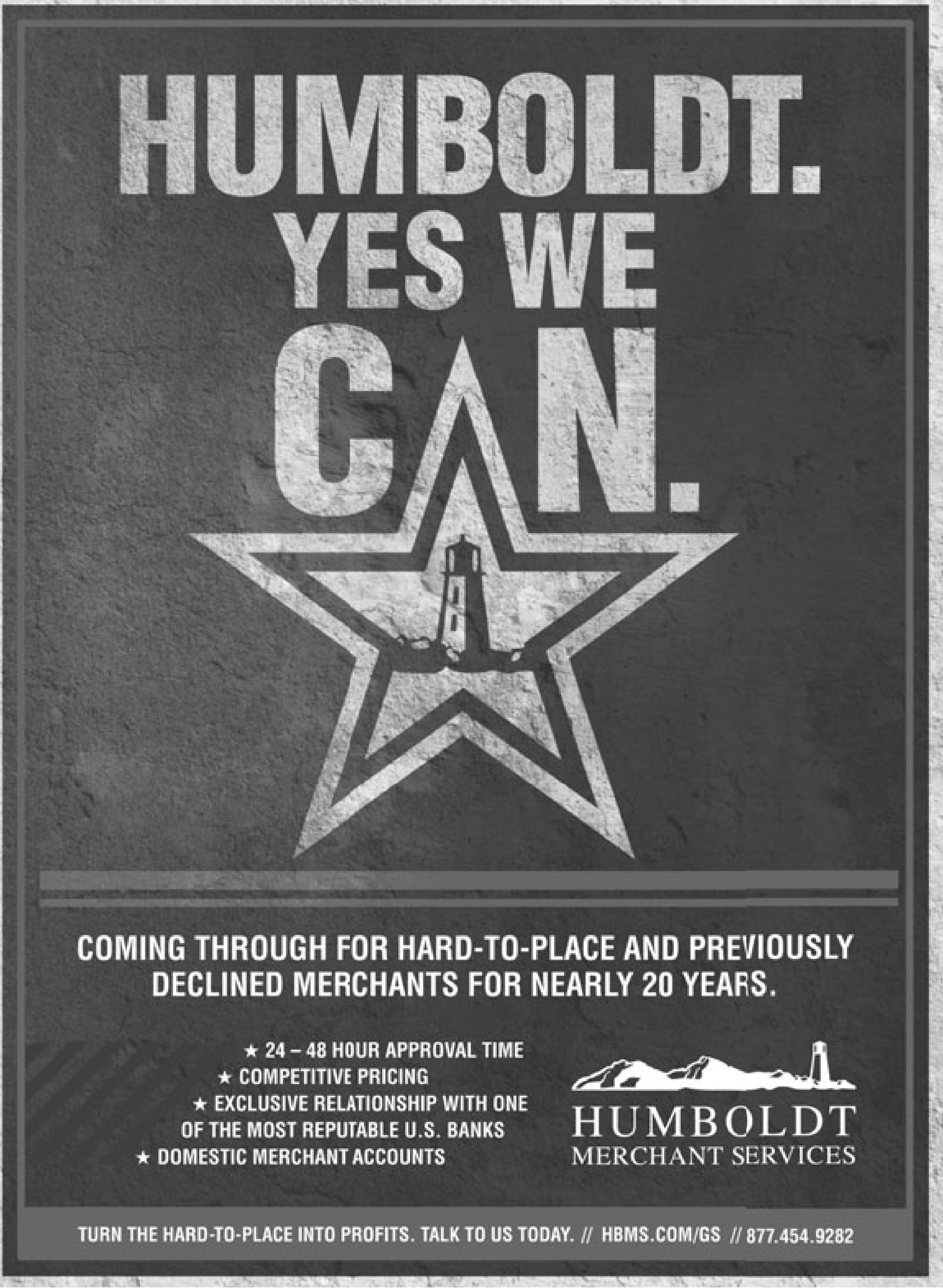
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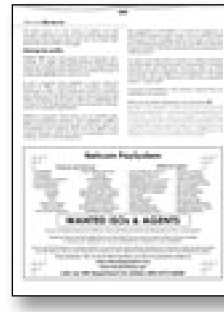
NotableQuote

Offering a program where there are no monthly minimums, no merchant contracts, "free" terminals, a $200 to $300 contract bonus and no strings would be a great way to bankrupt your company.

See story on page 62



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Forum

How to pick an ISO

I am trying to find an ISO that I can be a reseller for, so I can find local merchants in my city that need credit card processing and resell the ISO's processing to them. The problem is that hundreds of ISOs all say they have the greatest reseller program. How can I figure out which is really the best?

One company is saying I would get 95 percent of the revenue, but I find this hard to believe. I don't see how they could make any profit if they keep just 5 percent. It sounds too good to be true. However, the company is among the fastest growing, according to *Inc.* magazine.

Could you please give me any advice on how to find the best ISO reseller program?

David J. Potter
Merchant level salesperson

David,

We referred your question to Andy Meadows and Kevin Jones who are, respectively, Vice President, Sales, and President of SignaPay Ltd. They also both belong to The Green Sheet Inc. Advisory Board. Here's what they had to say.

> *Offers that sound too good to be true may very well be. Many companies advertise high revenue shares and/or big upfront signing bonuses, but you need to consider a number of key points when it comes to the financial side of those relationships:*
>
> - *What are they sharing revenue on? Many companies exclude a multitude of line items from their revenue shares (for example, PCI annual fees and government regulatory fees). Hence, you have to sell your merchants on these costs, but you're not benefiting in the revenue they generate.*
> - *If you incur high transaction costs, high basis points on processing volume, and/or numerous recurring monthly fees on your agreement, then you're only sharing in revenue after you've covered that cost. With this, 95 percent of "a little" simply isn't that much.*
> - *Are they offering lifetime residuals? And what are the conditions they stipulate in order to keep receiving your lifetime residuals. More so, have you researched the reputation of the company to ensure that they honor the agreement to pay your residuals?*
> - *Be cautious of signing bonuses. They may offer instant income, but you compromise the amount of revenue share you receive. This, in turn, reduces the overall value of your portfolio in the long run. In essence, you're mortgaging the future value of your portfolio for quick cash.*
> - *Merchant retention is a key to building and maintaining a profitable residual income. What is the company's background with merchant level customer service? How do they handle rate increases? Do you have any say in those increases? If the company "fees your merchants to death," you may find yourself in a monthly struggle to out-sign your merchant attrition.*
>
> *Furthermore, consider the type of partnership you need to be successful. Most companies promise the world when it comes to service and support, but will they deliver? Again, research their reputation.*
>
> *Will the company provide you an all-inclusive, back-office infrastructure that supports your daily sales efforts? Things like statement analysis, pricing strategies, POS equipment options and marketing collateral all are critical to your ability to sign merchants.*
>
> *Key departments like application processing, underwriting and risk management can either slow you down – or add to your efficiency. Will you have an open line of communication with these teams and their management staff, or will you feel like you're on the outside looking in?*
>
> *What tools will you have access to? Online account boarding and residual reporting, e-signature applications, mobile processing solutions, and Europay/MasterCard/Visa capability are just a few of the tools you need.*
>
> *Will you receive ongoing training and education to improve your sales strategies and keep you up to date on industry trends? Knowledge is power; you need a company that is committed to your ongoing development.*
>
> *Don't be so fixated on high revenue shares and big signing bonuses that you forget to look at the whole relationship. The devil is in the details.*

Thank you, Andy and Kevin, for your thorough, insightful response. And best of luck to you, David, in finding an ISO that is just right for your long-term success in the payments industry.

Editor

QSGS

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

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Cover Story

Interchange under attack

It seemed only yesterday the card brands reported debit card usage had surpassed consumer usage of credit cards. But the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may be reversing that trend. And now, with forces gathering to limit credit card interchange, uncertainty prevails about the underpinnings of the industry.

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News

Kaplan an ideal fit for TMX

Joe Kaplan has come out of retirement to helm Total Merchant Services Inc. The rainmaker and industry veteran was not content to sit on the sidelines for long. The new challenge for Kaplan is not to found a new company, as he has done previously, but to take TMS to the next level.

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News

New Visa, MasterCard fees stir debate within industry

Visa Inc. and MasterCard Worldwide are poised to implement new acquirer fees. Visa said its new fee is necessary to keep the card company competitive in a changing economy. Some experts feel that even with these new costs, merchants will spend less money on fees. Comments on the GS Online MLS Forum suggest merchants' costs will go only one way, and that's up.

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News

EBT restriction bills advance

At both the federal and state levels, bills are advancing to restrict what goods and services food stamp recipients can purchase with electronic benefit transfer (EBT) cards. Lawmakers seek to ban EBT cards from being used in such places as strip clubs, casinos and liquor stores.

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News

Researchers say encryption doesn't always work

A team of Swiss researchers discovered what they believe is a flaw in an algorithm commonly used to encrypt payment card data. Apparently, two out of every 1,000 encrypted numbers are not hidden at all. Is this development a cause for concern in the data security community, or is it just the price we pay for living in a world where nothing can ever be 100 percent secure?

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Feature

Into Africa with Obopay

The continent of Africa has become an international investment magnet, with abundant natural resources in growing demand worldwide. California-based mobile financial services company Obopay is part of this development. Its most recent launch in Uganda highlights how a solid business model can be successfully replicated from one country to the next.

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Education

Differentiation, the pricing-squeeze terminator

Selling on price is a tight squeeze today. With competitors undercutting you on price, reducing your own prices to stay competitive is a faulty strategy. The solution is to differentiate yourself in other ways, such as by offering superior customer service, becoming a subject-matter expert who specializes in solving merchants' problems.

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Education

When warm leads become elephants

Hunting for elephants in the payments industry is a hazardous undertaking, but not for the elephant. Signing a large merchant can be accomplished, but taking one down takes much time and effort. Before you start the campaign, it might be wise to weigh whether committing to the hunt is worth it, even if the trophy case remains empty in the end.

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Education

How ISOs and MLSs can use Pinterest

Pinterest is a hot new social media website that turns end-user computers into pinboards of images and hot links. The site can help businesses market themselves in new ways by leveraging the fluid aspects of the Internet. With Pinterest emphasizing what is visual and interactive, the most uninspired marketer can look creative and dynamic.

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Inspiration

Cultivating your own device-free zone

Mobile devices are indispensable to busy professionals. But smart phones and tablets can be detrimental if they interfere with other aspects of daily life, such as safely crossing the street. Balancing technology with engagement in the real world leads to a sense of well being and better sales agents.

Survival kit for the new agent.
To survive in today's digital world, an agent needs mobile access to tools that build and manage business far from the world of paper and fax machines. With the online tools of CB Mobile Office, the sales process becomes streamlined by allowing a more efficient interaction with merchants.
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NEWS

Isis loads bankcards onto mobile wallet

Isis, the mobile commerce startup developed by AT&T Mobility, T-Mobile USA and Verizon Wireless, signed **JPMorgan Chase & Co.**, **Capital One N.A.** and **Barclays Bank Delaware** to deals that allow the banks' debit, credit and prepaid cards to reside on the Isis mobile wallet.

Consumers will be able to load the eligible cards onto the wallet by summer 2012, Isis said. Once the cards are loaded, consumers will be able to use smart phones to shop, redeem coupons and earn loyalty points at participating brick-and-mortar merchants. The program will roll out first in Salt Lake City and Austin, Texas.

Visa Inc., MasterCard Worldwide, Discover Financial Services and American Express Co. are already attached to the Isis venture, providing the banks freedom of choice among card brands to offer customers.

"Isis is setting itself apart by patiently building an ecosystem of user, network and merchant partners, offering an open platform that leaves partners in control of how they will communicate with their customers, and leaving the partners in control of sensitive payment and marketing data transiting over the platform," said Gwenn Bézard, a Research Director at Aite Group LLC.

SmartMetric introduces fingerprint activated cards

SmartMetric Inc., a manufacturer of biometric credit and identification cards, introduced a new credit card that uses fingerprints, instead of PINs or passwords, to verify users and activate the card's transaction capability.

A miniature fingerprint reader built into the card activates it as a payment device. The card is only activated if the fingerprint of the card user matches that of the card owner. SmartMetric said its new technology is the "safest method for securing both offline and online purchases."

PayPal keeps moving

PayPal Inc., the payment subsidiary of eBay Inc., reported the rollout of its in-store payment system to all The Home Depot U.S.A. Inc. locations nationwide, nearly 2,000 in total. The new PayPal payment option is expected to be installed in all Home Depot POS systems by the middle of March 2012.

In other news, PayPal is adding a new operations site in Dundalk, County Louth, Ireland, with the support of the Irish government through the industrial development agency **IDA Ireland**. The new operations center, representing the third eBay operation in Ireland, will reportedly add 1,000 new jobs to the Irish economy.

Visa accelerates mobile ambitions

On Feb. 28, 2012, **Visa** made several announcements, all geared toward mobile commerce.

Visa and U.K. mobile telecommunications company **Vodafone Group PLC** inked a deal to develop a Vodafone-branded mobile wallet for Vodafone's 398-million user base across 30 countries and five continents.

The service will be launched in Germany, the Netherlands, Spain, Turkey, and the U.K. It is apparently the largest agreement to date between a global payment network and a mobile operator.

- According to a report from **Shoestring Publishing**, the hot dog cart business generates $18 billion in revenue based on the sale of an estimated 2 billion hot dogs annually. Vendors in this niche reported business has been brisk despite the recession.

- A **Research and Markets** report, *Retailing Beauty Products Online*, predicts 40 percent of the global population will be online by 2020, with the Asia-Pacific region expected to drive Internet beauty products retailing well above its 3 percent share of total Internet sales posted in 2010.

- According to **MasterCard Advisors SpendingPulse** experts, specialty apparel captured 18.1 percent of total apparel sales in 2011, up from 16.4 percent in 2010.

Secondly, **Samsung Electronics Co. Ltd.** and Visa revealed the official mobile payment application of the London 2012 Olympic and Paralympic Games.

Samsung mobile phones embedded with Visa's payWave technology will allow consumers to make contactless, near field communication (NFC)-enabled proximity payments at venues throughout the games.

Also, Visa teamed with **Oberthur Technologies Inc.** to provide financial institutions and mobile network operators with a way to securely provision – or download – payment account information to NFC-based smart phones.

As a trusted service manager, Oberthur develops software and platforms to manage the provisioning and activation of accounts on cards and mobile devices that function with NFC.

Finally, **Intel Corp.** and Visa allied to develop mobile commerce solutions for consumers in developed and developing countries. As part of the agreement, Visa certified Intel's Smartphone Reference Device for use with payWave.

ANNOUNCEMENTS

Charge Anywhere adds Spanish to app

Mobile payment provider **Charge Anywhere LLC** launched its Mobile Payment Application for Android with Spanish language capability at the CARTES in North America Expo & Conference held in Las Vegas March 5 to 7, 2012.

Cynergy Data updates VIMAS

Cynergy Data LLC added a merchant pricing module to its VIMAS management tool. Cynergy said the module enables ISOs to set prices in hundreds of ways.

ISOs can use the tool to create customized Pass-Through, Pass-Through Plus, Recover Reduce, Enhanced Recover Reduced and Tiered programs. The software includes more than 600 customizable interchange pricing categories and miscellaneous fees for profit-driven pricing.

ePN launches mobile card reader

Payment gateway and software development company **eProcessing Network LLC** unveiled the ePNMobile Pro Encrypted Audio Jack Reader. The new reader allows merchants to use mobile devices and tablets to process electronic payments remotely.

First American releases NFC/EMV terminal

First American Payment Systems L.P. released the Xion 2.5. POS terminal and said the proprietary payment processing terminal has the ability to process NFC contactless payments and Europay/MasterCard/Visa (EMV) smart cards.

Rick Rizenbergs, the company's Executive Vice President of Sales and Marketing, said First American is "very excited to introduce our terminal to merchants so they are ready to accept this next-generation payment type."

Global Payments develops new portal

Payment processor **Global Payments Inc.** released its Global Payments Developer Portal. The new website simplifies on-boarding processing and makes it easier for developers to access tools to enable payment processing through Global. The portal supports payments on multiple platforms, including mobile phones, e-commerce websites and POS systems.

Heartland forges 10,000th SmartLink

Payment processor **Heartland Payment Systems Inc.** said it has installed 10,000 SmartLink network sites in under 18 months. SmartLink is a managed, Payment Card Industry (PCI) Data Security Standard (DSS)-compliant network gateway for petroleum and convenience store operators.

Philly fed's payments center adds online resource

The **Payment Cards Center** coordinated the addition of new web pages to the **Federal Reserve Bank of Philadelphia**'s website to showcase its Program in Consumer Credit & Payments. The new pages consolidate the Philadelphia Fed's published research and statistics on consumer credit and payments into one area on the website.

New features include a searchable publications library, access to the bank's podcasts, a catalog of previous and upcoming events, and a page listing the Fed's subject matter experts accompanied by links to web pages summarizing their research.

SecurityMetrics wins Stevie

Electronic commerce and payment security firm **SecurityMetrics Inc.** took the bronze in the Call Center of the Year category at the sixth annual Stevie Awards for Sales & Customer Service.

SEPA regulation passed

New **Single Euro Payments Area** (SEPA) regulation passed the European Parliament Feb. 14, 2012, and is designed to make cross-border bank transfers faster, cheaper and safer, the European Parliament said in a release issued after the vote. European banks have until Feb. 1, 2014, to adopt the new SEPA standards.

AmEx OnePoint expands providers

Total Systems Services Inc. said its front-end authorization and capture platform and its back-end clearing and settlement platform are now able to process AmEx OnePoint transactions. ISO **Priority Payment Systems** also said it is now a OnePoint certified servicing agent. OnePoint allows small businesses to use a single source for statements, settlement and customer service for all major card brands.

VeriFone offers wallet acceptance end-to-end

VeriFone Inc. introduced the Paymedia Universal Acceptance Platform at the Mobile World Congress in Barcelona, Spain. The platform is a suite of services and software for mobile network operators to use when managing mobile wallet acceptance at retail POS terminals. The platform supports payments, promotions and coupons.

PARTNERSHIPS

Computop, MagTek align

Payment gateway provider **Computop Inc.** teamed with data security and identity verification technology firm **MagTek Inc.** to develop physical POS terminals and virtual payment applications that work on Computop's Paygate 5.0 platform. Initially, the companies will focus on smart phone and tablet POS solutions.

New tandem to support Level 4 merchants

PCI DSS compliance provider **ControlScan Inc.** and payment processor **Vantage Card Services Inc.** expanded their relationship to help small and midsize merchants achieve and maintain PCI compliance. Vantage Card Services' customers can now access ControlScan's PCI 1-2-3 compliance solutions, allowing them to analyze, remediate and validate PCI compliance.

Elavon, DataCash launch European gateway

Acquirer **Elavon Inc.** and MasterCard's multichannel payment gateway and fraud and risk management company, **DataCash Ltd.**, joined to launch Elavon's Global E-Commerce Gateway solution in Europe. The solution is designed to offer more payment options, reduce fraud and increase sales for e-commerce businesses.

MasterCard, Telefonica venture named

MasterCard and telecommunications company **Telefónica S.A.**, the parent company of Madrid, Spain-based mobile operator Movistar, named their joint venture to create mobile financial solutions in 12 Latin American countries Wanda.

The Wanda venture will provide mobile payment solutions to more than 87 million Movistar customers. Wanda will be linked to mobile wallet or prepaid accounts and will enable money transfers, mobile airtime reloads, bill payments and retail purchases, among other services.

Moneris, DonorDrive team up

Payment processor **Moneris Solutions** said it has entered a business partnership with **Global Cloud**, provider of the popular online fundraising software DonorDrive. Moneris will integrate its proprietary eSelectPlus payment gateway into DonorDrive, enabling Global Cloud clients to process electronic donations and payments directly through their DonorDrive software and Moneris.

Oberthur shows AirSIM

Security and identification solutions company **Oberthur Technologies** and European information technology provider **Ingecom S.L.** integrated a high-frequency chip and antenna into a SIM card to allow transactions from distances up to approximately 50 feet. Reportedly, the technology does not require an antenna-equipped handset or software or hardware modifications to the receiver.

WorldPay goes mobile with BOKU

International payment processor **WorldPay US Inc.** chose U.K.-headquartered **BOKU Inc.** as its global mobile payment partner. WorldPay will integrate BOKU's payment platform into its network to allow WorldPay merchants to accept mobile payments from customers.

ACQUISITIONS

JPMC invests in GoPago

JPMC invested in **GoPago Inc.**, a San Francisco-based mobile payment technology company. GoPago allows consumers to browse, order, and pay for goods and services using mobile phones.

Businesses can use GoPago to assess customer information and target advertising, loyalty rewards and other offers. JPMC business customers will be offered the opportunity to create GoPago mobile storefronts.

GlobalCollect purchases Sub1

Payment processor **GlobalCollect Services USA Inc.** agreed to purchase **Sub1**, a payment service provider that boasts a 70 percent market share in Argentina. The acquisition is expected to boost Global Collect's presence in Latin America.

Ingenico adds to ROAM Data investment

POS device manufacturer **Ingenico SA** made another investment in mobile commerce, platform-as-a-service provider **ROAM Data Inc.** Ingenico said the investment will spur ROAM Data's growth and allow the two companies to offer mobile commerce solutions to payment service providers worldwide. Ingenico first invested in ROAM Data in 2009 when it took a 43 percent interest in the company.

Ingk Labs purchase of ORCA to challenge PayPal

Ingk Labs, a New York firm specializing in disruptive social media technology investments, acquired **ORCA**, an e-commerce payment platform developed through venture capital investments. The ORCA technology will be used to build Payz, a payment platform designed to compete with PayPal.

Oberthur gets MoreMagic

Oberthur Technologies entered negotiations to buy mobile commerce and financial services technology company **MoreMagic Solutions Inc.** MoreMagic technology is reportedly used in over 30 countries.

Mobile wallet venture forms in Mexico

Telecommunications and mobile payment solutions company **The Paymotech Group**, Mexican payment provider **Boundless Payment Solutions Inc.**, and **Mi Adelanto Corporativo**, a Mexico-based financial services firm focused on the unbanked, agreed to work together to deploy Paymotech's Paytoo mobile wallet in the Mexican market. Subscribers will be able to use Paytoo to top up prepaid mobile phones and pay bills.

APPOINTMENTS

Herbig heads to ETA advisory council

Joan Herbig, Chief Executive Officer at ControlScan, was appointed to the Electronic Transactions Association's Presidential Advisory Council. She joins five other payments industry leaders on the council. The council provides advice and guidance on ETA initiatives, such as education and legislation. Herbig previously served on the ETA's Risk and Fraud Committee.

McCole joins Heartland

Thomas McCole is the new Executive Director of Affiliates for Heartland. McCole previously provided dealer/affiliate business development consulting services at Atomic Mobile Payments. McCole is tasked with leading Heartland's affiliate relationships, including banks, associations and value-added resellers.

Merrigan signs on at 3Delta

Diane Merrigan was named the new Vice President of Sales for 3Delta Systems Inc., a business-to-business (B2B) payment processing and data security company. Merrigan served as Director of National Accounts at Heartland prior to joining 3Delta. Merrigan will be responsible for growing sales for the B2B processor's products and services.

Shah, Persaud appointed at eMerchantPay

In conjunction with the opening of its new office in Boca Raton, Fla., European payment company eMerchantPay Corp. hired **Garima Shah** as Head of U.S. Sales and **Karl Persaud** as Director of Business Development.

Shah was formerly Senior Vice President of Indirect Sales for Century Payments Inc., where she helped to start an ISO and partnership division. Persuad previously worked in sales and business development for the ISO Payment Alliance International.

Slominski tapped by Signature

Aaron Slominski is the new Senior Vice President of National Sales at Signature Card Services. Slominski has a decade of experience in payment processing business development and sales. He is responsible for recruiting and managing agent bank relationships, overseeing referral partners, ISO recruitment and training, and developing the company's sales force.

10 years ago in The Green Sheet

Worldwide payment provider PayPal Inc., 2012 Republican presidential hopeful Newt Gingrich and major card brand Visa Inc. were making news a decade ago, and they're doing the same today. PayPal recently stepped into the brick-and-mortar POS payments realm, Gingrich is back on the campaign trail and Visa is still at odds with retailers over interchange fees.

The Green Sheet was **64** pages.

PayPal IPO raises $1.2 billion on first day

On Feb. 15, 2002, PayPal celebrated its initial public offering on the Nasdaq Stock Market, opening at $13 per share and closing at $20.05, bringing the company's total stock value to $1.2 billion on its inaugural trading day. At the time, PayPal boasted over 12 million registered users in 37 countries.

Gingrich keynote speaker at ETA 2002

During the Electronic Transactions Association Annual Meeting & Expo in Orlando, Fla., former Speaker of the U.S. House of Representatives Newt Gingrich was scheduled to deliver the keynote address covering relevant topics ranging from international finance to potential threats from terrorist, military and international criminal activities.

Visa softens stance on interchange fees

Responding to backlash by major retailers including Wal-Mart Stores Inc., Visa backtracked on a proposed increase in interchange fees on transactions processed over its PIN-based network, Interlink. Visa instead agreed to offer volume discounts to "qualifying" merchants via a tiered structure based on merchant type and Interlink transaction and sales volumes.

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Dear Industry Partners and Friends,

When I started Alpha Card Services 11 years ago, my vision was to create a company that would attract and retain the industries best ISOs and MLS through a combination of powerful financial and marketing programs, along with superior service and support.

We`re extremely excited about the latest upgrade to our **Alpha Zero program**. This is the **industry`s largest bonus program**! Coupled with the industry`s lowest transaction fees; this means **more income for you**.

What upsets me the most is when I see the competition promote their so called "60/70/80% split programs." What the ISO isn`t telling you is what this percentage is based off of. They`re not providing you the specifics on how they calculate your residual - they are charging you 100% of the expenses. At Alpha Card, everything we do is completely transparent; and I urge you to review our full color ad onsert to clearly see how we calculate an ISO`s revenue versus the competition.

What makes Alpha Card Services different from the large universe of other processors in the industry is our focus on **more than just processing**. When our reps walk into a merchant, we equip them with a comprehensive product suite of Hospitality and Retail POS Systems, Payroll Services, Gift & Reward programs, Cash Advance and ATM Services. As a result, we`re providing merchants with a one-stop source for their critical business needs, and you`ll enjoy incremental revenue opportunities on each of the additional Alpha Card products you sell.

We understand the economic realities of the industry and that`s why we`ve created a financial and service model that is second to none. These are just some of the great benefits we offer as part of our **Alpha Card Difference**.

- Bonuses are paid on monthly productivity. We have the largest ISO bonus program in the industry!
- Zero transaction fees
- Residuals are always paid on the 20th of every month
- Aggressive residual splits (with or without bonuses)
- Next Day Funding
- Petroleum
- TSYS, First Data (Front End) and Global (Front End)
- Free merchant statement analysis
- Zero hold times with our 24/7/365 Multilingual Customer Service & Technical Support
- Relationship Managers ensure your Alpha Card Services` experience is exemplary
- Dedicated merchant setup and retention teams
- Quarterly quality assurance calls
- East coast and west coast offices to better support you and your merchants

Make sure you contact Robert Heinrich, MaryAnn Baldez or me at 866.253.2227 ext. 252 to **get the Alpha Edge**.

Regards,

Lazaros Kalemis
CEO
Alpha Card Services

Scan this QR code for more information about Alpha Card Services` ISO program.

New Visa, MasterCard fees stir debate within industry

Visa Inc. Chairman and Chief Executive Officer Joseph Saunders said in a Feb. 8, 2012, earnings call the company is implementing a "program for modified acceptance economics in the United States, which we believe will offer merchants greater incentive to route transactions over our network and an opportunity to lower their per-unit transaction's cost."

In the same vein, MasterCard Worldwide confirmed it will begin charging a new acquirer licensing fee starting in July 2012.

Part of Visa's plan calls for imposing a new fixed acquirer network fee (FANF), which has many acquirers questioning whether the incentives will go far enough when the new fee goes into effect in April.

Part of Visa's plan calls for imposing a new fixed acquirer network fee (FANF), which has many acquirers questioning whether the incentives will go far enough when the new fee goes into effect in April.

The schedule

Effective April 1, the FANF will be assessed by a formula that takes into account the merchant's taxpayer identification number, the merchant channel and the merchant category code (MCC). Quarterly collection of FANF will begin July 2012, for the previous quarter. Charitable and social service organizations will be exempt from FANF.

Brick-and-mortar merchants that accept Visa cards at their locations will be assessed a FANF for each location. The fee accelerates according to the number of locations.

For example, a merchant with one to three locations will pay a $2 monthly fee per location; merchants with 4,000 or more locations will pay $65 or more per location monthly. Card present, high-volume MCC merchants, will pay $2.90 per month per location for one to three locations; those in this category with 4,000 or more locations will pay upward of $85 total per month.

For card-not-present merchants, merchant aggregators and most fast food restaurants, the FANF will be assessed according to gross merchant sales volume on Visa cards. Merchants in this category who process between $8,000 and $39,999 per month in gross card sales will pay $15 per month.

Higher volume merchants with gross card sales in excess of $400 million will pay a monthly FANF of $40,000. In all, there will be at least 16 tier pricing levels for this category.

On the incentive side, Visa said it will reduce variable fees, starting April 1, by cutting the network acquirer processing fee (APF) on Visa debit transactions from $0.0195 to $0.0155 per transaction.

The explanation

Visa spokeswoman Erica Harvill said the reduction in interchange fees that went into effect last year as a result of the Durbin Amendment to the Wall Street Reform and Consumer Protection Act of 2010 has changed the competitive landscape.

The Durbin Amendment encouraged card competition by demanding merchants be given a choice of where to route transactions. "To enable Visa to compete in the new environment, we have revised our business strategy in a manner designed to benefit merchants, financial institutions and Visa," she said.

Harvill said the new fee schedule is "designed in a way that is intended to reduce the cost of Visa acceptance. Ultimately these changes should provide merchants and acquirers with financial incentive to route transactions to Visa. The more transactions they route, the lower the cost per transaction. These changes … will result in a reduction in Visa's acquiring fees in aggregate."

Insider feedback

Implementation of Visa's **FANF** has spurred much debate within the GS Online MLS Forum community. Forum member **AMSPROCESSING** noted, "Visa is implementing a new $2 monthly fee for card present merchants and a sliding scale monthly fee for card not present merchants. The sliding scale is based on volume. Merchants that process card present and card not present get hit with both fees."

SCAINE wrote, "The increases and new fees coming in April (and likely again in October) are simply evidence of Visa and MasterCard's fiduciary responsibility to their shareholders to increase revenues, profits and shareholder value. As long as volume growth remains anemic, fees like this will continue to be implemented. The game changed when these associations went public."

CLEARENT said, "This isn't a surprise by any means (at least it shouldn't be) and merchants ultimately will pay for it (as usual)." In an interview outside the Forum, **CLEARENT** said, "I'm not sure what they mean by 'lowering the costs.'"

He said if the merchant received a benefit from the Durbin Amendment, the new FANF and revised fee schedule probably costs less than what the merchant was paying before the amendment went into effect.

However, he offered this analysis pertaining to APF savings, "Let's say an average merchant does $96,000 annually, at a $50 average ticket. That works out to $8,000 a month and 160 tickets. Let's say half those tickets are signature debit. So they saved on 80 tickets a total of 40 cents. If they have one location they are paying a $2 FANF fee. If 10 percent of their tickets fell to non-[card present] categories, or 16 tickets, they pay another $1.60.

"There could be some sort of effort to incentivize the merchant, but if this is purely a math exercise, if a merchant is comparing March to April's costs, this shows costs went up $3.20 a month."

CLEARENT called Visa's explanation "confusing at best, as the numbers alone don't confirm what they claim is behind this – incentives to the merchant."

Researchers say encryption doesn't always work

A Swiss National Science Foundation research team composed of mathematicians and cryptographers working in San Francisco discovered what they believe is a flaw in the encryption algorithm commonly used for online data security that may call online data security into question.

The researchers are scheduled to present their paper at an August 2012 cryptography conference, but they released their findings early, in February 2012, reportedly because they believe the findings are of concern to operators using the public key cryptography system.

Key report findings

The researchers studied public databases of 7.1 million public keys used for email, online banking, POS transactions and other services and found it to be 99.8 percent secure – not 100 percent. The researchers discovered a few of the numbers generated randomly by the encryption software were not actually random.

Potentially, if these nonrandom numbers were discovered, it would be possible to find the underlying data that was supposed to be encrypted. The researchers found 27,000 keys with no security out of the 7.1 million public keys studied. This amounts to approximately two numbers out of every 1,000.

"Our main goal was to test the validity of the assumption that different random choices are made each time keys are generated," the authors said in their report. "A more disconcerting finding is that two out of every one thousand [numbers] we collected offer no security.

"Our conclusion is that the validity of the assumption is questionable and that generating keys in the real world for 'multiple secrets' cryptosystems … is significantly riskier than for 'single-secret' ones." They added, that when exploited, this flaw "could affect the expectation of security that the public key infrastructure is intended to achieve."

The authors said they believe their findings are likely not new to "agencies and parties that are known for their curiosity in such matters." They said the majority of encrypted numbers do not seem "to suffer from obvious weaknesses and can be expected to provide the expected level of security.

"We found that on the order of 0.003 percent of public keys is incorrect, which does not seem to be unacceptable. We were surprised, however, by the extent to which public keys are shared among unrelated entities."

Security expert evaluation

It is not a good time for diminished confidence in the encryption system. MasterCard Worldwide and Visa Inc. are pushing for quick introduction of Europay/MasterCard/Visa (EMV) technology as the most secure way to do business. One reason for the push is because EMV technology securely encrypts data, according to the card companies.

Dr. Tim Cranny, Chief Technology Officer at Panoptic Security Inc., said the research findings are more interesting than important. "This is an example of a general class of isolated behavior," he said. "It's not a big deal. ... There's nothing the average person can do about it. It's the cost of living in a flawed world."

Cranny said the research is indicative of the kinds of problems businesses face all the time with technology and, typically, the next step is for businesses to look for improvements and solutions to minimize the problem.

Cranny believes the flaw would be difficult to exploit because it is hard to target. "It would be like trying to find and exploit two people with the same name who were born on the same day," he said. "It's just bad luck if the bad guys happen to find and exploit it.

There are much worse problems that get ignored by everyone. This is very obscure, very mathematical. They are stretching for relevance. I'd be astonished if this amounted to anything."

Kaplan an ideal fit for TMS

It's not surprising Joe Kaplan's appointment to Chief Executive Officer at Total Merchant Services Inc. generates interest among so many in the payments industry. Kaplan made his first mark as an acquirer in 1994 when he started Superior Bankcard Service and, in less

than a year, built it into the 12th largest nonbank acquirer in the United States.

He later sold Superior Bankcard Service for $100 million and started a new company, Innovative Merchant Services, in 1999. Four years later, Intuit Inc. acquired IMS for $116 million.

Kaplan stayed on to head Intuit's payments division after the merger, and from 2003 to 2009, he grew the division's yearly revenues from $24 million to $400 million, and expanded the work force from 95 to just under 1,000 employees.

Fast forward to 2011. Ed Freedman, TMS Chairman and founder, consulted with Kaplan about his company's search for a new CEO.

"We wanted a person that's led large merchant account acquiring organizations, a person that really understood it all – sales and marketing, operations, finance and technology," Freedman said.

"We wanted an industry veteran, a person that everyone knew and respected. In summary, we wanted a 'Joe Kaplan' – a real rainmaker."

And they got him.

A new challenge

So why did the man who already built two companies and sold them for a combined $216 million take on a new challenge leading another payment company?

"Being retired isn't all that it is cracked up to be," Kaplan said. "I am not hardwired to be idle. I actually enjoy working and figured that I should do something I know and love.

"Doing something just because you love it and not because you need the money is a great place to be, and from that point it was easy."

Kaplan knew what it was like to start a company and was looking for a different kind of opportunity. "I wanted to lead a company that had a lot of runway where I could add value coupled with having fun at work with partners that were smart, aggressive and that I could trust," he said, adding that TMS met those criteria and was looking to expand.

Solid plans

Kaplan said TMS will make large investments in existing programs, sales channels and technology. "Our new mission statement, which will dictate our strategies and priorities, is to become 'The premier global provider of easy to use business and payment solutions that can be used on any device, anywhere, anytime which inspire and empower our customers' success,'" he noted.

The new CEO believes TMS is in "a terrific financial position. It generates an enormous amount of free cash flow. We are looking to reinvest this money to grow the business aggressively."

The cash will be turned into upgrades and improvements in program and product offerings, customer boarding (including enhancements to application processing and underwriting), and technology, Kaplan added.

"In the end, we are going to create a big gap between us and the rest of our competitors in regards to – world class customer service, ease of doing business and sales partner support," he said.

"In addition to having the best program offering, we are going to provide technology, products and service levels that will be the envy of the entire industry."

Kaplan believes TMS sales channels are depending on the company to take the mission statement to heart. To this end Kaplan hired Jeff Broudy, who formerly worked for him as head of Intuit's Payment Sales Division.

"Jeff was one of the first people I called, when I decided to get back into the bankcard industry and to join Total Merchant Services as its CEO," Kaplan said. "His experience of building the payments division at Intuit, only reinforces the many reasons that I am excited to have Jeff as a key member of our leadership team."

The shifting landscape

The payments industry's dynamics have changed significantly since Kaplan stepped down as the head of Intuit's payments division in 2009. How will Kaplan and TMS adapt?

"The payments landscape is not immune to change, as most everything evolves and looks different," he said. "Change is actually a great accelerant to growth and allows well positioned companies to take advantage of the many opportunities that are created as a byproduct of that change.

"The most amazing opportunity that is created is that most companies will continue to play where the puck is and not where it is going to be. Innovation, guts, insight and the fundamental quest to provide an amazing partner and customer experience will separate companies who will enjoy the new world."

Kaplan said there are no plans to sell the company. "We have a great strategy to succeed and plan on growing aggressively over the next five to 10 years," he said. "There are simply too many opportunities in front of us and way too much fun. Truly, this is the most fun I can have with my clothes on."

SellingPrepaid

Prepaid in brief

NEWS

EBT restriction bills advance

Moves are underway at both the federal and state levels to restrict what goods and services food stamp recipients can purchase with electronic benefit transfer cards.

The **Welfare Integrity Now for Children and Families Act of 2011** (HR 3567) passed the U.S. House of Representatives on Feb. 1, 2012, and a **Florida bill** (SB 1658) introduced in January 2012 passed out of the Florida Senate's Children, Families, and Elder Affairs Committee.

N.J. lawmakers seek GPR fee limits

Three **New Jersey legislators** sponsored a bill designed to limit fees charged on general purpose reloadable (GPR) prepaid cards and require GPR card providers to disclose certain information to consumers.

The bill, A 2144, allows monthly, reload, money transfer, pay-by-check, ATM cash withdrawal and card replacement fees, but would forbid a host of other fees, including annual, overdraft, usage at the POS, inactivity/dormancy and balance inquiry fees.

OneWest Bank GPR card tops comparison site research

A GPR card issued by Southern California financial institution **OneWest Bank** offers the lowest yearly fees by far, according to payment card comparison website **NerdWallet.com**. The OneWest Prepaid Debit Card costs $69 in total yearly fees, NerdWallet.com found. In comparison, UniRush Financial Services LLC's Baby Phat Prepaid RushCard Pay Monthly card costs $387 per year in fees, the comparison site reported.

ANNOUNCEMENTS

Paybefore bestows more honors

For the 2012 Paybefore Awards, South Africa-based **DrawCard**, part of Paycorp Holdings (Pty) Ltd., won in the Best Emergency/Insurance/Non-Government Benefits Prepaid Program and the Best Non-U.S. based Prepaid Program categories for the DrawCard Santam Insurance Claims Card.

Additionally, the Health SolutionsPlus card won in the Best Health Care/Health Benefits Prepaid Program category. Health SolutionsPlus was launched in March 2011 by Canadian group benefits provider **The Great-West Life Assurance Co.**, in conjunction with **Visa Canada** and health care benefits card processor **Evolution1**.

Prepaid Awards India honors card providers

The second annual Prepaid Awards India was held Feb. 15, 2012, in London. The winners were **Itz Cash Card Ltd.** (Best Prepaid Non-Gift Program and Leading Prepaid Organization), **Indian Oil Corporation Ltd.** (Best Prepaid Gift Program), **HDFC Bank Ltd.** (Best Prepaid Travel Program), **QwikCilver Solutions** (Best Prepaid Service Provider) and **Anand Shrivastav**, Chairman and Managing Director at Beam (Industry Contributor).

MasterCard unveils unbanked initiative

MasterCard Worldwide launched a global initiative called the MasterCard Mobile Money Partnership Program geared toward financially underserved consumers worldwide – over 2.5 billion people.

The program is designed to enable consumers to make mobile phone payments at brick-and-mortar and online merchants worldwide, as well as transfer funds and pay bills.

Comviva Technologies Ltd., Sybase Inc. subsidiary **Sybase 365** and **Utiba Mobility Inc.** will provide stored-value accounts to offer mobile top-up, bill payments and person-to-person payments within the program's network.

nFinanSe approves deregistering of common shares

General purpose reloadable card provider **nFinanSe Inc.** reported that its board of directors approved a filing with the Securities and Exchange Commission to deregister its common shares.

The Tampa, Fla.-based company said having publicly traded common stock did not benefit the company or its small number of shareholders. NFinanSe expected the savings derived from deregistration to be "financially meaningful" to the company.

PARTNERSHIPS

Triumvirate launches GPR card in India

Itz Cash Card Ltd., in association with **IDBI Bank Ltd.** and **MasterCard**, unveiled the Freedom Prepaid Card – called India's first co-branded GPR card. The card, emblazoned with IDBI Bank and Itz Cash Card logos, as well as the MasterCard brand, is being targeted at India's youth market, who traditionally pay for goods and services with cash. India's youth population represents 47 percent of the country's 1.21 billion population, the companies said.

NetSpend to PM PayPal's prepaid card

NetSpend Holdings Inc. Chief Executive Officer Dan Henry said eBay Inc. subsidiary and alternative financial services provider **PayPal Inc.** chose NetSpend to be the program manager, distributor and processor for PayPal's MasterCard-branded GPR card.

The card must be linked to a PayPal account to give cardholders full access to the card's online functionality and features. The card is issued by The Bancorp Bank, a subsidiary of The Bancorp Inc.

Ukash enters Denmark via 7-Eleven

U.K.-based prepaid voucher provider **Ukash** said its International eMoney payment method is now available in Denmark through 195 **7-Eleven Inc.** stores. Ukash said the Denmark launch follows the Norway launch in February 2010 and the rollout into Sweden in December 2009.

ACQUISITIONS

InComm buys health care payment firm

InComm bought its former partner **Medagate Corp.**, which the distributor characterized as the only operator of a national, closed-loop, over-the-counter health care benefit payment platform. Medagate's technology platform, the OTCNetwork, enables health care payments at the POS.

SelectCore takes Conquest

Canada-based prepaid telecommunication company **SelectCore Ltd.** purchased Canadian payment processor **Conquest Financial Services** for $4,760,000. SelectCore estimates that the Conquest acquisition will generate approximately $1.2 million in annual profit for the company.

APPOINTMENTS

Courtneidge becomes PIF chairman

Prepaid International Forum elected **Robert Courtneidge** to Chairman of the international trade association. Courtneidge, Global Head of Cards & Payments at U.S. law firm Locke Lord LLP, succeeds interim Chairman Ken Howes, who steered PIF in the wake of the death of Christopher Reddish in a June 2011 sailing accident.

Additionally, the PIF named four new directors to its board: **Craig James**, CEO of Neopay Ltd.; **Judith Rinearson**, a partner at Bryan Cave LLP; **Peter Sidenius**, Director, Edgar Dunn & Co.; and **Paul Stanley**, CEO at Retail Decisions Inc.

Global Payout hires Morgan to run IT

Prepaid debit card program manager Global Payout Inc. established an in-house information technology department to spearhead its new mobile wallet payment platform and tapped **Brett Morgan** to lead the effort as Chief Technology Officer. The company said Morgan has extensive experience in the development and implementation of software platforms in the construction, health care and gaming sectors.

Stormberg named QuickPay COO

Mobile parking payments and services provider QuickPay Corp. hired parking industry veteran **Gregory J. Stormberg** as Chief Operating Officer and Head of Business Development. Stormberg brings 27 years in the commercial parking and transportation industry to his new role of forging national partnerships with municipalities, operators and universities.

'Powerful Woman in Prepaid' joins InteliSpend

Michele Sullender, named one of 2010's "10 Most Powerful Women in Prepaid" by Paybefore, became Vice President of Product Strategy at InteliSpend Prepaid Solutions LLC. Sullender is the secretary of the Network Branded Prepaid Card Association and brings over 10 years of consumer and business prepaid product development experience to her new VP role.

Features

Into Africa with Obopay

The East African nation of Uganda is decidedly not "top of mind" for most U.S.-based businesses. But it is for Redwood City, Calif.-based mobile money service provider Obopay, which is leveraging its successes in the developing markets of

India and other African countries to provide a prepaid mobile wallet to help bridge the financial services gap for unbanked Ugandans.

The service, called Warid Pesa, arises out of a partnership between Obopay and telecommunication provider Warid Telecom (Pvt) Ltd., part of the Abu Dhabi Group. People sign up for the service via retail outlets in Uganda that sell Warid Telecom's mobile phone services.

Customers reload accounts with cash via those authorized retailers and dial short codes on phones to access mobile prepaid accounts. This interface allows them to make money transfers, pay bills and top up prepaid cell phones electronically, without needing access to traditional bank accounts.

According to The World Bank, Uganda has a population of over 32 million, with 31.1 percent living in poverty. Thus, David Schwartz, Vice President of Product and Corporate Marketing at Obopay, pegs Uganda's unbanked population at over 10 million.

However, Uganda is experiencing robust development. The African Economic Outlook forecasted Uganda's real gross domestic product (GDP) growth rate to increase from 5.6 percent in 2011 to 6.9 percent in 2012, more than doubling the published GDP growth projections for the United States.

Deepak Chandnani, Chief Executive Officer of Obopay, said Uganda's economic growth, paired with the country's large unbanked population, makes the opportunity for Obopay in Uganda "very, very significant."

Distribution and trust

Distribution is the key factor in emerging markets, according to Chandnani. Obopay's initiative in India involves YES Bank Ltd. and device manufacturer Nokia. Obopay is leveraging the roughly 200,000 retail outlets in India that sell Nokia handsets to distribute Obopay's mobile wallet service. Since its launch in February 2010, the service has grown steadily and is now available in approximately 150 cities across India, Chandnani said.

"Similarly for Warid in Uganda, they have a pretty large distribution network through which they sell their SIMs and promote their service," he added. "And those are the first set of outlets that are becoming the mobile financial services agents where people can go and do cash-in and cash-out and offer this."

Africa on the rise

A recent report commissioned by fund manager Invest AD and conducted by the Economist Intelligence Unit said Africa will be an investment hotbed from outside entities over the next five years.

The report, entitled *Into Africa: Institutional investor intentions to 2016*, cites Africa's abundant natural resources, including oil and precious metals, as big investment draws. But the chief attraction, according to the report, is the rise of Africa's middle class, which stands at 300 million of an overall population of 1 billion.

As consumers achieve greater financial stability and become more banked, their financial needs will change. But Chandnani does not see this development as a threat to Obopay. "If people find that they tend to be getting service well, and they are getting what they need, they tend not to churn," he said.

Chandnani expects Obopay to be operational in 10 developing countries by the end of 2012. But it's not the size of any specific population that has driven Obopay's strategy, rather it's the growth of the aggregate user base with each new roll out.

"As our partners go out and market the service, they don't have a problem if it goes to 50,000 to 500,000 to 3 million users," Chandnani said, and added, "At a certain point it tips and then it really starts to take off."

Has mobile prepaid RDC finally arrived?

Prepaid card companies have salivated for years at the possibilities of mobile remote deposit capture (RDC), or MDC. Having the ability to scan checks with smart phones and remotely deposit funds to general purpose reloadable (GPR) prepaid card accounts eliminates the middle steps of cardholders having to cash checks and buy reload packs with the cash in order to reload accounts.

But fraud risks inherent in the unsupervised scanning of checks has been the chief stumbling block to the adoption of prepaid MDC.

"On a mobile phone, you or I can take a picture of a check at any point, at any time," said Randy Simoneaux, founder and Chairman of RDC provider Clear Payments Inc. "And somebody better be smart enough and be able to look at that image, know that check, know that maker, know the profile, know hundreds or thousands of business rules that have to be done in milliseconds."

A new service built by CPI and check guarantee company Chexar Network Inc. may have solved that problem. In the companies' check-to-card Deposit Choice solution, CPI prepares and processes scanned checks and Chexar clears and settles them.

The service is targeted at the financially underserved consumer segment, estimated at over 88 million in the United States, according to audit and advisory firm KPMG LLP. Simoneaux said, "So, literally, in a matter of seconds, you can take a picture of a check, we can approve it, settle it to the prepaid card company, and that prepaid card can be loaded literally within a couple of minutes – the entire transaction."

From collection plate to cashiers

In 2006, CPI branched out from traditional, bank-centric RDC to develop new channels for the service. One such channel turned out to be churches that use CPI's technology to remotely scan and deposit tithes, Simoneaux said.

In 2008, CPI turned to check cashers to help them process checks faster and with more sophisticated analytics to reduce check fraud. CPI leverages Chexar's Good Funds Network, which includes two call centers where checks flagged by the automated system go to be individually scrutinized by Chexar's staff.

The Deposit Choice service offers GPR cardholders two options: expedited or delayed MDC. "If the immediate funds cannot be approved, we can give that consumer an option to do a delayed deposit, which means that that check can be pushed to a bank or a prepaid card company," Simoneaux said.

"And after the check goes through the system, and it comes back cleared, the funds can then automatically be triggered to be loaded onto the card."

Checks on checks

Another aspect of Deposit Choice is Chexar's patent pending National Duplicate Check Database (DUPEX), which is designed to give check acceptors advanced warning of checks that are duplicates of previously cashed or deposited checks, remotely accomplished or otherwise.

"If that [counterfeit] check shows up 30 minutes or an hour later at another location, anybody in that system will be able to see that that check had a prior account or was actually settled somewhere before," Simoneaux said.

He therefore believes DUPEX will be invaluable in the MDC space. When a check is cashed at a check casher, the physical check is held by the service provider; but not so in the mobile realm. "At the location, you turn that instrument over to somebody and it's kept," he said.

"On mobile, you take the picture and you move on."

Our industry has been invaded: What will you do?

By Jeff Brodsly
Chosen Payments

Not too long ago, the payments industry was not well known. If I said I was in the merchant services business, most people had no idea what that meant until I explained it to them. For many years, the few of us who were in this business flew under the radar, left alone to create our own success.

Evolution occurs in every commercial sector – from real estate and finance, which have existed for centuries, to the payments industry, which has existed fewer than 30 years.

The current evolution in payments is taking place at breakneck speed, and I believe it is now fueled by three main forces: large corporations, regulatory measures and a rash of new agents, all of which have invaded our sphere.

By large corporations, I mean companies such as Square Inc., Google Inc., Dwolla Corp., Yahoo! Inc. and all the new products they have rolled out. The new agents I'm thinking of are people who have jumped into the industry from other professions and are looking to make a quick buck.

In this article, I will focus primarily on those two forces, not on regulatory developments such as the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Payment Card Industry Data Security Standard and new Internal Revenue Service regulations affecting our industry.

I am not opposed to growth, change or even regulation; however, I am against the idea of corporate takeovers in addition to inexperienced outsiders making decisions that affect merchants nationwide and impinge on my success in an industry that thrives on good old service and support.

Seeking a quick fix

Many of our industry's newbies made a lot of money as real estate agents and mortgage brokers before the banking meltdown of 2008. They tended to spend twice as much as they made living a fantasy lifestyle. Then they woke up and needed a new career. But they are not focused on building something for the future; they are looking for a short-term fix.

Don't get me wrong, not all of our newcomers are undesirable. I welcome those who are ethical and want to build strong relationships and lasting careers.

It's OK to have different visions of success, too. But the invaders come with a predatory mindset that has created new hurdles for the rest of us.

Let me explain. If a merchant level salesperson's (MLS's) compensation plan details getting paid a large upfront bonus per closed deal and minimal to no residual, do you think the agent truly cares about the longevity of the account?

This type of arrangement breeds MLSs who lie and mislead merchants, lease terminals and, most importantly, price accounts to the bone, with scant room for profit. Here are some effects this has on both merchants and MLSs:

- It tarnishes the reputations of good MLSs when merchants realize they got swindled by bad agents who only care about upfront bonuses, but can't distinguish between the good and the bad.
- It leaves no profit in the deal for the good MLSs to come in and invest the time needed to give merchants the service they deserve.

Fostering greed

This influx of unsatisfactory agents is also causing greed to run rampant, damaging the industry that many of us love and want to preserve.

Greed is not always a bad thing. As Gordon Gecko said, "Greed is good!" I tend to agree to a certain extent. But coming into the industry, ripping off merchants and bouncing into the next quick-fix opportunity that comes along is not good greed.

Using corporate dollars to create a concept that is uncompetitive, unsecure and carries horrible customer service, yet, because of the corporate funding behind it, positions the company for great success, is not good greed.

Working hard for 20 basis points and getting excited every time your residual grows is good greed. Negotiating a true 80 percent deal with an ISO (as an MLS) and bragging about your deal is good greed.

Assessing new developments

When I asked industry expert and respected attorney Adam Atlas about factors impacting the industry in recent years, he said, "We are at a kind of tipping-point where face-to-face sales agents are having to square off against faceless big-brand online wallets."

This is an example of the big corporations coming in,

Those who are pioneers will always find a way to turn problems into opportunities. I foresee that corporate opportunists will make their money and then get weeded out when the business model fails (due to either lack of service or lack of profit). "The points of competition, as usual, will be service, pricing and products," Atlas said, supporting this opinion.

flexing their muscles, and forcing the single, hard-working MLSs to conform, cut profits, innovate or quit.

Not all of this is negative. Those who are pioneers will always find a way to turn problems into opportunities. I foresee that corporate opportunists will make their money and then get weeded out when the business model fails (due to either lack of service or lack of profit). "The points of competition, as usual, will be service, pricing and products," Atlas said, supporting this opinion.

I doubt Square founder Jack Dorsey gives out his cell phone number for late night customer service calls like hard-working MLSs or even chief executive officers of ISOs do. I have the utmost confidence there will be plenty of opportunity for patient ISOs and hard-working MLSs to take what they do best, modify it toward new advancements and remain standing tall.

Following PayPal

I also reached out to Darrin Ginsberg, CEO of Merchant Transact LLC and an industry veteran who is well distinguished for his insight on the overall changes we've seen recently. "I think the first major change in our industry started many years ago with PayPal," Ginsberg said.

"Now, in 2012, we have companies like Square Inc., Google, Apple, Facebook (via Facebook credits), Dwolla and other newbies to the industry trying to change the payment landscape to make things easier for the small merchant.

"These large, well-funded companies have millions of dollars to throw at a very profitable industry and are changing the way business is transacted. ... Some players will come and some will go, but this landscape will be forever changed. ... Those of us who have been in the industry for 15 or 20 years will long for the 'good old days' of selling and leasing POS equipment to mom-and-pop merchants."

(Before the advent of free-terminal programs, leasing equipment was the standard business model for ISOs and MLSs.)

Handling disputes

When discussing the effects recent industry changes have had on ISOs, Atlas said, "Another consideration is the stability of some of the new models that appear to have pricing that is too good to be true for the long run." I feel this applies to shady ISOs that either support misrepresentations on the part of the feet on the street or offer MLSs, staff or partners deals that are total lies.

These ISOs do not understand the "don't bite the hand that feeds you approach"; they are driven entirely by a bad breed of greed.

This has created an inordinate amount of disputes recently among MLSs, ISOs and their partners. And the invasion plays a role in creating this. First, when inherently greedy people get some of their profit taken away due to unsustainable business models caused by recent invasions, they look for all possible ways to make up for this loss.

Thus, ISOs create too-good-to-be true programs for their MLSs, and MLSs lie to their merchants to earn extravagant upfront bonuses.

Second, ISOs or MLSs who are not invested in the long-term value of this business lack the ethics needed to make it through substantial landscape changes, and they buy right into unethical business practices, hence fostering destructive levels of greed in the payments space.

I have seen many ISOs that take the "bite the hand that feeds you approach" with their MLSs. But MLSs are realizing, for example, that a true 85 percent, plus bonus, per deal is too good to be true, so they are challenging their ISOs.

The most common practice I see is that ISOs are "shaving" on the back-end and not paying the true 85 percent they promised. This behavior causes MLSs to either look for new homes for their businesses or resolve the reporting issues with their ISOs. If disputes are not immediately resolved, most often MLSs start moving merchants, which opens a greater problem.

Sticking to agreements

Michael Brewer, a long-time trial attorney holding impressive verdicts and settlements, said one of the most common disputes he sees today is "a breach of a nonsolicitation provision where an agent tries to move merchants to another ISO as a result of some dispute the agent has with the ISO. "

He added that it is critical for the agent to understand "what limitations might exist in moving merchants in the event that the agent/ISO agreement is terminated, since the failure to proceed properly under this scenario might result in the agent being sued by the ISO."

So, it is important that MLSs who have been victims of greedy ISOs realize that even if their ISOs may have breached or misrepresented their agreements, they cannot assume it is fair game to move merchants to another ISO.

This falls into the "two wrongs don't make a right" area. So before making decisions when involved in a dispute, find out what your agreement allows you to do.

When greed gets the best of an ISO, and when (not if) the MLS finds out, the ISO's misrepresentations will become exposed. To avoid being misled, MLSs today find they must do more research before jumping into bed with an ISO.

Such due diligence should have been customary all along, and we can thank greedy ISOs for helping MLSs wise up and better position themselves for more favorable contract terms.

To that end, all MLSs should select reputable industry attorneys to review contracts or agreements before signing them. And if disputes arise, they should align themselves with honorable industry litigators, from the infancy of the disputes, to ensure their rights are preserved.

Making wise decisions

Each of us has a choice on how to mesh with the invasion of our space. How have you adjusted thus far? Are you changing your business model to blend with new forces in our industry? If you are an ISO, what are you doing to ensure you keep your profit margins consistent? If you are an MLS, are you getting the right deal from your ISO?

I'm taking advantage of the invasion by increasing the technology side of our shop, while staying true to the concepts that make us successful.

But I am sitting back to watch a lot of the action taking place with large companies and their advancements before making any game-changing decisions, as I am not sold on these advancements just yet.

The most important factor in deciding what to do is to realize there is an invasion, that it has created greed and you have a choice regarding how this will affect you. There is not much that any ISO or MLS can do to prevent the corporate opportunists, the quick-fix MLSs, the regulators or other groups from invading our space.

However, we can prevent this invasion from creating greed among the leaders in the payments space, and we can hold strong in unity to force out those who are acting on bad greed.

People will continue to use credit cards, and there will continue to be a need for the hard-working, competitive ISOs and MLSs who have strong customer service skills and are motivated by good greed.

But, as in any type or evolution, only the strong will survive. The choice is yours.

Jeff Brodsly is the President and Chief Executive Officer of Chosen Payments, a company created with the industry's feet on the street in mind. Through his multilayered experience as an agent for a top ISO as well as a partner/owner under a top ISO, Jeff developed an organization that remains true to its agents. He can be reached at 805-910-1445 or jeffb@chosenpayments.com.

CompanyProfile

Complete Merchant Solutions LLC

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Company address:
5132 N. 300 W., Suite 100
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Phone: 877-267-4324
Fax: 877-537-9485
Website: *www.cmsonline.com*

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The company that says yes when others say no

Complete Merchant Solutions LLC co-founder David Decker believes his company's sales force can aggressively target even the most elusive merchant niches because of the company's uniquely flexible relationships with its two partner banks: National Bank of California and HSBC Holdings PLC.

"It's a collaboration versus the bank saying, 'You guys need to do this; here's you're credit, and good luck,'" Decker said. "When you're working with [a traditional bank], they're not going to listen if you have an account you think you can justify, because of the relationship or some nuance, if it doesn't fit into the credit policy."

Decker pointed out that CMS is among "only a handful" of payment processing companies in the United States that has a direct relationship with its banking partners.

"This distinction affords us far greater control over the accounts we accept and maintain, and greater flexibility over the pricing we're able to extend to our sales partners," he said. "If there's a card-not-present account that doesn't meet [another bank's] credit guidelines, they decline it, whereas we go to our bank and we're able to discuss some of the nuances."

Built for adaptability

CMS was launched in 2008 by Decker, Trever Hansen and Kyle Hall. All three had previously worked as merchant level salespeople (MLSs) with an ISO that operated under a major national bank and went out of business.

The failings of that ISO caused the founding trio to conclude that in an increasingly competitive, complex marketplace, adaptability is essential. They realized an ISO functioning in a rigid, monolithic way is handicapped in today's complex merchant services landscape with its greater diversity of merchant types, more intricate fraud schemes and different risks than existed 10 years ago.

In 2009, consultant Jack Wilson, who had run the merchant services division for Electronic Clearinghouse Systems Inc., came aboard and subsequently became CMS Chief Executive Officer. Decker said Wilson was instrumental in driving the company's early evolution, which entailed shifting from focusing singularly on brick-and-mortar merchants to aggressively zeroing in on the e-commerce space.

"Our experience was use the call center, set up appointments and then go after low-hanging fruit, which is retail," Decker said. "He taught us the importance of the Internet and also that the key relationship was not so much the one with the processor but the one with the bank. Many [ISOs] just piggyback the creditworthiness of the processor."

Willing to take on liability

CMS is certified as a Full Service Provider (FSP), which gives it a pliancy with

> **"We have a huge reserve with the bank and take 100 percent liability with [CMS' processor] First Data and the bank, and that is what gives the bank the comfort level to give us that flexibility we have," he said, adding that FSPs tend to be large companies with money to invest in operations and technology.**
>
> Complete Merchant Solutions LLC co-founder David Decker

underwriting that most competitors lack, according to Decker. He said becoming an FSP entails complications that most ISOs aren't willing or able to tackle. For one, ISOs that are FSPs usually bear greater liability for their business decisions; normally the bank takes on the extra liability.

"We have a huge reserve with the bank and take 100 percent liability with [CMS' processor] First Data and the bank, and that is what gives the bank the comfort level to give us that flexibility we have," he said, adding that FSPs tend to be large companies with money to invest in operations and technology.

"It requires a significantly larger infrastructure," he said. "A typical ISO works with First Data or Global Payments, and in a palatable format they'll provide them with reports. As an FSP, you do huge data dumps that require a lot of money, and you need to develop the technical infrastructure to report it all."

CMS tends to target midsize and large merchants. Decker said the company leverages its strong capitalization and cutting-edge, in-house technology to provide scaled services at a good price to that market. He added that about 60 percent of the company's merchants are e-commerce based, with brick-and-mortar and MO/TO merchants accounting for the other 40 percent.

"A big key to our success is identifying key vertical markets where others don't understand the risk or otherwise lack familiarity, and where the clients are underserved," Decker said.

Sold on security

CMS excels at helping merchants deal with issues pertaining to information security and chargebacks, Decker said. The processor is Level 1 Payment Card Industry Data Security Standard-certified and can help its merchants become certified, at reduced rates, through its partnership with SecurityMetrics Inc.

CMS also partners with Panoptic Security Inc., leveraging that company's services to assess merchants' levels of PCI compliance and help root out potential problems upon detection. "Merchants will log into our system, to [the Panoptic page], and fill out a survey of their operations," Decker said. "Based on that survey, they'll be given certain requirements.

"Also, Panoptic will scan their website looking for noncompliance issues and report back to them."

Decker said CMS provides separate guidance to merchants about prevent-

ing fraud, with technicians posting regular tips on the CMS website and on merchant statements about risk-related items.

Undaunted by chargebacks

CMS commonly takes on large merchants that are deemed too risky by other processors, often because of high chargeback levels, Decker noted. He said the company specializes in helping such merchants maximize profitability by reducing their chargeback levels and guiding them in effectively handling chargebacks when they do occur.

"There are large companies that are underserved, because most processors consider them untouchable due to chargebacks or some risk involved," he said. "We're working with large companies that, for whatever reason, had a glitch in their processing past, and we're working to fix those glitches and get them back into the mainstream."

Decker added that CMS often encourages merchants to contest fewer chargebacks because such contestations can be detrimental to customer retention.

"Typically, it comes down to the issue of communication with their customers," he said. "If they're not free enough with their refunds or in speaking to customers about their problems, those customers won't be happy with their service. So companies often need to allow chargebacks when they can."

Decker said CMS provides reporting tools that allow merchants to drill down to finely detailed payment information. He also said merchants have 24/7 phone support, with each assigned a "special relationship manager" whom they can reach by cell phone with questions or concerns. Merchants can also get help through the company's customer service and technical support channels.

Committed to customer service

CMS' commitment to efficient, customized service is what distinguishes it from other processors, said Ken Musante, President of California-based ISO Eureka Payments LLC, a CMS partner.

"CMS is extremely professional and, at the same time, they're small enough that you can talk to the decision-makers and be able to talk through requests and needs from the merchant clients," Musante said. "They're a knowledgeable and efficient firm that can work very quickly on all types of deals, from regular retail to high-risk online."

As an example of CMS' ability to quickly address distinct client needs, Decker cited a recent experience with a large education foundation that had been profiled as a "debt repair" company by its previous processor, which then said it was shutting down the foundation's account.

"Visa and MasterCard don't like certain credit types, and credit repair is an industry known for high chargebacks," Decker said, adding that volume is what prompted the termination. "They started processing at $100,000 month [and] ended processing over $1 million," Decker said. "The processor got nervous because the company grew too large."

Decker said CMS conducted a thorough review and, after consulting with its partner bank, agreed to take on the foundation. It also recognized that the foundation could be classified as a nonprofit for tax benefits, he added. "We hustled and got them processing within the allotted time frame, and now they are once again thriving while providing an important service to our community," he said.

Decker said the experience exemplified CMS' unique ability to navigate different roadblocks to a processing agreement. "Due to the inherent risk, most processors automatically say no if they don't immediately understand a business model or it doesn't fit nicely within their credit policy," Decker said.

"We try to do the opposite. As long as merchants are willing to conform to the rules, we use benchmarking and analyses to try to figure out a way to say yes."


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Interchange continued from page 1

interchange rate reductions or any settlement agreement that doesn't provide a full resolution to that and other key issues," he said.

This latest threat to credit card interchange comes as the industry and the marketplace adjust to caps on debit card interchange, as required under the Durbin Amendment.

In commenting on debit card interchange regulation, Lyle Beckwith, Senior Vice President, Government Relations for the National Association of Convenience Stores promised to pursue more reforms. "With similar reforms to credit card swipe fees, we will see these consumer benefits multiply," he said.

Manfred isn't convinced merchants will prevail in challenging credit card interchange. "I don't think the same conditions are present that came into play with debit," he said. "He added that unlike debit cards, which some argue are substitutes for checks and thus should be priced similarly, "there's no alternative product with widely different economics."

Consumer card use post-Durbin

Approximately 80 percent of U.S. consumers possessed debit cards in 2009, according to the Federal Reserve Bank of Boston, which routinely researches consumer payment habits. Joanna Stavins, a Senior Economist and Policy Advisor at said bank, published a paper, "Potential Effects of an Increase in Debit Card Fees," that is often cited by opponents of interchange regulation.

The paper, published just before the Oct. 1, 2011, implementation of debit interchange caps, examines how the new rules could affect consumers' payment and banking habits.

Although it may be too early to identify clear trends – debit interchange has been in effect for only five months at this writing – Stavins' report offers information to contemplate, such as:

- Young, low-wage earners with the least education (no high school diploma) will be most affected by changes in debit card pricing.
- If their cost to use debit cards rises, consumers will begin using credit cards for purchases they previously made with debit cards.
- Any increases in the cost of setting up debit cards could lead to reduced adoption.

Credit card transactions are extensions of credit; as such they carry risk, which needs to be considered when prices are set, he noted.

Life after Durbin

Preliminary data suggests consumers are curbing their use of debit cards since debit interchange caps took effect in October 2011. Visa, for example, reported that growth in credit card payments outpaced growth in debit card payments for the first time in at least 5 years during the three months ending Dec. 31. Visa credit card volume was up 12 percent; debit card payments grew just 9 percent.

However, some acquirers and ISOs believe the Durbin Amendment has been good for business. One example is Heartland Payment Systems Inc., which placed No. 6 on *The Green Sheet*'s list of top acquirers in 2011 (see "2011 Acquirers Report," *GSQ*, Vol. 14, No. 4, December 2011).

Heartland Chairman and CEO Robert O. Carr said in a Feb. 9, 2012, earnings call that he expects the Durbin Amendment to fuel growth at the New Jersey firm, which has generated significant goodwill by passing "Durbin Dollars back to our merchants." Carr estimates the typical Heartland merchant will save about $1,000 annually per location on debit interchange.

"As the noise and confusion gives way to the reality of monthly statements, we expect new account acquisition will come down to the savings experienced by the individual merchant, and that's why we really like our chances going forward," Carr said.

"He added that the company's interchange rebate program has also proven a valuable recruitment tool: Heartland added 47 new relationship managers in the last fiscal quarter. "Sales professionals are coming to us and saying they want to work for an organization like Heartland that is treating its merchants this way," he said.

Georgia-based ISO Vantage Card Services Inc. published an online analysis of how its merchants fared under the Durbin Amendment caps. Card-not-present merchants – including e-commerce, MO/TO and touch-tone capture merchants – are saving the most, with an average 88 basis point (0.88 percent) reduction.

Here's a rundown of other big winners post-Durbin Amendment, listing the average number of basis points (BPS) saved per merchant category:

Merchant category	Average BPS saved
Lodging	84
Emerging market/public sector	71
Business-to-business	67
Retail	66
Restaurant	52
Supermarket	48

The average regulated PIN debit interchange rate paid by Vantage clients in October 2011 was 61 basis points, with Visa about 42 percent lower than non-regulated debit card interchange, and MasterCard nearly 37 percent lower. Sixty-nine percent of debit card transactions Vantage handled in October were issued by regulated banks; Visa cards made up 79 percent of those regulated transactions, Vantage reported.

Although many merchants are faring well under the Durbin Amendment rules, an Ipsos Public Affairs consumer survey in January 2012 found only 7 percent of respondents believe retailers are passing along savings generated by lower debit card interchange. The survey, commissioned by the American Bankers Association, also found only 6 percent of consumers believe retailers ever intended to pass on savings from lower debit interchange.

"We shouldn't be surprised; Congress gave retailers a handout with no guarantee that the savings would be given back to consumers," said Trish Wexler, spokeswoman for the Electronic Payments Coalition.

The EPC seized on the survey results to press consumers to hold retailers accountable. The Washington-based group launched Where's My Debit Discount?, a website that uses surveys and field research to determine how much of an estimated $8 billion a year in debit interchange savings merchants are passing along to consumers.

The EPC collected market data directly before the debit interchange caps took effect last year, as well as shortly thereafter, in October and November.

The same items were purchased on each trip to the same 21 stores nationwide. Stores surveyed included Wal-Mart Stores Inc., Walgreen Co., 7-Eleven Inc. and Home Depot U.S.A. Inc., each of which was active in lobbying for the Durbin Amendment.

Twelve of the stores surveyed increased prices by an average 5.1 percent, four kept prices the same and five stores lowered prices.

"Overall results demonstrate that customers paid 1.7 percent more for the same products after the [interchange] rule was implemented," the EPC noted in "Where's the Debit Discount? Durbin Price Controls Fail to Ring Up Savings for Consumers." The report is available at *http://wheresmydebitdiscount.com*.

Boon for big-box merchants

Senator Bob Corker, R-Tenn., predicted such an outcome in an opinion piece published at Politico.com in the fall of 2011. "And what about the savings we were promised in the form of lower retail prices?" wrote Corker, a member of the Senate Banking Committee.

"I wouldn't waste time looking for those. Interchange revenue will just go to the big-box retailers' bottom lines – while consumers foot the bill."

Corker went on to describe the Durbin Amendment outcome as "a self-inflicted wound by a Congress more interested in scoring political points than doing the right thing by the American people." Adil Moussa, Senior Analyst at Aite Group LLC, said of Durbin Amendment regulations, "It's been an utter failure."

Evidence appears to support these assertions. Home Depot Chief Financial Officer Carol Tome revealed during a February 2011 call with investors that the company's financial benefit of debit interchange caps could total as much as $35 billion a year. Tome noted that debit cards make up about 17 percent of payments at Home Depot.

A survey of attendees at the 22nd Annual Direct Response Forum, held in August 2011, found 41 percent of card-

not-present merchants attending the forum had no plans to pass along savings on debit card interchange to customers.

Analysts have said they aren't surprised by the data; market reaction so far in the United States resembles what occurred in 2003 after the Reserve Bank of Australia capped debit card interchange in that country. A study undertaken by MasterCard in 2005 suggested most merchants in Australia didn't even know the fees had gone down.

That research also showed a marked reduction in debit card usage as a result of the caps, in addition to a general increase in costs to Australian consumers because merchants were also allowed to surcharge credit and debit card payments.

"Australia is now saddled with a more expensive payments system that delivers fewer benefits to cardholders, distorts market competition, suppresses technological innovations, and allows large merchants that enjoy near monopoly market power to take advantage of the situation to gouge customers," MasterCard stated in a paper, "*Interchange Regulation: Lessons Learned From RBA Intervention in Australia*."

Convoluted fee schedules

MasterCard and Visa each have taken steps to boost income in recent months with the introduction of new fees and fee structures.

MasterCard announced a new Annual License and Registration Fee, as well as a new third-party processor registration fee, based on total annual volume of credit and signature debit transactions (prorated for 2012 since it won't go into effect until July 1).

Meanwhile, Visa has a new network participation fee, charged to acquirers on a per merchant site basis.

Martaus predicted Visa will get blowback on the network participation fee, which could cost as much as $85 a month for a merchant exceeding 4,000 locations.

"That's $85 per location," he said. Assuming acquirers pass along the charges, "that could prove a real burden. There are a lot of retailers out there with 4,000 locations," that will balk at the new free, he added.

After reviewing Visa's latest interchange fee schedule, which includes more than a dozen changes that take effect in April 2012, Martaus said he had more questions than answers.

"The math they used is something so complex that it's left a lot of experts scratching their heads," he said.

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Remember your partners

By Bill Pirtle
C3ET Credit Card Consortia for Education & Training Inc.

Over the last year as the Street Smarts columnist, I have received a few calls or emails with each article published. Readers usually want tips on how to become better agents. Here is one tip that I truly believe in: remember your partners.

We all want to call our technical support or customer service reps and show our clients how the phone is answered on the first or second ring. We want underwriting to quickly process our apps, and we want file builds done yesterday so we can start earning our residuals on the account.

Many merchant level salespeople (MLSs) sign up with larger ISOs especially for the benefits I just listed. Many such ISOs offer "free" terminal programs and other incentives. These programs cost money, as does customer service MLSs can be proud of. Larger ISOs can make these programs work through volume, as well as retention strategies.

So, I wanted to share a recent exchange I found in the "Seeking no minimum, no contract processor" discussion thread on GS Online's MLS Forum.

Education index

Seeking something for nothing

The topic was created by **DPPGK**, who said, "I was just looking for a processor that offer[s] no contract or no monthly minimum for a merchant but still pay[s] out $200 to $300 upfront to the agent depending on free equipment or reprogram.

I have already found one but am a little wary of working with them for a number of different reasons. Just thought I would reach out to the community and see if anyone has any recommendations. Any advice is appreciated."

JDECKARD replied, "Yup ... I'm looking for someone to give me $200 to $300 for nothing, too."

GMARTIN added, "[I] was trying to come up with a response to this, and was without words. Thanks, John, for articulating my thoughts.

"I can't imagine any reputable company paying an upfront bonus to sign accounts without some sort of way to be sure they will recoup their investment. Any that would offer this, I would also be wary of for a multitude of reasons."

DPPGK then asked for only serious posts that would help find an ISO that can offer this.

That brought a response from **JEH1003**: "These are the kind of posts that get me in trouble," **JEH1003** wrote.

"Listen **DPPGK**, what everyone is trying to tell you is [that] nobody is going to give you a deal where they pay upfront money without a contract or minimum unless they are scamming you or they are complete idiots.

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> ***"You may not be familiar with this concept, but I will throw it out there anyway. If you don't understand the concept, maybe someone else can explain. I run my business (First Data ISO, Capitol Payment Systems Inc.) on a groundbreaking concept we like to call 'partnerships.' We try to build programs on an individual basis to fit our partners' needs and their markets."***
>
> MLS Forum memeber **COACH BOB**

"So, if you're asking, 'Is there a catch?' The answer is yes, there is a catch, probably several of them. If you're asking, 'Is there anyone who will do this without a catch?' The answer is no; they'd have to be idiots to do what you're asking without a catch. Stop thinking about what you get for a second, and think logically about what [your partner] gets out of the equation.

"Now that you've thought about it, do you see the flaw in what you're asking for? There are no free rides in this business. I know that you are new and just trying to learn, but everyone is trying to help you, and you keep saying, 'I've already found one.'

"You found one that will do the deal, but you haven't found one that will do it without a catch, and you won't. It just doesn't make sense financially and at the end of the day."

GMARTIN followed up, writing, "You've gotten quite a few responses from seasoned experts in our field. Yet you don't want to hear those responses and opinions.

"You sound like a lot of merchants that I deal with that have been burned a number of times by processors because they will only sign with the agent that tells them what they want to hear – no matter if there is any truth to the statements or not. Then they complain about being burned.

"Take the comments above and learn from them. If you want only comments that will tell you what you want to hear, with no catches, from a company that will do right by you, this thread will [have no responses]."

DEE MALIK acknowledged that **DPPGK**, the original poster, joined the forum in February 2012 and that this was **DPPGK**'s first post. He noted, "As an ISA/MLS, I would be a bit leery if the ISO or ISO/processor didn't have some restrictions including clawbacks (the taking back of payments) in regards to the program that you are seeking.

"What other restrictions to such a program would you agree to? Your post looks like ... you want the bacon (pork) without the fat. Yes, I have seen such a program but they have restrictions which would include clawbacks.

"Frankly, if they didn't have restrictions, then I would be leery of trusting them for the long-term. Of course, you may not be interested in the long-term, and maybe the ISO or ISO rep may not be interested in the long-term. In that case, it is a perfect marriage. However, if you make this kind of post, it looks like you want free candy. In fact, it looks like you only eat Godiva chocolates."

Valuing long-term partnerships

COACH BOB focused on the topic of partnerships. "You may not be familiar with this concept, but I will throw it out there anyway. If you don't understand the concept, maybe someone else can explain. I run my business (First Data ISO, Capitol Payment Systems Inc.) on a groundbreaking concept we like to call 'partnerships.' We try to build programs on an individual basis to fit our partners' needs and their markets. Odd but true.

"So let's say I looked at this and ran the numbers and thought [that] with the right partner – and it would need to be a very special person – I could make it work. So in this imaginary partnership, and it is very imaginary, you forgot to mention what you bring to the relationship.

"What do you offer? Why would anyone want to offer you this? What is your business plan to make this work for all parties long term.? How does it become win/win for all and not just a selfish one-sided hit and run?

"We have heard that you want money upfront for merchants that could seemingly leave tomorrow. So what is your concept to protect and help your new partner? Surprisingly, most ISOs/MSPs are pretty smart people with a formula of their own."

JOHN GALT and I also discussed the topic of monthly minimums. I suggested a $25 monthly minimum would be eliminated at $1,470 in credit card sales a month at a qualified rate of 1.70 percent. **JOHN GALT** followed up, mentioning that some ISOs base the monthly minimum on profit, not fees.

I have only seen a minimum profit charge where merchants had interchange-plus pricing. At 50 basis points, this would require about $7,000 in monthly sales.


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The basic moral we were trying to express was that monthly minimums are not an issue when agents target merchants that process more than the very small merchants that many MLSs will target.

Sharing the profits

COACH BOB made some great points. Long-term partnerships are forged when both partners flourish. As a brand new member of the MLS Forum, it is likely **DPPGK** simply does not have the experience to realize the type of relationship **DPPGK** seeks will not work.

If such a program were available, it surely would be abused by MLSs experienced in churning accounts. Churning is when a rep continually moves a merchant from processor to processor for per-contract bonuses and leases. Churning can be done either by misleading the merchant or by fraudulently reusing information and signatures on multiple applications.

Offering a program where there are no monthly minimums, no merchant contracts, "free" terminals, a $200 to $300 contract bonus and no strings would be a great way to bankrupt your company. How can you afford to pay contract bonuses when you have no guarantee of ever making a profit with this program?

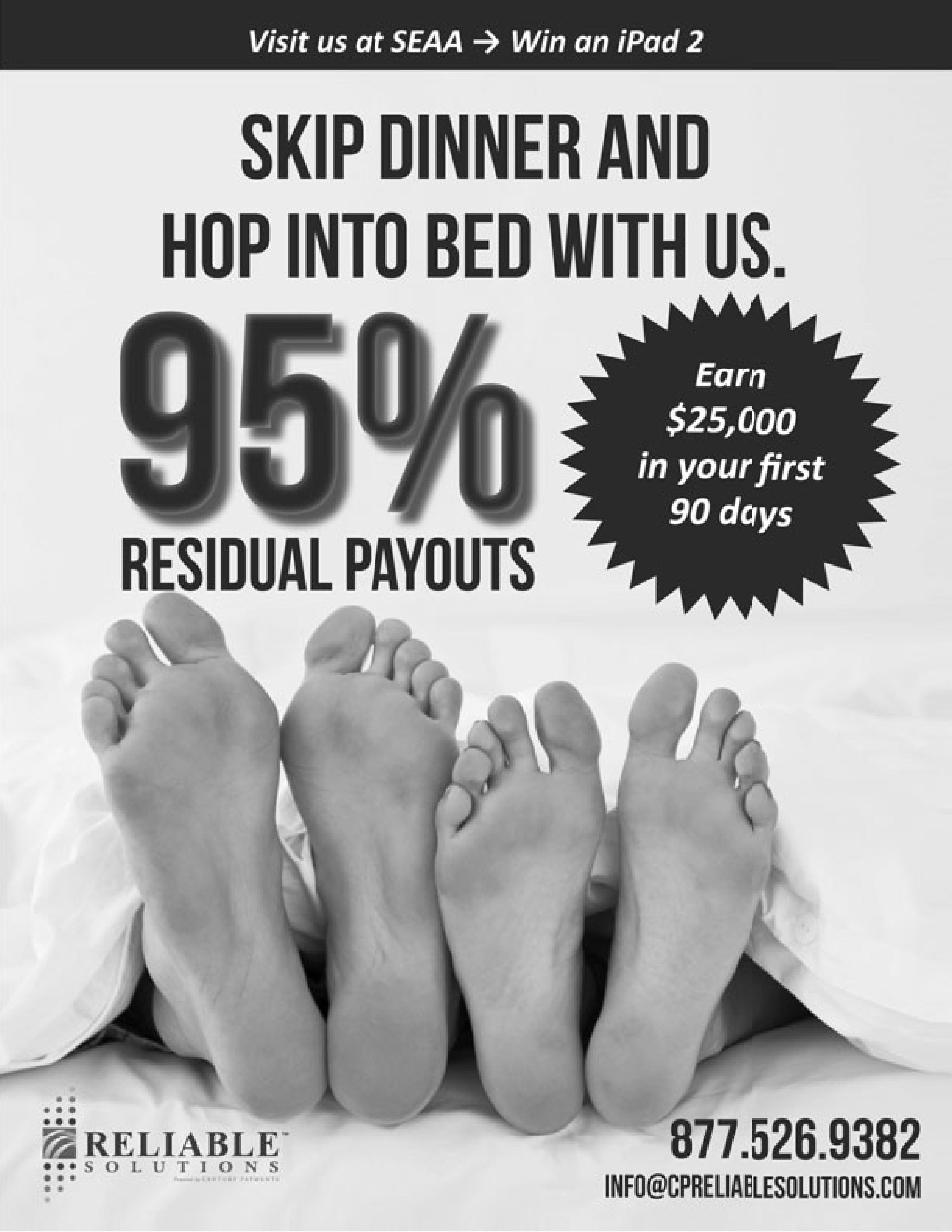
My suggestion to all MLSs is to look for programs in which both partners make money. If your partner made 99 percent of the available profit, how long would you stay with that processor? So why do you think you should be given money if the ISO/processor has no guarantee of making money?

An agent can make decent money by selling terminals and reasonably pricing accounts. Concentrate on making residuals over the long term. Focusing solely on what you can get with no regard for your partner's well being will result in the same thing as it would with a romantic partner: a quick split.

Long-term profitability in this industry requires that you remember your partner.

What you do today determines your tomorrow.

Bill Pirtle is the President of C3ET Credit Card Consortia for Education & Training Inc., a joint venture with Theodore Svoronos of Merchant University. Created to establish a comprehensive training program for ISOs and merchant level salespeople, C3ET is working with industry experts to produce a training guide to be published in early 2012. Bill's email address is bill@c3et.net. *He welcomes all connections on Facebook and LinkedIn.*



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Are you selling rate, a solution or both?

By Jeffrey Shavitz and Adam Moss
Charge Card Systems Inc.

For ISOs and merchant level salespeople (MLSs) in the payments industry, it's rewarding when a merchant prospect says yes and asks for an application.

It's good to celebrate when this happens, but it's also beneficial to be introspective at such a time and do follow-up research to determine how you found and landed that new merchant account.

If you sell a product or service that can be purchased almost anywhere (that is, credit card processing) from multiple vendors, you're selling a commodity. This creates significant problems in that you must convince merchants to buy from you and not your competition.

Merchants want to buy from people who care about them and their business endeavors.

The rate dilemma

We are both amused whenever we meet with a merchant who is processing a few thousand dollars per month and is proud that he is such a smart, successful businessman because he has changed his processor three times within 24 months.

The merchant feels empowered because he was able to negotiate no termination fee with each of his processors, and he was able to reduce his interchange-plus pricing from interchange plus 10 basis points to interchange plus eight, and now, finally, he has this amazing deal at interchange plus seven.

How silly to go through all that to save a few dollars, but this is our business; we must embrace it if we are to grow and become successful.

When on a sales call, many of us will ask a merchant prospect for an existing processing statement. Why? To undercut the merchant's existing fee structure. And then one year later, the merchant will give our statement to another MLS who will then reduce our rate structure. In the end, it's a losing proposition, and this is why attrition has become such a big issue in the industry.

The synergy solution

As leaders in our company, we spend a significant amount of time researching new concepts and speaking with experts in synergistic fields – all in the hopes of creating "integrated relationships" with our merchants.

All payment professionals want their merchant relationships to be "sticky." To that end, we strive to provide ancillary services that, working in tandem, are of greater value than the sum of the isolated parts. And if we succeed in doing this, why would our merchants ever want to leave us?

To become successful in the payments space and build future wealth (a solid portfolio five and 10 years from now), you must offer solutions that are not based on price and demonstrate why merchants should buy from you. MLSs often say to us that "there aren't any" such reasons, and "the merchant is only interested in price." Shame on them because they are wrong.

We are not naïve. Price is a significant variable, but it's not the only variable. Must you be competitive? Of course. Must you offer all of the traditional skill sets to get you in the door?

Of course. But you need to discover or uncover the other benefits you deliver that will make this merchant stay with you.

Merchants want to buy from people who care about them and their business endeavors. Embrace social media and its many nuances; develop new reports and tools that are user friendly; study metrics of specific industries so, for example, if you are prospecting to restaurateurs, you can speak their language.

Since payment processing services are ubiquitous, many of us sell only on price, but selling a commodity based on price is a losing proposition.

Someone will always be willing to undercut you, as evidenced by the high levels of merchant attrition in our industry.

Push yourself to sell a solution, not a rate. You will be happily surprised with your improved conversion ratios. Good luck.

Jeffrey Shavitz is a founder and Adam Moss is the Vice President, National Sales Manager of Charge Card Systems Inc., a nationwide leader in merchant services offering a full suite of products and 12-hour funding. Shavitz is an active member of The Green Sheet Advisory Board and the First Data ISO Advisory Board; both Shavitz and Moss are frequent contributing writers to The Green Sheet. *They can be reached at jshavitz@chargecardsystems.com or amoss@chargecardsystems.com or 888-505-CARD. For additional information on CCS, please visit www.chargecardsystems.com.*

Differentiation, the pricing-squeeze terminator

By Peggy Bekavac Olson
Strategic Marketing

Merchant acquirers, ISOs and merchant level salespeople (MLSs) struggling for growth share a common complaint: they have a hard time signing new merchants because they're up against other firms willing to sell the same services at lower prices. They're frustrated at always having to sell on price. Their businesses are reeling from razor-thin margins and the constant downward spiral of price compression.

No matter what you charge for transaction processing and related support services, a merchant prospect will routinely be promised comparable services for a lower price by the next MLS who walks in the door. So if you're serious about growth, what should you do to overcome this challenge without resorting to lowball pricing tactics?

Heed buyer behavior

First, understand the buying behavior of merchants seeking transaction processing services. Intuitively, you know you can't expect them to pay you more than they pay the competition for similar services.

When merchants believe that two or more vendors are basically the same, they will consistently select the lowest priced. So, if the only differentiating factor between your business and the competition is price, merchants will always choose the cheapest option.

Set yourself apart

When you give merchants good reasons to do business with you, you rise above competing solely on price. The key to success is to differentiate your products, services and company in the minds of potential merchant customers. In differentiating your company, you provide value that others do not. Take time to identify your company's core strengths and determine how you bring value to merchants.

Deep soul-searching is often required to figure out what makes your business, as well as your products and services, unique and special to buyers. You need to understand and identify what factors your company brings to the table that no other company can or does.

Take the necessary steps

Unfortunately, understanding your value and identifying or creating true differentiation aren't exactly easy. Here's where I hope I can provide some help. Although, you will likely find countless ways to differentiate your business, following are several methods to help you quickly distinguish yourself from the competition.

1. **Give exceptional customer service.** In today's merchant services marketplace, good customer service is frequently lacking. Go above and beyond the service your competitors provide by:

   - Conducting in-person equipment installation and terminal reprogramming
   - Following up after the first month of processing
   - Reviewing monthly statements on a set schedule to help your merchants make operational adjustments to reduce costs
   - Having your help desk commit to answering and resolving customer support inquiries on the first call.

   These, plus other customer service initiatives, will go a long way toward differentiating your business from the competition.

2. **Be an expert.** People want the best. They like to know they are working with the most qualified salesperson and payment processing company. So focus on becoming an expert. Use a consultative approach to give information and advice that mean something to merchants. You'll find the process of selling your products and services will become considerably easier when you're not just another payment processing vendor out pounding the pavement.

3. **Solve problems.** Differentiation can be achieved by solving merchant problems. Try to discover prospective merchant pain points – the things that keep them up at night, such as monthly statements that are hard to read and understand, reconciliation or chargeback issues, numerous downgraded transactions, or technology difficulties. Then offer viable solutions to alleviate the problems.

4. **Meet additional needs.** Listen to prospects and identify additional products and services that they find desirable, like check processing, gift cards, loyalty and rewards programs, ATMs, merchant cash advance, inventory tracking, customer relationship management tools and more. Being a single source for a variety of payment and business services can be a great differentiating attribute. Your merchant prospects won't have to patch together a solution, because they can handle everything through you. They also won't need to worry

about multiple vendors pointing fingers at each other when things go wrong. And meeting additional needs creates stickiness, giving you greater merchant retention.

5. **Offer marketing materials, programs and promotions.** Go beyond offering traditional window clings and POS signage. Merchants will love your attention in helping them increase sales and drive revenue. So helping with brandable marketing collateral, incentives and promotional assistance can provide the differentiation needed to clinch a sale. Think about becoming a sponsor for Small Business Saturday, whose sponsorship is led by American Express Co. And help mom-and-pop merchants increase sales not only on the Saturday after Thanksgiving, but every Saturday throughout the year.

6. **Provide ongoing merchant training and education.** Conduct in-person training, and create and offer training videos, too. Providing customized tutorials and quick reference guides on making card-present and card-not-present transactions, performing returns and voids, ending and submitting a batch, completing the end-of-day process and identifying fraud are great ways to add value long after the initial sale.

Probe and speak up

Again, the ways to provide differentiated value to merchants is infinite. Your success lies in understanding how, to the buyer, you're unique and better than the competition and then effectively communicating these attributes to prospective merchants.

When making statements about the value you deliver, explain how or why what you say matters so you don't end up sounding trite or like others making similar claims. Buyers want to understand what the message you bring really means to their businesses and how it is different from others spouting the same messages.

So if you're struggling to win new business and battling the competition over price, examine your company and your offerings to make sure you're differentiating. Once you understand how you're unique, don't be shy about telling merchant prospects how you stand head and shoulders above the competition. It will propel them to choose your organization as the one they want to do business with and thereby help you drive sales.

Peggy Bekavac Olson founded Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payment companies, after serving as Vice President of Marketing and Communications for TSYS. She can be reached at 480-706-0816 or peggyolson@smktg.com*. Information about Strategic Marketing can be found at* www.smktg.com*.*

How ISOs and MLSs can use Pinterest

By Alan Kleinman

Meritus Payment Solutions

A compelling, new social network is in town: Pinterest. Just when it seemed the market was saturated with social media sites, along came a virtual bulletin board that allows users to share, curate and discover images, links and videos they find interesting or inspiring. Once shared, these images become "pins" that can be grouped on thematic "boards." Once something is pinned, it can then be "re-pinned" by other Pinterest users.

Users can perform standard social networking functions such as following others' boards, liking and commenting on other users' pins, re-pinning content to their own boards, sharing others' pins on Facebook and Twitter or via email, and even embedding individual pins on their websites or blogs.

Pinterest is lifestyle-focused and advises users to "try not to use Pinterest purely as a tool for self-promotion."

Why you should care

According to Compete Inc., Pinterest's unique visitors increased 329 percent from September to December 2011; Experian Hitwise found that Pinterest is driving more traffic than Google+; and a recent study conducted by Sharaholic, revealed that Pinterest drove more referral traffic to sites in January 2012 than Google+, Reddit, YouTube, LinkedIn and MySpace – combined. Pinterest's meteoric growth over the last couple of months cannot be ignored.

Admittedly, Pinterest's users skew female ages 25 to 44, but some "nonfemale" brands are doing a great job of promoting themselves on Pinterest. See the General Electric Co. Inc. and Mashable Inc. pinboards (*http://pinterest.com/generalelectric* and *http://pinterest.com/mashable*, respectively) for excellent examples of how to get creative and appeal to both genders.

How ISOs and MLSs can use it

As an ISO or merchant level salesperson (MLS), if you've put any thought into developing your brand or cultivating a stellar workplace culture, Pinterest should interest you. It's your opportunity to show, not tell. It's also appealing because it:

- **Makes pinning easy:** Pinterest requires minimal investment; you can divide work among "assigned contributors." Pinterest hasn't deviated from its initial minimalist aesthetic, making it very easy to use. If asking your team to contribute to the company blog is like pulling teeth, you may find staff will readily contribute images to the company Pinterest account. It only takes two clicks – no writing skills required.

- **Sparkles with personality:** Pinterest lets you give people a peek into the personality of your brand. Create a pinboard that showcases your employees and some everyday office antics. Make your brand relatable, tangible and humanized.

- **Aids SEO:** Pinterest connects images with stored links, making it easy to come back to pins' original sources in the future. You can drive traffic back to specific product detail pages on your website, and these links will count as inbound links boosting your organic search engine optimization (SEO).

- **Offers expert and niche positioning:** Why not become the go-to Pinterest account for pins about a certain subject relating to your industry? If you specialize in e-commerce, share examples of good website design. If you have a robust sales training program, visually demonstrate motivational quotes of the day.


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- **Can leverage Twitter and Google+:** Just like with Twitter and Google+, Pinterest users can use hashtags to tag their pins and make their content more search-friendly. Create a pinboard around a promotion, and tag it with a hashtag you're also using on Twitter and Google+ to create a fully integrated campaign.

- **Augments recruiting efforts:** Social media can be valuable for recruiting talent. Candidates will have more ways to evaluate their potential workplace, resulting in more qualified prospects.

- **Fosters collaboration:** In addition to personal boards, Pinterest provides open boards, which allow outside users to contribute images. You can encourage merchants and partners to post their own images of your product or business on an open board. For example, you could post images from tradeshows and encourage attendees to post images, too.

How to get started

Rumored to be addictive, Pinterest can make the most uninspired marketer feel creative. But before you add another social network to your marketing mix, evaluate what it can add to your social media efforts, define goals and devise ways to measure success.

User access to Pinterest is by invitation-only, but you can request an invitation at *http://pinterest.com*. After our company's request, it took only three days to receive an invitation.

Register your account with the same email address you use for your business Twitter account so you can easily share your pins through Twitter, too. And once you receive an invitation to sign up for Pinterest, sign up through the Twitter option, not the Facebook option. Pinterest only offers connection to personal Facebook profiles, not business pages.

Create a few pinboards before you start building your Pinterest following. This way, people will have a reason to follow your pins.

Some creative boards we've come up with at *http://pinterest.com/meritus* are "MeritUS," which showcases images of our employees outside of the office; "Great minds think alike," which highlights inspiring entrepreneurs; and "You are: here," which illustrates the freedom to run a business anywhere in the world with the right global payment partner.

Happy pinning!

Alan Kleinman is the Principal of Meritus Payment Solutions, the trusted global payment partner. Contact him at akleinman@merituspayment.com *or 888-851-7558, ext. 141.*


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When warm leads become elephants

By Jeff Fortney
Clearent LLC

At some point, one of your colleagues or merchant customers has probably given you an "in" with a major merchant by saying something like, "I can get you an appointment with X, the chief executive officer of Y. They sell millions each year. You can probably help them."

Initially, it sounds like an exciting opportunity. It would be a major signing, and – of course – at your price, it would be very profitable. It's like a warm referral, right? After all, the merchant will be more likely to sign with you because you have an inside contact, right?

Your contact even sets up the appointment, and you expect the merchant to sign. However, when it comes to landing high-volume merchants, expectations and reality are often far apart.

Here's how the conversation with the CEO usually plays out:

> **Merchant:** *"I understand you know my friend. He suggested we talk."*
>
> **You:** *"Yes, he and I work together, and he felt I could help your company. I am in payment processing."*
>
> **Merchant:** *"That's great. Let me get you in touch with Steve, my executive who handles these types of negotiations. I am sure he would be glad to talk with you. Oh, and tell my friend hi when you see him again." He then walks you to the executive in charge, introduces you and says, "I will leave you two to talk."*

The elephant hunt

Steve doesn't know you or your friend. He knows his boss introduced you, but he has little idea why. He likely isn't thinking about payment processing and has other items on his desk.

Your task is to convince him to consider changing payment processors and to get him to provide enough information so you can determine how to price the opportunity. To him you're just another salesperson, and the process for this warm referral has transitioned from quick to lengthy.

I'm not saying elephants are impossible to sign, nor am I suggesting you chase them. However, if you do consider chasing an elephant, even one that came from a warm referral, you must first fully consider the necessary commitment, your expectations and the potential cost of the effort.

Commitment

Chasing an elephant requires a significant commitment of both time and energy. High-volume merchants never close with just one call, and in some cases, the sales cycle lasts as long as nine months.

You will need to attend multiple meetings, make various presentations and spend time analyzing and preparing a proposal. (Yes, most elephants will insist on a proposal.)

Your time commitment alone will be extensive. Remember, this is time you won't be able to get back. Plus you'll be pulled away from your other selling activities.

Expectations

Elephants are all about margin. In essence, don't expect the same return that you receive from an average merchant in your portfolio.

Most who will consider moving their processing relationships will want to go through a full request-for-proposal process as well. This also holds true for publicly traded companies.

When chasing an elephant, you'll find the ultimate decision is more about price than friendship. In other words, you must be competitive on price even if it's your brother's or sister's company.

Cost

When deciding to embark on an elephant hunt, you're also making a commitment that will take you away from the bread and butter of your business. That's why it's important to determine if the journey is worth your investment. Here's how you can see if it's worth your time and energy:

- Calculate your average close rate for a typical merchant.
- Calculate how many calls you can make in an hour.

Consider the following example. If you close two out of every 10 calls, and you make five calls an hour, that means you generally close two deals every two hours. Now calculate the time commitment for your elephant, and include the time necessary for research and documentation. That will tell you the cost of the hunt.

If the value of your lost sales time is less than the return you can make from the elephant, the hunt might be worth your effort. However, one very critical component isn't addressed in this calculation: not all elephants sign. In fact, the majority will not sign with you. This means that even after all of your time and effort, the reward may go to someone else. There is no second-place ribbon. It's an all or nothing investment.

Before you jump in, ask yourself if you can afford an investment that may likely generate no return whatsoever. Sadly, I've known many who didn't ask this question, and all they had to show for their efforts nine months later was an impressive, but useless, bound presentation.

If you find you're not prepared for such an exhaustive commitment after being walked down the hall to meet "the man in charge," don't be afraid to say so.

Jeff Fortney is Vice President, ISO Channel Management with Clearent LLC. He has more than 17 years' experience in the payments industry. Contact him at jeff@clearent.com *or 972-618-7340. To learn about how Clearent can help you grow faster and go further, visit* www.clearent.com.


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Company: Trustwave

Trustwave recently added enhanced features to its flagship TrustKeeper PCI Manager. The certified Payment Card Industry (PCI) Data Security Standard (DSS) compliance validation tool was designed to help merchants, as well as ISOs with large merchant populations, achieve PCI compliance via a cloud-based system delivering self-assessment tools and scans to assess vulnerabilities and validate remediation.

"Simply put, there is nothing in the industry like the new To Do List in Trustwave TrustKeeper PCI Manager that personalizes compliance issues and provides small businesses with an action item list that allows them to meet their compliance obligations," said Doug Klotnia, Executive Vice President of Payment Services and Channel Partners at Trustwave.

He noted that the majority of small businesses are focused on day-to-day operations and do not have dedicated information technology professionals on staff. "This easy-to-use solution for a complex problem allows organizations to act immediately on PCI challenges and keep their acquirers in the loop on their current progress," he said.

Peace of mind and more

Trustwave clients have endorsed the product's benefits. "The newest TrustKeeper PCI Manager from Trustwave gives us peace of mind and accelerated compliance from our stakeholders, ultimately helping us to deliver a better customer experience," said Christine Scappa, Senior Vice President of Operations for Sage Payment Solutions. "TrustKeeper speeds up time to compliance and simplifies the process along the way."

Each registered merchant user can view a list of actionable items scaled to the merchant's unique processing environment. An ongoing task and reminder list allows merchants to check off completed items. If security gaps, such as no firewall or lack of secure sockets layer certificates, are detected, TrustKeeper makes recommendations to address them.

Other features include PCI Wizard, which was devised to ensure merchants address only the requirements applicable to their businesses, and TrustKeeper Agent, a monitoring and data discovery tool designed to provide ISOs with dynamic Internet Protocol scanning, easy scan setup, identification of sensitive data on networks and monitoring of PCI compliance over time.

Security awareness education, as well as policy and procedure documentation updates, are also provided. Trustwave said its PCI manager is ideal for franchise businesses, which have become a primary target for cyber attacks. In 2011, they accounted for more than one third of all data breach investigations, according to the *Trustwave 2012 Global Security Report*.

Delivered in a secure, cloud-based format, TrustKeeper PCI Manager is available on demand globally in 17 languages, with 24/7 multilingual email and phone support.

Trustwave

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www.trustwave.com

DateBook

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

Southeast Acquirers Association

2012 SEAA Annual Conference

Highlights: The Southeast Acquirers Association's annual conference focuses on current issues of concern to merchant level salespeople and ISOs. Each year, the meeting brings industry leaders to the Southeast region of the United States for the purpose of advancing the success of the industry's feet on the street. The 11th annual SEAA conference will begin with an opening reception, the popular Field Guide Seminar and W.Net's networking session for women attending the event.

The conference will feature keynote speaker Pam Joseph, Vice Chairman of U.S. Bancorp Payment Services and Chairman of Elavon Inc., as well as presentations by vetted payment experts. Ample time will be designated for networking in the exhibit hall, where more than 80 vendors and sponsors will be on hand. A closing breakfast will be hosted in the hotel restaurant.

When: March 19 – 21, 2012
Where: Dallas Fairmont Hotel, Dallas
Registration: *www.southeastacquirers.com*

Electronic Transactions Association

ETA 2012 Annual Meeting & Expo

Highlights: This premier payments industry event is returning to Las Vegas, where attendees will enjoy a host of educational and networking events geared for all segments of the industry. Approximately 2,500 payment professionals are expected to participate, along with more than 150 leading vendors.

Keynote speaker Guy Kawasaki, known as the original Mac evangelist, will offer ideas on how to create innovations that will increase revenue. Charles E. Cook Jr., an authority on federal policy-making and politics, will provide political analysis.

Strategic sessions will cover such topics as new technology, regulatory issues and social commerce. Slated pre-conference offerings include ETA University, Compliance Day, Selling Beyond Payments and Investment Community Forum.

When: April 17 – 19, 2012
Where: Mandalay Bay Hotel and Casino, Las Vegas
Registration: *www.electran.org/am12/?page_id=47*

Inspiration

WaterCoolerWisdom:

Technology ... the knack of so arranging the world that we don't have to experience it.
– Max Frisch

Cultivating your own device-free zone

The blessing and bane of mobile devices is that we take them with us wherever we go. For dedicated salespeople on call 24/7, a smart phone always on hand is an invaluable tool in delivering quality customer service to merchants. But the opposite is equally true: having mobile phones always at the ready can keep us constantly distracted from the joys and hazards of the tangible world.

It seems more and more pedestrians check email or text as they walk down the street. It is a hazardous habit to say the least. With your head in the "cloud," you run the risk of bumping into people or annoying the alert folks who dodge out of your way.

But irritation isn't the only result of device infatuation. The repercussions of not paying attention to your physical surroundings can be far worse. You could walk into a busy intersection while talking on your smart phone and get hit by a car. Or, if you talk on your phone as you plow through a stop sign in your car, you could hit a pedestrian crossing the street.

Mobile misadventures

Even if you are able to avoid such mishaps and serious accidents, staying glued to phones and tablet computers causes you to miss out on delightful things both big and small. If you take a walk in the park, but your attention is focused on a mobile app, you miss out on making eye contact with your neighbors or noticing the graceful agility of a dog catching a Frisbee in mid air. Many people find such small interactions with the physical world uplifting, even essential to a feeling of well-being.

You might ask yourself, is it really that relaxing to spend a weekend surfing the web and playing video games on your tablet? If it leaves your nerves more jangled than if you drank a thermos of coffee, you have your answer. In an odd way, sensory overload via mobile devices can lead to sensory deprivation. Your mind and body are renewed by such simple activities as breathing fresh air and allowing for quiet, meditative time. These old-fashioned pleasures are more likely to benefit your mental and physical health than over indulgence in the mobile realm.

Excessive attention to mobile devices may also reduce your effectiveness as a problem solver. Creative solutions are often arrived at by contemplation, when you are free from distractions. If you're frustrated by a problem at work, the bells and whistles of social media could be depriving you of clarity. Unplugging your brain from the latest app may help you focus on a solution.

Turn off, tune in

Today, we rely on the Internet and almost instantaneous connectivity to colleagues, family and friends. Most of us cannot do without technology, nor would we want to. But technology should be used wisely, so it can do what it is intended to do – help us live more healthy, productive and fulfilling lives.

There is no need to throw away mobile devices. All we need to do is be aware that they should be turned off from time to time so that other pursuits (like navigating the crosswalk when the light is green, not red) can claim their fair share of our attention.

Good Selling!SM

Paul H. Green, President and CEO

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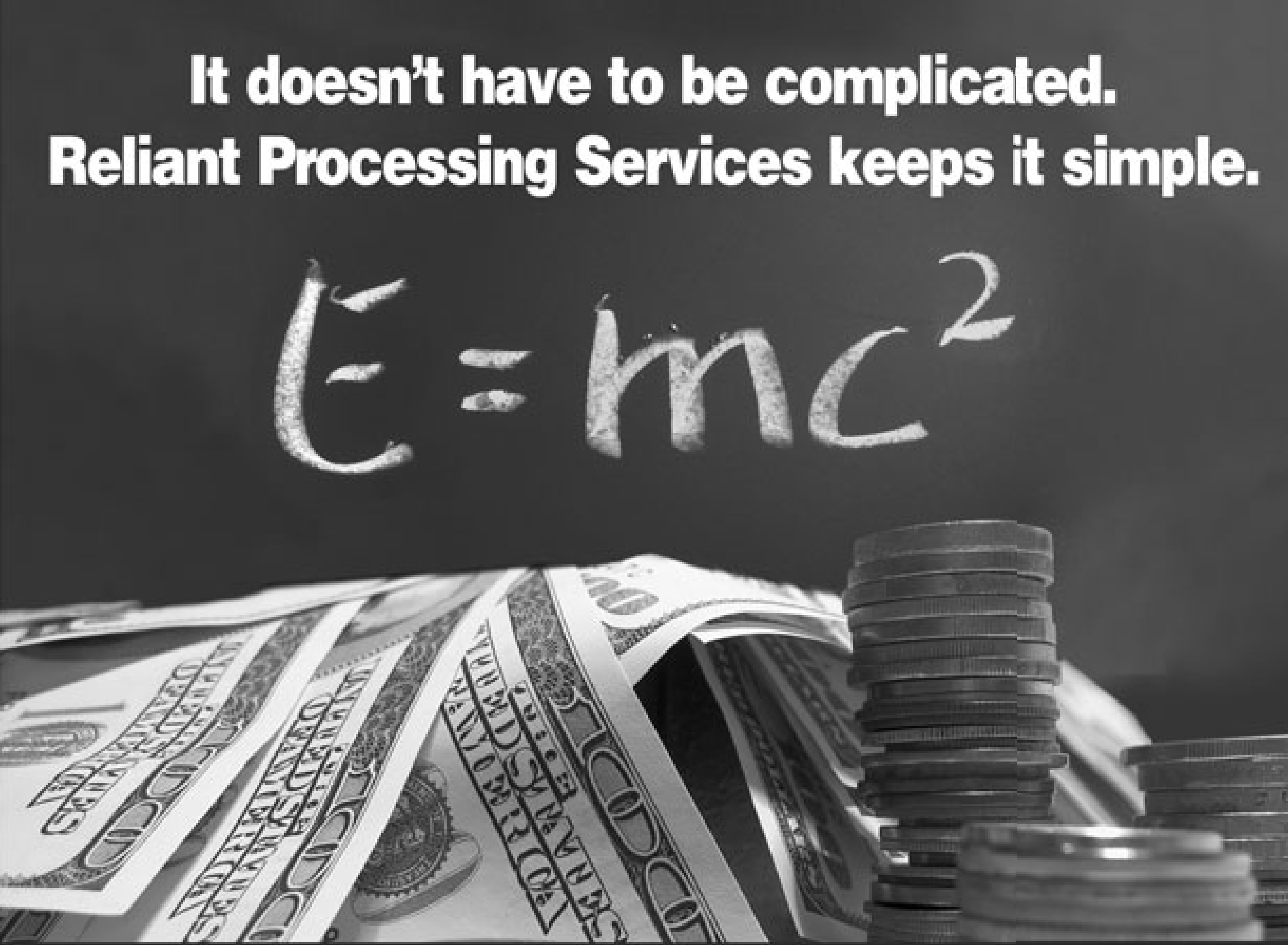

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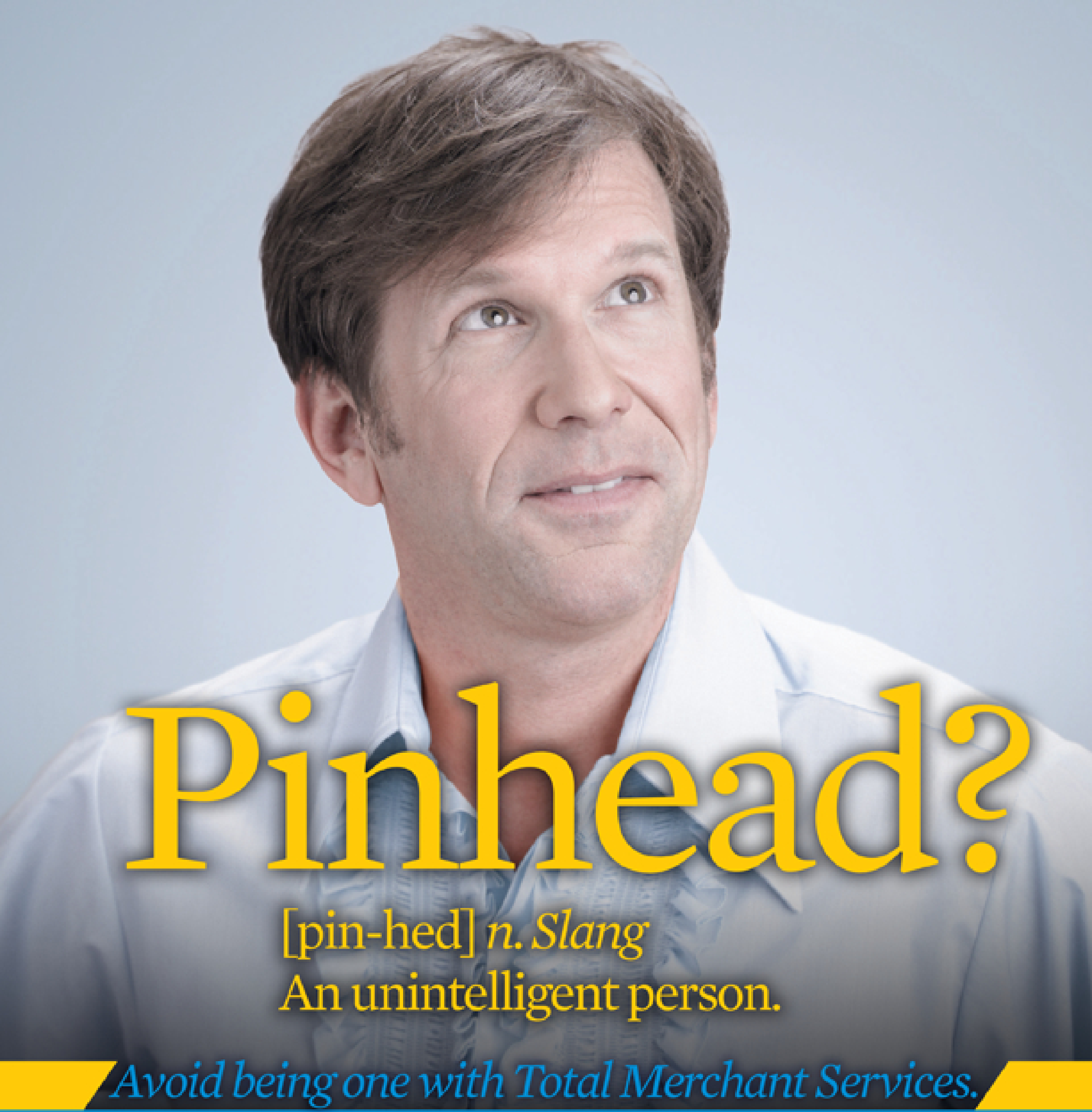

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At Total Merchant Services, you'll find no compliance fee trickery and zero surprises. We believe in being up front, honest and ethical in all of our business dealings. We will not use bait and switch tricks or surprises to get over on merchants or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

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