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Security and the changing face of the POS

New payment methods, including an expanding range of mobile wallets, are being trumpeted by the day. Older methods, too, such as the EuropayMasterCard/Visa (EMV) chip technology, widely accepted just about everywhere except in the United States, have the formidable backing of major card brands Visa Inc. and MasterCard Worldwide.

The good news is POS hardware and software are increasingly versatile in terms of the payment acceptance and value-added capabilities they offer. Critical for acquirers, ISOs and merchant level salespeople (MLSs) in evaluating this evolving mix of options is helping to assure the solutions they deliver will not only offer added convenience and benefits for merchants and shoppers, but also provide the requisite data protection.

Encroachments on many fronts

At the Mobile Payments Conference hosted by Mobile Marketing and Technology in San Jose, Calif., March 8 and 9, 2012, Ben Love, Vice President, Mobile Strategy at Vantiv LLC, told the audience he'd just counted more than 90 mobile wallets either in development or on the market; back in July 2011, he'd counted just 31.

Recently, online payment powerhouse PayPal Inc. publicized a new POS offering that integrates PayPal payments with existing physical POS equipment. As of this writing, The Home Depot USA Inc. is rolling out PayPal's POS at 2,000 Home Depot locations nationwide. When a merchant's POS system is equipped with PayPal POS software, a customer can initiate payment at checkout by swiping a PayPal prepaid card or by entering a phone number and PIN that connect to the customer's PayPal account.

Also, on March 15, PayPal introduced a new dongle designed to enable small businesses to accept payments using smart phones in much the same way Intuit Inc.'s GoPayment and Square Inc.'s Square solutions work.

Meanwhile, Visa, MasterCard and Discover Financial Services are now mandating merchant EMV adoption in the United States, with a liability shift for fraudulent transactions to merchants who do not comply by the final deadline, which Visa set at 2015 for most merchants and 2017 for the petroleum sector.

On the card versus in 'the cloud'

EMV technology embeds a microchip in a credit card for secure payments at the POS. Combining EMV on cards or smart phones with near field communication (NFC) technology, which is a type of low-signal radio transmission, creates a contactless payment method. Because EMV is hardware-based, it requires an investment in new cards by card issuers and new POS terminals by merchants and acquirers.

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NotableQuote

But let's be accurate about the environment most of our merchants live in: there's not a lot of technology there. It consists of a few laptops and possibly desktop computers, a fax machine, a telephone system, a POS system and some terminals.

Inside this issue:
CONTINUED

WINNER

APEX

43 Awards in 10 years

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Forum

Opinions on Square and PCI

In the "Square and PCI compliance" thread on GS Online's MLS Forum, **GLEASON99** asked, "Can someone please explain to me how Square gets all around PCI [Payment Card Industry Data Security Standard] compliance issues that plague all the other processors in this industry? It seems to me that the card associations have different rules for Square. With the new Square Register, these guys are going to be more of a competitor."

Following are excerpts from the discussion that ensued:

What I believe will hurt Square is their way-below customer service. They don't take phone calls, you can only email customer service, and the minute they hold money and the merchant starts to call and can't get anyone, there goes the shootin' match. Also, I believe that it is just a matter of time before they are hit by one very large fraud incident. It's just way too easy to get a merchant account and run bogus cards through it.

— **STEVE NORELL**

What makes you think the Square system is not PCI compliant?

— **CARDPLAYER**

Their customers have access to card data and do not do any sort of assessment to their compliance. Additionally, the data is unencrypted between the reader itself and the phone. If angry birds can read the card as it's being swiped, I find it difficult to suggest that the device/software is compliant or secure in any way. The transaction may be secure once it is finally in the Square software on the phone, but it's not secure getting there, and there's a lot that can happen on a smart phone in that space between the reader and the software.

— **JESTEP**

Maybe so. But PCI rules do not require a card swipe to be encrypted. They require card data to be encrypted if is stored, and also prohibit the storage of complete mag stripe data. Granted they are not on the Visa PABP list, but neither is MagTek's QwickPAY product. Maybe an "app" doesn't need to meet the same certification requirements as an "application." And as far as the SAQ [Self-Assessment Questionnaire], I don't know that they are or aren't asking their merchants to fill them out, but there are plenty of acquirers and ISOs with poor compliance stats in that area.

Bottom line, with as big as Square is in terms of merchants, Visa would have shut them down if they felt there was a serious security risk there.

— **CARDPLAYER**

Mobile processing involves two features: 1. Mobile software application that is downloaded on the smart phone; 2. The card reader that sends the credit card information to the software application on the smart phone.

Every smart phone processing provider has a software application that is PCI [compliant] which is mandatory by the PCI Security Standards Council; however, the biggest problem, and one that has not been addressed by the council, is: What happens to the credit card data when the credit card is swiped through the card reader and sent to the software application on the smart phone?

If a smart phone processing device is using the 'audio jack' to connect the card reader, the card reader is sending an audio signal from the card reader to the software application on the smart phone. These audio signals are the same signals that a touch tone phone makes when you press a number on the key pad. Each number sends a different signal, thus the credit card numbers being sent to the application is a long stream of signals which are not encrypted, making it very easy for this data to be compromised.

A smart phone processing device utilizing the data jack on the Apple products (iPhone, iPad, iPod touch) utilizes 'end-to-end encryption,' which means that once the card is swiped through the card reader, the card data is encrypted when it sends the card information to the smart phone application thus making it very difficult for the credit card data to be compromised. Rumors are that the PCI SSC will only allow end-to-end encryption for smart phone processing, making it the 'standard,' thus making the audio jack card reader obsolete.

— **DVST8**

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QSGS

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

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View
Micropayments are no small matter

Mobile payment applications are positioned to support electronic micropayments, provided the card companies can come up with a viable interchange model. But like everything in payment innovation, mobile payments present a chicken-and-egg conundrum: with seemingly low consumer adoption, providers aren't rushing to the starting gate.

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Education
Street Smarts℠
A year of learning, writing, sharing

In his year as our Street Smarts columnist, Bill Pirtle learned much about the industry and the value of trying new things as he covered ISO and MLS education, professional certification, networking and much more in his own inimitable way. This article recaps the year and bids Bill a fond farewell. Who will the next Street Smarts author be?

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View
New developments in payments (and winemaking)

ISOs and merchant level salespeople (MLSs), like winemakers, must sometimes ask, "What business are we in?" Are we in the payment processing business? The technology business? The transaction facilitation business? Sometimes the answer is counterintuitive. And some of us are a bit overwhelmed by all the potential changes swirling around the payments space.

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Education
Mining the digital gold rush

The digital age has spawned a new kind of gold rush. Winners still stake claims and losers perish in the wilderness. However, instead of mules and pick axes, today's tools are software development and digital technology. Yet an age-old question persists: why do some companies make it big, while others file for bankruptcy?

QSGS

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Education

Enhance your security protocols

The protection of financial data linked to payment cards and online accounts has been increasingly scrutinized by the financial industry and federal regulators. And it is important to recognize that data breaches can happen to any organization. Understanding how to implement and maintain secure systems is a solid first step toward securing your company's future.

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Education

Pricing surprises: Don't let processors eat your lunch

Pricing surprises are the new normal for ISOs. Payment Card Industry Data Security Standard fees are the thin edge of the wedge upon which some processors have piled on Internal Revenue Service, compliance and new interchange fees that don't fit squarely into existing ISO agreement pricing grids. This article provides tips for navigating the minefield of ISO pricing in 2012.

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Feature

Court affirms viability of merchant's direct claim against Visa

While the absence of a direct contractual relationship was previously the death knell of a merchant's rights in relation to the card companies, one court recently recognized that, based on certain principles of equity, a merchant may be able to seek a reversal of a card brand's improperly assessed fines or a return of the merchant's improperly applied funds.

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Inspiration

Big results from small talk

Skilled educators open lectures with jokes or funny anecdotes. Rather than diving straight into, say, the causes and outcomes of the Peloponnesian War, they will begin a talk with lighter fare that relaxes students and makes them more receptive to the information that comes next. ISOs and MLSs thrive when they take a similar tack with merchants.

Industry**Update**

NEWS

ETA asks Visa to delay FANF rollout

On March 7, 2012, the **Electronic Transactions Association** sent a letter to Joseph W. Saunders, Chairman and Chief Executive Officer of **Visa Inc.**, asking the card company to delay implementation of its new Fixed Acquirer Network Fee (FANF).

The letter pointed out challenges acquirers and merchants face in implementing FANF and suggested, given the complexity of this new type of fee, that Visa delay implementation until Visa provides all needed implementation guidance to stakeholders. The ETA requested the new Visa directive take effect 90 days after such guidance is provided.

Among the concerns the ETA voiced are:

- The time allotted between the FANF announcement on Feb. 9, 2012, and the scheduled date for implementation, April 1, 2012, is insufficient "given the impact to processes and systems."
- The FANF is a new construct requiring the creation of "new system components, processes and functionality."
- The complexity of the directive increases the pressure on implementation, causing "enormous stress on all parties" and "increases the risk of unintended consequences."

According to SourceMedia Inc.'s *Payments Update*, Visa responded that it had given acquirers sufficient notice of the FANF fee implementation. To read the ETA's letter, please visit: *www.electran.org/docs/ir/ETA_Letter-Visa_FANF_2012-03-07.pdf.*

Discover initiates 2013 EMV mandate

Discover Financial Services reported it is implementing a 2013 Europay/MasterCard/Visa (EMV) deployment mandate for its acquirers and "direct-connect merchants" in the United States, Canada and Mexico. "This industry alignment will streamline certification and deployment efforts and enable a manageable transition for all parties involved, including issuers, merchants and acquirers," Discover stated in a press release about the deadline.

Girl Scouts expands mobile payment deployment

The Sage Group PLC subsidiary **Sage North America** said it is partnering with 32 nonprofit **Girl Scouts of the USA** councils in 23 states, collectively representing more than 40,000 members, to offer a mobile payment option during the scout's annual cookie sales.

Girl Scouts in northeast Ohio reported a 13 percent increase in sales after introducing mobile payments in 2011, a year when many troops reported flat sales.

Girl Scout cookie sales are the primary funding for Girl Scout activities and programs. Those sales are expected to be positively impacted by the Sage Mobile Payments application and credit card swipers attached to smart phones or tablet computers. The scouts using the devices will be able to accept both credit and debit card payments. The system's back-end will reconcile sales and deposits for each troop.

BOTTOM LINES — HEADLINES FROM THE RETAIL WORLD

- According to **AccuStream Research**, the online and mobile video sector, comprising auctions, exchanges, video platforms and ad networks, generated $4.3 billion in revenue in 2011 and is expected to yield $10 billion in annual revenue by 2014.

- A **Forrester Research** report, *U.S. Online Retail Forecast, 2011 to 2016*, revealed Americans spent more than $200 billion online in 2011, and by 2016 total Internet spending could surpass $327 billion and represent approximately 9 percent of overall retail sales.

- **Research and Markets'** *Home Furnishings Stores* report estimated total combined annual revenue generated by U.S. home furnishings stores reached $25 billion, with the 50 largest home furnishings retailers accounting for 70 percent of that revenue.

IndustryUpdate

Security initiative launched at RSA

A new cross-industry organization formed to address ongoing, Internet-related security, privacy and reliability concerns was launched at the **RSA Conference USA 2012** recently held in San Francisco. The **Trustworthy Internet Movement** is a nonprofit, vendor-neutral effort to address such security issues as the threat of botnets and malware. The members will also attempt to assure security in cloud computing.

Philippe Courtot, Chairman and Chief Executive Officer of the cloud security and platform company Qualys Inc., is the founder of the new organization. He pledged $500,000 to help launch the organization. His plan is to leverage talent in member organizations to fund and foster collaborative innovation. In addition to encouraging innovation, the group will focus on collaboration and leveraging the expertise of its members.

The Trustworthy Internet Movement will be recruiting people with domain expertise; innovation and technology leaders; stakeholders; corporations; venture capitalists and angel investors; academic institutions; and other nonprofit organizations.

"With 2 billion people relying on the Internet for much

of their personal and business lives, it is incumbent upon the industry to put its collective heads together and resolve the problems of online security, privacy, and reliability once and for all," Courtot said. "We have a unique opportunity with the rapid spread of cloud-based services to leverage the power of the industry and the wider community of Internet users to resolve the issues that are holding back the Internet from fulfilling its true potential."

RSA is the security division of the information technology company EMC Corp.

AmEx working with social media

American Express Co. released a **Facebook Inc.** application for its Serve digital wallet. The app allows people to send and receive money on the popular social networking site. PayPal Inc. introduced a similar app on Facebook in November 2011.

Dan Schulman, Group President Enterprise Growth for AmEx, said Serve is evolving to adapt to the way people exchange money. "We're constantly working to bring our customers a seamless and consistent payment experience – one that makes sense for our increasingly social lives, whether that's paying a friend back for movie tickets or sending someone money for your share of the vacation house – it can now be sent on Facebook." AmEx charges no fee for sending, receiving or requesting money via Serve.

In other AmEx social media news, the company introduced a new application for the social media network **Twitter Inc.** When card members sync their cards with Twitter, it allows them to use customized Twitter hashtags to load discount and savings offers to their cards. The offers are automatically delivered within a few days via a statement credit. Participating merchants include Best Buy Inc., McDonald's Corp. and Zappos Inc.

ANNOUNCEMENTS

BOKU expands

Online mobile payment company **BOKU Inc.** said it is expanding its payment technology into full e-commerce and retail POS functionality with its BOKU Accounts, a platform that allows mobile network operator (MNO) customers to use MNO-branded mobile payment accounts with both mobile devices and the web. Customers can make payments online, in-app and in-store.

In addition, BOKU reported it secured $35 million in funding to expand its team, broaden infrastructure and continue its global expansion, which began in 2009. Investors include New Enterprise Associates and Telefónica Digital, among others.

IndustryUpdate

ControlScan releases new firewall

Payment Card Industry (PCI) Data Security Standard (DSS) compliance and security solutions provider **ControlScan** added ProTect Network Firewall to its ProTect Managed Security Services to manage the installation, administration and monitoring of network firewalls specifically for Level 4 merchant businesses.

CrossCheck lands ASA-AZ

Check guarantee and electronic check processing services provider **CrossCheck Inc.** is now an associate member of the **Automotive Service Association of Arizona**. It will offer ASA-AZ members special group pricing on payment services. These services include remote deposit capture and standard check guarantee.

Global Payments named to most admired list

Electronic transaction payment processor **Global Payments Inc.** is on *Fortune* magazine's list of most admired American companies of 2012. Global Payments ranked sixth in the Consumer Credit Card and Related Services category.

First Data enhances offer redemption

First Data Corp. released its OfferWise solution, an open platform that simplifies redemption offers for consumers and merchants. The platform allows merchants to electronically attach electronic deals, coupons and loyalty programs to customers' payment cards or mobile wallets for automatic redemption at the POS. The offers are redeemed in real time. The platform is now in its pilot program.

Heartland's Apple payment solution

Heartland Payment Systems Inc. said its Mobuyle mobile payment acceptance solution now works with Apple Inc. iOS mobile devices allowing merchants to take credit, debit and gift card payments on the iPhone, iPad and iPod Touch.

In other company news, Heartland said it has returned more than $100 million of signature debit savings to U.S. businesses since the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 went into effect in October 2011.

Tenable Network Security PCI certified

Tenable Network Security Inc. completed its PCI scanning vendor compliance testing and is now an Approved Scanning Vendor. Tenable can thus offer to help businesses ensure their payment card data is secure, identify potential security problems in the cloud and demonstrate PCI DSS compliance.

Vantiv IPO

Payment Processor **Vantiv LLC** said its initial public offering of 29.4 million shares of its Class A common stock will be priced between $16 and $18 per share. The underwriters of the offering have an option to purchase an additional 4.4 million shares of Class A common stock from Vantiv.

VeriFone bringing lottery payments to taxis, gas stations

VeriFone Inc. said it will process lottery ticket sales through POS systems in taxis, at fuel dispensers and at other locations. Consumers will be able to use an interactive screen to select a lottery purchase, swipe or tap a debit card, and print receipts from integrated printers. VeriFone is partnering with Linq3, a lottery solutions provider, to create a nationwide network to process lottery transactions.

Western Union gets mobile wallet agreements

Western Union Holdings Inc. reported it now has money transfer agreements with 26 mobile wallet companies in 22 countries. The company said 20 of these agreements are with MNOs representing more than

285 million subscribers. The other six agreements are with banks and credit unions. The company has already launched mobile money transfer services in nine countries, including the United States and Canada.

PARTNERSHIPS

AJB, First Data partner

Payment software manufacturer **AJB Software Design Inc.** and payment processor **First Data Corp.** are offering First Data's TransArmor data security solution integrated into AJB's payment processing application suite. The suite is aimed at large retailers. More than 200,000 merchants currently combine for more than 400 million transactions using the TransArmor solution.

CardWare, Resource Leasing in joint venture

Electronic transaction processor **CardWare International** and **Resource Leasing Co.**, a high technology equipment leasing and financial services company for merchants, formed a strategic joint venture called All Inclusive Mobile Merchant. The solution packages hardware, a mobile payment app, data plan and support with a reportedly low monthly payment.

CO-OP Financial, Diebold partner

CO-OP Financial Services said it is partnering with self-service security systems provider **Diebold Inc.** to offer CO-OP ATM Managed Services, an ATM fleet implementation and management suite for credit unions. The suite includes anti-skimming, currency management, enterprise security and software deployment services.

IBM, Ingenico work together in Mexican concert venues

Terminal manufacturer **Ingenico Mexico** is teaming with **IBM** to introduce Ingenico's iPA280 terminal with integrated secure PIN pad in Mexico concert halls. Both the 17,600 seat Arena Monterrey and the 22,000 seat Arena Ciudad de Mexico will use the POS system for sports and cultural events.

Manufacturers sign with Isis

Isis, the mobile commerce network and mobile wallet created by the mobile commerce joint venture JVL Ventures LLC, said POS terminal manufacturers **VeriFone**, **Equinox Payments LLC** and **Ingenico S.A.** and near field communication (NFC) software provider **ViVOtech Inc.** will use and support the Isis Mobile Commerce Application in their product lines. Isis said the agreements will speed up introduction and adoption of mobile commerce.

The agreements will give merchants the ability to upgrade to Isis-enabled payment terminals by a combination of new payment acceptance systems and NFC add-on devices or software upgrades to some devices already in use.

Moneris, Global Cloud team

Payment processor **Moneris Solutions** is integrating its eSelectPlus payment gateway with **Global Cloud Ltd.**'s DonorDrive software to allow Global Cloud clients to process electronic donations and payments through DonorDrive and Moneris.

PAI, GunBroker.com teaming up

ISO **Payment Alliance International** is partnering with **GunBroker.com**, the world's largest online gun auction site, to offer a payment acceptance solution for GunBroker.com online sellers. The companies said the solution now allows guns to be shipped without the inconvenience of waiting for a cashier's check to be purchased, mailed and cashed.

PayLeap, TSYS connect

Payment gateway technology company **PayLeap** is now certified to the **Total System Services Inc.** (TSYS) payment platform and is boarding merchants under the TSYS Partner Reseller Program. ISOs can now offer PayLeap technology to customers using the TSYS solution.

Join the winning Merchant Cash Advance team in 2012

IndustryUpdate

RevSource Solutions works with Merchant Solutions

Receivables management and revenue enhancement solutions provider **RevSource Solutions LLC** and merchant services provider **Merchant Solutions International Inc.** are teaming to provide clients with the RevExpress online payments system.

Vantage, ControlScan support Level 4 merchants

Payment processor **Vantage Card Services Inc.** expanded its agreement with security firm **ControlScan Inc.** to help small and midsize merchants obtain PCI DSS compliance. Vantage Card Services' merchants now can use and manage internally ControlScan's PCI 1-2-3 compliance solution for PCI compliance.

ACQUISITIONS

FTS buys CCS

Electronic payment processing company **Financial Transaction Services** acquired Boca Raton, Fla., electronic payment processing solutions provider **Charge Card Systems Inc.** The deal is expected to increase FTS

sales volume. Jeffrey Shavitz, a member of The Green Sheet Advisory Board and a contributing writer for this publication, is a founding partner of CCS.

Jumio receives $25.5 million investment

Jumio Inc., the developer of Netswipe, the system that allows credit card payments using webcams and mobile phones, received $25.5 million in Series B Funding from the venture capital firm Andreessen Horowitz. Jumio will use the money for team growth and product development.

VeriFone acquires LIFT

VeriFone acquired **LIFT Retail Marketing Technology Inc.**, a manufacturer of a digital marketing system built to improve convenience store sales. Financial terms of the purchase were not disclosed.

Visa Europe invests in Mobile Money Network

Visa Europe is taking a 15 percent stake in **The Mobile Money Network Ltd.**, creator of the mobile commerce application for iPhone and Google Inc. Android handsets Simply Tap. Visa and MMN are planning a number of mobile commerce initiatives in the U.K. in 2012 that are expected to take MMN's bank-grade, interoperable infrastructure for mobile shopping to the mass market.

APPOINTMENTS

Payfone adds executives

Payfone Inc., a remote payment processing service, named **Prakash Hariramani** Vice President Head of Product, **William Murray** Vice President of Financial Institution Sales, **Scott Shepherd** Vice President of Mobile Operator Management and **Amy Masters** Director of Marketing.

Hariramani was Senior Business Leader and Head of Emerging Consumer Products at Visa prior to joining Payfone. Murray previously worked for MasterCard Worldwide where he initiated the company's e-commerce strategy. Shepherd led Verizon Wireless' mobile commerce product strategy and management. Masters was a Vice President of Marketing at AmEx.

Staub joins Sterling Payment

Gary T. Staub is the new Chief Sales and Marketing Officer at payment processor Sterling Payment Technologies Inc. Staub previously founded GTS Consulting, a Dallas-based consulting service to private equity firms and electronic funds transfer companies in the payments industry. He will be responsible for direct and third-party initiatives.

PayPal introduces dongle for smart phone payments

On March 15, 2012, PayPal Inc. took a swing at mobile payment startup Square Inc. and others offering smart-phone payment solutions when it introduced its PayPal Here mobile payment solution.

The new payment service includes a free app and an end-to-end encrypted card reader that attaches to Apple Inc. iPhones and Google Inc. Android smart phones to allow payment acceptance anywhere. PayPal said the new service accepts more types of payments than any other solution on the market today.

ROAM Data Inc. was reportedly the first to introduce a payment dongle for mobile phones in 2010. Its ROAMpay is compatible with all mobile phone types. Square Inc. introduced its competing swipe device shortly thereafter and has gained media attention and market traction. Several other companies also offer payment solutions that use smart phones and tablet computers for payment acceptance.

PayPal said its app, unlike those of its competitors, will accept not only credit cards but will allow merchants to use a phone camera to accept and process checks, invoice from the app, allow manually keyed in or scanned card information, track cash payments and accept PayPal payments.

Responding to small business needs

PayPal is offering a flat fee of 2.7 percent per transaction. Square's fee is 2.75 percent. PayPal is also offering merchants a debit card for quick access to their cash. The card offers 1 percent cash back on purchases. "If merchants use the debit card for purchases, fees effectively come down to 1.7 percent," PayPal said.

In addition, PayPal said all transactions offer end-to-end encryption, and the company is providing full-time customer support around the world for the service. PayPal Here will soon be available to merchants in the United States, Canada, Australia and Hong Kong. The company plans to introduce the service to more countries soon.

David Marcus, PayPal's Vice President of Mobile, said, "We've heard small businesses loud and clear. They don't want to miss sales opportunities because they can't accept the payment type that their customers want to use.

"They want quick access to their money, a reliable card reader, and one transparent, low fee to process these payments. I'm thrilled to launch PayPal Here because we've been able to bring all of these key features together into a product that's so simple to use."

Good works make for good TV

When GS Online MLS Forum member Sonny Gartin of Springfield, Mo., posted that a local television news reporter had called and wanted to do an interview with him about his marketing and stored-value card processing business, Reward4ORGS LLC, he garnered many congratulations and probably a little envy from other forum members.

Gartin shared his enthusiasm in his post, stating, "So this morning I get a call from a local news station wanting to do a story on my company and our program. It took a lot of running to set up everything, but it is done. They are interviewing the business owner, a cardholder, and myself. Should be exciting, but I must admit I am a little nervous. Just wanted to share."

Helping the community

Gartin set up Reward4ORGS to help communities through local fundraising. To that end, the company is partnering with local businesses, schools and nonprofit organizations.

Gartin said the beauty of the system is that the program increases sales for local merchants with free local advertising that drives customers to their businesses, while providing support for local causes by giving back 5 percent of every sale to designated schools and charities.

Gartin aligns consumers who want to support local charities or schools with merchants who support the same causes. Here's how it works: a customer signs up for the rewards program through a cause he or she wants to help and receives a rewards card in return.

The card is linked to local merchants who offer support for that cause. When the consumer makes a purchase at a store offering the rewards program, 5 percent of the sale automatically goes to the specified charity or school.

Taking action

Gartin said the idea for the company came to him one day about four years ago when his wife came home complaining about yet another school fundraiser. "There's got to be a better way," she said. Gartin, who was already working as a merchant level salesperson (MLS) for an ISO, started thinking about how he could marry fundraising, marketing and card processing. The result, two and one-half years later, was the Reward4ORGS and Reward4Schools programs.

News

Gartin now works with approximately 20 charities and between 50 and 60 schools, and he'll be opening new operations soon in Kansas City, Mo., St. Louis, Mo., and Tulsa, Okla.

"My program is based on community," he said. "We can take this program nationwide. It works anywhere in the nation. For parents who are bombarded with fundraising requests, as a way to help kids, this is an easy way to do this.

"If you tell people they can help their local school or nonprofit by spending at local businesses, they will do it all day long – and they do. ... Parents are going to be buying anyway. If they spend in the community, the school will benefit every time."

Creating stickiness

The upside for merchants is that this program attracts customers and promotes the business at no cost, Gartin said. The nonprofits and schools do the advertising for merchants by encouraging shopping at stores that accept the rewards card.

The upside for MLSs is this program is sticky because it drives business. "If this works, why would they want to leave?" Gartin asked. "This is a great way to implant yourself in your community because you are tied into the merchants and organizations."

For example, when Joplin, Mo., was devastated by tornadoes in 2011, Reward4ORGS helped set up a reward program called "Shoppin' for Joplin" with reward money going to help with the city's recovery. "These contributions are residual, month after month, every time the card is used," Gartin pointed out.

"The beauty of this thing is that the merchant pays for it after it works – after the customer comes in, after the customer spends money, then the merchant makes the donation."

Gartin added that his company pays referral fees, too. Parents who refer businesses can earn $50 for each referral for a designated school or nonprofit. "We had one school turn in 14 pages of referrals," he said.

Getting a business boost

Gartin said that in the two days after the report aired, he signed 15 new businesses and that he has since signed up 2,800 new cardholders. He posted in the forum that the phones got busy quickly after the television report aired.

"One line was merchants wanting to find out how to join our program; the other line was consumers wanting to find out how to join our program," he wrote. "It was a win-win for us. The funny thing is the more

consumers we get, the more the businesses want to join, and the more businesses we get, the more consumers want to join."

So how do others in the payments industry get on television? "Be creative," Gartin responded. "Find a way to help everybody. That's ultimately why my story was published."

Square deals

Square Inc., the company providing free credit card readers for mobile phones, is making inroads into the worlds of brick-and-mortar and transportation payments.

For retailers of all sizes, Square updated its free Square Register application, which turns an Apple Inc. iPad into a cash register. Square stated that, when used with its card reader and an iPad, the updated application allows retailers to immediately begin operating virtual registers that accept payment with cards, cash or by just entering a name.

According to a Square video on the company's Facebook page, Square Register can now do far more than accept payments. It can also track sales; customize inventory; provide detailed analytics; create loyalty programs; allow merchants to create and publish their profiles to the Square Directory; track and reward customers; allow merchants to print, text or email custom receipts; and allow merchants to log in from any location to see transaction details.

Square on the move

On the transportation front, the New York City Taxi and Limousine Commission approved a pilot program that enables Square to test its card readers in New York cabs. The commission said it approved the Square test, which will use the iPad "in lieu of the current passenger information monitor … and [the] current driver information monitor to interface with the meter and evaluate cost savings, if any."

The commission added that the Mobile Technology System will have "a passenger information monitor, hard mounted in the passenger area of the vehicle, and a taxicab driver information monitor, which will interface with the meter and aid the taxicab driver in performing his duties while the systems are recording trip data.

"The Square's proposed Mobile Technology System will also be capable of recording and storing trip sheet data, processing credit card payments, and enabling communication between the [taxi and limousine commission] and taxicab driver and between the medallion owner and taxicab driver."

In addition, Square's proposed Mobile Technology System will offer "new and different technological interactions and improved experiences for taxicab drivers and passengers, the possibility of lower credit cards rates and a faster driver payment turn around," the commission noted.

Retailers looking for larger role in POS mobile

Move over Google Inc., Isis, PayPal Inc. and all other mobile payment initiatives. Retailers have their own ideas about how mobile payments should play out at the POS. According to several published reports, a group of about two dozen retailers is working on a mobile payments network of their own.

The reports indicated retailers are unhappy with the mobile payment systems being designed by banks, the card companies, mobile carriers and their technology partners. Retailers are said to want more customer-centric mobile POS services.

News

Big-box giants Wal-Mart Stores Inc. and Target Corp. are the only retailers confirmed as participating in the project. Chances are good none are among the 20 or so merchants that have signed on already to accept mobile payments using Google's new Google Wallet.

NFC may not dominate market

Mobile payments – especially those based on near-field communications (NFC) technologies – are predicted to be the next big POS trend. U.K.-based Juniper Research, forecasts $50 billion in NFC-enabled payments, worldwide, in 2014. Closer to home, PayPal said it expects to handle more than $7 billion in payments initiated using mobile devices in 2012 alone.

Isis is a project of JVL Ventures LLC involving the leading mobile carriers and all the leading card brands. Isis also has agreements with leading POS device manufactures; its official launch is expected in 2012.

Despite all this activity on the development front, the international consultancy Deloitte Touche Tohmatsu warned that "the complexity of the NFC value chain is a possible barrier to expanding the NFC payment market."

In a new report, *NFC and mobile devices: payments and more!*, Deloitte also indicated consumers may not be clamoring to use their mobile devices as "digital" wallets. It cites one 2011 survey, for example, in which one in four consumers expressed concerns about things like security and battery life of mobile devices that would be used for mobile payments.

Retailers tried to go it alone before

This isn't the first time retailers have tried to break away from banks and take control of electronic payment initiatives. In the late 1980s, as electronic check authorization and guarantee services began to take root at the POS, a group of large national merchants began their own initiative, called the Shared Check Authorization Network (SCAN).

SCAN differed from bank-oriented POS check authorization services at the time in that it was a centralized database limited to information about bad checks and check-writers contributed by members and owners only. It survived on its own for several years, but eventually, SCAN was acquired by a bank services company.

Today SCAN is operated by Certegy, a part of Fidelity National Information Services Inc. Certegy said the database includes information contributed daily by more than 500 retail chains.

TradeHill takes Dwolla to court

TradeHill Inc., an online company that specialized in the exchange of bitcoins (a type of digital currency), sued online and mobile payment processor Dwolla Inc. Trade Hill alleged Dwolla's reversal of its "no chargebacks" policy, done without prior warning, bankrupted TradeHill.

Bitcoin open source software allows irreversible peer-to-peer payments using bitcoins, which are distributed through the Bitcoin network. In its federal complaint, filed in the Northern District of California March 5, 2012, TradeHill claimed it was "one of the world's leading resources for Bitcoin."

TradeHill customers made purchases from TradeHill and participated in the Bitcoin exchange through Dwolla.

TradeHill said it decided to do business with Dwolla, as opposed to other companies like PayPal Inc., because of Dwolla's low 25 cent transaction fee and because Dwolla advertised it did not chargeback and claimed "that its transactions were 'as good as cash.'"

The allegations

TradeHill said some of its customers began fraudulently purchasing TradeHill services in the summer of 2011 by asking for chargebacks from Dwolla after their TradeHill purchases. Dwolla, despite its alleged no chargeback policy, complied with these customer requests.

In essence, these customers worked out a way to get TradeHill services for free, TradeHill said. TradeHill also claimed that, despite repeated requests, Dwolla never produced the customer affidavits that asked for these chargebacks.

"Dwolla has not provided a single affidavit supposedly associated with these chargebacks; as such, TradeHill can only allege these affidavits existence," the TradeHill complaint said. "If these affidavits do not in fact exist, Dwolla simply reversed these transactions for no reason."

TradeHill claimed it was never told of the chargebacks and said it discovered them when the number of credited transactions did not tally with sales. To confirm its suspicion that Dwolla was crediting accounts and then charging back, TradeHill created a program to match transactional histories from one day to the next.

TradeHill said its program quickly discovered credited transactions were being reversed to "pending transactions" on a daily basis by Dwolla.

TradeHill also stated in the lawsuit that Dwolla reacted to its chargeback complaints by scrubbing its website of "nearly all references to the 'no chargeback' policy." TradeHill stated, "Dwolla, finding out that its 'no chargeback' policy was a very poor long-term business strategy (especially if customers expected Dwolla to abide by it), changed its entire marketing strategy and business model.

"At the same time, Dwolla was also making it blatantly clear through the unconscionable arbitration provision and other changes to its website that it had no intention of resolving the dispute with TradeHill and believed it was under no obligation to do so."

Bankruptcy and damages

TradeHill said Dwolla's actions left it unable to pay its bills and forced it to close its business and give up its bitcoin Internet domains.

TradeHill is asking for return of "all consideration previously paid by TradeHill to Dwolla," a finding that Dwolla waived its right to arbitration, compensatory damages,

civil damages and punitive damages plus interest on these damages.

Dwolla response

Dwolla Chief Executive Officer Ben Milne responded to the TradeHill suit, calling TradeHill's allegations "unfounded" and expressing outrage that TradeHill contacted the press with news of the lawsuit prior to informing Dwolla of the filing.

Milne defended his company saying, "A necessary byproduct … of fraud is bank-level reversals, 'chargebacks' issued by the institutions on behalf of the victims, not Dwolla.

"With that said, we will not play accomplice to sources of ongoing fraud. In such cases, we move quickly and act appropriately to facilitate restitution on behalf of the financial institution and its members (the victims). This is required by federal and state consumer protection laws, but more importantly it's the right thing to do."

Milne said his company is happy to go to court to address the concerns of merchants who believe they were "wronged to the point of litigation."

TheMobileBuzz

Mobile Payments Conference raises EMV questions

Visa Inc. and MasterCard Worldwide initiatives to speed adoption of Europay/MasterCard/Visa (EMV) and near field communication (NFC) technology by U.S. merchants may not turn EMV into the dominant POS choice for consumers or retailers, according to keynote speakers at the Mobile Payments Conference hosted by Mobile Marketing and Technology.

The conference, titled Mobile Commerce is the New Buzz, was held at the Fairmont Hotel in San Jose, Calif., March 8 and 9, 2012.

Significant EMV barriers

David Schropfer, Head of Mobile Commerce and Partner at The Luciano Group consultancy, was the first of two keynote speakers. He said for mobile commerce to succeed, it has to reduce costs and drive new sales for merchants, and he is not convinced EMV is the best vehicle for driving down costs and improving sales.

"Whether mobile payments are good or bad for Visa remains to be seen," he told the conference audience. "Visa is as smart as anyone out there. They are hedging their bets. Visa is playing every possible [payment technology] iteration and that's probably a good thing.

"The question is if Visa can be disintermediated by PayPal, can it be forced out of the market? The answer is no, but Visa may have to cut pricing or compete, which they would rather not do. The bottom line is things are not going to be as rosy for Visa as they are today."

He noted there are two big problems that need to be overcome as EMV is introduced into the United States: the POS terminals have to go contactless and they have to go EMV. "Those are not the same thing," he said, adding that each has its own technical and physical challenges to introduction.

The real opportunity

The second keynote speaker, Richard Crone, Chief Executive Officer of Crone Associates, a Massachusetts company that helps companies "create strategic advantage in the financial services marketplace" through electronic payments, agreed with Schropfer's statements.

Crone added that the key to the mobile payments space is consumer data. He said the retailer who is able to get consumers to opt-in to sharing their mobile credentials, their payment credentials and other critical personal and payment information is the retailer who will have the best data, the best analytics and the best chance at driving sales and leveraging the power of the mobile marketplace.

A walled garden

Crone said he isn't sold on NFC. "Of the 200,000 NFC deployments in the United States, all are subsidized by card associations because they want to create a walled garden," he said.

Crone believes the EMV/NFC effort is an attempt to protect card brands. "NFC is at the point of inflated expectation," he said, adding that the potential for cloud-based POS solutions is "far stronger than chip and PIN or EMV could ever be."

After his address, Crone said, "The card companies are thinking they need a card emulation model. This is the ultimate paving of a cow path. They are just trying to preserve the infrastructure for those who have to live with it."

Selling Prepaid

Prepaid in brief

NEWS

Isis makes moves in advance of summer pilot

In a Feb. 20, 2012, corporate blog post, mobile payment venture **Isis** reported that a general purpose reloadable (GPR) prepaid card, as well as loyalty cards, will be included in its mobile wallet. The blog labels the GPR card as the "Isis Cash card."

The blog said the wallet will also provide users personalized offers, account details and purchase records. According to another Isis post, the combined reach of the three mobile telecommunication companies involved in the venture – AT&T, T-Mobile USA and Verizon Wireless – will give Isis access to over 200 million wireless phone subscribers, representing 75 percent of U.S. wireless phone users.

Jury finds Blackhawk infringed on InComm patent

Gift card mall innovator and Safeway Inc. subsidiary **Blackhawk Network** said a jury in the United States District Court for the Western District of Wisconsin found that the Pleasanton, Calif.-based gift card distributor infringed on a patent owned by its rival, Atlanta-based prepaid card distributor **InComm**.

Blackhawk said the lawsuit, originally filed in October 2009 by Interactive Communications International Inc. (InComm) and its affiliated company e2Interactive Inc., related to eight lines of source code that were part of Blackhawk's gift card activation platform. Blackhawk said those lines of code were never used and have been removed from Blackhawk's platform.

Overseas MSBs not off the hook

In February 2012, the **Financial Crimes Enforcement Network** (FinCEN) clarified that, even if money services businesses (MSBs) are domiciled beyond U.S. borders, they still must comply with U.S. anti-money laundering (AML) regulations if they do business in the United States. FinCEN said its new definition of MSB, now including prepaid card providers under its Prepaid

Access rule, recognizes that technology allows entities to conduct business from anywhere in the world and still reach the U.S. market.

The new MSB definition is contained in FinCEN's Final Rule published July 2011. The Final Rule, which updated the AML provisions of the Bank Secrecy Act (BSA), went into effect in September 2011, but FinCEN extended the compliance deadline to March 31, 2012, for some of the provisions.

ANNOUNCEMENTS

Arroweye produces record number of cards in 2011

Prepaid card producer and marketer **Arroweye Solutions Inc.** reported a record year for card production volume in 2011. Arroweye said its payment card business grew by over 40 percent in 2011 and it set a single-day shipment record of almost 100,000 cards in the fourth quarter of 2011.

CashStar reports e-gift cards drive revenue

Portland, Maine-based virtual gift card platform provider **CashStar Inc.** published a report that showed nearly 80 percent of retailers surveyed experienced growth in virtual gift card purchasing in 2011. The survey was based on feedback from over 250 retail brands in CashStar's network.

SVS joins top third-party vendor list

Louisville, Ky.-based prepaid card processor **Ceridian Stored Value Solutions** (SVS) was named to the International Association of Outsourcing Professionals' 2012 Global Outsourcing 100. It is the seventh year in a row SVS has been recognized by the IAOP, an association headquartered in Lake Buena Vista, Fla., and serving the $6 trillion global outsourcing industry.

TMG loads instant issue card service

The Members Group added instant issuance technology to its suite of prepaid card services. The Des Moines, Iowa-based ISO said the new addition will give banks and credit unions the ability to offer instant issue prepaid cards to financially underserved consumers.

Inaugural award bestowed on Transact Network

Gibraltar-based program manager **Transact Network**

Ltd., which operates over 100 prepaid card programs in Europe, won the inaugural 2012 Paybefore Awards Europe trophy in the Breakout Prepaid Company of the Year category.

Card activations up
61 percent at TransCard

TransCard LLC Chief Executive Officer Craig Fuller said prepaid card activations at the prepaid card program manager had risen 61 percent since the beginning of 2012. He attributed this to the company's adoption of a new business model that helps financial institutions offer prepaid products to commercial and retail banking customers.

PARTNERSHIPS

Businesses team for AML compliance

Regulatory compliance consultancy **Card Compliant LLC** joined with **IDology Inc.** to leverage the identity verification provider's identity proofing solutions to meet FinCEN's new AML regulations that affect prepaid card businesses.

Bank division to facilitate
tax refunds on cards

First California Financial Group Inc., the holding company of First California Bank, said its Electronic Payments Services division was awarded a five-year contract with **Santa Barbara Tax Products Group LLC** to provide the functionality behind the loading of tax refunds on prepaid cards for TPG customers.

Orange, Visa execute
mobile prepaid strategy

Wireless telecommunication company **France Telecom-Orange** and **Visa Inc.** launched mobile prepaid services, such as person-to-person money transfers and bill payments, for Orange Money customers in Africa and the Middle East.

MasterCard, Vincento partner
for NFC-based prepaid

Building on a partnership that resulted in a prepaid wristwatch in 2011, **MasterCard Worldwide** and online alternative financial services firm **Vincento Payment Solutions Ltd.** embarked on a new collaboration to integrate MasterCard's PayPass Tap & Go near field communication technology into Vincento's Kalixa prepaid cards.

PreCash to build m-bill pay app for Sprint

Houston, Texas-based prepaid card company **PreCash Inc.** completed an agreement with Sprint Nextel's **Sprint**

Prepaid Group, which operates both Boost Mobile and Virgin Mobile USA, to design a mobile bill payment application for prepaid wireless phone customers.

New tandem results in Tata Travel Card

Alternative financial services company **Tata Capital Ltd.** and India-based online bank **Axis Bank** joined forces to roll out the Tata Travel Card. The companies said the Visa-branded card can be denominated in over nine different currencies and used at more than 26 million merchant outlets and 1.9 million ATMs worldwide.

Unbanked to receive
home ownership strategies

Prepaid card program manager **Trycera Financial Inc.** joined with alternative credit reporting agency **Education for Homes LLC** to provide credit building services and budgeting tools to unbanked consumers seeking to become home owners.

ACQUISITIONS

Green Dot enters mobile space via Loopt

Green Dot Corp. entered into a definitive agreement to acquire mobile technology firm **Loopt Inc.** Green Dot said the deal, expected to close by the end of first quarter 2012, will provide the prepaid card pioneer with the technology to develop its own mobile wallet.

APPOINTMENTS

Grigg named President of Access Prepaid

MasterCard hired **Steve Grigg** to serve as president of the card brand's subsidiary, Access Prepaid Worldwide. Grigg was formerly Chief Information Officer at Travelex. MasterCard acquired Travelex's prepaid card program management branch in 2011 and renamed it Access Prepaid.

Ezic expands team to
support reseller channel

Chicago-based private-label payment solutions firm Ezic Inc. expanded its management team to grow its gateway service offerings to resellers and merchants. **David Holman** brings over 10 years of sales experience in the payments industry to his new position as Vice President, Sales.

Information technology veteran **Randy Bishop** takes on the role of Software Engineer and will work on expanding Ezic's new product development initiatives. And **Lisa Puchalski**, Ezic's new Marketing Manager, graduated from Illinois State University with a bachelor of science degree in marketing.

Features

APPPA to tackle calling card complexities

When the prepaid phone card industry makes the news, it usually involves legal actions against industry bad actors. The most recent example was the February 2012 multimillion dollar settlement that closed the books on the Federal Trade Commission's case against several affiliated, New Jersey-based prepaid calling card companies accused of bilking users of minutes they paid for when they purchased long-distance calling cards.

Gene Retske, former editor of the *Prepaid Press*, said the prepaid phone card industry suffers from the lack of an association to provide oversight and best practices. In January 2012, industry leaders met in Washington to form the American PrePaid Phonecall Association. Retske serves as the APPPA's Executive Director and oversees its day-to-day operations."First there's got to be standards for membership in the association," Retske said. "But then we're looking at setting standards for the way individual products are packaged and priced and the disclosures."

Retske is worried that if the industry doesn't adopt standards around such issues as fee disclosures, the federal government will impose more regulations on the industry that will harm both businesses and consumers. "The FTC and FCC have been cracking down on disclosures but, since there are no clear guidelines, it is difficult to determine what the rules are," Retske said. "This is a major effort that APPPA is going to be tackling."

A phone book of disclosures

One problem with standardizing fee disclosures is the nature of the industry, where rates for calling a myriad of countries run the gamut. "The FTC has said that it would like 'full disclosure' of all rates that will be charged," Retske said. "Last time I looked, there were over 15,000 different rates to different destinations around the world. That would be a small telephone book. Does the FTC really expect that a card provider would give this to a consumer?"

Retske argues that over-regulating the industry, will drive up costs for calling card providers, resulting in a potential reduction in the number of products available in the marketplace as well as higher costs for consumers. Thus, Retske believes regulators are overlooking the needs end users have for long-distance calling cards. Said users are usually new immigrants to the United States.

"I can give you story after story after story of people who, to them, this is the way they keep in touch with family," Retske said. "They don't have cell phones. They don't have texting and Skype and Internet. This is the way they stay in touch. So anything it does to the industry that: a, reduces the availability of prepaid products; and b, significantly increases their costs, they're harming these people."

Services for the 'unphoned'

Retske said the prepaid calling card industry bifurcates into two sectors: domestic wireless and international long distance. Domestic wireless involves top-up networks, through which users reload prepaid phone minutes via cards and online. The international long distance sector is being increasingly dominated by "portals," according to Retske.

The chief characteristic of portals is their lack of a plastic card component. Portals are commonly located at the retail POS, where users pay retailers for receipts that contain call minute amounts and PIN numbers. Portals can also be self-service kiosks or websites. The biggest advantage of portals is their product flexibility. Retske said, "You can go in and literally tell them look, 'My mother's Swedish, so I want to be able to call Sweden. My father's from Cuba; I want to be able to call Cuba.' And they can actually create on the fly a product that will give you advantageous rates to Cuba and Sweden."

It may come as a surprise to the mainstream, technologically savvy U.S. population that another world exists that may not only be unbanked, but also be what Retske calls "unphoned." Retske said such consumers buy phone minutes at portals, then head to phone operation centers to make long distance calls. Retske said such operations are common in immigrant heavy areas, such as Miami. 🖼

Big challenge to comply with AML's 'Big Seven'

Judged by a Card Compliant LLC audio presentation on new federal anti-money laundering (AML) compliance requirements facing prepaid card businesses, the compliance process is challenging and complicated.

The criteria for how businesses determine whether their programs comply with, or are exempted from, the Financial Crimes Enforcement Network's (FinCEN) Final Rule as it pertains to the prepaid card industry, involve daily load limits on cards, identity verification at the POS, transaction monitoring and record keeping of suspicious transaction activity. Chuck Rouse, Chairman at Card Compliant, segmented businesses' compliance responsibilities into seven categories, called the "Big Seven." They are:

1. Develop an AML policy.
2. Institute identity collection and verification practices.
3. Allow for Office of Foreign Assets Control list checks.
4. Submit currency transaction reports (CTRs) when appropriate.
5. Look for suspicious transaction activity and file suspicious activity reports (SARs) when necessary.
6. Document and retain certain data.
7. Register as a money services business (MSB) with FinCEN (or designate an entity associated with the business as the MSB).

But Rouse said that before businesses go "all in" on the Big Seven, they must first determine if programs are exempted from the regulations. FinCEN exempts closed-loop and open-loop domestic gift, promotional, payroll and government benefits cards. FinCEN does not exempt general purpose reloadable and travel cards. However, cross-over cards – high-dollar gift cards, "temporary/feeder" cards, closed- to open-loop cards, and domestic to international cards – can begin as exempt and end up not exempt.

Added to the above categories, card programs must satisfy two main, related requirements to qualify for exemption status. The first requirement is that cards cannot be loaded with more than $2,000 per day. And the second limit is that individuals cannot load more than $10,000 in total on cards per day. If these limits are not enforced on exempted card programs, FinCEN will fine businesses $5,000 per day every day they are noncompliant, otherwise the businesses are required to comply with the Big Seven, Rouse said.

Businesses that must comply with the Big Seven are obligated to file CTRs based on the above load limits. Transactions that go over the $2,000 and $10,000 caps must be reported via CTRs. Additionally, SARs are to be triggered when the caps are surpassed.

Compounding problems

Rouse said businesses have to pay special attention to how they implement the $2,000 and $10,000 rules. For example, the regulators do not subtract card usage from daily load amounts. A card loaded with $2,000 in the morning, is used to spend $1,000 in the afternoon, then is loaded with $1,000 more later that day does not equal $2,000 in total load for that day. "The rule says that's $3,000 and you're over," Rouse said. "So you have to be careful."

The $10,000 rule can also be complicated. If a retailer sells cards from multiple programs, does the rule apply to the amount loaded separately on each, program-specific card or to the amount loaded across multiple cards? Rouse said FinCEN would aggregate $6,000 loaded on one branded card and $5,000 loaded on a differently branded card on the same day to equal $11,000, thereby breaking the $10,000 rule. "I don't agree that that should be," Rouse added.

Other scenarios can crop up. Business-to-business (B2B) card sales are exempt from the regulations, Rouse said. He asked how do programs distinguish between a person entering a store to buy $10,000 in gift cards for a particular business versus a person who purchases $10,000 in a standard business-to-consumer (B2C) transaction. Work must be done to identify "whether it is B2B or B2C when they show up to buy the cards," Rouse said. "And what small amount of documentation should I keep and not keep so I can show all the sales I am doing over $10,000 in the aggregate were B2B sales and therefore exempt."

More dilemmas

Implementing the data collection and identity verification requirements are also tricky. If program managers and retailers institute know your customer and customer identification protocols (known as KYC/CIP respectively) at the POS in a cumbersome fashion, customers will be driven away. Too many false positives – transactions declined for erroneous reasons, like mistakes when Social Security numbers are recorded – will cause consumer dissatisfaction, Rouse said.

Additionally, consumers can react negatively to having to supply personal information at the POS, especially Social Security numbers, according to Rouse. Card Compliant has identified "seven or eight" areas where false positives and false negatives can occur, he added. "It is a big problem everyone needs to deal with," he said.

Compounding the problem are potential discrepancies between state and federal statutes. In California, Social Security numbers cannot be collected. This raises the question of whether California will "have to give way to federal statute," Rouse pointed out. The caveat is that FinCEN does not specify that Social Security numbers be collected, rather "identification numbers," Rouse noted, which suggests there is an alternative number that can be substituted for the Social Security number.

Another unknown is when FinCEN will make the MSB registration forms available. The forms were supposed to be ready in December 2011, Rouse said. But the date was pushed back to January 2012, which passed with the forms still unavailable. "We have been told they will be out soon and before [the deadline of] March 31 for registration for MSBs," he said.

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View

Micropayments are no small matter

By Patti Murphy

ProScribes Inc.

Micropayments are of no small consequence to merchant services. Banks, the card brands, acquirers, ISOs and merchant level salespeople could wind up paying big for ignoring micropayments.

Dave Kaminsky, Research Analyst at Mercator Advisory Group, said, "As Americans move further away from cash, merchants who focus on small-ticket transactions are forced to accept the constraints of card-based payments as a reality." I doubt this can last forever.

Micropayments have been on the radar for decades. And there has been no shortage of new companies with technology "breakthroughs" that promised to break open the market. Companies like Digicash Inc., Bitpass Inc. and First Virtual Holdings emerged to facilitate e-commerce but never caught on with consumers or merchants.

More recently, companies like BoxPAY Ltd., Dwolla Inc. and Google Inc., along with several mobile payment pure plays, like BOKU Inc. and Isis, have been eyeing micropayments, and consumer adoption is picking up, primarily overseas. (In the United Kingdom, for example, digital micropayments grew 15 percent between June 2010 and June 2011, slightly more than prepaid card payments at 14 percent, according to the PricewaterhouseCoopers LLP report, *Precious Plastic 2012*.)

I think of micropayments as transactions that might otherwise be paid by cash. Brick-and-mortar establishments, where micropayments are most common, include: specialty shops, like those selling coffee, ice cream, bakery items and other fast foods; theaters; and convenience stores.

There are plenty of vending machine applications, too: soda, candy and movies are just a few. And there's no dearth of online applications for micropayments: books and news; television and movies; and music seem to top that list.

For this discussion, let's define micropayments as tickets between a penny and $20, online or in-person. In its *2009 Survey of Consumer Payment Choice*, the Federal Reserve Bank of Boston reported that debit cards and cash were the top two choices for consumer payments.

At that time, the average adult in the United States made 64.5 payments in a typical month; 19.0 were made with debit cards and 18.4 with cash.

Card companies lag

Moving micropayments to electronic methods hasn't been realistic for most merchants. The existing credit and debit card fee structure – charging a percentage of the ticket total for each transaction – wasn't intended for very low-value transactions.

Even PayPal Inc. has had to develop a special, reduced charge for what it defines as micropayments. (For transactions of $12 or less PayPal charges $0.05 plus 5 percent of the transaction; PayPal's standard assessment is $0.30 plus 2.9 percent.)

So, are the card companies revamping pricing or technology platforms to support micropayments? Discover Financial Services appears to be. In July 2011, it heralded a new micropayment solution for digital content providers that aims to slash transaction fees for those companies by as much as 71 percent – without resorting to transaction aggregation. No complicated offline sign-up procedures, either.

Discover's offering is a "micropay-in-a-box solution" from online payment company Mazooma. It is for digital content merchants who are on CardinalCommerce Corp.'s Centinel Universal Merchant Platform. "The micropay solution addresses a key pain point in the digital goods vertical market," said Janet Kapostasy, Vice President, Financial Institution Services at CardinalCommerce.

To facilitate secure, instant payments, Mazooma connects online customers to their online bank accounts from a merchant's checkout page.

"With Mazooma's micropay-in-a-box solution, Discover merchants selling digital content can enjoy instant, online payments, as well as ease of implementation, less technical resources and consolidated settlement and reporting," said Farhan Ahmad, Director of Emerging Payments at Discover.

Visa Inc. and MasterCard Worldwide haven't been very active in the micropayments space, at least in the United States, although both companies support low-cost micropayments in Australia.

Visa's Payclick, a prepaid hosted service intended for purchasers of online content and for person-to-person (P2P) payments, was introduced in Australia in 2010. And last year, Visa reported it had beefed up its network and is working with Fiserv Inc. (a leading provider of transaction processing services to banks) to support card-based P2P applications for U.S. cardholders.

American Express Co. has developed a new pre-paid product, Serve, which it describes as a "digital

This is How a Second-String Player Becomes an All-Star.

It was game 1 of the 1988 World Series. Bottom of the ninth, two outs, the underdog LA Dodgers were trailing 4-3. Surprising everyone, LA's coach taps benched and injured Kirk Gibson to pinch hit. Gibson, in his only appearance of the series, slams in a two run homer to give the underdogs a 5-4 victory.

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alternative aimed at consumers who currently rely on cash, check and debit cards." Customers set up Serve accounts online or with a smart phone app; funds are stored in a prepaid account. "It's a flexible, easy to use platform, which from day one brings tremendous assets to the alternative payments space," said Dan Schulman, Group President for Enterprise Growth at AmEx.

Schulman added that partnerships with e-commerce, gaming, entertainment and social networks are a "cornerstone" of what AmEx hopes to accomplish with Serve, which is built on the technology AmEx acquired in 2010 with its purchase of Revolution Money Inc., an alternative payment solutions provider.

Is mobile the answer?

Mobile payment applications, especially those based on near-field communications (NFC) technology, are positioned to support electronic micropayments, provided the card companies can come up with a viable interchange model. But like everything in payment innovation, mobile payments present a chicken-and-egg conundrum: with seemingly low consumer adoption providers aren't rushing to the starting gate.

A recent consumer survey by Auriemma Consulting Group revealed just 23 percent of smart phone owners would switch to another provider or handset for payment functionality.

Younger consumers (under age 45) were more likely than those older than 45 to want to use their smart phones for purchases (41 percent versus 20 percent). Among consumers who aren't interested in mobile payments, 73 percent cited security concerns, ACG reported.

Dr. Patricia Sahm, Managing Director at ACG, believes banks and other payment companies can overcome consumer resistance by voluntarily adopting liability limitations on all disputed transactions, not just those tied to credit cards. She also said more needs to be done to boost the appeal of mobile payments to retailers.

"The card networks became so ubiquitous by providing retailers with a convenient form of payment that functioned efficiently with virtually all retailers' point-of-sale designs," Sahm said. "Having similar standardization … could help to advance mobile payments."

To maintain relevancy in the micropayments space, card companies need to make micropayments inexpensive and viable – whether that involves new platforms, new risk parameters, new technology partners or some combination of all of these. 🔲

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New developments in payments (and winemaking)

By Brandes Elitch

CrossCheck Inc.

We have a few hundred wineries in Sonoma County, where I live, and even more in neighboring Napa County. It's a big business. Not too long ago, making wine was pretty simple: you planted the vines and waited. Waiting could last five years – if you were lucky.

Then, you picked the grapes and crushed them (that's why it's called "The Crush"). You let nature do its thing (fermenting); then you bottled and sold the wine. But technology changed everything.

Salespeople in the wine business sold the wineries new devices that altered the way wine was made: grape crushers and pumps, stainless steel tanks, chillers for the tanks, new types of fertilization, soil additions, cloning stock, different strains of yeast, French oak barrels and additives such as wood chips.

These changes affected the price wineries needed to charge and the type of customers they attracted.

Help merchants grow their businesses

Similar changes are occurring in the payments industry. ISOs and merchant level salespeople (MLSs), like all other businesspeople, must ask from time to time, "What business are we in?" Are we in the payment processing business? The technology business? The transaction facilitation business?

Sometimes the answer is counterintuitive. And some of us are a bit overwhelmed by all the potential changes swirling around the payments space.

But let's be accurate about the environment most of our merchants live in: there's not a lot of technology there. It consists of a few laptops and possibly desktop computers, a fax machine, a telephone system, a POS system and some terminals.

Accounting or, more accurately, bookkeeping is done with QuickBooks. A vendor, if there even is one, handles computer support to network the computers and support a website.

For small businesses, technology is only a major concern when it doesn't work. Business owners are too busy "doin' it, doin' it, doin' it" (as *The E-Myth Revisited* author Michael Gerber said) to even think about how to grow their companies with technology. They probably don't have small-business consultants, unless you count bankers who supply their lines of credit for working capital.

Essentially, the biggest problem small-business owners face is isolation and lack of knowledgeable people to consult with on how to grow their businesses. How current events in the payment processing realm will affect them is not their primary concern.

Keep merchants informed

This presents ISOs and MLSs with a challenge. To add value in the ongoing calling process, you need to explain just enough of the near-term changes in the payments industry – like why merchants need to buy terminals that can handle Europay/MasterCard/Visa (EMV) and mobile transactions – so merchants don't feel that they're out of the loop. Here are a few merchant concerns to address:

- What are the new fees from Visa Inc., and are my rates going down? Merchants have recently had to pay for Payment Card Industry (PCI) Data Security Standard (DSS) compliance fees and Internal Revenue Service 1099-K reporting fees. Now Visa has stated that they intend to establish a "network participation fee."

  As more than one analyst has mentioned, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 changed the ground rules for fee structure, and one might conclude the card brands are looking for alternative sources of revenue. As an ISO or MLS, you get to explain to merchants why they need to pay another fee. Good luck with that.

- Why do Google Inc. and PayPal Inc. want to process merchant payments, and will it affect me? Let's be honest: Google and PayPal want to process all payments, not just person-to-person payments. Remember that PayPal started back in 1999 as a way to transfer money from one Palm Pilot to another.

  Then it became a payment platform for eBay Inc. But the card brands see "transactions" as things that happen in brick-and-mortar stores. The merchant incentive to adopt EMV is that if they process 75 percent of their transactions through EMV terminals, they qualify for lower rates.

  Meanwhile, on Jan. 19, 2012, PayPal stated all its users could participate in its Home Depot U.S.A. Inc. in-store payments trial. The trial eliminates a physical authentication device – you press "Pay With PayPal" on the terminal, enter your mobile phone number and a PIN, and the receipt is emailed and texted to you – that's it.

And, get this: since there is no payment card, it's out of PCI scope, too. But there is no phone, no card and no chip. Score one for PayPal (the jury is still out on Google Wallet).

- How will EMV affect e-commerce sales? Last year, e-commerce revenue was $200 billion. The whole business is really less than 20 years old. But today there is no way to support the chip part of an EMV transaction in an e-commerce transaction. ISOs and MLSs should be thinking about this, and not just in the current configuration.

   What's stopping Amazon Inc. from buying a big-box retailer, just to have the stores and use them as outlets for a "drive-through" pick-up service for online order fulfillment?

- Why does my credit card processor need all this information about my business? Recently, the Federal Trade Commission settled with an ISO called Landmark Clearing Inc., which had signed some fraudulent marketers.

   The FTC said that going forward, ISOs and processors need a thorough, continuous, ongoing program of underwriting, transaction monitoring and risk management. But let's be real: right now, ISOs and merchants are underwritten when they are brought on board, and there is very little underwriting done after that.

In the past, processors judged compliance by the chargeback rate, but that isn't going to work anymore, particularly for card-not-present merchants. Card processors now have a much larger and more expensive compliance burden.

The FTC is even telling processors they might claim the reserves acquirers use to protect themselves against chargebacks – and hold the owners of processing companies personally liable for lax underwriting. The bar has been raised, and all ISOs, MLSs and processors, and yes, your merchants, will be affected in a very real way.

- How do I know I am not overpaying for my processing? MLSs typically walk into a merchant location saying, "I can get you a better rate on your credit card processing," but they often do not follow with a detailed analysis.

   Sometimes, particularly with larger merchants, you need professional help from a knowledgeable

View

certified public accountant or someone who is familiar with the merchant card industry.

Generally, it is best to have the audit done by someone who is not benefiting from residuals tied to the current processor. There are so many ways to manipulate pricing that often it takes an expert to figure it out. (I find this type of analysis difficult to do. The subject is worth an article by itself. I suppose I should write it.)

If you can provide an impartial auditor who will identify savings of hundreds of dollars a month, you will be adding real value to your merchants, and they will not forget this when other ISOs and MLSs promise them cheaper rates.

If you'd like me to recommend someone who can perform a comprehensive, completely impartial audit for you, please get in touch with me.

Adapt like winemakers

And this brings me back to the wine business. Today's winemaker has to be knowledgeable about so many things: chemistry, biology, even botany.

(If you want to learn more about this, check out this wine expert's blog: *www.vintageexperiences.com*. The author, Dan Berger, is about as knowledgeable as you can be about this subject.) Old-time winemakers, like ISOs 20 years ago, would be astonished at how complex things have become.

But there is no going back, and just as wine-drinking consumers benefit from the higher quality finished product, merchants will benefit from a more robust payment system that includes more competitors and more products.

One thing hasn't changed though. The industry will still need the feet on the street to explain, sell and set up the evolving array of products and services available to merchants – and that is good news for the ISO and MLS community. 🖼

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

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Company**Profile**

2000Charge Inc.

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ISO/MLS benefits:

- Alternative payment platform decreases shopper abandonment by reaching international buyers
- Foreign language and currency conversion features complement alternative payment pages
- Tools like bank verification, address verification and text messaging are offered to fight fraud
- Alternative payment options reduce chargebacks by moving funds directly from consumer bank accounts
- PCI Level 1 certified gateway provided with payment platform ensures protection of card data

Reaching a world of customers with alternative payments

According to Raphael Berkien, 2000Charge Inc. Vice President of Business Development, the basic idea behind 2000Charge Inc. can be boiled down to a single question asked of acquirers and merchants: If a customer is willing and able to pay for your product, why would you turn that person away?

"We have a motto – more options make more sales," Berkien said. "Why not open your business up to the world? You spend all this money on marketing; you finally have a person at your website; there's no reason you shouldn't close the deal."

In the e-commerce sphere, unnecessary attrition is all-too-common, according to Berkien, who noted that international merchants frequently lose sales because foreign visitors are stymied by limited payment options that don't include their customary choices.

Tailoring payments to local needs

That's where 2000Charge comes in. The company offers a platform of international payment alternatives that go beyond traditional bankcard processing and are tailored to the country where a given consumer is shopping.

"From the consumers' point of view, it gives them more options to pay, provides convenience, and gives them trust and familiarity," Berkien said. "When they log into their own bank system, they trust where they're paying from. It all has a familiarity to them. It's in their own language and their own currency; they know how much something costs."

Thus, a customer in a Mandarin-speaking region of China who selects the alternative payment option provided by 2000Charge is routed to a page where payment instructions are written in Mandarin, prices are listed in yuan, and payment choices include the China UnionPay Co.'s UnionPay card, Visa Inc.-branded Taiwan debit card, and Pulse debit network payments, among others.

A customer in Spain will see a page displayed in Spanish, with prices listed in euro and payment options that include CCBill LLC's DirectPayEU, the Single Euro Payments Area's EuroDebit and bank-transfer solution Teleingreso, to name a few.

"Eighty-seven percent of Internet users are outside of the United States," Berkien said. "That means that, for a domestic U.S. merchant, there's a huge opportunity to tap into the worldwide marketplace. If you want to tap into it, you need to adjust your acceptance policy to the markets you're targeting." As an example, he mentioned that credit cards are not widely accepted in Germany, but "every single German probably has a membership with giropay," so it's necessary to adapt accordingly.

Selecting markets wisely

The 2000Charge website indicates the company's alternative payment offerings cover about 170 countries worldwide. Exempted from the service are countries with particularly high fraud rates, Berkien noted.

He added that the company spends up to two years studying the payment systems of countries before adding them to (or denying them access to) the 2000Charge platform, based on the security and reliability of a country's network.

"Our challenge is dealing with rules and regulations, how everything is set up in a country," Berkien said. "We have to know what are the rules for settlement and what recourse do we have for the merchant. We spend a lot of time making sure we have a stable system."

Everywhere it operates, 2000Charge also has an arsenal for fighting fraud, according to Berkien. The company adopts the security policies of whatever country the system is used in, for example, requiring bank information and a mouse signature of European payers. The company also gives its merchant customers the option of add-on security features, such as address verification and the use of text messaging to confirm customer identity.

Additionally, 2000Charge is certified Payment Card Industry (PCI) Data Security Standard (DSS) Level 1 compliant, and it almost always functions as the gateway behind its alternative payment platform, Berkien said.

Working with ISOs and MLSs

Berkien pointed out that while the company initially focused on direct sales to merchants, it has ramped up its ISO partnership program as a way to expand its client base. "I think we have more direct merchants than ISO merchants, because our ISO program's only a year-and-a-half old," he said. "But we had a very small sales force, which is why we created the ISO program. So, where in the past we had more people coming to us directly, we've turned our focus now to the agent program."

Berkien said installing 2000Charge is fairly simple; thus, ISOs and merchant level salespeople (MLSs) won't encounter setup headaches. Merchants can install the program themselves by visiting the company's web portal, *www.agent2k.net,* and following some basic instructions. Phone-based technical support is also available for merchants who need it.

"We have technical support where they walk the merchant through the process," Berkien said. "They'll look at the merchant's website and determine what is needed – price points, language and all that kind of stuff."

The 2000Charge platform is simply a "value add-on" to a merchant's web store, according to Berkien. Merchants essentially leave their web store as is, except add a portal that connects to an alternative payments page. "Alternative payments are really an addition to what you have; it's not replacing credit cards but merely adding to credit cards," he said.

Furthermore, the 2000Charge payment page can be tailored to match a web store's overall texture. Web designers with 2000Charge can create colors and styles similar to those of the merchant's existing site, thus creating a seamless experience for the buyer, Berkien noted.

"Similarly, we can provide a very generic page where customers won't feel they're being redirected," he added. "But then, in Europe, many customers want to see a payments page ... that's familiar and directed at them. They want to see their own payments page or their bank's page. So sometimes we set it up that way. It just depends on the merchant's business and the best way for them to reach the international market."

Merchants can also add buttons that give foreign consumers the option of

converting the entire website into their native language and currency.

Making navigation easy for shoppers

Consumers visiting e-commerce websites that use 2000Charge see a button on the merchant's home page that, when clicked, redirects them to the alternative payment options, Berkien said.

"We use a geolocation, [Internet Protocol address]-driven button that automatically detects where a consumer is located and will show a payment button that says, 'Hey, pay with your local method,'" Berkien said. "The button opens a window that gives them the ability to pay with all their domestic payment solutions, and puts it all into a very convenient space."

Though defaulted to a page determined by customer location, shoppers have the option of rerouting themselves to different languages, currencies and payment types, Berkien added.

Thus, a U.S.-based customer shopping online in a foreign country can redirect himself or herself away from the default page of that country and, instead, view a payment page in English, see prices listed in dollars and pay with a U.S. debit card.

Summing up the benefits

Berkien noted that offering alternative payments provides many benefits, including:

- Customers who don't pay with credit cards have additional options, potentially adding revenue merchants would otherwise lose due to customer attrition.

- Customers who prefer credit card payments have a backup option if a credit card is, for one reason or another, rejected. For example, if a customer discovers a particular credit card is at its spending limit, he or she can select an alternative payment method that draws on available bank funds.

- Alternative payments commonly draw on reliable sources of funding. Typically, they entail an immediate transfer of funds from a consumer's bank account or other prepaid source to the merchant.

- With funds secured via alternative payments, it is typically the merchant's prerogative to offer or refuse a refund when one is demanded. Credit card purchases, by contrast, involve a deferred payment that is initiated and controlled by the buyer. In such case, chargebacks are more likely because a payer has time to change his or her mind, and the onus falls on the payer to surrender the funds.

Elaborating on the last point listed, Berkien said, "You have two payment types, 'push' and 'pull.' You can give your bank account and routing number, like with a gym, and they pull your funds every month. However, there's no guarantee, because the customer can call the bank and end [the flow of] the funds.

"But if I hit a 'push' button, it actually pushes the funds to you, and those funds are guaranteed. A push system is guaranteed; they are going to their bank account and immediately sending it to the merchant. There is not the same risk of chargeback."

Berkien added that currency and language conversion features that complement expanded payment acceptance are further benefits of the 2000Charge platform, and this trifecta of payment, language and currency provisions makes the shopping experience as comfortable as possible for all customers, no matter where they reside.
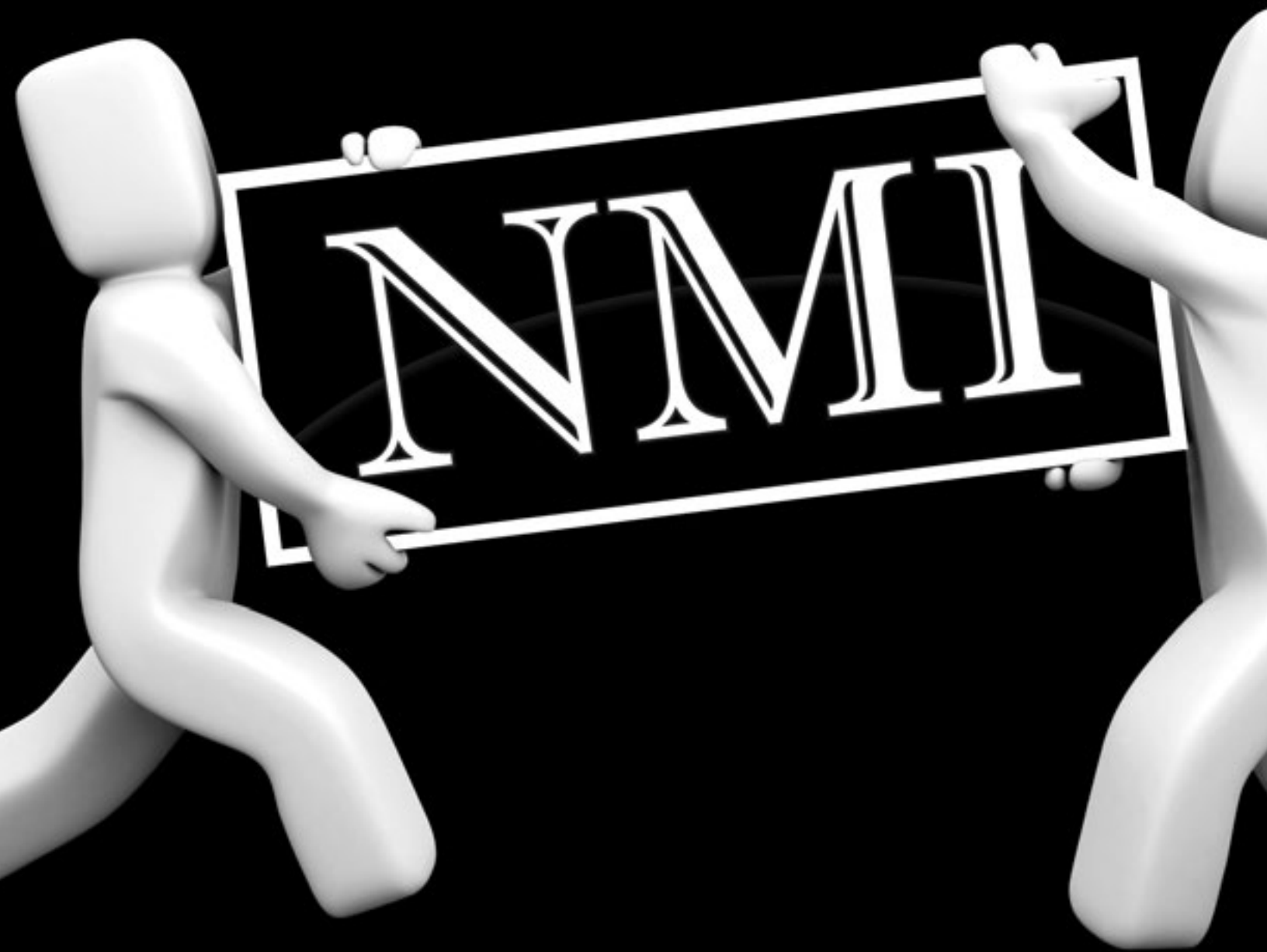
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PayPal software can be downloaded by the merchant for free and loaded directly onto the merchant's POS equipment. Generally, no new hardware and often no card are needed for implementation. PayPal uses both tokenization and encryption to secure information.

Security a central issue

The differences in the technologies are important. EMV's hardware-based approach protects personal information through highly secure encryption techniques. Customers hold onto their own information because the personal and financial data is stored in their cards or phones.

PayPal's POS solution is software-based. Personal information is collected, encrypted and stored in large warehouses of remotely located computers collectively called "the cloud." PayPal retains responsibility for securing the information.

Paul Coppinger, President of Apriva's POS division, said cloud-based security solutions work best in the mobile environment because "the cloud allows for tighter control of consumer information without leaving the merchant PCI scope." When it was founded, Apriva's inaugural project was to create a communication system for the U.S. government that allows secure mobile transmission of classified information.

Coppinger said the federal government's system was more difficult than building a secure payment system, and that the assignment helped shape Apriva so that security is systemic and central to everything it does – a critical factor to consider when looking for POS solutions for merchants.

PayPal and security concerns

At a Feb. 15, 2012, Goldman Sachs conference in San Francisco, Jim McCarthy, Global Head of Product at Visa, was quoted as saying he doesn't believe the PayPal POS system is secure. PayPal vigorously disputed the accusation.

Jennifer Kent, Research Analyst with Parks Associates, a Dallas-based market research and consulting company, is well versed in payment technology and recently co-authored a white paper for Parks Associates titled *Mobile Payment – Stepping into Uncharted Territory*.

Kent told *The Green Sheet* that much of the criticism lev-

eled at PayPal's POS solution may have more to do with the competitive environment of the marketplace than real concerns with PayPal security. She pointed out that for PayPal (which also encrypts data) to even be on a POS system, it must be Payment Card Industry (PCI) Data Security Standard (DSS) compliant.

"PayPal has to follow stringent rules to go in a POS," she said. "Peace of mind comes from the stringent rules they have to follow. I think Visa's criticism is just a competitor trying to undercut the competition using security."

The 'cloud' as target

Kent added that PayPal may be more of a security risk, not because it does a bad job of protecting its data, but because its millions of users and the vast amount of user data locked in the cloud are more of a target than the EMV

> *Anuj Nayar, PayPal Director of Communications, believes PayPal at the POS brings a new paradigm to payments because of the way it leverages the Internet. "We've taken the wallet out of the device and put it in the cloud," he told The Green Sheet, adding that providing security at the consumer level is what PayPal does.*

information kept on individual consumer credit and debit cards or smart phones.

Anuj Nayar, PayPal Director of Communications, believes PayPal at the POS brings a new paradigm to payments because of the way it leverages the Internet. "We've taken the wallet out of the device and put it in the cloud," he told *The Green Sheet*, adding that providing security at the consumer level is what PayPal does.

Nayar pointed out that PayPal has been in business 13 years without a significant data breach and that the PayPal POS solution is already PCI compliant because none of the data is stored with the merchant.

"Our solution is not indexed to a credit card number," he said. "Everything at the POS is masked like on an ATM. When you do a transaction, you get a receipt right away, so if somebody else is using your information you would know right away."

Gary Glover, Director, Security Assessment for SecurityMetrics Inc., said that a "somewhat disturbing difference" between a PayPal POS transaction and an EMV transaction is that "the PayPal transaction is done with a very 'public' piece of information, a phone number.

An EMV transaction is done with a probably very private account number that is in my wallet, and then a PIN."

He then described how he could "shoulder surf" at The Home Depot and learn someone's PIN, and if he knew who the customer was or could find that out fairly easily (for example, by overhearing the person's name or by seeing a piece of mail in the person's cart), then all he would need is that person's phone number to make a transaction.

"It's fairly easy to find a phone number on the web if you have a name and general location or something you can use to pinpoint – Facebook friend with phone listed, etc.," he said.

Chip, no PIN

Kent noted that EMV payments are not a significant security threat. "You input a PIN to share information. EMV contact payments were developed with the traditional payments model in mind," she said. "The players who developed EMV are thinking about PCI compliance. They have a legal responsibility if somebody cracked the chip design."

Visa is confident in the EMV chip to the point where it believes customer input of the PIN isn't necessarily a requirement for security. Stephanie Ericksen, Visa's Head

of Authentication Product Integration, said in a January 2012 company blog, "In the U.S., we can rely on online processing where transactions are transmitted in real-time to the issuer for approval. With that in place, there's no need for the offline authentication that was the genesis of chip-and-PIN.

"In the longer term, we expect the industry will reduce or even eliminate its use of static verification methods, such as signature and PIN in favor of new and dynamic forms of cardholder verification."

Andy Chau, President and Chief Executive Officer of terminal manufacturer PAX Technology Inc., said at the recent Mobile Payments Conference that he believes eventually no PIN will be needed for EMV transactions in the United States.

Lack of trust in NFC

The game changes when EMV is paired with NFC. "The customer needs a little more trust in the technology," Kent said. She believes people are not familiar with the NFC radio-based communication and so have not developed a trust in the technology. "They have a ways to go with consumer education," she said. "There is a fear of the unknown. The onus is on the company to prove the security of chips and technology."

Kent believes the acceptance of NFC in payments will come when consumers begin using NFC outside of the typical retail payment environment, for example, when boarding a bus, picking up a rental car or obtaining information from a quick response code on an advertisement.

"If players have a stake in using NFC for nonpayment applications, it lowers the barrier to acceptance," she said. "That being said, it only takes one large security breach to cause a significant setback for everyone involved."

Doug Clare, a Vice President of Fraud Solutions at Fair Isaac Corp., an analytics and consulting firm working in the financial services industry, told *The Green Sheet* the authentication credentials used by EMV adequately secure transactions. "If the EMV transaction is compromised either in a contact or contactless transaction, it does not compromise the integrity of the entire card," he said. "EMV creates new credentials every time the card is authenticated."

Implementation hurdles

Rick Oglesby, Senior Analyst with Aité Group LLC, pointed out that security is not a key factor in introducing new payment technology on the consumer side, but it is a significant factor on the merchant/acquirer side. "Chip and PIN is the most secure card-based technology," he said. "When you get rid of the card and you are looking at mobile payments, the jury is still out."

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One significant factor in EMV implementation is cost. "When you adopt the EMV/NFC technology you are limiting the scope of PCI compliance for merchant compromise at the point of sale," Oglesby said. "EMV through NFC has a higher level of security but at a cost to the merchant."

And the cost of hardware and continuing PCI compliance (even though the scope is reduced) remains a barrier to EMV for many retailers, he noted.

Security issues are far from settled in the payments world. Cynthia Merritt, Assistant Director of the Retail Payments Risk Forum at the Federal Reserve Bank of Atlanta, wrote in a Feb. 2012 blog, "The truth is that while recent developments in the application of NFC technology for mobile wallet trials have come faster than most industry expectations, a variety of hurdles are likely to waylay widespread adoption in the near term; namely, hurdles relating to security."

A need for standards

"It stands to reason that a lack of standards in security can threaten consumer trust when something goes wrong," Merritt noted. "Reported security mishaps may be beneficial, in the end, if they serve to temper consumer adoption while financial institutions and their mobile

service partners work to identify and manage potential security issues."

At the recent Mobile Payments Conference, Tony Bates, President and Chief Financial Officer of PSC, a PCI and Payment Application DSS assessor and Approved Scanning Vendor, noted no industry standards exist for digital wallets.

"The card is still the cardholder's responsibility, but much of the security is out of the cardholder's control," he told conference attendees.

Bates noted that the dilemma in the industry is how to get widespread mobile adoption without one set of industry security standards. He believes a familiar technology adoption model is currently at work. He calls it "get it working, make it pretty, [then] make it secure."

Bates also believes there are many solutions looking for problems in the payments space. He said vendors who lack payment backgrounds rarely look at their solutions from a data security point of view, and this often goes unnoticed.

For instance, tech stores that sell payment apps often are in "total ignorance" of the liability they could face if customer data were compromised through one of their apps, he said.

Advice for ISOs and MLSs

Payment professionals want to help customers protect sensitive payment information and comply with all industry security requirements. So what should they do?

When asked about maintaining data security in retail environments, Mustafa Shehabi, co-founder of the payment technology strategy, consulting and software development firm PayCube Inc., said he favors helping merchants stay outside of PCI scope. "At the end of the day, merchants and acquirers are not interested in being PCI compliant; they want to stay away from PCI," he said.

Richard Crone, founder and CEO of electronic payments consulting firm Crone Consulting LLC, recommended a strategy to readers of *The Green Sheet* as they consider the Visa and MasterCard mandates to install EMV technology.

"On anything hardware related, delay making an investment in the hardware for as long as you possibly can," he said, adding that the technology is changing so fast merchants and consumers may have decided to go with more and better options by the time the mandate goes into effect.

"The hardware is obsolete the day you put it in," he said. "NFC just locks you into Visa. I'm bullish on the device independent, carrier independent approach."

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A year of learning, writing, sharing

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

Editor's note: This article completes Bill Pirtle's one-year commitment as the author of Street Smarts. Bill's devotion to educating ISOs and merchant level salespeople (MLSs) is heartfelt and fierce, and it has been our great pleasure to have worked with him on this column. We hope he will continue to pen additional articles for our Education section from time to time.

Beginning April 9, 2012, in issue 12:04:01, Jeff Fortney, Vice President, ISO Channel Management with Clearent LLC, will debut as our new Street Smarts author. He has been one of our dedicated contributing writers for some time, as well as an active participant on GS Online's MLS Forum. We look forward to the generous, seasoned perspective he will bring to the column.

Last year at this time, I was offered the opportunity to write Street Smarts, in part, because of *Navigating Through the Risks of Credit Card Processing*, the book I had released a few months before, and my contributions in the MLS Forum. I believe I was the first MLS to write the column solo (in 2005 and 2006 members of the now-disbanded National Association of Payment Professionals, an organization of MLSs, took turns penning the column).

I followed in the footsteps of Ed Freedman, Michael Nardy, Dee Karawadra, Jason Felts, Jon Perry and Vanessa Lang, and Ken Musante (all of whom owned ISOs).

Before I accepted the offer, I told *The Green Sheet*'s Chief Operating Officer and General Manager Kate Rodriguez and Laura McHale Holland, the publication's Assistant Vice President, Editorial that I wanted to tackle controversial topics, and they encouraged me to do so.

My intent was to tackle ideas of ISO and MLS regis-

tration initially and then move to equipment leasing, which remains a viable option that can also be a business deduction for merchants, depending on a merchant's tax bracket.

Professional education

Just before I received the Street Smarts ID on the MLS Forum, the Electronic Transactions Association revealed plans for the Certified Payments Professional (CPP) exam and certification. So I wrote my first column on that topic. While I see the need for some type of certification, I remain convinced the CPP is only the first step, not the complete answer.

The first four columns changed me to some extent. After the CPP column, I created a blueprint for positive change that anyone could run with. The next three columns covered common deceptive practices used, education for the industry and how to launch a state registration program.

In a subsequent column on education, I suggested that an education program would be critical in any certification or registration attempt because you need to establish a way to learn material before you can be tested on it. Such education must be standardized and given both through the ISO and from outside sources.

If only the ISO trains, then bad practices can be trained. For example, if you take a course on Latin but are only

StreetSmarts

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taught Pig Latin, do you think you'll pass an exam given by experts in Latin?

I also indicated that both Merchant University and my company were looking for modules created by industry professionals to help educate payment professionals. Six weeks after that column was published, Ted Svoronos (founder of Merchant University) and I formed C3ET Credit Card Consortia for Education & Training Inc. We knew the best training materials need to be created by experts in each specific topic.

A further column addressed state-level registration of ISOs and MLSs. I feel we need to find a way to make this work by being proactive and initiating it ourselves. The only way to allow the industry to have a say is to present the idea instead of waiting for government bodies to create conflicting rules in each state, or worse, let the federal government take a shot at it.

Effective networking

I told my friend Tim Green that I wanted to speak with Ivan Misner, the founder of BNI. He had Ivan call me, and the interview became part of a column covering three issues (11:07:01 through 11:08:01). The articles covered referral marketing and provided resources to help readers develop their own methods.

The Midwest Acquirers Association show at the end of July was eye opening. I had the opportunity to meet a few people from the MLS Forum in person. I also stepped back from some previous views I had of the industry.

Instead of railing against practices that I found to be questionable, I stopped with many judgments. I now accepted that agents could legitimately use methods that I avoided without necessarily being bad agents.

In September, I decided to update my book and strip the judgments from it and replace the bonus chapters with industry and other experts writing chapters on their areas of expertise to help educate ISOs and MLSs.

Industry experts, we found, had neither the time nor the inclination to write training modules. But chapters were another story. Thus, *Credit Card Processing for Sales Agents* was born.

My closing line since I started this column has been, "What you do today, determines your tomorrow." This holds especially true for me. I began this column as an MLS hoping to share some ideas and use the column to gain access to experts to help the readers.

As I close out the column, I am no longer really an MLS. While I still can write for two ISOs, I no longer seek merchants for processing.

New opportunities

Each column I wrote pushed me to do more to help educate payment professionals. Some of the contributors I enlisted are considering writing more now that their minds were stirred by writing chapters for my book. I hope to work with them on this. Just yesterday, I was approached to teach some business professionals to write books to use as business cards.

The moral I am offering to readers is to be open to trying new things. Whether you offer new products to get in a merchant's door or accept an opportunity you had never considered before, explore your options and what is best for you and your improvement.

I'd like to thank everyone at *The Green Sheet* for putting their faith in me and working with me throughout the year. I also want to thank Rosemary Csizmadia, who edited my first drafts and has been a substantial help, as I am dyslexic.

And I want to thank the MLS Forum members for sharing so many insights, and you, the readers of this longtime industry resource, for your interest in your ongoing professional education.

I look forward to reading the column under Jeff Fortney's leadership. He is an experienced trainer in the industry who, I believe, will enrich all of us with his expertise.

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.

Mining the digital gold rush

By Dale S. Laszig
Castles Technology Co. Ltd.

The digital age has spawned a new kind of gold rush. Winners still stake claims and losers perish in the wilderness. However, instead of mules and pick axes, today's tools are software development and digital technology. Yet an age-old question persists: why do some companies make it big, while others file for bankruptcy?

Although case studies may differ, corporate leadership guru and former Stanford Graduate Business School faculty member Jim Collins attributes success to a few timeless principles, beginning with finding the right people and facing some harsh realities.

Principles for company building

Collins advises readers of his book *Good to Great* to do the following:

- **Face facts.** "You must maintain unwavering faith that you can and will prevail in the end, regardless of the difficulties, and at the same time have the discipline to confront the most brutal facts of your current reality, whatever they might be," Collins wrote.

- **Simplify your business model.** Complacency is the enemy of innovation, especially when companies can't see beyond outdated business models. Collins recommends focusing on core strengths by identifying how to be the best in the world in one strategic area.

- **Understand the role of technology.** Great companies think of technology as a means, rather than an end. "They never use technology as the primary means of igniting a transformation," Collins wrote. "Yet, paradoxically, they are pioneers in the application of carefully selected technologies. We learned that technology by itself is never a primary, root cause of either greatness or decline."

- **Build organically.** Collins noted that successful companies don't succumb to a gold rush mentality. "Those who launch … wrenching restructurings will almost certainly fail to make the leap from good to great.

   "No matter how dramatic the end result, the good-to-great transformations never happened in one fell swoop. ... Rather, the process resembled relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough, and beyond."

Intellectual property rights

With these timeless principles in mind, individuals and companies also need to protect intellectual property. The original ideas that form the basis for a company's identity, products and services are considered intellectual property and need to be protected from theft by competitors.

While copyrighting a concept is not always possible, the way in which a concept is expressed is subject to protection and can't be duplicated without an author's permission.

To understand the nuances of software copyright laws, let's isolate the individual components of a software program. They include the architectural framework, code and program applications. The architecture of the program itself consists of its overall structure and how the program assigns precise functions to its various components.

Code comprises strings of data functioning interdependently within an integrated piece of software. Object code is a lower form of code, usually represented by strings of binary digits, while source code is the conceptual vision created by a software developer. It contains a more sophisticated sense of logic.

Inevitably, progress in software development leads to productized modules of object-oriented programs that are readily available in software developer kits and on the Internet. This makes it more challenging for legal analysts to determine which parts of a software program belong to the public domain and which modules, when grouped in a unique and novel way, could be considered original and creative work.

Finally, the holistic combination of object and source code, program structures and program notes represents completed pieces of software known as program applications.

Made in the USA

In a perfect world, when a software developer employed by a company designs and creates a program, the finished program belongs to the employer, not the individual developer. During the design process, if the developer made use of specific items of object code that were openly available on the Internet, the object code would be considered public domain.

The unique way in which the developer incorporated the public elements of the object code into a conceptual framework is the part of the design that would be considered the source code, and that source code would be subject to copyright protection.

If the resulting product created by the software developer answers a very broad need in the market, other

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software developers should not be prohibited from finding other, similar methods to address the same circumstance and problem. However, if the software developer works for a U.S.-based enterprise, that company may seek patent protection for the software and concept. To meet requirements for a patent, a product must be:

1. Patent-eligible subject matter
2. Useful
3. Novel
4. Nonobvious

Other countries, such as the United Kingdom, do not allow the patenting of a piece of software.

Protecting trade secrets globally

Intellectual property rights are challenging to enforce globally because laws differ from one country to another. Additionally, a growing concern is the import and export of counterfeit merchandise, which causes billions in lost revenue for the original brand companies. Moreover, undetected counterfeiting of branded products aids and abets international organized crime.

If patent protection for intellectual property is not available in a particular country, an alternative is to keep details a trade secret, focusing on your ability to prove in a court of law that you took the necessary steps to keep the information secret.

Ways to safeguard intellectual property are keeping employees on a "need to know" basis, obtaining confidentiality agreements, and registering software products with the U.S. Patent and Trademark Office.

The flywheel versus the doom loop

Collins and his researchers were impressed by the volume of companies that have succumbed to the goldrush mentality by replacing their business models with new, revolutionary programs. "After years of lurching back and forth, [they] failed to build sustained momentum and fell instead into what we came to call the doom loop" of reactively changing course and jumping on short-lived trends, he wrote.

In contrast, companies that understand their markets and systematically grow their businesses keep the flywheel moving forward and deliver the gold standard of true innovation. ▪

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Enhance your security protocols

By Nicholas Cucci
Network Merchants Inc.

The protection of financial data linked to payment cards and online accounts has been increasingly scrutinized both by the financial industry and federal regulators. ISOs, merchant level salespeople (MLSs) and merchants must recognize that data breaches can happen to any organization. If you collect or store sensitive information, you are at risk. Understanding the Payment Card Industry (PCI) Data Security Standard (DSS) will help you avoid costly breaches and regulatory fines.

Notable breaches of 2011

Several large-scale data thefts occurred in 2011, alarming merchants and cardholders alike. Here are the incidents receiving the most attention.

- In a high-profile intrusion of a Sony Corp. website, the names, addresses, payment card numbers and billing histories of over 100 million users were compromised.
- The Texas Comptroller's office discovered it had left personal records on a publicly accessible server for over a year. These records included names, addresses, Social Security numbers and, in some cases, driver's license numbers. The office faces a $3.5 billion lawsuit, or about $1,000 per individual whose privacy may have been violated.
- The New York Yankees suffered a data loss when an employee mistakenly emailed to 2,000 fans an Excel spreadsheet containing the names, addresses, phone numbers and email addresses of 21,466 season ticket holders.
- Michaels Stores Inc. suffered a PIN pad tampering scheme at more than 80 stores. This compromised payment cards, with over 100 customers reporting that their bank accounts were emptied.
- Fox Entertainment Group's servers were breached, compromising names, emails, passwords and phone numbers of thousands of potential contestants on *The X-Factor* television series.

Data breaches affect everyone, including acquiring banks, processors, ISOs, MLSs, value-added resellers, merchants and consumers.

PCI matters

The PCI DSS is extremely important to the industry. Why is PCI compliance so crucial? If you're a merchant or ISO who processes, stores or transmits card data, you must be compliant with the PCI DSS and applicable related standards. Failure to comply can result in serious consequences, including expensive fees from merchant banks and the loss of the ability to process credit cards. Remaining noncompliant can be devastating.

Merchants are responsible for finding service providers that are PCI DSS compliant. Service providers must offer their merchants safe and reliable solutions and maintain PCI compliance. Also, merchants must realize they are not simply partnering with compliant service providers. Businesses may be required to change the way they operate to become PCI compliant. Failure to do so, when necessary, can cost a company more fees and fines. Some notable requirements include maintaining:

- Data retention and disposal policies
- Anti-virus policies and procedures
- Password management rules
- Changes to management guidelines

The PCI standards are absolutely crucial in protecting consumers from theft by fraudsters. The PCI DSS limits access to cardholder data to minimize the risk of sensitive data being stolen. It focuses on protecting cardholder data, including how it is transmitted and stored.

Education

Business owners who need to store cardholder information are obliged to protect that data. They must restrict access to cardholder data based on business needs, making sure that absolutely no one can access the data unless sufficient safeguards are in place. When cardholder data is stored, it must be encrypted and masked so that if someone does obtain unauthorized access, he or she will not be able to use the data without a decryption key, which unauthorized users should not possess.

Control measures are an important part of maintaining secure business practices. The human element is the hardest part to control. Access to sensitive data should be limited to people who have a business case for access. Not only should a limited number of people be able to access sensitive information, but also each person must have a unique ID to be able to view the information. The company also must maintain a full audit trail.

Maintaining a vulnerability-management program is also crucial. This is straightforward and involves keeping anti-virus software up to date and running frequent scans. Always making sure you have the latest software version and performing regular vulnerability scans will help maintain your network's security.

The first steps in becoming compliant with PCI are meet-

ing the requirements just described. Following is a final overview of milestones for prioritizing PCI DSS compliance efforts, drawn from the PCI Security Standards Council's website, *www.pcisecuritystandards.org*.

1. Remove sensitive authentication data and limit data retention.
2. Protect perimeter, internal and wireless networks.
3. Secure payment card applications.
4. Monitor and control access to your systems.
5. Protect stored cardholder data.
6. Finalize remaining compliance efforts, and ensure all controls are in place.

Understanding how to implement and maintain secure systems according to the standards set by the PCI SSC is a solid first step toward securing your company's future.

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

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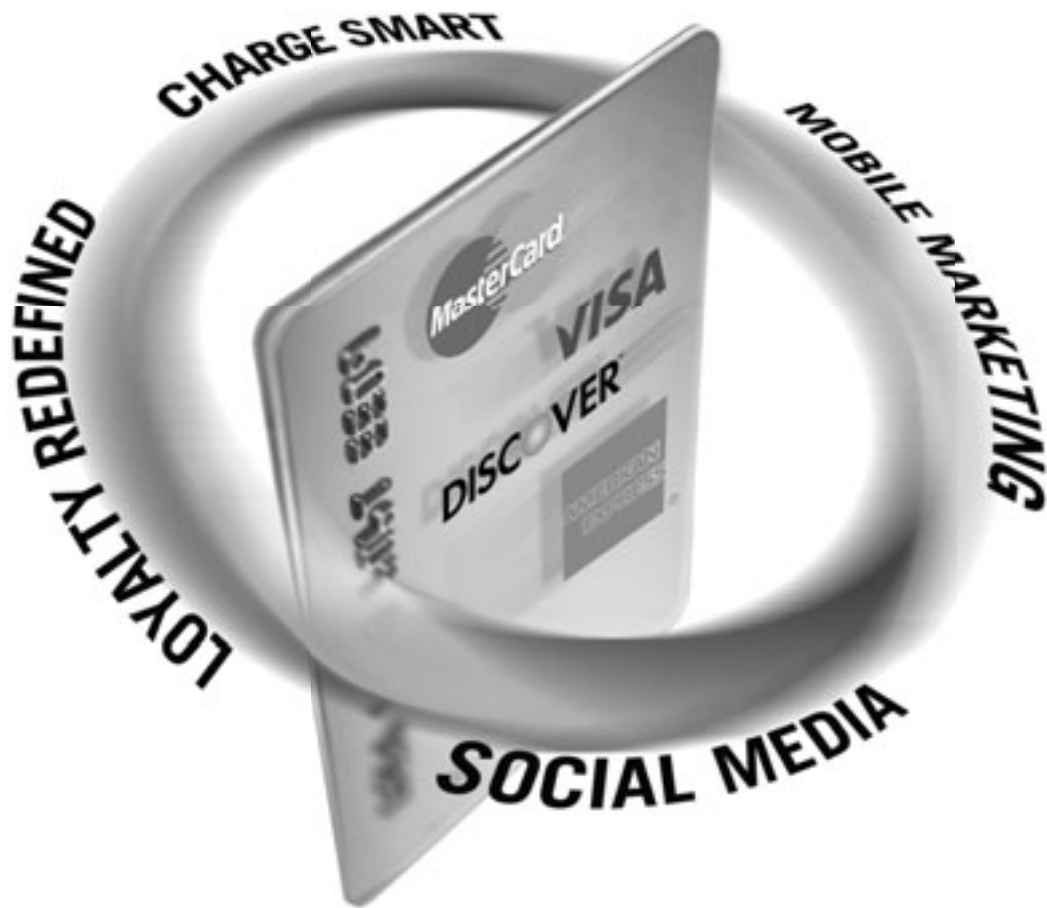
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Education (continued)

Pricing surprises:
Don't let processors eat your lunch

By Adam Atlas

Attorney at Law

Pricing surprises have become the new normal for ISOs. Payment Card Industry Data Security Standard fees are the thin edge of the wedge upon which some processors have piled on Internal Revenue Service, compliance and new interchange fees that don't fit squarely into existing ISO agreement pricing grids. This article will provide tips for navigating the minefield of ISO pricing in 2012.

Contract parameters

Take a moment to put your agreement through its paces on these points:

- Increases in interchange

- New government mandated programs like IRS compliance
- Increases in third party costs
- Increases in processor internal costs

Consider how each of these changes affects both your revenue and your ability to pass them through to merchants. Don't wait until these increases occur to test the parameters of your agreement; insist on understanding them before they occur. If you are unclear on how any of these play out, address them in writing with your processor so you have a record of its position. If necessary, negotiate and put in place an addendum to provide clarity on these points.

Of course, if third-party pricing really does increase, you should find a way to pass that through to merchants without affecting either your revenue or that of your processor. That said, the competitive nature of the market this year means that any price increase will have a follow-on effect of attrition in the portfolio. ISOs have to proceed with caution while standing up for their rights.

The burden of proof

The processor should bear the burden of proving to an ISO why it has the right to increase pricing in a way that reduces the ISO's income. The line is blurring between interchange increases from the payment networks and simple pocketing of more money by the processor.

ISOs should monitor their statements for new fees to the ISO and merchants and see where those fees are being paid. ISOs should question processors on all additions to fees that are not obviously third-party increases. Of course, some legal and regulatory changes may necessitate new systems being built and implemented at the processor level. But higher fees levied on the ISO may exceed the out-of-pocket cost of that system to the processor.

Platform migration

From time to time, processors favor one platform over another. As these shifts are made, some processors require their ISOs to assist them in migrating merchants to new platforms.

But watch out for this "gotcha": in some of these scenarios, ISO revenue on those merchants plummets following the platform migration. While the ISO has spent its own energy migrating merchants – resources it might have spent

soliciting new clients – it is rewarded with reduced income. Some ISOs are going bananas over this.

Before becoming the migration-support team for a processor, put on paper the terms by which you will provide this support so as to avoid surprises.

Compliance fees

It's hard to sell an IRS fee to a merchant who has no IRS reporting requirement on his or her process-ing. It should be no less hard to sell that fee to ISOs. Compliance fees, whether negotiated or not, are pop-ping up in ISO agreements or ISO residual reports.

ISOs should monitor their reporting for these fees and figure out where they fit in their agreements. Some ISOs will be surprised to see that their agreements do not permit new fees to be levied willy-nilly; others will find the opposite is true.

New interchange markups

It's safe to say that most ISO agreements allow for the pass-through of interchange to ISOs and merchants. But can a processor use a new interchange line-item as an opportunity to piggyback, adding its own addi-tional fee? In other words, if a payment brand charges a new $5-per-month fee, can a processor charge its ISOs $6?

Again, the answer lies in the wording of the applicable ISO agreements. Many do not allow for this kind of taxation of interchange hikes. If they did, there would be nothing stopping the processor from adding $100 to the new fee.

Standing up

Speak up for yourself. Having advised on hundreds of ISO agreements – at origination, mid-stream, in con-flict and at termination – I have learned that ISOs do not get what they don't ask for. Seemingly all-powerful processors are bound by the laws they make for them-selves in ISO agreements.

Without being greedy, if you sense that a processor has its hand too far into your cookie-jar, you may be more than just upset; you might be right. When it comes to your residuals, make the effort to stand up for your revenue stream. Those who don't, lose it. I tend to be optimistic and trusting to a fault, but some processors teach us to be shrewd – or at least real-world savvy. ▣

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Research

Mercator report examines global status of EMV

When Europay International introduced the 1993 initiative to migrate to chip-embedded credit and debit cards in an effort to reduce fraud, it couldn't have foreseen nearly two decades later the technology would still be relatively unknown in certain parts of the world. The Europay/MasterCard/Visa (EMV) international standard for chip and PIN technologies created in 1999 has helped drive the initiative, but in the United States migration to EMV is just beginning.

Mercator Advisory Group's latest report, *The State of EMV Adoption: A Global Update*, explores global markets with the greatest potential for EMV growth and the catalysts most likely to drive demand for EMV in the future. According to the report, the most progressive nations achieved universal EMV compliance starting as early as 2007, while other countries have only partially embraced the initiative, failing to upgrade all cards and terminals operating in the field.

Highlights from the 31-page report include:

- Contact and contactless EMV market overviews by geographic region
- Country-specific profiles for key EMV markets in the Asia-Pacific, Europe and Latin America
- Analysis of global growth trends in EMV cards, POS terminals and ATMs
- Projected timeline for EMV migration at the POS in the United States

Michael Misasi, Mercator Research Analyst and author of the report, said China is the latest major market to commit to a national EMV migration initiative, which has the support of the Chinese government. He believes China's initiative will likely ensure a significant increase in global demand for EMV cards and terminals.

"Visa's U.S. liability shift may have a similar impact in the world's other EMV holdout, but given the country's strong mag-stripe preference, it remains to be seen how swiftly merchants and issuers will respond without a government mandate," Misasi said.

For more information about this and other reports
from Mercator Advisory Group, visit :
www.mercatoradvisorygroup.com

Spotlight on online fraud

The 13th annual CyberSource online fraud report estimated revenue loss due to online fraud reached $3.4 billion in 2011, representing 1 percent of total online merchant revenue. Following are key merchandise categories and their percentages of orders rejected due to suspicion of fraud.

Merchandise category	Average percentage of orders rejected
Consumer electronics	4.7 percent
Apparel/jewelry	3.9 percent
Household/general merchandise	3.8 percent
Physical goods	3.2 percent
Digital goods and services	3.0 percent
Overall, all categories combined	2.8 percent
All services	1.8 percent

Source: CyberSource, *2012 Online Fraud Report*

"The proliferation of tablets and smart phones, which allows consumers to actively engage in social media and utilize geo-social applications, is changing the path to purchase from linear to circular."

– Norty Cohen, founder and CEO, Moosylvania
Source: Moose Tracker study, *The Digital Path to Purchase*

ETA/TSG Economic Indicators Report

The U.S. Economic Indicators Q4 2011 Report released Feb. 29, 2012, by The Strawhecker Group and the Electronic Transactions Association showed continued growth in acquiring portfolios due to lower account attrition, improved retention and net new account gains. Bank debit and credit card volumes also trended higher, with Visa Inc. up 9.7 percent and 5.4 percent, respectively, and MasterCard climbing 18.2 percent and 6.3 percent, respectively, from the fourth quarter of 2010 to the fourth quarter of 2011.

Redemption for mobile coupons

According to the Juniper Research Ltd. white paper, *Mobile Coupons – The Road to Redemption*, the global redemption rate for mobile coupons will average about 8 percent by 2016, eight times the redemption rate for paper coupon campaigns. Juniper predicted that by 2016, there will be over 600 million active mobile coupon users worldwide.

Bright future for smart cards

A Research and Markets report titled *Smart Card Market Forecast to 2014* projects global shipment of smart cards will increase at a compound average growth rate of 12 percent in the next few years. In 2011, an estimated 61 billion smart card units were shipped globally. EMV migration, government support and growing demand in emerging markets are among the factors expected to contribute to smart card growth.

Rundown

Hospitality embraces POS innovations

Hospitality Technology's annual *POS Software Trends 2012* report delves into the hospitality industry's top priorities for POS software innovation. Speaking with leading POS software developers, HT found most were focused on launching options to help mobilize operators and connect them directly with customers to enhance visibility enterprise-wide. Social media and cloud computing are also expected to continue to dominate software development in this sector.

Riding the NFC wave

According to MarketsandMarkets' *Near Field Communication (NFC) Market – Global Forecast & Analysis (2011 - 2016)* report, which projects the future market for NFC chips, tags, readers and NFC-based, micro secure-digital cards – mobile payments will be the most attractive application for NFC technology through 2016, as will access control, ticketing, advertising and data sharing applications.

Maximize tradeshow ROI

With the tradeshow season in full swing, preparation and execution are top of mind for payments industry exhibitors.
A 19-page Matrix Impact white paper, *The Impact Trade Show System*, opens with the question: Are you getting the ROI you need from your tradeshow investment? The paper is filled with tips for preshow planning, including how to draw attendees to your booth, sales targeted questions for booth visitors and effective post-show strategies.

Consumer catalysts for mobile payments

A February 2012 white paper by research firm Park Associates estimated that all mobile payment technologies combined processed over $10 billion in transactions in North America in 2011. According to the paper *Mobile Payment – Stepping into Uncharted Territory*, 50 percent of U.S. households with broadband own smart phones, and just over 50 percent of those expressed interest in having mobile phones with bar code scanning functionality.

Park Associates also determined that 80 percent of current U.S. mobile phone users have web browsers on their mobile phones. Roughly 37 percent of those surveyed found the concept of a mobile wallet appealing, particularly among younger users and those owning smart phones.

"For consumers, the most attractive benefit of mobile payment apps is they reduce the number of credit cards they have to carry," stated Harry Wang, Director, Mobile and Health Research for Park Associates. "The mobile phone is the main device people use to organize their lives, and mobile payment solutions offer significant conveniences, including organizing receipts and eliminating the need to carry cash."

The white paper also explores new developments in mobile payment technologies and solutions, and analyzes current and future benefits to consumers, mobile carriers, small to midsize businesses, brick-and-mortar merchants, and mobile application and solution developers.

Topics covered in the paper include:

- Market segmentation and key players
- The consumer perspective
- Market growth projections
- U.S. market growth catalysts, prospects and potential leaders
- Mobile/digital wallets
- NFC solutions, bar code applications and other payment options

To download a copy of the *Mobile Payment – Stepping into Uncharted Territory* paper and to view other Park Associates white papers, visit: www.parkassociates.com

Consumer Electronics

A Consumer Electronics Association study revealed more than one third of mobile product owners use their devices to conduct mobile commerce. While 9 out of 10 U.S. consumers own a tablet, smart phone or cell phone device, widespread use of the devices for payments could be delayed until concerns about data security have been resolved.

U.S. mobile device owner profile

Number of U.S. consumers who own a mobile phone or table device	216 million
Projected mobile commerce spending in next 12 months per owner	$575 average
Percentage of owners who engage in mobile commerce	37 percent
Percentage of owners concerned about device security	35 percent
Percentage of owners planning to redeem mobile coupons in next 12 months	30 percent

Source: Consumer Electronics Association, *The Mobile Commerce – Reinventing the Way Consumers Shop*

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Feature

Court affirms viability of merchant's direct claim against Visa

By Eugene Rome and Liz Wang

Rome & Associates A.P.C.

Any merchant who processes mid- to high-risk transactions understands that at some point he or she may have to deal with fines assessed by an ISO, an acquiring bank and a card company such as Visa Inc. and MasterCard Worldwide.

If a card company assesses fines upon an acquiring bank in connection with a merchant's processing activities, the bank will usually pass the fines on to the merchant, whether or not the fines were assessed properly. So while the merchant is not in direct contractual relationship with the card company, the merchant still ultimately pays the price.

However, in a recent case, a California state court acknowledged – possibly for the first time – that a merchant may be able to bring legal claims directly against a card company if the merchant wishes to challenge an improper assessment of fees.

Payment processing structure

In the typical payment processing hierarchy, the bank and the card company are parties to an agreement, whereby the card company gets a contractual right to assess fines upon the bank if, for example, chargeback activity of one of the bank's merchants exceeds certain permissible thresholds set by the card company or if some other prohibited activity, such as the miscoding of transactions, occurs.

The card company further requires the bank to incorporate into the bank's processing agreements with merchants certain rules and regulations the card company promulgates.

The ISO and the bank, in turn, enter into processing agreements with merchants, whereby the bank almost always gets a contractual right to pass on to merchants fines the card brands impose in connection with processing activities. (While the bank has authority to assess said fines, whether the merchant is notified by the ISO or directly by the bank is a matter of practice, not regulation.) Thus, merchants are required to adhere to the terms of their merchant processing agreements as well as to the card brand rules.

The improper fine dilemma

But what if a card company improperly assesses fines on the bank in connection with a merchant's activity? Naturally, the bank will pass the fines along to the applicable merchant, and if the merchant wants to keep the account operational he or she will pay the fines.

The bank may object to the improperly assessed fines on the merchant's behalf. But this assumes the merchant received notice that a card company assessed the fines and is able to determine the fines are improper, demonstrate to the bank the fines are improper, convince the bank to contact the card company and express the merchant's objections, and get the bank to follow up with the card company until the dispute is resolved.

Yet with the merchant ultimately footing the bill, the bank has little incentive to advocate zealously on the merchant's behalf, particularly so where its most valued relationship is with the card companies. This raises an important question: What redress does a merchant have against a card company that erroneously assesses fines for which the merchant is ultimately on the hook?

The Solar Haze case

This was the central issue in a case filed in Los Angeles Superior Court for the Central District of California in December 2009 and titled, "Solar Haze Limited, et al. v. St. Kitts-Nevis-Anguilla National Bank Limited, et al."

The case involved Visa's assessment of $548,000 in fines upon the bank, St. Kitts-Nevis-Anguilla National Bank Ltd., in connection with Solar Haze's processing activities. The bank, in turn, passed the fines along to Solar Haze.

After examining the pertinent documents, Solar Haze determined Visa had applied incorrect standards in

Legal lingo

Following are two legal terms discerning payment professionals might want to know:

privity of contract: a doctrine of contract law that prevents any person from seeking the enforcement of a contract, or suing on its terms, unless said person is a party to that contract.

Source: Duhaime.org, *www.duhaime.org*

money had and received: money a plaintiff can recover from a defendant through court action, typically because it was paid by mistake or under compulsion. It can also be money the defendant received from a third party or money derived from an office of the plaintiff the defendant had usurped.

Source: USLegal, *http://uslegal.com*

Feature

finding that Solar Haze's activities were subject to fines. However, Solar Haze was not a party to an agreement directly with Visa, under which it could have asserted claims such as breach of contract or breach of the contractual covenant of good faith and fair dealing.

Ultimately, Solar Haze brought a lawsuit against Visa under quasi-contractual theories. Visa demurred (it asserted the plaintiff's allegations may be true but plaintiff was not entitled to prevail in a lawsuit), and after extensive briefing and argument by the parties, the court allowed the case to proceed past the demurrer stage despite the lack of a direct contractual relationship – called contractual privity – between Solar Haze and Visa.

Solar Haze's counsel Eugene Rome, who is co-author of this article, argued that, by virtue of Visa's insistence that the merchant's payment processing transactions must be subject to Visa's rules, an obligation was created between Visa and the merchant. He asserted that, in essence, there was an implied-in-fact contract that was binding upon Visa.

Rome further argued that, because the funds ultimately paid to Visa in payment of the fines were traceable to Solar Haze, Solar Haze was entitled to proceed with certain equitable claims against Visa.

The court found that claims based on equitable principles such as restitution and money had and received were potentially viable and ultimately withstood a demurrer. The case was settled soon thereafter.

A new precedent

The authors believe the Solar Haze ruling is the first case in which a court has upheld a direct claim by a merchant against one of the card companies for violation of its rules. The ruling marks an important development for merchants seeking to challenge what they feel are improper assessments of fines by card companies.

While the absence of contractual privity was previously deemed to be the death knell of a merchant's rights vis-a-vis the card companies, this court recognized that, based on certain principles of equity, a merchant may be able to seek a reversal of a card brand's improperly assessed fines or a return of the merchant's improperly applied funds.

Eugene Rome and Liz Wang are commercial litigators practicing in the payment processing field. They have litigated numerous credit card processing and electronic payment disputes on behalf of ISOs, Internet payment service providers, acquiring banks, aggregators and high-risk merchants. They can be contacted at 310-282-0690 or by e-mail. erome@romeandassociates.com.

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ISOMetrics

Payments industry 2012 salary guide

The following data from the *Merchant Acquiring Salary Guide 2012* is based on job placements made by Impact Payments Recruiting. For more information, please visit www.go-impact.com.

Job category	Notes	Avg. base	High base	Low base
Low level sales	Specializes in small merchants	$30,000	$42,000	$25,000
Customer service/tech support rep	Handles POS deployment for merchants/ISOs	$40,000	$48,000	$37,000
Outside sales manager/ sales director	Manages lower-level sales reps	$65,000	$80,000	$50,000
Inside sales rep	Handles inbound outbound sales calls	$32,000	$45,000	$25,000
Inside sales manager	Manages teams of 10 to 20 inside reps	$85,000	$120,000	$65,000
Mid-market sales	Serves retailers with $5M to $50M annual processing volume	$55,000	$70,000	$45,000
National sales	Serves retailers with $50M and up annual processing volume	$90,000	$125,000	$70,000
VP of national sales	Manages 5 to 20 national sales reps	$150,000	$175,000	$120,000
VP of sales	Manages regional sales managers	$100,000	$150,000	$80,000
ISO recruiter	Recruits, trains agents, small ISOs	$65,000	$85,000	$50,000
Director, ISO channel	Recruits both small and large ISOs	$100,000	$125,000	$85,000
Risk/underwriting manager	Manages risk/ underwriter team	$75,000	$115,000	$65,000
VP risk/underwriting	Spearheads loss prevention stratagies	$95,000	$120,000	$85,000
Controller/VP finance	Leads finance and accounting team	$125,000	$150,000	$95,000
VP of product	Responsible for product strategy	$175,000	$210,000	$150,000
Chief financial officer	Heads finance and accounting functions	$175,000	$210,000	$125,000
Chief sales officer	Heads sales and business development	$200,000	$275,000	$150,000
Chief operating officer	Heads all operations for processor	$210,000	$275,000	$160,000
Chief information technology officer	Leads technology functions	$225,000	$400,000	$195,000
President/CEO	Presides over company	$325,000	$365,000	$280,000

Source: Impact Recruiting Group's, *Merchant Acquiring Salary Guide 2012*

MeetTheExpert

ADVISORY BOARD

Justin Milmeister

**Founder and President
of Elite Merchant Solutions**

Talk to enough payment professionals and a common thread emerges. As often as not, people happen upon the industry by chance, not design. That goes for Justin Milmeister, founder and President of Southern California-based Elite Merchant Solutions.

Milmeister was a real estate agent for shopping centers when he walked into a business at one of the centers and found the merchant using a knucklebuster. When Milmeister asked the whereabouts of the card reader, the merchant launched into an all-too-common story.

"I'll never forget, he rolled his eyes with tremendous frustration and he proceeded to tell me the machine has not worked for two days and a sales rep has not returned his call," Milmeister said.

From that encounter was borne EMS, an ISO focused above all on customer service. In the early days, some 10 years ago, it was just Milmeister "dialin' and smilin'" in a 200-foot office space rented from his father.

With no training in the specialized payments sphere, Milmeister learned everything the hard way, through trial and error, from keying in apps to downloading terminals. It is not a route he recommends.

If he had to do it all over again, Milmeister would have started as a merchant level salesperson for another ISO to learn the ins and outs of the business before opening his own ISO.

But his hands-on, trial-by-fire approach served him well in the long run, as he could now walk a merchant through any problem over the phone, without consulting manuals or seeking help from others, since he's had every possible scenario already imprinted on his brain.

Service is superior

The early struggles paid off for Milmeister. He hired the right people, such as Gloria Soble, to run sales so he could focus on business development. EMS now operates three sales offices in Southern California, ones in Michigan and Kansas, and one soon to open in Florida.

As an ISO, Milmeister enjoys a professional autonomy he believes he would have never realized otherwise.

Integral to Milmeister's success is his dedication. "If you're a nine-to-fiver, it cannot work," he said. The secret to EMS' growth and merchant retention is equally basic but often overlooked – developing relationships.

Milmeister said, "A lot of salespeople call merchants – there's no small talk. They get right down to business. They're just like everybody else. My approach is when I call, I don't go right into the sales.

"I say, 'How was your son's soccer game? How did everything go? Did you have a good time?' That's what you have to do. You create relationships."

After only 18 months of this approach, EMS was inundated with referrals. "I wasn't even having to do much of the calling anymore," Milmeister said. "And that's where it becomes fantastic."

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.

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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.

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Regards,

Lazaros Kalemis
CEO
Alpha Card Services

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

New**Products**

An EMV/NFC ready POS terminal

Product: Xion 2.5

Company: First American Payment Systems L.P.

With Visa Inc.'s mandate to have U.S. merchants Europay/MasterCard/Visa (EMV) smart card ready in the near future, merchant level salespeople (MLSs) must act swiftly to bring merchants up to speed on EMV-enabled terminals. To simplify the process, First American Payment Systems LP introduced the Xion 2.5, a proprietary countertop POS terminal designed with small to midsize merchants in mind.

For merchants, that means having equipment for today's transactions, plus the built-in duality of near field communication and EMV capabilities for handling future payment technologies. In addition, First American designed the unit to be compact and ergonomic, with a large-key back-lit keypad and full color screen for enhanced viewing and touch control operation.

"We wanted to develop a terminal for our merchants that is future-proof yet has improved basic functionality," stated Brian Dorchester, Senior Vice President of Operations for First American Payment Systems.

He added that with EMV deadlines looming for U.S. merchants, the Xion 2.5 is "ready to handle this form of payment, when the time comes, and it will service a broad range of merchant needs."

The Xion 2.5 also features an internal PIN pad and offers two connectivity options, dial-up or Internet Protocol (IP). According to First American, the terminal is EMV Level 1, Level 2 and Payment Card Industry (PCI) PIN entry device (PED) 2.0 certified, as required by the card brands and set forth by the PCI Security Standard Council.

For added convenience, the Xion 2.5 supports First American's Secur-Chex check services program for verification, guarantee and electronic conversion of check payments. It also supports the company's FirstAdvantage merchant gift card program for building customer loyalty at various merchant locations.

"Mobile wallet technology is here," said Rick Rizenbergs, Executive Vice President of Sales and Marketing at First American. "Right now companies, such as Isis and Google Wallet, are gearing up to release their mobile wallet applications to consumers. First American is very excited to introduce our terminal to merchants so they are ready to accept this next generation payment type."

Features of Xion 2.5 include:

- Fulfills Visa mandate for U.S. EMV payments
- Meets EMV Level 1, Level 2, PCI PED 2.0 certification
- Presents a compact, rugged countertop design
- Offers dial-up and IP connectivity options
- Supports gift card, check processing programs

The release of the Xion 2.5 POS terminal is well timed for MLSs and ISOs in the process of educating merchants and deploying terminals that fulfill the card brand mandates. First American said it has successfully navigated the industry's technological maze since 1990 and currently processes payments for over 140,000 U.S. merchants.

First American Payment Systems L.P.

817-317-7404
www.first-american.net

Mobilizing agents

Product: CB Mobile Office

Company: Merchant Warehouse

Merchant Warehouse released CB Mobile Office, a new suite of online tools to help merchant level salespeople (MLSs) streamline merchant boarding. As the name implies, MLSs registered with Merchant Warehouse now have access to a virtual office from the field.

The suite's tools enable agents to sign and submit applications electronically, instantly access reports and email, manage merchant portfolios, and review residual income using tablet computers or other mobile devices.

"Mobile devices are evolving at a rapid pace and allowing sales professionals to complete work more efficiently, without the hassle of needing all the tools that were required even five years ago," said Henry Helgeson, co-Chief Executive Officer of Merchant Warehouse.

"With CB Mobile Office, agents have immediate access to information that will help them close sales and build their portfolios, which subsequently makes them more

successful agents. The functionality allows for agents to showcase potential savings immediately and eliminates the need for paper applications, increasing their chances of writing new business."

MLSs in the field can check email and review and schedule appointments with merchant prospects using the suite's tools. CB Mobile Office also provides mobile access to reports, so agents can track the current status of newly signed accounts and measure sales activity across an entire merchant portfolio. Equally important, MLSs can obtain detailed residual income reports in real time as well, Merchant Warehouse pointed out.

Feet on street report back

The company noted that feedback to date from MLSs who've tested CB Mobile Office in the field has been favorable. "CB Mobile Office has helped to streamline the entire sales process for us," said Rick Johnson, an MLS working with Merchant Warehouse. "Being able to show merchants potential savings and sign applications immediately has been extremely valuable, helping us close deals faster and easier than ever before.

"The tool also solidifies our credibility and reassures the merchant that they're working with a truly professional company."

Features of CB Mobile Office include:

- Submit signed applications electronically
- Compare merchant costs on site
- Manage merchant portfolios
- Review residuals and check account status
- Check email and calendar in the field

Merchant Warehouse believes the mobile office suite can dramatically enhance sales efficiency for the feet on the street by leveraging advanced technology to streamline vital processes when dealing with merchants who typically have limited time available.

Merchant Warehouse anticipates upcoming versions of the suite will include advanced features, such as quoting functionality, lead management and the ability for MLSs to manage their own websites.

Merchant Warehouse

800-743-8047
www.merchantwarehouse.com

DateBook

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

Women's Network in Electronic Transactions (W.net)
2012 W.net Super LINC Conference

Highlights: W.net will host its annual Super LINC Conference on April 17, prior to the ETA Annual Meeting & Expo in Las Vegas. This year's conference, Networking in a Digital World, will focus on professional networking as a component of career development and how to leverage digital tools and social media outlets to create a personal brand.

Slated guest speakers include Mia Shernoff, Executive Vice President, Marketing for Chase Paymentech Solutions LLC; Valerie LaSusa, Chief Executive Officer of Spiralworks Marketing; and Diane Dolinsky-Pickar, co-founder of Mojo40, a website and blog devoted to professionals in the 40-plus age segment.

When: April 17, 2012
Where: Mandalay Bay Resort and Casino, Las Vegas
Registration: *www.w-net.biz*

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*

NACHA – The Electronic Payments Association
PAYMENTS 2012

Highlights: NACHA's educational conference for payment professionals promises to deliver the latest research, industry pilot results, insights, trends and forecasts presented by expert payments practitioners from around the globe. Green Dot Corp. Chairman and CEO Steve Streit will open the conference by addressing the opportunities and challenges of balancing innovation and risk in the evolving payments environment.

The conference agenda features workshops and over 130 sessions divided into the following eight tracks: Automated Clearing House, The Payments Biz, Corporate Payments Solutions, Risk and Compliance, Global Focus, Card Solutions, Healthcare Opportunities, and Mobile Banking and Payments.

When: April 29 – May 2, 2012
Where: Baltimore Convention Center, Baltimore
Registration: *www.nacha.org/payments_registration*

Smart Card Alliance & NFC Forum
NFC Solutions Summit 2012

Highlights: This jointly hosted conference will bring together leaders from financial services, software and technology, payment processing, and retail services, as well as industry analysts for an interactive forum on issues and technologies shaping near field communication (NFC) globally. On May 21, three workshops we precede the conference: NFC Base Camp, NFC Technology and Application Developers Workshop, and CSCIP Payments Smart Card Training and Certification Exam Prep.

Opening day (May 22) keynote sessions will address global markets for NFC as well as security issues. Day two will feature panel discussions divided into two distinct paths: NFC Technology Conference Track and NFC Business Solutions Conference Track. For the final day's NFC open sessions, facilitators will work with topics selected by conference participants. The day will also offer peer-to-peer learning.

When: May 22 – 24, 2012
Where: Hyatt Regency San Francisco Airport, Burlingame, Calif.
Registration:
www.cvent.com/events/nfc-solutions-summit-2012/ event-summary-428ceac64a914cfaa4b34ae53444cf08.aspx

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Calendar

2012 events
Calendar

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

Event	Date	Location	Website
Gulf Bay Consulting LLC, Mobile Payments	April 11 – 12	Orlando, FL	www.socialmobilepayments.com
ACI, Emerging Payment Systems West Coast Edition	April 16 – 17	San Francisco	www.dwt.com/Events?find=441258
NAPCP, Commercial Card and Payment Conference	April 16 - 19	Atlanta	www.napcp.org/events/event_details.asp?id=173884
2012 ETA Annual Meeting & Expo	April 17 - 19	Las Vegas	www.electran.org/am12
W.net Super LINC	April 17	Las Vegas	http://wnetonline.org/PageDisplay.asp?p1=7834
NACHA, Payments 2012	April 29 – May 2	Baltimore	https://payments.nacha.org
SourceMedia, 24th Annual Card Forum & Expo	May 8 – 11	Orlando, FL	www.napcp.org/events/event_details.asp?id=173884
3rd Annual Prepaid Card Congress	May 10 – 11	Las Vegas	http://worldrg.com
W.net LINC New York	May 17	New York	http://wnetonline.org/PageDisplay.asp?p1=8042
CNP EXPO 2012: Educate, Inspire, Grow	May 20 – 22	Lake Buena Vista, FL	http://cardnotpresent.com/cnpexpo
NFC Solutions Summit 2012	May 22 – 24	Burlingame, CA	www.cvent.com
2012 NBPCA Annual Congress	June 3 – 5	National Harbor, MD	www.prepaidevent.com
NEAA Summer 2012 Conference	June 5 – 6	Hamburg, NJ	http://northeastacquirers.com
oth Annual Mobile Banking & Commerce Summit	June 10 – 12	San Francisco	http://register.sourcemediaconferences.com
2012 Mobile Payments Congress	June 11 – 12	Las Vegas	www.globalmediadynamics.com
Clarion Events, Prepaid 2012	June 12 – 14	London	www.prepaid-conference.com
7th Annual Underbanked Financial Services Forum	June 13 – 15	San Francisco	www.americanbanker.com/conferences/cfsi
MWAA 2012 Conference	July 18 – 19	Chicago	http://midwestacquirers.com/next_event.php
W.net LINC Chicago	July 18	Chicago	http://wnetonline.org/PageDisplay.asp?p1=8787
The Prepaid Press EXPO	August 6 – 8	Las Vegas	www.prepaidpressexpo.com/about.php
W.net 2012 Career & Leadership Summit	September 10 – 11	Atlanta	http://wnetonline.org/PageDisplay.asp?p1=8607
WSAA 2012 Conference	September 26 – 27	Huntington Beach, CA	www.westernstatesacquirers.com

ETA
April 17 – 19, 2012

MWAA
MidWest Acquirers Association™
July 18 – 19, 2012

WSAA
Western States Acquirer's Association
Sept. 26 – 27, 2012

Inspiration

> A good conversationalist is not one who remembers what was said, but says what someone wants to remember.
> – John Mason Brown

Big results from small talk

It is often said that selling merchant services is all about developing relationships. It's not enough to offer great products and expect merchants to sign on the dotted line. ISOs and merchant level salespeople (MLSs) need to be adept at not only explaining, but also at engaging and convincing.

Professors understand this. Skilled educators open lectures with jokes or funny anecdotes. Rather than diving straight into, say, the causes and outcomes of the Peloponnesian War, they will begin a talk with lighter fare that relaxes students and makes them more receptive to the information that comes next.

ISOs and MLSs thrive when they take a similar tack with merchants. The goal is to open dialogues and establish connections, but the road to strong connections is as unique as each seller. Being your best self – cheerful, open, receptive – is the best way to discover what works well for you. In fact, conveying genuine cheerfulness and enthusiasm is infectious and goes a long way toward getting merchants to pay attention.

Give and take

It is no accident that top sellers are usually great conversationalists. People who have the confidence to be themselves and enjoy engaging others in conversation generate good impressions and good will among merchants.

Even if a deal isn't closed on that first call, an engaging talker knows the next "touch" will build on the first. A merchant may not recall the specific solutions you sell, but the individual will remember if he or she enjoyed the conversation. And that might be enough to build on.

In addition to excelling at making conversation, ISOs and MLSs also must be able to listen. An MLS can be colorful and entertaining, but if the conversation is one way, the time and effort is wasted for both merchant and sales rep. Conversations are about offering up opinions and accepting the opinions of others in return. Hearing and responding to those opinions shows respect.

Listening well also aids in remembering what merchants say. If a conversation results in a merchant divulging personal information – hobbies, vacation plans, political interests – that information can be "repurposed" to great effect. Asking a prospect how that balloon ride went, or wondering about the latest political blunder (based on shared political views, of course), endears merchants to sellers and vice versa.

The human touch

Keep in mind that, like everybody else, merchants like to do business with people they know and trust. ISOs and MLSs able to establish friendly relations with merchants go a long way toward landing and keeping accounts. If problems arise, such as terminals going down or an unforeseen interchange rate increase hits, merchants are more likely to give reps with whom they have strong rapport the benefit of the doubt.

Conversations create connections. Even the slightest interactions can leave lasting impressions that can be developed over time into relationships. Genuine connections are what we all need and crave. Making the effort to engage merchants in conversation makes them feel they are more than just numbers added to monthly quotas. Small talk may seem insignificant, but it can lead to impressive results.

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Paul H. Green, President and CEO

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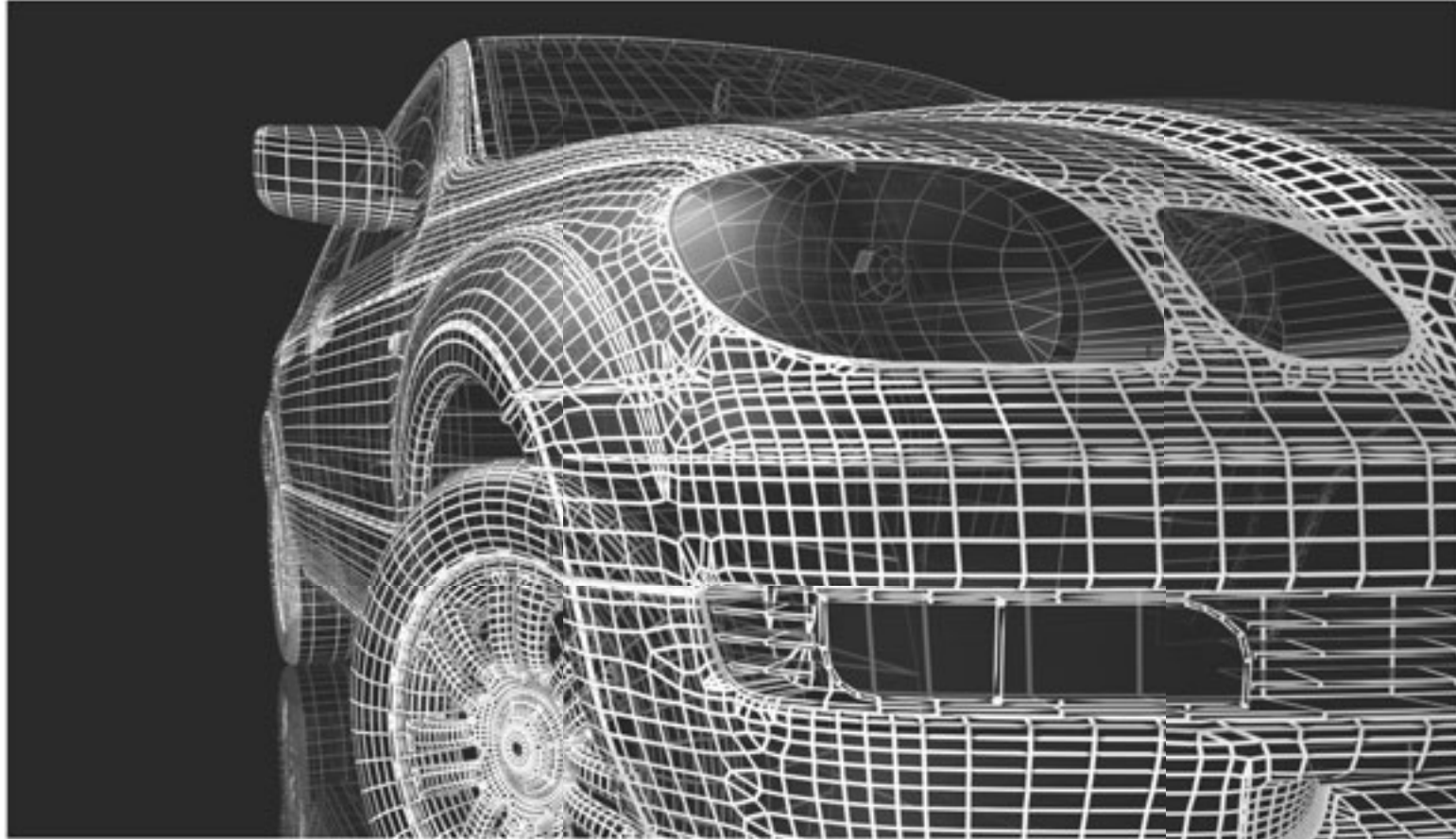
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