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# The POS of tomorrow



**T**he POS is undergoing change not seen since the payments industry's early days when the first electronic swipe devices replaced manual "knuckle busters" on merchant counter tops. Today, stationary POS terminals are being replaced by mobile and virtual POS devices. While the standard terminal will remain a viable solution for years to come, the future of the POS is upon us.

There is a general consensus about how that futuristic POS will function. It will be device agnostic, standardized and mobile; it will accept virtually all types of payments; it will save merchants on transaction fees; it will function as both a customer relationship manager and back-office bookkeeper; and, of course, it will be highly secure.

Maybe that last point is more a fervent hope than a cold hard fact. But it is a given that to continue to thrive in the payments sphere, ISOs and merchant level salespeople (MLSs) must fully understand the capabilities of emerging POS solutions and become expert consultants advising merchants on which technologies are best suited to their distinct business needs.

See POS of tomorrow on page 55

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## NotableQuote

**Does anyone find it disturbing that the automated clearing house (ACH) system is siphoning retail payments from the card networks? I do.**

See story on page 38



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# Forum



## From GS Online's MLS Forum

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### What would you do?

Recently, on GS Online's MLS Forum, **THECREDITCARDMAN** described the following situation and asked for advice:

You sign up a small to average merchant five years ago (now out of contract). They call saying they are selling the biz. You are ready to sign the new owner. New owner, same biz name, location. The ISO (your primary) you put the deal through five years ago has a policy of no bonus money for this situation (not new revenue). Other ISOs you sell for will give you \$300 sign-up money. Let's say for the sake of this discussion that the splits are close enough where the residual would be insignificantly different. As the agent, do you grab the \$300? As the ISO, do you feel the policy is justified? Do you feel loyalty should supersede economics?

Following are excerpts from the responses he received. For the full discussion, see the "What would you do?" thread on the MLS Forum, accessed via the Forums link on our home page, [www.greensheet.com](http://www.greensheet.com).

Five years would literally put them outside the contract, and in renewals. But even so, it's a new merchant. The old merchant is closing, technically. It's a new merchant with a new owner. So, my philosophy is this: if credit has to approve the new owner, as well as the merchant, it's a new merchant, not repeat business. But with that said, I am not a great fan of the bonus programs anyway. I think they take money out of your pocket. But if it's that important, that is how we treat it; it's a new merchant, period.

– **CLEARENT**

I can see a bit of gray, depending on who the 'new owner' is. If they actually sold it to someone new, it's one thing; if the 'new owner' is, say, the old owner's kid, that's something else. Here's how I see it: new merchant ID = new merchant. You make a business decision every time you place a new merchant. That is all this is, a business decision.

The new owner doesn't have to sign with the existing company, so the ISO should be looking at them as new business. If they don't want to see it that way, that is their business decision. ... If I were in your shoes ... pick up the phone and call your ISO, have an open and frank discussion with them about the situation, and make a decision from that point.

ISOs have to have policies in place to protect themselves and to try to prevent salespeople from 'gaming the system.' Since it doesn't sound like that is what is happening, you might just be surprised with the outcome of that phone call.

– **JDECKARD**

I think your ISO is right in not paying out any bonus. It's the same volume you've always had, and to insist on a bonus should be beneath you. Moving the merchant could jeopardize your relationship with your ISO. ... Take the high road, I say.

– **DIEGO**

If it is a new owner, it would not be considered moving merchants and would not break any nonsolicitation contracts I've seen.

– **GMARTIN**



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# QSGS

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

Cover Story

1

## **The POS of tomorrow**

The Internet and mobile devices are transforming the POS. Although traditional POS terminals are not going away, the entire retail environment is moving toward fluid, decentralized payments. Industry experts agree that ISOs and merchant level salespeople (MLSs) must understand the ins and outs of new payment technology, or go the way of the "knuckle buster."

News

27

## **Visa discusses DOJ probe, explains FANF, raises 'no signature' limit**

In a conference call, Visa Inc.'s chief executive officer revealed that the U.S. Department of Justice launched an investigation into the card brand's PIN-authenticated transactions and its new Fixed Acquirer Network Fee. Despite the probe, Visa posted a 15 percent increase in its net operating revenues in the second quarter of 2012.

News

24

## **Sen. Durbin, bankers criticize Fed rule**

The Durbin Amendment to the Dodd-Frank Act of 2010 is getting pummeled from all sides. Opponents argue that the debit interchange cap rule unfairly favors merchants and punishes consumers. On the other side, even the amendment's author is upset, claiming that the Federal Reserve misinterpreted the language of the law and overstepped its authority in implementing it.

Feature

35

## **Banks seek relevance with prepaid**

It is ironic that banks are now adopting prepaid card programs to attract the very customers they pushed away to prepaid card providers in the first place. The co-founder of MyBankTracker.com delves into how banks are going about that delicate courtship.

News

25

## **PCI to train, certify software integrators**

Most data theft is a result of payment application software being installed incorrectly, according to the PCI Security Standards Council. In response, the council will train and certify payment software integrators and resellers to combat what is called an epidemic of fraud.

Feature

36

## **Customer support's centrality to open transit payments**

Municipalities and mass transit authorities recognize the efficiencies inherent in "open" mass transit payment systems. Equally important is the need for prepaid card components to such systems. A report issued by the Philadelphia Fed's payment card center highlighted one problematic but necessary aspect of prepaid for mass transit: customer support.



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View

38

### **ACH and the POS: Not necessarily made for each other**

Perhaps the automated clearing house (ACH) system and the POS make for strange bedfellows. Only PayPal Inc. has managed to leverage the ACH as a major processing network for consumer-facing POS payments. Maybe it's best that a system designed primarily for bank-to-bank money transfers remain just that.

View

42

### **Payments ripening on the vine**

The evolution of the wine industry mirrors what is taking place in payments. It took 20 years for a collection of grape growers to develop networks and best practices that resulted in a thriving market for wine in the United States. The same thing is occurring in financial services, but issues over APIs and OSs have replaced the debate over harvesting techniques and wine clubs.

Education

58

Street Smarts<sup>SM</sup>

### **The hard, but valuable lessons of failure**

Even the best of us fail. The secret is to not allow failure to define us. Persistence in the face of failure is often the key to success. Members of the GS Online MLS Forum shared personal stories of failure – from entering the wrong partnerships to going after the wrong merchants – and discussed how they learned from their mistakes.

Education

64

### **Paving the way to fraud deterrence**

ISOs and MLSs are at the forefront of the fraud fight, as they have the collective ear of small merchants – the ones most vulnerable to fraud. Agents therefore need to educate Level 4 merchants on how to secure their systems. Merchants can take straightforward, proactive steps to ensure they do not become victims of the next big breach.



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Education

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### Five tips for choosing the best POS system

To survive and thrive in the volatile payments game, ISOs and MLSs must become expert advisors to merchants. That means they need to know all about startup and upgrade costs, payment system scalability, POS flexibility, contract options, and training and support. What's more, sales reps need to know how each issue relates to individual merchants.

Feature

77

### Top 10 best practices for fighting credit card theft and fraud

Fraudsters have a built-in advantage over defenses built to guard against their attacks; they are always on the offensive. Among the best ways to turn the tables on data thieves is to transform a defensive system into a multilayered offense, to form incident response "Hazmat" teams, and to implement enterprise-wide training and best practices.

Feature

72

### Isis moves closer to launch

Isis, the mobile wallet venture entered into by three of the largest U.S. mobile telecommunication providers, is securing retail partners for its near field communication- (NFC) based payment scheme, set to launch in Salt Lake City and Austin, Texas, this summer. Whether Isis will succeed is anyone's guess.

Inspiration

89

### Be grateful for no

ISOs and MLSs face rejection every day. But many reps move on before analyzing what worked and didn't work during presentations and other interactions with merchants. ISOs and MLSs can make that task easier by opening lines of communication about how to correct mistakes and impart the philosophy that rejection is just a necessary part of ultimate success.

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# IndustryUpdate

## NEWS

### Two-way video ATMs enter picture

**CO-OP Financial Services** is testing a two-way video member service using **Diebold Inc.** ATMs on the CO-OP Network. Under a joint agreement, the two companies are developing a way to optimize the ATM channel to enable sales, additional teller functions and customer service migration to self-service endpoints. This is an effort to help financial institutions mitigate costs and maintain high-level customer support. "As ATMs continue to provide more capabilities to the user, two-way video support is the next step in ensuring the member can conduct their business quickly and easily," said Stan Hollen, President and Chief Executive Officer at CO-OP.

According to CO-OP, members can connect to a call center for real-time interaction via two-way video and make account transfers or open new accounts. The service integrates with either a credit union call center or CO-OP Member Center's 24/7 service. CO-OP is providing the terminal driving capability and network access; Diebold is providing the member identification and video services that support the system's two-way video capabilities.

### VeriFone's SAIL links social media, mobility

**VeriFone Inc.** introduced its open payment platform SAIL May 8, 2012. Pete Bartolik with VeriFone Media Relations said SAIL features "quick and easy sign-up" and "cost-saving rates" and can be used on smart phones, tablets and POS devices.

"SAIL provides sophisticated reporting and integration with social media channels such as Facebook, Twitter and Yelp," Bartolik said. "iOS and Android users can obtain a free app – with bar code scanning capability – and card reader, and take advantage of flat rate plans of 2.7 percent for lower volumes, or higher volume users can opt for a 1.95 percent transaction rate with a monthly \$9.95 subscription fee."

SAIL includes a mobile software development kit for developers to build their own VeriFone-enabled payment or marketing solutions. The platform also integrates with VeriFone counter-top POS devices that support Europay/MasterCard/Visa (EMV) smart card, near field communication (NFC) contactless and mobile payments.

The platform is a secure gateway with end-to-end encryption, real-time merchant fraud screening, application programming interface boarding, and merchant processing and settlement services. It can also connect with third-party marketing, loyalty and social media tools.

### SCA forms mobile council

The **Smart Card Alliance**, a nonprofit association working for the adoption of smart card and NFC technologies, said it is forming the Mobile and NFC Council to publicize and increase adoption of NFC applications.

SCA Executive Director Randy Vanderhoof said NFC has applications not just for cards, but also for ticketing, digital content exchange, secure identification, social networking and electronic device communication.

Vanderhoof stated the council is providing a bridge that allows developers of NFC technology to talk with end users about setting common standards and best practices.

The council boasts representation from more than 60 companies and includes more than 1,200 individuals. Its mission is to provide educational resources, promote collaboration and networking among industry stakeholders, and collaborate with other industry organizations on standards for NFC application implementation.

### Consumer info ban recommended

A new study by three University of California Berkeley

- **eMarketer** estimates online retail sales in the apparel and accessories category will reach \$73 billion by 2016, accounting for more than 20 percent of total U.S. e-commerce.
- A **Research and Markets** report, *Pet Care in the United States*, projects sales of dog, cat and other pet care products could escalate to \$35.9 billion in 2015.
- According to **American Express Co.**'s *Spending & Saving Tracker, 2012 Summer Vacation Plans*, nearly 140 million Americans expect to travel this summer, spending an average of \$1,180 per person; 43 percent plan to travel over holiday weekends, up from 36 percent in 2011.

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## Industry Update

law school professors recommends banning merchants from asking for personal information when customers make mobile payments.

Authors **Chris Jay Hoofnagle** from the UC Berkeley Center for Law & Technology, **Su Li**, from the UC Center for the Study of Law and Society, and **Jennifer Urban** of the UC Berkeley School of Law found that "Americans overwhelmingly oppose the revelation of contact information ... to merchants when making purchases with mobile payment systems."

Their study, titled *Mobile Payments: Consumer Benefits & New Privacy Concerns*, found that consumers object even more strongly to being geographically tracked by merchants and advertisers through their mobile phones. The researchers surveyed 1,200 households on attitudes toward privacy in mobile transactions.

### Global Payments off MC vendor list

MasterCard Worldwide removed **Global Payments Inc.** from its list of approved Payment Card Industry (PCI) Data Security Standard (DSS) service providers on May 2, 2012. MasterCard's action was anticipated in the wake of the recent discovery of a Global Payments' data breach. Visa removed Global from its Global Registry of Service Providers, a similar list of PCI compliant providers, in late March.

Global Payments publicly disclosed its discovery of the breach and data theft on March 30, 2012. The breach is still under investigation. MasterCard and Visa have both reportedly sent out advisories to their card issuers saying data thefts at Global Payments began at least as early as June 2011. Global

Payments said information from no more than 1.5 million cards was exposed during the breach period, but *The Wall Street Journal*, as well as former *Washington Post* reporter and Internet security blogger Brian Krebs, reported that as many as 7 million accounts may have been breached.

In an information security update on its website, Global Payments stated the card companies "have requested we revalidate our PCI status"; the company anticipates reinstatement following the investigation and revalidation.

## ANNOUNCEMENTS

### CardinalCommerce hits 1 billion transactions

**CardinalCommerce Corp.** said it has now processed more than 1 billion transactions and completed more than 250 million mobile messages. CardinalCommerce Chief Financial Officer Chris Brown said the transactions represent more than \$75 billion in secure remote commerce.

### Compass issues EMV toolkit

**Compass Plus Ltd.** released its EMV Empowerment Toolkit in the United States as an affordable EMV compliance solution for issuers and acquirers to simplify implementation. The solution reportedly works with existing mag stripe card management systems and results in minimal changes to merchants' existing POS systems.

### Heartland adds SmartLink for Restaurants

**Heartland Payment Systems Inc.** launched SmartLink for Restaurants, a managed network service that provides secure, high-speed transport of card transaction data and back-office information. According to Heartland, SmartLink segments payments from other network traffic to help ensure PCI compliance and rapid deployment of other critical applications as needed.

In other news, Heartland unveiled



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## Industry Update

Mobuyle Restaurant, an application that accepts credit, debit and gift card payments via Google Inc. Android-enabled mobile phones and tablets.

### JR's POS Depot releases Lee

Riad Alakkam, President and CEO of JR's POS Depot, disclosed that Jon Lee was released from his position as Director of Sales. "Mr. Lee is no longer associated with the company in any way," Alakkam said. "This decision was taken to protect the company, vendors and customers." Headquartered in Ft. Lauderdale, Fla., JR's POS Depot is a full-service transaction equipment company provider of POS equipment and services.

### MasterCard to launch PayPass wallet

MasterCard plans to launch its PayPass Wallet Services in the United States during the third quarter of 2012. Services comprise the PayPass Acceptance Network for accepting PayPass Online and PayPass Contactless payments; PayPass Wallet, a white-label suite for banks, merchants and partners; and PayPass API for enabling partners to connect other digital wallets to the network.

### Payfirma opens mobile app

Canadian mobile POS provider Payfirma Corp. opened its mobile payment platform to developers. Third-party mobile application developers can leverage Payfirma's platform to manage transactions, PCI compliance and credit card reader integration. Apps that will integrate with Payfirma include retail, restaurant, accounting and invoicing functions.

### TMS named ETA ISO of the year

Colorado ISO Total Merchant Services Inc. was named ETA 2012 ISO of the Year during the Electronic Transactions Association Annual Meeting & Expo in April. "We appreciate being recognized by the ETA, and we're really excited about the unlimited growth opportunities ahead as we make the transition from a pure payments provider to a payments technology and innovation company," said TMS CEO Joe Kaplan.

### Verizon customized tablets

Verizon Enterprise Solutions launched a tablet-based solution with POS payment and inventory management capabilities. The new offering features Android-based, enterprise tablets with a "blank state," meaning they carry no pre-loaded applications. Businesses can authorize employees to download pre-approved business applications from the Verizon Private Applications Store for Business.

## PARTNERSHIPS

### Affinity Solutions, First Data team up

Affinity Solutions Inc., a provider of merchant-funded rewards programs, and First Data Corp. launched Coupon-on-a-Card, a real-time offer-redemption technology. The solution enables financial institutions to deliver payment card-linked offers from merchants to consumers for redemption at the POS. The solution was demonstrated at the FinovateSpring 2012 conference in San Francisco in May 2012.

### Ingenico, POS Portal offer mobile POS

POS terminal reseller POS Portal Inc. will distribute Ingenico S.A.'s new-generation Telium series POS products to ISOs in the United States. The Telium products include counter-top terminals, NFC-ready mobile devices and customer-facing Class-A certified terminals equipped to accommodate

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## Industry Update

all forms of payment, including contactless, EMV, NFC mobile and traditional mag-stripe cards.

In other news, Ingenico will integrate **Atmel Corp.**'s maXTouch touchscreen controllers into its iWL200 Series portable payment terminals. The terminals are equipped with advanced audio, video and touch screen functions.

### Merchant Warehouse, LevelUp partner

**Merchant Warehouse** and **LevelUp**, the pay phone app, partnered to expand mobile payment and mobile commerce capabilities for both organizations. Initial integration of LevelUp will be across the MerchantWare Transport Platform to provide POS loyalty and mobile gifting to merchants.

### Prima aligns with Phoenix

**Phoenix Managed Networks LLC** reached a multiyear reseller agreement with Canadian merchant services provider **Prima Payments Corp.** The agreement will allow Prima Payments to distribute the Phoenix PaySecure PCI compliance solution to ISOs throughout Canada.

### USAePay, QBPlugin for QuickBooks team

**USAePay** partnered with software provider **QBPlugin for QuickBooks** to enable merchants to process credit card and automated clearing house transactions from Intuit Inc.'s QuickBooks through the USAePay gateway.

QBPlugin for QuickBooks software can also handle electronic funds transfer

and electronic check conversion, and can reportedly be used with all existing merchant accounts.

### Saylent powers Vantiv Analytics

Processing services provider **Vantiv LLC** and **Saylent Technologies Inc.**, a provider of payment intelligence solutions, are working on a new solution to offer Vantiv Analytics to Vantiv bank and credit union debit portfolio customers. The solution enables financial institutions to optimize debit card portfolios, increase card revenue and understand card usage and trends, the companies noted.

### VeriFone partners with Sky News

**VeriFone** reached an agreement with British Sky Broadcasting Ltd.'s **Sky News** to broadcast news bulletins in London taxis over the VeriFone Digital Network. VNET's TaxiTV now spans 10 major media markets, with VeriFone taxi payment solutions established in over 50 cities globally and in London since 2010.

In other news, VeriFone teamed with **Lenovo**, manufacturer of the ThinkPad Tablet, to develop the ThinkPad Mobile POS, a complete end-to-end mobile POS platform for merchants built on VeriFone's PAYware Mobile Enterprise for Tablet payment solution and Lenovo's ThinkPad.

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## ACQUISITIONS

### ControlScan acquires CRE Secure

PCI compliance and security provider **ControlScan Inc.** acquired **CRE Secure Payments LLC**, a PCI-certified provider of a cloud-based payment security solution for online merchants. ControlScan said that with the inclusion of CRE, it foresees new opportunities in the card-not-present space. Financial terms of the deal were not disclosed.

### Mercury buys Sundrop

Payment processor **Mercury Payment**

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## Industry Update

**Systems** purchased mobile and social loyalty marketing company **Sundrop Mobile**. Mercury plans to introduce a product integrating cardless mobile loyalty with payment processing at the RetailNOW show coming up in Las Vegas from July 29 to Aug. 1, 2012. Terms of the acquisition were not disclosed.

### Western Union buys Travelex French operation

The Western Union Co. acquired the French division of cross-border payment company **Travelex Global Business Payments Inc.** Terms of the deal were not disclosed.

## APPOINTMENTS

### USA Technologies adds Moschner

USA Technologies Inc. named **Albin Moschner** as the ninth member of its board of directors. Moschner formerly served as Chief Operating Officer at Leap Wireless International Inc. He is also a former President of Verizon Card Services for Verizon Communications Inc.

### PayAnywhere taps two veterans

**Ed Myers** and **Carl Williams** joined PayAnywhere LLC

as managing directors. Myers retired in 2010 as President of U.S. operations at Global Payments. Williams served as President of Worldwide Payment Processing at Global Payments before joining PayAnywhere.

Myers and Williams will advise the company on new acquisitions, partner development, and domestic and international market expansion.

### Card execs join BOKU

**Jon Prideaux**, formerly a Visa Executive Vice President, and **Stuart Neal**, formerly the Managing Director of International Development for Barclaycard, both joined online mobile payment company BOKU as, respectively, Chief Business Officer and Senior Vice President of Business Development. Both men have responsibility for growing BOKU's mobile payment business.

### Allied appoints Wilson

**Steve Wilson**, former Vice President and Head of Acceptance and Third Party Risk for Visa Europe, was appointed Managing Director of Allied Wallet Inc. in Europe. He will be responsible for new business relations, brand protection and accelerating company growth in Europe. ■

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## Sen. Durbin, bankers criticize Fed rule

**T**he Federal Reserve's final rule implementing the Durbin Amendment to the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 was blasted from both sides in two separate briefs submitted to the U.S. District Court in Washington D.C. The court is considering an effort to overturn the rule, which cut debit card interchange fees in half.

Sen. Richard Durbin, D-Ill., the author of the Durbin Amendment, offered strong support to the plaintiffs in the lawsuit filed by a coalition of merchants, restaurants and retailers against the Board of Governors of the Federal Reserve. The senator complained the Fed's final rule implementing the amendment exceeds the board's rule-making authority, misinterprets his views and improperly implements the amendment's network exclusivity provision.

In a brief supporting neither party in the lawsuit, a group of financial institutions argued the rule unfairly harms consumers and financial institutions while granting a windfall to merchants.

### The merchants' view

The Durbin Amendment left it to the Federal Reserve to interpret the amendment's direction that debit card interchange fees be "reasonable and proportional" to the issuers' cost. After months of calculations and public comment, the Fed cut the interchange rate for debit cards approximately in half to 21 cents (plus a small allowance for fraud prevention).

Merchants feel the interchange rate is still too high. They believe the Fed exceeded its authority by creating new categories of costs that are not mentioned in the amendment itself but are included in interchange calculations, as well as by allowing debit card issuers to include fraud losses in fraud-related costs when the amendment only allows issuers to collect for fraud prevention. Merchants also believe the rule does not offer a true competitive network choice for many debit transactions.

### Durbin's mindset

Sen. Durbin's brief, submitted May 9, 2012, sides strongly with the merchants' effort to overturn the rule. "Sen. Durbin agrees with the position of the Plaintiffs that the Final Rule issued by the Board is not in accordance with the plain text and intent of the Durbin Amendment in a number of crucial respects and that the Rule must be revised to comply with the law," his amicus curiae (friend of the court) brief said.

***Sen. Richard Durbin, D-Ill., the author of the Durbin Amendment, offered strong support to the plaintiffs in the lawsuit filed by a coalition of merchants, restaurants and retailers against the Board of Governors of the Federal Reserve.***

The senator feels the Fed exceeded its statutory authority with its inclusion of "an unspecified universe of issuer costs" in its interchange fee calculation. He also believes the inclusion of fixed costs, transaction monitoring costs, fraud losses and network processing fees as allowable costs "contravenes the plain language and legislative intent" of his amendment.

Durbin also stated the Fed's decision to cut the debit interchange fee in half does not achieve the amendment's purposes.

"We have ended up with an absurd situation where the Board's Final Rule has approved the charging of significantly higher interchange rates for small-ticket transactions, and has even blessed the charging of a 22 cent interchange fee on the debit card purchase of a 10 cent pencil," Durbin's brief stated.

The brief further claimed, "Congress neither instructed nor empowered the Board to impose its own policy judgments and engage in a 'line-drawing exercise' between the low-fee wishes of merchants and the high-fee desires of the banks, as the Board appears to believe. Congress had made its own policy determination that the Durbin Amendment was needed as 'a response to price fixing by Visa and MasterCard.'"

### Financial institutions' perspective

The brief submitted by the American Bankers Association and numerous other banking and credit union associations, criticized the final rule for costing financial institutions \$6 billion to \$8 billion in debit interchange revenue losses.

The financial institutions said the merchants' endeavor to overturn the final rule is an attempt to reap the benefits of payment innovation "practically for free." They also called the final rule "an unwarranted, unfair and unprecedented windfall" for merchants.

The banks said the final rule is flawed because it forces below-cost caps on interchange fees while failing to provide a reasonable return for the banks – possibly in



violation of constitutional protections against unlawful taking. They also claimed the final rule resulted in reduced financial services and higher fees for consumers. ☒

## PCI to train, certify software integrators

**S**tudies show improperly installed payment application software is the culprit behind most of the breaches and data theft among retailers in low-end merchant card categories. The payments industry's security standards watchdog, the PCI Security Standards Council (PCI SSC), said May 9, 2012, it is responding to this epidemic of data theft by offering training and certification to payment software integrators and resellers.

PCI SSC General Manager Bob Russo said that after the first training and certification process is complete, the council will publish a list of Payment Card Industry (PCI) Data Security Standard (DSS) certified integrators and resellers on its website.

### The heart of the problem

"It's not the applications that are causing the problem," Russo said in an interview to promote The PCI Qualified Integrator and Reseller (QIR) program. "It's the way applications are installed that causes the problem."

Russo cited a report from the data security and compliance management company Trustwave Inc. stating that 76 percent of all data breaches Trustwave investigated in 2011 were caused by the people responsible for supporting POS systems.

"We've often seen cases where people install a system using the password that came with the software," Russo said. "This program is an attempt to make sure we are training the people who are doing the installing of these software packages."

Details of the program are evolving. The online classes will begin in late summer 2012. "The pricing for the training is not yet determined," Russo said. "We want to reach as many people as we can. We want to make this program attractive to people who want to be certified."

### The recommended solution

The training is in response to a PCI SSC task force recommendation that the council provide "more guidance and best practices for integrators and resellers" along with a published list of PCI certified integrators and resellers around the world.

"The majority of breaches have moved to the Level 3 and Level 4 merchant," Russo said. "This task force was made up of the people feeling the pain and dealing with all aspects of these breaches." The task force consisted of merchants, acquirers, payment software vendors and representatives from the card companies.

Russo estimated the online class will take "probably 6 to 8 hours" to complete. It will be followed by a certification test. "If you were to take the course and the certification test it would probably take a day or two," Russo said. "It depends on how quickly you go through the materials. This is not rocket science here. This is security 101."

Additional materials on the program will be available in June or July 2012. PCI webinars promoting the training are planned for July. "We will launch the training in the end of July or the beginning of August," Russo said. "We plan to list the QIR's by late summer."

Russo said the council is not requiring that integrators and resellers be certified, but he believes integrators and resellers eventually may become "conspicuous by their absence" on the PCI list of certified installers.

For more information on the training, please go to [www.pcisecuritystandards.org/training/index.php](http://www.pcisecuritystandards.org/training/index.php). ☒

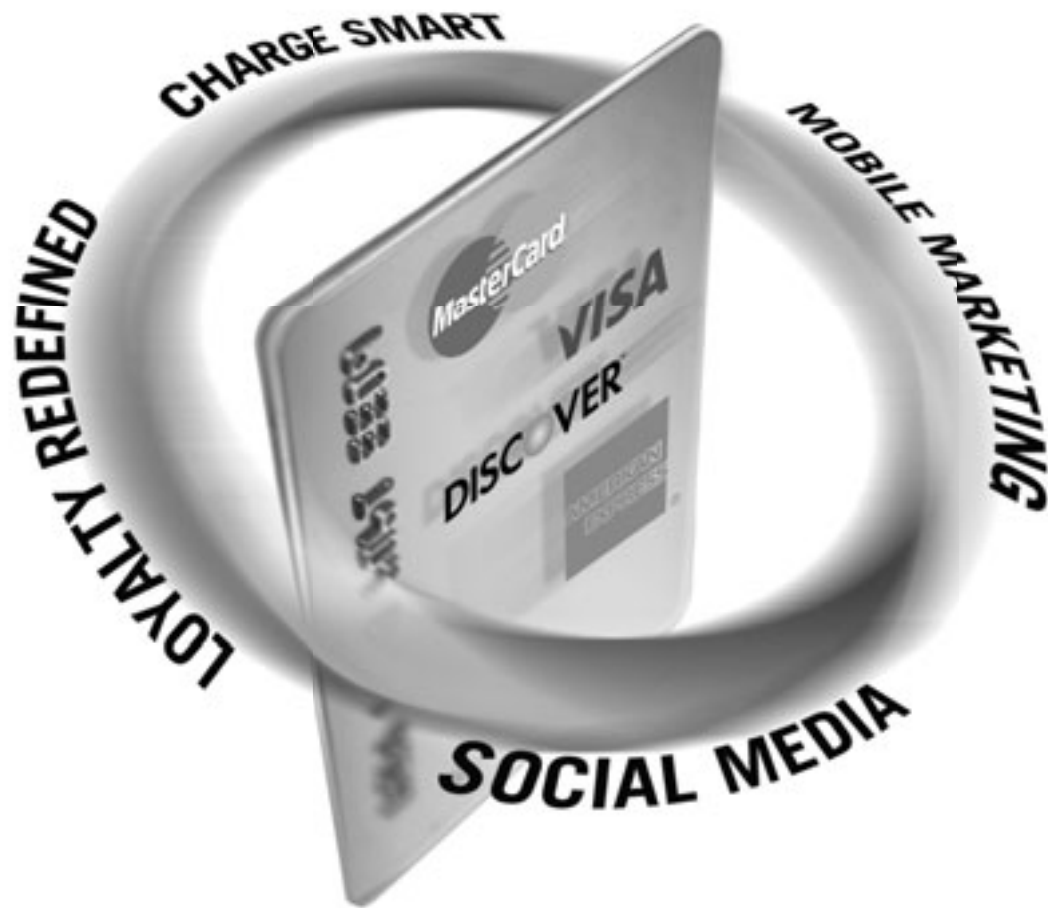


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## Visa discusses DOJ probe, explains FANF, raises 'no signature' limit

**I**n a conference call on May 2, 2012, Visa Inc. Chief Executive Officer Joseph Saunders revealed the card company's debit card business is under investigation by the U.S. Department of Justice. He also discussed the company's second fiscal quarter 2012 profits, growth strategies, and new products and solutions. The quarter ended March 31.

"On March 13 ... the U.S. Department of Justice Antitrust Division issued a civil investigative demand requesting additional information about PIN-authenticated Visa Debit and elements of our new debit strategies, including the fixed acquirer fee," Saunders disclosed.

He said Visa met with the DOJ in March to turn over the materials requested in the civil investigative demand. "In a business as complex as ours, the department's request is not unexpected," he said. "Visa has received four other requests for information from the department since 2007, each of which took from 9 to 24 months to complete. All have been resolved." He added that Visa is "continuing to provide materials and cooperate with the department."

Regarding the company's "strategies to compete for routing decisions, our incentive program for merchants is on track," Saunders said. "We've taken a tailored and surgical approach to win strategic volume and offered competitive incentives to merchants."

DOJ spokeswoman Gina Talamona said the department has no comment on the investigation.

### FANF fee explained

In February 2012, Visa advised acquirers its new Fixed Acquirer Network Fee (FANF) would take effect in April 2012 – after the Durbin Amendment to the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 cut debit card transaction fees in half.

Saunders said the FANF would "offer merchants greater incentive to route transactions over our network" while lowering transaction costs. He told investors the DOJ began its investigation before the FANF went into effect.

The FANF is a cost retailers pay to be a part of the Visa network. It applies to acceptance of all Visa products. Fees are charged to acquirers or processors based on a complicated formula that takes into account, among other things, merchant size and location.

According to the Merchants Payments Coalition, a national organization of retailers dedicated to credit card fee reform representing approximately 2.7 million stores, many retailers are complaining they unfairly end up paying both a brick-and-mortar FANF and a card-not-present FANF. Visa said the fixed acquirer fee lowers merchant transaction costs "in aggregate."

### Debit volume growth

The Durbin Amendment hit Visa hard but "is playing out as we expected," Saunders said, adding that the company's aggregate debit volume grew only 2 percent in the company's second fiscal quarter 2012 (which ended March 31, 2012) and "has continued to decline in April."

Saunders also noted that Visa's Interlink PIN-based POS network bore "the brunt of the regulatory impact" and experienced a decline in every month of the quarter. "Interlink volume has experienced notable deterioration," he stated.

However, he added that the network accounted for less than 10 percent of Visa's U.S. debit revenue. He also stated he believes Interlink will be more competitive in the fourth quarter 2012 when the impact from new regulations and new debit strategies will be evident.

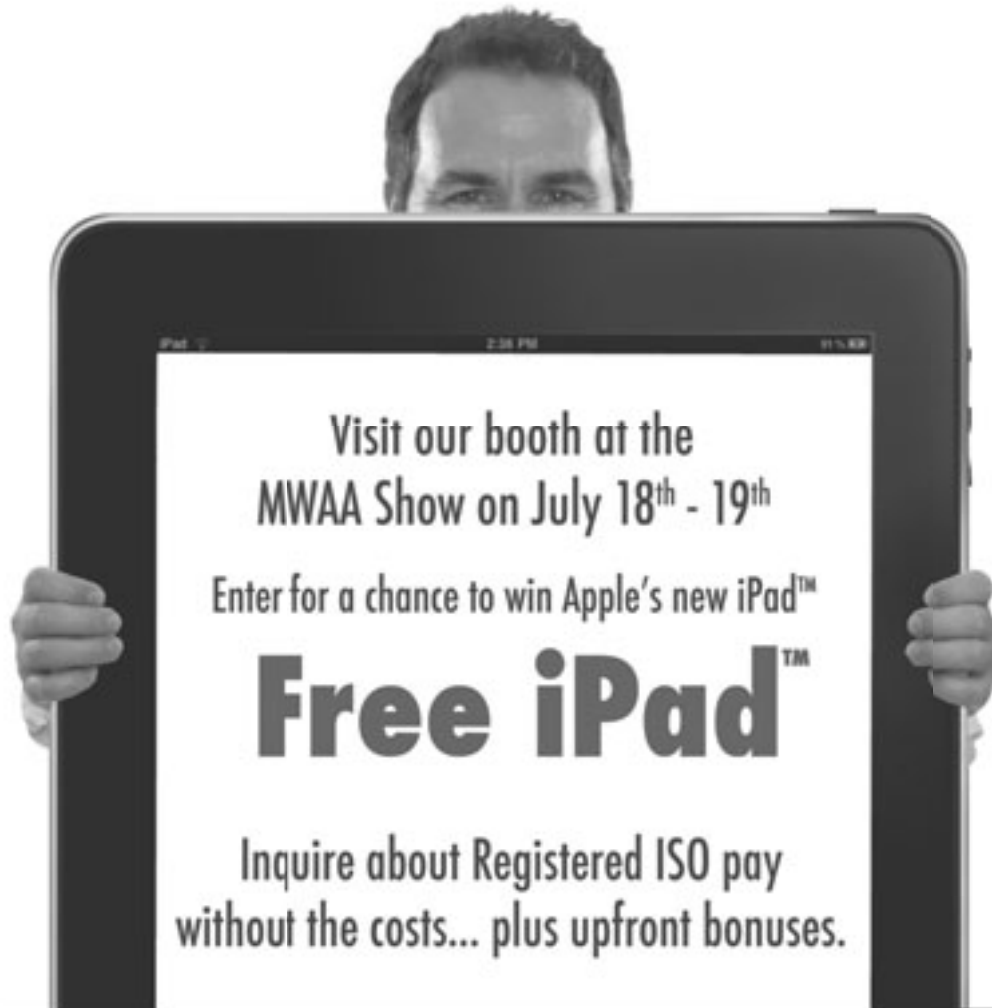


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**\$1,000** activation bonus (per new merchant)

## The profit picture

Saunders said Visa posted net operating revenues of \$2.6 billion in its second fiscal quarter – a 15 percent increase over the previous year. "These revenue gains were driven by double-digit payment volume growth globally, continued out-performance of credit spend worldwide and a strong cross-border activity," he stated.

Visa's credit card volumes grew 14 percent; debit payment volumes were up 7 percent during the same quarter; cross-border volume was up 16 percent globally; transactions grew 8 percent; and payment volumes increased 6 percent for all Visa products.

Saunders said Visa payment volume has grown every quarter for the last nine quarters in Latin America, with the second fiscal quarter 2012 realizing a 25 percent growth rate. He noted that growth was particularly strong in Brazil where the company has "just reached an agreement with a large Brazilian bank that has traditionally maintained the majority of its business with one of our largest competitors.

"With this new agreement, we estimate that 50 percent of that client's card portfolio will be Visa branded in the next few years." He also expects more than 90 percent of Visa transactions in Brazil soon will be routed over Visa's own VisaNet, up from 63 percent today.

In addition, Saunders discussed a new agreement with mobile phone network Vodafone Group PLC to preload Visa mobile prepaid accounts onto the Vodafone virtual wallet now under development. He also referred to agreements to promote deployment of near field communication (NFC) through its payWave technology, the importance of the company's investment in security and development of beta testing for Visa's digital wallet V.me.

## 'No signature required' limit raised

Several days after Saunders' conference call, Visa reported it will double its "no signature required" limit to \$50, effective Oct. 1, 2012. Visa said its new \$50 Visa Easy Payment Service limit will apply to the following U.S. merchant categories: discount stores, grocery stores and supermarkets.

The Visa Easy Payment Service, launched in July 2010, currently allows merchants in most categories to accept Visa cards without requiring either signature or PIN for transactions up to \$25. Visa said its Easy Payment Service offers more customer convenience, cuts down on transaction time and offers other merchant benefits.

The company stated it "may expand this higher transaction limit to additional merchant categories in the near future," adding that approximately 80 percent of its U.S. consumer transactions are for under \$50.

"Merchants have asked us to expand the program to purchases up to \$50, so that they can more efficiently support consumers' growing preference to use cards instead of cash or checks for everyday purchases," said William Sheedy, Visa Group President, Americas.

## Logical move

"This is a logical move from Visa's standpoint," said Ken Musante, President of the California ISO Eureka Payments. "When Visa first initiated the no signature required program, they started with the less risk-prone merchant types and expanded from there. It's likely they will expand the limit in the same way, based on merchant feedback."

Musante said that to make this program effective, cards would have to be mag stripe or have NFC capability. He stated the low transaction limit together with the cost of manufacturing a counterfeit card makes theft less attractive to thieves who might otherwise see a no signature, no PIN transaction as an easy target.

Musante gave a thumbs-up to the Visa program. "This is an opportunity for salespeople to go out there and talk about change," he said. "It's something else to talk to our merchants about." ☐



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# ISOMetrics

## The future of POS technology

**A** Retail Info Systems News (RIS) white paper entitled *The Case for Retail-Hardened POS* revealed merchants' predictions about what technologies they expect to employ from one to five years down the road.

### Additional years of planned use for store technology

Years	1	1 - 2	2 - 4	4 - 5	5
Mobile devices	9%	48%	35%	9%	0%
POS software	20%	40%	23%	10%	7%
POS terminals	10%	50%	17%	17%	7%
Store network	7%	28%	34%	14%	17%

(Source: RIS and Boston Retail Partners 13th Annual POS Benchmarking Study, January 2012)



# Selling Prepaid



## Prepaid in brief

### NEWS

#### Payday loans on prepaid under scrutiny

A coalition of consumer advocacy groups led by **The National Consumer Law Center** wants the Comptroller of the Currency to shut down a payday loan program facilitated with prepaid cards. The program instituted by payday lender Community Choice Financial Inc., managed by Insight Card Services LLC and with prepaid cards issued by Urban Trust Bank, evades state usury and payday loan laws, according to the coalition.

Community Choice subsidiary CheckSmart Inc. is reportedly using Insight prepaid cards to provide payday loans in Arizona and Ohio, where the usury limit is 36 percent and 28 percent respectively. "Yet for a 14-day, \$300 loan, the annual rate for CheckSmart's line of credit is 401 percent and the overdraft loan is 390 percent," the coalition said in a letter to the OCC.

"Prepaid cards and payday loans just don't mix," added Lauren Saunders, Managing Attorney at the National Consumer Law Center. "Prepaid cards should be safe alternatives to bank accounts, not vehicles for evading state law with predatory loans that trap people, often those with the least means, in a spiral of debt."

The letter can be accessed at [www.nclc.org/images/pdf/high\\_cost\\_small\\_loans/letter-checksmart-occ.pdf](http://www.nclc.org/images/pdf/high_cost_small_loans/letter-checksmart-occ.pdf).

#### Android phone users don hi-tech wristbands

Near field communication (NFC) technology application developer **Skycore LLC** entered a pilot that utilizes its codeREADr app for smart phones along with wristbands embedded with NFC technology. Users of Google Inc. Android smart phones can reload value on the wristbands via the mobile app.

The wristbands allow users to attend multiple events at the same venue, or participating venues, without having

to be issued new tickets. Users tap smart phones on the wristbands. The codeREADr app on the smart phone communicates with the NFC chip in the wristband to read transaction data. The app then validates the data in real-time against a database typically maintained by a ticketing company.

#### DNC returns Wal-Mart gift cards

The **Democratic National Committee** returned \$50,000 in Wal-Mart Stores Inc. gift cards to the big-box retailer, according to media reports. The cards, which Wal-Mart gave to the DNC as an in-kind contribution, were reportedly being returned by the DNC as a favor to labor unions. Some labor unions are critical of Wal-Mart, since the retailer does not employ unionized workers in its U.S. operations.

### ANNOUNCEMENTS

#### CFSI directs compass to principles

The **Center for Financial Services Innovation** issued *Compass Principles: Guiding Excellence in Financial Services*, a white paper that contains ethical guidelines for financial services companies. By using the Compass Principles, service providers can be profitable while at the same time help customers make good financial decisions in the short and long terms, the CFSI said.

#### Mercator reports on prepaid reload opportunities

**Mercator Advisory Group's** research report *Measuring Reload: ACH, Cards, Cash, and Checks* provides analysis of the current prepaid reload landscape and makes the case that cardholders who reload prepaid accounts represent loyal and cost-effective prepaid card customers.

#### Plastic Jungle enhances gift card exchange

Following its partnership with U.S. Bank, online gift card exchange operator **Plastic Jungle Inc.** extended its gift card to loyalty point and award mile exchange program to its other partners. The company said the move is part of its goal of making monetary conversion channels interchangeable.

#### Plastyc banks on UPSide app

**Plastyc Inc.** made a mobile banking app available

## Selling Prepaid

to its UPSide Visa cardholders via Amazon Inc.'s Kindle Fire tablet computers. The app, commissioned by Plastyc from custom software development firm DataArt Solutions Inc. and downloadable to the tablet via Amazon.com, allows cardholders to activate new accounts, sign up for direct deposit, redeem cash-back points, pay bills, transfer funds, issue paper checks, and check balances and transaction histories.

### 'PrepaYd' gets trademarked

**PrepaYd Inc.**, the parent company of calling card provider PrepaYd Wireless, received approval from the U.S. Patent and Trademark Office for the name and design of its word mark "PrepaYd." Bruce Berman, Chief Executive Officer at PrepaYd, said the name is the marketing cornerstone of its business.

### Western Union reaches 500,000 agent locations

Money transfer specialist **The Western Union Co.** opened its 500,000th agent location, in New York City. Western Union commemorated the occasion by committing \$500,000 to fund economic development and entrepreneurship programs in New York City and internationally over the next five years.

### Wolfe certified PCI Level 1 compliant

**Wolfe LLC**, the parent company of gift card provider GiftCards.com, achieved compliancy with the Payment Card Industry Data Security Standard as a Level 1 service provider. Wolfe said the certification confirms the company's commitment to security in its card personalization and payment processing services.

## PARTNERSHIPS

### Visa, Obopay team for corporate disbursements

Mobile money facilitator **Obopay** collaborated with **Visa Inc.** on an electronic funds disbursement solution for corporations. The service allows for the loading of Visa-branded prepaid cards from corporate accounts. The solution is designed for the disbursement of insurance, payroll, rebates, incentives, business expenses, government benefits and other bulk payments.

### TenderCard adds mobile functionality

Gift and loyalty card program manager **TenderCard** integrated its services into the mobile payment gateway operated by **RedFin Network Inc.** The partnership



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allows TenderCard's ISOs access to Redfin network's sales channels.

### Vesta powers Android prepaid app

Telecommunication provider **T-Mobile USA Inc.** and mobile payment processor **Vesta Corp.** teamed for the T-Mobile Refill application that allows T-Mobile prepaid phone customers to reload mobile phone services. The app is available for smart phones that run on Google Inc.'s Android operating system. Phone users are given the option of enrolling in one-time refills or auto refills via prepaid phone cards.

### International, dollar-only payroll card unveiled

Hong Kong-based remittance provider **Transact24 Ltd.**, in conjunction with Gibraltar-based prepaid card issuer **Transact Network Ltd.**, launched the T24 PayVault Visa Prepaid Card. The payroll card caters to European companies that are required to pay employees in U.S. dollars.

## ACQUISITIONS

### Wright Express rolls through Europe

Corporate and prepaid fleet card provider **Wright Express Corp.** expanded its presence in Europe with the purchase of U.K.-based corporate travel card company **CorporatePay Ltd.** for approximately GBP 17 million (about \$27.5 million) in cash, with potential earn-outs of GBP 5.5 million based on performance milestones.

## APPOINTMENTS

### Execs join Rev Worldwide's growing operations

Rev Worldwide, a financial services firm for financially underserved markets, named three executives to its leadership team. Former GE Capital executive **Mauricio Benavides** became the company's CEO of Latin America. **Daryn Griggs**, formerly an executive at Visa, joined Rev Worldwide as CEO of the Asia Pacific Region. And former Dell Executive Director **David Clifton** takes on the position of Senior Vice President of Global Merchant Services.

### Martin promoted to GM at Obopay

**Chris Martin**, Executive Vice President of Global Operations at Obopay, as well as Chief Compliance Officer at the company, added General Manager for North America to his titles. In his new role, Martin will head business development and provide financial oversight for the mobile money manager. Martin joined Obopay in 2007, having come from his job as Director of Finance and Treasury at Yahoo! 📧



## Features

### Banks seek relevance with prepaid

**A**ccording to bank comparison website MyBankTracker.com, banks ignore the unbanked and underbanked at their peril. If banks are to sustain profits in a stricter regulatory environment and reach previously shunned consumer segments, they should turn to the one product that delivers results on both fronts: prepaid cards.

MyBankTracker co-founder Alex Matjanec said banks are struggling to make up for lower revenues from debit card interchange caps imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. At the same time, unbanked and underbanked consumers – estimated at 60 million strong in the United States and once deemed unprofitable by banks – turned to alternative financial service companies to provide them access to their funds. In such an environment, banks risk being rendered irrelevant, Matjanec noted.

"As the banking world moves from traditional brick and mortar to more of a digital mindset, it's easier for a lot of players to get involved," he said. "And what happens is banks start to lose their relevancy and consumers become less dependant on them. And therefore banks have less ability to grow the relationships with their consumers."

### Reeling 'em in

Matjanec noted that Generation Y consumers, who comprise a large section of the unbanked and underbanked, will one day replace older consumer segments as the dominant banking block. To woo Gen Yers, financial institutions like Regions Bank and American Express Co. are turning to prepaid.

Matjanec cited a recent partnership between Birmingham, Ala.-based Regions Bank and alternative financial services company Chexar Networks Inc. to implement Regions' Now Banking program. The goal of the program is to use prepaid to lure unbanked consumers into bank branches, Matjanec said.

In the case of AmEx, the card brand launched a low-fee general purpose reloadable (GPR) prepaid debit card designed to draw in consumers who could then be extended credit in the future. AmEx dubbed its program Make Your Move. Users can build positive credit histories

## Selling Prepaid

with AmEx by using the GPR card and eventually be offered the AmEx Charge Card, where balances need to be paid off monthly.

It is essentially the secured credit card model, Matjanec said. He stated, "I walk into a bank, I give them \$500. They take my money and they give me a credit limit. There's no reason why a prepaid debit card can't be used in the same way."

### Softening the bank brand

Matjanec sees the lines between banks and prepaid card providers already beginning to blur. Green Dot Corp. acquired Provo, Utah-based Bonneville Bancorp in 2011. Matjanec said such a move allows Green Dot to offer its customers secured credit. He expects the number of partnerships between banks and prepaid companies to increase; when partnerships prove successful, banks may simply acquire their partners.

Another blurring of the line is taking place at the physical bank location, where the formal, structured branch is evolving into a casual, quasi café hangout. Matjanec said banks, such as Citibank N.A. with its flagship Union Square branch in New York City, are following the model established by online bank ING Direct, which operates eight cafes in the United States and Hawaii, where people can relax on couches, drink coffee, buy merchandise and have informal conversations about money management.

"The dude that's serving the coffee is the same dude that's going to help you answer your banking questions," Matjanec said. One may note that this new environment, where individuals do not need to be ING Direct account holders, fosters an open, nonjudgmental atmosphere that would appeal to the financially underserved people banks are seeking to attract. ☺

## Customer support's centrality to open transit payments

**L**arge North American cities and their corresponding transit agencies are moving toward "open" transit fare payment systems. Salt Lake City, Philadelphia, Washington, Chicago, New York and Toronto are all developing mass transit systems that allow riders to pay for fares with the same credit, debit and general purpose reloadable (GPR) prepaid cards they use for everyday purchases.

But an August 2011 workshop at the Payment Cards Center of the Federal Reserve Bank of Philadelphia detailed why the GPR card components to transit programs generally constitute the most complex pieces of the puzzle. The April 2012 case study that resulted from the

workshop concluded that prepaid's additional complexity is a product of the number of additional service providers involved in the prepaid value chain.

Tim Walsh, President and Chief Executive Officer at prepaid card program manager Ready Credit Corp., said at the workshop that one challenging aspect to the prepaid fare transit solution is the amount of customer service that must be involved, which increases the cost structure of the programs. But customer support is also vital in attracting and retaining the most profitable GPR card-using transit riders, he added.

### Central tasking

Walsh said the five main challenges to implementing GPR card transit payments are:

1. Integrating with closed-loop, proprietary legacy systems
2. Dealing with existing transit fare systems of disparate design and age
3. Allocating responsibilities to various partners in particular programs
4. Managing reputational risk among program participants – transit agencies, banks, payment networks, etc.
5. Handling rider confusion concerning fees and customer support

Walsh said it costs Ready Credit approximately 90 cents per minute on calls into live customer support. With the average call lasting about six minutes, the total average cost per call is \$5. When factoring in how often individuals call customer support, Walsh estimated Ready Credit spends at least \$20 on average per cardholder per month. In comparison, the typical GPR card provides Ready Credit between \$6 and \$14 monthly, according to Walsh.

### Center stage with support

But call center professionals are crucial in explaining the sometimes confusing details of GPR card programs, especially to new cardholders, Walsh said. Multiple fee schedules may apply to a single card product. And for products with multiple applications, such as a GPR card that functions as both a transit and payroll card, different fee structures can apply to different applications.

Walsh noted that customer support is important to Ready Credit's business model, as its call centers also function as customer acquisition tools. Advertising online, on television and via transit signage generates call volume, which offers customer support personnel the opportunity to inform potential customers about GPR cards and their transit and direct deposit capabilities. Therefore, the costs of customer support are offset by its usefulness as an acquisition channel, Walsh said. He believes high-quality customer support can serve as a differentiator for consumers and help to build longer lasting relationships. ☺

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Insider's report on payments

## ACH and the POS: Not necessarily made for each other

By Patti Murphy

*ProScribes Inc.*

**D**oes anyone find it disturbing that the automated clearing house (ACH) system is siphoning retail payments from the card networks? I do. The ACH was created 40-plus years ago as a replacement for checks. Credit cards were a relatively new phenomenon at the time, and ATMs had yet to be invented.

Corporations and government agencies began using the ACH for disbursing and collecting routine payments, like direct deposit of payroll and automatic deductions for insurance premiums. In the earliest days, corporate treasury folks and their bankers would initiate payment instructions based upon a veritable alphabet soup of transaction codes; that information got loaded onto giant computer tapes and trucked to a central clearing point.

This went on for decades until, in the 1990s, the Federal Reserve (operator of the largest ACH) decreed all banks clearing payments through the Fed must link electronically to its networks.

### **NACHA's slow evolution**

The ACH was built as a batch processing network, and by and large, payments cleared through the network settle on a next-day basis. Only recently have there been serious discussions of enhancing the ACH with same-day functionality.

NACHA – The Electronic Payments Association consists of ACH associations, banks and service providers that set the rules and technical requirements for ACH payments. It's not quick, nor is it easy to move new rules and technical changes through any association. And NACHA is no exception.

For example, it took close to a decade for NACHA to develop, test and approve requirements for moving Internet-initiated payments through the ACH, and by that time PayPal Inc. had practically become a household name. Electronic check conversion for clearing through the ACH took almost as long to reach complete fruition. So it's anybody's guess when a recently proposed same-day settlement feature is hammered out and agreed upon by the NACHA membership.

And even if it took less time, same-day is not real-time

processing. "It's tough to innovate in an association environment," said payment veteran Richard Crone, Chief Executive Officer of Crone Consulting LLC. Ironically, PayPal had a booth at Payments 2012, NACHA's annual conference, which was held in Baltimore from April 29 to May 2.

### **Card payments to the fore**

I've been attending NACHA's annual payment event for about 20 years. In the early years, those in attendance were mostly bank operations folks. Then for many years, attendance seemed to be dominated by wholesale bankers and their corporate customers. This year card payments were a dominant theme, both in the sessions and on the exhibit floor.

Not that PayPal is necessarily about card payments. PayPal customers can also fund purchases directly from their bank accounts, which PayPal uses the ACH to access. According to published reports, 31 percent of PayPal transactions are routed through the ACH.

And the company has plenty of incentive to drive even more volume through the network since ACH transaction fees substantially undercut credit and debit card interchange.

PayPal reported that it handled \$118 billion in payments last year, an increase of 29 percent over 2010 numbers. And the company appears on track for another year of stellar growth with \$34 billion in payments during the first quarter of 2012 alone – a 24 percent increase over the first quarter of 2011. PayPal expects to initiate close to \$50 billion in ACH items this year.

Those totals may seem like drops in the bucket of overall ACH volume: last year the ACH was used to move \$33.91 trillion in payments. Still, it's a heck of a lot of consumer POS spending to clear and settle through a network that wasn't created for credit and debit card payments.

### **ACH not meant for POS payments**

I asked industry consultant Paul Martaus about this. "The ACH was never designed to be an interactive processing alternative," he said, adding that some large retailers have managed to push through custom applications for POS payments, but none like PayPal.

Mobil Oil rolled out a POS debit application in the mid-1980s that cleared payments through the ACH. It was a

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## View

feature of the company's proprietary credit card. I was a customer. I liked the idea of filling my tank and still having a few days to play around with the money. (It was the 1980s; anyone who could do so played the float.)

But the folks who controlled the ACH at that time were wholesale banking purists. I recall asking a NACHA executive back then why more companies weren't using the ACH for POS payments. He responded that the ACH was "owned" by the wholesale side of banks, and in those days, the walls erected between retail and wholesale bank operations were rock solid.

Eventually, Mobil pulled the plug on its POS debit program. The idea was resurrected in 2008 with introduction of "decoupled debit" cards, but got shot down with implementation of the Durbin Amendment to the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act: the Fed's Regulation II implementing the amendment specifically states all decoupled debit card issuers are subject to interchange caps regardless of size.

"The Durbin Amendment took the wind out of the sales of so many decoupled debit programs," Crone said during a recent interview. Although Crone sees opportunities for using the ACH to clear retail payments – especially in

terms of mobile payments – he concedes it's not an ideal choice. "The challenge for the ACH is that it's a batch system," he said. And card payment systems operate in real time.

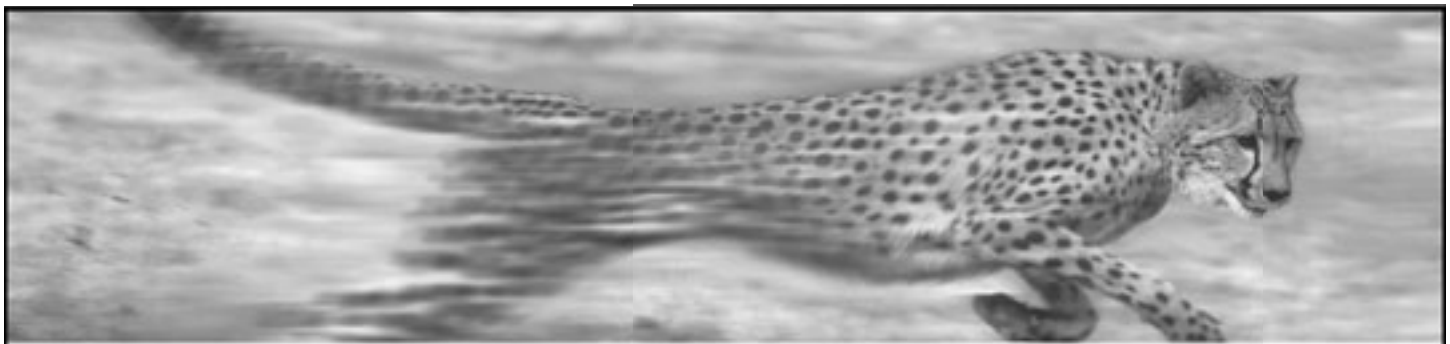
"Every processing segment is moving toward transaction-based processing, line-item processing," Crone added. "The ACH needs to adapt [otherwise] it puts the entire infrastructure at risk."

Then there are the complications that come with getting the NACHA membership to agree to even consider a change of this magnitude. The ACH was not intended as an alternative to the card networks.

It was designed as a replacement to the check clearing house system. And the last time I checked, banks were still exchanging trillions of dollars in checks each year, although much of the paper has been removed from the system thanks to check imaging.

I'd feel better if the ACH remained true to its original purpose. ■

*Patti Murphy is Senior Editor of The Green Sheet and President of ProScribes Inc. She is also the founder of InsideMicrofinance.com. Email her at [patti@greensheet.com](mailto:patti@greensheet.com).*



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# Payments ripening on the vine

By Brandes Elitch

*CrossCheck Inc.*

**I**n my last two articles, I compared the changes in the payments system to the sweeping changes that occurred in the wine industry. In the old days, grape growers saw their product as "grapes," not "wine."

That changed when wineries in Sonoma County learned to recognize the specific characteristics necessary for each varietal: climate, topography, soil, temperature, wind and more.

This took a lot of time and effort – at least 20 years (from say 1975 to 1995). The changes didn't all come from the large producers; most of them were made by small winemakers who worked directly with growers. They focused on making a better product, but to do that they had to change the whole production cycle.

In the old days, the winemaker would be in the vineyard on just three occasions: to prune, to sucker and to pick.

Now, they have people in the vineyards 20 or more times during the growing season, and they harvest grapes three or four times per season. In a sense, they reverse engineered the grape growing process, going from agriculture to horticulture.

Regarding distribution, there were no wine clubs, so winemakers had to reverse engineer that too. Now wine clubs are a lifeline for the small wineries, and there are 450 wineries in Sonoma County, up from a few dozen in 1975.

Without this new distribution channel, the smaller wineries would have to sell through the old distribution model – broker, distributor, retailer – with half of their revenue spoken for before they got a dime. Imagine: to get the cash flow to survive, small wineries had to change their whole distribution cycle.

The biggest change from the consumer perspective has been the vast expansion of brands, styles and choices. There are now over 190 AVAs (government recognized appellations or wine-growing districts).

It used to be a family industry, but the emergence of larger players has facilitated the rapid expansion of knowledge: business practices, research, forecasting, etc. Now, it's a global business.

All this happened over a 20-year period. It was a quiet revolution, not all that noticeable at the time. But, looking back, the whole industry was transformed.

## Filling a tall order

That is what is happening now in the payments industry. As retailers know, their "moment of truth" happens precisely when the customer pays for a purchase. This is what is changing, both inside and outside the store, through mobile payments, contactless payments, stored-value and prepaid cards, digital coupons and vouchers, loyalty points, discounts, new forms of credit and debit, and micro-payments.

In *The Future of Retail Payments*, published in October 2009, the National Retail Federation stated, "Retail today is defined not by how retailers want to sell, but by how consumers want to buy, and that applies to payments too. Payments options provided with clarity, convenience and value are an important part of the retailer's brand identity."

The goal is to improve or enhance the shopping process for the consumer. Retail stores are by their nature technologically unfriendly, and there is a culture of risk aversion at the merchant level. To make it all work, there has to be a shift from the present decentralized ownership of payment systems at the store to a centralized payments infrastructure.

As the NRF pointed out, in the future the consumer will

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## View

**"For retailers' part, economic conditions, technology, competitive landscape, and consumer buying habits have seriously eroded margins, and credit transactions have become expensive and risky. The card networks have created disincentives for retailers to move consumers to debit by raising interchange. The question that retailers are asking is, are there alternative networks that provide new value at lower cost and risk?"**

— National Retail Federation

want to "buy anywhere, get anywhere, and pay once, in one channel, for all of it" – a pretty tall order.

While this won't be cheap, we should not ignore the fact that, again to quote the NRF, "Credit card interchange fees have risen exponentially faster than even retailers' health care costs, and as a result retailers ... are looking for new opportunities to reduce both the risks and costs associated with accepting noncash payments."

I cannot emphasize strongly enough how retailers feel about this.

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Again, from the NRF: "For retailers' part, economic conditions, technology, competitive landscape, and consumer buying habits have seriously eroded margins, and credit transactions have become expensive and risky. The card networks have created disincentives for retailers to move consumers to debit by raising interchange. The question that retailers are asking is, are there alternative networks that provide new value at lower cost and risk?"

This is exciting news for ISOs and merchant level salespeople (MLSs). The retailers are asking you to offer them new payment solutions to meet these goals. The last time ISOs and MLSs had this type of far-ranging opportunity was when the card associations introduced electronic ticket capture. This will be an even bigger opportunity. But it won't be easy.

As the NRF said, "Few ideas can elicit bigger shudders from CIOs than 'let's change POS and our payment systems.' The one job that a CIO cannot fail at is processing transactions at the point of sale. Because of the mission critical nature of both the payments infrastructure, and the systems it integrates to, there is very little internal excitement over tinkering with it.

"But there is still opportunity, because the other side of this argument is that the existing legacy systems are 20 years old, with multiple patches and updates, that threaten to cause the system to collapse under its own weight."

### APIs and OS dreams

Now let's look at how large retailers came to be in this position. Twenty years ago, the dominant commercial computing platform was the IBM mainframe. The programming language at that time was COBOL, which worked on every computer platform.

Two events happened to change this: Oracle made a database that worked without the mainframe environment, and Sun Microsystems invented a new programming language called Java, which they made open source. Java was free and easy to build applications with, and it became ubiquitous.

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## View

Most analysts would admit that Java was a key factor in the explosion of technology and innovation over that period. Free Java implementation is a big part of Google Inc.'s Android operating system. That mobile OS is an alternative to Apple Inc.'s competing OS, which powers the iPad and iPhone. The Apple platform is more expensive and "closed."

What changed is that Oracle bought Sun. Then, two years ago, Oracle sued Google, contending that Google's use of application protocol interfaces (APIs) infringed on the Sun patents. The question is, can you copyright an API if it is written on an open source platform? Or put another way, can you separate the API from its programming language?

Google argues that APIs are not patentable. Oracle argues that they are part of Oracle's intellectual property and are patentable. If Oracle wins, it will take years to negotiate all the copyrights and licensing arrangements. This would give Apple an even more commanding position in the retail world.

Now, let's take another look at Apple. What if Apple, which has \$100 billion in cash reserves, was to buy both Square Inc. and foursquare? Foursquare is a mobile application that allows users to "tag" themselves at local busi-

nesses they go to regularly, like Starbucks or Jamba Juice, for instance. Twenty million people have downloaded this app in the last three years.

If Apple can track customer preferences, it can deliver relevant "iAds," which currently form the core of Google's revenue. The iPhone would gain a better local search capability. If Apple could offer location-based posts, and add content (and maybe even photos), it would dominate the consumer side of the transaction.

All that remains is to determine how the merchant will process the sale. Square would handle that, although my sense is Jack Dorsey's company would only work for smaller merchants – the 10 to 20 million small U.S. businesses, most of which do not take card payments now.

Square would be easy to sell to those merchants, who may not process a significant number of transactions or for a large amount of money, but in the aggregate would be a very desirable customer base for somebody.

### A challenge to the feet on the street

I am not suggesting that the top 200 retailers use Square to process transactions. But they will need a POS system that accepts input from both Android and Apple applications. If you were the information technology manager of a large retailer, what would you be doing now?

Merchants have historically looked to ISOs and MLSs to explain these things to them, and our industry's feet on the street have succeeded because they have done a better job at this than the acquiring banks.

As I wrote in a prior article, "Big changes ahead," *The Green Sheet*, Feb. 13, 2012, issue 12:02:01), about 11 million terminals are in the United States, and these will have to be replaced in the next few years to accept chip and PIN transactions. That is a big enough challenge right there.

The retailers' challenge is to find a payment system that meets industry standards and provides consumers with the alternatives they want to use to make purchases, and these alternatives are expanding every day.

It is a challenging environment, but this could be another golden age for ISOs and MLSs, just like when electronic ticket capture emerged. Stay tuned for further developments. ■

*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



## ExecuTech Lease Group

### ISO/MLS contact:

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### Company address:

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Phone: 888-574-9178  
Fax: 877-996-0400  
Email: [kylem@elgleasing.com](mailto:kylem@elgleasing.com)  
Website: [www.elgleasing.com](http://www.elgleasing.com)

### ISO/MLS benefits:

- Fast credit responses, generally within 15 minutes
- Next-day ACH funding upon lease approval
- Flexible 12- to 60-monthly payment options on all leases
- Bundled programs include ATMs, credit card equipment, POS systems
- Upfront revenue, 24/7 customer service for ISOs and MLSs

## Leasing lends a personal touch

**W**hen Robert Ensminger founded ExecuTech Lease Group in May 2010, the payments industry veteran had multiple start-ups under his belt, including a successful ISO. However, he wasn't satisfied with the state of leasing within the industry, so he set out to engineer a different kind of leasing company.

Ensminger assembled a team of experts in payment processing, cash advance and ATM systems to create a company that leases credit card processing, check processing and imaging, and ATM and POS equipment to merchants via a network of ISOs, member service providers (MSPs) and merchant level salespeople (MLSs).

"We want people to understand that we're not just another robot out in the industry," said Kyle Moys, Senior Vice President, Sales and Marketing, who leads the ExecuTech team. "We're one of the companies that when we build a relationship with our clients, we try to make sure that we're available all hours of the day for them."

This strategy appears to be paying off because, just two years after its launch, ExecuTech said it has attracted a growing legion of ISO and MLS partners. One such ISO is Indianapolis-based Advocate Merchant Solutions. AMS founder and Chief Executive Officer William Wise said it takes time to establish a relationship with a lease company in the payments industry and that very few companies offer the flexibility or responsiveness that ExecuTech does.

"There are 15 other companies that we could do business with," Wise said. "I've been selling leasing in this business for 13 years and probably have the best relationship with this lease company than I've ever had with any other lease company."

### Pros of leasing

When is the best time to lease? According to Moys, leasing is ideal for business owners seeking to preserve working capital. With lease financing, he said merchants can leverage current technology and equipment without expending large capital reserves, which are both critical in today's cost- and technology-driven retail sector.

Some leasing companies specialize in certain types of equipment, rather than the broader spectrum of product segments. "There are some guys that will only do credit card terminals now," Moys said. "If you want to get a POS system, a credit card terminal or an ATM, we're one of those companies that can do all three."

As a one-stop lease source, ExecuTech works with all major equipment suppliers and reportedly will finance most any system that becomes available. "If there is a new company that is up and coming, I can even get that equipment approved as well," Moys noted. "We can lease anything from \$500 up to \$100,000, and above that if the opportunity presents itself."

## Company Profile

One area that has seen an upsurge in leasing activity is the ATM industry. That's because in 2010, the U.S. Department of Justice issued a final ruling on new accessibility standards for ATMs under the Americans with Disabilities Act, setting a compliance date of March 15, 2012.

"It's huge, because a lot of these guys are having to replace equipment they've had for four or five years," Moys said. With the average cost of an ATM running \$2,000 per terminal multiplied over several locations, leasing offers an affordable solution for meeting the new regulatory standards.

Another area where he expects considerable growth in leasing is in chip and PIN and Europay/MasterCard/Visa payment technologies. "Businesses are going to be required to have new equipment with that kind of capability," he said. "With some of the older equipment out there, they may not be able to download the tap-and-go payment systems. That's where leasing comes in."

ExecuTech has seen an uptick in leasing contracts from the franchise community for terminals equipped with the newer technologies. Switching out equipment in 50 or more locations is not uncommon in the franchise industry, and many require multiple terminals for each location, Moys said.

While ExecuTech doesn't work exclusively with any equipment provider, it does have an exclusive agreement to lease the Dine Fraud Free pay-at-the-table wireless terminal system. The system can process PIN-based debit or chip and PIN payments and integrates with most restaurant software programs, ExecuTech said.

### More leasing options

Moys pointed out that the fair market value (FMV) lease is standard for most lease companies. However, ExecuTech offers two leasing programs based on lease size and merchant preference. Flexible 12- to 60-month payment options are available with all leases; 48 months is predominant in the payments industry, Moys noted.

With ExecuTech's FMV lease, merchants have three choices at the end of the lease period. They can return the equipment to ExecuTech, continue to lease it or purchase the equipment at FMV. The FMV ranges from no less than 20 percent of the aggregate lease payments for a 12-month lease to 10 percent for 48- and 60-month leases.

For merchants, FMV lease benefits are twofold. First, the lease payments are tax deductible; second, merchants can continue to use the equipment until they decide to replace it.

An example of a case in which this type of lease would be most applicable is the lease of a \$20,000 POS system: monthly payments of \$200 or \$300 would represent a

substantial merchant tax deduction. This type of lease also offers the highest rate of return for ISOs, Moys added.

ExecuTech claims to be the only lease company that offers a dollar buy-out lease program, which is geared toward larger equipment leases. The Dollar ATM/POS Buy-Out Option gives customers the option to buy-out the equipment for \$1 at the end of the lease period. "Some people at the end of that agreement just want to pay a dollar and own the equipment," Moys said.

He added that the simplicity of the dollar buy-out program appeals to both ISOs and merchants. But more importantly, the program can be a key differentiator for ISOs looking for another solution than the standard FMV lease to satisfy the needs of larger merchants, he said.

### Bigger picture, greater flexibility

ExecuTech also believes the company distinguishes itself in the way it handles lease application approvals because it takes extra steps beyond just reviewing the typical financial data presented. "We listen to their story," Moys said.

"Hey, this business has been in business for 20 years and maybe the economy's been tough on them and they lost their house, but that doesn't affect the way the business operates. We'll take a look at the whole picture."

Wise concurred, stating that with his clients, ExecuTech is willing to consider additional factors that may contribute toward the approval of a lease or, at least, review questionable credit reports if necessary.

"From every experience we've had with them, whenever there's been a problem, they've always been willing to pick up the phone, explain the situation and really spend the time to talk to us," Wise said. "They've made exceptions for us, added additional equipment that wasn't part of their standard offering, customized their program to fit the way we wanted to have it done."

ExecuTech generally provides lease approvals within 15 minutes, as well as next day automated clearing house (ACH) funding once equipment installation has been verified. "If I have everything finalized today, the next morning the agent, ISO or MSP will have the funds in their account," Moys said.

According to ExecuTech, the company's ISO and MLS partners make all money upfront when the leased equipment is installed. ExecuTech manages subsequent lease billing and payments, sending merchant notification with equipment options 30 days prior to lease expiration.

Moys said the company also notifies ISOs and MLSs when leases are due to expire, so they can remarket to customers, if needed. ■



# Company Profile



## The Small Business Authority

### ISO/MLS contact:

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 Powered by Newtek Business Services Inc.  
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 New York, NY 10001  
 Phone: 855-284-3722  
 Fax: 212-356-9571  
 Website: [www.thesba.com](http://www.thesba.com)

### ISO/MLS benefits:

- Small business loans with relatively low interest rates, long payback periods
- Hundreds of merchant products
- Real-time, cloud-based data tracking for merchants and ISOs
- SEO, organic search and web design marketing tools
- 24-hour, bilingual phone support for merchants

## No merchant service left behind

**W**hen The Small Business Authority, powered by Newtek Business Services Inc., addresses merchant services, it covers far more than payment processing. The SBA has taken an array of products and services, many of them normally delivered by multiple niche providers, and consolidated them under the umbrella of a single merchant services operator that uses its expertise in multiple niches to add value and boost convenience for clients, according to the company's President and Chief Executive Officer, Barry Sloane.

As a payment provider, The SBA can function as the entire chain between merchant provider and payment processor, providing a terminal, customized web store, gateway, web hosting platform and processing services within a single unified package, Sloane said. These services are sold both to e-commerce merchants and mobile merchants. A similar package is available to brick-and-mortar stores.

"In the payments space, what is unique is we now have our own gateway, and we are the processor and the host, and we design [the merchant's] own site," Sloane said. "So it's very unique for the end user – to actually provide all the front-end and back-end services and the dedicated customer service that comes with all those parts.

"We have over 100,000 business accounts across many product lines; we provide services to all 50 states; and we make businesses better and more efficient in the areas of finance, payment processing, technology, risk avoidance and cost reduction."

### Value-added services

The company – which began as a small business venture capital firm in 1998 and branched out into merchant services in 2003 – offers a variety of general business products that can be incorporated as value-added services offered by ISOs and merchant level salespeople (MLSs). Services include merchant loans, merchant cash advance, special technology pieces, search engine optimization (SEO), and electronic payroll and billing. According to Sloane, the company offers hundreds of business products in total.

For ISOs and MLSs, the range of The SBA's offerings and the flexibility of its package confer distinct advantages, Sloane said. For one, ISOs have an unmatched assortment of value-added products to choose from in luring new clients or upselling existing ones.

For ISOs and MLSs, the company is "rolling out products and giving a technology solution in the form of a website and a fully transparent referral system that allows them to see what we're doing in our back office," Sloane said. "That can be used for [overseeing] web design, insurance, payroll – any number of things."

For example, ISOs and MLSs can provide electronic payroll services to current merchant customers, or they may bundle that product with processing services

## Company Profile

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for prospective clients. Sloane said the company frequently offers promotions that encourage the purchase of multiple products used in interrelated ways, such as payroll combined with core merchant services products.

The SBA's loan program is another example of an unusual add-on product. The SBA is the country's largest nonbank guaranteed lender, according to Sloane, who noted the company recently exceeded \$500 million in loans. He said the company also offers merchant cash advance, but he called loans a better alternative for merchants who qualify.

Sloane said one benefit a loan from The SBA provides is that merchants pay back loans on agreed upon timetables, rather than surrendering a portion of their credit card receivables, as they do with cash advances. Also, the interest rates (6 percent), payback periods (seven to 25 years) and loan amounts (\$50,000 to \$5 million) are more attractive than what is typically offered with cash advance, according to Sloane.

And compared to bank loans, The SBA's loans contain lower interest rates and longer payback periods. "It's night and day on the payback period and interest costs," Sloane said.

### Attractions for ISOs and MLSs

With all merchant services products, ISOs partnered with The SBA dictate the degree of their involvement with merchants, Sloane said. Some ISOs may wish to continue working closely with boarded merchants; others may prefer acting as referral partners, transferring the work of customer service to the technology seller.

"They're as involved in the process as they want to be," Sloane said. "Apart from lending, they'll continue to get [residual payments]. ... Typically, distribution partners using us may want to earn commissions and service a small business loan, but they don't want to package the loan, aren't licensed insurance agents, or don't know how to design and assemble a website, so they rely on us to do those things."

With The SBA's electronic tracking program, resellers can view any developments with existing and potential clients, such as sales opportunities, revenue generation and reports of issues or questions. Sloane said the tracking program is conducted in real-time, allowing service providers to immediately view any updates.

"With a typical referral program, usually the distribution partner, partner A, provides a need to partner B, and then 100 days later, the partner gets a spreadsheet that tells them what happened," Sloane said. "With our patent-pending system, the distribution partner can look at, 24 hours a day, the status of any business opportunity we're working on with a customer.

"We provide the products, but we'll set up an online interface, so the distribution partner is never left out of the equation. They can communicate with people through our office or online system. They have the flexibility if they want to be on every single phone conversation after a referral goes into the system."

Sloane added that a similar electronic data tracking system is available to merchants and that, later in 2012, the company will be rolling out applications that allow merchants to view that data from smart phones and tablets.

### Integrated services and support

"Because Newtek Business Services is one entity, all of the divisions are going

to be sharing data, and we're going to be able to give a customer one report for all their services and that report will also be available on a tablet," Sloane said.

The SBA's other business services include cloud computing for electronic transactions, whereby customer payment flows to a remote environment that Sloane called a "military strength" security fortress; SEO and other marketing services; dedicated mobile terminal products; risk insurance against data breach; and 24-hour, bilingual phone assistance to merchant customers.

"We recognize that merchants today come in all sizes and shapes, and have many needs in addition to the payment aspect of business," Sloane said. "If a business, for example, needs a mobile application we'll provide that for them – we'll give away a free credit swipe reader for an iPhone, BlackBerry or Android if it helps a merchant on the web with their e-commerce presence.

"Or we'll provide the needed services if a merchant's website isn't highly trafficked and needs a new design, or organic search and SEO techniques aimed at maximum capacity."

The company also offers an alternative to PayPal Inc.

called NewtPay, through which repeat customers are given substitute credentials to obviate the re-entry of credit card data. Sloane said NewtPay is both cheaper than PayPal and quicker to deposit funds in merchant accounts; he said money is deposited within two days, at the most.

"The SBA has put a lot of resources to understanding the credit union market, and I'm always very comfortable giving them a credit union referral," said Rick Govek, Alliance Manager for CUNA Strategic Services, a vendor of merchant products to credit unions.

"When a credit union has been unhappy – and there haven't been many of those situations over the years – they've been really quick to respond. 'Integrity' is a good descriptor for their company."

According to Sloane, the SBA provides both generalized technical support and dedicated service managers to help merchants with specific niche products outside of the company's core processing services. "If you're a merchant and you're having issues with your site, do you go to your web designer, gateway provider, payment processor or the host of the site?" Sloane said. "With us, you always come to us. It's just a much simpler arrangement." ■



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**POS of tomorrow from page 1**

## The ascendancy of mobile

Scott Henry, VeriFone Inc. North American Product Marketing Director, told *The Green Sheet* the industry will see some "very creative ways to build on platforms" in the next 12 months. Henry expects to see more full terminals built "on the back of" the Apple Inc. iPhone. He also foresees terminals that are secure mobile devices, have interactive PIN pads, and can take cards that utilize mag stripe, PIN, chip, EMV or NFC technology.

Bill Gajda, Visa Inc. Head of Mobile Products, spoke at the Strategic Solutions Network's Mobile Contactless Payment Innovations Summit in San Jose, Calif., in April 2012. He said the payments industry is "witnessing the transformation of commerce based on the ubiquity of mobile payments." However, he doesn't see card-enabled transactions disappearing.

"The need for global payment networks isn't going away," he said. "I don't see mobile replacing global payment networks because in developed markets they take the [card payment] system for granted."

Richard Oliver, a payment consultant and retired Executive Vice President of the Federal Reserve Bank of Atlanta, assessed the Fed's view of evolving payment options in the United States for a U.S. House Financial Services Committee hearing titled "The Future of Money: How Mobile Payments Could Change Financial Services."

In March 2012, he testified that the Federal Reserve banks in Atlanta and Boston concur that the open mobile wallet has the best chance of succeeding as a payment system in the current environment. "The open wallet would support the use of any number of payment credentials, just like the physical wallet does today," he said.

Oliver also said leading mobile platforms "should leverage existing payment system rails (debit card, credit card, prepaid card), including the ACH network for noncard payments, and support new payment types that meet emerging needs. This implies the use of traditional clearing and settlement systems."

Richard Crone, Chief Executive Officer of Crone Consulting LLC, believes mobile payments will be integral to the POS of the future, which will entail much more than a payment acceptance device or system.

"Mobile payment is not just about lower transaction costs for merchants, though that could be a big incentive," he said in a March 2012 interview with *The Green Sheet*. "It's about customer relationship management. The mobile phone provides two-way interactivity that allows customer self-service, self-marketing and, yes, payment."

## Security and the push for EMV

After many years of being poised for takeoff but never

lifting off ground in the United States, EMV received a major boost from the card companies in 2011, when Visa took steps to accelerate EMV adoption here. Merchants in most categories will be required to have a POS that supports EMV card acceptance by 2015 or face increased fraud liability. Of course, acquirers and processors must be able to support the technology as well.

Gajda said he strongly believes EMV will have a place in the POS going forward because of its importance as an authentication device. Will Graylin, founder and CEO of payment technology company ROAM Data Inc., concurs. In an interview with *The Green Sheet*, he said the primary driver for the inclusion of EMV at the POS is countering fraud and that the POS of the future will support payment cards.

"It has been 40 years since the credit card industry began, and we still have cash," Graylin said. "We have to support legacy payment systems. EMV standards have to be supported, but we don't know yet if the EMV transport mechanism will be a traditional account number or something else."

Graylin noted that other solutions may supersede EMV at the POS. "The processor, the ISO, the MSP [Member Service Provider] has to watch to see they don't get out flanked," he said. "You don't want to get blindsided [by new technology]." He added that if incumbents in the industry "don't wake up," they will soon be at a disadvantage.

Whatever technologies become dominant, the POS of the future will also include dynamic data authentication (which authenticates the payment card itself) with standards "designed, adopted and complied through an industry certification program to ensure... interoperability," Oliver said.

He called for more education for bank and nonbank regulators "to clarify compliance responsibilities" and for trusted service managers to "oversee the provision of interoperable and shared security elements in the phone."

Another concern is that complying with the Payment Card Industry (PCI) Data Security Standard (DSS) is problematic for many merchants. "Merchants should not have to deal with data," Graylin said. He predicted end-to-end security will be an integral part of the POS, along with a cardholder authentication mechanism. "It may be some other form of physical identification might be required," he said.

Bob Russo, General Manager of the PCI Security Standards Council (PCI SSC), believes tomorrow's POS environment will come with known security challenges. "Generally convenience trumps security every time at the POS," Russo said. "Here our job is to push security to a place where it is uppermost in everyone's mind."

"Our job is to get people constantly thinking about security. We want them to remember when they are building their payment products that it is easier to build security in than it is to bolt it on."

### **NFC for contactless payments**

It appears the industry is embracing contactless NFC solutions. Many POS manufacturers are already adding NFC functions to their products, and more mobile phone manufacturers are including NFC hardware in their products.

Gajda said he believes NFC will be at the center of the POS but not the only option. "We believe NFC will take off because it is based on a global standard and supported by global eco-standards," Gajda said. "We think NFC will take off because nobody wants to develop on a dead-end technology," which is what an unsupported technology is.

Gajda predicted NFC will become more popular as other uses for NFC are developed. "NFC centers around the POS but goes far beyond to person-to-person and other wireless options," he said.

Oliver said the Federal Reserve believes NFC contactless technology will be the likely infrastructure on most smart phones and terminals. "Other technologies might exist in parallel, but NFC appeared to be the likely approach due to experiences overseas, evolving standards and current technology investments by key players," he said.

Crone noted that although POSs will need to include EMV or NFC technology, or both, merchants and customers will not necessarily have to use those technologies. He also pointed out that NFC payments are more expensive for merchants because retailers are charged higher card-not-present interchange rates.

"Why would merchants pay for new NFC hardware that makes it easier for consumers to pay with more expensive tender types?" Crone asked rhetorically. "Merchants should be careful about solutions that are not agnostic when it comes to the phone-to-POS interface.

"The success of the Starbucks mobile payment solution suggests bar codes may play an important role in mobile payments at the POS. Starbucks was the most successful launch of a new payment type in the history of mankind."

### **Game-changing technology**

Crone pointed out that "several very well-funded mobile payment startups have been working in stealth mode for some time now to provide mobile payments at the physical POS with no new hardware required by merchants, including avoiding the need for NFC chips on the handset." However, traditional payment

companies don't appear ready to concede any ground to new competitors.

Henry said VeriFone is integrating an advertising network with its POS technology through its acquisition of the global outdoor advertising network Clear Channel Outdoors Inc. Advertising over the POS network is a way to "infuse capital into the payment system," he said.

He believes VeriFone is adapting well to the shifting payments ecosystem. "One thing we had to do as an organization is we had to learn to break away from tradition," he said. In keeping with that, VeriFone released its new SAIL platform for mobile devices on May 8.

According to Henry, SAIL integrates with popular social networking platforms; offers merchants the ability to push customers toward tenders offering cheaper transaction rates; comes with a software developer kit; provides sophisticated analytics; includes bar code scanning capability; and integrates with VeriFone's traditional POS terminals.

Henry said SAIL supports EMV and NFC technologies, mobile wallets and other emerging payment vehicles. It boasts a secure gateway with end-to-end encryption, real-time merchant fraud detection and processing services.

It also works with third-party marketing and loyalty tools. Henry also said SAIL is good news for ISOs because the company is issuing SAIL through its processor-ISO channel partner network.

According to Gajda, among the technologies causing the industry to "think differently about what constitutes a POS" is a mobile shopping application developed by AisleBuyer LLC, a mobile shopping technology company acquired by Intuit Inc. in April 2012. AisleBuyer's solution allows shoppers to scan and pay for merchandise using their phones – no checkout line needed.

V.me, the digital wallet in development at Visa, will allow customers to free themselves from cards and pay at a POS using only phone numbers and PINs – similar to the service PayPal Inc. is offering on Home Depot Inc. POS terminals and at other national retailers.

"The key to our success here is linking the phone number with the [consumer's account number]," Gajda said. "This will create whole new categories of transactions. V.me is a platform that may communicate with consumers, but the financial institutions will drive the distribution."

First Data Corp. is in the POS innovation game, too. It recently partnered with Affinity Solutions Inc., a rewards program provider, to create a high-tech payment card that allows consumers to link reward offers to their credit cards and redeem the rewards in real time as they pay.



## The need to solve or delight

Farhan Ahmad, Discover Financial Services Global Head of Prepaid and Emerging Payments, also spoke at the mobile technology conference held in San Jose in April. "Payment does not define commerce; commerce defines payment," he said. "The face of commerce is changing, necessitating a different kind of payment."

"Credit cards are not conducive to the new environment [however] credit card payments are not difficult and there has to be an incentive to change. From the payment application perspective, the new payment method has to be easier than a credit card, and it has to add significantly more value."

He added that for mobile payment adoption, the solution either has to solve a problem or it has to delight someone. A solution "should be cheaper than the one it is replacing," he said. "It's not about wallets. It's about consumers buying something."

"We don't want to force people to use [mobile payments]; we want people to be able to use every channel, no matter where they are or what they want to buy. Apps make consumer payment so frictionless they drive consumers to the mobile environment."

Crone believes that in the emerging payments environment, "a big upside" exists for merchants who choose to integrate advertising and customer data in "their own mobile payment offering rather than ceding it to third parties such as Google, Isis ... and other intermediaries."

Merchants now compete against mobile check services, bar code reader price-comparison apps, and other technologies that tend to drive business away from traditional brick-and-mortar retailers, Crone noted.

"Without their own branded mobile payment app that works at the point of sale, retailers risk being disintermediated and losing out on the new, valuable revenue streams such as POS payment-triggered advertising," he said.

The upside for ISOs and MLSs in the new POS world is the increased opportunity to help merchants keep costs down, boost sales and enjoy more customer loyalty while also enhancing consumer convenience.

There is much to learn, but this approach holds the key to ISO and MLS longevity as today's POS evolves into what was the stuff of science fiction to merchants equipped with manual "knuckle busters" for card acceptance in our industry's early days. ■

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## Education

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## The hard, but valuable lessons of failure

**By Jeff Fortney**

*Clearent LLC*

**F**ailure. The word alone creates feelings of sadness, mourning, rejection, defeatism or self-doubt. Most of us have learned the hard way that, in life, we all fail at times. We may not discuss these failures with others, but they happen to us all, and they start at a young age.

When in sixth grade, I was assigned a group history project. I guess my teacher thought highly of me as a leader, as the members assigned to my group received the lowest grades in class. Our assignment was to present an oral report on South American history. We had three weeks to prepare.

We decided to present it as a newscast, with "local" reports from the various places in history. Each member had to prepare his or her own brief report. I had high hopes for the project, until the day of the presentation.

Before we started, one of the group members told me she wasn't finished. I looked at her paper and, sure enough, it stopped mid-sentence. I suggested she read what she had and we would go from there.

As the anchorman, I was to introduce the different countries and their reporters. When I called on her, she started her presentation but quickly reached the end of her incomplete report. She looked at me like a deer caught in the headlights of a car. Out of fear, I then said, "Well, we seem to be having technical difficulties from Columbia."

The class and teacher started laughing hysterically. He

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may have laughed, but when the grades came back, ours was no laughing matter. He called the presentation "a very entertaining failure." We squeaked by with a C.

### Embracing the opportunity to fail

The first lesson I learned from failure is that every cloud has a silver lining. I also learned a valuable lesson about the importance of preparing for, as well as adjusting to, changing circumstances.

Some actually embrace the opportunity to fail. When asked about the many failures surrounding his invention of the light bulb, Thomas Edison said, "I have not failed. I've just found 10,000 ways that won't work." He referred to his efforts as lessons in perseverance. "Many of life's failures are people who did not realize how close they were to success when they gave up."

The payment processing profession is filled with examples of failures. These range from corporate to individual failures. The challenge is to recognize the lesson learned.

### Redefining failure

Before we go any further, let's take a look at what failure is not. When a merchant chooses not to sign, this alone is not failure. In some cases, getting a real answer, a true no, will prevent you from wasting any more time. Keep



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***Benjamin Franklin said that by failing to prepare, we prepare to fail. Knowledge is truly power. In designing a targeted call program, don't just identify a territory or a merchant group. Research both with goals to structure your calling efforts and identify how you best fit the target's industry.***

in mind that a decision can be viewed as a success, even if that decision is no.

Failure can result, however, if we invest even more time on an unproductive encounter instead of focusing on future deals. As Alexander Graham Bell said, "When one door closes, another door opens; but we often look so long and so regretfully upon the closed door, that we do not see the ones which open for us."

Not reaching your personal and professional goals is only a failure if you didn't exert your best effort or if you set unrealistic goals. Often, external factors take success or failure out of your control.

Take, for example, the case of a hurricane or other natural disaster about to hit your marketplace. That could significantly impact your success in signing new business. However, setting unrealistic goals based on wishes instead of facts could also be defined as failure.

### **Bouncing back**

Simply put, failure usually results from our own actions. The early 20th century actress Mary Pickford defined failure this way: "What we call failure is not the falling down, but the staying down." At times, we all do or say something that results in failure. Sometimes it's the choices we make. How we respond defines how the failure impacts us.

Bob Schoenbauer, known as **COACH BOB** on GS Online's MLS Forum, told this story, "I started in the industry as an agent in the mid-90s, the Golden Age of leasing. As we crossed into the new century, most of my friends in the industry had gone away from leasing and were more interested in building residual income.

"I was very happy chasing new businesses and churning out leases. We did get residuals, but with new businesses and a buy-rate deal, it wasn't much. But I was happy and hard headed.

"As a challenge to my friend Tim, 'Mr. Residuals,' I had my telemarketers set up leads for us to go on together. I was going to show him that leasing was the way to go, and he was out to convert me to residuals.

"The second appointment of the day led us to a four-location merchant. Tim was leading the way. As he was

talking, I slid off with one of the managers to discuss the ratty old terminal and separate printer I saw. Before he knew it I had them in a new lease! But much to my surprise, in about 30 minutes he had the processing for all four locations.

"At this point, I really didn't know what that was worth. I thought I had won. So then he told me he would make over \$500 per month from this one deal. Needless to say, the light came on and the model switched that day. We were immediately all about the large merchants and residuals."

MLS Forum member **DIEGO** shared a similar story, "I got into the habit of only caring about large merchants. In some ways this was a good thing, but it wasn't until I visited a good friend who at the time was handling 1,000-plus merchants per month that I realized that there is gold in them there hills.

"Often times smaller merchants are easier to close, and much to my surprise, they had a much higher BP bump. It was in the mixture of the small, medium and large merchants that we found the answer."

In both cases, the common emotion felt was regret that their success was delayed due to decisions based on erroneous beliefs. There is one other common thread, the lesson they learned from their failures.

You can't avoid failure, but you can prevent it from having a significant impact on your business.

### **Do your homework**

House painters don't start by applying a coat of paint. They first prepare the surface, repair any wood issues and tape off areas not being painted. Applying the paint is the last step.

Benjamin Franklin said that by failing to prepare, we prepare to fail. Knowledge is truly power. In designing a targeted call program, don't just identify a territory or a merchant group. Research both with goals to structure your calling efforts and identify how you best fit the target's industry.

If calling on a specific merchant, spend time on the Internet researching the merchant first. Garner enough information to understand what the business does, what it sells

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***As Winston Churchill stated, "Success is the ability to go from failure to failure without losing your enthusiasm."***

and who the decision makers are likely to be. This step can change the scope and nature of your call.

### **Refine your research**

Success in sales depends on committing the time to sell. However, unless we understand what we sell, we can fail even when we feel as if we are succeeding.

Forum member **RIRKARI** tells of his experience. "I started in this business after I saw an ad in the paper for a company out of Texas. They gave me appointments every day and I closed a lot of them even without any training, but getting paid was a negotiation every week.

"I did not know anything about this industry, and it took three weeks to decide I had made a mistake. So I left the biz. It was three months before I gave it another shot and hooked up with a good company.

"I still did not know about residuals. I was paid \$200 per deal, but at least I learned how to read a statement

and about interchange, and got some basic training. Then one day I met a guy who mentioned *The Green Sheet* to me, and I started reading everything posted and learned you could build residuals, so I signed with a much better partner.

"It took a year from the time I first started in this business to get what I think is a fair deal. I am very glad I stuck it out." His story is not rare. Others have related similar experiences. The common theme was that they felt they were "thrown to the wolves." For each survivor who continued in the business, there are ten who never came back.

This failure can be seen from the perspective of the individual sales representative, but also from the perspective of the company that sent him out ill-prepared. Inexperienced representatives often don't know what they need to know to be successful.

Spend time learning about the business, but don't cut into your true sales time. Invest time in research, but spend the time wisely. Start with the areas you are most uncertain about, and be careful not to drift off into other less-critical areas.

One caveat: avoid knowledge paralysis. Don't get caught trying to know everything about the business. Don't get swamped by chasing knowledge that isn't immediately helpful.

### **Applying the lessons next time**

Remember, even with great preparation, failure still occurs. When it comes knocking on your door, don't ignore the opportunity to learn from the failure. Examine the situation and look for the lesson(s) to be learned. Before moving on, ask yourself these questions:

- What exactly led to the failure?
- Was there something I said or did that could have been handled differently?
- When faced with this same situation, what would I do differently?

No one likes to fail. Still, it must be said that it is one of the few guarantees in life. As Winston Churchill stated, "Success is the ability to go from failure to failure without losing your enthusiasm." 📧

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

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## Education (continued)

# Paving the way to fraud deterrence

By **Nicholas P. Cucci**

*Network Merchants Inc.*

**H**ow could anyone forget the multiple Sony Corp. breaches that occurred over a 30-day period in 2011? This year is also gaining its share of notoriety with the recent breach of Global Payments Inc., which reportedly enabled hackers to access 1.5 million card numbers.

While this may seem like an alarming number, it is only a fraction of the 1 billion cards used in North America, according to Forbes.com LLC. Credit card data is a hot commodity because it can be used to create counterfeit cards.

In April 2012, American Express Co. sent a letter to card members about the Global Payments breach but didn't mention the target, even though the news had already been made public. An excerpt from the letter read, "A company that provides payment processing services to numerous merchants in North America has informed us that there has been unauthorized access to a portion of its processing system.

"As a result, account information of some of our card members, including some of your account information, may have been improperly accessed. The processor, or other parties, including merchants where you have used your card, may also contact you about this incident."

Visa Inc. was the first company to remove Global Payments from its list of approved service providers. Global will be certified again, but it will pay Visa more to process transactions.

## Breaches on the rise

First Data Corp., the largest payment processor in the United States, recently warned of emergent sophisticated trends in hacking. The company said it is seeing a substantial increase in the number of POS systems that are unprotected or only loosely protected as well.

Prominent sandwich shop franchisor Subway was recently breached, compromising data for more than 100,000 cardholders. According to the Bank Info Security website, the culprits planned the attack for more than a year before carrying it out. Attacks on payment systems are only going to increase over time.

The challenge for both ISOs and merchant level salespeople (MLSs) is educating smaller merchants on Payment Card Industry (PCI) Data Security Standard (DSS) compliance. Merchants need to understand that their systems

and technology must comply with current practices to limit their vulnerability.

Neither Visa nor MasterCard Worldwide includes Level 4 merchants on its list of PCI DSS compliant merchants. This is because Level 4 merchants are not required to undergo compliance audits by qualified security assessors; the card brands assume these merchants conduct self-assessments, which apparently is not happening.

## Merchants in need of education

What steps can merchants, ISOs and MLSs take to cut back on data breaches and fraud? This question was posed to Roy Derby, a veteran law enforcement official and current Director of Risk Management for America's Bankcard Alliance LLC.

"The credit card processing industry is based on risk, and it's our duty and obligation to mitigate the risk for our merchants," Derby said. "One of the most overlooked and basic ways to help your merchants is prevention through education."

Being proactive is essential to reducing one's risk. One way to achieve this is through training. Most merchant sales trainees receive entry-level instructions on how to use credit card processing equipment and the definition of fraud.

Providing ongoing training is key, along with establishing policies on the steps to take when the inevitable suspicious activity occurs. The small price of keeping staff updated on the latest scams and trends can positively impact profit margin and reflect a store's reputation for zero tolerance.

When Derby explains to merchants the importance of keeping staff informed, he draws from his prior experience as a detective assigned to paper crimes (forgeries, bad checks and unlawful use of credit cards). "I always knew where the most activity was going to occur simply due to certain stores' reputations on the street as being easy," he said. "Don't be that easy target. Be the one the criminal decides to skip and move onto the next store."

## Fraud-fighting tips to share

ISOs can assist Level 4 merchants by:

- Evaluating the extent of their PCI DSS validation requirements
- Helping merchants obtain full PCI compliance, including the completion of self-assessment questionnaires
- Explaining how POS terminals and PIN pads can be breached and what to look for, such as sticker seals, keypad overlays, pin holes, and





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## Education

unauthorized people claiming they need access to devices to service or replace them

In addition, ISOs and MLs can share fraud-fighting techniques and trends with merchants by giving them the following advice:

- Watch out for multiple orders with a different "bill to" and "ship to" address, and compare the Internet Protocol (IP) geolocation to billing address to help verify the validity of a charge.
- Keep a database of fraud attempts after discovering a fraudulent charge. Merchants should keep information, such as the customer name, shipping and billing addresses, phone number, IP address and e-mail address. The database should include a section for comments.
- Detect patterns. Multiple orders shipping to the same address but paid for with different credit cards should raise a flag. Fraudsters may have the credit card number but submit it multiple times with different expiration dates because that's what they are missing.
- Watch for free email accounts. Most fraudsters use free email services. Many businesses today refuse to accept orders from any free email accounts or any non-ISP email domains. Depending on the value of the purchase, merchants can call or request more information before allowing an order to be processed further.
- Use payer authentication programs. Programs such as Verified by Visa and MasterCard's SecureCode use personal passwords to confirm the identity of the card user. When merchants use these programs, card

issuers may incur some of the losses for online fraud that would otherwise be the responsibility of the merchants.

- Perform a bank identification number check. Merchants can use the first six digits of the credit card to determine if the issuing bank and the credit card holder are in the same country. However, this method should be verified before canceling a transaction since some legitimate transactions occur with credit cards from other countries.
- Use the Address Verification System (AVS) service. AVS is only available in the United States and in four European countries. It checks whether a cardholder's address and ZIP code match the information at the issuing bank. This, too, should be checked; AVS can fail because of certain issues, such as an address change.
- Telephone customers. Even with today's time constraints, phoning customers to verify questionable orders will benefit merchants in many ways. Phone calls give merchants an opportunity to welcome customers and develop relationships that will foster future orders. If a customer claims to never have authorized a charge, a merchant can simply cancel the order and let the customer know to call his or her credit card company so a new card can be issued. This will further solidify the merchant's relationship with the customer and prevent additional fraudulent charges. 

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# Five tips for choosing the best POS system

By David Robertson

Harbortouch

**I**t has grown increasingly evident in recent years that to succeed in the merchant services arena, it is essential for you, as ISOs and merchant level salespeople (MLs), to employ a consultative sales approach. This means becoming well-rounded payment advisers who have broad knowledge of the multitude of payment options and value-added services available to merchants.

## Be an informed adviser

Becoming your merchant customers' trusted source of all things POS also necessitates learning how to assess each merchant's unique situation, determining which products and services are best for that merchant and explaining to the merchant why you are recommending certain products and services over others.

**Plan for growth with POS systems that can grow with merchants quickly and easily and provide complete visibility and control over the entire enterprise from a single dashboard.**

By taking this approach, you can obtain higher margins, larger accounts and lower attrition. This article discusses POS systems to help you reach a level of proficiency so you can become a valued consultant to merchants whose businesses would benefit from POS systems.

## Learn what works and why

Following are five important issues to consider when helping merchants select POS systems:

1. **Startup and upgrade costs:** For a brand new merchant, it may seem premature to worry about future upgrade possibilities. However, with the rapid pace of technology evolution, a new merchant's first upgrade may not be too far down the road. Most new merchants include approximately \$12,000 to \$16,000 in their business loans to cover the initial cost of a POS system.

Providers offering the equipment and setup for free eliminate that expense and allow the mer-

chant to instead invest this additional capital directly into the business for inventory, storefront upgrades, hiring additional staff – whatever might be needed. Look for POS providers that offer a low monthly fee, instead of a big upfront cost.

Also consider that, when the time comes for an equipment upgrade, a given merchant may not have funds set aside to cover the cost. To avoid getting stuck with dinosaurs they can't afford to upgrade, merchants should choose systems that will grow with them, ones that include software updates and hardware upgrades as part of the monthly service plan.

2. **Scalability, centralized command and control:** No merchant goes into business planning to fail. Plan for growth with POS systems that can grow with merchants quickly and easily and provide complete visibility and control over the entire enterprise from a single dashboard.

Let's say a merchant starts out with two terminals, but due to rapid expansion, the merchant now needs five. Or, perhaps the merchant is ready to open a second location. The best systems make it easy and seamless to add new terminals even if they're not in the same building. With a centralized reporting and management system to tie it all together, merchants can keep tabs on an entire operation from a single dashboard.

3. **Functional flexibility:** Owning your own business gives you the freedom to virtually take any direction you please. Merchants should choose POS systems that offer the flexibility to add new modules and new capabilities that can keep up with their aspirations.

Maybe a merchant is a small specialty food retailer now but would like to add an eat-in cafe down the road. Or perhaps the three-bean chili that has made a diner a local landmark is such a big hit, the business would like to sell it in jars, along with a selection of other items, in a retail gift shop.

When the time comes to add employees, merchants will want systems that include time clock features and sales tracking and reporting to help gauge employee performance. Truly flexible systems provide the capabilities merchants need to not only expand their product line but also their business model and operations to suit their evolving needs.

4. **Service agreement versus lease:** Most POS providers operate on five-year lease agreements that cannot be canceled. Approval requires a credit check to get started and to add just one or more new



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terminals. In the worst case scenario, if a business fails, leasing companies will hold the merchant to the terms of the lease, leaving the business owner strapped with this ongoing expense long after the doors have closed.

This option also typically requires considerable additional monthly fees for ongoing service and support on top of the monthly lease payment. Look for a provider that offers a monthly service agreement similar to those offered by satellite TV providers. In exchange for the monthly fee, the equipment is included for free and merchants can generally cancel with a reasonable termination arrangement.

- 5. Training and support:** For whatever reason, many POS providers have earned a reputation for offering lackluster training and support. Far too often, once the sales rep closes the deal, the merchant is on his or her own to solve problems and get help when needed. A merchant wouldn't settle for this with any other service provider, and there's no reason the merchant should tolerate it from a POS company.

Find a provider that is truly a partner, offering support and training modules to meet the merchants' needs and on their terms. A provider that is focused on earning money on the credit card processing rather than on quick equipment sales or leasing has a need to keep the POS system up and running at all times or risk losing money on the account. This arrangement keeps the POS provider invested in the success of merchants in its portfolio.

For user training purposes, the most advanced systems offer online modules employees can access as needed and are available anytime, from anywhere. And, if a problem does arise, you'll want a provider that offers true 24/7 customer care for complete support to solve any problem whenever it occurs and as often as the merchant needs assistance.

These five basic guidelines offer a glimpse into the world of POS systems, but they are just the tip of the iceberg. Should you decide to include POS systems in your suite of product and service offerings, be sure to partner with a POS company that provides you with comprehensive sales training and support. ■

*David Robertson is Director of Sales at Harbortouch. His responsibilities include training and supporting the company's sales partners, specifically in regards to point of sale (POS) systems. Harbortouch offers a free POS program that supplies a full-featured POS system to restaurants and retail businesses with no up-front costs. He can be reached at [drobertson@harbortouch.com](mailto:d Robertson@harbortouch.com).*

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# The Mobile Buzz

## Isis moves closer to launch

**I**sis, the mobile commerce entity created by JVL Ventures LLC, took another step toward launching its much anticipated mobile wallet when it identified the first of its local merchant partners in Austin, Texas, and Salt Lake City. JVL was formed by three of the largest U.S. wireless mobile networks: AT&T Mobility LLC, T-Mobile USA Inc. and Verizon Wireless.

Isis' local partners represent a range of business types, including those in the cafe and restaurant, home and commercial services, florist, bookstore, jewelery, spa, grocery store, liquor store, bakery, car wash, catering, automotive services, petroleum, country club, ballpark, movie theater, and transit sectors.

The Isis mobile wallet requires near field communication (NFC)-enabled technology. Isis indicated "hundreds of merchant locations in both Austin and Salt Lake City," are equipped to accept Isis NFC transactions. Those merchants will also be able to use the Isis wallet to extend offers and promote loyalty programs, the company said.

Isis has also secured partnerships with a number of national retailers, including Aéropostale Inc., The Coca-Cola Co., Foot Locker Inc., Jamba Juice and Macy's Inc. Jim Stapleton, Chief Sales Officer for Isis, said the partnerships signal that the "mobile commerce experience" has arrived.

The new mobile payment platform has also attracted major payments industry partners including card companies American Express Co., Discover Financial Services, Visa Inc., and MasterCard Worldwide; terminal manufacturers VeriFone Inc. and Ingenico S.A.; payment software providers ViVOtech Inc. and Equinox Payments LLC; national banks JPMorgan Chase & Co., Capital One Corp. and Barclays Group; security provider Gemalto NV; and phone manufacturers HTC Corp., LG Electronics Inc., Motorola Mobility Inc., Reseach in Motion Ltd., Samsung Mobile and Sony Mobile Communications AB.

Aite Group LLC analyst Rick Oglesby said Isis is "systematically building out merchant acceptance in an approach that is both geographically focused and centered around everyday spending."

### No fanfare yet

Isis stated that this summer, "consumers in Austin and Salt Lake City will be able to walk into their AT&T Mobility,

T-Mobile or Verizon Wireless stores, choose from a selection of NFC-enabled devices and walk out of the store with the Isis Mobile Wallet enabled and ready to use."

Some believe this is not a convenience for consumers as much as it is a challenge for Isis. "The problem is confluence," said payments industry consultant Paul Martaus, owner of Martaus & Associates. "The cell phone providers have to get consumers to use cell phones as a methodology to purchase stuff."

Martaus said having the right phone in the right place with an NFC-enabled POS requires an effort from consumers and merchants, an effort they may not be inclined to make. He called the Isis launch "a yawner" because it has a low impact on the overall payments market.

"This is a recipe for disaster," he said. "For this to be accepted, it has to have enough critical mass to impact the market." He does not believe the markets are "supersaturated" with POS devices that accept NFC transactions. "That's problematic," he said. "How many people do you know who own a Samsung phone?"

The participation of Isis' partners will help make the mobile wallet viable in Martaus' view, but he believes another company, yet to be heard from in the mobile wallet space, may ultimately decide the future of mobile payments: Apple Inc.

"Apple, as they have done with all of their architecture, has the potential to make payments fun," he said. "Think of the impact of that standard in terms of consumer adoption. And Apple has 200 million customers in its database already."

He called PayPal Inc.'s payment software incorporation into The Home Depot USA Inc. nationwide and Macy's commitment to Google Wallet "significantly more important" than the Isis launch.

Mobile payment consultant Richard Crone, Chief Executive Officer of Crone Consulting LLC, believes Isis has an advantage over its competitors. "Isis already has its customers' mobile credentials and payment credentials," he said, adding that those elements are the key to secure user identification in mobile payments.

However, like Martaus, Crone believes Isis cannot succeed without demonstrating it can reach critical mass. Then Crone brought up a good question: Why would consumers choose a wallet solution that emulates a card when they have smart phones that can store wallet information in the cloud where payments can be made in almost any form imaginable? ■



**Franklin here.**

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# MicrofinanceNews

By Patti Murphy

*InsideMicrofinance.com*

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## Payday lender postpones IPO

**T**he parent company of payday lender CheckSmart Inc. postponed a scheduled initial public offering (IPO) of stock that had been set for May 8, 2012. According to a report in the *Columbus Business Journal*, Dublin, Ohio-based Community Choice Financial Inc. decided to delay the IPO due to a "combination of a number of external forces."

The company failed to mention it was being hounded by a coalition of more than two dozen state and national civil rights, community and consumer groups over a payday loan product it markets that circumvents state usury laws by loading loan funds onto prepaid debit cards issued through a federally chartered bank.

Last month, the groups petitioned the Office of the Comptroller of the Currency, asking the federal bank regulator to help stop CheckSmart from skirting these laws by ordering Florida-based Urban Trust Bank to stop issuing the company's Insight Visa prepaid debit cards. Because it operates out of the Sunshine State, which reportedly caps interest on payday loans at an annual percentage rate (APR) of 390 percent, Urban Trust doesn't feel it has to abide by other states' usury ceilings, the groups complained.

According to the Southwest Center for Economic Integrity, CheckSmart charges what amounts to a 390 percent APR for payday loans in Arizona, even though state law caps the APR on payday loans at 36 percent.

"We urge the OCC to crack down on Urban Trust Bank for facilitating this deceit, which is an abuse of the national bank charter," said Lauren Saunders, Managing Attorney at the National Consumer Law Center. "Prepaid cards and payday loans just don't mix. Prepaid cards should be safe alternatives to bank accounts, not vehicles for evading state law with predatory loans that trap people, often those with the least means, in a spiral of debt."

CheckSmart also disburses payday loans via Insight Visa cards in Ohio, where loan rates are reportedly capped at 28 percent.

CheckSmart's Insight prepaid cards have two loan features. Customers who have wages or benefits deposited onto the cards can enroll in an overdraft protection pro-

gram that costs \$15 for each \$100 in overdrafts, or they can take an advance on their next direct deposit at a rate of \$14 per \$100 loaned plus 35.9 percent interest. Either way, loans are automatically deducted from the customer's next deposit, resulting in APRs of 390 percent to 401 percent for two-week loans, the group complained in its letter to the OCC. ■

## Half the world is unbanked

**H**alf the world is unbanked. That's the key takeaway from a new report out of the World Bank, *Measuring Financial Inclusion: The Global Findex Database*. While much has been written about the unbanked, and data collection efforts have been undertaken in different countries, this is the first-ever attempt at sizing the global unbanked population.

The report provides a comprehensive analysis of the situation and breaks down data by region and socioeconomic factors. These and other rich data features ensure this database will become a critical tool for benchmarking financial inclusion efforts. Not surprisingly, the data point to wide variations domestically and internationally.

Key findings include that accountholders are by far the majority in high-income economies (89 percent of adults) and scarce in developing economies, where just 41 percent of adults have bank accounts. The data also point to a "persistent gender gap" within developing countries where, on average, 46 percent of men have bank accounts compared with just 37 percent of women. In addition, 50 percent of adults worldwide have accounts at formal financial institutions; among those who don't have accounts, 65 percent said they didn't have enough money to use a bank account.

*Measuring Financial Inclusion: The Global Findex Database* suggests changes that could help move more adults to formal financial institutions. For example, the report stated, "Worldwide, reducing withdrawal charges and balance fees could make formal accounts more attractive to 500 million adults who are without one." The report also noted "the recent success of mobile money in Sub-Saharan Africa shows that innovations can bring about dramatic changes in how people engage in financial transactions." ■

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# Top 10 best practices for fighting credit card theft and fraud

By Aron Bills

3Delta Systems Inc.

*Editor's Note: This article was originally published and distributed by 3Delta Systems Inc. in 2011. Reprinted with permission. All rights reserved; © Aron Bills.*

**C**yber criminals have a built-in advantage when it comes to compromising data. They think day and night about how to invent and execute a clever attack, and they gravitate to pathways that offer the least resistance for the greatest payoff. Many work for organized crime syndicates.

Payment fraud can also strike close to home. A disgruntled employee with high-level access to internal financial systems and passwords could compromise the security of an entire organization.

Yet most companies don't have full-time security defense teams with the same intensity and focus on deterring hackers. So the odds of a successful breach are in the hackers' favor.

Study after study shows that failure to protect sensitive payment data from a breach leads to massive financial costs, customer defections, lawsuits and loss of reputation. But by being equipped with the latest tools and techniques, organizations both large and small can effectively prevent and deter cyber fraud.

Managing the risk of a porous corporate perimeter has never been easy. As the economic world becomes more complex and payment fraud more prevalent, it's critical that companies arm themselves with tools and techniques that make cutting-edge fraud protection simple to use and effortless to manage.

Here are 10 tried-and-true best practices for protecting customer credit card account information and minimizing exposure to online payment scams:

## 1. The best defense is a multilayered offense

Assume your company's computer systems will be compromised at some point, and plan for it. No system on earth is 100 percent hack-proof, so manage the risk of a potential breach by solving for the concept of "graceful

failure" – a deep, multilayered strategy that assumes perpetrators will eventually gain some form of access to your confidential data.

If one safeguard fails, other countermeasures can detect and respond to an attack by locking down payment data so it's worthless to hackers in case of a breach.

A good payment security system shouldn't merely detect intrusions. It should also have multiple deterrence layers that effectively complicate a breach attempt along with virtual padlocks on information access so there's less to steal if a thief does get in.

In your multilayered system, assign unique IDs to each person with computer access. Combine user IDs, passwords and access tokens with tight, permission-based business rules around who needs to see or authorize confidential information, such as credit card types and accounts.

Set very granular limits on transaction amounts and transaction velocity as well as IP address protocols. Impose transaction restrictions on time of day and day of week, so that nothing and no one gets past your virtual front door after normal working hours.

Track and monitor all access to network resources and cardholder data, and ensure a detailed audit trail is created so that you'll know who touched what data and when.

Think of this technology as a "neighborhood watch" for

### Mini glossary

**malware:** Software designed to infiltrate and damage a computer without the user's knowledge. Think worms, Trojan horses and botnets. According to published reports, malware attacks increased by a factor of 10 between 2008 and 2009.

**Secure Sockets Layer:** A protocol commonly used to help secure messages transmitted over the Internet.

**spyware:** A type of malware installed on computers that collects information about users without their knowledge. Difficult to detect, it can collect all types of data. Spyware is used by thieves for criminal purposes, but it can also be used in business, for example, to monitor employee Internet surfing habits.

**virus:** Short for computer virus, a virus is a small, self-replicating software program that can easily spread from one computer to the next. It contains instructions that affect all infected computers and cause damage to computer hard drives or otherwise interfere with normal computer operation.

## Feature

your computer network. It automatically sounds alerts for "things that don't belong" – out-of-pattern, unexpected events – whether they're intentional changes made by a system administrator or unintended, such as a failing hard drive or a malware attack.

When the monitoring system finds anomalies, it sends up a flare, immediately notifying your IT staff that something is wrong – akin to police responding to a neighborhood watch emergency call.

### 2. Form an incident response team

To prevent a toxic data spill, assemble an internal "hazmat" team that thinks and works strategically to prevent and deter attacks rather than just detect them. Establish policies that address your company's information security requirements and processes; then share those policies with employees, suppliers and vendors so that everyone understands one another's goals, requirements and capabilities.

### 3. Use your head

An alert mind is often the best defense against fraud. Train administrators and other users of your payment system to keep an eye out for unusual behavior – unexpected account usage, for example – and to sound an alert in case of anomalies.

Limit employee access to confidential cardholder data, since there's usually very little need for most company personnel to see or handle that data. Merchants who accept credit or purchase cards should set up their payment systems so that access is limited to key staff on a need-to-know basis.

Warn employees against clicking on pop-up windows or suspicious links in emails – even from people or businesses that appear legitimate – which can be tricks to install spyware and steal confidential information.

Train employees and customers using online shopping carts to look for safety symbols such as the padlock icon in a browser's status bar, "s" after "http" in the URL or the words "Secure Sockets Layer (SSL)" – all signs that a merchant is using a secure page for transmitting confidential information.

With social networking increasingly prevalent among today's workforce, establish guidelines for employee use of social media. Train personnel who update company blogs or access other social media sites to secure their privacy settings.

### 4. Lock down system gateways and endpoints

Protecting against malicious viruses, malware and spyware infections is often the first line of defense against a security breach. Your network architecture and PCs should be scanned frequently for vulnerabilities, every trans-

action point where payment information is exchanged should be scrutinized, and all payment data flows and touch points secured.

Install anti-virus and anti-spyware software from trusted sources, and keep them updated with the latest patches. Automatically scan any flash drives or external hardware that connect to your network for viruses or malware.

Never turn off your firewall, and have business policies in place for regular firewall maintenance. Use strong passwords and change them routinely.

### 5. Stay informed

When deciding on technologies for payment processing, be fluent in privacy protection as well as the 12 credit card protection and compliance requirements under the Payment Card Industry Data Security Standard (PCI DSS).

By staying up-to-date, you'll be able to intelligently discuss the issues and decide on the countermeasures needed for your system as part of the sourcing team involved in payment technology acquisition.

### 6. Foster awareness

Stopping cyber crime begins and ends with individual computers and their users. Ensure all employees, contract personnel and business partners know your company's fraud policies, practices and fraud-response processes.

Given the growing role of organized crime in perpetrating credit card fraud and theft, make sure anyone with access to important intellectual property and trade secrets is trained on the latest cyber criminal breach tactics, such as phishing, man-in-the-browser attacks and other social engineering schemes.

### 7. Adopt industry safeguards

The major U.S. credit card companies developed the PCI standards as guidelines to help merchants, vendors, service providers and banks that collect, process and store credit card data protect it from being stolen or compromised.

Becoming PCI-certified doesn't magically shield a business from losing data or provide impenetrable security against hackers or malware. However, the standards have proven to be an excellent road map for data security best practices. Use the PCI DSS not only for card activity, but also as a road map for protecting access to other sensitive information, such as employee Social Security numbers or patient medical records.

### 8. Don't collect what you can't protect

One of the safest practices for businesses that process credit card data is so obvious it is often overlooked: eliminating the storage of that data altogether.

No data stored = less risk. Unless it's absolutely necessary to retain payment or cardholder data, don't.

Because credit card data must be secured at every point, complying with PCI rules as well as building and defending one's own data fortress can be extraordinarily difficult and prohibitively expensive.

Organizations that collect and store that data themselves often find the process to be a huge headache with potentially significant liabilities rather than a convenience for their customers. Transferring sensitive credit card and payment transaction data off site, where it is encrypted and stored at highly secure, PCI-compliant processing centers, is often the best solution.

### 9. Change the target

Tokenization is one of the best strategic weapons for protecting financial data. This process safely replaces a customer's real 16-digit credit card numbers or bank account data with a randomly generated string of characters called tokens, which then become useless to would-be hackers.

### 10. Do your outsourcing homework

When choosing an outside payment system or data

security provider, make sure they have deep security capabilities and a like-minded business focus. If card-based, check that they're PCI-compliant, are audited every year by an independent third party and are Tier-1 certified. Tier-1 certification ensures that every feature, function and operational element of a company's services meets the highest levels of PCI data security.

Does the provider offer the best combination of security, flexibility and ease of use for processing card payments? How often are logs that track user activity reviewed? Will audit trail analyses be readily accessible?

Will the provider save you money by applying the lowest available credit card interchange rates when customer purchase transactions are accompanied by detailed, invoice-like information known as Level-3 line-item data? How robust are the provider's data centers that will house your customers' payment information?

Seek a provider whose global payment platform and tokenization capabilities manifest a high degree of security, authentication and controls across all payment types and provide a mix of services you need with the most secure infrastructure and policies. ☑

*Aaron Bills can be reached at [abills@3dsi.com](mailto:abills@3dsi.com).*




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# NewProducts

## A future-proof POS terminal

**Product: L5300**

*Company: Equinox Payments LLC*

**C**hange was eminent in October 2011 when Hypercom USA rebranded as Equinox Payments LLC after being acquired by an affiliate of The Gores Group LLC. At that juncture Equinox President Clint Jones said, "Equinox payment terminals sit at the intersection between the physical store and the virtual world of payment processing where our products achieve a balance between robust devices and secure applications."

In March 2012, Equinox began integrating the Isis Mobile Commerce Application, starting with its L5000 near field communication (NFC)-enabled terminal series. The Equinox L5300 was first to hit stores and offers an elegant customer-facing design that delivers high-resolution touch-screen capabilities, PIN debit, signature capture and an integrated contactless reader with NFC capabilities.

"Retailers in all tiers are moving to the L5000 because it gives them – for the first time – the ability to use payment terminals for far more than just accepting payments," stated Lloyd Baylard, Vice President Retail Solutions at Equinox. Such options include in-aisle product location, bar code price checking, gift card loading and health insurance card processing in pharmacies, among others.

"In fact, the value-added L5000 product family gives all multilane retailers the flexibility to meet the specific needs of each of their stores and, at the same time, provides the peace of mind of knowing that the industry's strongest security is at work in every one of these [Payment Card Industry PIN Transaction Security] 3.0-compliant devices," Baylard said.

The company noted that multimedia capabilities built into the L5300 include image and video playback functions and audio via an integrated speaker and audio jack. An illuminated keypad with large buttons helps prevent erroneous PIN entries. A high-quality, scratch resistant glass screen facilitates touch-screen responses. It's also equipped with flexible modular communications interfaces and a non-removable PCI-compliant privacy shield.

For merchants, Equinox's Remote Key Injection System allows for quick and secure key injection at the POS; the embedded X509 public key infrastructure security layer protects against terminal application hacking and malware attacks, according to Equinox.

Since releasing the L5300, the company has reported

### Features of L5300 include:

- Secure PCI PTS 3.0 compliance
- Encrypting magnetic stripe reader
- PIN debit, signature capture capabilities
- Integrated NFC-enabled contactless reader
- Remote key injection system

increased demand to load, host and manage third-party applications on its terminals. "Our EMV and contactless products, such as the L5300 ... customer-activated devices, act as a platform to support merchant and customer-facing applications, such as digital wallets and other near field communication offerings – all with an emphasis on security," said Will Rositer, Equinox Senior Vice President Sales and Marketing. ☐

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## A secure platform for restaurants

**Product: SmartLink for Restaurants**

*Company: Heartland Payment Systems Inc.*

**D**uring the National Restaurant Association's annual show in May 2012, Heartland Payment Systems Inc. launched SmartLink for Restaurants, a managed network service that provides secure, high-speed transport of card transaction data and back-office information to help single- and multiple-location restaurants operate more efficiently.

"With more than 12,000 SmartLink installations online in the petro/convenience store market, Heartland is now bringing our managed network solution expertise to the restaurant industry," said Michael Youngkin, Director of Client Network Solutions for Heartland. "SmartLink provides a perfect synergy between communications and card processing to make it easier for restaurateurs to run their establishments."

Delivering a fully managed secure sockets layer network for secure payment applications and a virtual private network for store systems, back-office systems and most store devices, SmartLink for Restaurants was designed to maximize network connectivity and minimize communication expenses for restaurants of all sizes, the company stated.

According to Heartland, by segmenting electronic


payment transactions from other network traffic, SmartLink for Restaurants helps fulfill Payment Card Industry (PCI) Data Security Standard (DSS) requirements. Segmentation also permits rapid deployment of other crucial applications that may require broadband connectivity. Regardless of network size, with SmartLink restaurants can consolidate multiple communication lines into a single high-speed connection, Heartland said.

Other SmartLink features include secure, monitored network communication for freezer temperature monitoring, Voice over IP, back-office systems support, digital signs, email and managed Wi-Fi Internet access. Restaurant applications supported by SmartLink include POS credit card processing; check authorization; ATM processing; electronic menu boards; digital video security monitoring; electronic accounting services; and heating, ventilation and air conditioning monitoring; among others.

"From the simplest secure connection at the point-of-sale to a fully managed solution that supports applications at multiple locations, SmartLink streamlines networked services, maximizes network connectivity, reduces costs and enhances operational efficiency by meeting the network needs of any sized restaurant operation," said Jan Rose, Alliance Manager of SmartLink Restaurant Client Network Solutions for Heartland.

#### Features of SmartLink for Restaurants include:

- High-speed transmission of card data, back-office information
- Customer monitoring via PC, iPhone, BlackBerry devices
- Secure PCI DSS network compliance
- Remote configuration, overnight equipment replacement
- 24/7 proactive monitoring, help desk support

Single location restaurants can reportedly self-install the SmartLink package with help desk support that guides users through the steps involved in making the connection to an existing broadband circuit. Multilocation establishments can connect SmartLink via CAT5 cable or other structured cabling. Heartland reported it provides secure card processing, mobile payments, payroll services and loyalty marketing to more than 60,000 restaurants nationwide. 

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# Research Rundown

## Fed publishes interchange fee analysis

The Federal Reserve Board recently published a comparative analysis of debit card interchange fees collected before and after the Oct. 1, 2011, implementation of the Durbin Amendment to the Dodd-Frank Act of 2010. Both exempt and nonexempt issuers were studied.

Nonexempt issuers, those with assets of \$10 billion or more, now must assess an interchange fee of no more than 21 cents, plus 0.05 percent of the value of the transaction, plus a 1-cent fraud-prevention adjustment, if applicable.

Data collected by the Fed indicate the average interchange fee for all issuers prior to regulation was 43 cents. In the fourth quarter of 2011, interchange fees averaged 24 cents per transaction for nonexempt issues, and 43 cents per transaction for exempt issuers. Further details follow:

	Jan. 1 to Sept. 30, 2011	Oct. 1 to Dec. 31, 2011
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### Nonexempt issuers

Signature debit:

Average transaction value .....	\$38.07	\$38.03
Average interchange fee per transaction .....	\$0.59	\$0.24

PIN debit:

Average transaction value.....	\$41.10	\$42.13
Average interchange fee per transaction .....	\$0.34	\$0.23

### Exempt issuers

Signature debit:

Average transaction value.....	\$36.33	\$35.58
Average interchange fee per transaction .....	\$0.54	\$0.51

PIN debit:

Average transaction value.....	\$42.35	\$42.78
Average interchange fee per transaction .....	\$0.32	\$0.31

For more information about this analysis, please visit  
[www.federalreserve.gov/newsevents/press/bcreg/20120501a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20120501a.htm).

## Mobile payments readiness index

MasterCard Worldwide's first Mobile Payments Readiness Index offers a ranking of 34 global markets in terms of readiness to implement mobile payments based on six components: consumer readiness, environment, financial services, infrastructure, mobile commerce clusters and regulation.

### Top five mobile-ready nations (on a scale of 0 to 100)

<b>Singapore</b> .....	<b>45.6</b>
<b>Canada</b> .....	<b>42.0</b>
<b>United States</b> .....	<b>41.5</b>
<b>Kenya</b> .....	<b>40.4</b>
<b>South Korea</b> .....	<b>39.7</b>

Source: MasterCard, *Mobile Payments Readiness Index*

## First Data reports PIN debit up

**First Data Corp.**'s April 2012 *SpendTrend* analysis showed PIN debit leading all payment types with dollar volume up 7.4 percent, followed by credit cards at 5.8 percent. Silvio Tavares, Senior Vice President and Division Manager of First Data Global Information and Analytics Solutions, said, "April card spending was impacted by an earlier Easter, plus the unseasonably warm weather in February and March, which pulled forward seasonal demand."

## Compass Plus examines EMV migration

A Compass Plus white paper, *Making EMV Work Across New Markets*, discusses the growth of Europay/MasterCard/Visa (EMV) as a global payment standard and offers best practices for making the switch as financial institutions in the United States begin migration under mandates from the major card brands. According to the paper, 42 percent of all global payment cards and nearly 76 percent of all terminals use the EMV payment standard.

## Home services entities tackle wireless

Apriva LLC issued a white paper on leveraging wireless card payments titled, *Wireless Payments Processing for Home Services Businesses: The Many Benefits of Card-Present Payments*. Authored by research firm Frost & Sullivan, the paper provides an overview of factors that determine the varying interchange rates and suggests strategies for home services businesses to reduce interchange rates and improve customer service.



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**Easy Merging.** Board your merchants fast with a simple online application backed by underwriting designed for quick approval.

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# 10 years ago in The Green Sheet

A decade ago, cyber criminals were scheming to resell stolen credit card and personal data over the Internet, the government was cracking down on what it deemed to be deceptive marketing practices and technology was pushing payments in ever new directions. Sounds much like what's happening today, doesn't it.



## Bazaar card activity from Russia

Online bazaars providing a venue for the purchase and sale of stolen credit card numbers and other personal information were gaining traction among residents of the former Soviet Union. Without divulging their real names or whereabouts and using online money transfers, as many as 2,000 registered users per site were able to obtain cards, individually or in bulk, to resell later.

## CMS appoints permanent receiver

In response to a Federal Trade Commission complaint alleging Certified Merchant Services engaged in "unfair and deceptive practices related to the marketing of credit and debit card merchant accounts to small businesses nationwide," the U.S. District Court for the Eastern District of Texas assigned a permanent receiver to oversee CMS.

## Borderless e-commerce

Paymentech (now Chase Paymentech Solutions LLC) and E4X Inc. partnered to deliver an end-to-end multicurrency solution that would enable e-commerce merchants to sell online in multiple currencies and process payments in consumers' local currencies, thus eliminating borders for Internet transactions.

Read archived issues back to 1995 at [www.greensheet.com](http://www.greensheet.com); click on Publications.



# 2012 events calendar

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

Event	Date	Location	Website
2012 NBPCA Annual Congress	June 3 - 5	National Harbor, MD	<a href="http://www.prepaidevent.com">www.prepaidevent.com</a>
NEAA Summer 2012 Conference	June 5 - 6	Hamburg, NJ	<a href="http://northeastacquirers.com">http://northeastacquirers.com</a>
6th Annual Mobile Banking & Commerce Summit	June 10 - 12	San Francisco	<a href="http://register.sourcemediaconferences.com">http://register.sourcemediaconferences.com</a>
2012 Mobile Payments Congress	June 11 - 12	Las Vegas	<a href="http://www.globalmediadynamics.com">www.globalmediadynamics.com</a>
Clarion Events, Prepaid 2012	June 12 - 14	London	<a href="http://www.prepaid-conference.com">www.prepaid-conference.com</a>
7th Annual Underbanked Financial Services Forum	June 13 - 15	San Francisco	<a href="http://www.americanbanker.com/conferences/cfs/">www.americanbanker.com/conferences/cfs/</a>
MWAA 2012 Conference	July 18 - 19	Chicago	<a href="http://midwestacquirers.com/next_event.php">http://midwestacquirers.com/next_event.php</a>
W.net LINC Chicago	July 18	Chicago	<a href="http://w.netonline.org/PageDisplay.aspx?pl=8787">http://w.netonline.org/PageDisplay.aspx?pl=8787</a>
The Prepaid Press EXPO	Aug. 6 - 8	Las Vegas	<a href="http://www.prepaidpresseexpo.com/about.php">www.prepaidpresseexpo.com/about.php</a>
W.net 2012 Career & Leadership Summit	Sept. 10 - 11	Atlanta	<a href="http://w.netonline.org/PageDisplay.aspx?pl=8607">http://w.netonline.org/PageDisplay.aspx?pl=8607</a>
WSAA 2012 Conference	Sept. 26 - 27	Huntington Beach, CA	<a href="http://www.westernstatesacquirers.com">www.westernstatesacquirers.com</a>
Emerging Payments Systems Conference	Sept. 27 - 28	Washington, D.C.	<a href="http://www.americanconference.com/emergingpayments">www.americanconference.com/emergingpayments</a>
3rd Annual PREPAID CARDS CONGRESS	Oct. 3 - 4	Las Vegas	<a href="http://www.worldig.com">www.worldig.com</a>
BAl Retail Delivery	Oct. 9 - 11	Washington	<a href="http://www.bal.org/retaildelivery/registration.aspx">www.bal.org/retaildelivery/registration.aspx</a>
The Prepaid Awards	Oct. 11	London	<a href="http://www.prepaidawards.com">www.prepaidawards.com</a>
AFP Annual Conference	Oct. 14 - 17	Miami	<a href="http://www.afpconference.org/Default_Conf.aspx">www.afpconference.org/Default_Conf.aspx</a>
Money2020 Expo 2012	Oct. 22 - 24	Las Vegas	<a href="http://money2020.com/#panel-register">money2020.com/#panel-register</a>
W.net LINC Northern California	Oct. 30	San Jose	<a href="http://w.netonline.org/PageDisplay.aspx?pl=8824">w.netonline.org/PageDisplay.aspx?pl=8824</a>
Cortax 2012 Exhibition and Conference	Nov. 6 - 8	Paris	<a href="http://www.cortax.com">www.cortax.com</a>



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# Inspiration

## WaterCoolerWisdom:

**I really wish I was less of a thinking man and more of a fool not afraid of rejection.**

- Billy Joel

## Be grateful for no

**F**or ISOs and merchant level salespeople (MLSs), rejection is a given. When prospecting for merchants, sales agents hear no much more than they hear yes. Being turned down time and time again can get tiresome. However, successful MLSs realize that no is the pathway to success.

### Examining rejection

Prosperous agents deal with rejection by learning from it. They analyze why a particular merchant said no. Was there something in the introduction the merchant found objectionable? Was the pitch not sufficiently tailored to the merchant? Or was it that the product offering did not match the merchant's needs? Based on whatever the probable cause might be, agents can make changes to presentations or keep in mind that a certain tack with a subsection of merchants may be problematic.

For sales newbies, that kind of analysis may be hard to come by, simply because new agents lack experience. This is where office communication comes in. New agents should be encouraged to talk to more experienced colleagues about why a particular sales call did or didn't go well. Or ISOs can schedule monthly sessions for their MLSs to discuss what works and what doesn't in sales calls.

### Helping the newcomers

Such meetings need not dwell on the negative or single out individual wins and losses. Meeting organizers can put forward certain scenarios and ask agents to role play successful approaches. Or organizers can describe a potential obstacle in a sales situation and elicit opinions about how to deal with it.

Such sessions not only reinforce what works in specific situations, but also the idea that rejection presents an opportunity. It offers a chance to improve sales skills and product knowledge, as well as a chance to analyze whether a given agent is targeting the right kind of merchant. If a rep is rejected because the fit between merchant needs and agent offerings isn't good, the rep is one step closer to finding a merchant who is a better fit.

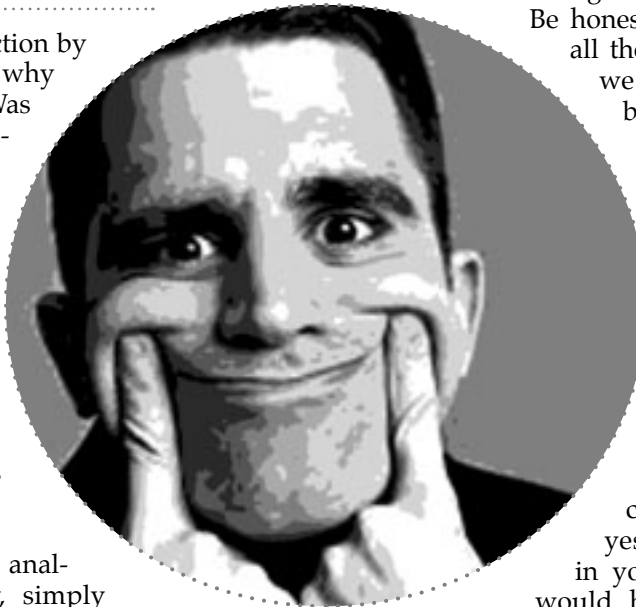
### Taking rejection in stride

Perhaps the most important way to deal with rejection is to recognize that we cannot live without it.

Be honest. Who really wants to hear yes all the time? Certainly in the abstract, we want everyone to like us and do business with us. We dream of a free and easy life, with no trials and tribulations along the way to an endless stream of residual income. But, in reality, wouldn't it seem odd if every merchant prospect you approached said yes to your proposal? In fact, wouldn't such a scenario get boring after awhile?

The truth is there would be no challenge if every merchant said yes. There would be no growth in your sales technique because you would have no reason to grow. There would be no marker by which to measure your progress because there would be no progress to make. And there would be no satisfaction in a job well done.

Face it, rejection is as essential to success as hot water is to cold. So embrace it as an indispensable part of your job. When the next merchant says no to you, remember that this is something you can't avoid. And you really wouldn't want it any other way.



Good Selling!<sup>SM</sup>

**Paul H. Green, President and CEO**

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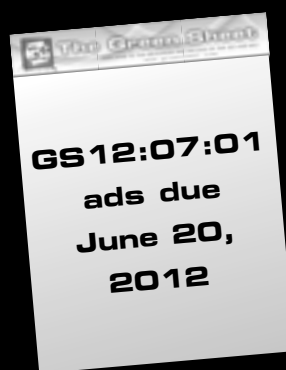
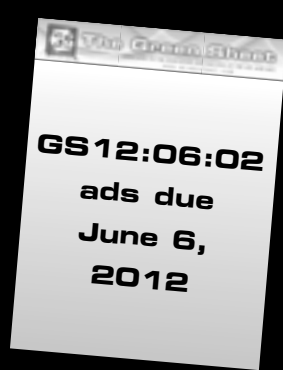
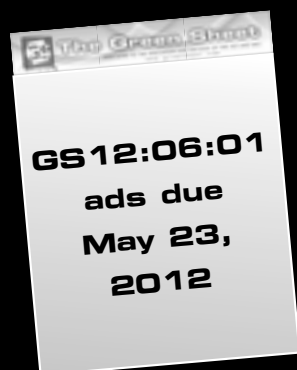
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