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June 25, 2012 • Issue 12:06:02

A new chapter opens for merchant cash advance

The landmark settlement of Richard B. Clark v. AdvanceMe Inc. in 2011 was pivotal for the merchant cash advance (MCA) industry. In the class action's aftermath, many alternative funding providers indelibly reshaped the way they do business. And the ripple effect has spawned a new wave of innovation in this sector with seemingly unlimited possibilities and merchants as the designated beneficiaries.

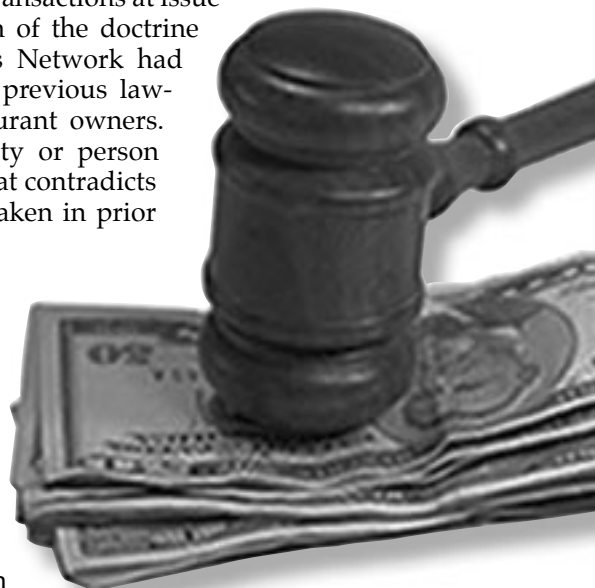
The case was particularly significant in that it targeted the progenitor of modern day MCA, AdvanceMe Inc., the MCA arm of Capital Access Network Inc. Founded in 1998, CAN is reportedly on track to fund about \$600 million in MCAs and business loans through its two subsidiaries, AdvanceMe and NewLogic Business Loans.

Targeting multiple MCA providers

Another notable aspect of the litigation was its serial nature. AMI was not the first company to advance funds to California merchants that would face Anat Levy, an attorney with Anat Levy & Associates PC in Beverly Hills, Calif. In 2004, Levy filed a similar lawsuit against Rewards Network Inc. on behalf of approximately 3,000 California restaurant owners alleging the dining rewards company violated California usury laws and California's Unfair Business Practices Act.

Admitting no wrongdoing, Rewards Network eventually settled the case in 2007, agreeing to pay plaintiffs about \$20 million and to forgo collection of about \$35 million in payments from plaintiffs. The court concluded "in part that the business transactions at issue were 'loans' based on an application of the doctrine of judicial estoppel," since Rewards Network had referred to its products as loans in previous lawsuits seeking repayment from restaurant owners. (Judicial estoppel precludes an entity or person from taking a position in a lawsuit that contradicts a position the entity or person has taken in prior legal proceedings.)

In the lawsuit filed by Levy in 2008 against AMI, plaintiffs alleged that MCAs were "not purchases of future credit card receivables, as claimed by Defendant, but rather disguised loans with interest rates that violate California's usury laws and California Business & Professions Code Section 17200." Usury is the act of lending money at an



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- » Cliff Teston–Signature Card Services
- » Scott Wagner–GO DIRECT Merchant Services Inc.
- » Patricia Walters–Hypercom Corp.
- » Dan D. Wolfe–Teledraft Inc.
- » Cody Yanchak–First American Payment Systems

NotableQuote

Adopting new technologies blindly serves no purpose. Companies that are able to use the technology to redefine how they do business, and ultimately how business is done, will flourish.

See story on page 74



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Forum

So you want to start an ISO

Can you direct me where to look in the library on how to start an ISO? Thank you for your help.

David Mierkey
Merchant level salesperson

David,

Thank you for your question. I'd begin with our Street SmartsSM archives at www.greensheet.com/publications.php?flag=street_smarts, in particular with the following articles by Electronic Payments Inc. Chief Executive Officer Michael Nardy:

- "Growing your riches by registering and/or taking liability," issue 05:06:02"
- "What is registration anyway?" parts I, II and III, issues 06:04:02, 06:05:01 and 06:05:02, respectively
- "The ins and outs of ISOship," parts I and II, issues 06:12:01 and 06:12:02, respectively

Many other articles listed on that page might be of help, as well, including:

- "Blueprint for MLS Success," parts I and II, by Ed Freedman, President and CEO of Total Merchant Services, issues 04:08:01 and 04:08:02, respectively
- "Ruminations on ISO registration," by Dee Karawadra, CEO and President of Impact PaySystem, issue 07:07:01
- "Dreams fulfilled: Six easy steps," by Jason Felts, President and CEO of Advanced Merchant Services, issue 08:12:02
- "Who are you?" by Jon Perry and Vanessa Lang, issue 09:04:01
- "Finding opportunity in an altered business environment," by Ken Musante, President of Eureka Payments LLC, issue 11:03:02.
- "Let's reform our industry's education and training," by Bill Pirtle, President of C3ET Credit Card Consortia for Education & Training Inc., issue 11:05:01

In addition, I suggest you present your question to our current Street Smarts author, Jeff Fortney, Vice President, ISO Channel Management with Clearent LLC. He may decide to address this in an upcoming column, which would provide new perspectives on how a merchant level salesperson (MLS) who wants to establish an ISO can get off to a strong start. His email is jeff@clearent.com.

Another skilled educator who may be able to point you to further resources is Mark Dunn, founder of Field Guide Enterprises LLC, a bankcard consulting and training firm. He is creator of the popular Field Guide Seminars that precede many industry tradeshow. His email address is mark@gofieldguide.com.

Best of luck in your new venture. Please keep in touch and let us know how your business progresses.

Editor

Correction

Aaron Bills' first name was misspelled in the byline and copyright notice for "Top 10 best practices for fighting credit card theft and fraud," which was reprinted in *The Green Sheet*, May 28, 2012, issue 12:05:02. It was not possible to change the print version, which had already gone to press when the mistake came to light, but the name is now correct in our online archives. *The Green Sheet* regrets the error.

**Come one, come all to the
payment shows**

We provide a comprehensive list of upcoming industry events on our website at www.greensheet.com/datebook.php?flag=display_chart. We also write about what occurs at tradeshow throughout the year. We'd like to know: How far in advance do you plan for a show? What factors determine which events you'll attend? What else could we do to help you get the most from the wealth of conferences our industry offers? You can reach us via email at greensheet@greensheet.com, by phone at 800-747-4441, on Facebook at www.facebook.com/TheGreenSheetInc or on Twitter using [@the_green_sheet](https://twitter.com/the_green_sheet).



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

Cover Story

1

A new chapter opens for merchant cash advance

The class-action lawsuit against merchant cash advance (MCA) provider AdvanceMe Inc. was settled in 2011 for \$23.4 million. At issue was whether MCAs represent business loans that charge illegally high fees or are upfront investments in future receivables. While the debate continues, the settlement spurred innovation in a robust sector of the payments industry.

News

25

First Data, SecurityMetrics settle lawsuit over data access

The dust settled quickly over First Data Corp.'s lawsuit against SecurityMetrics Inc., alleging the data security firm unlawfully restricted the acquirer's access to its merchant data after First Data began implementing its own Payment Card Industry Data Security Standard compliance program. Details of the settlement were not disclosed.

News

22

Strong positions in NRF lawsuit against Durbin regs

Proponents that advocated for passage of the Durbin Amendment to the Dodd-Frank Act of 2010 are now opponents of how the Federal Reserve implemented the debit interchange regulations. The National Retail Federation wants debit interchange cut even further; the Fed maintains that its interpretation of the law is reasonable.

News

27

Academy prepares industry for EMV implementation

The card brands are pushing Europay/MasterCard/Visa (EMV) adoption in the United States. To educate merchant services providers about the new standard, the EMV Academy opened its doors. The academy offers workshops and training, both online and on-site.

News

23

LinkedIn confirms breach, passwords theft

Payment professionals may want to change passwords on the popular social network LinkedIn. The site was reportedly hacked June 6, 2012, by Russian fraudsters, and as many as 6.4 million LinkedIn passwords were stolen. The hack occurred despite LinkedIn's enhancement of security through "hashing and salting" passwords.

News

29

NEAA's winning trifecta of presentations, networking, setting

The 2012 Northeast Acquirers Association Summer Conference took place at a resort in New Jersey. Between rounds of golf, hikes in the woods and laps in the pool, payment professionals learned about EMV, near field communication and mobile payments.

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Feature

32

Google Wallet turns one

Search engine giant Google Inc. entered the prepaid card industry when it unveiled Google Wallet at a New York press conference just over a year ago. As the highest profile mobile NFC wallet yet launched, Google Wallet is an example of the price market leaders pay to be classed among the most envied companies: innovators and risk takers.

View

36

Prepaid industry rewrites Washington playbook

At the inaugural Power of Prepaid conference in Washington, D.C., panelists urged prepaid players to take active roles in industry regulation. One way is for providers to inform regulators of the positive experiences consumers have with prepaid cards to counter negative consumer opinions.

Feature

33

Obopay offers license to transfer

As more companies eye the benefits of mobile payments, they recognize the laborious and costly task of obtaining state-by-state money transmitter licenses to get into the ever popular person-to-person (P2P) money transfer business. P2P specialist Obopay is leveraging its intelligence and experience to help new players enter the space.

Education

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Street SmartsSM

How to avoid post-close mistakes

A merchant level salesperson (MLS) can bungle a sale even after the merchant signs on the dotted line. An innocent, off-hand remark made at the wrong time can blow up even the most well executed presentation. This happens when MLSs forget their roles. They must remember they are salespeople to avoid costly post-close blunders.

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Education

64

Expanding e-commerce payments in China

As the world's second largest economy, China is ripe for online payment solutions. But to make inroads in this \$300-plus billion market, it is essential to understand how to forge partnerships with Chinese counterparts. The business culture in China is more formal than ours. Back-slapping and cracking casual jokes just won't fly.

Education

74

mPOS - it's about more than payments

Mobile payments in the retail environment are not all about the payment capabilities of the devices. Instead, retailers view the mobile POS more as a new and powerful way to engage and interact with consumers. Knowing that, providers of mPOS solutions will have a better grasp of how to give merchants and their customers what they want.

Education

70

Combating faceless fraud

Old-school social engineering fraud has resurfaced. Payment pros can combat pretexting, phishing and diversion schemes by educating merchants on best practices. ISOs and MLSs can inform merchants how to set up email filters and flag potentially fraudulent transactions.

Inspiration

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Disruption is good

Disruption in the payments industry may be unsettling but it's necessary. From mobile payments to changing merchant needs, the marketplace is in tremendous flux. The way to overcome disruptive new technologies is not by avoiding them, but by engaging and mastering them. It is also important to recognize that disruptions ultimately make products and services better.



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IndustryUpdate

NEWS

Apple dips toe in payment waters

Apple Inc. opened the window to the world of payments June 11, 2012, when it added limited mobile wallet functionality to its updated mobile operating system iOS 6. Apple previewed the iOS 6 platform at this year's Apple-sponsored Worldwide Developers Conference 2012.

The iOS 6 wallet-like application is called Passbook and is initially targeted at helping consumers organize entertainment tickets, boarding passes and loyalty cards using contactless technology.

"Passbook lets you scan your iPhone or iPod touch to use a coupon, get into a concert or check into your hotel," Apple stated.

"Passbook automatically displays your passes on your Lock Screen based on a specific time or location, so when you walk into your favorite coffee shop your loyalty card appears and you can scan it to buy a coffee or check your balance. Passbook can even alert you to last minute gate changes or flight delays."

The iOS 6 beta software and software development kit are now available to iOS Developer Program members. The iOS 6 update will be available free for most Apple smart devices.

Bank of Australia sets payment objectives

The **Reserve Bank of Australia** said it needs to "be more proactive in setting objectives" for the future of the country's payment system because of what it calls "impediments to the payments industry."

In a paper titled *Strategic Review of Innovation in the*

Payments System: Conclusions, released in June 2012, the board called for those objectives to include:

- Same-day settlement of direct-entry payments by the end of 2013
- Development of real-time retail payments by the end of 2016
- Access to payment systems after business hours by the end of 2016
- The capacity to send more complete remittance information with payments by the end of 2016
- The ability to address payments in a simple manner by the end of 2017

The conclusions were the bank's fourth and final paper in its payments system review.

The bank also called for creation of a hub-based architecture for real-time payments that would include a real-time settlement hub created and maintained by the Reserve Bank.

The bank said there is a need for an "industry coordination body" that would represent stakeholders in meetings with the Payments Systems Board where payment innovation issues are discussed. The bank asked that industry response to its conclusions be submitted by the end of August.

Conservative groups call for Durbin repeal

A coalition of 18 conservative groups called for the repeal of the debit interchange amendment to the Wall Street Reform Act of 2010. The group condemned the Durbin Amendment, named after the amendment's sponsor, Sen. Richard Durbin, D-Ill., for mandating "price controls."

The coalition includes organizations such as the

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- A **Travellex Currency Services Inc.** study showed that Chinese international travelers take shorter trips (an average of six days per trip), compared to U.S. and U.K. travelers (10 days and 11 days, respectively).
- The **National Retail Federation** estimated U.S. consumers would spend \$12.7 billion on Father's Day gifts in 2012, averaging about \$117.14 per person.
- **Research and Markets' Service Stations: Global Industry Guide** predicted the global service stations industry will reach a total value of \$2,128.1 billion in 2015, with fuel accounting for 89.2 percent of that total.

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Industry Update

Conservative Enterprise Institute, the **National Center for Public Policy Research** and the **Faith and Freedom Coalition**. It alleges retailers have not passed on to consumers the savings from cuts to debit card interchange transaction fees. The group claims the restrictions imposed on debit interchange resulted in gas stations charging consumers higher prices for credit and debit transactions and banks charging consumers higher bank fees.

In a June 11, 2012, letter to Congress, the coalition urged passage of H.R. 3156, The Consumer Debit Card Protection Act, introduced by Rep. Jason Chaffetz, R-Utah, that would repeal the Durbin Amendment and "restore balance in this market."

Bergeron Scholars named

The initial five University of California, Berkeley, **Bergeron Scholars** were heralded on June 12, 2012. The Berkeley Bergeron Scholars Program, sponsored by technology executive **Sandra Bergeron** and her husband, VeriFone Inc. Chief Executive Officer **Douglas Bergeron**, offers scholarships, program support and mentorships to undergraduate women pursuing studies in science, technology, engineering, and mathematics.

The Bergeron Scholars program was endowed with \$1.5

million when it was initiated at Georgia State University in 2006. In 2011, the Bergerons funded a second program at UC Berkeley. The five Berkeley scholars are the first to be accepted into the program; 30 women have participated at Georgia State.

ANNOUNCEMENTS

ACI Worldwide product plan

ACI Worldwide Inc. previewed its plan to improve its mobile payment offerings. The company released a new mobile banking and payment solution called Mobile Channel Manager and developed a closed-loop mobile retail wallet that integrates payments, rewards and loyalty. It is also offering a near field communications (NFC) security manager called ACI Token Manager and a mobile alerting solution via short message service text messages.

CSR opens western office

Data compliance solutions firm **CSR – Compliance Solutions and Resources** opened a western regional office in Reno, Nev. The new office is headed by Paul Nowling, CSR Director of Technical Operations and Support. CSR provides solutions and services to help businesses comply with the Payment Card Industry (PCI) Data Security Standard (DSS).

FrontStream adds features to platform

FrontStream Payments Inc. reported that it enhanced its proprietary fasttransact payment management platform, adding an innovative consumer mobile payment feature for smart phones, dynamic link-sharing functionality for social media pages, an embeddable payment form and several other key feature updates to its existing hosted payment page application.

FrontStream noted the new smart phone payment interface, which marks the first of many enhancements planned for fasttransact, was designed to emulate the fasttransact hosted payment page used for taking customer account and purchase payments over the web.

Harbortouch cuts fees

Payment processor **Harbortouch** is cutting fees. The company said it will no longer charge customers its PCI compliance fee, its annual fee or its Internal Revenue Service reporting fee. The company is also working on a free terminal upgrade for 20,000 merchant customers to accept Europay/MasterCard/Visa transactions.

Heartland on Fortune 1000 list again

Heartland Payment Systems Inc. was named to the 2012 Fortune 1000 list of America's largest companies. This is the third consecutive year Heartland has made the list. The payment processor posted revenues of \$1.996 billion in 2011.

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Industry Update

Intuit integrates POS, GoPayment

Intuit Inc. integrated its new QuickBooks Point of Sale 2013 software with its free mobile payment processing app, GoPayment, to give small merchants access to a mobile POS solution. The GoPayment payment app comes with a card reader that plugs into the audio jacks of smart devices.

MCC launches B2B cash advance program

Merchant Cash and Capital LLC unveiled its business-to-business (B2B) cash advance program. MCC said B2B Cash Advance makes financing available to businesses that do not qualify for traditional cash advances. The program is based on a merchant's total monthly revenue, not on credit card receipts.

Merchant Warehouse Genius platform

Merchant Warehouse released Genius, a platform to aggregate and integrate all types of transaction technology – payment types and customer gift, loyalty, and rewards programs – into a single terminal. The company said Genius gives merchants, POS developers and payment providers unlimited choice, unified security and open access to payment partners.

NMI's new website

Third-party service provider **Network Merchants Inc.** launched its redesigned website, www.nmi.com. NMI said the site has "bold colors, an uncluttered design and featured content" to allow visitors easy access to information.

PayAnywhere lands Origami Owl

Mobile POS solutions firm **PayAnywhere LLC** will provide the independent consultants of social-selling jewelry business **Origami Owl LLC** with mobile credit card processing. In addition to accepting credit card payments on mobile devices, Origami Owl representatives using PayAnywhere can set up customized inventory tracking and transaction analytics.

SecurityMetrics releases Expert

Data security provider **SecurityMetrics Inc.** rolled out SecurityMetrics Expert, an online PCI DSS scoping tool that helps businesses quickly determine their Self Assessment Questionnaire type and network scanning requirements. The security firm said it now scans the networks of over 1.5 million businesses worldwide.

In other news, CEO Brad Caldwell won the 2012 Ernst & Young Entrepreneur of the Year award for the Utah Region, Technology Category.

PARTNERSHIPS

CardinalCommerce, Planet Payment partner

Payment software provider **CardinalCommerce Corp.** integrated its mobile security platform, Cardinal Centinel, with international payment processor **Planet Payment Inc.**'s e-commerce gateway. CardinalCommerce said the platform reduces operational costs and losses due to fraud.

AmEx, foursquare team

Foursquare Labs Inc., creator of foursquare, the location-based social networking website for mobile devices, expanded its partnership with **American Express Co.** to include the U.K. market. The companies have collaborated on an offer program in the United States since March 2011.

PayLeap, First Data take to Canada

Payment gateway and e-commerce solutions provider **PayLeap** partnered with acquirer **First Data Corp.** to provide payment processing services to Canadian e-commerce merchants who utilize the PayLeap Gateway platform. First Data said it will provide expertise on the Canadian market to PayLeap, which is new to Canada.

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Industry Update

Hospitality served with new teammates

Stockholm, Sweden-based mobile payment provider **Seamless Distribution A.B.** joined with the **MICROS-Fidelio** division of hospitality POS vendor **MICROS Systems Inc.** for a mobile payment solution on Seamless' proprietary platform **SEQR**. Peter Fredell, CEO of Seamless Distribution A.B., said the new service targets "mobile urbanites."

PayPal added to USPS

The **U.S. Postal Service** is adding **PayPal Inc.** as a payment option for its online shipping application, **Click-N-Ship**. Customers can now choose to pay for shipping labels via credit card, PayPal or through PayPal's payment subsidiary **Bill Me Later Inc.**

TrustCommerce becomes TSYS reseller

Payment processor **TrustCommerce** joined **Total System Services Inc. Merchant Solutions** as a reseller partner. Together, TrustCommerce and TSYS Merchant Solutions will offer tokenization, integration with accounting, customer relationship management, fulfillment and other solutions, while helping merchants stay PCI compliant.

USAePay integrates with Lavu POS

Merchant services provider **USAePay** integrated its payment processing gateway with the **Lavu Inc.** POS software for the Apple iPad and iPhone. Lavu POS technology provides licensing and secure hosting for a monthly fee. The solution is PCI compliant. The system is targeted at the restaurant industry.

ACQUISITIONS

Planet Payment acquires BPS

Planet Payment Inc. acquired Dublin, Ireland-based payment processor **Branded Payment Solutions Ltd.** for approximately \$4 million. BPS provides mobile top-up, bill-pay, and voucher services, and supports open and closed-loop prepaid card programs that can be used on a variety of POS devices, terminals and mobile devices. BPS also operates a prepaid debit card program in Europe and has a patent pending for its NFC solution.

APPOINTMENTS

Ferguson gets PayPal promotion

PayPal Mobile Team Head **Hill Ferguson** became the new leader of the company's Global Product team. Before coming to PayPal, Ferguson led product teams at Yahoo! Inc. and was among those who started the mobile payment company **Zong Inc.** prior to its acquisition by PayPal.

Hazel new Equinox CEO

Patrick Hazel was named Chairman and CEO of terminal manufacturer **Equinox Payments LLC**. Hazel was appointed to the Equinox Board of Directors in November 2011. Hazel was formerly President and CEO of the security technology firm **Semtek Corp.**, which was acquired by **VeriFone** in 2010.

Ezic teams grow

Payment solution software provider **Ezic Inc.** expanded its support, business development and software development teams. **Amy Nolan** was promoted to Director, Support. She is responsible for nontechnical reseller support and managing consumer check processing support through the call center.

Bridget Mazzio was promoted to Director, Sales Administration. She is responsible for recruiting new resellers and developing and implementing new sales strategies. **Kevin Keadle**, Account Executive, is working with aggregators, ISOs and agent resellers. **Adam Lucas**, a software engineer, is responsible for managing reseller technical support and expanding new product development initiatives. ☐

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Strong positions in NRF lawsuit against Durbin regs

On June 1, 2012, The Federal Reserve Board responded to plaintiffs' latest court filings in a November 2011 federal lawsuit brought against the board by a group of retailers headed by the National Retail Federation. Both the plaintiffs and the defendant had previously filed motions for summary judgment in the case.

The NRF complaint claimed the board had exceeded its authority in its final regulations for enactment of the Durbin Amendment to the Dodd-Frank Act of 2010. In its latest response, the Fed asserted that the Federal District Court for Washington should overrule retailers' objections and sanction the new debit interchange rates.

The Durbin Amendment directed the Federal Reserve Board to limit debit card interchange fees to "reasonable and proportional" issuer costs. And in its court filing, the Fed stated that is exactly what its final rule did. The rule, which went into effect Oct. 1, 2011, limited the debit card

interchange fee to 21 cents plus a small allowance for fraud prevention.

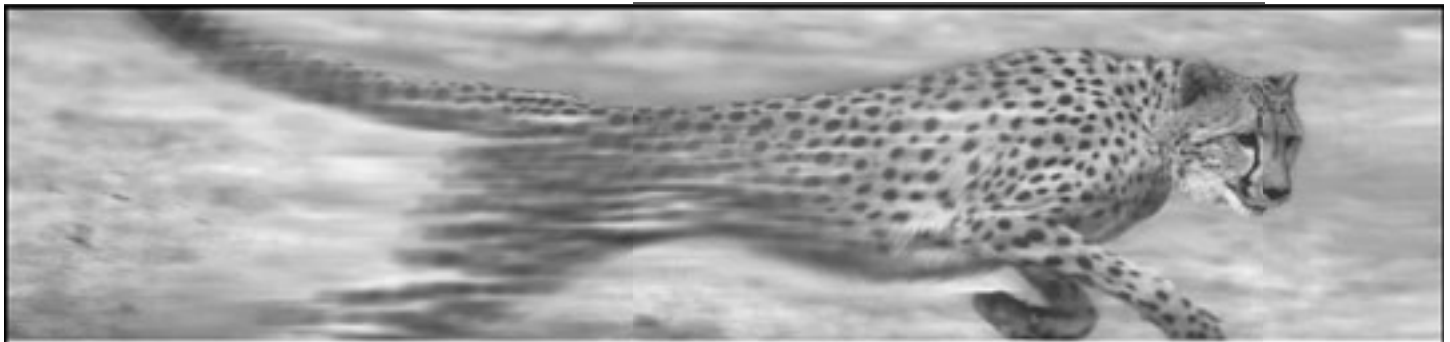
The NRF lawsuit seeks to cut debit interchange rates even further. The retailers argued that the Fed adopted an unreasonable interpretation of the amendment, included fees and directives in its calculations it had no authority to include, and that it attempted to get around the amendment's prohibition against network exclusivity agreements.

A reasonable interpretation

The Fed's brief presents its debit interchange final rule as a reasonable interpretation of congressional intent that must be upheld by the court.

The board said it is well established by courts that when Congress directs an agency to interpret its intention, as it did when it directed the board to set a "reasonable and proportional" debit interchange rate, the agency's regulations are controlling unless they are found to be "arbitrary, capricious or manifestly contrary to the statute."

Retailers argued that floor statements from Sen. Richard Durbin, D-Ill., when he offered his amendment on debit interchange regulation, along with his brief filed in support of the retailers' lawsuit, are evidence of congressional



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intent. The Fed countered, "The floor statement of the sponsor cannot trump a statute's text." The Fed also stated that what Sen. Durbin has to say about his intent when he proposed the amendment has no bearing on Congress' intent in enacting the amendment.

Implied authority

The board told the court that the congressional language gave it direction on some costs to include and direction on some costs not to include, but it "is silent as to costs that don't fall into either category."

Examples of costs Congress did not address, but the Fed considered legitimate costs to include when setting interchange fees, include fixed costs (such as authorization, clearance and settlement), transaction monitoring costs, fraud losses, and network processing fees.

The board said that without specific direction from Congress not to include those fees, it had the implied authority to include costs not specifically mentioned as legitimate costs of a transaction.

The Fed also defended its decision to require merchants be given the choice of at least two unaffiliated card networks for transactions. The rule demands at least one network must be a signature debit provider and one a PIN debit provider.

The board said this rule does not limit the number of networks a merchant may be offered and, therefore, is a reasonable interpretation of the Durbin Amendment that should be upheld.

In addition, the Fed took note of the retailers' complaint that their costs have gone up for small transactions since the final debit interchange rule went into effect.

The agency called the decision to raise interchange fees that were lower prior to the enactment of the final rule "an independent business decision by the networks." ■

LinkedIn confirms breach, passwords theft

On LinkedIn's corporate blog, LinkedIn Director Vincente Silveira confirmed that the social media site for business professionals suffered a June 6, 2012, breach and acknowledged "some" passwords were stolen. Silveira said LinkedIn is continuing to investigate the breach. In the meantime, the company is invalidating passwords it knows to be compromised.

LinkedIn boasts approximately 161 million business-oriented users. Silveira said customers with compromised passwords will receive an email from LinkedIn with instructions for resetting their passwords. Silveira stated customers will then receive a second email from Customer Support to provide "a bit more context on this situation and why they are being asked to change their passwords."

Security researcher Cameron Camp wrote in a blog for the international Internet security firm ESET that phishing scams already exist on the Internet that purport to link to the LinkedIn password reset but instead direct the user elsewhere. For example, when a phony email link is clicked, the user may be directed to an illegal online pharmacy. Camp advised LinkedIn users not to click on any links in a LinkedIn email but instead to go directly to the company website to change passwords.

"Sadly, we are likely to see more of these emails as LinkedIn tries to rebuild trust among members," Camp wrote. "Besides changing your password, it's a good

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idea to review your user settings and try to understand/limit/narrow access to your key information to those with whom you intend to share. In this way you can help prevent unintended data sprawl, also meaning other user accounts which might become compromised won't have as much of a direct effect on your personal information."

Hashing and salting

Silveira noted that LinkedIn recently enhanced its security by adding additional cryptographic techniques, known as hashing and salting, to disguise its passwords. This may not be enough to stop determined hackers who have access to the stolen data, according to published reports claiming that as many as 6.4 million LinkedIn passwords may have been stolen by Russian hackers who reportedly posted the stolen data on an online forum. The reports also said teams of hackers have already decrypted 300,000 or more stolen passwords.

UKFast.net Ltd., a Manchester, England, hosting services provider, wrote on its blog that it was able to crack 2,000 hashes from the stolen LinkedIn data in just 10 minutes using the processing power of a normal central processing unit. "The passwords stolen from LinkedIn's database were stored as hashes encrypted using a cryptographic hash function called SHA-1," the company stated. "This basically uses an algorithm to change the password into a string of characters. ... Hashes like this can be simply cracked." ■

First Data, SecurityMetrics settle lawsuit over data access

Payment processor First Data Corp. and SecurityMetrics Inc., a provider of Payment Card Industry (PCI) Data Security Standards (DSS) compliance, resolved a lawsuit that alleged SecurityMetrics unlawfully restricted First Data's access to its customer security and reporting data. The processor accused SecurityMetrics of withholding the data in an attempt to force First Data to halt the introduction of its own PCI DSS-compliance solution. The suit was filed May 21, 2012, in the U.S. District Court in Utah.

SecurityMetrics was asked by *The Green Sheet* for comment on May 30, 2012, and replied by email the next day, stating, "SecurityMetrics and First Data have reached a mutual agreement to resolve the First Data Federal District Court filing on May 21, 2012." When reached for comment May 30, 2012, Elizabeth Grice, First Data Director of Communications, said the company does not comment on pending litigation. Grice was not able to confirm or comment on the agreement by press time the next day.

Reaction to a new PCI solution

In its filing, First Data told the court nothing in its contract with SecurityMetrics prevents it from introducing its own PCI compliance solution. However, First Data claimed when it began implementing its own compliance solution, SecurityMetrics informed First Data it was in violation of their contract.

SecurityMetrics then allegedly refused First Data full access to its project management and tracking portal, SecurityMetrics Merchant Compliance Console, and refused to give it access to its customers' regular and weekly reports, the processor stated. First Data also accused SecurityMetrics of certain retaliatory actions and alleged that SecurityMetrics had damaged its relationships with its customers.

Request for relief and audit

First Data's complaint asked the court for a temporary restraining order and to require SecurityMetrics to submit to an audit, stop contacting First Data customers and provide all relevant console services, PCI compliance reports, communications "made to merchants in breach of the parties' contract," and updated status reports on all First Data customers.



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First Data also sought compensatory and punitive damages and attorneys' fees. Details of the settlement were not disclosed. ■

Academy prepares industry for EMV implementation

Are you ready for the Europay/MasterCard/Visa (EMV) standard to hit the United States? Can you explain to clients what EMV is and why they need to incorporate it into their POS systems? Do you have an EMV strategy that includes implementation and testing to be sure the technology works?

These are the questions to ask now as Visa Inc., MasterCard Worldwide and the other major card companies push the transition to the EMV standard in the United States. And for those seeking the answers, the EMV Academy may be the place to go.

The school launched shortly after Visa issued its August 2011 mandate to merchants to implement the EMV protocol or face new fraud liability. EMV Academy founders Stewart Chalmers and Mansour Karimzedah, the organization's Executive Director and Chief Technical Officer, respectively, are veterans of EMV rollouts in various parts of the world, including Europe, Africa, the Middle East and Latin America.

"Now that the payment associations have put their stake in the ground and mandated the EMV infrastructure rollout in the United States, people still need to know how to make the thing work," Chalmers said. "Most of the EMV expertise is outside the United States where EMV is the standard."

The academy's mission

The purpose of the school is to assist acquirers, merchants, issuers, vendors and others in the payments industry with their transition to the EMV standard. Karimzedah said the EMV rollout in the United States will bring challenges to ISOs the academy can help them address. "You need to know what is going into the marketplace and if you have to change or upgrade a POS system," he said.

The academy provides public and private workshops and courses on both EMV and near field communication (NFC) technology. The curriculum lists 20 courses available online as well as via on-site training. It also provides tools to test EMV and NFC systems and offers consulting services that include advice from people who have implemented the standard elsewhere and know the pitfalls and problems that will arise as EMV makes its way into stores across the United States. Consultants can help clients address the technical challenges of migrating

to the standard, including developing and implementing EMV payment systems.

EMV challenges ahead

Chalmers believes many terminals in use in the United States are practically antiques at 20 years old or more. "Many will need to be reconfigured or replaced," he said. He noted it would be helpful for payment professionals to know whether a software download will be enough to implement the EMV standard, if rebuilding a terminal to meet EMV requirements makes sense or if new equipment is needed.

Chalmers also emphasized the importance of testing. "You have to test properly or it's not going to work," he said. "You need to test cards to do the testing properly. The cards come from card manufacturers. People forget about that. If issuers know about the issues they can pre-plan." In addition, the academy recently launched a Preferred Partner Portal where it works with technology companies in specific segments of the EMV market, for example, issuance, card personalization, testing, certification, terminals and card manufacturing.

"The goal here is to develop a portal with leading edge technology solutions that cover the key elements of the EMV payment ecosystem." ■



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Trade Association News

NEAA's winning trifecta of presentations, networking, setting

Like its winter conferences, the 2012 Northeast Acquirers Association Summer Conference took some effort to reach, but it was well worth the trip. The beautiful Crystal Springs Resort in Hamburg, N.J., played host June 5 and 6. Attendees were able to enjoy golf, hiking and swimming in this idyllic setting.

On Tues. June 5, a welcome reception was held for all in the lounge at the Mineral Springs Hotel & Spa. Guests enjoyed indulging in cocktails and delicious appetizers while networking with friends both old and new.

Small business program, legal updates

On Wed., June 6, a shuttle was provided to transport guests to another lodge on the property for breakfast and educational sessions. The morning seminars included a presentation by American Express Co. on its Small Business Saturday program. Small Business Saturday encourages consumers to shop at local merchants on the Saturday following Black Friday. AmEx assists merchants in promoting their businesses on this day.

Next, Jill Miller of Jaffe, Raitt, Heuer & Weiss updated attendees on legal developments in the industry. She reviewed changes being made by MasterCard Worldwide and Visa Inc. to the rules acquirers must adhere to. Most of the changes involved renaming some of the parties involved in acquirer registration.

She also discussed new fees being implemented by the card companies and described the newly passed Georgia Merchant Acquirer Limited Purpose Act. This law allows entities to be chartered as "merchant acquirer limited purpose banks," enabling them to participate in card networks without using bank identification number rental arrangements.


EMV, mobile, NFC

Lunch was provided in the exhibit hall where vendors were on hand to discuss their offerings and to answer questions. Because of the limited size of this event and its remote location, it was easy to engage with participants. A number of old and new companies were represented by the group.

Following lunch, there were more educational presentations. VeriFone Inc. gave an update on the arrival of Europay/MasterCard/Visa (EMV) implementation in the United States, which is the last large country to adopt EMV. Acquirers will be required to support EMV by April 2013.

The rest of the afternoon consisted of a discussion about mobile payments and near field communication technology (NFC), a look at cloud-based solutions for retailers and restaurants, and finally a look at where merchants go wrong with their Payment Card Industry Data Security Standard policies and implementation.

As always, attendees then gathered in the exhibit hall for a final reception with vendors, allowing everyone the opportunity to get to know the products and services of the companies present.

Everyone in the industry should try to attend at least one of these regional shows. They offer merchant level salespeople nationwide an affordable opportunity to gather and educate themselves on changes in the payments world. The next regional show is the Midwest Acquirers Association conference in Chicago, July 18 and 19. For more information please go to www.midwestacquirers.com. 



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Selling Prepaid



Prepaid in brief

NEWS

CFPB proposes supervisory rules

The **Consumer Financial Protection Bureau** proposed a rule that sets up procedures for how the federal agency would go about informing a nonbank that it is under scrutiny for potential consumer abuses. "This proposal allows us to reach nonbanks that we would not otherwise supervise, while providing industry with a streamlined process that is fair and efficient," said Richard Cordray, Director of the CFPB.

The CFPB noted that the procedures would include how to notify a nonbank that it is being considered for supervision and provide the nonbank with a "reasonable opportunity" to respond to the notice. The proposal would also create a mechanism for nonbanks to file petitions to terminate the CFPB's supervision of them. The nonbanks would be able to file these petitions two years after the CFPB instituted oversight of them. The proposed rule is available online at www.consumerfinance.gov/notice-and-comment/.

Oyster cards honor Queen, Olympics

In commemoration of a milestone in the royal monarchy and the coming Summer Olympic Games, London's mass transit authority, the **Transport for London** (TfL), issued commemorative prepaid Oyster transit cards.

The 60-year reign of Queen Elizabeth II was celebrated with a limited edition Oyster card that features an official portrait of the Queen. The TfL followed with another Oyster card celebrating the London 2012 Summer Olympic Games that begin in late July. Images on the cards include Olympic sporting events and the Thames Diamond Jubilee Pageant, which honored the Queen with a flotilla of 1,000 boats down the River Thames.

FI customers turn to GPR cards

A survey of over 1,500 bank and credit union customers in the United States concluded that general purpose reloadable (GPR) prepaid cards are emerging as "lifestyle" financial tools. **Market Rates Insight Inc.**'s survey entitled *Integrated Study on Service Fees* said 47 percent of survey respondents are likely to use GPR cards if they are offered by financial institutions – an indication that

GPR cards are entering the financial mainstream, even among consumers who have bank accounts and use debit cards.

ANNOUNCEMENTS

BB&T implements new teen card

BB&T Corp. launched the BB&T LEAP Account, a virtual prepaid transaction account designed for teenagers and their parents. BB&T, which operates approximately 1,800 financial centers and 2,400 ATMs in 12 states and Washington, D.C., offers Visa Inc.-branded companion cards to the accounts.

CFSI issues guide to prepaid

The **Center for Financial Services Innovation** released *The Compass Guide to Prepaid*, a white paper designed to provide financial service providers with guidelines to help them improve prepaid card programs. The guide is divided into two main components: best practices and examples of how to apply best practices.

Voices of Prepaid adds clothing chain

India clothing store chain Globus Fashions joined the **Global Prepaid Exchange**-led Voices of Prepaid India. The VOPI initiative, which comprises companies along the prepaid card value chain, is tasked with spurring the development of India's prepaid card market.

Peru gets first GPR card

NovoPayment Inc., a prepaid card service provider for Latin America, said it launched the first GPR card in Peru. The Latodo MasterCard is focused on the South American country's unbanked population, which is estimated at 70 percent of Peruvians – approximately 10 million people.

UAE bank wins with Bling

RAK Bank, a retail bank in the United Arab Emirates, reported it won the Best Marketing Campaign of the Year award at the Middle East Prepaid Awards 2012 for its MasterCard Bling campaign. The award was presented at a gala dinner at the Westin Hotel in Dubai, UAE, in March 2012.

Rev reveals RevCOIN for merchants

Rev Worldwide, a financial services firm for financially underserved markets, launched RevCOIN – a prepaid card account and dongle tandem for unbanked merchants. The service allows merchants without bank accounts to accept mobile payments.

First Data's paycard central to Sentric

Payroll services firm **Sentric Inc.** implemented **First Data Corp.**'s payroll program to reduce the number of paper paychecks and statements distributed each year to the employees of Sentric clients, which number in excess of 200,000 workers. The employees can have pay deposited on First Data's BRIO Paycard and can use First Data's Money Network Checks service to write physical checks from funds in BRIO prepaid accounts.

Trycera helps war vets

Prepaid card program manager **Trycera Financial Inc.** finalized an agreement to provide financial services to Residence for Patriots Foundation, a Las Vegas-based nonprofit that provides housing and restructures mortgages for U.S. military veterans. "[W]e want to provide these heroes the tools needed to obtain financial freedom," said Ray Smith, President and Chief Executive Officer at Trycera.

PARTNERSHIPS

Filipino-focused card comes to fruition

Catalina Card Services Inc., a prepaid program manager and Catalina Payment Systems Inc. subsidiary, teamed

with **PNB Remittance Centers Inc.**, a money transfer specialist for Filipino communities in the United States, to unveil the PNB Prepaid Visa Card. Card benefits include free cash loads at PNB locations and the ability to earn free PNBRCI money transfers to the Philippines.

New credit scoring model in beta mode

Check guarantee company **Chexar Networks Inc.** and social data application developer **Demyst.Data** reported they are in beta test mode for a credit scoring model for the U.S. unbanked. The model combines Chexar's transaction data with Demyst.Data's online, social and mobile data to generate credit scores.

edō links up with CorFire for targeted offers

CorFire, the mobile commerce division of SK C&C USA, integrated **edō Interactive's** prepaid card-linked offers platform with CorFire's mobile wallet and suite of mobile marketing services. The combined solution is designed to deliver real-time, targeted rewards and offers to customers via the mobile channel.

Mobile rewards gets new tandem

Mobile gift card provider **Giftango Corp.** collaborated



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Selling Prepaid

with shopping app developer **shopkick Inc.** to offer customers in-store rewards via e-gift cards. By walking into stores and interacting with products on mobile phones, shoppers are delivered retailer-specific virtual cards.

i2c, KargoCard join for prepaid in China

Redwood City, Calif.-based processor **i2c Inc.** and program manager **KargoCard (Shanghai) Co. Ltd.** joined forces to pursue merchants in China with prepaid, mobile payment and loyalty solutions. To support i2c's growing presence in the Asia-Pacific region, the processor is building a data center in Shanghai.

Marketing Innovators taps CashStar for e-gifts

Marketing Innovators, an incentive and rewards provider, chose **CashStar Inc.** for digital gift cards. The partnership allows Marketing Innovators' business clients to reward employees with e-gift cards from over 250 retail brands, including Best Buy Inc., Chili's Grill & Bar and The Home Depot U.S.A. Inc.

paysafecard now available in Canada

British Columbia, Canada-based prepaid card network operator **VendTek Systems Inc.** inked a deal with Austria-based **paysafecard group** to offer Canadians paysafecard's voucher service for online payments. The vouchers are available at VendTek's network of nearly 15,000 outlets in Canada.

Remittance card launched in El Salvador

The Western Union Co. and its agent in Central America, **AirPak**, rolled out a MasterCard Worldwide-branded remittance card in El Salvador. Western Union cited estimates from The World Bank that Salvadoran citizens received \$3.6 billion in remittances in 2010 and that only 47 percent of Salvadoran adults have bank accounts.


ACQUISITIONS

Chexar to purchase Clear Payments

Chexar signed a letter of intent to acquire Nashville, Tenn.-based mobile remote deposit capture provider **Clear Payments Inc.** Chexar recently partnered with CPI for a mobile RDC solution for prepaid cardholders. The acquisition is expected to close by the end of June 2012.

APPOINTMENTS

Hofer named COO at paysafecard group

Veronika Hofer became Chief Operations Officer at paysafecard group. Formerly a consultant at Accenture GmbH in Vienna, Austria, Hofer will manage paysafecard's customer service teams for online shops and distributors. 

Google Wallet turns one

On May 26, 2012, Google Inc.'s mobile near field communication (NFC) payment venture, Google Wallet, turned one year old. Reflecting on the anniversary and the route the mobile wallet took over that time, commentators took stock of the high-profile venture.

Paul Conley, Editorial Director at financial services comparison website MyBankTracker.com, said the mobile wallet space is still in its infancy, with no clear leader. According to Conley, the three major players vying for mobile wallet supremacy are Google Wallet, Isis and MasterCard Worldwide's PayPass.

"Everybody has an advantage here," he said. "With Isis it's got to be the merchants. With Google I think it has to be Google's brand name in the mobile space. ... And PayPass, the power there has to be MasterCard itself, and the branding power MasterCard has put behind other initiatives. So they're all bringing some pretty serious weaponry to this fight."

Todd Ablowitz, President of payment consultancy Double Diamond Group LLC, believes it is too early in the mobile NFC space to even score Google's offering. "The ecosystem is still forming," he said. "You don't have enough phones with NFC on them, enough merchants with readers yet to really know how well they're doing."

In March 2012, it was reported Google was considering making changes to Google Wallet to boost consumer adoption. Even if the wallet is not growing as fast as Google expected, it is hard to find fault with it.

Ablowitz said Google Wallet is now available on several phones, but still only through one mobile carrier – Sprint Nextel Corp. "It's easy to jump to a conclusion about their success or lack thereof, but I think we're looking at a foundational period," he said.

Baby steps

Google Wallet debuted in May 2011 with a New York press conference that brought together Google's venture partners – payment processor First Data Corp., card issuer Citibank N.A. and Sprint. The next day, eBay Inc. subsidiary and alternative payment provider PayPal Inc. sued Google, alleging that the search engine giant stole trade secrets when it hired Osama Bedier and Stephanie Tilenius away from PayPal.

With Bedier now leading the mobile wallet venture, the first version of Google Wallet was rolled out on Nexus S 4G smart phones in September 2011. The wallet supported the Google Prepaid Card and a

MasterCard-branded Citi credit card. By that time, one of Google's chief rivals in mobile NFC payments, Isis, was off and running with backing from the three largest U.S. mobile telecoms, AT&T Mobility, T-Mobile USA and Verizon Wireless.

Fast forward to February 2012, when security researchers disclosed a security flaw in Google Wallet that could have allowed hackers access to Google Prepaid Card accounts resident on the phones.

Google quickly issued a fix to the problem. In late May, another apparent flaw was discovered in Android-based smart phones preloaded with Google Wallet, but it didn't concern security. It was reported that when the phones were reset at factories to clear up glitches that arose from downloaded apps, the phones' mobile wallet functionality was disabled.

As of this writing, Google Wallet is available on seven phone models and is accepted by 25 national retailers, including The Gap Inc. In total, Google Wallet is accepted at over 140,000 U.S. merchants that use POS devices enabled with MasterCard's PayPass technology, according to Google spokesman Nate Tyler.

Birthday cards to Google

First Data, which functions as trusted service manager for Google Wallet, facilitates the over-the-air provisioning of new card accounts onto the virtual wallet. Jeff Johnson, Senior Vice President and Division Manager of Prepaid Solutions at First Data, said Google Wallet is an example of the risks and rewards of taking a leadership position in new and untested waters.

"We've seen significant take-up on [Google Wallet]," Johnson said. "I think Google probably had more expectations. We did, too. But it was a leap of faith by both companies. I think from an industry perspective, too, we're the first ones out there. ... And I think it was the first step by two large companies to get that ball rolling."

Conley pointed out that even though innovation is embedded in Google's culture, the company is not afraid to terminate development on programs. Conley gave two examples – Google Wave, a real-time online communication tool, and GOOG-411, a free, nationwide 411 directory service. But such a fate does not seem to be in the cards for Google Wallet.

Ablowitz said Google has made it clear the importance of payments to the company, with Google Wallet among its top corporate initiatives. Conley is hesitant to predict Google Wallet's ultimate success. But he cautioned against underestimating Google in mobile NFC payments.

"Only a fool would doubt that company's ability to change an industry and alter how we live," he said. 🍌

Obopay offers license to transfer

New regulations and an increasingly crowded marketplace make it tougher for new players to prosper in the prepaid card sector. But mobile money transfer specialist Obopay is leveraging its expertise in money transmitter licensing to ease new participants' entrance into prepaid. Obopay set up a new division, Obopay Licensed Payment Services, to enable its partners to utilize Obopay's licenses throughout the United States.

Chris Martin, Executive Vice President of Global Operations, Chief Compliance Officer and General Manager for North America at Obopay, said more businesses seek to offer person-to-person (P2P) money transfers. Martin said, "If you think about where networks are going and semi-closed is going and interchange, the whole dynamic is that there are large holders of customers, whether it's large retail folks, call it large distribution networks or check cashers, that would love to have a way to move money back and forth electronically and avoid the face to face."

But to offer P2P payments, companies must jump through many complicated, time consuming and expensive hoops in order to provide the service, often as a mobile offering tied to prepaid accounts.

Martin said businesses must obtain licenses from each state where they want to do business. State regulators require money transfer providers to have millions of dollars in surety bonds or reserves on deposit. Additionally, the paperwork and auditing processes businesses must undergo to obtain licensing in each state can take six to 18 months. Martin likened the state-by-state audits to applying for a mortgage two times over and "applying for a job at the same time."

To maintain licenses, providers must fork over approximately \$500 to \$5,000 every year or two per state, Martin said. He added that each state agency has different regulations and reporting requirements. But all this complexity has a purpose. "It's effective because it is a barrier to entry," Martin said. "And it makes your investment in licenses more valuable."

Rules for alternative players

Martin said money transmitter licensing came about in the late 1990s with the emergence of eBay Inc.'s alternative money transfer network PayPal Inc. Martin explained that because PayPal wasn't a traditional, federally regulated money transfer provider, such as MoneyGram or The Western Union Co., a framework had to be developed to include "quasi banks" that held funds in stored-value accounts on behalf of consumers.

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"So the states picked up the pace and basically extended the money transmission responsibilities to folks like PayPal," Martin said. In 2006, Obopay began moving money in the United States via prepaid cards. Martin said Obopay built its stored-value network based on PayPal's system, which required Obopay to obtain licensing.

Over time, Obopay has amassed state licenses in 41 U.S. jurisdictions – 40 states and the District of Columbia. Martin stated the company is currently in the application process for licenses in Georgia, New York and California, where regulations have evolved to now include alternative network operators such as Obopay.

License to thwart laundering

Martin said state licensing is necessary to comply with anti-money laundering (AML) regulations, as well as data privacy, security and consumer notification requirements. The fraud problem involving money transfers seems to be increasing.


In August 2011, the Financial Services Information Sharing and Analysis Center (FS-ISAC) released a fraud survey that showed an increase in account take-over schemes, where phishing scams solicit account details from consumers, resulting in bank accounts being drained via money transfers.

The 77 financial institutions that responded to the survey reported a total of 108 commercial account take-overs during the first six months of 2010, compared with 86 for the entirety of 2009.

The Financial Crimes Enforcement Network requires money services businesses (MSBs) to comply with complex and time consuming AML requirements, including registration with the federal financial crime fighting bureau.

FinCEN differentiates between a money services provider, such as Obopay, and a money services seller, such as a post office that sells prepaid cards. A provider is called the "principal MSB" and the seller the "agent MSB." Only the principle MSB is required to register as an MSB with FinCEN.

Martin said businesses can leverage Obopay's AML experience through Obopay Licensed Payment Services. "They will be considered an agent of Obopay because Obopay is the primary license holder," Martin said.

Martin is thus confident that Obopay's new service can help businesses navigate through the complex licensing requirements and accelerate their time to market. 

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Insider's report on payments

Prepaid industry rewrites Washington playbook

By Patti Murphy

ProScribes Inc.

The prepaid card industry is rewriting the playbook for dealing with Washington. Rather than bury their heads in the sand, as many bankers did during the early stages of the debate over card interchange, these companies are aiming to get ahead of the regulatory curve.

In May 2012, the Consumer Financial Protection Bureau said it was considering whether consumer protections spelled out by the Federal Reserve Board in Regulation E pursuant to the Electronic Funds Transfer Act should also apply to reloadable prepaid debit cards. Interested parties have until the end of July to respond to the agency's notice of proposed rule-making.

Getting a jump on regulation

The Network Branded Prepaid Card Association, which convened its first annual conference in early June, is urging members to take an active role in the rule-making process.

Noting that the CFPB is encouraging consumers to share their stories about prepaid cards, Kirsten Truska, the NBPCA's President and Chief Executive Officer, urged attendees to get their satisfied customers to tell their stories, too, so the CFPB gets a balanced picture of the marketplace.

"Make no mistake, this advanced notice is a first step toward the regulation of reloadable prepaid cards," said Marilyn Bochicchio, CEO of Paybefore, an online resource for prepaid and stored-value products. Paybefore, with the assistance of a team of lawyers, put together a list of "10 Questions You Can't Afford Not to Answer" about prepaid cards and the logistics of regulation. It's accessible for free at www.paybefore.com.

"The CFPB is concerned about the vulnerability of consumers," said Romy Parzick, Manager of Innovation and Research at the Center for Financial Services Innovation. Parzick was at the NPBCA conference to introduce the *Compass Guide to Prepaid*, which the CFSI developed with input from regulators and consumer groups.

Two of those groups – the National Urban League and the National Foundation of Credit Counseling – joined Parzick for a panel discussion at the NPBCA event.

The *Compass Guide to Prepaid* is an outgrowth of a set of "aspirational guidelines" the CFSI published as its *Compass Principles*. The CFSI also produced a summary of the *Compass Principles* and the *Compass Guide to Prepaid* that's available for download at the CFSI website, <http://cfsinnovation.com>.

Bochicchio reviewed the 10 questions in detail with a panel of attorneys during a special session at the NBPCA conference. These are what I consider to be the top five:

- How should CFPB define general purpose reloadable prepaid cards?
- Should Reg E protections be applied across the board, or should the Bureau consider a new "Reg E Lite" for reloadable prepaid debit card products?
- When, if ever, should the existence or lack of FDIC insurance be articulated to prepaid cardholders?
- Should prepaid cards have overdraft features?
- What procedural changes and costs are necessary to ensure compliance with new fee and disclosure requirements?

When applied to the public comment process, answers to these questions will help regulators grasp the mechanics and nuances of the prepaid card industry. Coupled with the *Compass Guide to Prepaid*, this process should help fend off implementation headaches when new regulations take effect.

Had banks taken proactive steps like these in the run up to the Durbin Amendment to the Dodd-Frank Act of 2010 and the Fed's subsequent debit interchange rules, the outcome may have been quite different.

Looking at prepaid's future

"We are at a critical moment in the growth of the prepaid market," CFPB Director Richard Cordray said at a May 2012 field hearing on prepaid. "We want good practices to be instilled early on so that as the market grows, it does so responsibly."

Cordray conceded some of the disclosure requirements the CFPB is considering could be challenging when prepaid cards are packaged and sold at retail stores "where space is at a premium." But he pointed out that "consumers need to know this information so they can make the comparisons necessary to shop around and reduce surprises by understanding the true cost of the product."

An estimated 35 million U.S. consumers (or about 15 percent of the adult population) have used reloadable prepaid debit cards in the past 12 months, Cunningham noted. And it's not just the unbanked population either.

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View

"People with bank accounts [who] use prepaid cards do so because there's something they're not getting from their traditional banking relationships," said Anu Shultes, General Manager, Financial Services at Blackhawk Network.

Cy Richardson, Vice President for Housing and Community Development at the NUL, said, "Many of the folks who are leaving banks are doing so because of a deep distrust of financial institutions."

Aite Group LLC coined the phrase "de-banked segment" to describe consumers who are leaving banks for prepaid cards. Madeline Aufseeser, a Senior Analyst at Aite, said 60 percent of the de-banked population reported leaving their banks over fees; 20 percent said they were looking for convenience; and 75 percent of prepaid cardholders said they're happy with their cards.

According to Lisa McFarland, Head of Consumer Prepaid Products at Visa, 61 percent of consumers who use Visa prepaid debit products have bank accounts. McFarland also referenced 44 million "on the rise consumers" considered to be prospects for prepaid cards. These are younger families with dual incomes who own their homes but are otherwise debt averse.

Numerous studies point to continued growth in prepaid – at an anticipated rate of about 40 percent a year between now and 2014, when consumers are expected to load \$167 billion onto prepaid debit cards. Last year, Americans loaded about \$80 billion onto prepaid cards, according to the Fed.

Not surprisingly, the rapid growth of prepaid cards has raised concern among consumer advocates. Gail Cunningham, NFCC Vice President for Membership and Public Relations, said her group is troubled by the growth numbers in prepaid debit, in part because so many people have poor money management skills.

Cunningham said that according to the NFCC, the number of U.S. consumers who admit to not paying their bills on time rose 5 percent last year; just over 40 percent give themselves grades of C or lower in terms of their grasp of personal finance.

"We need more education around prepaid cards," Cunningham told prepaid mavens attending the NBPCA event. ■

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

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- Cost-effective authentication and insurance services

One platform integrating all types of payments

From the Internet explosion to the emergence of alternative payments and the proliferation of mobile devices, payment acceptance has grown ever more complicated for merchants and shoppers alike. The central aim of CardinalCommerce Corp. is to simplify for merchants the perplexing and sometimes exasperating task of choosing and integrating the most suitable payment acceptance methods, according to CardinalCommerce co-founder and Executive Vice President Francis "Tim" Sherwin.

Merchant relief

CardinalCommerce provides merchants a single platform that hosts an array of payment channels, allowing them to integrate a variety of new acceptance programs as seamlessly as they would an update to their existing software, Sherwin noted. "Our overarching purpose is to try to normalize payments," Sherwin said. "You look at all that's going on, and it's becoming quite chaotic and disruptive. ... There's so many different ways and types of payments and so many channels for merchants now.

"What we do is enable everything – from Verified by Visa to international to local payment methods – from a single integration. They just hook into our platform, and we support everything. We use one API, and if you hook into us, you don't worry about all this chaos."

According to Sherwin, CardinalCommerce not only facilitates the integration of new programs but also the decision-making behind it. "You can make the decision if Google Wallet or whatever is right for you based on merits of the products and not the challenge of integration," Sherwin said. "So we take technology out of the process when they make business decisions."

Consolidated infrastructure

Essentially, CardinalCommerce's technology substitutes the unfamiliar computer logic of alternative payment programs with a language that merchant POS systems can understand in their existing form, according to Sherwin.

For example, PayPal Inc. allows consumers to make payments by entering a name and password that stands in for a payer's credit card data. Under normal circumstances, a merchant's payment capture and settlement system must be reconfigured to understand the unique logic of a PayPal transaction, as most systems are geared to read card data only, not the PayPal-specific information that supplants it, Sherwin said.

With CardinalCommerce, a merchant can employ a program like PayPal without making fundamental changes to the POS because the PayPal transaction information is replaced with a token card number that the merchant system reads like regular card data, Sherwin said.

When a PayPal transaction takes place, CardinalCommerce redirects the PayPal payment information (name and password) to its own settlement system; then it sends the merchant a pseudo card number to initiate the transaction. Because that token number mimics real card data, the merchant system reads it as it normally would and sends it off for authorization.

Company Profile

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Next, CardinalCommerce sends back an authorization code based on the consumer's real PayPal data, which is referenced by the token card number, according to Sherwin. "We help them by using the logic they have in their back office," he said. "We use that with Bill Me Later, AliPay, Mazooma, whatever. ... From reporting, reconciliation and maintenance, we've consolidated everything into that one infrastructure. It's really easy for merchants because we're basically leveraging everything they already have in place today."

Easy integration

According to Sherwin, CardinalCommerce works with almost every significant alternative payment acceptance product on the market. Its total of more than 30 partners spans eight countries and includes alternative methods of payment for both Internet and mobile commerce. The options include PayPal, Verified by Visa, MasterCard SecureCode, Google Checkout, Ukash, Secure Vault Payments, Bill Me Later, MyECheck, eLayaway, ClickandBuy, Amazon Payments, RevolutionCard, Ebates, Mazooma, RialtoPay, Credex, NetCash, SafetyPay, NYCE SafeDebit, Skrill, Alipay, ZipZap, PayPal Mobile, eBillme and Bill2Phone.

Sherwin added that CardinalCommerce integration can range from a matter of hours for a small merchant with a simple POS configuration up to several weeks for a larger, more complex retail environment, but he pointed out that even the weeks it sometimes takes is minuscule compared with what merchants using alternative payment channels typically endure. For merchants who offer multiple alternative payments, as many increasingly do, CardinalCommerce saves them the time and hassle of having to adjust their POS setup every time they incorporate new options.

Value for ISOs

Sherwin said CardinalCommerce has long-time, key partnerships with processors First Data Corp. and CyberSource Corp., among many others, and is beginning to branch out strategically to the broader ISO world as it seeks a foothold in the small to midsize business (SMB) space. "We have a lot of direct sales to very large merchants and some key partnerships in payment processing," he said. "We're working to get more to the ISO level, and a lot of that is going to come through our strategic partnerships with CyberSource and First Data."

Sherwin said ISOs leveraging CardinalCommerce's platform have an advantage with less tech-savvy smaller merchants who might be inclined to avoid payment products that appear too difficult or time-consuming to implement. "We've done a lot to kind of break-down products that make sense for the SMB world - to make those programs a lot smoother for the user experience," he said, adding that this benefits ISOs because it enables them to sell individual products that assist merchants without affecting payment conversion or the payer experience.

Maximum mobile commerce

Given that mobile payments comprise the newest frontier in payments, mobile technology development has been a focal point at CardinalCommerce. The company's mobile payment platform, Cardinal MAX, can increase customer traffic, drive and streamline mobile payments, bolster gift and loyalty programs, and more, Sherwin said.

Cardinal MAX provides a platform for merchants to expand their commerce and marketing to another consumer payment channel by establishing mobile stores and allowing consumers to pay in multiple ways from mobile devices. It also uses adjunct mobile payment and marketing programs that complement merchants' mobile platforms and help to drive traffic and sales. Cardinal MAX

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Company Profile

includes a virtual gift and loyalty program through which customers can store gift cards, coupons and loyalty points on their phones, and those benefits are sent and redeemed through short message service (SMS) text messaging.

Instant feedback

According to Sherwin, the use of text messaging benefits both consumers and merchants: consumers can store gift cards and coupons in their phones, rather than squeezing them into leather wallets, while merchants can automatically store and view a new layer of purchasing data for marketing purposes. By using SMS messaging, customers can also redeem gift cards remotely and on a whim, rather than having to carry plastic cards into stores.

"When I send a coupon or gift card to your mobile phone, now I'll know that Joe did 'xyz,' because he took his gift card to this store and redeemed this value," he said. "Traditionally, there's been an anonymity to couponing and other things that have been done on paper. Now I say to text in a gift card number or coupon number to get a gift. The number is unique to you, I know it's sent to you and I know where you redeem it."


One-click payment

Furthermore, Cardinal MAX can connect mobile shoppers

to their debit and credit card accounts for faster purchases. Sherwin noted that Cardinal MAX is cloud-based and integrates with all mobile wallet solutions – Google Wallet and MasterCard PayPass online, for example – making it unnecessary for merchants to integrate with the various mobile wallets individually or even know which ones consumers are using.

A consumer can simply sign in to his or her credit or debit card wallet account and, with a single click, connect to the account from an online checkout page for instant payment.

"I have the Citibank mobile app on my phone to see when payments are due," Sherwin said. "But then I might go to ticketmaster.com to buy tickets for the Indians game, and I have to enter all the credit card info on a screen. Why should I do that when I already have that Citibank app on my phone? Why can't I just pay with the app? We are basically creating a one-click experience allowing people to do that.

"Retailers are seeing a large increase in traffic on mobile and tablets, yet conversion is horrible. A big reason is that filling this information in on a mobile phone is a huge pain. Allowing them to do this seamlessly with one click on the phone, I think, is very powerful." 



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RECAP A new chapter from page 1

In addressing the latest round of lawsuits in the pipeline, Merchant Processing Resource, an educational resource and industry tracker, wrote in a blog that "as of early March 2011, at least three other MCA providers are now facing the same situation. We've seen the court filings, and it's essentially the same challenge and question of licensed lending."

unreasonably high interest rate as defined by state law, which varies by state.

AMI admitted no wrongdoing when it agreed to a settlement payment of \$23.4 million and forfeited the right to pursue further payments from plaintiffs. As part of the settlement, AMI also agreed to modify a section of its merchant agreement to read that, "Buyer, Seller and Principals acknowledge and agree that Seller going bankrupt or out of business, in and of itself, does not constitute a breach of the Seller Contractual Covenants" and that AMI would not request payments "from merchants who went out of business in the ordinary course and had not previously breached their merchant agreement."

Although not available for comment in *The Green Sheet*, Levy was quoted in a 2008 *Inc.* article as saying usury laws should apply to MCA providers. However, because MCAs represent the cash purchase of future card revenue assets, they have generally been exempt from state and federal agency regulations governing traditional loans.

That said, in an odd twist of legal fate, California finance lenders law does not require certain entities, such as banks and savings and loan associations, to obtain a lender license. But most other lenders that make more than one loan in a 12-month period are obligated to do so. And the usury limitation for commercial non-consumer loans in California is 5 percent above the current interest rate established by the Federal Reserve Bank of San Francisco.

Offering legal perspectives

"We saw when the AdvanceMe case got filed," said Paul Rianda, a California-based payment attorney. "Some of my clients are cash advance guys. Obviously, they are interested in it. I've been following it and seeing the other ones popping up." He was referring to subsequent lawsuits that have since been filed in the state of California against MCA providers that operate there.

In addressing the latest round of lawsuits in the pipeline, Merchant Processing Resource, an educational resource and industry tracker, wrote in a blog that "as of early March 2011, at least three other MCA providers are now facing the same situation. We've seen the court filings, and it's essentially the same challenge and question of licensed lending."

Rianda said that at this point the lawsuits seem to be geographically limited, and for that reason, some businesses may elect to stay out of California. But he doesn't see it slowing many people down. "I think it just points out the fact that there is this ongoing usury issue that's been sitting there for as long as we've had this industry and that one law firm figured it out," he said.

In light of recent developments in California, payment attorney Adam Atlas, who represents several MCA clients in the state of New York, said it's important to keep in mind that each case is different. For example, he said, "A court that decides on one form of contract does not make a decision for all the forms of contract, and each cash advance provider has their own individual form."

While Atlas believes the cash advance model will prevail, it doesn't mean entrepreneurial plaintiffs won't test it. He said the fact of one case being settled against one MCA provider does not preclude plaintiffs from suing another provider under the advice of attorneys who specialize in this type of legal matter.

"And the bigger the cash advance company, the more attractive a defendant they become, because you can create a bigger pool of possible plaintiffs," Atlas noted. "I'm licensed only in New York, so you mustn't interpret what I say as a California law legal opinion.

"But for what it's worth, I do not believe that the purchase of future receivables for a fee – when the purchaser is truly taking a fixed percentage of merchant receivables in order to recoup what they paid out to the merchant, plus a fee – when that occurs, I'm of the view that that is not a loan."

Atlas has also observed that the economic downturn has effectively weeded out lesser MCA entities in the space that may have had more risky underwriting policies and were less strict about compliance. He feels this has left a core of well-structured MCA businesses in the field that are in it for the long term.

Redrawing the lines

Statistically, California has consistently ranked as one of the top four states in terms of MCA dollars funded and the number of MCAs completed. So it's understandable why industry onlookers have been watchful of recent developments in the state, not only for the potential

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impacts of doing business in the state, but also for the looming possibility that other states may one day follow in California's footsteps.

"A lot of companies stopped funding for a short time period to assess what was happening," said Sean Murray, Chief Executive Officer of Raharney Capital LLC and founder of Merchant Processing Resource. "It caused them to blink. There are certain states where the purchase of future sales is perfectly fine, but California is really strict on that."

Murray said most MCA companies are becoming licensed, starting in California, and are systematically reviewing other states in which licensing might apply. He said once MCA providers realized that by becoming licensed lenders they could continue to offer MCAs, the funding perimeter broadened.

"I would argue that the AdvanceMe settlement caused the cash advance industry to triple and quadruple in size, because cash advance companies are now able to tap into a larger pool of merchants by being licensed lenders," Murray noted.

"The number and types of participants have evolved to such a great extent that merchant cash advance really

no longer applies, or applies to such a small sliver of the business," said CAN CEO Glenn Goldman, whose company in April 2010 launched NewLogic Business Loans to provide loans to small to midsize businesses (SMBs) based on a fixed daily dollar remittance amount.

Spurring further innovation

Goldman expects product innovation to continue to expand and that much of the expansion will revolve around daily remittance platforms. "That daily remittance platform really supports any type of funding to small businesses. It could be merchant cash advance, but you're seeing a lot more in the form of loans, lines of credit, putting the funding on a card and to support leases," he said. And daily access to data can be used to inform product and underwriting decisions.

"The interesting thing is that when we look at the impact of our funding on small businesses, on average what we've seen is that their card volume grows by just over 30 percent and that the uses of capital are more diverse," Goldman said. He's observed more online merchants funding the purchase of inventory. He said it also complements bank funding. For example, a franchisee with an 80 percent loan on real estate could fund the remaining 20 percent without taking on a partner.

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Merchant Cash and Capital LLC is another company that has seen a lift in funding levels since it began charting new territory. According to Stephen Sheinbaum, CEO of MCC, the company recently rolled out its B2B Cash Advance Program. In this case, the advance amount is determined by total monthly bank deposits. Instead of strictly buying a fixed percentage of the merchant's credit card sales, MCC purchases a percentage of total sales based on bank deposits.

According to Murray, another trend that bodes well for MCA is that merchants are beginning to invest once again in inventory, advertising and business acquisition, as opposed to just focusing on staying afloat, as they did during the worst of the recession.

However, according to Goldman, organic growth within existing businesses remains slow, and he hasn't seen a great number of new business formations compared with new ventures formed during previous economic cycles.

Fortunately, merchant awareness of funding alternatives seems to be on the increase. "I know American Express got into the game, so I think that really helped make merchants recognize these other alternative specialty financing options are available," stated Levi Rosenblum, co-founder of First Merchant Funding LLC.

In September 2011, American Express Co. introduced American Express Merchant Financing, a program that enables AmEx merchants who qualify, based on annual charge volume, to pay a fixed financing fee for access to capital. The program doesn't require a personal guarantee.

For Rosenblum, the MCA evolution has allowed his company to transition from starter advances for high-risk merchants to premium advances for merchants with excellent credit. "We're actually giving them a much greater dollar amount than they'd qualify for anywhere else," he said. "The way we do that is to really stretch the box and not do an eight-month program. We'll go up to 12 or 15 months on these deals, so they qualify for a tremendous amount of capital."

Advising ISOs, MLSs

Due to the complex nature of the MCA business, any ISO or merchant level salesperson (MLS) considering entry in this sphere is advised to become educated. The Electronic Transactions Association offers a detailed white paper covering MCA basics, including legal and risk management considerations, card company regulations and industry best practices, which can be downloaded at www.electran.org/white_papers/MerchantCashAdvanceBestPractices4-8.pdf.

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According to Murray, the Merchant Processing Resource website features a directory of the 32 largest names in MCA, who collectively underwrite advances for 80 percent of all MCA transactions in the United States. Another recommended resource is the complete listing of state usury laws, which can be found at www.usurylaw.com.

Offering advice to ISOs and MLSs looking for MCA providers, Murray said, "I would say reputation is number one. It really shouldn't be commission driven. It should be revenue contingent because you want to have a long-lasting relationship with the merchant. And you want to make sure that they get financing that's fair and quick, and it really shouldn't be a commission-driven experience."

According to Goldman, about 75 percent of AMI's eligible customers renew with the company. He advised ISOs to work with well-established MCA providers who have access to significant capital, offer a low cost of capital and have the ability to manage risk through access to data and historical performance. "These are going to be the determinants of success and the ability to solve pain points that small businesses face," Goldman said.

Marc Gardner, President and CEO of North American

Bancard, an ISO that offers multiple cash advance options to merchants, agreed that as long as there is a lack of liquidity within the SMB marketplace, there will be continued need for capital. He also predicted that as the economy grows, so will the demand for cash.

While neither CAN nor the companies involved in the latest round of lawsuits were permitted to discuss the specifics of each case, the general consensus among those interviewed was that great lengths have been taken to see that MCA companies conform to business best practices.

This includes obtaining legal counsel in order to structure MCA transactions to ensure merchant documents are consistent with applicable laws.

It appears the MCA industry has moved on from what initially appeared to be an ominous cluster of lawsuits. Indeed, many insiders believe alternative funding is in a better position to sustain long-term growth than at any other time in its brief history.

The only potential downside is that the lawsuits still pending in California may linger for some time. Years from now, however, these lawsuits might come to be regarded as merely a temporary cost of doing business in an industry that continues to reinvent itself. ■

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How to avoid post-close mistakes

By Jeff Fortney

Clearent LLC

When I was a child, my parents and I would go on a road trip each year. One trip still stands out, not because of where we went, but because of one specific incident that I still remember very clearly.

I was 15, and like every teenager, I lived in constant fear my parents would say or do something to embarrass me. Basically everything they said or did embarrassed me, so I was on constant alert.

On this particular trip, we stopped at a small truck stop. There was a gift shop inside, and my mom convinced me that it might be fun to check it out. As we looked at the local knickknacks, a toddler ran around the end of the aisle, right into me. The mom was only a few steps behind.

No one was hurt. After seeing that the child was OK, my mother said, "I love her dark curly hair. She is sure cute." The mom looked aghast and responded, "He's a boy."

My mother then said, "He is cute anyway." As we walked back to the car, she mumbled, "He would be cute as a girl, too." From that point forward, she never attempted to define a child's sex by appearance alone. I, too, learned to do the same, consciously avoiding gender-specific terms. We both learned a valuable lesson from her faux pas.

These types of statements have many names. I believe that Prince Philip, Duke of Edinburgh, coined the term best: "Dentopedalogy is the science of opening your

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mouth and putting your foot in it. I've been practicing it for years."

The sales profession is not immune to dentopedalogy. When it happens, it can have a serious impact on sales. One innocent but badly timed statement can cause an opportunity to vaporize instantly.

These situations can cause very expensive lessons. However, if merchant level salespeople (MLSs) prepare for them ahead of time, and follow these simple steps, they can reduce the likelihood of them happening.

Remember your role

As sales calls progress and agents bond with merchants and build rapport, there is a risk that MLSs will forget they are on stage, playing the role of salesperson. Once I was making a presentation to the board of directors of a very large merchant. This was the final meeting before they decided who would handle the company's payment processing, so my stress level was very high.

As the presentation progressed, it was obvious they were pleased with the offering, and the room seemed to relax. As the room relaxed, so did I. From a formal presentation, it evolved into a time of banter and shared laughter.

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In an effort to better bond with the customer, the MLS forgot an important rule. Never volunteer comments to merchants unless they are based on something the merchants have told you directly. In this case, he forgot his role as a salesperson and lost the opportunity.

The CEO, who was laughing along with everyone else, said, "I have a dumb question." I gave my normal reply, "There are no dumb questions." He asked his question, and I jokingly responded, "Except for that one." Everyone laughed, including the CEO, and I then answered his question.

As I shook each of their hands, I knew it was a done deal. That is until I returned to my office and checked my email. In it was a message from my contact explaining that they would not be signing with us because, "The CEO does not like to be laughed at."

That day I had forgotten that I was there as a salesperson. By relaxing and joining in the revelry instead of performing my role, I lost a \$100 million merchant account.

In the following post, GS Online MLS Forum member **RBELCHER** showed you can also forget your role when the sale is all but closed: "As he was leaving a merchant, he added one last line, 'And congratulations.' 'For what?' she asked. 'The new baby coming!' [he] said. As it turns out, she was not pregnant and never took my calls after that."

In an effort to better bond with the customer, the MLS forgot an important rule. Never volunteer comments to merchants unless they are based on something the merchants have told you directly. In this case, he forgot his role as a salesperson and lost the opportunity.

Don't oversell

Now consider the time between the merchant's verbal commitment and when a contract is signed. Do you proceed with the paperwork or try to sell additional products?

JMATHIS provided a clear example of the oversell. As the merchant was signing the contract, he added just one sentence, "Have you thought about gift cards?"

That little addition complicated the deal, as the merchant had not settled on branding. "I never did get the deal," **JMATHIS** said. "The application was already signed but they told us to hold off until they decided about the gift cards."

I am not saying you should sign the merchant and run. However, if you have successfully identified the merchant's needs prior to the signing, then there's no need to try to sell other products.

Even a proper post-close can cost you a sale if the merchant thinks you're being pushy. This happened to one of **JMATHIS'** reps, who lost a sale even though he was just trying to complete the application.

Instead of looking at the terminal, he asked what he thought was a simple question, "Is your terminal IP or dial?" The merchant responded, "What do you mean?"

The rep said, "Well, an older terminal will typically use a phone line and newer ones can use the Internet and are much faster." The merchant, starting to act concerned and said, "Well I have a dial terminal, so now are you trying to sell me something?"

The rep, in an effort to save the deal, responded, "No, we can work with the older terminal you are currently using." The merchant then replied, "Get out."

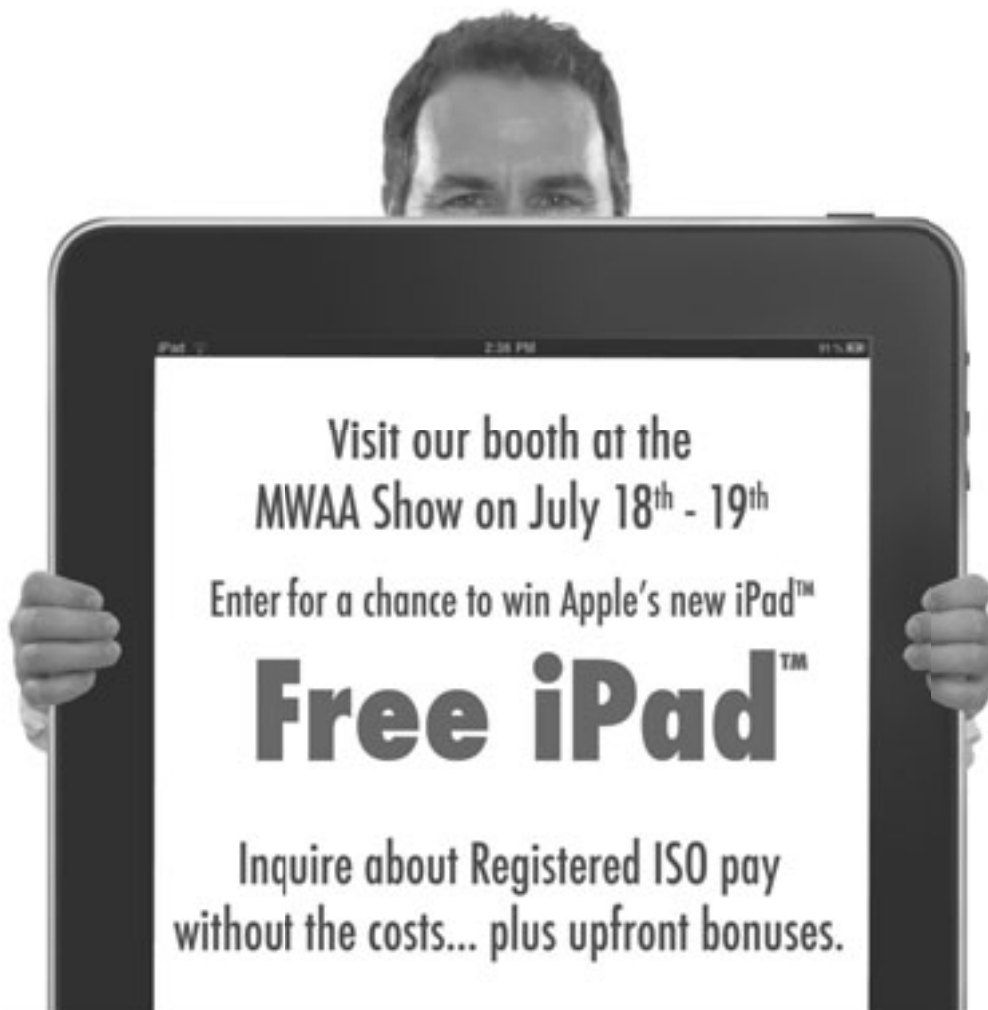
Although this didn't look or sound like an attempt to continue selling, the comment about the older terminal and its slower speed resulted in the merchant thinking it was an effort to sell him a new terminal. This is a good reminder that perception is often reality.

Or as **BILLPIRTLE** said, "It did not cost me the sale, but once I had a friend from a networking group tell me, 'I want the program. You can shut up and show me what we need to do.' This is exactly why sales agents need to listen more and not oversell."

Talk slowly or not at all

Ann Landers once said, "The trouble with talking too fast is you may say something you haven't thought of yet."

When I get excited about a certain topic, my rhythm speeds up. I tend to speak often, which means I may end up dominating the conversation. In sales, this is a bad thing. Yet some of the most successful salespeople are those who can speak quickly. They address the needs of the merchant, show they are the right person to fulfill the need and move the sale along.



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However, in speaking quickly, they are sometimes unaware of what they are saying or the impact it will have on the merchant. The best salespeople listen to identify the merchant's needs and then provide clear solutions. They may speak quickly, but they use an effective technique to keep the merchant talking. They follow the merchant's comments with one simple word: and.

That word said during a pause in the conversation encourages merchants to keep talking so sellers can continue learning without jumping to conclusions about merchant needs.

SDSORENSEN once jumped to conclusions about a prospective merchant's needs by saying, "In this area, you generally spend more money guaranteeing the checks than you would if you just ate a bad check every once in a while." Of course, the only reason the merchant wanted to talk to him was because she wanted check conversion/guarantee.

"After my statement, she began to think twice about check services," **SDSORENSEN** wrote. "I never got the merchant account or the check services. Open mouth, insert foot."

Thomas Edison said, "You will have many opportunities in life to keep your mouth shut. You should take

advantage of every one of them." The more we listen, the easier the sale. All it takes is you encouraging the merchant to talk, even when you want to jump in.

Stick to the script

In years past, it wasn't uncommon for a salesperson to get the merchant's signature, then get out of there before the merchant had second thoughts.

Today, this is no longer the definition of a successful sale. Some will argue that success is after the merchant's first true batch, while others will say success only occurs after the first statement.

However, as I mentioned above, a critical phase of the sale is the post-close, the time after the signature when the next steps in the process are discussed.

The post-close varies little from merchant to merchant. You explain what happens next, along with the timeline for reprogramming the terminal. It is literally a script that can be followed each time.

However, more sales are lost during the post-close than at any other time in the process. The primary reason is we go off-script. **LADERABUSINESSSOLUTIONS** offered a clear example of what can happen when we do.

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"Early in my sales career I was sitting across a desk from a prospective client and noticed a picture of him and his mother on the desk.

I was about to say something stupid like, nice picture of you and your mom, but luckily I did not. I later found out the woman in the picture was his wife."

Straying from the script has consequences. Actors may be able to do so, but in many cases, those ad libs we hear are well rehearsed. Comedian Joey Adams said, "Of course, it's very easy to be witty tomorrow, after you get a chance to do some research and rehearse your ad libs."

Rehearse your post-close, and stick to the script no matter how relaxed you are with the merchant. That's the best way to prevent yourself from opening your mouth and inserting your foot.

Get clever to take control

No matter how skillfully you play your role, listen well, and stay on script, difficult situations can and do crop up. They may even be out of your control.

At 15, my daughter was asked to baby-sit two younger children, a boy and a girl. She had not met them before, so

when she arrived they were in the back room playing as she received her instructions. She was told, "Megan goes to bed at 8, and Sam at 9."

After the parents left, she went into the back room and was somewhat shocked to see that they were wearing the same outfits, and had similar hair styles. Instead of getting their names straight, she just played with both of them at the same time. But when 8 p.m. came, she realized she would have to ask who was who.

Remembering my story from my teenage years, she chose a different approach. She encouraged them to head to their rooms for bed time, and when one said, "I get to stay up longer than her," she had found Sam.

When similar difficulties occur on sales calls, learn from this situation. And when you navigate the dilemma successfully, pass along your experience to others.

My daughter was glad I did. 📧

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



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Expanding e-commerce payments in China

By Caroline Hometh

RocketPay LLC

Of the estimated 2 billion Internet users worldwide, almost half live in Asia. Broadband is sweeping throughout the region. And people younger than 25 years of age comprise half of those who are online gathering information, reading news, playing games, socializing, shopping and buying. Four of the top 10 Twitter countries are in Asia.

Since more and more of these consumers are eager to buy from U.S., Canadian and European e-commerce businesses, the payments community needs to address the requirements that derive from this region. There are unique challenges to extending your payment strategy into Asia. Patience, persistence and partnerships are necessary.

Asian consumers complain primarily about delivery methods, distrust of the brand and security. Merchants quickly realize they must offer the local payment methods – not just traditional credit cards – to secure any real purchasing power.

What potential does the Chinese market have for the payments industry?

China is the world's second largest economy and is expected to overtake the United States as the world's largest e-commerce market by 2015. Consulting firm Innopay's April 2012 report, *Online payments 2012: Moving beyond the web*, projects an estimated transaction volume valued at \$314 billion USD by this date. With more Internet users than the United States, China represents a significant opportunity for e-commerce businesses and the acquirers and payment service providers that support them.

As of April 2012, the China Internet Network Information Center indicated the country's population is 1.3 billion. The official name of China's currency is the renminbi yuan. With 513 million Internet users as of April 2012 (according to Internet World Statistics), China is a strong and growing business market.

Currently, the strongest e-commerce performance is in online game playing, luxury goods, and video and music applications. For businesses leveraging sales derived from information application, the statistics are encouraging. Search engine use is up 69.4 percent, and news reading is up 78.7 percent. E-commerce transaction volume

is still considered low, believed to be in part due to trust issues in online transactions. Bandwidth and access to secure payment vehicles are also obstacles for consumers.

Steadily increasing prosperity in the community means higher consumer demand, more consumption and more online purchases, which include foreign goods. Markus Rinderer, Chief Executive Officer of Pay.On said, "Like many others, Chinese consumers strongly appreciate the high quality and prestige of the frequently world-known U.S. product."

Pay.On, a Munich-based global payment processor for Merchant Service Providers, assists its clients in extending their regional and payment coverage internationally. "It is up to the payment industry to open the flood gates to millions of online purchases from China. America will profit – in the short and long term – from payment access of China to the global online economy," Rinderer added.

What payment methods matter the most?

It is essential to offer the payment types most applicable to the Chinese market. Alipay – with 500 million registered users – claims more than 50 percent of the market share, currently processing 8.5 million transactions daily. A part of Alibaba Group, Alipay is an escrow service. It retains the payment until the service or goods are delivered and then transfers funds to the merchant. Consumers use a credit card or online bank transfer to pay into the escrow service.

Tenpay holds 20 percent of the market; 99Bill Corp. and China PnR Mobile Payments Solutions Pvt. Ltd. maintain approximately 7 percent each. The remaining percentage of transactions is cash on delivery, which has long dominated the market and region.

Third-party online payment companies exercise a critical role in collecting money from buyers and delivering them to the merchant's account. Their transactions rose an astonishing 1,001 percent year over year in 2010 and exceeded 2 trillion in volume in 2011.

The challenge is that since Sept. 1, 2011, all third-party providers and nonbanks have been required to obtain a license from China's central bank, the Peoples Bank of China. This licensing can take months and require local assistance or partnership to achieve. To date, some 100 licenses have been granted, according to iResearch Consulting Group.

What are the challenges in establishing partnerships?

Alliances and partnerships are believed the necessary connections to be successful. Knowledge of the culture, language and people is crucial. American business personnel can be considered too casual for this culture. Flinging out your business cards like you would deal

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Education

North American business relationships are often built while the sale and negotiation process is underway. This tends not to be the situation in China.

playing cards will not establish a strong beginning to a partnership. Neither will back-slapping, casual jokes nor coming to a meeting without a formal agenda.

Dr. Tschangiz Scheybani, Managing Director of Pay.On Asia (Hong Kong) Ltd. and Pay.On Philippines Inc. said, "The success of business depends firstly on the deep cultural understanding as well as experience with the Chinese economic system."

To meet these requirements, Pay.On opened a subsidiary in Asia in 2009. "Both China UnionPay and ChinaPay are government-related corporations," Scheybani said. "They represent, promote and regulate the interests of the Chinese banking industry with its huge number of card and account holders.

"As it is known in dealing with card companies, related interests are subjected to additional complexity which has to be appreciated. Therefore, the personal, trustful, usually long-term business contact is important for success.

"This strategic decision pays off more and more today as our clients benefit from fast response and our comprehensive business knowledge."

Do I need to be able speak Mandarin Chinese?

While English is the global business language, you will significantly set yourself apart from competitors if you can speak at least "survival" Chinese. "In 10 hours, we can help you speak about time, money, food, airport concerns, taxi and introductions," said Michael Cheng, President of Mando Mandarin School. "I realized early that Mandarin Chinese would become not merely popular but essential to American businesses."

His school employs instructors from China who instruct students in learning Mandarin via online video in real time. Cheng said, "The word 'guanxi' essentially means your personal networks of influence.

"It is crucial for any businessperson wanting support for their project. Learning the language shows a great sign of respect. ... It is very useful to start the relationship. Your prospective partners will want to use their own language. Having some language at your disposal will break the ice and be useful to start the relationship."

Payvision, a licensed Payment Institution member in the Europe, Middle East and Africa region, has long focused on the Asia-Pacific (APAC) region. Willy Kwa Kok Leng, Senior Vice President at APAC said, "Conducting business in China and throughout the region is reliant on trust and relationship. Our extended focus on this region has been established through bonds built on trust and alliance."

North American business relationships are often built while the sale and negotiation process is underway. This tends not to be the situation in China. A relationship must be established well in advance of a successful partnership and usually before a contract is completed.



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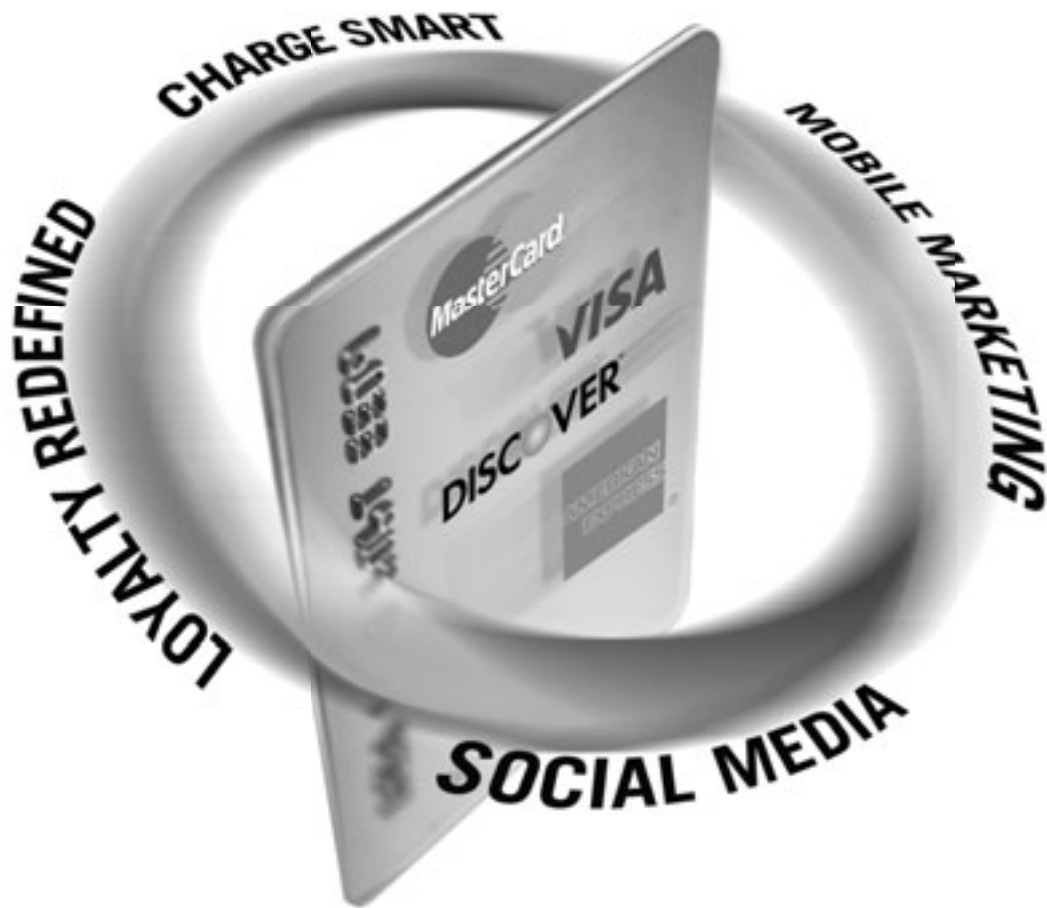
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Education

"In China there is a great deal of importance placed upon getting to know someone and earning their trust before the business relationship even begins. Face-to-face meetings, sharing meals, gift giving and even following the correct protocol of where to seat people in a meeting, based on who is hosting, corporate and/or social hierarchy are critical building blocks for successful business partnerships with Chinese counterparts," said Nicole Kikoski, Senior Vice President of Business Development at Payoneer, an international payment solutions company.

Kikoski recently moved to Shanghai, so she has a great deal of personal experience. "This respect for local customs, culture and rituals translates into a strong foundation of trust and mutual understanding on which to begin a lasting partnership," she added.

The Mando Mandarin School also trains students on cultural issues. "If you are not Chinese, take the time to understand some of the verbal and nonverbal signals," Cheng said. "Study the importance of 'gifting' and what is acceptable and what is not appropriate. ... As an example, do not give the gift of time in the form of a clock or watch. Never give anything in a set of four."

Kwa Kok Leng agreed on the value of leveraging the use of Mandarin Chinese in business dealings. "Although

English is widely spoken, there are still many places that use domestic language for business dealings and conversation," he said. "Certainly Mandarin Chinese is the strongest example of that. We have staff that understand both local language and cultural experiences to help our partners enter the market."

How can I connect to third-party online payment companies?

A small number of companies are working to make this connectivity possible. One such company is Pay.On. Its clients can directly process their transactions by the global routing gateway PayPipe.

"All connections – Europe, LAC and the APAC market – utilize a state-of-the-art gateway which fulfills the technical and formal requirements to provide U.S. acquiring banks and U.S. card acquiring processors a direct link to [the] all important Chinese market," Rinderer said. This eliminates the need to wait in the integration queue for your project to launch.

"Clients can expand their market boundaries to China, the region and the world through a direct connection already integrated to hundreds of other payment market participants and over 100 international payment methods," he added

Can any conclusions be currently made for this market?

While the region has long been dominated by cash, consumers are shifting to online payment methods of their own choosing. They are sensitive to price, often shopping at seven or more websites before purchasing. They look for guarantees and swift, well-packaged shipping offers. After-sale customer support is imperative. Savvy merchants will recognize this is an opportunity to deepen their relationships with their customers. This is true for payment providers supporting their merchants, as well.

Cultural and language differences in comparison with the western market are significant and must be accommodated. Partnerships are crucial and patience is necessary. But the rapid growth of consumer purchasing power and explosion of e-commerce in China represent tremendous opportunity for those committed to a long-term strategic vision. ■

Caroline Hometh is Managing Director for RocketPay LLC, a global payment advisory service to acquirers, ISOs and Internet payment service providers worldwide, specializing in establishing relationships that foster the growth of international payments. RocketPay will carefully consider your global initiatives and provide both strategic recommendations and hands-on assistance and expertise. Hometh can be reached via email at chometh@rocket-pay.com; via office phone at 978-255-3109, wireless at 978-807-5047 and direct at 978-462-3459; and via the web at www.rocket-pay.com.

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Combating faceless fraud

By Nicholas P. Cucci

Network Merchants Inc.

Recently, a variation on an old type of fraud surfaced: a social engineering scheme. This type of fraud can be described as the art of manipulating people into performing actions or divulging confidential information. And one such scheme recently exposed 500,000 credit card numbers.

Social engineering techniques

There are certain techniques used in order to achieve a social engineering scheme, including pretexting, phishing and diversion, which are defined below:

- Pretexting is the act of creating a false scenario to engage a targeted victim to increase the chance that the victim will divulge or perform actions that would normally not take place. This technique is mostly used to fool businesses into disclosing customer information.
- Phishing is done through emails that appear to come from a legitimate business, bank or credit card company. These e-mails typically request verification of information. The emails always contain links to fraudulent web pages requesting more confidential information.
- Diversion is a type of "con" exercised by professional thieves, normally against a transport or courier company. The objective is to persuade the people responsible for legitimate delivery that the consignment is

requested elsewhere than initially indicated.

A case in point

WHMCS is an all-in-one client management, billing and support solution for online businesses that was recently hit with a social engineering scheme. According to *The Register*, a U.K.-based technology news and opinion website, 500,000 credit cards were compromised as a result. Experts believe the incident highlights the persistent security risks third parties pose when it comes to protecting cardholder data.

A group called UGNazi claimed responsibility for this attack and the temporary takedown of WHMCS. UGNazi fooled customer service representatives at HostGator, which is WHMCS' web hosting firm, into providing administrative credentials to UGNazi servers. Once hackers accessed the servers, they copied the company's billing database and left WHMCS' services unavailable. UGNazi also temporarily took over the WHMCS Twitter account.

This was a clever third-party hack. It relied on a third-party provider for WHMCS because chances are a support technician is not likely to recognize a customer via email or over the telephone. One of the most common requests is a password change.

Damage control

WHMCS followed up this incident with a May 23, 2012, post on its blog. Matt Pugh, the founder and lead software developer of WHMCS, wrote, "The person was able to impersonate myself with our web hosting company, and provide correct answers to their verification questions. And thereby gain access to our client account with the host, and ultimately change the email and then request a mailing of the access details.

"This means that there was no actual hacking of our server. They were ultimately given the access details. This is obviously a terrible situation, and very unfortunate, but rest assured that this was no issue or vulnerability with the WHMCS software."

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Once access was gained, the company's main server was hit by a distributed denial of service (DDoS) attack. A DDoS attack is an attempt to make a machine or network unavailable to its users by saturating the target machine with external communication requests. The attack rendered WHMCS temporarily unable to deliver its web hosting control panel and client management, billing and support services to its customers.

"Further investigations have shown that the social engineering attack did not involve the compromising of any email account," Pugh added. "This was only done after access to the server had been gained. ... We've been working very hard with our web hosting provider to restore and secure services. The DDoS mitigation continues to be ongoing, and we are doing everything we can to limit the impact of this."

The role of payment pros

What can you, as payment professionals, do to help prevent this from happening to you and your merchants? Educate. As simple as it sounds, it really is the truth. There are organizations whose goal is to educate the end user and reduce fraud. One such company is Florida-based KnowBe4, an Internet security awareness training provider. Among other fraud prevention efforts, KnowBe4 strives to enable businesses to quickly solve the urgent security problem of social engineering.

Japan's Consumer Credit Association recently released information stating that the country's online credit card fraud recently increased to 5.2 billion yen (\$65 million) in 2011, up from 2 billion yen (\$25 million) in 2010. Japan's CCA put out a warning stating that a credit card number and its expiration date are not enough to obstruct fraud on the Internet, and that online merchants need to change their guidelines of verification in order to reduce the rate of crime.

Online fraud is faceless and occurs worldwide every second of every day. Fraudsters and hackers will find new ways to infiltrate systems. Advanced solutions and training are needed to protect ISOs, merchant level

salespeople (MLSs), and merchants from this constantly evolving threat.

Services to provide

What can payment professionals provide to assist merchants with bolstering system security? Keep it simple. Help merchants set up their fraud monitoring systems. Small or large, all merchants should use some type of fraud scrubbing software. Monitoring should include the following:

- **Customizable filters:** Set these filters based on the merchant's processing trends.
- **Pending reviews:** Review and decline transactions prior to authorization if a transaction is flagged.
- **Email notifications:** Receive emails each time a transaction triggers an alert based on preset filters.
- **Controlled responses:** Set customer responses or create your own response for transactions that have been triggered and are awaiting review.

Providing assistance of this kind will help ensure that your merchant customers' systems are safe from intrusion while also adding tremendous value to your services as an ISO or MLS. ☑

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



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HARBORTOUCH

mPOS – it's about more than payments

By Kevin Colaço

Retail Cloud

It seems every day we are inundated with emails, press releases, tweets and updates about mobile. It's all one stream of mobile: mobile payments, mobile POS, mobile apps, mobile dongles; it's mobile this and mobile that.

So there has to be something to this mobile world. It brings new players, transforms old partners and brings together sworn enemies. Against the backdrop of how consumers and financial institutions are driving mobile payments, companies are trying to redefine how retailers use mobile technologies.

Why is there such fervor for mobile?

One theory says every 15 years or so a new technology emerges that fundamentally changes the business landscape. Think personal computers in the '80s, the web in the mid-'90s and the cloud, particularly as it relates to mobile services, today.

Adopting new technologies blindly serves no purpose. Companies that are able to use the technology to redefine how they do business, and ultimately how business is done, will flourish.

An excellent example is Amazon Inc. The company used the web to change the way books are sold while the dominant players in the book space, Borders Group Inc. and Barnes & Noble Inc., used the web to list their store addresses and hours. In 2011, former upstart Amazon.com did \$50 billion in sales, Borders went out of business and Barnes & Noble did \$8.5 billion in sales. All adopted the web, albeit in different ways with different results.

Today, retailers are scrambling to adopt mobile solutions, and the mobile POS (mPOS) in particular. Recently, Nordstrom Inc. reported that it has over 6,000 mobile devices deployed and that by 2013 mPOS deployment would exceed that of traditional POS devices. One survey even indicated two out of three retailers are investigating mPOS options.

What do merchants expect from the mPOS?

According to a 2012 Forrester Research Inc. survey, 49 percent of retailers said their average order via a tablet is now higher than the average traditional web order. Nearly three in 10 retailers said they are seeing about the same

average order value from tablets as from their websites. Clearly mPOS is making an impact on retail; the question is how should it be adopted to best benefit retailers.

On April 25, 2012, Motorola released an in-depth survey about mobile POS solutions. Over 20 pages long, it contains many statistics about mobile POS developments and the retail industry. After I poured through the data for the fifth or sixth time, I realized some of the statistics were conflicting and were likely caused by inconsistent definitions of "mobile POS."

In some of the survey's slides, it was apparent retailers considered the mobile POS as an engagement and interaction tool. In other slides, it appeared respondents were thinking of only a POS enabled for mobile devices. So I reviewed the slides again to see what secrets they would unlock as to what retailers felt the mobile POS was all about.

It became clear that the mPOS is considered primarily to be a tool to improve the customer experience by providing relevant inventory and service information. Notably, 71.3 percent of retailers expressed interest in mPOS solutions to improve the customer experience in the store.

While some retailers will, no doubt, use mPOS to ring up sales, this was considered a secondary, or tertiary, function. However, today most deployments and solutions, unfortunately, focus on the backward-looking function of ringing up sales and posting inventory movement to a central server.

What do merchants think of mPOS devices?

I also drew conclusions from the data about how retailers view mPOS devices, as follows:

- Nearly 30 percent were concerned about device costs.
- 20 percent felt the device they evaluated was too large.
- Presumably those that selected smaller devices made up the 21 percent that considered the screen too small.
- With the proliferation of 5- and 7-inch Android OS tablets under \$150, it was no surprise that over half of those surveyed anticipated they would be deploying tablets in the future.
- Over 52 percent also felt they would allow their employees to utilize their own devices (presumably smart phones) to connect to their cloud administrative server.

Here are some findings that surprised me:

- 55 percent of all respondents were still planning on accepting cash on their mPOS devices.

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Education

- Only a little over 40 percent saw these as devices that could close out the sale. Presumably, this reflects that the study showed most merchants did not have the capabilities for digital receipts and were also concerned about theft of devices (given the cost of some of the mobile devices in use).

So what is the mPOS?

The mPOS must be a solution that can run on a low-cost device, with a screen that is large enough but not bulky. Ideally, it should be a tool store associates can use to provide consumers relevant information about product, inventory and pricing levels.

The device should also offer save-the-sale and close-the-sale functions in a simple, safe and secure manner. The mPOS system should be fully integrated into the retailer's operation, and solution providers ought to have expertise in mobile cloud-based solutions.

Finally, any implementation should address details like what happens when a customer wants a receipt and the process for store associates removing security tags and bagging items.

The mPOS is not a regular POS enabled for mobility; it is a much more effective tool that should be used to interact with consumers, ultimately optimizing their experiences with the brand. This may seem like quibbling about semantics, but consider that back in the mid-'90s Amazon, Borders and Barnes & Noble all had websites. I am certain we can all agree their trajectories were impacted by how they implemented the technology.

It is inevitable that tablets will become ubiquitous, and ISOs and merchant level salespeople are uniquely situated to benefit from retailers' urgency to implement tools to better engage their customers, in that payment professionals already have trusted relationships with merchants.

Offer them solutions that leverage mPOS capabilities, and build commerce as opposed to simply offering them a POS enabled for mobile payments. ■

Kevin Colaço is founder and Chief Executive Officer of Retail Cloud, which offers a range of cloud computing technology solutions designed to help small and midsize retailers maximize resources, improve customer service and increase sales. He can be reached at kColaço@retailcloud.com.

Boost Your Biz

The value of CQ

Communication quotient (CQ) theory holds that communication skills can be quantified and then improved using feedback on CQ test scores.

A CQ test consists of a series of questions, either true/false or multiple choice. After correct answers are tallied, test-takers are scored on a sliding scale, from excellent to abysmal.

Numerous CQ tests can be taken online, each using a different sliding scale, indicating CQ testing isn't rigorously scientific, but rather somewhat arbitrary. So is it worthwhile?

Yes and no. If you are a good communicator, you likely are aware of your strengths in this area, since having good communication skills is integral to personal success. But if you lack communication skills, you may realize your career is lackluster, but you may not know why. A CQ test may therefore provide insight.

Questions from the questions

But what CQ testing really points out is that there is always room for improvement in how individual salespeople – and entire enterprises – communicate.

One CQ test poses several true/false statements, such as:

- Don't flatter too much.
- It is important to ask, What do you think?
- Body language is important to monitor during conversations.

Excessive flattery will come across as insincere, but it is worth asking whether a company is appreciating its customers enough. When was the last time a brand told its customers how intelligent and discerning they were to choose that brand?

Such a message would not only reinforce what a business thought of its customers, but also that the business itself thought highly of its own products – always a positive message to convey.

In the same vein, how often do companies solicit their customers' opinions? Obviously, customer feedback is invaluable in improving products. And what "body language" is a company conveying? Is the website sitting erect or is it slouching, so to speak? And is the sales staff approaching potential clients with positivity and openness?

So, it seems the scores on CQ tests are probably not as important as what arises from the questions the tests pose. ■

10 years ago in The Green Sheet

A decade ago, Wal-Mart Stores Inc. attempted to enter financial services via bank acquisition; MasterCard Worldwide predicted debit, payroll and smart card usage would grow; and Authorize.Net faced allegations of unauthorized access to its database. Since then, Wal-Mart has found other ways to enter the financial services realm, MasterCard's predictions have come to pass and companies are still under attack by fraudsters.



Wal-Mart pursues bank acquisition

Wal-Mart, after twice failing, attempted for a third time to enter the banking and financial services sector. According to a Wal-Mart statement at the time, the acquisition of Franklin Bank of California would have enabled the company to wholesale many of its check and debit card processing costs.

MasterCard discusses payment trends

In a keynote address at the Card Forum and Expo, Ruth Ann Marshall, then President, The Americas, for MasterCard, said that over 3.6 million U.S. households were paying bills online, potentially saving financial institutions \$8 billion annually in check processing costs. She also predicted growth in smart card adoption and a rise in U.S. usage of debit and payroll cards.

Authorize.Net sets record straight

An MSNBC.com report of a scheme involving hackers using passwords to access merchant accounts and virtually return merchandise for funds via the Authorize.Net merchant database prompted Authorize.Net to counter that no unauthorized access occurred; instead, hackers were able to guess merchant log-in IDs to perform one credit run before being detected.

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NewProducts

Swipe or tap, your choice

Product: NFC Swipe

Company: ROAM Data Inc.

ROAM Data Inc. extended its mobile commerce platform with what it heralds as the industry's first device-agnostic card reader featuring near field communication (NFC) and mag stripe capabilities in a mobile POS unit that plugs into the audio jack on a variety of devices.

Slated for release in mid-2012, the NFC Swipe will reportedly operate on hundreds of smart phone, tablet and PC models available today.

"This marks the first truly low-cost solution that can help proliferate the adoption of NFC and contactless technology while supporting existing mag stripe technology at the same time," ROAM released in a statement.

The NFC Swipe comes at a critical juncture, just as card brand initiatives are expected to drive further adoption of NFC here in the United States. The technology enables radio communication between devices that are either within close proximity or tapped together.

With the recent infusion of funding from Ingenico S.A., ROAM has accelerated research and product development. "Beyond our planned launch of NFC Swipe in mid-year, we plan to release an EMV Swipe for contact chip cards with magnetic stripe reader in the same convenient package, as well as other turnkey virtual mobile commerce solutions for our distribution partners," said Will Graylin, Chief Executive Officer at ROAM.


According to the company, the NFC Swipe differentiates itself in that it delivers complete end-to-end encryption for processing data securely; it supports numerous mobile and stationery devices and is compatible with Visa Inc. payWave and MasterCard PayPass specifications for global contactless payments; and ROAM's PCI Level 1-certified gateway allows merchants to process payments with their provider of choice.

Another benefit of the NFC Swipe is its compatibility with various card acceptance applications, including the ROAMpay X, as well as applications developed by ROAM's white-label partners.

Features of NFC Swipe include:

- End-to-end encryption processes data securely
- NFC capability offers merchants processing flexibility
- Swipe enables standard mag stripe payments
- Jack offers compatibility with multiple devices
- Reader works with white-label partner card-acceptance apps



The company plans to roll out an application programming interface for third parties interested in building their own applications leveraging the NFC Swipe secure reader. 

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Cash advance enters B2B world

Product: B2B Cash Advance

Company: Merchant Cash and Capital LLC

Most small and midsize business (SMB) owners would readily admit working capital is extremely tight these days. For businesses that don't accept credit cards, the prospects of a merchant cash advance have, for the most part, been off limits – until now.

The new B2B Cash Advance from Merchant Cash and Capital LLC was created specifically to offer business-to-business (B2B) relief to SMBs seeking capital for equipment, growth and any number of other business needs.

"MCC's business is all about providing flexible capital for those who qualify, and the B2B Cash Advance program will now make financing available to thousands of merchants that previously couldn't qualify simply because they either didn't accept credit cards or they didn't have enough receipts to qualify, even though they made great

Features of B2B Cash Advance program include:

- Designed for those who may not qualify for traditional cash advances
- Suitable for businesses that don't accept credit card payments
- Advances based on total monthly revenue
- Hands-on underwriting included to help secure more deals
- Revenue-share opportunity offered to ISOs, MLSs

candidates for financing," said MCC President and Chief Executive Officer Stephen Sheinbaum.

Typically, merchant cash advance programs are based on credit card sales, and a fixed percentage of daily card sales is collected to pay back the advance. B2B Cash Advance is based on total monthly revenue, and MCC collects a fixed percentage of future bank deposits. According to MCC, qualifying merchants can receive funding of up to 100 percent of monthly revenue, and it has streamlined the underwriting process to minimize paperwork.

"With this unique, one-of-a-kind program, we can easily fit these merchants under our financing umbrella," Sheinbaum said. Through its expanded funding umbrella, MCC plans to target wholesalers; manufacturers; suppliers; insurers; contractors; heating, air conditioning and ventilation services; landscapers; and health care providers; among others.

Because funding is expected to remain a challenge for SMBs, Sheinbaum said MCC will continue to design progressive programs to provide SMBs with access to working capital. MCC reportedly has funded more than \$400 million to over 12,000 customers since first opening in 2005. The company said its reseller program is based on a revenue-sharing model and offers ISOs extensive training and ongoing support.

"Generally, the ISOs will receive a percentage of the amount of funding advanced to merchants," said Seth Broman, MCC Vice President of Business Development/ISO Relations. "Separately, we also work with ISOs to market their existing merchants with cash advance offers." MCC can prescreen an ISO's database to qualify merchants and then notify merchants directly to inform them of their approval amounts. This approach has been extremely effective in driving ISO revenue, Broman added. ☐

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DateBook

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



Midwest Acquirers Association

10th Anniversary 2012 Annual Conference

Highlights: Celebrating the past and envisioning the future will be the theme of the Midwest Acquirers Association's 10th anniversary conference, which will take place in the heart of Chicago. To mark the start of a second decade of service, the MWAA has kept conference sponsorship and registration costs the same as in 2011.

Conference sessions will cover the world of Europay/MasterCard/Visa, small business marketing programs, the changing mix of payment players, the impact of government and legislative initiatives on the industry, and the mergers and acquisitions outlook. Other highlights will include a buffet lunch sponsored by Field Guide Enterprises LLC, a Discover Financial Services future-themed party, and the MWAA's Shark Tank Innovation competition.

When: July 17 – 19, 2012

Where: Hilton Chicago

Registration: <http://midwestacquirers.com/register.php>



Women's Network in Electronic Transactions

LINC Chicago

Highlights: W.net's LINC Chicago will directly precede the Midwest Acquirers Association's annual conference. The event will provide an opportunity for women in the payments industry to network and hear from engaging speakers who will address key issues in payments, as well as offer career tips and advice specifically applicable to women.

W.net's LINC meetings occur throughout the United States and provide a forum for female payment professionals to empower and inspire each other through local networking, mentoring and educational opportunities.

When: July 17, 2012

Where: Hilton Chicago

Registration: www.wnetonline.org



The Prepaid Press

tppExpo'12

Highlights: Research indicates the prepaid industry has grown in three distinct branches: calling card, wireless, and gift card and alternative payments. These three sectors converge at the retail level, but are still approached as different industries. The Prepaid Press Expo 2012 (tppExpo'12) prides itself on being the only trade event that focuses on the convergence of all prepaid products and services.

The event is recommended for anyone involved in producing or selling prepaid services. Among the benefits for attendees and exhibitors are opportunities to network with customers across all prepaid distribution channels, conduct face-to-face business with new prospects and reach prospects unavailable elsewhere.

When: Aug. 6 – 8, 2012

Where: Paris Hotel, Las Vegas

Registration:

<https://secure2.rhq.com/tpp/tpp2012/attreg/index.cgi>



WesPay

Payments Symposium 2012

Highlights: Quality education at a reasonable price is the aim of Payments Symposium 2012. In keeping with that goal, the event offers networking opportunities with hundreds of payment professionals, credits for those seeking to gain or renew their Accredited Automated Clearing House Professional or Certified Treasury Professional status, information on the latest developments in the payments industry, and guidance from leading industry experts.

Headliners slated to speak at the symposium include Lee Wetherington, Director of Strategic Insight at ProfitStars, Jim Van Dyke, President and founder of Javelin Strategy & Research, and Janet Estep, President and Chief Executive Officer of NACHA – The Electronic Payments Association.

When: Sept. 17 – 18, 2012

Where: Hard Rock Hotel, San Diego, Calif.

Registration: www.wespay.org/symposium/registration.htm

Inspiration

It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.

- Clarence Darrow

WaterCoolerWisdom:

Disruption is good

The dizzying pace of change poses an almost constant threat to one's sense of stability. Just as you get comfortable with a certain technology, along comes a new technology poised to unseat the old. And it's not like you have a choice in standing pat.

In payments, disruptions are coming fast and furious. E-commerce hasn't reached its full potential, and yet the industry is already zooming ahead to mobile commerce. POS terminals that were state-of-the-art only a short while ago now seem old hat. And the value-added service is taking the place of meat-and-potatoes processing as the pitch du jour for ISOs and merchant level salespeople (MLSs).

There is no way around it. There is no way of stopping it. The payments world is going through a historic and perhaps unprecedented shift. But the disruptions ISOs and MLSs are experiencing should not – in fact can not – be viewed negatively. Even though disruption is unsettling and uncomfortable, it must be embraced if agents are to survive.

Exploit the edge

It is no coincidence that the most successful companies are also the ones that have baked the philosophy of disruption into their DNA. Cutting edge firms like Apple Inc. and Google Inc. have disrupted commerce with their innovations. But they are also willing to disrupt themselves to keep pace with the changes their inventions have wrought.

It seems ages ago when Apple was a PC maker. But the revolution unleashed by the iPhone fundamentally changed the company into a hub for interactive social media and commerce, which Apple enthusiastically embraced. The same goes for Google. The search engine giant is making a foray into uncharted payment territory with Google Wallet, aiming to take advantage of the online ecosystem it helped create.

ISOs and MLSs can adopt the same mindset. A payment processor for traditional brick-and-mortar retailers

may develop customer relationship management (CRM) software ideally suited for a niche market, such as health care or auto body shops. That best-in-class CRM tool might point the ISO into a more specialized and profitable direction than previously imagined, one that would have been closed to it if innovation and experimentation were not integrated into its business culture.

Invite upheaval

In addition, without the threat of disruption, ISOs and MLSs might become complacent or remain too acutely focused on servicing customers to realize when the competition is developing processes that could capture their merchant customers and erode their bottom lines.

A heightened sense of the competitive landscape has the added benefit of helping businesses maintain a sense of challenge so important to winning in a free market system. Without that edge, companies would stagnate, and so would their services.

In this way, disruption helps the entire marketplace. Businesses are forced to innovate to remain competitive. Processes get streamlined and more efficient for companies to operate. And consumers get better products and services. It is this continuous cycle of innovation and disruption that keeps society progressing.

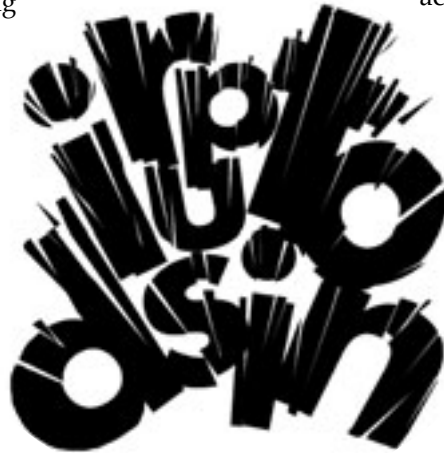
Of course, progress is hard to quantify. But can anyone argue that manual credit card imprinters of old are better than electronic POS terminals? Or that the multifunction but stationary POS devices in place today will remain superior to the mobile payment devices of the future? Hardly.

Yes, disruption is destructive. But it's also immensely creative. Disruption can put you out of business. But you can also harness it to make your entrepreneurial dreams come true.

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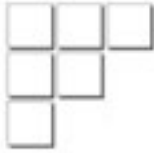
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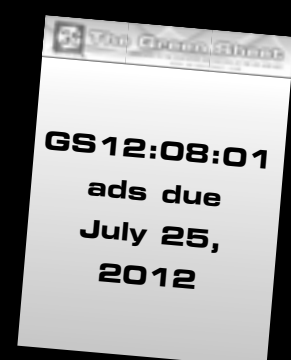
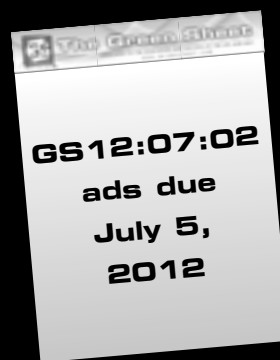
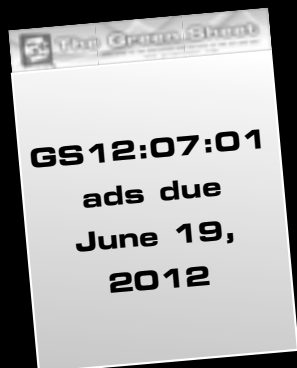
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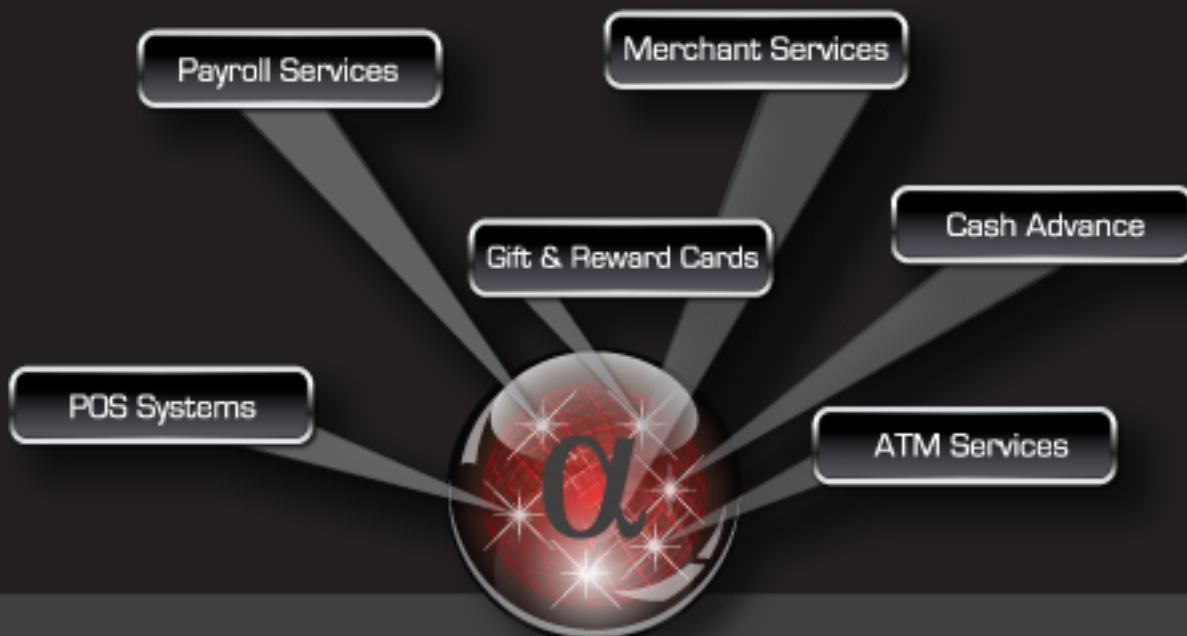
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[pin-hed] *n. Slang*
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