



The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

September 27, 2004
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Compliance: Challenges in Protecting Cardholder Data

"The card associations have come up with very good programs. If they can implement them and get adoption, they'll achieve the results they're looking for, which is a much more secure system across the entire supply chain."

- Michael Petitti
Ambiron

Compliance. In the world of payments, there aren't too many other words as loaded as this one. It's one that sends shivers down the spines of banks, acquirers, merchants and ATM operators alike. First, it sounds like a lot of work—preparing for an audit, undergoing the assessment and repairing any vulnerabilities in a system's security chain.

Then it sounds expensive—determining if a system is secure, meeting compliance standards and potential fines for non-compliance.

But what exactly is it? An impossible goal? A pain in the neck?

In payments, compliance has many meanings and implications. There are rules issued by the card Associations that affect everyone who touches transaction data at any point along the way. And then there are the requirements—and fees—for registering with the Associations to represent them and sell their products.

Protecting the integrity of financial data has become an increasingly complex process. It's a spectrum, a continuum, and an ever-evolving challenge. Whether you embrace them or curse them, the regulations are intended to be safety precautions, not impediments.

While businesses in all industries struggle to keep information out of the wrong hands, data used by the payments companies is especially ripe for the plucking. After all, it's not just trade secrets or customer lists stored on servers

See Compliance on Page 59

NotableQuote

"With just a few keystrokes, and at no charge, you have access to information on practically everything—possibly even your credit card number. Google enables users to perform detailed searches by number ... so it's not surprising that people smart enough to take advantage of this powerful technology are using it for pursuits that are hardly innocent."

See Story on Page 32



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Ingenico, North America's premier fastest growing provider of electronic transaction terminals introduces a new, service inspiring, award-winning Pay@Table solution. The i7770 compact and portable payment solution utilizes Bluetooth's superior communications making Pay@Table solutions fast, reliable and secure.

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- ✓ *Visa PED for online debit*
- ✓ *Multi-app ready terminal allows for loyalty, gift card and other enhancements*
- ✓ *Reliable Bluetooth communications provides extended range and battery life*



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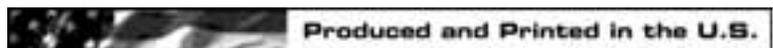
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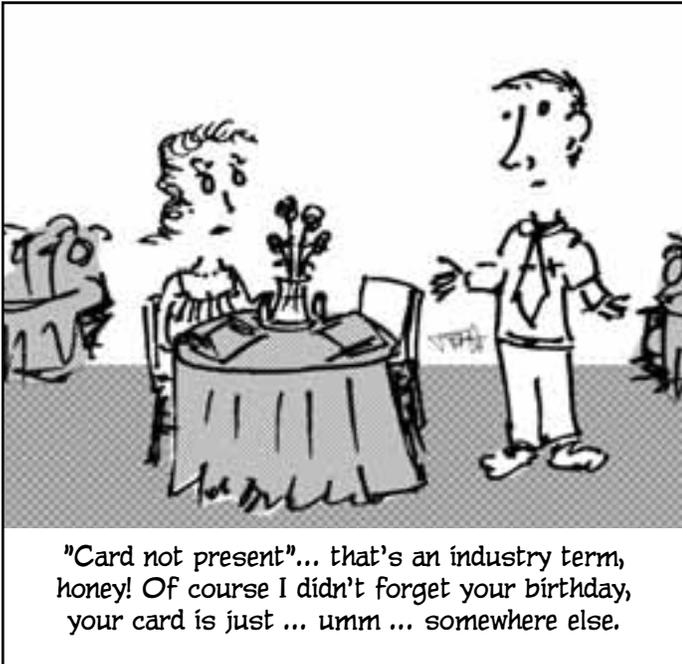
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and find the information you publish to be very valuable. I have especially enjoyed the "Interchange Untangled" article series. How can I share these with my employees?

Tim Sideman
U.S. Transactions

Tim:

All of our articles are available as reprints. You may purchase a reprint of the entire "Interchange Untangled" series. For more information please contact us.

Editor

One More Kudo!

Paul,

Congratulations once again on receiving the MWAA's Lifetime Achievement Award!

Also, thank you so much for the glorious and wonderful review of our show. You have given us so much great support and we value that support very much.

Take care and I look forward to seeing you at upcoming shows. Thank you once again!

All my best,
Jim McCormick
Vice President, Treasurer
Midwest Acquirers Association

Interchange Still Untangled

I have been an avid reader of your publication for some time now

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Anonymous

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NEWS

Consumers Turn Cautious

According to **The Conference Board's Consumer Research Center**, the slowdown in job growth has curbed consumers' confidence. Consumers who assessed business conditions as "good" declined to 23.2% from 25.2%. Consumers have also reduced expectations for the next six months. Those anticipating conditions to worsen increased to 8.8% from 7.1%. The employment outlook for the next six months was also less favorable. The number of consumers expecting fewer jobs increased to 15.4% from 13%; however, consumers expecting their incomes to improve in the months ahead rose to 19.3% from 18%. The Conference Board predicts that until the job market and pace of hiring picks up, cautious attitudes will prevail.

LML Defendants Change Counsel

LML Patent Corp. agreed to, and the U.S. District Court of Delaware approved, a second extension of time for **Electronic Clearing House Inc. (ECHO)**, **Xpresschex** and **NOVA Information Systems, Inc.** to respond to LML Patent Corp.'s patent infringement complaint. A second extension of Sept. 17, 2004 was requested because each defendant recently changed lead counsel.

MasterCard Reports Online Debit Growth

MasterCard International's online debit activity, which includes Maestro and Cirrus, continued to show growth for the three-month period ending June 30, 2004. The Maestro brand appears on more than 545 million cards

worldwide, a 10.2% increase over the same quarter in 2003. Europe continues to be the largest cardholder base for Maestro with 253.1 million cards, a 10.2% increase over the same period in 2003. MasterCard's purchase transactions for the second quarter of 2004 totaled 1.4 billion. In the United States, Maestro-processed purchase and transaction volumes surpassed all-time second quarter highs, with transactions growing 92% during the first six months of 2004. MasterCard reports that new acquirer and merchant-direct connections to the MasterCard Debit Switch, as well as Maestro issuer decisions to designate the MDS as their preferred routing channel for online debit transactions, fueled the increases.

Visa Breaks Olympic Sales Record

Visa International sales at the 2004 Olympic games in Athens broke all records set at previous Olympic games. During the month of August 2004 Visa transactions through **ALPHA Bank** in Greece increased 55% compared to August 2003. Visa reports sales volumes of approximately \$12 million worth of card purchases at Olympic venues in 17 days. The average transaction value of \$103.50 was an increase of 44% compared to the Sydney 2000 Games. Additionally, more than 50,000 withdrawals were made at the 17 Olympic ATMs, totaling \$5.4 million, a 41% increase from the Sydney Games.

ANNOUNCEMENTS

ATM Alliance Corp. Expands Services

ATM Alliance Corp. has set up sales teams in Las Vegas



- **U.S. retail e-commerce sales** in Q2 2004 totaled \$15.7 billion, an increase of 23.1% from the same period last year, the Census Bureau reported.
- **7-Eleven, Inc.**'s August 2004 sales totaled \$1,093 million, an increase of 7.2% over the same month in 2003.
- The **National Association of Convenience Stores (NACS)** recently released its "2004 Convenience Store Industry Fact Book" on CD-ROM. The report includes data such as store counts by state and region and industry sales and profits.

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Industry Update

and Los Angeles to secure locations for cash-dispensing and cashless ATMs. ATM Alliance Corp. provides in-store financial transaction equipment, products and services. The company currently has several hundred cash-dispensing ATMs in each city and expects to install 250 scrip ATMs each month in each city. The companies place ATMs in locations that typically get heavy foot traffic, including casinos, convenience stores, fast food businesses and nightclubs. The sales team will also focus on places that aren't equipped to accept credit cards.

CardSystems Certifies Ingenico Elite 712

CardSystems Solutions certified the Ingenico Elite 712 terminal for credit and debit card acceptance. Additionally, POS outsource provider Terminals Direct will resell Ingenico's Elite 710 terminal. The i3010 PIN pad is also available through Terminals Direct.

The Elite 710 and 712 are part of the Elite family of terminals that leverage the UNICAPT multi-application architecture. Recently, Ingenico recently shipped its 500,000th UNICAPT-based terminal. The company also just finished its strongest half-year ever. Sales were 27.3% higher than the first half of 2003 and 5.4% higher than in the second half of 2003.

Cynergy Opens Manhattan Office

Cynergy Data opened a new office in Manhattan. The new office houses Cynergy's Executive, Marketing and ISO Support departments. Other staff, including the Customer Service, Technical Support, Application Processing and Deployment departments, will remain in Cynergy's original office in Queens. Cynergy's Manhattan office, located near Penn Station, Times Square and Grand Central Station, will allow for more convenience in arranging meetings between Cynergy staff and ISOs, vendors and executive partners. All phone numbers and e-mail addresses will remain the same.

JUSTCHEX Debuts Mobile Phone Check Verification

JUSTCHEX, LLC, provider of online processing of returned checks for payment, now provides wireless access to funds verification services delivered through the text messaging functions on most mobile phones. The service, Chexmessaging, is available to clients of JUSTCHEX, as well as the clients of any other check recovery or collections company. Clients need only register a mobile phone on the company's Web site. There is no software required.

Clients enter the routing and account number of a personal, business or payroll check on the keypad of their phone and the service inquires in real-time about the

status. The system queries combined databases of up to 200 million check writer accounts and displays the results on the phone screen. The replies include "Yes" for an open, funded account; "No" for a closed account, repeat offender or a negative balance account. Details of all responses are also added to the client's reporting list on the Web site. Valued-added functionality includes velocity control to limit how many checks a client will accept in a client-defined period of time. The company plans to add a check guarantee service utilizing Chexmessaging in the fourth quarter of 2004.

MagTek's MICRImage Certified

Secure Payment Systems (SPS) successfully completed testing and certification of MagTek's MICRImage product. The MICRImage reader is designed to read and process all electronic check applications. MICRImage also supports an optional 3-track Magnetic Stripe Reader that reads ISO standard cards and AAMVA driver's license formats. MICRImage has a storage capacity of up to 100 black and white images. The certification will enable the MICRImage device to interface with current POS terminal applications downloaded on Lipman and Hypercom Corp. products supported by SPS.

National EFT, a division of Alliance Payment Technologies, Inc., also certified MICRImage. The MICRImage device will be configured to interface with a PC and will be deployed by National EFT nationwide. This offering will be integrated with National EFT's WebGateway for ARC and RCK transactions.

Randel Honored as Entrepreneur of Year

Neil Randel, President and CEO of First American Payment Systems, was named a winner in the Business Services category for the Ernst & Young Entrepreneur of The Year Awards in the Southwest Area. The awards honor entrepreneurs through regional, national and global award programs in over 100 cities and 35 countries. Randel will be eligible for consideration for the Entrepreneur of The Year national program. Winners will be announced on Nov. 20, 2004.

TransAKT Corp. Sets Sales Record

TransAKT Corp. sold 3,400 Voice Over Internet Protocol (VoIP) units in August, marking the company's single most successful sales month to date. The units were sold into Canada, Holland, Taiwan, Israel and Portugal. These sales included handsets as well as VoIP servers.

PARTNERSHIPS

ACH Direct Awarded Toll Roads Contract

ACH Direct, Inc. signed a contract with the Transportation Corridor Agencies, which operate

"Simply The Best!"



"I had nine merchant accounts approved in one month and was paid \$46,468.55 by AmericaOne. During my eight years of merchant services experience, I have worked with several other service providers and built many merchant portfolios, only to see them disappear without any personal benefits from their sale. I will never know that feeling again! Thank you AmericaOne!"

Michael K. Severna Park, MD

"I had six very satisfied customers approved and received \$6,827.30 from AmericaOne. After my 14 years of experience in the industry, I found someone who has finally come up with a program that eliminates waiting years to get paid. AmericaOne's Upfront Cash Program is definitely one of a kind. AmericaOne is a true partner and is always there to help make every sale."

Lewis C. Worcester, MA

"I had twelve merchant accounts approved in a one month period and I earned \$5,959.21. The AmericaOne Merchant Acquisition Program is the most rep-friendly program I have ever experienced. It is the best planned program, from the application, to the cash in my hand."

Ray E. Redding, CA

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Industry Update

Orange County California's 67-mile public toll road system, to provide toll transaction processing services to its organizations. ACH will be responsible for processing all checks received by toll roads customers.

CheckFree and Wells Fargo Extend Agreement

CheckFree Corp. signed a five-year contract extension with Wells Fargo & Co. to continue as a provider of electronic billing and payment processing services. CheckFree has been processing electronic bill payments for Wells Fargo since 1996. In 2003, the company began delivering CheckFree e-Bills from hundreds of billing organizations to Wells Fargo's online customers.

Columbia Bank Chooses TrustCommerce

Columbia Bank selected IP-based payments solutions provider TrustCommerce as its third-party payment processor for Internet-based transactions. Terms of the deal were not disclosed. A wholly owned subsidiary of Columbia Banking System, Inc., Columbia Bank operates 34 branches in Washington.

First Data Announces New Partners

First Data Corp. signed a product development agree-

ment with JCB, the largest card issuer and acquirer in Japan. Under the terms of this agreement, First Data will enhance its VisionPLUS card processing system to support JCB issuance and acquiring. In addition, First Data will support JCB in its efforts to enable First Data's worldwide client base to issue and acquire JCB cards. VisionPLUS software offers new account processing, merchant administration, cardholder billing, collections and co-branding capabilities.

First Data also extended its processing agreement with Nationwide Building Society. Nationwide Building Society is the UK's fifth largest mortgage lender and ninth largest retail banking, saving and lending organization. First Data will process Nationwide's Visa credit cards, as well as provide a full contact center for cardholders. The organization has 700 branches, 200 branch agencies and approximately 2,000 ATMs. Also in First Data news, Washington Mutual, Inc. agreed to extend its STAR Network relationship with First Data. Terms of the agreement were not disclosed.

Omaha Lincoln Clearinghouse Association Chooses NCHA

The National Clearing House (NCHA) recently implemented settlement services for the Omaha Lincoln Clearinghouse Association, the 18th clearinghouse to choose NCHA for settlement and related services. Omaha Lincoln Clearinghouse is the third clearinghouse to be converted to NCHA this year, and the 11th conversion in the last 16 months. The addition of nine Omaha Lincoln Clearinghouse members brings the total number of financial institution processing sites using the NCHA National Settlement System to 429. Many of these sites belong in multiple settlement arrangements, for a total of 517 exchange participants.

Smart Financial Credit Union Installs Postilion

Smart Financial Credit Union has installed Mosaic Software's Postilion software to provide in-house ATM driving as well as transaction switching and routing for its network of ATMs. Serving the Houston area since 1934, Smart Financial provides service to more than 82,000 members.

KeyBank and JPMorgan Chase Use SVPCO Image Exchange

SVPCO, the electronic check processing business of The Clearing House Payments Co., recently launched the company's Image Exchange Network, following a two-month test period with KeyBank and JPMorgan Chase & Co.

SVPCO's Image Exchange Network enables financial institutions to clear and settle check images directly or

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IndustryUpdate

through other parties. The network allows institutions to create digitized images of paper checks. The initial exchange between KeyBank and JPMorgan Chase was managed at a controlled volume level to fully test the operations at each bank. The banks expect to continue to exchange a steadily growing number of electronic check data and image cash letters, increasing volumes throughout 2005. The SVPCO network enables financial institutions to exchange their files peer-to-peer through a secure network, while activity and summary information is exchanged centrally through SVPCO for management reporting and settlement services. The SVPCO network supports the exchange of electronic data and image for forward presentment, return items and IRD printing.

TCF National Bank Joins NACHA

TCF National Bank has joined NACHA – The Electronic Payments Association as its 20th financial institution member. NACHA now has 39 direct members consisting of 19 payments associations and 20 financial institutions. The other financial institution members are ABN AMRO, American Express Co., Centurion Bank, Bank of America, Bank One, BB&T Corp., Capital One, Citibank, Commerce Bank, Discover Bank, FleetBoston Financial, Fort Knox National Bank,

JP Morgan Chase, KeyBank, Mellon, National City, PNC Bank, U.S. Bank, Wachovia and Wells Fargo.

ACQUISITIONS

Fidelity National Financial to Acquire InterCept

Fidelity National Financial, Inc. will acquire InterCept, Inc. for \$18.90 per share. InterCept provides technology products and services to the financial industry, including item processing, check imaging, EFT and debit card processing. The company serves more than 2,000 clients and operates more than 30 check imaging processing centers nationwide.

Magex Acquires Open Payment Technologies

Magex Holdings acquired Open Payment Technologies, Inc. (OPT). Headquartered in London with offices in San Francisco and Phoenix, Magex provides electronic payments services to the financial services, telecommunications and retail industries. OPT provides stored-value products and electronic payment processing to vertical markets, including the retail and hospitality industries.

Magex will distribute OPT's stored-value card processing, loyalty programs and transaction authorization services to merchants, value-added resellers and financial services institutions globally. Magex will maintain OPT as a wholly owned division and retain the Opticard brand name. Dave Ingwersen, President of OPT, will become President of Magex's Card Services Division.

PRE Solutions Acquires GTS Prepaid

Prepaid processing provider PRE Solutions, Inc. completed an asset purchase of GTS Prepaid. The acquisition of accounts from GTS Prepaid brings PRE Solutions approximately 4,000 additional customer locations. Following the acquisition, PRE Solutions will deliver prepaid products and services to more than 50,000 retail outlets in the convenience store, check cashing, grocery, drug store and discount retail industries throughout the United States and Puerto Rico.

APPOINTMENTS

VeriFone Appoints Barry to Vice President

VeriFone, Inc. named Kevin Barry Vice President of Global Supply Chain Management. Barry will be responsible for demand planning, supply base management, contract manufacturing and fulfillment centers. Most recently, he was with Solectron, where he held senior supply management positions in the Technology

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- Sapphires** Match 4 Numbers = 48" Plasma TV, One \$10,000 Beamer's Bond, or \$10,000 CASH
- Rubies** Match 3 Numbers = DVD Player, Palm Pilot, Digital Camera, or \$250 CASH
- Peaks** Match 2 Numbers = One Night Out for 2 to the Movies, Up to 3 Movies or \$50 CASH

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IndustryUpdate

Solutions Business, Asia Materials Services unit, and the Global Materials Services unit. Prior to Solectron, Barry worked at General Electric.

DeSimone Named E4X SVP

Multi-currency services provider **E4X, Inc.** appointed **Michael DeSimone** to the position of Senior Vice President, Sales and Marketing. DeSimone has more than 17 years of experience in the area of foreign exchange services and international payments. As E4X's new SVP of Sales and Marketing, DeSimone will lead the company's sales and marketing strategy. Previously DeSimone held sales, product development and technology positions with Travelex, Citibank and Thomas Cook Financial Services. In his various roles, DeSimone has worked closely with many organizations, including Visa, JP Morgan Chase, Bank of New York and the Royal Bank of Scotland. DeSimone's experience also includes overseeing the development and launch of several Internet-based trading, FX and payments systems for personal and commercial segments. He is a member of NACHA's Global Payments Forum.

Bottomline Promotes Eberle and Donovan

Bottomline Technologies promoted **Rob Eberle** to President and **Kevin Donovan** to Chief Financial

Officer. Eberle joined Bottomline in 1998 and has been the company's Chief Operating Officer since 2001. He will continue to serve as COO, retaining his sales and customer execution responsibilities.

He will also assume a greater responsibility for executing the company's growth plans. Donovan, Bottomline's Treasurer and Vice President of Finance, joined the company in 1999. He has also served the organization as Corporate Controller.

Hargens Appointed to Q Comm Board

Harry Hargens was appointed to the Board of Directors for **Q Comm International, Inc.** Hargens was instrumental in the development of the business of automating credit card processing at the POS. He has been active in the payments and transaction processing industry since 1981, having held senior management positions at Omron, VeriFone, TransNet, HONOR, and National Data.

Presently, Hargens serves as a CEO, President, and Director of InstaPay Systems Inc., the holding company of Kryptosima LLC, which he founded in 2000.

Lang Named Director of Sales for CheckAGAIN

Electronic check re-presentment provider **CheckAGAIN** promoted **Robert Lang** to Director of Sales. Lang will work in CheckAGAIN's regional office in Florida and will oversee the company's sales teams in Florida and Virginia. Lang has 20 years of experience. Before joining CheckAGAIN in 2002, he served as President of Audit Systems and National Account Manager for AccuCheck.

NOVA Promotes McAlhaney

David McAlhaney was appointed to the position of General Manager, Member Service Provider channel for **NOVA Information Systems, Inc.** McAlhaney will be responsible for all business development and sales strategies for the MSP channel.

He joined the company in 1999 and most recently served as Midwest Regional Vice President of NOVA's MSP channel. He will report directly to Mike Higgins, NOVA's Senior Vice President, Sales and Relationship Management.

McAlhaney has over 20 years' experience in the payments industry. Prior to joining NOVA, he was a partner at American National Bankcard. He also spent eight years at First Data Resources (FDR). Prior to FDR, McAlhaney spent four years employed at First National Bank of Omaha where he was responsible for managing the distribution channels for direct sales, MSP sales and agent banks sales. ■

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How to Compensate Your Reps: the Total Package

By Mitch Levy

Cynergy Data

In the electronic payments industry, as ISOs we all face a common dilemma: How can we grow our businesses? There are a variety of factors that influence growth: access to capital, proper infrastructure, lead generation techniques and technology, to name a few. But perhaps the most significant factor is the ability to recruit and retain competent sales reps.

How do you do this? Part of the answer is easy: Pay your reps, on time and in correct amounts and provide accurate reporting to help them to understand what they are being paid.

Sounds easy, right? Wrong. How many of us have either heard or told stories about reps being paid improperly, late or not at all? If you're looking to grow your business, failing to pay reps properly and on time spells doom. No excuses: If you want to keep your reps, pay correctly and pay on time.

The long-term benefit in terms of rep retention will far outweigh the initial capital costs. The proper amount of residual to share will depend on your particular business model, but in order to recruit and retain quality reps, you must provide an attractive residual package.

When you've committed to paying reps correctly and established systems to get checks out on time, you're ready to consider more difficult questions. How can you tailor a compensation plan that will allow you to attract and retain quality sales reps?

Do you share residuals? How much equipment revenue should go to the rep? Should you offer up-front bonuses? Buybacks? Advances? Should your reps be independent or employees?

My advice? Treat your reps the way you treat your clients: as long-term partners. Whether you're dealing with clients or representatives, you're in business for the long term. You treasure the annuity-based revenue that residuals represent. You need to develop compensation plans that will attract the best professional sales representatives.

That means sharing residuals. This might seem unattractive at the outset, but remember that the goal is rep retention. High-quality salespeople understand residuals and will insist on sharing in them.

In fact, if you are truly serious about retention, I would go a step further by offering lifetime residuals and a generous buyback.

Can you afford to do this? Chances are you can't afford not to. Since you only pay residuals if you receive them, you can surely pay lifetime residuals, and there are ample sources of capital available if you need cash to fund a buyback.

The long-term benefit in terms of rep retention will far outweigh the initial capital costs. The proper amount of residual to share will depend on your particular business model, but in order to recruit and retain quality reps, you must provide an attractive residual package.

Equipment revenue, which is paid one time in a lump sum, should be dealt with separately in your rep compensation package. As an ISO, you need the equipment

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While it could easily be argued that in the long term, an ISO will be better served with a salaried direct sales force, the best sales people will always prefer commissions.

I know of some ISOs who offer a combined package, pairing a modest base salary with a residual and commission program.

revenue to help your P&Ls until your residual income grows to the levels needed to sustain profitability. However, in the long term, equipment revenue becomes less important to you and more important to the reps with whom you work.

Eventually, you'll develop an exit strategy for your business, which generally involves a sale to a processor or bank. When you sell, however, it will often require negotiating a valuation based on its income stream or the size of its merchant portfolio. Buyers will value the recurring revenue on the residual stream at a far greater value than the one-time, non-recurring equipment revenue.

For reps who are looking to meet their obligations, the lump sum provided by an equipment sale or lease is an important source of cash. My recommendation: If cash flow is suf-

ficient, you should pay reps almost all of the gross profit on equipment. This way, reps will generate an acceptable income up front while waiting for their residuals to grow.

Some ISOs offer plans that pay reps up-front bonuses based upon estimated or historical processing volume or residuals. Up-front bonuses are a great idea, but often difficult to deliver.

Paying a multiple of estimated or historical residuals to a rep upon delivery of a merchant contract will appeal to many reps who crave instant gratification and cash flow.

But a bonus program requires significant capital, and a growing ISO needs to carefully consider how to deploy its capital. If you're watching your capital flow, I'd recommend the combination of a healthy sharing of residuals combined with equipment revenue over a bonus pro-



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gram. The reps will still be satisfied and fairly compensated, and you won't be faced with making risky projections for up-front bonuses.

Now, we are all aware that a rep starting in our industry will need time to generate significant income. Even a high-quality rep with a generous residual plan will take many months to develop a healthy residual.

To keep new reps motivated, you might consider advances that can be repaid over time from the rep's residual and equipment commissions.

But that begs another question: From an ISO's perspective is it preferable to have independent sales reps or salaried employees? That issue, long debated in our industry, will not be settled here.

While it could easily be argued that in the long term, an ISO will be better served with a salaried direct sales force, the best sales people will always prefer commissions. I know of some ISOs who offer a combined package, pairing a modest base salary with a residual and commission program.

What can we conclude is the best compensation plan for

an ISO seeking growth? Different compensation strategies and combinations of revenue options will work best for different companies. The most important thing to remember is the piece of advice I started with—pay correctly, pay on time and provide accurate reports.

And one more thing: Train and support your people. But that's a whole different article. ■

Mitch Levy is the Executive Vice President and Director of New Business Development for Cynergy Data. Cynergy Data is a merchant acquirer that provides a wide array of electronic payment processing services while continually striving to develop new solutions that meet the needs of its agents and merchants. In addition to offering credit, debit, EBT and gift card processing, along with check conversion and guarantee programs, the company offers its ISOs the ability to borrow money against its residuals, to have Web sites designed and developed, to provide merchants with free terminals, and to benefit from state-of-the-art marketing, technology and business support.

Founded in 1995 by Marcelo Paladini and John Martillo, Cynergy Data strives to be a new kind of acquirer with a unique mission: to constantly explore, understand and develop the products our ISOs and merchants need to be successful, and to back it up with honest, reliable and supportive service. For more information on Cynergy Data contact Nancy Drexler, Marketing Director at nancyd@cynergydata.com.



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Fleet Cards Fuel Revenue Opportunities

By Michelle Graff

NOVA Information Systems

When payments industry experts speak of "value-added" applications, many merchant level salespeople (MLSs) naturally think of gift cards, check conversion, age verification and prepaid applications.

While all of these are fairly new and definitely valuable solutions, there's another niche product that can improve your merchant relationships and add dollars to your bottom line: fleet cards.

For many in the industry, fleet cards might seem a little "old school" when compared to other newer applications, but recent changes in government payment programs, terminal solutions and processing technology might just provide the fuel you need to drive away with new revenue opportunities.

Fleet Card Processing

Fleet cards are special purpose cards designed for companies that own and maintain car or truck fleets and need an efficient and smart method to fuel and perform maintenance on these vehicles. Typical users include:

- Government agencies (e.g. post offices, highway patrol, military)
- Delivery services (e.g. UPS, FedEx)
- Utility and service repair/installation companies (e.g. cable, phone)
- Consumer goods distribution companies (soda, snack foods)
- Trucking companies
- Businesses that staff a local field sales force (pharmaceuticals)

Fleet cards allow businesses to better manage expenses for their car or truck fleets and to provide enhanced usage and purchase reporting to the fleet managers.

Although there are several issuers of fleet cards, the

Voyager and Wright Express (WEX) brands comprise at least 90% of fleet card usage. Voyager currently has 1.4 million fleet cards in circulation; approximately 200,000 merchant locations accept Voyager's cards.

Wright Express has more than 4 million cards issued and more than 625,000 service provider locations accept it. Other issuers include Visa, MasterCard, Fuelman and Fleet One.

What's Different About Fleet Cards?

Don't confuse fleet card processing with a broader "fuel solution." Most large chain or franchise petroleum and convenience stores have integrated automated fuel dispensing (AFD) POS systems that accept fleet and a range of other card types.

Fleet card processing is the ability to authorize and settle fleet cards per the requirements of the issuers. It's typically performed on a terminal or via the phone.

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Not only will you sell them an integrated solution for bankcard and fleet card processing and settlement, but you might also discover that they are a good candidate for other value-added services, including electronic check conversion (auto service/repair merchants) and electronic gift cards (auto parts and car wash merchants).

Processing fleet cards requires an interface to the fleet card issuers and the ability to pass "Level III" data appended to the transaction record. Level III data include elements of Level I and Level II payment data, plus:

- Odometer reading
- Service type
- Net fuel price
- Non-fuel gross/net price
- Item discount amount
- Item description
- Item commodity code
- Item unit cost, item quantity
- Item unit of measure
- Item total.

A PIN or driver ID number and the odometer reading is usually entered as well; therefore, most fleet solutions require a customer-facing PIN pad for input.

The purchased items are mapped to product codes and reported back to the cardholder's business. This lets a fleet manager know, for example, if a truck driver purchases the right level of fuel, or gets the brakes fixed on a planned service maintenance schedule. The merchant keys in the product codes at the time of sale. There are about 60 pre-assigned product codes covering five broad categories.

Defining Target Market Opportunities

Fleet card processing is a solution for small- to mid-size merchants grouped under select Merchant Category Codes (MCC), which are primarily automotive-service related. Target MCCs for fleet card processing include:

| MCC Code | Description |
|----------|-------------------------------|
| 5013 | Motor Vehicle Parts Wholesale |
| 5511 | New Car Dealer |
| 5521 | Used Car Dealer |
| 5532 | Tire Stores |
| 5533 | Auto Parts Store |
| 5541 | Service Station |
| 5571 | Motorcycle Dealers |
| 5599 | Equipment Dealers |
| 7531 | Auto Body Repair |
| 7534 | Tire Repair/Re-treading |
| 7535 | Auto Paint Shop |
| 7538 | Auto Repair |
| 7542 | Car Wash |
| 7549 | Towing |

While fleet transactions certainly represent a revenue stream, most merchants that currently accept fleet cards process 20 times more bankcard volume than fleet volume.

The real revenue opportunities come from uncovering new prospects and selling them new equipment that combines fleet card and bankcard processing, as well as "up selling" to existing merchants in your portfolio that qualify for fleet card processing.

Further, this solution adds another "hook" into the merchant, improving retention and the overall value of your relationship.

The Right Time for Fleet Solutions

Recent changes in government payment programs, terminal solutions and processing technology have expanded the opportunities for fleet card processing. Take the time to learn about the solutions available on the market and

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map out a plan to target merchants that can accept fleet cards.

Not only will you sell them an integrated solution for bankcard and fleet card processing and settlement, but you might also discover that they are a good candidate for other value-added services, including electronic check conversion (auto service/repair merchants) and electronic gift cards (auto parts and car wash merchants).

The Government Services Administration (GSA) is one of the largest users of fleet cards. As of July 1, 2004, vendors previously paid by Visa or with a government check for repairs to GSA Fleet vehicles will now be paid solely by Voyager.

This change will significantly improve the GSA's ability to manage its vehicle fleet and provide increased protection against misuse or fraud. Transactions for services, repairs and maintenance totaling less than \$100 will be charged on the Voyager fleet card and can easily be processed on a payment terminal.

For charges exceeding \$100, the merchant must call the GSA maintenance control center for authorization. The option to be paid by Visa or by Visa Check is no longer available.

Terminal and processing solutions have also come a long way. Historically, most solutions that support fleet cards fall into two categories. They are either integrated POS systems from Petro/C-store software vendors, which are often expensive and cost prohibitive for small to mid-size merchants, or they are low-end terminals, such as the Tranz 380 x 2. The low-end terminal is more cost effective but very limited in feature set.

MLSs can attract merchants accepting fleet cards by offering an integrated/multi-app terminal solution that not only supports split-dial capabilities to connect to ADS, the fleet issuer and the bankcard processor, but also combines all settlement and reporting functions.

Plus, in many terminal fleet environments, the fleet card issuers pay merchants monthly on a 30-day cycle for settled transactions. An integrated solution-processing net-

... In many terminal fleet environments, the fleet card issuers pay merchants monthly on a 30-day cycle for settled transactions. An integrated solution-processing network, such as the NOVA Network, can provide MLSs with a specialized fleet/bankcard terminal and the ability to settle most transactions through one network, typically daily.

work, such as the NOVA Network, can provide MLSs with a specialized fleet/bankcard terminal and the ability to settle most transactions through one network, typically daily.

The value proposition to merchants is simple and rich. They have one solution for all payment processing, they can obtain consolidated reports and statements, and receive their deposits much more quickly.

Now that's a value-added application to get fueled up about. ■

Michelle Graff is Vice President of Marketing for NOVA Information Systems. You can e-mail her at michelle.graff@novainfo.com.

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Insider's Report on Payments

Cost of Acceptance Driving Some Retailers to Limit Card Payments

By Patti Murphy

Who says retail payments is a business dominated by big household names? To be sure, Visa and MasterCard (and to a somewhat lesser extent, American Express and Discover) dominate the public mindshare. But among retailers there's a subtle shift taking place—a shift away from the thinking that they must accept every form of tender consumers want to use, to accepting a select few payment types and brands.

The impetus for this shouldn't come as a surprise. It's about costs. All businesses make decisions based on cost, paring back where they can. Now some businesses (especially large retail chains) are figuring they really don't need to play host to the multitude of payment options at their check out. And that could have implications for acquirers and the folks who sell card-acquiring services.

Wal-Mart started the ball rolling earlier this year, announcing it would not accept MasterCard-branded signature debit cards when the retailing giant failed to negotiate an interchange rate to its liking. MasterCard and Wal-Mart have since come to an agreement, and consumers can now use MasterCard debit cards at Wal-Mart stores in all 50 states.

The disagreement between Wal-Mart and MasterCard was the latest salvo in an ongoing battle over the cost of card acceptance. While the smallest merchants (especially mom-and-pop stores) don't heavily analyze card acceptance costs these days, there are role models out there that aren't as intimidating as Wal-Mart, yet just as savvy at challenging the POS status quo.

Take Costco Wholesale Corporation, for example. If you're shopping at Costco and you want to pay for your purchases using a card, your choices are limited: American Express, the company's private label credit card (issued by HSBC Holdings plc's Household International), or PIN-based debit cards. (AmEx signage was added to Costco's doors four years ago, replacing Discover, which until then had been the only credit card that could be used at Costco Stores.)

Rue Jenkins, Costco Assistant Treasurer, explained during a recent interview that limiting card acceptance is strictly a matter of cost. "Our strategy is to accept a limited number of payment alternatives that are priced the most efficiently for us, and ultimately for the member."

Costco is a warehouse chain with 438 store locations worldwide, including 324 outlets in 36 U.S. states and Puerto Rico. Its customers are 42 million cardholders representing 23 million households and 4.7 million businesses.

For the first 48 weeks of its fiscal year 2004 (which ended August 31) the company reported net sales of \$43.51 billion, a 14% increase over the same 48-week period in fiscal 2003.

Apparently, customers don't mind that Costco has closed its checkouts to Visa, MasterCard and Discover, as long as they can use PIN debit. Jenkins said PIN debit numbers rise by at least a basis point or two each quarter.

PIN-based debit cards typically process through ATM networks (such as Star and Pulse) and are priced on a fixed per-transaction basis. For the last several years these cards have played the ugly duckling to signature debit cards, which look like and sometimes act like credit cards.

Until legal settlements last year between Visa and the merchant community (led by Wal-Mart), and between MasterCard and that same group, the increasingly popular signature debit card was assessed the same interchange rates as MasterCard and Visa credit cards.

Between 1998 and 2004, Costco experienced a 16% increase in the dollar value of PIN-based debit card payments, according to Jenkins. Credit card transactions rose 14% during that same period, while the value of cash and check payments fell by 19% and 10%, respectively.

Jenkins said it hasn't been tough getting customers used to not pulling out their MasterCard and Visa credit cards. "People are becoming more used to using debit cards as a means of getting to their checking accounts," he said. And

"Remarkably, credit cards are today more expensive for merchants to process than cash or checks, despite considerable reductions in electronic processing costs in recent years,"

- Kenneth Posner,
Analyst, Morgan Stanley

Until legal settlements last year between Visa and the merchant community (led by Wal-Mart), and between MasterCard and



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that may bode well for new and emerging debit products including ACH check conversion, check truncation and even ACH-based debit cards, he added.

Jenkins said he's interested in exploring ACH payment options for less expensive ways to accept payments. To date, Costco has stayed clear of ACH check conversion, Jenkins said, because ACH rules restrict the check conversion process to consumer checks and 40% of Costco's customers are businesses. But Jenkins—who participated in a panel at NACHA's Payments 2004 conference in September—is keen to explore ways the ACH can help reduce costs. "The ACH is a reasonably priced channel," he insisted.

One possibility: a proprietary debit card that clears through the ACH against customer checking accounts. ACH debit cards aren't new. Mobil Oil experimented with the concept in the late 1980s, but it never gained traction. (In fact, I may have been the only consumer who possessed and used the card with any regularity.) And Safeway has tested a loyalty card with ACH debit functionality in some markets.

Over the years, bankcards have been positioned as cheap alternatives to accepting cash and checks at the point of

sale. However, recent and repeated increases in interchange fees—the main cost component in card processing—have skewed traditional analyses.

Interchange is the base fee set by card associations and debit card networks to cover the costs of processing payments. It flows from the merchant to the card-issuing bank by way of the merchant-acquiring bank, which typically adds a mark-up to cover its costs and related third-party processing fees. This final, marked-up price, known as the discount fee, is paid by merchants on a per-transaction basis to the acquiring banks that direct their payments processing work.

Historically, interchange fees have been differentiated by retail sector, a merchant's annual volumes, type of card used, transaction size, and the procedures used to authorize individual transactions. And the big retailers have always enjoyed better pricing than the small guys – after all, transaction processing is a scale business.

With Visa and MasterCard having to rethink debit card pricing (courtesy of the Wal-Mart settlement), bankcard acceptance could become a high-cost luxury for small stores and a loss leader for banks.

"The top 200 merchants have been granted lower interchange as a result of the Wal-Mart suit," said industry consultant Paul Martaus. "This puts earnings pressure on the acquirers as these merchants generate well over 80% of [card processing] volumes. This may lead to even higher interchange on the little guys, but it will take a huge increase to make up the shortfall."

The investment management firm of Morgan Stanley raised similar concerns in a recent report. "Remarkably, credit cards are today more expensive for merchants to process than cash or checks, despite considerable reductions in electronic processing costs in recent years," wrote Morgan Stanley analyst Kenneth Posner. "Also strange is the fact that U.S. interchange fees keep spiraling upwards" while other costs (such as float) keep falling.

Posner predicted there's a 20% risk that banks (and bankcard brands) would lose a legal challenge to interchange. It's a small, but very real risk, to be sure. Successful challenges to interchange in other areas of the world, including Australia and Europe, may be setting precedents.

In today's highly competitive marketplace, nothing should be taken for granted, especially interchange revenues. ■

Patti Murphy is Contributing Editor of The Green Sheet and President of The Takoma Group. Contact her at patti@greensheet.com.

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Google Searches Return Credit Card Numbers

Google, the most popular search engine on the World Wide Web, offers anyone with an Internet connection access to billions of Web pages and other content. With just a few keystrokes, and at no charge, you have access to information on practically everything—possibly even your credit card number.

CNET News.com recently reported that queries made using Google's search engine can bring up Web sites where crooks have posted lists of hundreds of credit card account numbers, including the cardholders' names, addresses and phone numbers.

Google enables users to perform detailed searches by number, including UPS and FedEx tracking numbers, vehicle ID (VIN) numbers, UPC codes, patent numbers, even FCC equipment, so it's not surprising that people smart enough to take advantage of this powerful technology are using it for pursuits that are hardly innocent.

"Just the fact that you can do this is a testament to how prevalent this problem is," said Mike Brown, President of CardCops.com.

"Most of these people operate overseas and prey on Americans. And even if our authorities find out who they are, there's not much they can do about it."

- Mike Brown
President, CardCops.com

CardCops.com provides Internet merchants with software to help eliminate or "scrub" fraudulent transactions. It also helps consumers protect their personal data by collecting data using a proprietary "bot," which scours pages of the World Wide Web, including newsgroups, search engines and chat rooms for card data.

"Hackers and ID thieves are getting this information and monetizing it by trading with others; that's how it gets out there on the net. Most of these people operate overseas and prey on Americans. And even if our authorities find out who they are, there's not much they can do about it," Brown said.

Google is currently in a quiet period because of its initial public offering (IPO) of stock on Aug. 18, 2004 and could not comment on this story.

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CompanyProfile



CrossCheck, Inc.

ISO/MLS contact:

Bob Ficarra, Vice President of ISO
and Partner Relations

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E-mail: partners@cross-check.com

Company address:

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Guaranteed Independence

If you are a merchant level salesperson (MLS), you know what it means to be independent. It means you have the freedom to make decisions, the ability to implement changes immediately, and the luxury of viewing situations from new perspectives. Being independent is what CrossCheck, Inc., the nation's largest privately owned check guarantee company, is all about.

Being privately owned is an integral part of CrossCheck's philosophy and corporate structure. It's also a major reason for its success. Independence allows CrossCheck to seek new ways to approach situations, which enables the company to create innovative solutions for customers. And since it is independent, it understand MLSs better than most companies.

The 20-year-old company is headquartered in the North Bay area of San Francisco, has a second sales office in Los Angeles, and employs field associates located throughout the country.

Its 450 employees provide check guarantee, ChecksByNet for Internet businesses, CheckNow for businesses that accept checks via phone or fax, and COD for delivery businesses.

This month the company expanded its product line when it released its electronic check solution, CrossCheck Conversion Plus.

CrossCheck's motto is, "Say Yes to Checks" and that pretty much says it all. This is a company of risk takers, and Bob Ficarra, Vice President of ISO and Partner Relations, sums it up well: "We're not afraid to make decisions. We look for reasons to approve checks, not decline them."

It not only seeks reasons to approve checks, it seeks new checks to approve. As a result, the company guarantees billions of dollars worth of transactions each year.

While customers include traditional check guarantee merchants such as auto, general retail, hospitality and building supply, CrossCheck also reaches out to "non-conventional" retail industries. Its unique services make it the choice for medical and dental offices, funeral homes, veterinarians and e-commerce sites.

A Partner to ISOs

A major factor that differentiates CrossCheck from other providers is how it markets its services. The company currently has partnerships with more than 30 bankcard processors, including NPC and Lynk Systems, Inc.

In some instances, CrossCheck products are marketed under private labels and the company reports that this has been very successful for several of its partners. All the expenses are taken off the top and the profit is split.

CrossCheck is also distinctive in that it relies on a large base of

Company Profile

"We have an advantage over the competition in that we are able to accept business checks across the board. There are a lot of people in our industry who don't have our expertise. Collection is the key. We believe that with our collectability, when everything shakes out, we are going to be leading the pack."

- Bob Ficarra
Vice President of ISO and Partner Relations

ISOs/MLSs to represent its products. The goal is to complement ISO programs, rather than compete with them.

Couple that with the fact that CrossCheck has consistently paid lifetime residuals since starting in the business more than 20 years ago, and this company is an attractive partner for many ISOs/MLSs.

CrossCheck's services are designed to increase revenue for ISOs/MLSs by providing additional services to sell to merchants. "We offer only check services, we don't sell equipment and we are not owned by a large processor, so our services are a great add-on sale for anyone selling card services," Ficarra said.

CrossCheck's services work with a variety of terminals,

which allows an additional income source for ISOs/MLSs that sell equipment. In addition to the lifetime residuals, it offers partnership programs with portability, equity sharing and sales support including leads, contests and supplies.

"Much of our success is directly attributable to our ISOs," Ficarra said. "Without a large and committed base of ISOs marketing our services, we would not have had the incredible success and growth that we have experienced over the past several years. We believe in and support our ISOs and develop programs based on their needs and wants, as well as those of their merchants."

An Original Conversion Solution

In September 2004, CrossCheck released its latest service, CrossCheck Conversion Plus. As the name suggests, this service is check conversion with guarantee features. However, since this is a company of independent thinkers and unique ideas, there's a twist.

CrossCheck's conversion solution accepts business checks, something no other conversion product does. The company knew that ISOs/MLSs and merchants wanted guarantee features partnered with business check approval. There wasn't a solution on the market, so CrossCheck created one.

"We have an advantage over the competition in that we are able to accept business checks across the board," Ficarra said.

With the CrossCheck Conversion Plus product, all imaged checks are guaranteed. CrossCheck believes its product stands out from the competition because of its collection experience and knowledge.

"There are a lot of people in our industry who don't have our expertise," Ficarra said. "Collection is the key. We believe that with our collectability, when everything shakes out, we are going to be leading the pack."

Any merchant can benefit from CrossCheck Conversion Plus, but some might find it especially attractive. For example, merchants with multiple locations over a diverse geographic region can use conversion to consoli-

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"As a cash management tool, (Conversion Plus) is huge," Ficarra said, pointing out that it's an ideal fit for the non-traditional retail environment, such as doctors and dentists.

Physician's offices don't usually deal with cash; therefore they don't make daily bank runs. With this solution they don't have to go to the bank, and they can still accept check payments.

date their finances, thus reducing fees and hassles.

"As a cash management tool, this is huge," Ficarra said, pointing out that it's an ideal fit for the non-traditional retail environment, such as doctors and dentists.

Physician's offices don't usually deal with cash; therefore they don't make daily bank runs. With this solution they don't have to go to the bank, and they can still accept check payments. Ficarra also reports that car dealers have been requesting the service.

He predicts that CrossCheck Conversion Plus will have a profound impact on ISOs/MLSs. "I'm excited for them," he said. "The interest in conversion is out there, and it can be a great door-opener for all kinds of sales. Conversion offers many features that make check

acceptance simpler for a business.

"It can be a very efficient point of sale solution for merchants today, especially with guarantee and business card acceptance, and that makes it easy to sell. I see big opportunities with equipment sales, too, and that's always been a significant source of revenue."

CrossCheck is a unique company in that they recognize that being independent and forming partnerships aren't mutually exclusive. It combines the benefits of being a private company with the power of ISOs/MLSs and industry partners.

This combination is integral to its success, and can be a key to success for agents as well. Ficarra sums up the vision of this risk-taking entrepreneurial company. "The meek may inherit the earth, but the bold will make the bucks." 



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Lawmakers Consider Emergency Alert Systems for ATMs

By Ann All

Senior Editor, ATMMarketplace.com

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In 1999, the California cities of Santa Monica and San Francisco approved bans on ATM surcharges. They were joined by Woodbridge, N.J., in 2000. Legal challenges, however, restored surcharging in all three cities. The California cities took their court battle all the way to the Supreme Court, which in May 2003 refused to hear their appeals of a district court decision that had overturned surcharge bans.

Detroit is trying to become the latest municipality to pass a regulation that could have far-ranging repercussions for ATM owners on a state, and possibly federal, level.

Detroit's Proposal for ATM Safety

Detroit Council President Pro Tem Kenneth Cockrel Jr. in July introduced an amendment of existing city code that would require installation of surveillance cameras and card-activated emergency notification systems at exterior ATMs in the city. While the amendment would not exempt non-bank owned ATMs, most of those machines are located inside retail businesses.

The amendment received its first public hearing on July 29. Cockrel Jr. hopes to bring it to a vote when the Council reconvenes next month, said John Clark, the councilman's Chief of Staff.

While there was some pushback from financial institutions, Clark said, Cockrel Jr. "would prefer to get as much buy-in as possible from the industry." He has initiated discussions with some financial institutions to review the proposed six-month implementation timeframe, among other issues. "We want to hear their concerns and make sure we're not moving too fast."

The amendment could have positive benefits for FIs, Clark said. Implementing alert systems "can help them be better corporate citizens" and might encourage increased ATM usage. "I'm sure there are people who avoid using ATMs after dark. With an alert system, they're going to feel more secure."

Cockrel Jr. hopes the amendment will help deter crime. According to police department statistics, Detroit had 910 reported shootings in the first eight months of 2004, 23% over the same period in 2003.

"When the economy goes down, crime goes up. We want to do anything we can to help prevent or deter crime," Clark said.

Hot Button Issue

The system being considered for Detroit alerts authorities when users hit a "911 button" at the machine. Clark said such buttons could be used for other incidents, such as medical emergencies, that occur near ATMs.

Larry Steelman, Vice President of North American Communications Corp., a Mississippi-based manufacturer of such systems, said his company has sold some 2,000 of its systems in 33 states and the District of Columbia, mostly to small community banks. The cost is typically \$1,000 to \$1,500. In some cases, one system can be used for up to three machines at a single location.

The 911 button typically does not function until an ATM card is inserted into the machine, Steelman said, which reduces the possibility of false alarms. When communication is initiated with a local 911 dispatcher, the dispatcher "can hear everything within approximately 20 feet or so of the ATM and can dispatch appropriate personnel."

The system can also be set to have the button remain "alive" for a pre-determined time after the card is removed, thereby giving the customer the appropriate time to leave the ATM, Steelman said.

"Considering the amount of money financial institutions invest in internal security like dye packs, bulletproof glass, closed-circuit television and silent alarms, it should be nothing for banks to protect those of us who patronize their ATMs," Steelman said. "We understand that a bank must do what it can to protect its own assets, but we feel that protecting people as they use ATMs should be an important part of their security investment as well."

On the State Level

State efforts to introduce legislation similar to Detroit's have thus far been largely unsuccessful, with opponents citing the expense and ineffectiveness of emergency alert systems. Among states currently considering requiring the systems at ATMs are Kansas and New York.

In New York, efforts to require the systems date back to 1997, said a spokesperson for Rep. Catherine Nolan (D-Queens). Nolan is a cosponsor of Assembly Bill 4571, which would require banks operating ATMs to equip them with emergency access systems. The bill passed the

Assembly in June 2003 but died in the Senate last January.

The bill could get a new hearing later this year, the spokesperson said.

The bank lobby has raised the specter of federal preemption, the issue that scotched the surcharge bans. While relevant for rules relating to interstate commerce, such as ATM fees, that issue shouldn't apply to emergency alert systems.

"Local law enforcement regards (ATM safety) as a state issue," she said. "If localities feel that special measures are needed to answer the needs of their communities, especially regarding crime and safety, federal preemption does not apply."

Double Bill

In Kansas, state Sen. Phil Journey (R-Haysville) has introduced two bills, one (Senate Bill 333) that would require the installation of emergency alert systems at ATMs and another (Senate Bill 438) that would make ATM robbery a felony offense that would result in stiffer penalties than those usually imposed.

Both died in committee earlier this year, Journey said, but he intends to re-introduce them. "It can take years to get bills passed. It's just a matter of educating your colleagues and introducing more and more information to support them."

Journey's bill called for the adoption of an alert system designed to send an alarm to local law enforcement agencies when an ATM user enters his PIN in reverse order. Journey said he felt the reverse-PIN technology, patented by Joseph Zingher of Chicago in 1999, offered several advantages over systems in which users hit a "911 button" at ATMs.

Journey doesn't feel the "911 button" would help in cases where victims are abducted, taken to ATMs and forced to withdraw cash at gunpoint. In one such high-profile case in Wichita, Kan., two brothers abducted five people from a townhouse in December of 2000, terrorized them for several hours and forced them to withdraw money from ATMs before shooting all five in the head. Only one victim survived.

Eight days before the murders, one of the brothers had abducted another victim and forced him to withdraw money from an ATM before releasing him unharmed.

With reverse-PIN, Journey said ATM users could also freely write their PINs on their ATM cards. "How many people write their PINs on their cards? Too many. But if they wrote them backwards, what would happen if

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Feature

The reverse-PIN system "could ultimately be more dangerous for the consumer," said Kathy Olsen, Associate General Counsel of the Kansas Bankers Association.

"Remembering their PIN is enough of a challenge for most people, much less trying to remember it backwards with a gun at their head."

someone stole their card and tried to use it?" he asked. "Officer Friendly would show up and say 'Could I see some ID?'"

A criminal attorney and former member of the National Rifle Association's board of directors, Journey said, "There's one thing I know about criminals: they're lazy. Once a system like this is introduced and publicized, crime rates will drop. Criminals will switch to something less risky."

Zingher, creator of the reverse-PIN system, said the system would cost only about \$25 per ATM to implement, since it is a software fix with no hardware modifications required. Other methods are used for customers with PINs such as 2002 (an "inside-out PIN" of 0220) or 1111 (a "PIN plus one" of 2222). Mistakes are nearly impossible, Zingher said, because all four digits

would have to be entered incorrectly to summon authorities.

The reverse-PIN system "could ultimately be more dangerous for the consumer," said Kathy Olsen, Associate General Counsel of the Kansas Bankers Association. "Remembering their PIN is enough of a challenge for most people, much less trying to remember it backwards with a gun at their head."

If authorities arrived in the midst of a robbery, it's possible the criminal would be more likely to harm the victim or take him hostage, Olsen added. Journey believes FIs are less concerned about customer safety than they are about possible liability. "Once something becomes a community standard, doing anything less opens you up to lawsuits," he said.

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Feature

Tough to Track

Like Journey, Zingher believes FIs fear potential litigation. He said that FIs have for years tried to hide the true extent of ATM crime. Journey's Senate Bill 438, requiring a separate classification for ATM crime, "would end all dispute whether systems like mine are needed."

Deke Hager, a correctional counselor with the Indiana Department of Corrections, discovered how difficult it was to determine the scope of ATM crime when he tackled a project to do so while writing his master's thesis as a criminal justice student.

"It's very nearly impossible" to gauge the frequency of ATM crime, Hager said, largely because no enforcement agencies segregate ATM crime into a single category; instead it is "hidden" in larger categories of robbery, kidnapping,

assault and carjacking.

Using statistics from the Indianapolis police department, Hager sifted through some 59,000 crimes that occurred from January of 1999 to June of 2003. Using mapping software, he created "zones" of 100 feet around ATMs to try to determine how many robberies had occurred near the machines. He eliminated irrelevant categories of crime, such as commercial robberies.

Hager said he concluded that about 800 robberies took place within 100 feet of ATMs, a figure "startlingly close" to the 1% of all robberies that the banking industry itself reports for ATM crimes.

"It's hard to quantify cases where someone has been abducted and taken to ATMs to withdraw money or where people have withdrawn money and been robbed while walking down the street afterward,"

Hager said. "But in cases where someone walks up to an ATM and is robbed right before, during or after a transaction, the numbers (the banking industry) report appear to be pretty accurate."

Zingher contends that Hager's data are flawed because he believes Indianapolis has more than 128 ATMs, the number of machines in Hager's study. Consulting the Yellow Pages, Zingher said he discovered almost 500 bank branches, most of which he assumes have ATMs.

Hager used banks' ATM locators and believes his ATM number is reasonably accurate. However, "there is no central registry" listing the machines, which made it difficult to identify ATM locations, he acknowledged.

Journey said the overall number of crimes is less important than the

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Feature

heinous nature of many ATM thefts. "You tend to have a lot more violence in cases where thieves are trying to coerce PINs out of people, and multiple crimes are often committed."

Zingher's system is also mentioned in an amendment to Illinois' Electronic Fund Transfer Act. Adopted in 2003, the amendment reads that ATMs in Illinois "may be designed and programmed so that when a consumer enters his or her personal identification number in reverse order, the terminal automatically sends an alarm to the local law enforcement agency having jurisdiction over the terminal location."

Joyce Nardulli, Vice President of Government Relations for the Illinois Bankers Association, said, "It was important to make the law permissive. It has to be up to the banks to decide" whether they want to install an alert system.

New Product

Despite the struggles to mandate emergency alert systems, at least one new entrant is entering the field. Ron Russikoff, President of Philadelphia's ATMB-Safe, said his company hopes to attract the interest of EFT networks with its system, which will involve users answering a

question displayed onscreen during a transaction to indicate whether they need help.

"The ATM will actually ask if you're in danger. It will be camouflaged as another type of question, but users will be able to get help if they need it," said Russikoff, who plans a public launch of his system at the ATM Industry Association's "ATM Sec 4" conference Oct. 25 - 26 in London. He can't release more specific details of his system while it's being considered by the U.S. Patent and Trademark Office.

Russikoff said his system will work better than asking customers to remember a variation of their PINs while under duress. "That seems to be one of the primary objections to the reverse PIN, that it's too hard to remember."

Russikoff is still developing pricing models for his product but said that keeping the cost low is a goal.

According to an Associated Press report, IBM received a patent earlier this year for a "duress PIN" system. However, IBM, whose patent cites Zingher's invention, says it has no immediate plans to use the technology. 

Link to original: www.atmmarketplace.com/news_story_20401.htm



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Card Issuers Want BJ's to Cover Costs for Stolen Credit Cards

A security breach at discount retailer BJ's Wholesale Club, Inc. has turned into a potentially very expensive endeavor for the company.

In March 2004, MSNBC reported that hackers gained access to several hundred credit and debit card account numbers belonging to people who made purchases at BJ's. The card numbers were then used to make fraudulent purchases in the United States, Europe and the Asia-Pacific region.

In response, BJ's shut down some its IT systems at the stores and hired an independent auditor to find out what happened; BJ's claims that no conclusive evidence of a breach was found.

"We are confident in the current safety and integrity of our systems," said Bob Hamilton, Vice President of Loss Prevention at BJ's. "This type of crime is the fastest growing crime in America and is a major concern for all retailers, including BJ's.

"We take this issue very seriously and we are continually working to employ advanced technologies to ward against increasingly sophisticated credit card information theft schemes.

"We remain fully committed to protecting the privacy of our members and the security of their information and are working with credit card companies and law enforcement to identify and prosecute these criminals to the full extent of the law."

Up to 15 banks acknowledged that thousands of their customers' accounts had been put in danger because of the breach; the card Associations' policies are to let their member banks decide whether or not to immediately reissue customers' cards, which can cost up to \$35 per account, or to monitor the accounts for three to six months.

Some of the banks include First Citizens Federal Credit Union, which said it would reissue 1,300 Visa debit cards;

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Finger Lakes Federal Credit Union which froze 1,000 Visa accounts of its customers; Sovereign Bank which reissued 81,000 cards at a cost of \$1 million, and Pennsylvania State Employees Credit Union which reissued 14,000 cards at an approximate cost of \$100,000.

Now the card issuers want BJ's to pay them up to \$16 million, including \$6 million to cover the fraudulent credit card purchases and \$10 million to cover their costs for card reissuing.

In an SEC filing, BJ's said it plans to "vigorously contest the claims made against it and is exploring its defenses and possible claims against others."

BJ's operates 150 warehouse stores and 78 gas stations in the eastern United States.

Class Action Suit Says Banks, ATM Owners Fix Fees

A class action anti-trust lawsuit claiming a number of financial institutions and ATM operators have conspired and charged consumers inflated ATM fees was filed in a federal court in Manhattan on Aug. 16, 2004. The suit objects to the fact that consumers are dinged twice for withdrawing cash at an ATM that is not owned by their banks. They are usually charged fees between \$1.50 and \$2—the banks collect a "foreign ATM" fee to cover the cost of interchange it must pay to the owner of the ATM and the ATM owner also charges for the transac-

tion. The banks and ATM owners are scheming to charge these fees, which are "unnecessary" and "fixed," the suit alleges. The suit asks that the defendants stop collaborating to "fix, raise, maintain or stabilize the interchange fee," CNN/Money reported.

Defendants named in the case include Concord EFS Inc., First Data Corp., Bank of America, J.P. Morgan Chase & Co., Citibank, SunTrust Banks Inc., Wachovia Corp. and Wells Fargo & Co. In May 2003, the U.S. Supreme Court refused to hear additional arguments from the cities of San Francisco and Santa Monica, Calif. The cities had asked that the fees banks charge non-customers for ATM transactions be outlawed ("Supreme Court Rules ATM Fees OK," The Green Sheet, June 9, 2003, issue 03:06:01). Federal laws currently allow banks to charge access fees to non-customers.

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Grand Ole FWI Hosts 82nd Annual Conference

Financial Women International (FWI) hosted its 82nd annual conference in Nashville, Tenn. Sept. 12 – 14, 2004. Music City USA served as an ideal backdrop for this year's theme of "Catch The Spirit." FWI packed each day of the event with inspiration, motivation and information.

At the opening ceremony on Sunday morning, the organization welcomed nearly 300 attendees, including members from Canada and Russia. A presentation by Mark Romero titled, "Infinite Dreams: Playing Beautiful Music Throughout Your Life" encouraged participants to risk pursuing their dreams and strive for balance in their lives.

Romero used a combination of insightful musings, music and visualization to share his message. He was a top performer in the electronics industry and is an accomplished musician.

During a short break, the exhibit hall opened and members flocked inside to browse the booths. Exhibitors included The Green Sheet, TransFirst, Check Mark, Inc., Graduate School of Banking, Kelly Services, Inc., K Force, Inc., FWI Foundation, The Susan G. Komen Breast Cancer Foundation and many others offering products ranging from spa services to wardrobe items.

Sunday's keynote lunch featured motivational speaker Diana Jordan who has appeared on the Oprah Winfrey Show, the HBO Special "Women of the Night" (highlighting five women comics) and in two feature films including "Jerry Maguire."

She is also the author of the book, "A Wife's Little Instruction Book: Your Survival Guide to Marriage Without Bloodshed." Jordan delivered an extremely entertaining and engaging presentation focused on the power of laughter to heal our lives.

New members were welcomed in the FWI Fundamental workshop in the afternoon. Another workshop prepared newly elected presidents of groups and districts for the job ahead. The day closed with a fundraiser at the famous Wild Horse Saloon. Members enjoyed a buffet dinner and then kicked up their heels on the dance floor.

Monday was another day filled to the brim with activities. The morning offered a general session presenting a panel of four bank presidents. Each woman told the audience how she had obtained her position at the bank and some of the ways in which it helped other women achieve success in the financial field.

Jordan E. Goodman was Monday's keynote lunch speaker. Goodman is the author of "Everyone's Money Book"; he is also a daily guest on radio and television call-in shows across the country, where he answers questions about personal finance topics. He has also appeared on "The Today Show," "Nightline," and on PBS, MSNBC, CNN, and CNBC.

Goodman addressed the opportunities banks now have to integrate new personal finance services and tools into their existing services. He shared his extensive experience to help FWI members understand what their clients want and how to help them meet their needs.

Three afternoon breakout sessions were well attended. Dr. Lois Frankel's presentation, "Nice Girls Don't Get the Corner Office" was the most popular. This session challenged attendees to explore the reasons adult women sometimes act like "little girls" and to identify some of the fundamental mistakes many women make, obstructing their path to success.

On Tuesday morning, FWI held its Annual Meeting, followed by three breakout sessions. These sessions presented information on leadership, success and how to communicate with elderly clients.

The final keynote lunch followed these sessions. The speaker, Karen Purves, discussed the five steps to becoming an effective leader. Purves' entertaining and engaging talk provided audience members with tools for using their leadership skills more effectively. And following the keynote, new officers of FWI for 2004 – 2005 were installed.

The conference ended with an awards banquet. FWI presented awards to districts and groups with the best membership retention and the most new members for the year. The foundation also awarded one lucky member a scholarship for the Graduate School of Banking. FWI also honored The Graduate School of Banking as the FWI Partner in Success for 2004.

Finally, FWI presented the Virginia D. H. Furman Outstanding Member of the Year Award to Melissa M. Curzon of San Clemente, Calif. for the exceptional dedication, commitment and passion shown in her tireless efforts on behalf of the organization.

FWI was founded in 1921 to assist women in the financial services field to be successful in their careers. This was the organization's 82nd annual conference; next year's will take place in Toronto. For more information about FWI, visit www.fwi.org. ■

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Compliance from Page 1

... and when the data are compromised, a definite chain reaction affects the businesses—merchants, processors, banks—as well as consumers.

The importance of this issue right now doesn't have as much to do with national security or terrorism as it does with generating awareness in everyone who has anything to do with commerce, from consumers and merchants, to equipment manufacturers, banks and processors. It's more about brand protection and using the assurances of security to gain competitive footholds.

As a merchant or processor, for instance, being able to say that your business practices and methods for handling financial data meet a certain set of high standards is not only essential, it's good marketing.

Whether merchants or financial entities embrace or curse the prospect of meeting certain industry standards, the issue of compliance is unarguable. If you want to do business, you have to be compliant.

As David H. Press, Principal and President of Integrity Bankcard Consultants Inc., a Naperville, Ill.-based company that conducts compliance reviews of merchant, processor and bank business operations, said, "It's incumbent in this day and age of consumer awareness, with the number of people online: If you want to play in the game, you've got to know the rules and regulations."

Even though it has not always been easy to get those rules and regulations, it's up to payments sales professionals to keep their merchants up to speed on what's required of them on their end.

But the rules and regulations—what due diligence has to be done before a merchant is allowed to process, what information agents have to obtain on merchant applications, etc.—are lengthy and cover a lot of areas, Press said. And until recently, processors and ISOs, because they are not Association members, had a difficult time getting copies of the rules to pass along to their agents and merchants.

When Integrity Bankcard reviews businesses, Press said they see that every agreement says that all parties will abide by Visa/MasterCard regulations. They're finding that copies of the rules are now being made available more often these days to ISOs, where before they were not.

"Visa and MasterCard tell the members what the rules are, and those members—banks, credit unions, financial institutions—have a responsibility to follow the rules and regulations set by the Card Associations.

"But ISOs, even though they are not members, must also comply with the regulations," said Press. "Visa and MasterCard will not give them the regulations directly because they're confidential and provided only to their members."

However, he said, "The ISO must obtain a copy of the regulations from the member bank(s) they're registered with. It only stands to benefit the bank and the ISO.

"If you don't, you're doing a disservice to your organization and the merchants that are your clients.

"The worst thing that can happen is a merchant level salesman (MLS) goes out, signs up a merchant, and does not disclose fees or do their due diligence. The merchant processes transactions, and the next thing you know, they get fined by the Associations. The merchant's going to scream, yell and say 'you never told me I couldn't do this' or 'you never said I needed that,' and then the merchant files a complaint with the Federal Trade Commission (FTC)," Press said.

Thanks to some high-profile cases in the past couple of years, awareness of the safety of financial data among merchants—and consumers—is growing, Press said. The Wal-Mart suit against Visa and MasterCard is one that helped bring the question of credit versus debit to the general public's attention.

These cases have caused the Associations to emphasize compliance more, too, said Press. "They've always pushed it, but they're pushing it more now. The lawsuits, and the FTC being more proactive, have awakened the sleeping giants of the Card Associations. It's about protecting the brand."

As of September 30, 2004, all Level 1 Merchants, or those who process more than six million transactions a year, must be compliant with Visa's Cardholder Information Security Program (CISP) compliance rules, so their level of compliance awareness is very high, said Micheal Petitti, a Managing Partner and Vice President of Sales and Marketing with Ambiron, an independent consulting firm based in Chicago specializing in security issues and enterprise information solutions.

"For Level 3 Merchants, or those that process less than a half-million transactions a year, there is no mandate for them just yet and there isn't a great deal of awareness among them," he said.

But the Associations are taking steps to correct that by sending letters to merchants; Ambiron is also beginning to contact merchants and work with them toward the



CoverStory

inevitability of compliance deadlines, Petitti said.

TrustCommerce, an IP-based payment solutions provider in Irvine, Calif., recently received its second Visa CISP certification, meaning its standards for protecting transaction data meet those set by Visa. The company also commissions an annual survey to find out what are the most important issues for a random sampling of large Fortune 500 businesses and the smallest merchants in the marketplace.

This year's results showed that security is the most important attribute merchants consider when choosing an Internet-based payment processor, said Rob Caulfield, TrustCommerce CEO. "We wanted to gauge what the most pressing issues are and how we fit in with those," he said.

"There were 10 important attributes, including speed of transactions, reliability, price and technical expertise. But the number one issue identified in the survey was security.

"Cardholder data is precious cargo," Caulfield said. "There's no room for intrusion."

But not everyone is as well versed in this topic as they should be, and as with the law, ignorance of the rules is no excuse for non-compliance. If you, or your merchants, are confused by what the parameters of being compliant include for people in payments processing, take some comfort in the fact that you're not alone.

Consumer awareness, while increasing due to mainstream media coverage of identity theft and other types of fraud, could be better. So could the understanding of the rules on the parts of financial institutions and others in the payments industry.

As Press said, "This topic of compli-

ance is huge and people don't know what they're supposed to do or what the implications are.

"The thing that amazes me is that we do reviews all the time of ISOs, banks and merchants that are not following the correct protocol, are not in compliance or don't know what the compliance should be. And this is a multi-billion-dollar a year business!"

Petitti agreed. "The increasing complexity of regulations and requirements is causing confusion; we're finding it's a mixture of confusion and frustration.

Most people at the merchant level are not technical people. When it comes to translating the data and the security regulations of those programs into English, there's a definite level of frustration there."

That's why working with a compliance consultant is so important, Press said. "Get the rules and regulations, read them over, and have a basic understanding of what the Card Associations want you to do, or contact a consultant with expertise in the field.

"It's cheaper in the long run to pay somebody to make sure you are in compliance than it is to get fined by the Card Associations," he said. Compare the cost of a review, which might be \$7,000 – \$10,000 depending on the complexity of the operation, to the possibility of paying out hundreds of thousands of dollars in fines, which accrue daily, and increase exponentially with each security breach.

These issues and the standards established to deal with them aren't really anything new—the Associations' focus on compliance is not a response to the events of 9/11 or the passing of the U.S.A. PATRIOT Act in October 2001.

Visa's Zero Liability policy, which took effect April 4, 2000, virtually eliminated consumer responsibility in cases of fraud involving Visa card transactions processed through the Visa network, including online purchases.

The policy removed both the \$50 cardholder liability and the 48-hour reporting requirement in cases of fraudulently used Visa credit or debit cards. The Zero Liability policy applies to cards issued in the United States only, doesn't apply to commercial card or ATM transactions, or to PIN-based transactions not processed by Visa.

This would seem to make the prevention of fraudulent transactions imperative, placing the onus on merchants, processors and member banks.

That's exactly what Visa CISP does. MasterCard calls its equivalent program Secure Data Protection, or SDP; American Express has its Data Security Operating Policy, or DSOP program; the Discover Network established its Discover Information Security and Compliance, or DISC program.

Visa began talking about CISP before October 1999 and mandated the program as of June 2001.

CISP defines and sets "a standard of due care for securing Visa cardholder data, wherever it is located," as Visa puts it. Any business involved in storing, processing or transmitting Visa cardholder data must comply with CISP and is responsible for ensuring the compliance of their merchants and agents, whether they're issuers or acquirers.

All retail channels within the United States fall under CISP standards; international businesses must comply with Visa International's Account Information Security (AIS) program.

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CISP involves 12 basic industry-wide requirements for handling cardholder data, including encryption, restricting access to the data, installing firewalls, maintaining security patches and system testing, as well as many sub-requirements.

Visa wants its financial institution Members to use service providers that are CISP compliant and to make sure that all its merchants and service providers are CISP compliant.

It sounds simple enough, but as Press said, people often believe they're doing things correctly, or have no idea that they're supposed to be doing anything at all. In order to become CISP compliant, merchants, banks and processors must enlist the services of a Visa-certified CISP assessor to review their systems and practices.

TrustCommerce recently received its second CISP certification; the first certification involved a 90-page assessment written on their operations—their servers were examined, employees and principals were interviewed, and a network breach was attempted, Caulfield said.

A spirit of cooperation seems to be factoring in to the process, and the Associations appear to be willing to make it less complicated for merchants and financial institutions to meet the standards they each set.

Various businesses and industry organizations also recognize that the complexity of the issues presents a daunting challenge in reaching compliance.

These consultants and groups are working to simplify the process for their clients and constituents through developing programs and initiatives that combine a variety of compliance concerns. Efforts are underway throughout the industry to create uniformity and eliminate some of the red-tape overlap.

(The Electronic Authentication Partnership and The Initiative for Open Authentication are two programs in which trade organizations and corporations are partnering that we'll detail in a subsequent article.)

For their part, the associations are taking proactive steps to inform businesses of their roles in protecting sensitive data, and to form a united front. All brands are communicating the same information about security requirements to merchants accepting their cards.

American Express, Diners Club, Discover Card, JCB, MasterCard International and Visa U.S.A. sent a letter in July 2004 to all merchants summarizing the uniform requirements governing cardholder information securi-

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ty all Associations support.

"People are finding that once they get their arms around the Visa regulations, it dawns on them that there are regulations for MasterCard, American Express and Discover as well," Petitti said. "They say, 'I have to go through this four separate times?'" Ambiron has developed a Multi-Card Compliance Program, an online automated option for its clients.

But despite challenges, the people we spoke to for this article say the financial services system is very secure; they said the card associations have developed good programs for ensuring the safety of cardholder data and implementing best practices standards for certified providers.

"The system is a lot more secure than people believe it to be," said Press. "The number of hacking incidents in this industry is miniscule compared to others, because of the rules and regulations that are in place, and because of CISP and SDP certifications.

"The Card Associations' systems are very secure—you've never heard of anyone hacking into any of their mainframes to compromise account numbers. It's always at the merchant level.

"The core system itself is very secure, but as the core expands out to include new technologies, there are going to be vulnerabilities exposed," Press said.

While compliance requirements can be cumbersome—and many merchants aren't exactly thrilled to find out they have to complete the programs—Petitti said they're "very necessary in securing a supply chain that has grown so quickly.

"The card associations have come up with very good programs. If they can implement them and get adoption, they'll achieve the results they're looking for, which is a much more secure system across the entire supply chain.

"This is what is necessary to ensure the integrity of the entire system."

Because there is so much to the issue of compliance, we'll examine the rules and regulations, including Association registration for agents, more closely and look at ways various companies industry associations are helping merchants, processors, agents, banks and equipment manufacturers meet their compliance requirements in an upcoming article. ■

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2004 Expo & Tradeshow Calendar

For more details and a variety of other tradeshow, expositions and seminars, visit www.greensheet.com/tradeshows.htm

All dates for Autumn 2004

| Event | Date | Location | Web Site |
|--|-----------------|------------------------|--|
| Micropayments 2004, hosted by Peppercoin | Oct. 5 | New York | www.micropaymentsconference.com |
| WesPay Workshop: AAP Review Course | Oct. 5, 6, 7 | Varies | www.wespay.org |
| Food Marketing Institute - Electronic Payment Systems Conference | Oct. 5 - 7 | Orlando, Fla. | www.fmi.org/events/confmain.cfm?meetings_id=334 |
| Shop.org Annual Summit | Oct. 6 - 8 | Anaheim, Calif. | www.shop.org |
| Strategic Research Institute Second Annual Forum | Oct. 7 | Chicago | www.srinstitute.com/ci296 |
| The Kiosk Show | Oct. 7 - 8 | Boston | www.kioskmarketplace.com/tradeshows.htm?id=9 |
| ETA Expo Networks | Oct. 14 - 15 | Dallas | www.electran.org |
| National Assoc. of Convenience Stores (NACS) Show | Oct. 17 - 20 | Las Vegas | www.nacsonline.com |
| Smart Card Alliance Fall Annual Conference | Oct. 18 - 20 | San Francisco | www.smartcardalliance.org |
| WesPay Payments Symposium | Oct. 18 - 20 | Universal City, Calif. | www.wespay.org |
| NACHA Accredited ACH Professional (AAP) Exam | Oct. 19 | Varies | www.nacha.org |
| Mid-America Payments Conference | Oct. 25 - 27 | Overland Park, Kan. | www.mpx.org |
| Financial Insights | Oct. 26 - 27 | Boston | www.financial-insights.com |
| Field Guide for the Developing ISO | Nov. 3 | San Francisco | www.fieldguideforisos.com |
| Western States Acquirers' Association | Nov. 3 - 4 | San Francisco | www.westernstatesacquirers.com |
| CSI 31st Annual Computer Security Conference and Exhibition | Nov. 8 - 10 | Washington D.C. | www.gocsi.com |
| COMDEX Fall Exhibition | Nov. 14 - 18 | Las Vegas | www.comdex.com |
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Equipping mobile businesses—pizza delivery drivers, plumbers, limo services and messengers—with point-of-sale card devices could dramatically boost transaction volumes that move through credit and debit card networks. Trouble is, terminals developed for this market segment are bulky, costly and often provide limited geographic coverage.

Now there's a new terminal on the market that promises to overcome these shortcomings: the Mobile Transaction Terminal (MTT) from WAY Systems Inc.

WAY Systems is billing MTT as "the first 'out-of-the-box' packaged solution" to equip mobile merchants

with cheap, secure pocket terminals. To date, only a few hundred of these payment terminals have been placed, but WAY Systems executives are optimistic that the boom in inexpensive mobile telephone and network technologies can only spell success for MTT.

Apparently they aren't alone. Will Graylin, the company's CEO, told us during a recent interview that WAY Systems has garnered an impressive array of backers, including Transaction Network Services Inc. (TNS), which provides data networks for many of the nation's best known transaction processors.

In May, TNS purchased the wireless POS application platform developed by U.S. Wireless Data Corp., a pio-

neer in the mobile POS business that filed for Chapter 11 bankruptcy in March. (WAY Systems, meanwhile, picked up a key executive from U.S. Wireless; Mark Shultz is now serving as WAY Systems' Vice President for Sales.)

WAY Systems also has a "strategic alliance" with Visa, Graylin said, under which it is helping the Card Association identify opportunities for growing the market for wireless POS applications.

And in April, the company announced an alliance with SecurePay.com Inc., a highly secure payments gateway that supports access to major transaction processing companies, including Vital Processing Services, Nova Information Systems Inc. and BuyPass/Concord EFS.

"We believe we are at a turning point in this market," said Graylin. "The



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technology and the price points make for a good merchant ROI. Plus, there's the convenience factor."

Today, fewer than 100,000 merchants use wireless POS terminals, and most of these are bulky, reconfigured countertop devices with limited geographic reach. WAY Systems is betting that the base of wireless terminals will triple in the next three years in the United States, however, with the takeoff of GPRS and the next generation of wireless technologies.

(GPRS stands for General Packet Radio Services. It's a "packet-based" service, which promises faster transmission rates and wide geographic coverage.)

The MTT solution uses a cellular device that really isn't intended to be used as a telephone (although conceivably it could) fashioned with a special patented port. "It literally fits

in your shirt pocket," said Graylin.

MTT incorporates a PIN pad, card swipe and mobile thermal printer. The package comes with a low-cost wireless "data-only" plan and real-time merchant processing using SecurePay. Graylin told us a merchant can have the device in hand and operational within 24-48 hours of ordering.

"We have access to all the major processors, and we offer a compelling and competitively priced product," Graylin said, claiming that MTT is priced at half the cost of previous wireless terminals, "and it's a fraction of the size."

Graylin told us that WAY Systems intends to help terminalize those businesses that traditionally have not accepted card payments.

This is a market he estimates to include more than 10 million mer-

chants that don't operate from fixed locales. In the United States, these include about 400,000 taxi and limo services, 350,000 electricians, 450,000 plumbers and literally millions of flea market, food delivery and direct sales businesses, according to Graylin's estimates.

Graylin said he has high expectations for selling MTT outside the United States, as well, particularly in developing countries. Originally from China, he has an impressive background education and work experience here; he was the first Chinese immigrant to serve as an officer in the U.S. Navy's prestigious nuclear submarine program. Graylin is currently negotiating to sell MTT in China; the terminal is already certified for sale and implementation in Malaysia, he said.

Find out more by visiting their Web site, www.waysystems.com. ■



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It's Time to Say "Thank You" to Paul Green

On July 29, 2004 in Chicago, the Midwest Acquirers' Association presented Paul Green with a Lifetime Achievement Award. I had the privilege of witnessing this event and hearing his terrific acceptance speech.

When I read his speech again in The Green Sheet ("More Than 26 Years in Payment Processing and a Lifetime of Achievement," Aug. 9, 2004, issue 04:08:01), I realized what a big debt of gratitude we all owe Paul.

Not only is he the founder of our industry, but he has also

been the leading advocate for merchant level-salespeople (MLSs) everywhere for more than 20 years.

As the host of "Street Smarts," I felt it was my duty to give all the hardworking MLSs an opportunity to express their appreciation for this extraordinary man. On the GS Online MLS Forum, I asked sales professionals throughout the industry to share with Paul how much his many years of service and support has meant to them. The response was unprecedented.

Here's just a sampling of the accolades posted:

| Education Index | |
|--------------------------------|-----------|
| Feedback Contest Winner | 80 |
| Adam Atlas | 82 |
| Michael W. English | 90 |

"I remember when The Green Sheet was first produced and the concern that many ISOs had about the 'confidential' information (profit streams) going out to the agents. The information was much needed and has helped to weed out those companies that were hurting this industry. Paul, thank you for all you have done!" – All the BEST, Don Harrington

"Paul has been an inspiration to many in the industry. While he certainly could take it easy, he instead dedicates himself and The Green Sheet to furthering the success of those in the industry and those to come. Congratulations, Paul, on your well deserved recognition!" – Best regards, Mary Dees

"I was an agent of an agent of an ... well, you all know the story. I stumbled across The Green Sheet about six months in. I am thankful everyday for the information and fellowship here. Indispensable! Thank you, Paul." – Kathy Harper, BPS

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"When it came time to 'putting in' on new issues, you were at the front of the line. Because of your time and devotion in helping everyone succeed, so many have gone beyond their expectations. You are a person of genuine character, and by this you earn the highest respect from all in this industry." – Q

"I, too, want to thank Paul Green for all he has done for the industry, and for me. His company, his vision and his services have opened the door to so many opportunities over the past 6 years.

"Paul's valuable services have provided the key to open the door to so many companies doing business together within this industry, along with thousands of contracts being negotiated and signed over the years. These business relationships were probably linked in some way to the services The Green Sheet provides.

"Here is the one thing that everyone has failed to mention: With all that our industry has gone through in the last 10 years, the scandals, the lawsuits, no representation for the sales reps on the streets, The Green Sheet has definitely proved to provide real value as it has given us

"When it came time to 'putting in' on new issues, you were at the front of the line. Because of your time and devotion in helping everyone succeed, so many have gone beyond their expectations."

- Q

a portal with which to clean up our industry and keep the ISOs, vendors and reps honest and quick to do the right thing.

"I would say that our industry would have a bad reputation and would have gotten worse over the years if The Green Sheet did not exist today. I believe The Green Sheet has also contributed to fewer law suits over the years in this industry as companies are willing to do what is right just to save their company's reputation in The Green Sheet and in the bankcard community.

"If something bad happens or if someone has been wronged, we hear about it within hours on the MLS Forum. It has certainly kept me honest. The Green Sheet is a big plus in our industry. Thank you, Paul!" – rhendrix76

"Although still very 'green' in the industry (less than four years as an MLS, 15 years a consumer of bankcard services thanks, first, to Peachtree) I am grateful to you, Paul, and what you have provided for the industry. This business became much less of a struggle for me after I found The Green Sheet." – bankcardrep1

"Thanks, Paul, for the MLS Forum. It is the microphone of this industry. When you can't shout loud enough to be heard, you need a microphone; same [with the Forum].

"You anonymously get your messages through. Let me tell you, for the good and the bad, this Forum has good ears. Thanks again for the free publication and the Forum. Let us see another 20 years. Let us hope it remains free." – maketelinc

"The Green Sheet magazine and GS Online are fantastic. I appreciate you sharing your knowledge about the industry and creating an opportunity for us to communicate with each other. I also personally appreciated both of your books.

"For those of you that have not read 'Good Selling!' and 'Good Selling! 2,' you are missing out. Continuing education is vital in an ever-evolving industry.

"What's great about Paul is through all the years he has stayed on the cutting edge not fearing change. 'Wisdom is best used and most valuable when given away.' Thanks for all you do!" – SalesAMS



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"Thank you, Paul! I have learned more from The Green Sheet than any other person, publication and even my own ISO. Merchant transaction fee: 25 cents; merchant statement fee: \$10; member of The Green Sheet: priceless!" – johnmckee

"I have had the distinct honor of working with Paul Green. He is everything that you have read about and more. I have yet to work with someone, who, when you leave his office, not only are you laughing, you have learned something.

"Paul and all the great folks at The Green Sheet have been extremely helpful to us here at Secure Payment Systems. I can only say that I am fortunate to call him my mentor and my friend. He is indeed a gentleman, a scholar and a true friend to all of us in this business. Congrats, Paul, and thanks!" – Your friend, Steve Eazell

"Paul, thank you for living the philosophy, 'that which you share will multiply, that which you withhold will diminish.' You provide so much to all of us for free. You and your good deeds give all of us someone to respect

and look up to and to aspire to." – Chuck Saden, POS Card Processing

"Mr. Paul Green, THE icon of our age, without whom we would be considered blind and mute. We would be legally blind in that we would not know of anything outside our immediate sphere, and without we would not have even a whisper, never a voice. To which we all owe (regardless if in agreement with him) gratitude for giving back to an industry that knows little compassion or caring on a local level, let alone a national level.

"Mr. Paul Green, THE icon of our age, without whom we would be considered blind and mute."

– Brett Mansdorf

"Rarely an 'off the record' kind of guy, but one who will publish what is needed and provide for those whom he owes nothing, out of the kindness few will ever know. A mentor, a father figure, a friend to all."
– Gratefully yours, Brett Mansdorf

"I am relatively new to The Green Sheet. However, I started years ago with Peachtree. If I had known of this publication then, I would have never left the business. You have offered a sail conquering the winds of change, providing both steadiness and calmness.

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"The greatest compliment that any teacher could be given should come from the students whom he/she has taught well and are committed to spreading his/her lessons.

"You have shown a willingness to be taught by your students. That should be the goal and true definition of teaching. Specifically, it is a sign of your humbleness and respect for the professional MLS. My only hope is that I may someday teach you one letter for the book of knowledge that you have shared and allowed to be shared here.

"You have been committed and focused on your goals. You are the reason I believe there is still hope for the merchant level salesperson's role in this industry. A thousand thanks from student to teacher. Oh yeah, great book, too." – UTRUE

"Is it possible? Take a person with ABSOLUTELY NO KNOWLEDGE of the payments industry and no capital; set them loose on the GS Online MLS Forum for a little more than a year, and with a little ambition and negligible training from outside sources ... and BAM! Create an office with a small telemarketing staff and growing residual income!

"It's possible. That's exactly what happened to me because of Paul Green, The Green Sheet and the GS Online MLS Forum! Cincinnati Merchant Solutions is a direct product of The Green Sheet and its members. Thanks, Paul!" – Tony Millet, Cincinnati Merchant Solutions

"Dear Paul, it's a great pleasure to participate in your publication, disseminating much needed information to participants in this exciting industry. Keep up the good work." – Adam Atlas, Attorney at Law

"I have been in this business for the past eight years. When I started, I had the good fortune to start with Superior Bancard under Joe Kaplan. Although I learned a lot there, it was nothing compared to the knowledge that I have received from The Green Sheet throughout the years.

"It is one of the biggest reasons that I am still in the business today. My vote goes to Paul Green as the 'best of the best!' Thank you for all you do and all you have done to help the 'feet on the street.'" – C.B. Schmidt, New Tech

Wow! That's feedback. I am not sure if Paul fully understands the impact he has had on so many of us over the

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years. Were he unaware, this column will surely provide affirmation, inspiration and motivation for this exceptional individual to continue doing what he has been doing for over two decades.

Paul has had an enormous impact on my career, especially because he inspired me to take a different path. I can honestly say that I would not have achieved anywhere near the amount of professional success without Paul Green and The Green Sheet.

Years ago, I asked Paul why he worked so hard to inform, educate and inspire the industry through The Green Sheet. He responded by saying he wanted to give back to an industry that has given so much to him ... and that I should do the same.

Ever since that conversation, I have been speaking, writing, training and helping others. Paul inspired me to give back to an industry that has afforded me unequalled opportunities. He inspired me to make a difference. My only hope is that we all continue to learn from Paul and strive to follow in his footsteps, united in a common goal to improve the bankcard business.

In the next installment of "Street Smarts," a guest columnist and leader from our industry will provide his or her thoughts on a very timely topic. As always, your feedback is critical to our continued success.

Please send your thoughts and opinions to streetsmarts@totalmerchantservices.com . I also want to thank everyone who took the time to share their praise for a very deserving individual, Paul Green.

"Every time we remember to say 'thank you,' we experience nothing less than heaven on earth."

- Sarah Ban Breathnach

See you next time where the rubber meets the road.

Ed Freedman is founder and President/CEO of Total Merchant Services, one of the fastest-growing credit card merchant account acquirers in the nation. Freedman is the driving force behind all business development activity as well as the execution of Total Merchant Services' marketing plan, including recruiting and training independent sales offices and establishing strategic alliance partnerships with leading vendors, so that Total Merchant Services can provide its customers with the highest quality and most reliable services available.

To learn more about Total Merchant Services, visit the Web site at www.totalmerchantservices.com . To learn more about partnering with Total Merchant Services, visit www.upfrontandresiduals.com or contact Freedman directly at ed@totalmerchantservices.com .

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Education (continued)

Hosterman and Schoenbauer Tie in "Street Smarts" Feedback Contest

The "Street Smarts" Feedback contest continues, and for the month of August 2004, we had a tie. Clayton Hosterman and Bob Schoenbauer each submitted a story and will receive a paid membership to the National Association of Payment Professionals (NAOPP) and paid registration fees for an upcoming regional event of their choice.

There are three months left in 2004, and we still want to hear from you. If you have a story to tell about how you successfully implemented something you read in "Street Smarts" in The Green Sheet, send it to us at Streetsmarts_Feedback@greensheet.com.

Everyone who submits a success story will receive a one-year paid membership to NAOPP. Each month, we will also award the writer of the best story paid registration fees to a regional event, either an ETA Expo Network or one of the regional acquirers' association meetings.

And don't forget: For the best story overall received in 2004, we will award the winner a fully paid trip to the 2005 ETA Annual Meeting and Expo to be held March 15 – 17, 2005 in Las Vegas. Expenses to be paid include hotel, airfare and registration fees.

Here are Hosterman's and Schoenbauer's stories:

"Ed, as I was re-reading old issues of The Green Sheet this morning, I came across your article. I couldn't agree more with the need to create leads. We've always called the situation this way: 'Sales folks don't have sales problems, they have prospecting problems.' Solve that problem, and you're off to the races. Link2Gov has successfully done so for card processing in the government sector, 'creating centers of expertise' by partnering and marketing with associations across the country."

– Clayton Hosterman, Link2Gov

"Ed, I would like to share with your readers the astonishing effect your article 'Coffee is for Closers' (The Green Sheet, August 25, 2003, issue 03:08:02) has had on our closing percentage. Reading your article and then renting the 1992 movie 'Glengarry Glen Ross' reinforced my belief that you must be in complete control of the sales presentation at all times.

"How can you take control? Ask questions and follow 'Ed's Five Easy Steps' (described in the article). I believe that most salespeople lose control of the presentation out of fear of losing a sale that they do not have. Trying to 'nice' your way through will get you only the easy sales.

"Many of you are probably thinking that this sounds good, but what about the guy who says, 'Just the rates, just the rates'? Try one of these in response: 'Then you do not care about service?' or 'You do not care who has access to your checking account?' You are now in control.

"Now you can lead the prospect down the yellow brick road to step three, which I call the Golden Step, by saying this: 'Based upon what you've just explained your needs to be, I would recommend our ____ package.' I can tell you we have trained everyone here on 'Ed's Five Easy Steps' and are using it to a 'tee.' It has improved our closing rate nearly 50%. Remember, take control and most of all, 'Always Be Closing.'"

– Bob Schoenbauer, Capitol Payment Systems, Inc.

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Education (continued)

Legal Ease

Big Payments Cases Reflect Bigger Issues

By Adam Atlas

Attorney at Law

Payments Anti-trust Legal Issues Case Study

Joint control of card Associations and exclusionary rules, as decided in "U.S.A. vs. Visa and MasterCard," U.S. Court of Appeal, Second Circuit (344 F3d 229), Sept. 17, 2003.

In most of my columns, I try to provide "nuts and bolts" practical advice for the ISO/MLS or processor on common legal issues that arise, but for this column, I decided to take a bird's eye view of some of the issues facing card Associations in the payment processing industry.

These issues might seem distant from the concerns of the processor or ISO/MLS that slogs it out everyday on the pavement, but the outcomes of decided cases involving the Associations can actually have a dramatic impact on the entire payments industry, from Visa and MasterCard to Chase to giant retailers such as Sears, Roebuck and Co. and Wal-Mart, Inc., down to the mom-and-pop merchants.

Consider a fairly recent case: "U.S.A. vs. Visa and MasterCard," U.S. Court of Appeal, Second Circuit (344 F3d 229), Sept. 17, 2003. This case addresses the anti-competitive issues arising from MasterCard's and Visa's exclusionary rules that prevented their member banks from issuing cards from Associations other than Visa or MasterCard.

The Antitrust Division of the U.S. Department of Justice (DOJ) brought the case against Visa and MasterCard. The DOJ alleged the Associations violated Section 1 of the Sherman Antitrust Act, which reads: "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States ... is declared to be illegal."

In ordinary English, this means that any two or more parties that make an agreement with the intention of restraining trade and then do restrain trade are in violation of the law.

The U.S. District Court in the Southern District of New York first decided on the case in 2001 in a 157-page judgment. The U.S. Court of Appeals affirmed that ruling in 2003 in a much shorter judgment ("American Express Seeking U.S. Bank Partners," The Green Sheet, Oct. 13,

2003, issue 03:10:01). Following are some of the important parts of the case:

The Associations: General Background

According to the facts reported in the case, approximately 20,000 member banks own MasterCard, and approximately 14,000 member banks own Visa U.S.A. Both Visa U.S.A. and MasterCard operate an acquiring network in the United States through their respective member banks.

Visa U.S.A. and MasterCard are non-profit corporations, which means that in principle, at the end of each financial year, whatever funds they receive they must spend or distribute among their members.

The Associations themselves, in principle, are not supposed to accumulate capital. The Associations use any funds not redistributed to their members for the expenses of the Association, such as maintaining their respective networks.

Many people have a hard time believing that the Associations are non-profit corporations, but they are. Just because they receive very large amounts of money, does not mean that they are for-profit. The profits generated by the issuing and acquiring businesses are accrued to the member banks and not the Associations.

In contrast to the indirect channeling of earnings through the non-profit Visa and MasterCard Associations, American Express Co. and Morgan Stanley's Discover Financial Services issue their cards directly.

Principal Legal Issue: Is the Exclusionary Rule Illegal?

Visa's and MasterCard's exclusionary rules prevented their members from issuing cards other than those with Visa or MasterCard brands. For example, if the Utah Savings Bank is a Visa issuer, it could also become a MasterCard issuer, but it could not become an American Express or Discover card issuer.

In this case, the market for the supply of network services to banks was at issue. There are four principal credit card network suppliers: Visa, MasterCard, American Express and Discover.

If the Utah Savings Bank served as Visa issuer and

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acquirer, and Visa's rules prevented it from becoming an American Express issuer or acquirer, then the rule preventing American Express from providing its issuing and acquiring network to the Utah Savings Bank could be considered an illegal restraint of trade.

That was essentially the conclusion of the court in this case. After analysis of the legal criteria for an illegal restraint of trade, such as market power, and actual restraint on competition, the court concluded that the rule harmed competition. According to the court's decision, Visa and MasterCard were obliged to repeal the rule.

Commentary

For the ordinary ISO/MLS or processor, I think it's important to view this case and others like it as good examples of how the "buck" does stop somewhere in this industry. As much as it might surprise readers, banks and their Associations are bound by the law and are occasionally corrected when their rules go outside the bounds of the law.

There are frequent occurrences of unfair or illegal activity in the merchant acquiring business; however, speaking from my experience as a lawyer, I would like to remind readers that the letter of the law usually sides with the ethically correct conclusion to a dispute.

In the case summarized above, the court found that the card Associations were unduly restraining trade by not allowing their members to use other issuers' networks, such as those of American Express or Discover.

Other legal questions arose from the dominant position of the two Associations in the issuing and acquiring markets. For example (and this was noted in the case), merchants don't really have a choice to use some other acquiring network if they find that the Visa or MasterCard interchange rates are too high.

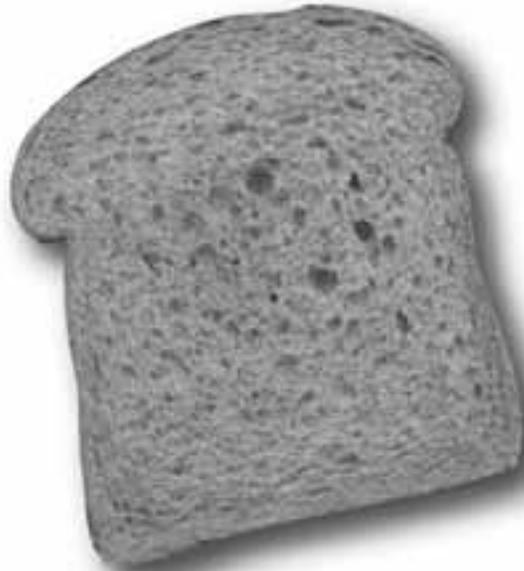
Experts testified in the case that changes in Visa and MasterCard interchange rates do not generally result in merchants no longer accepting cards of the Associations.

PSW Sues Visa, MasterCard and First Data,

Most likely inspired by the court's decision in "USA vs. Visa and MasterCard," Rhode Island-based PSW, Inc., a credit card processor for Internet merchants, filed a new claim in August 2004 against Visa, MasterCard, and First Data Corp.'s First Financial Bank and First Data Merchant Services for restraint of trade, seeking more than \$240 million in damages.

The 12-count complaint alleges the defendants used monopoly power to employ policies that unreasonably

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excluded competition and restrained trade in the credit card and credit card processing markets. The complaint alleges interference with contractual relations, breach of good faith and fair dealing, embezzlement and breach of contract.

PSW claims that it was forced to pay higher prices for network services and excessive fees, and comply with unknown, continuously changing rules. PSW also claims that the defendants usurped PSW's profits and forced it out of business.

The PSW case brings to light the fascinating point that interchange pricing is organized to levy the highest fees from those merchants who need credit card processing the most: Internet businesses.

The "official" justification for those higher fees is that there is a higher level of risk associated with Internet

merchants. However, PSW alleges in the case that 80% of Internet chargebacks are not from fraud through stolen cards, but rather from "friendly fraud" instigated by customers who change their minds after making a purchase.

This leaves the acquiring bank with no ability to determine whether the cards were truly stolen or whether the cardholders simply changed their minds.

PSW argues that the Associations could easily implement monitoring systems to ferret out friendly fraud and thereby reduce the overall amount of fraud, which is used to justify higher fees for Internet merchants.

PSW also argues that it was ultimately put out of business by a combination of high fees and fines that it says were unjustified. The

PSW case raises a very interesting anti-trust legal issue that is on the minds of all participants in the business.

The purpose of this edition of "Legal Ease" is to remind readers that no one is above the law; it's important to exercise your right to challenge any adverse party, whether it be an ISO, processor, bank or card Association. Both the "U.S.A. vs. Visa/MasterCard" case and the PSW case serve as good examples of this kind of advocacy. ■

In publishing The Green Sheet, neither the author nor the publisher is engaged in rendering legal, accounting or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought. For further information on this article, please contact Adam Atlas, Attorney at Law by e-mail at atlas@adamatlas.com or by phone at 514-842-0886.

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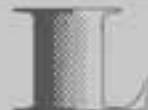
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Education (continued)

Doing Your Part to Stop Identity Theft

By Michael W. English

Ingenico

North Las Vegas resident Victor Dunn was surprised when he received a bill from the local newspaper for a subscription he doesn't have; he was even more surprised when his credit card company called about some hefty charges.

Dunn's case of identity theft is amazing not only because he is the Captain of the Las Vegas Police Department, but also because he is part of a newly formed task force made up of local police and federal Secret Service agents chartered to stop identity theft.

Per Mr. Dunn, this task force has arrested 43 criminals who have stolen and created fake ID's in the Las Vegas area, but thousands still elude them.

Skimming can occur anytime a credit card holder loses sight of his or her credit card, and employees of the retail location most often perpetrate it.

In another case, three South Florida residents arrested for participating in a credit card skimming ring pleaded innocent to the charges in court. The Florida State Attorney's Office stated that credit card numbers were "skimmed" at businesses, restaurants and gas stations in the Collier, Lee and Charlotte counties of Florida.

When crooks skim credit card account numbers, they use a special device to swipe or capture data from a customer's card that is stored on the magnetic stripe.

The device is often small enough for employees to hide in their apron or pocket. With possession of this information, they can make fake cards, which are often sold several times over and used to make fraudulent purchases.

Skimming can occur anytime a credit card holder loses sight of his or her credit card, and employees of the retail location most often perpetrate it.

The stolen credit card numbers in the South Florida case were used to make fake cards for routine daily purchases by ring members and to purchase thousands of gallons of gasoline, which were later sold by ring members acting as a distributorship.

The Federal Trade Commission (FTC) has recognized the significance of this growing category of crime. In a survey report the agency released in September 2003, it found that 9.9 million Americans had discovered that personal information had been misused in the past year; more than 27.3 million Americans have been victims of identity theft in the last five years.

Identity theft is the top fraud complaint reported by consumers, accounting for 43% of the complaints lodged in the FTC's Consumer Sentinel database.

The number of fraud complaints jumped from 220,000 in 2001 to 380,000 in 2002, with the dollar loss consumers attributed to the fraud they reported growing from \$160 million in 2001 to \$343 million in 2002.

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Retailers and restaurants are fearful of having their establishments serve as the source of identity theft and card skimming, especially if word gets out that someone on their staff is suspected of stealing customers' credit card information.

One way you can assist these merchants in limiting the risk from this type of criminal activity is to help them install customer-convenient payment solutions, such as Ingenico's i7770 short-range wireless and portable terminal. These types of solutions enable the wait staff to bring the terminal to the customer and complete the transaction directly in front of the customer.

Portable payment devices operate similarly to a counter-top terminal, offering card swipe, authorization, receipt printing and transaction batching capabilities, all completed in front of the customer.

The transaction is sent from the portable terminal to the base using communications methods such as Bluetooth and WiFi.

The other benefits of these customer-convenient payment solutions for retailer or restaurants are:

- With portable wireless terminals it takes fewer steps for the wait staff or sales clerk to complete a transaction, making payment finalization faster and more efficient.
- When using portable wireless terminals, servers and employees have more time available to serve customers, creating an even better reputation for the business.
- When a customer is satisfied, they tend to return, passing a favorable word onto friends and family about the establishment, thereby increasing the number of new patrons and growing revenue.
- Customer-convenient payment, where the payment terminal is brought to the customer's table, enables a restaurant to turn tables faster while improving customer service and increasing restaurant revenue.

There is great opportunity available to you to sell merchants solutions that increase establishment profitability while reducing the risk of fraud and decreasing their cost of payment. 

Michael W. English is Ingenico's Director of Marketing and Communications. E-mail him at menglish@ingenico-us.com.



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G.E.M. has a management team with years of Retriever experience, all whom have the understanding and knowledge of the different departments, systems and procedures that are encompassed in the credit card industry.

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New Products

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tional dial-up communications.

Both products have a 32-bit processor and support debit and credit card transactions. The Omni 3730 will also support a value-added application such as gift card, loyalty, check conversion or pre-paid phone activation.

Because they are designed as "hand-over" devices, they can both be handed to customers for PIN entry.

The terminals come with an integrated PIN pad, a backlit display, easy-to-read menu prompts, an intuitive ATM-style interface and integrated thermal printer that enables drop-in paper loading.

VeriFone Hand-over Terminals Target Budget-conscious Merchants

Company: VeriFone, Inc.

Product: VeriFone Omni 3730 and 3730LE

VeriFone, Inc. recently introduced two new "hand-over" POS terminals to the North American marketplace intended for budget-conscious retailers looking for a simpler bankcard processing solution at their locations.

The names of the products are the VeriFone Omni 3730 and 3730LE, which VeriFone calls its "entry-level models" in the VeriX-based Omni 3700 family. The terminals support fewer applications than the Omni 3740 and 3750 models, so they are ideal for merchants still using tradi-

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"These latest terminals from VeriFone are tailor-made for Merchants' Choice Card Services," said Larry Jones, Vice President of Sales and Marketing for Merchants' Choice Card Services.

"VeriFone is providing us with a seamless solution to serve a broader market while saving on support and training costs. We can sell the new Omni 3730 models to value-conscious merchants while at the same time selling the higher-end Omni 3740 and Omni 3750 terminals, in the same VeriFone Verix-based product family, that provide other merchants with more value-added features, and IP or wireless communications."

Other features include:

- Factory-installed memory configurations of 1.5, 3 and 4Mbytes,
- Optional upgradeable security access modules (SAMs) that protect sensitive financial data and support multiple smart card schemes,
- Communications modules such as 2400bps modem, 14.4 kbps modem, ISDN, or Ethernet offer easy access to any IP-based network.

VeriFone, Inc.

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Integrate Payment Processing with Online Store and QuickBooks

Company: /n software inc.

Product: IBiz product line

Professional Internet development tools and components provider /n software recently released a new product line called IBiz, which is software intended for Internet merchants looking to integrate payment processing, accounting automation and online store management.

The IBiz suite includes three products: IBiz E-Payment Integrator, VitalPS Integrator and QuickBooks Integrator. IBiz E-Payment Integrator enables credit card and electronic check (ACH) processing through major Internet payment gateways including Authorize.Net, Bank of



America, eProcessing Network, First Data Corp./Cardservice International, NOVA Information Systems' Viaklix, TrustCommerce, USA ePay and VeriSign's PayFlow Pro and many others.

Security features of the IBiz E-Payment Integrator include secure data communications using up to 128-bit SSL encryption, digital certificates and address verification service (AVS) support.

VitalPS Integrator communicates directly with Vital Processing Services for processing credit card transactions. The product offers VitalPS-certified support for retail, e-commerce, direct marketing and restaurant transactions.

Both the IBiz E-Payment Integrator and the VitalPS Integrator evolved from n/software's IP*Works! CC ICharge, which were originally designed for both Web and desktop applications.

QuickBooks Integrator helps merchants with tasks such as adding, updating or retrieving customer, vendor, employee and transaction information.

Its components give merchants access to major QuickBooks features such as Customer, Item, Invoice and Sales Receipt. If needed, merchants can also connect to QuickBooks remotely.

"The IBiz product line is tailored to small- and medium-sized businesses that need to automate or connect systems over the Internet, as well as application developers interested in building integrated solutions," said Eric Madariaga, Marketing Director for /n software.

"The IBiz components facilitate and extend integration possibilities to developers using any technology, from Microsoft .NET, to Linux, to Embedded development."

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NewProducts

Visa U.S.A. Offers Tool to Track Business Debit and Credit Transactions

Companies: Visa U.S.A., Wachovia Corp., U.S. Bank

Product: Visa Information Source (VIS) Select

Owners of small businesses have enough paperwork and record keeping to deal with. To help them track the debit and credit transactions they conduct, Visa U.S.A. announced the launch of a pilot to test a Web-based reporting solution. The solution is designed specifically to meet the financial reporting needs of small businesses and will be piloted to small business cardholders with accounts at Wachovia and U.S. Bank.

Called Visa Information Source (VIS) Select, the solution automates the costly paper reporting process that has traditionally been part of small business transactions.

It also offers financial institutions an enhanced and more robust level of reporting to their small business customers.



The VIS Select option is part of the Visa Information Source program; its functions have been tailored to suit the needs of small business debit and credit cardholders. The reports provide summary and detail level information of spending by cardholder, company and specific merchant categories.

Its features include an easy-to-navigate Web interface; easy integration with accounting applications such as QuickBooks, Quicken and Microsoft Money; flexible data management options and expense management tools.

Since its rollout in 2002, the VIS program has enabled member banks and their commercial customers from all market segments to select from dozens of reporting capabilities, viewable online or delivered by e-mail.

Through VIS Select, small businesses are able to benefit from sophisticated reporting tools without making further technology investments. Member banks can offer this value-added service to their Visa Business card programs without costly development efforts.

Following the successful completion of the pilot, the VIS Select service will be rolled out to Wachovia and U.S. Bank's customers later in 2004. Other Visa member banks are considering offering the VIS Select program to their business cardholders as well.

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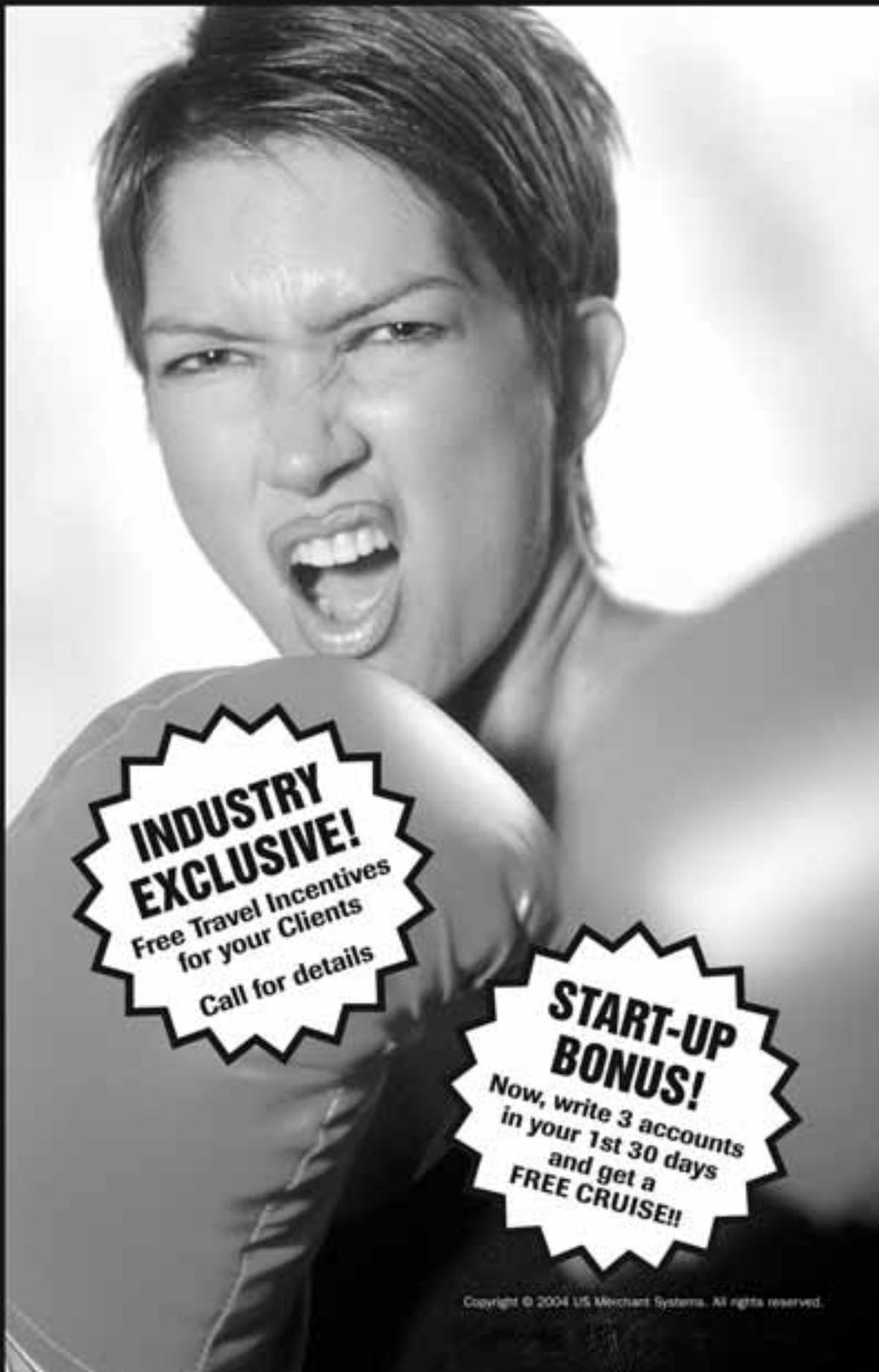
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**Pleasure in the job puts
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- Aristotle

MLS: The Dream Job

According to a survey conducted by BusinessWeek Research Services, 72% of 500 senior-level business executives feel their current job is not their "dream job." The online survey queried 500 CEOs, presidents, controllers, department managers and consultants, and it found that while many are at the top of their field, they are not working their dream job.

What exactly is a dream job? Well, respondents listed such occupations as entertainment producer, wine-maker, chef, pilot, golf pro or other professional athlete, rock star, neurosurgeon, and bed and breakfast (B&B) operator. Do you see a trend in these examples of dream jobs? To most of us, they don't seem like jobs at all because these are pursuits we usually equate with leisure time (except for the brain surgery).

On vacation we stay at hotels or

B&Bs, spend our days golfing or watching sporting events, eat in nice restaurants and attend concerts or plays. It makes sense that these are our "dream jobs." Who wouldn't like to be on vacation 40 (or even 60 or 80) hours a week, and get a paycheck every Friday! Some of us might wish to trade in our current positions for a chance to taste syrah from an oak barrel or turn down the sheets at a quaint country inn.

But, when we wake from the dream and return to the real world, we realize that every occupation, even those that involve teeing off at an exclusive club or rubbing elbows with Hollywood elite, has the same realities: competition, personnel issues, profit margins, demanding bosses or investors, etc.

Every profession has its challenges and its rewards. No position is perfect (heck, that's why they have to pay us), but being an MLS is pretty close to a dream job, right? How many other professions allow you to be independent, have face-to-face contact with your customers and be respected and rewarded for your work?

Independence

If you are an MLS, you have freedom. There are very few job descriptions that include setting your own hours, scheduling your day and choosing your clients. You can even control how much you earn as your merchants dictate your income. You are also removed from corporate politics, downsizing and reorganizations, not to mention institutional gray cubicle walls.

Direct Contact

Independent agents have the luxury of working with clients one-on-one. If you want a sale, you can speak directly with your customer. If someone is unhappy or if there is a problem, you hear it directly from the client; you



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Respect and Rewards

The financial services industry respects a good work ethic, dedication and perseverance. As an MLS, if you work hard, you are rewarded with increased earnings. A direct relationship exists between how hard you work and what you earn.

If you are dedicated to your clients, they become repeat clients, which increases your profit. If you are persistent, you increase your client roster as well as your revenue. Many jobs offer no hope for increased earnings, no matter how much overtime or extra effort is involved.

Life is full of choices. We choose our profession and we choose whether we are happy in it. Enjoy being an MLS and make it your dream job. Sure, it's not a vacation, but it's not supposed to be. Being an MLS has some challenges but with those challenges come many more rewards.

Work Can Be Fun

When was the last time you had fun? Typically, the answer to that question does not start with, "I was sitting at my desk and ..." However, "workplace fun" does not have to be an oxymoron. There are things both employees and managers can do to make work more enjoyable.

What Can Employees Do?

You already know how to have fun. Now you need to find out how to have fun while at work. Think about what you like to do outside of work, and then translate those activities into ways to enjoy yourself while earning a living.

- Do you like playing golf or other sports? Do you enjoy friendly competition? Why not set up a sales contest or bet with co-workers?
- Do you enjoy arts, such as painting or photography? Are you inspired by the ability to be imaginative and free of restrictions? You can be creative at work by redesigning your workspace. Hang colorful pictures or posters, get a calendar that has vibrant images or use one of your best snapshots for a screensaver.



Happy workers are more likely to communicate and cooperate with one another, which not only makes work easier, it has a positive effect on the bottom line.

- Do you like outdoor activities such as running or hiking? Does exploring new places invigorate you? Explore new areas professionally as well, by venturing into new sales territories or expanding your product line.
- Do you have fun playing with your children? Do you enjoy seeing them learn and do things for the first time? Explore the option of mentoring a less-experienced coworker or offer to speak at a tradeshow or event.
- Do you like taking classes or learning new skills? Do you enjoy new experiences and challenges? Why not learn a new job-related skill? This could be something as simple as finally mastering the collating, duplexing and stapling functions on the office copier!
- Do you like social gatherings or dinner parties? Do you enjoy talking about what's important to you and hearing what's happening in other people's lives? Form a networking group or join an association. You can make friends and further your career at the same time.

What Can Managers Do?

Happy employees are more productive employees. If you're a manager, this is your opportunity to make the workplace a more enjoyable and productive environment for both you and your employees. As an added benefit,

Inspiration



Smart Card Alliance

2004 Fall Conference

Highlights: The North American smart card industry has experienced soaring market adoption as a result of dramatic changes in chip technology, standards adoption and new applications and initiatives in the marketplace, including contactless payments and biometrics. This year's Fall Annual Conference will examine the many facets of smart card applications for identity management, payments, security, and wireless that have emerged in recent years. The conference program will feature expert speakers and panels including vendors, users and analysts to discuss the triumphs and challenges ahead, and the smart card as a platform for innovation and business growth. Richard Clarke, former Special Advisor to the President on Terrorism, and author of *Against All Enemies: Inside America's War on Terror*, will present the keynote address. A reception, awards banquet and educational sessions are included.

When: October 18 - 20, 2004

Where: Hyatt Fisherman's Wharf Hotel, San Francisco

Registration: Visit www.smartcardalliance.org

National Association of Convenience Stores Show 2004

Highlights: The NACS Show is the largest gathering of convenience and petroleum retailers and suppliers in the world and ranks among the top 50 largest trade shows in the United States. In all, 22,165 retailers, wholesalers, distributors and vendors attended last year's show and expo. For the second year in a row, the NACS Show was rated the top show in the country in terms of attracting attendees that have influence over purchasing decisions, according to Exhibit Surveys, Inc.; it had the highest percentage—97% of attendees with net buying influence. Industry professionals from across the segment should attend: CEOs; sales representatives; category managers; marketing or merchandising personnel; product buyers; operations staffs; and petroleum, technology, finance, legal, and HR professionals. The show floor is designed to be user-friendly, making it easier to visit with all the vendors.

When: Oct. 17 - 20, 2004

Where: Las Vegas Convention Center, Las Vegas

Registration: Visit www.nacsonline.com

increased productivity makes you a better manager in your boss's eyes.

The Physical Affects the Emotional: Make the workplace a pleasant place to come each morning and spend each day. Is the lighting adequate? Does the décor include live plants and pleasing artwork? Are the bathrooms clean?

Out of Sight, Out of Mind: Get out from behind your desk. Be approachable. Your staff looks to you to set an example of what's appropriate for the workplace. Let them know that it's ok to have fun at work.

Talk to Me: Get in the ranks and see how people are feeling. Ask people what they want: Not only will you get the information you need, but others will feel important and involved in the process.

If you invite employees to help make the workplace more enjoyable, then they'll feel invested in the process, be more inclined to pitch in and share in a feeling of accomplishment when it's done.

Change the Daily Grind. Hold monthly potluck lunches. Set up an impromptu ice cream social. Hold a meeting outside. Have contests or raffles. The prizes don't have to be extravagant or expensive, just something to acknowledge achievement or provide an unexpected perk.

Misery Loves Company. If you notice someone has poor morale, it's only a matter of time before he starts bringing others down with him. Find out the problem and fix it before it affects more employees.

Since you spend as much time as you do at work, why not make it as enjoyable as possible? Creating a fun work environment benefits bosses and employees alike.

Happy workers are more likely to communicate and cooperate with one another, which not only makes work easier, it has a positive effect on the bottom line.

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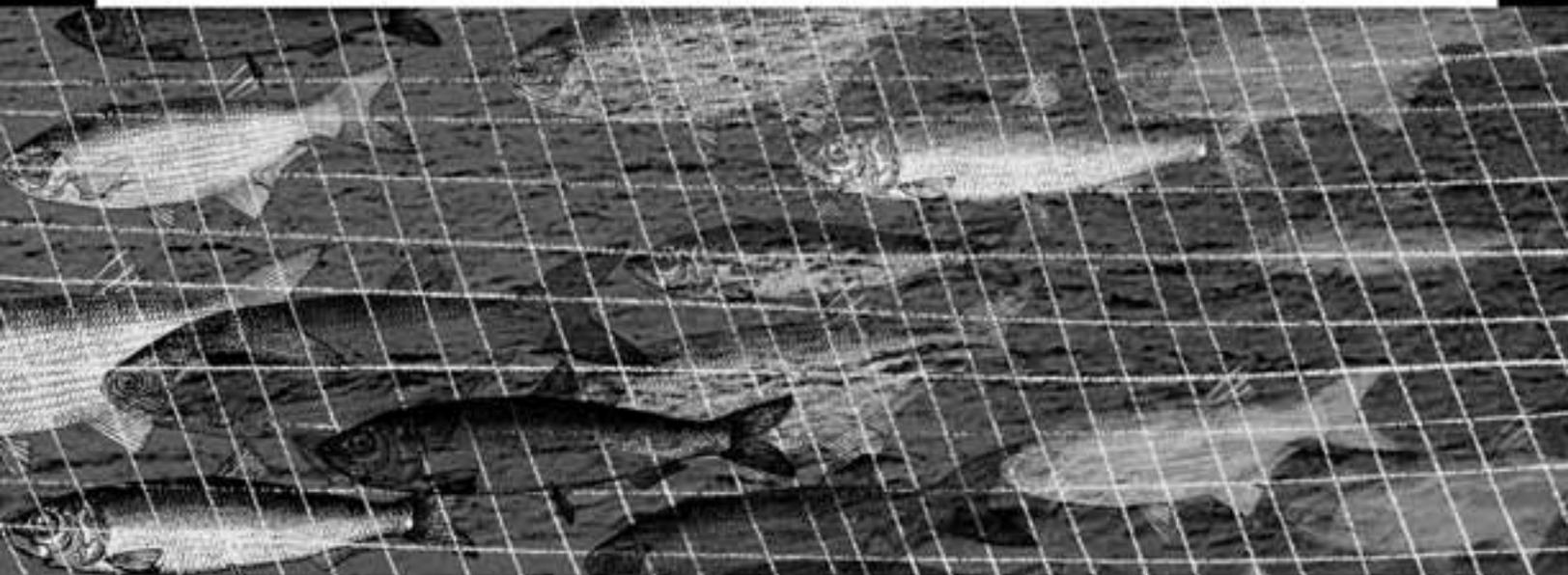
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