



The Green Sheet

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

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Insider's Report on Payments New Interchange Rates Confuse and Confound

By Patti Murphy

Get ready for customer and merchant confusion and squawking over transaction fees.

Both Visa U.S.A. and MasterCard International announced new, higher interchange fees, effective April 1, 2005 (see "Visa 2005 Interchange Fees," The Green Sheet, Dec. 27, 2004, issue 04:12:02, and also "MasterCard U.S. Region 2005 – 2006 Interchange Programs and Rates" on page 26 of this issue).

But these rates won't affect all merchants the same. Nor will all transactions, even those that seem alike, be priced alike.

That's because Visa hiked interchange rates on certain transactions initiated with cards tied to rewards programs. If no one earns points or miles as a result of charges being posted to cardholder accounts, or when transactions involve select merchants that have negotiated special interchange deals (mostly large supermarkets and behemoths like

Wal-Mart Stores Inc.), rates remain unchanged from the current ones.

The Visa interchange hikes will hit restaurants hard, and also independent supermarkets, say experts who have studied the changes.

MasterCard announced across-the-board increases, upward of 12% in interchange for consumer credit and corporate cards. MasterCard also told its membership to expect a new interchange schedule for its upscale World category of cards.

The two card Associations took strikingly different approaches to debit card pricing this time. MasterCard left signature debit rates untouched, while Visa reduced rates on several categories of signature debit (check card) transactions.

Here are a few examples of how the impending rate hikes will play out:

1. A restaurant that takes a Visa card tied to a rewards program will see the base cost of that transaction rise by at least 36 basis points (or 0.36%).

See Interchange on Page 63

NotableQuote

"If you sell merchant services or credit card processing services, you need to do business under the registered name of your acquirer. If you don't, the Associations consider this improper business name registration and a violation of their rules."

See Story on Page 70



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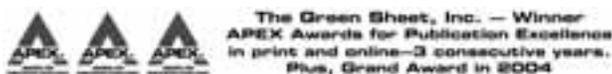
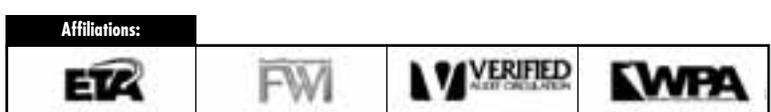
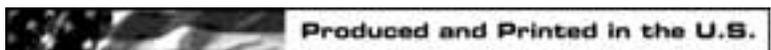
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Forum

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facturers (such as Ingenico, Hypercom, VeriFone, Lipman), and the POS systems integrators (such as IBM, NCR, Fujitsu, Hitachi). I am trying to understand if the relationship between the groups is one of partnership or is of a competitive nature. For example, would companies like NCR or Fujitsu manufacture their own EFT-POS terminals, or would they partner with an Ingenico/Hypercom to procure their products and include [them] in their overall solution (or a mix of both)?

I know IBM uses a partnership arrangement, but I also know that NCR builds a signature pad that has EFT capabilities. My confusion lies in a document that says the groups compete in the multi-lane terminal market. If they do manufacture their own products (such as with NCR), why wouldn't the POS integrators have a much higher penetration in the EFT-POS market (in which the top four companies have an almost 80% market share), or what would stop these (much larger) companies from competing effectively in this market? Any guidance ... would be greatly appreciated.

Regards,

Jason Schwandt

Celestica Corporate Strategies

Thanks for the Support

Dear Mr. Freedman:

Thank you kindly for your labor of love in explaining in layman's terms the often convoluted concepts of the payments industry. Your column has provided exactly the direction and support a young MLS and his Mrs. needed to take the leap into entrepreneurship.

I've been reading The Green Sheet archives and found reference to the "net profit" close ("Street Smarts: Class Is in Session," The Green Sheet, Oct. 11, 2004, issue 04:10:01). I'd like to take you up on your offer of an e-mail script or general outline of this close. Any other pearls you might share are wholeheartedly welcomed and appreciated. One more tool for the belt!

James

Partners or Competitors?

I am conducting some analysis into the EFT-POS industry, and in my research, I had come across several very informative articles in The Green Sheet. With your extensive coverage of the industry, I am hoping you may be able to answer a brief question for me that I haven't been able to resolve. My research suggests there are primarily two sets of groups in the EFT-POS industry, the terminal manu-

Jason:

I'm glad to hear that you found our publication and that it has been useful for you. Our focus at The Green Sheet is to provide actionable sales advice to the independent sales professionals in the payment processing market. This army of salespeople serves as a major force in the U.S economy by providing payment processing solutions to the small- and medium-sized merchants.

The equipment vendors that have traditionally utilized the merchant level salesperson (MLS) channel for distribution of their products to the merchants are VeriFone Inc., Hypercom Corp., Ingenico Corp. and Lipman USA, their affiliates and value-added resellers. MLSs sell primarily to the single-lane or small, multi-lane merchants.

However, an entirely different sales channel services the NCR Corp./IBM multi-lane merchant environment. This channel is covered by "Credit Card Management" magazine and the various retail business trade associations. While cooperation and/or competition might or might not exist between the companies you mention, it is outside the purview of The Green Sheet Inc.

Editor



IndustryUpdate

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NEWS

Synthetic ID Fraud Poses New Challenges

According to research from **ID Analytics Inc.**, "synthetic identity fraud," fraud in which the identity is fabricated, is becoming the new identity fraud challenge for organizations. The research found that synthetic identity fraud comprises 88% of all identity fraud events and 74% of the total dollars lost by U.S. businesses. The research also found that systems relying on public record databases generally detect 85% of synthetic identity fraud attempts and 72% of true-name identity theft attempts. Fraudsters using synthetic identities like to substantiate them by attempting to open wireless subscriptions in the fake name, the research found.

Few ARC Concerns, Research Shows

Consumer market research conducted for **NACHA – The Electronic Payments Association** by The Response Center shows that consumers have a high awareness of accounts receivable check conversion (ARC) and most don't mind having their checks converted into electronic automated clearing house (ACH) payments. NACHA estimates that 1.25 billion consumer checks were converted into ARC payments in 2004, and at its current growth rate, this number might reach 2 billion payments in 2005. When provided with an opportunity to express objections or concerns about check conversion, 55% of respondents said they had none. The research also found that only 4% of check writers have called their financial institutions in the past six months in reference to a check conversion payment.

Some Affluent Consumers Embrace Middle Class Values

Visa U.S.A recently polled the country's "new affluent consumers," the 7% of the population age 35 – 54 with

incomes of at least \$125,000. The study found that while household incomes are at least triple the national median, these individuals identify primarily with the middle class.

Two-thirds of new affluent consumers surveyed said that they regularly shop at club discount or warehouse stores; this compares to less than half of the general population. Seventy-eight percent have a payment card that enables them to earn rewards. The study reports that these thrifty individuals represent 15% of total U.S. spending.

ANNOUNCEMENTS

EMG To Expand

Eliot Management Group (EMG) will open six new sales facilities in Spokane, Wash.; Chicago; Minneapolis; Austin and San Antonio, Texas; and Albuquerque, New Mexico. This will bring EMG's local office total to 21 by year's end.

First American Payment Systems VP Resigns

Rusty Martz, Vice President of Sales for **First American Payment Systems**, has resigned. Martz has decided to spend more time with his family.

JUSTCHEX Integrates Flexible Commissions

JUSTCHEX LLC resellers can determine their own commissions on a client-by-client basis through the company's transmodus.net solution. **JUSTCHEX** designed this feature to provide resellers with more control over their client-specific business models. The company issues all transmodus.net resellers a secure interface within the platform to track their client activity and results. Additionally, resellers can perform the new client service set-up process online.



- Online retail spending during the 2004 holiday season reached \$22.1 billion, an increase of 22% over the previous year, **JupiterResearch** reported in, "Holiday 2004 Postmortem: Retain New Customers Through Retail Basics."
- **Saks Inc.** is considering cutting its business into two units either by divesting or spinning off its Department Store Group, "Women's Wear Daily" reported.
- Annual sales at **convenience stores in Mexico** grew in the double-digits in 2004, "The Wall Street Journal" reported. About 5,000 convenience stores had annual sales of \$2.5 billion.

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Industry Update

Global Electronic Technology Opens Memphis Office

Global Electronic Technology Inc. recently opened its regional office in Memphis, Tenn. The Memphis location will serve as the launching point for the opening of six new satellite sales offices throughout the Mid-South region.

Merchant Services Weblog Debuts

Joel Rydbeck, Chief Executive Officer of Minneapolis-based **Nubrek Inc.** launched **merchantTechnology.org**, a Weblog for the merchant services industry. The blog, available at www.merchantTechnology.org, provides technology updates for members of the merchant services industry.

Topics posted on the blog include tips for starting an office network and steps for ridding personal computers of troublesome spyware. Future postings will continue to focus on technology applications and might grow to encompass other industry-related subjects.

Visa's Metric to Track Global Spending

Visa International unveiled the first standardized metric to track business and government spending globally. The new index, the Commercial Consumption Expenditure (CCE), allows the global payments industry to measure and forecast commercial expenditures. Global CCE draws upon government data in methods similar to the Personal Consumption Expenditure index.

Using CCE, Visa International estimates that total business and government spending in 2004 amounted to \$54.8 trillion, a 32% increase over five years ago. For 2005, Visa predicts global CCE to grow to \$58.5 trillion, a 6.7% increase. Visa will provide an updated global CCE forecast annually.

PARTNERSHIPS

Alliance Merchant Services Selects T3

Alliance Merchant Services Inc. selected **Transaction Transport Technologies LLC (T3)** as its outsourced provider for Internet protocol (IP)-based payment transaction transport services. Under the agreement, Alliance will offer its merchants the T3 transactions over an IP suite of secure sockets layer (SSL) and virtual private network (VPN) solutions.

Certegy Check Services Licenses Intelli-Check Technology

Certegy Check Services Inc. licensed **Intelli-Check Inc.**'s proprietary ID-CHECK technology to add another level of security to Certegy's risk-management and loss-prevention services. Certegy plans to integrate it into its own check-authorization system.

BB&T Signs With STAR Network

STAR Network completed an agreement with **BB&T Corp.** for BB&T to participate in STAR CHEK Direct, STAR's direct check debit and verification service. BB&T will use STAR CHEK Direct to help reduce its check fraud losses and processing costs, streamline check processing administration and generate income.

Regions Financial Extends With First Data

Regions Financial Corp. extended its relationship with **First Data Debit Services** for STAR Network PIN-secured and signature debit processing services. In addition, the parties will extend Regions Financial Corp.'s STAR Network membership for more than 1,700 ATMs. Regions intends to consolidate its participation in networks. As a result, the STAR Network will serve as the primary network for ATM and PIN-secured debit access for Regions' debit cardholders.

T-Systems Signs With New Edge Networks

T-Systems North America selected **New Edge Networks'** nationwide broadband access solutions to expand its global IP VPN solution. New Edge Networks will provide T-Systems North America with nationwide frame relay over DSL and xDSL broadband access services, enabling broadband access into T-Systems' global network platform.

SST, Philips and 3united Join Forces

Royal Philips Electronics formed an alliance with **SMART System Technologies Inc. (SST)** and **3united** to deliver mobile entertainment applications as well as loyalty and reward programs via near field communication (NFC) technology. NFC, developed by Philips and Sony, links wireless connectivity with contactless smart card technology, so that consumers can access entertainment, information and payment services through their mobile phones. The joint effort allows consumers to make purchases and redeem points or e-coupons by waving an NFC phone in front of a smart poster, contactless retail POS device or kiosk.

USA ePay Adds Blackberry; Signs Prime Time Shuttle

USA ePay added the **Blackberry** mobile phone to its list of devices supported for Wireless ePay. Wireless ePay is USA ePay's solution for processing credit card transactions wirelessly through a merchant's existing phone on any wireless network. Additionally, **Prime Time Shuttle Co.** now uses Wireless ePay in their vans. The company implemented the program in 150 vans across the Los Angeles area and plans to deploy it to 3,200 vans nationwide.

Q Comm Inks Contract With The Big Apple

The Big Apple Food Stores will install **Q Comm International Inc.**'s q xpress 200 POS terminal in all 90

IndustryUpdate

Big Apple convenience store and gas stations. Using the q xpress terminals, the stores will have the ability to sell any of the 50 prepaid services offered by Q Comm, including prepaid wireless minutes and prepaid long distance.

TransAKT, Red Spider Sign Agreement

TransAKT Corp. entered into an agreement with **Red Spider Technologies** for the private labeling of TransAKT's voice over Internet protocol (VoIP) hardware, software and proprietary U&Me VoIP network. Red Spider will integrate TransAKT's VoIP technology into its proprietary Spider Builder software system.

ACQUISITIONS

Harland Financial to Acquire Intrieve

Harland Financial Solutions signed a definitive agreement to acquire **Intrieve Inc.** The acquisition includes service bureau operations that deliver core processing for more than 150 thrifts and community banks, comprehensive item processing, and electronic banking and payment processing. As part of the transaction, Harland will also acquire a datacenter operation providing co-location, hosting, managed data services and host-site backup.

APPOINTMENTS

VECTORsgi Promotes Anderson

VECTORsgi appointed **Patricia D. Anderson** to Vice President, ePayments and Workflow Systems. Previously, Anderson was Director of ePayments, Research and Control. Anderson has 28 years of experience in the banking industry, including IT, software development, bank operations and project management.

Q Comm Hires VP of Business Development

Q Comm International appointed **Charles Callis** Vice President of Business Development with responsibility for developing industry alliances as well as new product and revenue sources. Callis brings 17 years of experience to Q Comm. Most recently he was Vice President, Worldwide Sales and Marketing for ClearOne Communications. Prior to ClearOne, Callis served as Vice President of Sales for Learnframe and Vice President of Worldwide Sales and Alliances for Altiris Inc. In nearly a decade with Novell Inc., Callis served as Vice President of Marketing and as Vice President of Enterprise Customers.

Floyd Selected TransFirst COO

TransFirst named **Joni Floyd** Chief Operating Officer. Previously, Floyd served as President of TransFirst's Shared Services division and interim COO. Floyd has more than 24 years' experience and played an active role in the development of the ATM industry. A member of Affiliated Computer Services Inc.'s management team from 1988 to 2000, she held numerous executive positions, including Executive Vice President of the E-Commerce Division.

VeriFone Appoints Henske to Board

VeriFone Inc. appointed **Robert B. (Brad) Henske** to the Board of Directors. Henske serves as the Chief Financial Officer and Senior Vice President of Finance and Administration of Intuit Inc. Prior to Intuit, Henske was CFO of Synopsys Inc. He has also served as CFO at American Savings Bank and as a partner at Oak Hill Capital Management.

Hypercom Appoints Mardis and DeBraul

Hypercom Corp. named **Bill Mardis** Vice President, Value-added Services, and **Dan DeBraul** Vice President, Processor Sales. Mardis will manage the North America value-added channel and the company's repair center program and parts sales. Mardis most recently served as Director of Sales and Marketing for VeriFone. A 25-year veteran of the electronic payments industry, Mardis has also served with POS Systems Inc., Deluxe Data Systems, GTE EFT Services, and Financial Institution Services Inc.

DeBraul will focus on processor product development and certification. He will also serve as an internal prod-

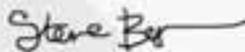
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Having worked in the bankcard world for a number of years both as an employee and for myself, I have come to know the difference between getting a paycheck and being in control of my future. I found GET late in my bankcard career and wish that I had found them sooner. My residual payments are always on time and are larger than they were at my previous processors. Who knows, had I found them earlier I might be the one with the Green Sheet ad.

Sincerely,
Tom H Chicago IL



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Industry Update

uct development/certification support coordinator and liaison. DeBral joins Hypercom from Fifth Third Bank, where he served as Assistant Vice President, Merchant Products, Fifth Third Processing. A 20-year veteran of the electronic payments industry, DeBral has also served with Visa Merchant Bank Services and Vital Processing Inc.

Visa International Picks Piasecki for CCO

Visa International appointed **Matthew A. Piasecki** Chief Commercial Officer. In this newly created role, Piasecki will have direct responsibility for global strategy, consumer and commercial products, and innovation for Visa Worldwide Services, as well as acquisition/acceptance and operating regulations. Prior to joining Visa, Piasecki served as President of Map Management Consulting Ltd. Before that, he was Senior Vice President and head of the United Kingdom financial services practice at Mercer Management Consulting.

SST Chooses President/COO and CTO

SMART System Technologies (SST) appointed **Michael M. Richardson** President and COO, and promoted **Raymond Garcia** to Chief Technology Officer. Co-founder **Mark Johnson**, formerly the President and CEO, will continue to serve as an advisor to SST.

As President and COO, Richardson will oversee the company's day-to-day operations. Formerly the CTO, Richardson brings more than 25 years of experience to his new role. He is a former Director of Hewlett Packard/VeriFone division's Payment Systems Product Development Center.

Immediately prior to joining SST, Richardson served as CTO for Eventra Inc. Richardson holds 17 issued U.S. Patents with others pending. As CTO, Garcia will oversee the development and delivery of new products for SST. A co-founder of the company, Garcia formerly served as Senior Vice President, Engineering. Garcia has more than 20 years of experience in the IT industry. He is also a former CTO for Clearcross and Vice President of Technology for Citicorp.

Columbia Bank Promotes Stetz, Montana

Columbia Bank promoted **Pat Stetz** to Vice President and Merchant Card Services Department Team Leader, and **Colleen Montana** to Merchant Vault Officer.

Stetz has more than 30 years of banking experience and has worked with Columbia Bank for six years. Montana has over 18 years of banking experience and has worked with Columbia Bank since 1996. ■



What New Product . . .

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- Differentiates You From Your Competition?

Instant Background Checks

AVS introduces VerifyPOS, the only point-of-sale terminal that allows your clients to conduct background checks at the point of hire. This means a smarter investment for your clients since they'll be able to run more than traditional transactions. They'll get instant results for the following searches:

- ✓ National Criminal Records Check (more than 200 million records)
- ✓ National Sex Offender Registry
- ✓ Credit History
- ✓ Social Security Number Validation
- ✓ Terrorist Watch List
- ✓ Motor Vehicle Records (37 states)

Powered by the robust databases of GIS, VerifyPOS is ideal for your merchants in many markets, including:

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- ✓ Retail
- ✓ Property Management (tenants)
- ✓ Staffing
- ✓ Day Care
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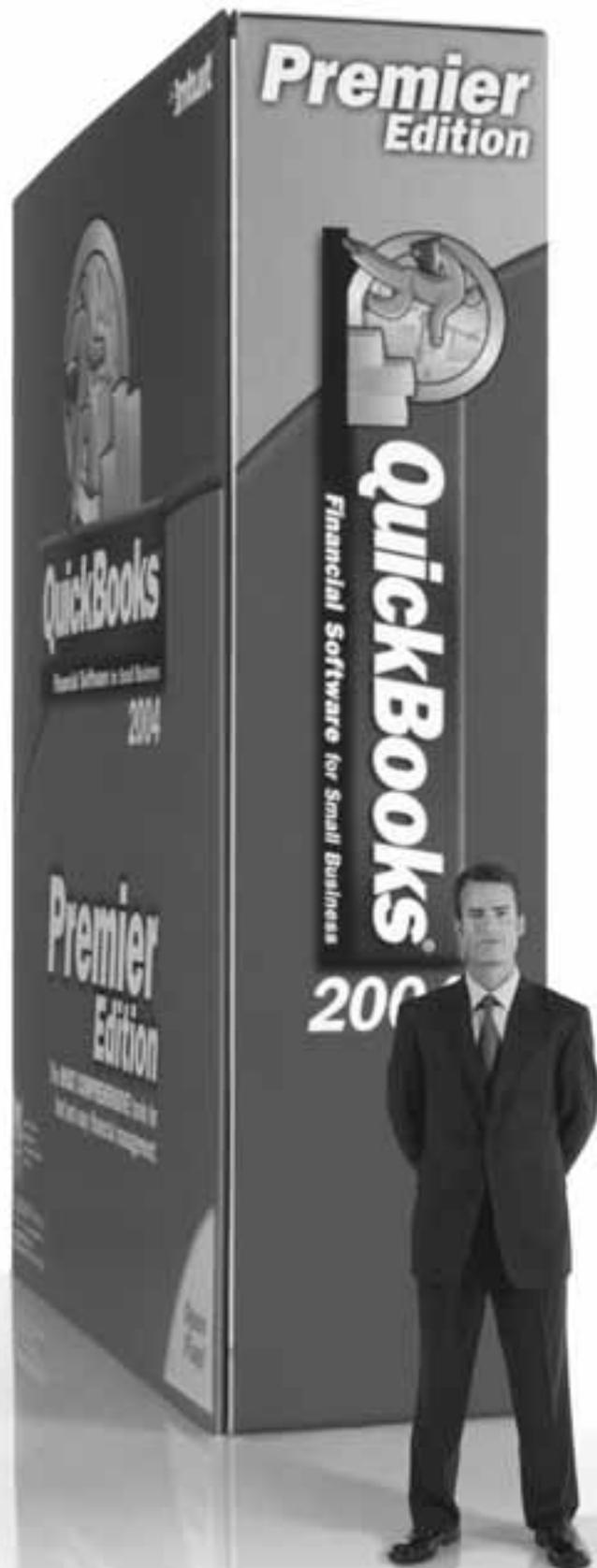
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Advisory Board Gets Ready for ETA 2005

Right now the buzz on the street is all about Electronic Transactions Association's (ETA) 2005 Annual Meeting and Expo to be held March 15 – 17 at the Mirage Hotel and Casino in Las Vegas.

Now that ETA has set this year's program, those planning to attend are scheduling business meetings, finalizing their booths and giveaways, pressing their suits and dusting off their dancing shoes.

We asked members of The Green Sheet Advisory Board (GS AB) if they plan to attend the conference, and if so, what they hope to accomplish while there:

Why is ETA's Annual Meeting and Expo important to your business development?

Most of the respondents said that they will attend and have done so for several years because the event is the best and most cost-effective way to meet with numerous vendors, processors and ISOs.

The new product, service and technology announcements made during the conference have a significant impact on individual businesses and the marketplace. It's also the place to find answers to questions, culminate deals, meet new friends and cement relationships.

Speaking of meetings, you'll be able to meet with The Green Sheet staff at our first-ever booth (#1630) at this event. Julie O'Ryan, President/Editor in Chief; Karen Converse, Associate Editor; Patti Murphy, Contributing Editor; and Danielle Thorpe, Advertising Sales Director, will represent The Green Sheet at the conference.

Make sure you visit the booth and answer our brief questionnaire to enter to win a "Greentastic Voyage 2005" to either Maui or South Africa (no purchase necessary; winner must be present at the drawing to win). For more details on this adventure of a lifetime, please visit www.greensheet.com/eta05.html . We look forward to seeing you in Las Vegas!

Here's what GS AB members had to say about the upcoming meeting (responses are listed in alphabetical order):



Adam Atlas, Attorney at Law

"My primary goals for the [ETA Annual Meeting and Expo] are to solidify my existing client relationships, carry out some face-to-face negotiations and meet potential clients. My secondary goals are to learn as much as I can, check out the new products and services in the industry, and socialize.

"Vegas ETA is a key business development opportunity. The variety and volume of people present is unmatched by any other event in the industry. The Vegas ETA manages to showcase the full spectrum of businesses in the acquiring industry.

"Because change is a fundamental part of the electronic transactions business, attending the ETA is a good way of doing a reality check on your knowledge of the product offerings in the industry. As an industry attorney, I have an obligation to keep myself up to date on industry trends. The ETA is the most basic and important means of accomplishing this goal."

Shannon Byrne, Paradata Systems

"Yes, of course! This is the premier event in the payments industry where I can count on seeing all of Paradata's partners and prospects in one place in three days. As an ETA Technology Committee volunteer and ETA member, I am a vocal supporter of meeting and greeting new and existing members of the organization to be ensured the ETA as [an] organization continues to be accurate in defining value to its members.

"As with every annual ETA in the past, we plan to solidify existing relationships, breathe life into older fallow partnerships and look for the next new partner. The Paradata brand is gaining recognition throughout the payment space; this conference gives us a chance to showcase our brand and our newly introduced products and services through networking and the exhibition hall (booth #409).

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"Furthermore, we schedule ... as much time as possible with our partners and plan for the year ahead. In addition to seeing our partners, we use the ETA as a showroom of supporting and competing technologies and service providers. In this way we can leverage the marketplace for newly developed solutions as well as forge cooperative relationships with our competitors."

Sam Chanin, Business Payment Systems

"I will absolutely be attending the ETA in Vegas. We are planning to regroup with our vendors, processors, banks and friends. Also to catch up with some of my customers, introduce them to some of the vendors, surf for new products and to observe where the marketplace is going. I would like to see what my competitors are doing and find new opportunities for the next 12 months ..."

Stephen B. Christianson Transpay-USA Inc.

"Yes, we are attending the ETA Annual Meeting in Vegas. Primarily to keep in touch with the new services and equipment available. Also to attend some of the seminars for educational value. Staying on top of these things is very important if you are a proactive business and continually looking for growth and revenue opportunities in the near future."

Nancy Drexler, Cynergy Data

"Cynergy Data will be in booth #726 at the ETA. Our booth will focus on our mission: to give our ISOs the service, sales, software and support that lead to total customer satisfaction. Cynergy is all about building relationships, and the ETA is a unique and excellent opportunity to reinforce this message to current and potential processing partners while meeting with them face to face. See you there!"

Steve Eazell, Secure Payment Systems

"Yes, [we plan to attend]. We do a fair amount of networking and it is an opportunity for us to meet with our sales offices without the cost and hassle of traveling to multiple locations.

"We also look to see what the industry is up to in general and get a lot of face-to-face time with folks that we would not otherwise get. [The event] helps us gauge our product set. We are a West Coast company and getting to Vegas is not difficult. Plus, we do not exhibit, so our costs are far lower than most companies that do."

Jim Fink, EVO Merchant Services

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"The ETA is the best forum available to reach out to representatives from the entire payment processing community, from ISO leaders, to manufacturers, to processors and other industry players. It is the place to feel the 'buzz' about what will be 'hot or not' in 2005. And it's a great place to catch up with old friends who have been around the industry for years."

- Michelle Graff, NOVA Information Systems

annual conference in 2005. Our primary objective at the conference will be to promote EVO's vision, capabilities, programs and services to as many prospective sales partners and vendors as possible.

"As usual, we plan to do a considerable amount of networking with industry professionals and friends. We see [ETA's] annual conference as an excellent venue for us to evaluate market trends and see who is making strides.

"We believe maintaining a visible presence at the conference establishes credibility and is important for business development."

Alan Gitles, Landmark Merchant Solutions

"Yes [we are planning to attend the ETA Annual Meeting and Expo. We will be] meeting with colleagues, searching for new opportunities, [and] hearing about new trends (also [I'll] work on my golf game). ... "We

can sometimes feel isolated, and the conference makes you feel part of the community and industry."

Michelle Graff, NOVA Information Systems

"NOVA will be launching two important industry-leading products at this year's ETA. Our electronic check service has been expanded to support accounts receivable conversion (ARC) for recurring payments, mail order and drop-box environments.

"Additionally, we will showcase our dynamic currency conversion product that delivers a true value proposition to foreign travelers, merchants and MLSs. The ETA is the best forum available to reach out to representatives from the entire payment processing community, from ISO leaders, to manufacturers, to processors and other industry players. It is the place to feel the 'buzz' about what will be 'hot or not' in 2005. And it's a great place to catch up with old friends who have been around the industry for years."



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Larry Henry, L. Henry Enterprises

"Unfortunately, I will not be attending the ETA meeting in Las Vegas. Personal matters have come up at that time and missing the meeting is unavoidable. I am glad that The Green Sheet will have a booth.

"The publication has become a standard resource in the industry ... it is important that everyone gets to know you. I would have enjoyed meeting with you myself. I have been part of The Green Sheet readership for almost 15 years. Good luck in Las Vegas!"

Jared Isaacman, United Bank Card Inc.

"Yes, we will be attending the ETA in Las Vegas. The ETA is a great opportunity, just like the regional acquirer shows, to network with vendors and our ISO partners. Typically at ETA you will see all the latest product and service announcements from the various industry manufacturers. The social and networking aspects of the event in combination with the venue of Las Vegas make ETA a pretty memorable time."

Mitch Lau, Money Tree Merchant Services

"Yes, not only are we planning on attending but we have rented two booths. We believe the annual ETA meeting

not only offers our company a great opportunity to grow through knowledge expansion, but also by touching base with old friends and making some new ones."

Douglas Mack, Card Payment Systems

"Unfortunately not. I have never been to an ETA, but keep saying year after year ... 'Maybe next year.' This year I have a real reason for not going, but other years I suppose it was a lack of seeing any value. I don't need to mingle or rub elbows. Sure, I would love to see the people I work with every day face to face ... but I have a business to run.

"... Isn't the purpose behind an association membership to bring benefits and value to an organization (i.e. our company)? With all due respect ... even their so called 'privileges' as listed on their Web site are weak:

- 'annual and midyear meetings' (yeah ... that we pay to attend thereby generating revenue for the next show)
- 'education' (when ... at the annual and midyear meetings?)
- 'communication' (useful I suppose, but does it save or make me money?)
- 'committees' (missing the benefit here)
- 'credibility' (I guarantee if you ask 100 merchants if they know what 'ETA' stands for five will say 'yes' and four are lying).

"I don't mean to be so cynical. But an association should bring value to me and my organization. Value to me equals saving me money by discounted health care, accounting, software development, etc. or making me money because my customer realizes that not just anyone can be a member of the ETA. I just don't see the value."

David McMackin, AmericaOne Payment Systems

"Would not miss it for the world! We are looking forward to seeing all of our friends and partners. Plus, AmericaOne is doing a full national release of our Merchant Lead Generation program.

"As an added-value service to our ISOs, AmericaOne pinpoints qualified merchants in the ISO's local market, pre-sets and then confirms each merchant appointment for them so the ISO is in the perfect position to close the deal. This program delivers the merchant business directly to the ISO, and now our AmericaOne partner companies can stop spending most of their time prospecting for merchants and start selling 100% of the time with this new program."

Steve Norell, U.S. Merchant Services

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AdvisoryBoard

relationships, gain new ideas, see what I am missing, and last but not least, win The Green Sheet prize."

Garry O'Neil, Electronic Exchange Systems

"Yes, we will have a double booth. Since we have established a booth four years ago, we now have to show up just to keep the rumor mills at bay. We like to have meetings with potential VARs and processors, but we don't really expect to recruit ISOs."

Bill Pittman, TPI Software

"The ETA is a great show for us to show off our new products, talk with MLSs about what we are doing right, what we can do better and what new products they need us to provide to help them be successful.

"For example, we just built a plug-in for QuickBooks and Microsoft's Retail Management System (RMS). With this plug-in, MLSs will be [able] to route integrated payment transactions from these applications to their preferred payment processor. We've gotten feedback from MLSs that they are looking for this type of product to sell against the competition, differentiate themselves and grow their business.

"The ETA is an excellent forum for us to demonstrate

these types of products and see what we can do to make them even better. It is so much easier to work with people when you can put a face with a name.

"The ETA provides a forum where you can meet so many people from the industry in person and build important partnerships."

David H. Press, Integrity Bankcard Consultants Inc.

"Yes, see the new technology ... products and services that we can offer our clients. Also it is important to catch up with our friends in the industry and some clients that will be there as well. This is the only time of the year that all the major players are in one place."

J. David Siembieda, CrossCheck Inc.

"CrossCheck Inc. has been attending the ETA Annual Meetings since its inception. This year we will be in booth #507. It continues to be a very advantageous event for us as an opportunity to network with all levels of business contacts and to reinforce relationships with some old partners and friends.

"We will have a small army there, consisting of our partner acquisition, ISO team and corporate officers to man

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the booth and be available for meetings. Some of our group will be utilizing the educational opportunities of ETAU as well.

"Last year there was a great deal of talk about checks and we are looking forward to more discussions about the future of checks, Check 21 opportunities, new markets for guarantee, and new services and equipment. There is a lot going on with checks and ETA is a great place to hear about it.

"... For the last few years this show has been our largest, in terms of sales revenue, that is directly tied to contacts made at the expo. We are confident that this upcoming ETA will bring us even more solid ISO relationships and large partner agreements that develop into mutually profitable deals."

Charles W. Salyer, GlobalTech Leasing

"Absolutely. Never miss the annual meeting! This is the main show that allows us to touch base with our ISO customers. We plan on meeting and greeting, listening to feedback, showing new ideas and products and generally participating.

"This meeting is important as it allows face-to-face con-

tact with many people that are all meeting in one place. It is cost effective for them and for us. We also like to show support for the ETA as the spokesgroup for our industry."

Lisa Shipley, Hypercom Corp.

"Our goal at the ETA is really simple. As the industry pioneer, we are embracing a true shift to advanced communications such as IP and GPRS. What we want: to ensure that the industry as a whole gains greater understanding of this paradigm, and [we] are prepared to capitalize on the new opportunities that this brings for all of us.

"Our business development as well as others is based on how well we as an industry adapt and adopt these new technologies into our industry, while maintaining the same high degree of service and support that the market expects. It's just not enough to talk around the technology; you must show how its adoption will improve everyone's bottom line."

Scott Wagner, GO Direct Merchant Services

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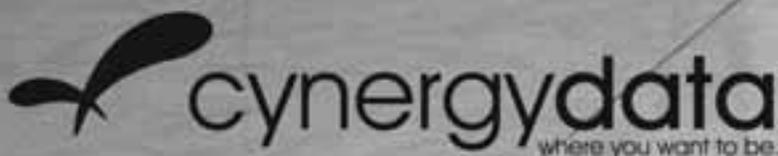
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Fee Program Name	Current Rate	New Rate
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Convenience Purchases (23)	1.80% + \$0.00	1.90% + \$0.00
Key-Entered (92)	1.90% + \$0.10	1.95% + \$0.10
Merit I (78, 88, 98)	1.90% + \$0.10	1.95% + \$0.10
Merchant Universal Cardholder Authentication Field (UCAF)*	n/a	1.63% + \$0.10
Full UCAF*	n/a	1.73% + \$0.10
Merit III Base (70, 80)	1.54% + \$0.10	1.63% + \$0.10
Merit III Tier 1 (10)	1.48% + \$0.10	1.48% + \$0.10
Passenger Transport (93)	1.75% + \$0.10	1.83% + \$0.10
Public Sector (22)	1.55% + \$0.10	1.55% + \$0.10
Service Industries (90)	1.15% + \$0.05	1.15% + \$0.05
Supermarket Base (71, 81)	1.36% + \$0.00	1.43% + \$0.05
Supermarket Tier 1 (13)	1.30% + \$0.00	1.32% + \$0.00
Travel Industries Premier Service (97)	1.58% + \$0.10	1.74% + \$0.10
Warehouse Club Base (91)	1.36% + \$0.00	1.43% + \$0.05
Warehouse Club Tier 1 (16)	1.30% + \$0.00	1.32% + \$0.00
World MasterCard T&E (96)	2.20% + \$0.10	n/a
Payment Transaction (20)	0.19% + \$0.53	0.19% + \$0.53
Corporate Interchange Rates		
Corporate Standard (65)	2.70% + \$0.10	2.70% + \$0.10
Corporate Data Rate I (68)	2.65% + \$0.10	2.65% + \$0.10
Corporate Data Rate II (67)	1.95% + \$0.00	1.95% + \$0.00
Corporate Data Rate III (66)	1.65% + \$0.00	1.75% + \$0.00
Corporate Face-to-Face (60)	1.54% + \$0.10	1.95% + \$0.00
Corporate Large Ticket (62)	1.20% + \$40.00	1.20% + \$40.00
Corporate T&E I (76, 86)	2.30% + \$0.00	2.35% + \$0.00
Corporate T&E II (69)	2.15% + \$0.10	2.20% + \$0.10
Corporate T&E III (89)	2.05% + \$0.10	2.15% + \$0.10
Payment Transaction (21)	0.19% + \$0.53	0.19% + \$0.53
World MasterCard Interchange Rates		
World MasterCard Standard (01)	2.70% + \$0.10	2.90% + \$0.10
World MasterCard Convenience Purchases (06)	1.80% + \$0.00	2.00% + \$0.00
World MasterCard Key-Entered (03)	1.90% + \$0.10	2.05% + \$0.10
World MasterCard Merit I (02)	1.90% + \$0.10	2.05% + \$0.10
World MasterCard Merchant Universal Cardholder Authentication Field (UCAF)*	n/a	1.73% + \$0.10
World MasterCard Full UCAF*	n/a	1.83% + \$0.10
World MasterCard Merit III Base (04)	1.54% + \$0.10	1.73% + \$0.10
World MasterCard Merit III Tier 1 (05)	1.48% + \$0.10	1.58% + \$0.10
World MasterCard Public Sector (56)	1.55% + \$0.10	1.55% + \$0.10
World MasterCard Restaurant (58)	n/a	1.63% + \$0.10
World MasterCard Service Industries (55)	1.15% + \$0.05	1.15% + \$0.05
World MasterCard Supermarket Base (07)	1.36% + \$0.00	1.53% + \$0.05
World MasterCard Supermarket Tier 1 (08)	1.30% + \$0.00	1.42% + \$0.00
World MasterCard T&E (96)	2.20% + \$0.10	2.30% + \$0.10
World MasterCard Warehouse Club Base (09)	1.36% + \$0.00	1.53% + \$0.05
World MasterCard Warehouse Club Tier 1 (54)	1.30% + \$0.00	1.42% + \$0.00
Payment Transaction (20)	0.19% + \$0.53	0.19% + \$0.53
Consumer Debit Refund Interchange Rates		
Consumer Debit Refund Group 1 (31)	1.89% + \$0.00	1.72% + \$0.00
Consumer Debit Refund Group 2 (32)	1.68% + \$0.00	1.68% + \$0.00
Consumer Debit Refund Group 3 (33)	1.40% + \$0.00	1.40% + \$0.00



All rates are effective April 1, 2005, except for UCAF rates, which are marked with an *asterisk. These are effective Oct. 1, 2005. Changes are shown in bold.

Consumer Credit and World MasterCard Refund Interchange Rates

Consumer Credit Refund Group 1 (34)	2.32% + \$0.00	2.42% + \$0.00
Consumer Credit Refund Group 2 (35)	2.02% + \$0.00	2.09% + \$0.00
Consumer Credit Refund Group 3 (36)	1.87% + \$0.00	1.95% + \$0.00
Consumer Credit Refund Group 4 (37)	1.77% + \$0.00	1.82% + \$0.00
Consumer Credit Refund Group 5 (38)	1.69% + \$0.00	1.73% + \$0.00

Corporate Refund Interchange Rates

Corporate Refund Group 1 (39)	2.38% + \$0.00	2.37% + \$0.00
Corporate Refund Group 2 (40)	2.27% + \$0.00	2.30% + \$0.00
Corporate Refund Group 3 (41)	2.15% + \$0.00	2.21% + \$0.00
Corporate Refund Group 4 (42)	2.05% + \$0.00	2.16% + \$0.00

Consumer Debit Interchange Rates

Consumer Standard (75, 85, 95)	1.90% + \$0.25	1.90% + \$0.25
Emerging Markets (29)	0.80% + \$0.25	0.80% + \$0.25
Key-Entered (92)	1.64% + \$0.16	1.64% + \$0.16
Merit 1 (78, 88, 98)	1.64% + \$0.16	1.64% + \$0.16
Merchant UCAF*	n/a	1.05% + \$0.15
Full UCAF*	n/a	1.15% + \$0.15
Merit III - Tier 1 (10)	0.70% + \$0.15	0.70% + \$0.15
Merit III - Tier 2 (11)	0.83% + \$0.15	0.83% + \$0.15
Merit III - Tier 3 (12)	0.95% + \$0.15	0.95% + \$0.15
Merit III - Base (70, 80)	1.05% + \$0.15	1.05% + \$0.15
Passenger Transport (93)	1.60% + \$0.15	1.60% + \$0.15
Petroleum - CAT/AFD (27)	0.70% + \$0.17	0.70% + \$0.17
Petroleum - Service Stations (28)	0.70% + \$0.17	0.70% + \$0.17
Restaurant (26)	1.19% + \$0.10	1.19% + \$0.10
Service Industries (90)	1.15% + \$0.05	1.15% + \$0.05
Small Ticket (25)	1.60% + \$0.04	1.60% + \$0.04
Supermarket - Tier 1 (13)	0.70% + \$0.15 (\$0.35 max)	0.70% + \$0.15 (\$0.35 max)
Supermarket - Tier 2 (14)	0.83% + \$0.15 (\$0.35 max)	0.83% + \$0.15 (\$0.35 max)
Supermarket - Tier 3 (15)	0.95% + \$0.15 (\$0.35 max)	0.95% + \$0.15 (\$0.35 max)
Supermarket - Base (71, 81)	1.05% + \$0.15 (\$0.35 max)	1.05% + \$0.15 (\$0.35 max)
Travel Industries Premier Service (97)	1.36% + \$0.15	1.36% + \$0.15
Warehouse Club - Tier 1 (16)	0.70% + \$0.15 (\$0.35 max)	0.70% + \$0.15 (\$0.35 max)
Warehouse Club - Tier 2 (17)	0.83% + \$0.15 (\$0.35 max)	0.83% + \$0.15 (\$0.35 max)
Warehouse Club - Tier 3 (18)	0.95% + \$0.15 (\$0.35 max)	0.95% + \$0.15 (\$0.35 max)
Warehouse Club - Base (91)	1.05% + \$0.15 (\$0.35 max)	1.05% + \$0.15 (\$0.35 max)
Payment Transaction (20)	0.19% + \$0.53	0.19% + \$0.53

Maestro Interchange Rates

Supermarket/Warehouse - Tier 1	\$0.16	\$0.17
Supermarket/Warehouse - Tier 2	\$0.17	\$0.19
Supermarket/Warehouse - Base	\$0.22	\$0.24
Convenience - Tier 1	0.45% + \$0.04 (\$0.22 max)	0.45% + \$0.08 (\$0.28 max)
Convenience - Tier 2	0.50% + \$0.05 (\$0.22 max)	0.50% + \$0.10 (\$0.32 max)
Convenience - Base	0.65% + \$0.12 (\$0.45 max)	0.75% + \$0.15 (\$0.50 max)
All Other - Tier 1	0.45% + \$0.04 (\$0.22 max)	0.45% + \$0.08 (\$0.28 max)
All Other - Tier 2	0.50% + \$0.05 (\$0.22 max)	0.50% + \$0.10 (\$0.32 max)
All Other - Base	0.65% + \$0.12 (\$0.45 max)	0.75% + \$0.15 (\$0.50 max)
Cash-Back at POS	0.00%	0.00%

A Note on Visa Interchange Rates

By Ken Musante

Humboldt Merchant Services LP

Visa recently announced changes to many of its interchange rates, effective April 1, 2005 ("Visa 2005 Interchange Rates," The Green Sheet, Dec. 27, 2004, issue 04:12:02).

Although all acquirers pay the same interchange rates, not all merchants do. As part of Visa and MasterCard's strategies following the end of their Jan. 31, 2004 "settlement rate" (a result of their settlement in the class action lawsuit with Wal-Mart and other retailers), both Associations established lower rates for larger retail and supermarket businesses.

This move was significant because it marked the first time that an interchange differential would exist for larger merchants.

For Visa, the differential between the lowest and highest rate for Custom Payment Service (CPS) Retail Credit is a modest 11 basis points. The differential for CPS Retail Debit is a whopping 35 basis points!

Moreover, as acquirers, ISOs and merchant level salespeople (MLs), the space we collectively serve is the smaller-end merchant; consequently we only encounter merchants in the highest interchange rate schedule. In order to meet the next lowest interchange schedule, a merchant would have to process approximately \$50 million per month in Visa/MasterCard volume. Additionally, merchants must maintain certain charge-back thresholds.

Visa's new pricing schedule (effective in April) lowers the interchange rate for CPS Retail Debit categories.

However, the problem is that Visa only lowered the rate two basis points in the "All Other," or "Tier IV" smaller category (from 1.05% + \$0.15 to 1.03% + \$0.15). But the differential between the lowest rate and highest rate will increase to 41 basis points plus \$0.02.¹

Certainly, the large retailers brought about the "Wal-Mart suit," and they will benefit most from these changes. Despite the fact that less than a handful of merchants will qualify, the percentage of total transactions is enormous, which allows Visa to claim that it lowered interchange rates for signature debit by 13%.

Unfortunately, the signature debit interchange rates for our merchants will decrease by less than 2%.

Worse, along with the above announcement, Visa announced rate increases to its Interlink online debit brand. Though Interlink also has tiered rates, the network is increasing the rate applicable to our merchants by more than 11%.

The optimist in me sees this as an opportunity to sell online debit in the same pricing schematic as credit and offline debit (a discount plus a transaction fee).

The pessimist in me sees the business case for online debit vanishing. As the online debit rates rise and offline rates remain or decline, merchants lose the incentive to accept or begin accepting online debit.

Additionally, and in conjunction with the above changes in April, Visa announced increases to the electronic credit interchange by 16 basis points and standard credit by seven basis points. Stay tuned. I will address interchange again in an upcoming issue of The Green Sheet.

Ken Musante is President of Humboldt Merchant Services. E-mail him at kmusante@hbms.com.

¹ Source: American Banker

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Industry Associations Hit the Ground Running in 2005

And we're off! It's not a race, although a year in the payment processing industry seems to move at a similar pace, so why not take some time out of your busy schedule and join an industry trade association and/or attend one of its meetings?

You have many upcoming events to choose from on the calendar, and some might even take place in your neck of the woods. All of the conferences offer excellent educational and networking opportunities to learn about the latest trends in the industry while putting names with faces and building relationships with your peers. Keep reading for the latest news from each organization.

You can find more information on the conferences, such as agendas and direct links for registration and hotels on each association's Web site.

NATIONAL AND MULTI-NATIONAL ASSOCIATIONS

ATM Industry Association (ATMIA)

www.atmia.com

Miami Beach offered sunshine, aquamarine water, the world's best people watching, the fabled art deco elegance of the Fontainebleau Hilton Resort and more attendees and exhibiting vendors than ever before at ATMIA's Annual Conference East, "Next Generation ATMs in the USA," held Feb. 14 - 16.

More than 540 people and 60 vendor booths added up to the association's biggest conference to date. It included a day and a half jam-packed with sessions in two tracks for ISOs and financial institutions, presenting information about the maturing ATM market.

ATM placement saturation, security upgrade issues and competition from increasing consumer preference for debit and credit card products affect everyone in the business, but many expect new technologies and market opportunities to change all that.

The next generation of ATMs will not only dispense cash, but will also provide ISOs with new market

opportunities, as long as they think creatively.

Windows-based ATMs provide higher functionality for integrating such programs as graphics for branding and advertising or for depositing checks. Incorporating revenue-boosting products into ATM programs, including stored value and prepaid cards, is another approach.

However, as some of the presenters pointed out, challenges remain to making these solutions and technologies widely adopted realities.

Many attendees commented on the high quality of the information presented, and they were especially pleased with the networking opportunities offered.

Three presentations in particular stood out for many



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attendees. Sgt. Keni Thomas, who served in Somalia during the battle on which the movie "Black Hawk Down" is based, gave a riveting opening address about his experiences there and finding one's ability to lead.

The final session of the conference focused on ways the ATM industry can incorporate solutions available through self-service kiosks including destination tickets, gift certificates, prepaid phone time and food ordering.

The session that elicited the most response from attentive audience members by far, though, was Visa's presentation on its new interchange differential program for the Plus ATM network. The main ballroom was filled to capacity; there were so many questions and comments that the session continued in the lobby afterward.

ATMIA, the only international independent forum for the ATM industry, is a six-year-old nonprofit trade association with more than 550 members that make up six chapters spanning 28 countries. ATMIA encompasses terminal deployers, ISOs, private owners, financial institutions, manufacturers, network processors and technology providers.

As the crossover between the ATM and payment pro-

cessing industries increases, events like ATMIA's Conference East will continue to bring perspective and awareness of the other to people involved in the different industries. That can only result in new alliances and success for all.

Electronic Transactions Association (ETA)

www.electran.org

ETA began the payment processing industry's 2005 trade association season with its ETA Expo Network, held Jan. 28 at the tropical Gaylor Palms Resort in Orlando, Fla. Merchant level salespeople (MLSs) from all over the Southeast and across the country attended this all-day conference, which consisted of a new one-day format offering six presentations, a networking lunch and a vendor fair and reception at the end.

Donna Embry of TenderCorp LLC and former Education Director of ETA, opened with the presentation, "Habits of Highly Effective ISOs and Sales Agents"; as Embry spoke, the audience feverishly took notes. Sean Riley of Sterling Payment Technologies provided an overview on interchange, and Laurie LeBoeuf of Delta Card Systems gave a thorough presentation on chargebacks.



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Following a networking lunch, Christopher Russell of Global Payments, spoke on how to build a business through referrals, and John J. Rice of NPC offered his insight on recruiting a sales force.

Bob Ficarra of CrossCheck Inc. appropriately closed the presentation track with a talk on "closing" techniques, describing (and in some cases acting out) several different methods to use to get the sale. "We make money by keeping our mouths shut," Ficarra joked.

Strategic Planning Under the Palms

ETA held its annual strategic planning retreat, also in Orlando, the day before the ETA Expo Network. The focus was building alliances. Ed Freedman of Total Merchant Services has joined ETA's Board of Directors.

The Biggest Event of the Year

As the date draws closer, excitement builds for the biggest event in the payment processing industry, ETA's Annual Meeting and Expo, to be held March 15 – 17 at the Mirage Hotel and Casino in Las Vegas.

ETA's Director of Communications Kevin Brosnahan said ETA expects to set new attendance records this year as thousands of payment professionals, not only in the United States, but from around the world, come together for education, networking and fun (see "Datebook" in this issue).

"Everything is trending toward growth," he said. ETA has already signed 167 exhibitors this year (last year they had 146), and had to increase its hotel block of rooms twice. The rooms are now sold out, so contact ETA to get information on other places to stay nearby.

ETA also announced that it has gone into a second printing of "Encyclopedia of Terminology for the Acquiring Industry." Leave a little extra room in your suitcase before you pack for the Annual Meeting and Expo. The book will be available there for purchase (\$50 for ETA members and \$75 for non-members).

Some other upcoming ETA events include:

- ETA Expo Network, April 7 – 8 in Chicago
- ETA Expo Network, June 23 - 24 in Los Angeles

ETA is the international trade association serving the needs of organizations offering transaction processing products and services. For more information on ETA and upcoming events, visit www.electran.org.

National Association of Payment Professionals (NAOPP)

www.naopp.com

The NAOPP announced that its first-ever elections for seats on its Board of Directors will take place Feb. 28 –

March 10 via a paper ballot.

Members will receive an envelope in the mail from NAOPP Management Services that includes a ballot, candidate biographies and a return envelope.

The NAOPP Nomination Committee approved the following candidates to run in the elections for the NAOPP Board of Directors:

- President (one-year term): Matthew Swinnerton
- President-elect (one-year term): Ken Hancock
- Vice President (two-year term): Kathy Harper
- Secretary (one-year term): Amy Garvey
- Treasurer (two-year term): Steve Schwimmer
- Director MLS (two-year term): Todd Sumrall
- Director MLSO (one-year term): Ed Freedman
- Director Vendor (two-year term): Corey Saftler

On Feb. 1, NAOPP held a meeting preceding the Northeast Acquirers' Association (NEAA) conference in Mt. Snow, Vt. The meeting, open to all MLSs, followed with a lunch. Corey Saftler of Integrated Leasing Corp. moderated a discussion about how members can better support NAOPP and how to better peak the interests of MLSs so they will join the organization.

MLSs created NAOPP for MLSs. In less than two years



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as an association, NAOPP has made significant accomplishments for its members. NAOPP now offers access to low cost legal consultation and representation, a 401(k) plan for all 1099 MLs, and a health insurance plan available for one person or up to 100 people. For more information on NAOPP, visit www.naopp.com.

REGIONAL ASSOCIATIONS

Midwest Acquirers' Association (MWAA)

www.midwestacquirers.com

What are you doing around 'mid year this year? Why not take a trip to the Midwest for MWAA's 2005 conference? The event returns to Chicago for the third straight year and will take place July 27 - 29 at The Renaissance Chicago hotel.

Mark Dunn's "Field Guide for the ISO" seminar precedes the conference on July 27. The seminar, which is independent of MWAA, "brings together the greatest collection of merchant level sales talent ever in one room to share tips, techniques and training for selling merchant accounts," Dunn said. Later that day, MWAA will kickoff its conference with an opening reception in

the vendor expo hall, and then in the evening attendees can take a walk down the "The Magnificent Mile" to eat at a five-star restaurant or simply to enjoy the warm Chicago night air.

The event has something for everyone in the acquiring industry. It offers presentations, important industry updates, an outstanding keynote speaker and time with more than 80 vendors.

This year, MWAA will present its third annual Lifetime Achievement Award. Paul Green, Publisher of The Green Sheet, won the award in 2004, and Bob Carr, Chairman, Chief Executive Officer and President of Heartland Payment Systems Inc. won it in 2003. The deadline for submitting nominations for the 2005 award is June 18. MWAA will only accept nominations through its Web site. Stay tuned for more information about MWAA's upcoming meeting or contact Jim McCormick at jimmccormick@gcfinc.com.

Northeast Acquirers' Association (NEAA)

www.northeastacquirers.com

The NEAA convened another of its annual Winter Seminar and Outings, held Feb. 1 - 3 at the Grand

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Summit Hotel in Mt. Snow, Vt. Nearly 340 payment processing professionals attended this year's event.

After an NAOPP meeting in the morning, NEAA held a four-hour educational seminar that included a presentation by Linda Ford of CardSystems titled, "Basics of Risk Analysis and Merchant Fraud." A tubing party and then a cocktail reception followed the seminar.

Beginning at 10:30 p.m. that night, more than 100 night owls gathered and remained perched at their posts until 2:00 a.m. for a Texas Hold'em tournament in which all of the proceeds (more than \$2,300) were donated to the Goodwill Rescue Mission for the homeless.

United Bank Card Inc. (UBC) co-sponsored the tournament with NEAA, and said it plans to host other Texas Hold'em charity tournaments at all of the upcoming regional acquirers' meetings.

Rick Rothenberg from Integrated Leasing came in first place and won a \$750 American Express gift card. Second- and third-place winners won \$500 and \$250 gift cards, respectively.

Day two of the meeting included some time with vendors in the morning and evening and an afternoon of back-to-back presentations continuing with the theme of fraud, risk management and security.

After breakfast on the final day of the meeting, attendees who chose to stick around could either ski or go snow mobiling.

This summer, NEAA will celebrate 20 years as a regional acquirers' association at its upcoming Summer Event to be held June 7 - 9 in Wilmington, Del. Visit NEAA's Web site for more details, or e-mail Jared Isaacman at jared@unitedbankcard.com or call him at 800-201-0461.

Southeast Acquirers' Association (SEAA)

www.southeastacquirers.com

SEAA board members are busy planning the Fifth Annual Information and Educational Conference, to be held in New Orleans in mid-October 2005.

If you plan to attend, you can look forward to some of the attractions of this popular destination: an evening or two spent walking around the French Quarter, dining on some of the best food in the country, or taking in a river boat cruise if your schedule allows.

Audrey Blackmon, SEAA's Vice President, said to look for more information about the meeting on SEAA's Web site in the coming months. For more information about SEAA, e-mail her at ablackmon@posportal.com.

Western States Acquirers' Association (WSAA)

www.westernstatesacquirers.com

Last November marked WSAA's inaugural meeting, held in San Francisco. The event brought together about 350 attendees, including 159 ISOs and MLSs to further their education in the payment processing industry as well as network and have some fun. Even though it seems like a long time away, WSAA is already working on plans for its 2005 event.

"We want to emulate the success of last year's conference and also make it a fun event," said Steve Eazell, a WSAA Director. "We are confident that we'll be able to do this, but we'd like some input. Our Board is mulling over two West Coast cities, San Francisco and San Diego, to host our next event. We feel that both have a great attraction as well as a lot to offer, so we'd love any potential participants to e-mail the Board with their preference."

If you have a suggestion for where WSAA should hold its conference, or for more information about the organization, contact Steve Eazell at 866-300-3376 or e-mail him at stevee@westernstatesacquirers.com.



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MLS contact:

Thomas P. Mulligan, Vice President
 Phone: 405-290-5600, ext. 409
 800-221-1825
 E-mail: tmulligan@clfrates.com

Company address:

5005 North Lincoln Blvd.
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- Insurance product provides coverage for losses from fraudulent merchant activity
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- Exclusive partnership with selective Syndicates at Lloyd's of London ensures stability of program

Payments Indemnification

When you think of the insurance business, it's probably best to describe the protection that policy coverage provides with words like "consistent," "experienced" or "reliable" rather than "cutting edge" and "innovative."

Because of the nature of the business, it's probably best that insurance companies, and the brokers and agents who sell policies to businesses and individuals, stick with assessing risks rather than taking them.

And that's where the nature of industries, in which being aggressive results in big profits, often veer from the nature of insurance carriers.

But industries like payment processing need insurance coverage, and insurance policies that cover the most loss-prone aspects of financial services are impossible to come by.

Until recently, that is.

A long-established American insurance agency has partnered with the world's best known insurance underwriter to provide coverage programs for losses in payments processing.

C.L. Frates and Co. has been selling insurance policies to businesses since 1924. Based in Oklahoma, it's not hard to see how the company got its start covering oil and energy companies.

Wildcatting in previously undrilled oil fields certainly carries a fair amount of risk. But like the payments business, when you do strike oil, the payoffs for taking that risk can be tremendous.

C.L. Frates has been a major factor in the insurance marketplace for more than 80 years, and is using its extensive and varied experience and resources to develop new programs and products in financial services.

The company's wide range of endeavors, especially its partnerships with financial institutions, has helped position it for new ventures in the acquiring industry. It has made a point of focusing on the unique coverage and service needs of its customers and delivering customized programs.

C.L. Frates has expanded its coverage markets and grown over the years to become one of the largest privately owned insurance companies in the United States, managing assets in excess of \$200 million.

Through an exclusive underwriting agreement with selective Syndicates at Lloyd's of London, this family owned and operated company offers innovative insurance coverage products for banks, ISOs, acquirers and other non-bank financial institutions that want to protect themselves from fraudulent merchant activity.

With incidents of fraud increasing throughout commerce, C.L. Frates'



CompanyProfile

Merchant Fraud Indemnity Policy is definitely something any business that assumes liability for transactions should consider.

C.L. Frates designed its Merchant Fraud Indemnity product, introduced in June 2004, to protect the acquiring bank or processor from losses due to fraudulent credit and debit card transactions. Specifically, the coverage is for losses resulting from fraudulent merchant activity.

The policy covers losses up to an annual aggregate of \$1 million (the most the company pays for losses, although this amount is negotiable on a per case basis) with deductibles as low as \$5,000 for debit/credit card transactions including Internet and card-not-present and failed chargeback recovery attempts.

Fraudulent transactions covered include those made with counterfeit cards, skimming factoring (laundering), kiting and fraudulent misrepresentation. As a family run business, C.L. Frates has been able to respond to market shifts and move into new areas of coverage through the years. Creating new divisions and employing the services of adjusters, attorneys, loss control experts, accountants, actuaries, underwriters and information technology professionals enabled the company to develop insurance products for the space industry and its related technologies, for example.

The company branched out to cover financial services in the mid-1980s, developing property and casualty products for crime and liability coverage programs for banks and banking associations across the country, leading it to insuring merchant account services.

"One of our bankers said he was starting up a debit operation for the bank and wondered what kind of insurance he'd need on it to be covered from fraud," said Thomas Mulligan, Vice President, C.L. Frates' Electronic Transactions Dept.

This is a recently formed division that concentrates on providing coverage for the financial services sector, including Internet liability, credit/debit issuers fraud, identity theft, merchant chargeback and credit card-related liability coverage. Mulligan's 30 years' combined experience in banking and insurance is a key component of this department.

"I told him, 'Sorry, you're not covered for any kind of fraud on a credit or debit card.' He asked 'Why not?' And the answer was 'Because nobody does it!'" Mulligan told his banker he would present the idea to several insurance company underwriters to see if they were interested in writing this kind of coverage.

Because of their conservative nature, the companies were cautious in approving the new product to protect credit and debit issuing banks. The research period lasted two and a half years, but resulted in the genesis of another C.L. Frates program now underwritten by Lloyd's Syndicates.

"Through our research we discovered the other side of the equation: the merchant side," Mulligan said. Originally designed for banks only, he said that a few people asked the company to write coverage for non-banks, including acquirers and ISOs. C.L. Frates introduced the new product in mid-2004.

Since introducing Merchant Fraud Indemnity last year, C.L. Frates has written several of the policies and has more than a dozen more in varying stages of the

application process.

While the company writes Merchant Fraud Indemnity policies for processors or larger ISOs that accept liability for chargebacks, Mulligan said he has had a number of one- to two-man operations very interested in it. "They would like to have their ISOs purchase the policy so that they in turn can bring in more of the higher risk merchants," he said.

Of course, if you were to launch your own insurance company, you'd need a lot of capital to finance the potential coverage costs. "The more practical option to getting financing is to go to a company that's already demonstrated an interest in financial services and financial institutions," Mulligan said.

When you look for financing, the stability of your backer should be one of your main priorities. "Lloyd's Underwriters have demonstrated their willingness to be extremely committed to a long term play in the marketplace," said Bill Duckworth, C.L. Frates' Senior Vice President and Agency Executive. "They do some very imaginative things in underwriting. Everybody knows that what they do they stick with, and that's extremely important to us."

"We had contacts within a couple of Lloyd's syndicates and that worked out well for us," Mulligan said. "They were prepared to think about this program on its own merits and to partner with us as the underwriter for this program. We've had a number of people mention the coverage in regard to new and emerging types of fraud like phishing," he said.

"There seems to be more interest and concern by some of the acquirers that I've talked to. But every one of them thinks it's not going to happen to them. To our knowledge,

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there's no one else offering the full scope of coverage, on a full-time dedicated basis," Duckworth said.

"As people become increasingly aware of fraud, obviously people's attention to this type of product is amplified. Of course, there are limits to what the policy will cover, including several types of businesses.

"But more to the point, our issue now is simply getting the word out about this product," he said. "Now that we've built it and have it established, we're looking to be quite aggressive and visible and get the good news out there."

Attendees at any of the regional and national payment industry trade association conferences might have talked with Mulligan at the C.L. Frates booth over the past several months; he's attended many payments industry events recently and

plans to be at the 2005 ETA Annual Meeting and Expo. In fact, the industry trade shows are one of the best ways the company has found for letting people know about its coverage programs.

Duckworth said C.L. Frates has established and will expand a network of identified insurance agencies that are familiar with the ins and outs of payment transactions. "We're selling it through a selective group of agents and brokers who have demonstrated an understanding of financial services," he said.

C.L. Frates is also in the process of finalizing another first-of-its-kind insurance plan for merchants, which it hopes to introduce to the marketplace by June 2005. "It's coverage that will generate income for ISOs," Mulligan said. "They purchase the policy so all of their card-not-present merchants fall under and are

protected by the policy. The ISO passes the costs on through its pricing structure."

Mulligan said ISOs will implement the new coverage product in conjunction with loss prevention and fraud scrubbing or detection solutions; C.L. Frates works with providers of those services now.

"The bottom line of the whole program is that we want to make sure ISOs have a stable bottom line and that they are able to predict their losses and costs throughout the year," he said. "We can provide predictability for them based in part on the assurance of a safety net and the predictability of the product."

Duckworth agreed and expanded on that notion. "Part of that predictability is that they can trust the product that we're selling," he said. 

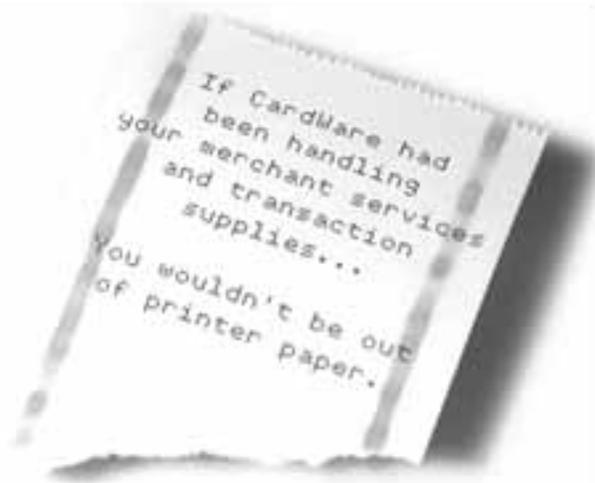


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CompanyProfile



CoreXpand LLC

ISO/MLS contact:

Les Cowie, Executive Vice President

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E-mail: lcowie@corexpand.com

Company address:

One Meca Way

Norcross, GA 30093

Phone: 800-226-0834

Fax: 678-228-5081

Web site: www.corexpand.com

ISO/MLS benefits:

- Increased exposure
- Increased customer loyalty
- Reduced supply costs
- No hassle commissions

CoreXpand Your Horizons

The phrase "work smarter, not harder" comes to mind when talking about CoreXpand, a company that provides online business-to-business (B2B) solutions to streamline supply channels. "Our company's vision is to help our customers be more effective at producing results with minimal effort," said Les Cowie, Executive Vice President of the six-year-old company.

As with any worthwhile business solution, CoreXpand's goal is to reduce costs while increasing revenue. The company does this by developing products that simplify business operations and increase brand loyalty.

Some would label CoreXpand a small company since it employs only a dozen people. However, when you consider that it serves the global market and reports annual transaction volume of more than \$539 million, you understand that CoreXpand plays in the big leagues.

The company's growth has been rapid. In 2000, CoreXpand processed more than \$1 million in transactions. At the end of 2004 that number had grown to \$539 million. Currently more than 2,000 organizations use CoreXpand's programs, including Ameritrade, Blue Cross/Blue Shield, BP, Kraft Foods, Monster, Siemens and Wells Fargo & Co.

Driving Toward Success

One of CoreXpand's solutions that might be of special interest to readers of The Green Sheet is the Channel DRIVER system. The system, designed to consolidate supply channels and expand brand loyalty, is the brainchild of CoreXpand President and Chief Executive Officer, Lindsey Tanner.

About 13 years ago, Tanner began developing paperless ordering and tracking systems for enterprises with complex ordering and distribution needs, such as The Coca-Cola Co. The resulting product is Channel DRIVER, which streamlines sales and marketing programs.

Recently CoreXpand added a feature in which small- and medium-sized businesses can join together in "buying groups" to reduce the costs of materials and supplies and thus compete with larger enterprises.

"With Channel DRIVER, manufacturers, distributors, franchises, even banks, can compete aggressively with the 'big guys' at lower costs," Tanner said.

What makes this company unique is the fact that it provides a customized solution at an affordable price. "Most of our competitors develop custom designed e-commerce solutions for their clients at high cost," Tanner said.

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"It is very expensive to then create multiple sites for different customers or market requirements. CoreXpand has an easy-to-use, low-cost way of doing the same thing, while at the same time building new sales channels, improving existing ones and saving on the cost of business supplies."

CoreXpand further differentiates itself because it does not require a long-term commitment nor does it charge a cancellation fee. Even though Channel DRIVER is low cost, it is still robust yet easy to set up, use and understand.

The system requires no special IT involvement, and it doesn't disrupt current computer systems. CoreXpand even offers free trials, provides Web and phone support, and monitors all systems 24/7.

Putting ISOs/MLSs in the Driver's Seat

CoreXpand currently provides the Channel DRIVER solution to ISOs and referral banks for merchant level salespeople (MLSs) to use and resell. "The income potential for MLSs is excellent, with many opportunities to greatly increase present income," Cowie said.

Paymentech LP is the first acquirer considering offering the Channel DRIVER system to its ISO, agent and referral

bank partners. CoreXpand is also interested in working with other ISOs. ISOs can use CoreXpand and the Channel DRIVER system to:

1. Profit from increased transactions
2. Earn commissions from leads
3. Motivate a sales force with reward programs
4. Save money by spending less on supplies
5. Become a CoreXpand customer and create an affordable Web presence

1. Profit From Increased Transactions

ISOs/MLSs can benefit by using Channel DRIVER to secure incremental transactions from multi-location merchants. ISOs/MLSs and banks sell CoreXpand's B2B systems to help customers better display their products, provide sales incentives and process orders electronically.

"Channel DRIVER gives ISOs, banks and MLSs an easy-to-sell, add-on offering that generates recurring residuals," Cowie said.

2. Earn Commissions From Leads

Secondly, ISOs can offer Channel DRIVER to new and existing MLSs and earn commissions on the monthly Channel DRIVER usage fee.

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"It's a tool to help ISOs bring referrals to reps," Cowie said.

Examples of industries that would benefit from Channel DRIVER include manufacturers, distributors, and trade and professional associations.

While other companies might pay residuals for the life of the account, they require more effort. With CoreXpand, an ISO simply introduces the potential customer to CoreXpand. That's all that's required.

CoreXpand follows up with conference calls and Web-based demos. If the lead becomes a customer, CoreXpand pays the ISO a residual commission based on the monthly fees received for the e-commerce sites for the first two years of the life of the account.

A simple introduction could prove to be quite lucrative, since customers pay a monthly fee of \$250 – \$1,000 to use the software and servers. CoreXpand handles the setup, training and support. The ISO provides only the introduction.

3. Motivate Sales Force With Reward Programs

Since Channel DRIVER includes a Points Management program, ISOs can use it as an internal tool to manage reward programs for their MLSs. ISOs can boost sales performance and motivate employees by awarding points for achievement and allowing them to be redeemed for rewards.

Another approach is to reward current MLS customers for providing names of friends and business associates as referrals. The agent earns points for providing the name and then earns generous points when the name turns into a money-generating account.

This Points Management program is different from other incentive programs in that reps choose their reward and when to "cash in" their points. Agents log on to the online catalog of rewards, and the system displays the appropriate information for that agent and ISO.

MLSs choose what product they want or if they prefer to wait to accumulate more points before receiving an award. When they do choose their rewards they simply order the item directly from the rewards Web site.

CoreXpand ships the products directly to them; it also calculates exact shipping fees and taxes at the time of the order and deducts them from their rewards points balance. The company sends ISOs receipts to reconcile against MLSs' rewards points balances.

This system also saves ISOs money in two ways. First, they pay less for the product because they pay a pre-

negotiated CoreXpand discount, generally 15% – 25% less than retail prices.

Second, they do not have to purchase the product ahead of time so they do not incur inventory, shipping or warehouse costs.

Another benefit is that providers can customize the rewards points and program to suit their needs. For example, they can double point values during special promotions. They also choose which products are featured in the rewards catalog. They have the freedom to include their customers' products or those of any local businesses that they wish to support.

Finally, MLSs are more inclined to maintain their relationships with ISOs because if they move to another ISO they will forfeit their rewards balances.

4. Save Money by Spending Less on Supplies

ISOs save on supply costs by using the CoreXpand Web site to order supplies. CoreXpand has developed electronic databases that contain typical business supplies provided by leading manufacturers and wholesalers.

CoreXpand connects ISOs with these companies, and ISOs can take advantage of previously negotiated prices that are 15% – 25% less than what they currently pay.

5. Become a CoreXpand Customer and Create an Affordable Web Presence

Not only do ISOs/MLSs serve as CoreXpand representatives and provide leads to the company, they also benefit by becoming customers. As customers, ISOs/MLSs establish their own customized e-commerce Web sites to sell equipment and supplies.

Through the site they increase their exposure and thus sell more equipment. The program also includes broadcast e-mails with helpful hints and tips.

CoreXpand believes businesses are turning to lower cost Internet-based systems for B2B transaction processing rather than investing in expanding high cost internal legacy systems.

The company also believes that Channel DRIVER will open new market opportunities for ISOs/MLSs. "It's all about the relevancy of a given customer," Tanner said.

Since savings are typically converted into programs for increasing revenue and brand loyalty, ISOs/MLSs who help customers work smarter to reduce costs and paperwork, while increasing sales and motivating staff, will be the ones to expand their earning potential. ■

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Approximate amount Hypercom overstated for its net revenue for the first three quarters of 2004.

Several Law Suits Filed Against Hypercom

Following an announcement that it would restate most of its financial results for 2004, Phoenix-based point-of-sale terminal manufacturer Hypercom Corp. was named in several purported class action lawsuits.

On Feb. 4, 2005, Hypercom said it would restate financials for each of the first three quarters of 2004 because of errors the company made in reporting leases of its United Kingdom subsidiary Hypercom EMEA Inc.

The company incorrectly accounted for some of its 3,200 leases as sales-type leases rather than operating leases.

As a result of the errors, Hypercom said it overstated its net revenue by at least \$4 million and its operating income by at least 65% - 75% for the nine months ending Sept. 30, 2004.

Following the announcement, Hypercom shares tumbled as much as 19% on Friday, Feb. 4. Within a few days, a number of law firms announced their representation of individuals who purchased Hypercom stock (NYSE: HYC) between April 30, 2004 and Feb. 3, 2005 in class action lawsuits filed in the U.S. District Court for the District of Arizona.

The complaints, which name Hypercom, its Chief Executive Officer Christopher Alexander and its Chief Financial Officer John W. Smolak as defendants, allege the company violated federal securities laws by issuing false or misleading statements.

Hypercom's auditing committee, Ernst & Young LLP, is working with outside legal counsel to help ensure that the company takes the appropriate steps to resolve any issues related to the restatement of its results.

Hypercom said it plans to "vigorously defend these lawsuits"; however, it can't guarantee that its insurance carrier will cover the cost of its defense and warned that "the cost of defending these suits will affect its net income and cash flows in future periods."

Hypercom anticipates that it will release its fourth quarter and 2004 financial results in late February 2005. ■

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Thieves Gain Access to 145,000 Consumer Records

In the first major identity theft scare this year, Alpharetta, Ga.-based ChoicePoint Inc., a collector and seller of consumer data, announced on Feb. 15, 2005 that criminals gained access to the personal information of nearly 145,000 consumers in all 50 states.

Thieves used stolen identities to create what appeared to be real business licenses of check cashing companies or debt collection firms in order to breach ChoicePoint's security system. The crooks then opened at least 50 accounts with ChoicePoint to access the consumer records, which included information such as names, addresses, Social Security numbers and credit reports.

The company said it first learned of the breach in October 2004, but did not notify potential victims. On Feb. 21, the company released a state-by-state breakdown of how many people it thinks might have been affected.

Under pressure from attorneys general in 38 states to alert consumers, the company also mailed warning notices to affected residents in all 50 states, the District of Columbia, and three U.S. territories. California received the most notices (34,114), followed by Florida (10,216), New York (9,370) and North Carolina (6,983).

California officials said that as many as 500,000 people might have been affected, but ChoicePoint disagrees with that number.

The company has hired a retired Secret Service agent to refine its business-verification process, the Associated Press reported. As part of the reform, ChoicePoint will reissue credentials to any business that is not publicly traded or a government agency. This process will involve about 17,000 companies.

Between the announcement and press time, ChoicePoint shares dropped more than 10%.

ChoicePoint said it will pay for a one-year subscription to an agency that monitors credit for each person that it believes the breach might have harmed.

ChoicePoint, founded in 1997, is a spin-off of credit reporting firm Equifax. The company stores 19 billion records in its database and reported more than \$900 million in annual revenue last year. ■

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The Merchant Experience: Electronic Check Conversion

By Michelle Graff

NOVA Information Systems

The industry has produced a lot of dialogue lately around the demise of "checks as we know them," and has written much about electronic check conversion (ECC) and Check 21. Every business is unique, and check acceptance policies and procedures vary based on factors including risk and cash flow and the hassle of manually reconciling check deposits.

I recently spent some time speaking with two users of NOVA Information Systems' Electronic Check Service (ECS) product, and I wanted to share the merchant experience.

The two merchants profiled below run very different types of businesses: a beauty salon and an auto service

repair shop. As you read through these real-life scenarios, put yourself in their environments and think about how you would tailor your sales pitch to meet their unique challenges.

A Beautiful Time Saver for Gary Charles & Associates Salon

Gary Charles & Associates Salon has been a fixture in Philadelphia for 30 years. L'Oreal ranked it as one of the top World Class Color Salons in the country; however, this upscale, high-volume shop faced a delicate problem with returned checks.

The salon processes more than 350 checks per month. With an average ticket of \$75 – \$130, not including retail product purchases, bad checks can quickly add up.

Before implementing ECS, the salon had no way to verify that the checks accepted were good. And since it had already performed services, it had little recourse. In addition, when a check was returned due to insufficient funds or from a closed account, the salon had no system in place to recover the lost payment.

• Recovering Lost Revenue

"The Electronic Check Service has been wonderful," said Jamie Hoagland, who oversees front desk operations at the salon.

"Some customers who gave us bad checks were not repeat customers, and once they walked out the door, we'd never see them again. We're happy to know we don't face the frustrating task of recovering that money."

• Labor Saving Benefits

ECC has paid off in other ways as well. With business hours that stretch until 10 p.m. five nights a week to accommodate its customer base, the salon was happy to shave off time from bookkeeping at closing.

"Since the checks are processed electronically, we don't face the task of having to manually record each check on a deposit slip when we're settling the register at night," Hoagland said.

"Plus, trips to the bank for check deposits are greatly reduced, allowing the front desk to be manned at all times."

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• Smoother Operations

Finally, having one solution for credit, check and electronic gift cards streamlines both front-end checkout operations and backroom accounting and reconciliation efforts since reports and statements reflect all electronic payment activity.

**Repairing Check Operations:
Tire and Auto Center**

The Tire and Auto Center in Salisbury, N.C. is a full service auto repair shop and tire store with 12 employees.

"When we first started, we were a small business so we knew all our customers personally," said co-owner Randy Hall. "As we've grown, so has our customer base, and we don't know all our customers on a first-name basis anymore."

• Eliminate Hassles and Consolidate Statements

The Tire and Auto Center had a check verification solution from a third-party provider. Yet another company provided credit card processing. Each month, the merchant received separate statements from these companies and set about reconciling their receivables, chargebacks, fees and rejected check costs.

"The paperwork was so confusing, we hadn't been able to balance our checking account to the penny for quite some time," said co-owner Ashley Honeycutt.

The Tire and Auto Center decided to switch providers; it selected a processor that offered a single solution for both its credit and electronic check processing.

This enabled the store to streamline its reports and statements and eliminate the confusion from its bookkeeping, while saving money on the services.

"With our previous solution we couldn't balance our books; we were getting hit with fees we weren't expecting and our deposit dates didn't accurately track," Honeycutt said.

"The new solution has been so much easier; we got a good price, and we've balanced our books from the very first statement."

• Ease of Implementation

The employees who process the customer transactions at the point of purchase could easily implement the new solution, too.

"We went from having to use two separate terminals to only one, and our sales rep was on hand during the installation to make sure our employees were



"We went from having to use two separate terminals to only one, and our sales rep was on hand during the installation to make sure our employees were comfortable with the new equipment and processes. There was practically no learning curve; it's been easy to work with all the way around."

- Ashley Honeycutt, co-owner, Tire and Auto Center

comfortable with the new equipment and processes," Honeycutt said.

"There was practically no learning curve; it's been easy to work with all the way around."

• Accept More Checks

NOVA's ECS has delivered other benefits to the store as well. Located right off of Interstate 85 in North Carolina, the Tire and Auto Center has between five to 10 out-of-town customers a week.

Using ECC with verification, the store now feels confident in accepting checks from these often-stranded travelers.

"We can get folks in who've had a flat tire or occasionally a much larger auto emergency. With ECS, we'll take

checks we wouldn't have felt comfortable accepting before," Hall said.

• Reduce Fraud

With an average ticket of \$500 – \$600, an uncollectible check is more than simply a minor inconvenience.

"Checks account for about 30% – 40% of our payments, and we occasionally get some checks topping \$1,000," Hall said.

"We recently requested and got an increase in our check limit though, and it's enabled us to feel confident about accepting checks for even very expensive auto service work." 

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

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EVOLVE TOWARD SUCCESS

Security Provider Introduces Anti-phishing Network

As e-mail phishing scams become more frequent and "so-phish-ticated," the financial services industry, analysts, the media and consumers are taking notice. E-mail phishing scams are "one of the most urgent threats to online financial services," said research and consulting firm TowerGroup.

The company also said, in its recent report titled, "A Phish Tale? Moving From Hype to Reality," that surprisingly, only a very small number of consumers fall victim to these types of attacks, and overall, it expects direct fraud losses from phishing to total only \$137.1 million globally in 2004.

The concern arises from the possibility of consumers losing their confidence in e-commerce. In response, WholeSecurity, a provider of security solutions, introduced the Phish Report Network (www.phishreport.net), which allows any company victimized in a phishing scam to report fraudulent Web sites to a central database operated by WholeSecurity.

When fraudsters phish for account and personal information in an e-mail, they pose as banks and other companies, hoping that their e-mails, decorated with colorful

corporate logos, will fool unsuspecting people. The e-mails read something like this:

*"Dear customer of XYZ Bank,
In order to safeguard your account, please confirm your account information. To do this, click on the link below. This is mandatory, and if you don't complete our request we will suspend your account..."*

Initial participants in WholeSecurity's service include Microsoft Corp., eBay and its subsidiary PayPal, and Visa.

These companies and others that use the service, enter confirmed phishing URLs into the database, and recipients such as Microsoft and Internet service providers (ISPs) use the information (aggregated into lists) to incorporate into software, e-mail and browser services to help protect consumers against online fraud.

WholeSecurity has opened the Phish Report Network to almost any company affected by phishing sites or that can help protect consumers; however, they must meet qualification criteria and adherence to program standards. ■



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Interchange From Page 1

2. An independent grocery store that accepts the same card will incur interchange that amounts to 41 basis points plus \$0.05 more than if the transaction involves a Visa card not tied to a rewards program.

3. In the case of a service station, the interchange will increase 22 basis points on Visa-branded rewards cards, unless the card is used at the fuel pump, in which case interchange will increase 15 basis points plus \$0.05.

4. For a retail establishment that accepts MasterCard, the base interchange on standard consumer card transactions increases by about six basis points.

Interchange is simply the baseline fee that transaction acquirers pay card issuers. The retail price charged to the merchant (the "merchant acceptance fee") also includes fees for processors, acquirers, ISOs and any other organization that touches a transaction. (Interchange is, however, the biggest portion of the merchant acceptance fee.)

So what gives? Some folks speculate that the price hikes are a result of the massive hits the Associations and member banks took on the Wal-Mart settlement.

And perhaps that played a role. The most probable reason, though, is competition from American Express Co. (AmEx) for card-issuing banks.

One thing is certain: ISOs and the feet on the street will have a devil of a time explaining to clients why multiple transactions for the same amount of money at the same business establishments are priced so differently.

Taking Account of AmEx

The layout of the Visa 2005 interchange fee schedule illustrates how AmEx and its focus on higher-dollar travel and entertainment transactions is a crucial driver of the change.

The schedule now includes three different rate structures: one for traditional cards, one for rewards cards, and one for "signature" cards, a category for high-end rewards programs.

MasterCard's announcement that it planned to hike interchange on its upscale card products lends further credence to the AmEx factor in changing bankcard interchange.

The payment card business always has been bifurcated. In the early days, it was Visa and MasterCard.

More recently, it's been the bankcards and the non-bank cards, with Visa and MasterCard dictating that member banks could not issue non-bank cards, such as Discover Financial Services and AmEx cards.

A U.S. Supreme Court ruling effectively vaporized these "exclusionary rules" last fall.

Since then, AmEx, which charges higher interchange to compensate for its delivery of high-spend cardholders, has been wooing banks in earnest, with the promise of interchange rates that beat out Visa's and MasterCard's.

Mega-bankcard issuer MBNA Corp. was the first to jump aboard the AmEx deal wagon, and in a recent analyst call, the company reported significantly increased revenues tied to the interchange it gets on AmEx cards.

Sanford C. Bernstein & Co., a New York equity research company, estimated in a research note last spring (before MBNA signed on with AmEx) that MBNA generates 33% of risk-adjusted revenue (i.e. revenue less credit and funding costs) from interchange.

Interestingly, in that same research note, Bernstein analyst Howard K. Mason illustrated how the cost of funding rewards programs diminishes profitability.

He put the cost of funding a high-end airline rewards program at roughly 1% of card spending, for example, compared with "premium" interchange, which at the time was running 1.8% – 2.0%.

Clearly, the need to make rewards programs more rewarding to issuers has a lot to do with new interchange strategies at Visa and MasterCard.

"AmEx has MasterCard and Visa running scared," said another analyst on condition of anonymity. This analyst also noted that both Visa and MasterCard are locked in to bargain basement deals with megastores and large grocery chains, which doesn't leave a whole lot of room for maneuvering.

Changing Nature of Interchange

That Visa and MasterCard are revamping interchange in a bid to keep banks from crossing over to AmEx suggests that the nature of interchange has changed, indeed.

More significantly, the changes could also spark some unwanted interest from state and federal government lawyers and legislators.

Originally, the Associations intended interchange to serve as compensation to card issuers for the risks associated with extending credit to the cardholder.

CoverStory

Today it's a major part of the money-making equation.

Bernstein analyst Mason estimated that fully one-quarter of bankcard issuer revenues accrue from interchange.

Not surprisingly, the National Grocers Association (NGA) doesn't like the trend toward higher interchange. The trade association raised the issue of interchange pricing last year in testimony before the Federal Trade Commission and the Department of Justice (DOJ).

NGA has also taken issue with special pricing deals Visa cut with large retail chains, especially supermarkets that compete with its members. You can count on this group to grouse even louder once its members (independent grocers) start getting hit with new, higher interchange on rewards card transactions.

Visa and MasterCard have recently had plenty of experience defending interchange practices, both in the United States and abroad.

Challengers have included a huge contingent of retailers (the so called Wal-Mart suit), the DOJ, the Reserve Bank of Australia, the European Union and the United

Kingdom's Office of Fair Trade. Things are apt to get a lot more interesting in the months ahead.

First Data Targets Small Dollar PINs

In other interchange, the STAR ATM/POS network, a unit of First Data Corp, plans incentive interchange pricing for businesses where ticket amounts are relatively low, and where cash is still king.

Businesses including quick service restaurants (QSRs), which have already shown interest in credit card acceptance, and movie theaters, are businesses that in the past couldn't justify card acceptance fees.

As prices at these establishments increase, card acceptance becomes increasingly more viable. The fact that major QSR chains are already wired for cards should help, too.

Heck, when was the last time you spent less than \$25 at a movie theater? Or, when was the last time a family of four could eat at McDonald's for under \$20?

Patti Murphy is Contributing Editor of The Green Sheet. E-mail her at patti@greensheet.com.

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Back to the Future: Biometrics Revisited

A renewed interest in biometrics is catching the attention of financial institutions

By Tracy Kitten, Reporter

ATMmarketplace.com

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It sounds like a scene out of Star Trek: To gain access to bank accounts, vaults and other secure facilities, people have their eyes, faces, fingers and palms scanned. Envision Capt. Kirk putting his hand up to enter a chamber on the Enterprise, and you'll have a pretty good idea of how biometrics is now being used in a growing number of financial institutions and businesses throughout the world.

Biometrics is just what it sounds like, a bodily measurement. The most widely used measurements include those of fingerprints, irises, faces and palms; other measurements, like determining how quickly or in what fashion a person types his PIN on a keypad, could also be used.

Fingerprint scanning is gaining the most interest from corporations, said Randy Vanderhoof, Executive Director of the Smart Card Alliance, a group formed in 1992 to address technological needs and the use of smart cards by FIs, government institutions and other entities.

That's because it's the least expensive biometrics technology, it's reliable and consumers are becoming more comfortable with it.

It's All in a Print

When the fingerprint is scanned, a template is created, providing a measurement for each ridge and groove in the finger. The template information is then translated through a reader that compares the information from the finger that is scanned when a person tries to access an account at an ATM, for instance.

"Using the fingerprint is cheaper because integrating the fingerprint into the reading device is easier than with any other (form of) biometrics," Vanderhoof said. "You only need a template to read an individual's fingerprint. And to get a template, you only need a person's fingertip."

The fingertip generates a unique numerical calculation that can be matched to a reader device, smart card or back-end system, Vanderhoof said.

A fingerprint reader, with just the basic capabilities, costs between \$10 and \$50. But comparing the prices of differing biometrics techniques is difficult, said Mark Grossi, NCR's Chief Technology Officer.

Many factors play into the cost. "The actual technology on the machine is a whole host of applications. There's a whole system behind this with an infrastructure to support it," Grossi said. The move to Microsoft Windows-based ATMs will make integrating such technology into ATMs easier and cheaper, he said.

Fingerprint technology is the oldest and "most mature" method of biometrics, said Jim Block, Director of Global Advance Technology for Diebold Inc.

Although iris scanning is the most accurate, fingerprint identification comes in at a close second, he said, and is much more reliable than facial scans, which can be negatively impacted by the presence of facial hair or a user's proximity to an ATM.

"The iris scan is invasive," Vanderhoof said. "People have an aversion to putting their eye up to a reading device and having a light shine into it. And the technology is much more complicated."

"The lighting conditions have to be set properly, for instance, and therefore the supportability and the cost of installing the technology are more expensive."

Hand geometry and facial scanning, he continued, aren't of as much interest to financial institutions because they aren't as reliable as iris and fingerprint identification.

More Than One Way to Read a Print

There are basically three different types of fingerprint biometrics: minutia-based, which measures the space and difference between the ridges and swirls on the finger; pattern-based, which is like a photograph of the fingerprint's pattern; and full-image-based, which is similar to a picture of the entire fingerprint.

The technology isn't new.

Ahead of Its Time

Some companies quick to jump on the biometrics bandwagon soon learned that the technology was too expensive and impractical. The use of biometrics at the ATM created challenges, Diebold's Block said.

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In the mid- to late '90s, Diebold piloted two projects that used biometrics at the ATM. One project, in Houston, Texas, used iris scanning. The other, in South Africa, used fingerprint scanning. Neither program still exists, but the lessons learned will help shape the way biometrics is used in the new millennium, Block said.

The South African pilot, which launched in 1996 at Standard Bank in Johannesburg, was the first live installation of biometrics on an ATM. The project was successful "to a point," Block said. "(It) ran pretty long, but they ran into the problem of knowing how to make it bigger."

Basically, he added, Standard Bank didn't have an infrastructure in place to take the project to the next level, allowing expanded usage.

In Houston, Bank United launched

the first iris-scan project used at an ATM; but when Washington Mutual Inc. acquired the bank in 2001, the project died.

Inadequate Infrastructure

Within a limited or controlled group, Block said, the use of biometrics identification is possible at ATMs. The information can be stored at a bank branch, for instance, if the user-group is limited. But there's no easy or cost-effective way to control the ATM environment.

"ATMs are so prevalent, and you have so many people using ATMs, it's hard to use biometrics as a way to replace the PIN at an ATM on the global market," Block said.

FIs have to have a system in place that will identify a person when he uses the ATM, whether he's using an ATM in the United States or overseas.

"It's that data, which we call a PIN today, that has to travel from where you are to where you're going," he added. "It has been collected and kept somewhere. It's not a technology-related issue; it's an infrastructure issue."

Is Big Brother Watching?

Another issue is the public's resistance to providing biometrics information, especially in the United States.

"People want to know where this data is being stored and who has access to it," Block said. "In a more closed environment, like gaining access to a specific room in a corporation, you can have very specific data for very specific people, and you can control where that data is kept and who has access to it."

That would be impossible to do for use at ATMs worldwide, he added.



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For that reason, Block said, Diebold is not using biometrics on any of its ATMs. It does use the technology on some of its other products like PassVault, a product introduced in 2000 that reads palms to allow admittance into FIs' vaults.

South Carolina Federal Credit Union (SCFCU) is using PassVault in its new South Hampton Remote Teller System branch, which opened in December.

The new branch, the only one like it in the state, is a technology center where members use not only PassVault but Diebold's Remote Teller station and Adque Communications Screens, plasma televisions where customers are fed information about the credit union.

Scott Woods, SCFCU's CEO, said PassVault has been successful among the credit union's members. The branch's manager told Woods that "the members love the PassVault because of its convenience. She has had all positive feedback on it, nothing negative."

Woods said the new branch uses between three and four fewer employees than its traditional branches. He said the use of PassVault has contributed to the savings. But he declined to give any expected savings percentage.

The credit union expects to open a second technology branch next month.

A Better Bean Counter?

NCR Corp. late last year rolled out a biometrics project in Colombia, South America, that uses fingerprint scanning at Bancafe Bank ATMs.

NCR's Grossi said the project will allow the bank's 2.5 million customers to access their funds by using fingerprints rather than PINs. The project is focused on, albeit not limited to, a controlled group of users, which Grossi said makes the project practical for Bancafe.

"This particular project was focused at a segment of guys that grow coffee beans," Grossi explained. "They bring beans from the outskirts of town to the merchant and the merchant credits them for the beans."

Because the farmers are credited for their goods, the process eliminates the need for them to carry cash. Grossi said that was a primary consideration of Bancafe's, since it can be dangerous for farmers to carry large amounts of cash.

In Colombia, the farmers are accustomed to using and providing their fingerprints for identification.

"They use thumbprints and ID numbers at the ATM to access their funds now, and since the ID cards they carry around in Colombia have that same information, they're comfortable with it. They're used to providing a thumbprint. It's like our Social Security card."

Because of the market's comfort level, Grossi said, the project was attractive to NCR. The use of fingerprint scanning is expected to save Bancafe money, since it will reduce the amount the bank would have spent to issue new cards for all of its customers.

So why is there a renewed interest in biometrics, not just at ATMs but in all types of products?

"There are a number of reasons for that," Block said. "In my opinion, there's been a resurgence because now we're learning how to make the use of biometrics as convenient as using a PIN at the ATM."

The main reason for the attention, however, is that consumers are becoming more comfortable with the idea of biometrics, even in privacy-conscious areas like the United States. Although Block sees usage of biometrics taking off faster elsewhere in the world, he said Americans are beginning to catch on. After 9/11, he said, homeland security became a national concern. Because of that, the use of biometrics is becoming more accepted at sites like airports, which could mean it will begin to catch on at ATMs as well.

Grossi agrees. The use of biometrics at ATMs is generating interest in Europe, where FIs face a growing card fraud problem. The trend will continue, he expects, as smart cards become more prevalent in the United Kingdom and Europe.

Could Smart Cards Be the Answer?

Grossi, Block and Vanderhoof said smart cards, because they can hold more information than magnetic stripes on ATM/debit cards, could be used to store biometrics data. That, all agree, would help eliminate infrastructure issues.

Consumers would not have to worry about where their biometric data is saved; they would carry the information with them and compare it to the information produced when they scan their fingers or irises.

[Look for Part II of this ATMmarketplace.com article, "Are Smart Cards the Key to the Biometrics Solution?" in an upcoming issue of The Green Sheet.] 

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What's in a Name?

Before you make one more deal under your current business moniker, read this article. Both Visa and MasterCard have initiated an aggressive strategy to deal with the problem of merchant level salespeople (MLSs) doing business under names that they have not properly registered with their sponsor bank.

In the past, the card Associations first sent out warnings to violators; they only levied a \$10,000 fine against confirmed repeated offenses or when they saw that the businesses did not take corrective action.

This has all changed. Now the Associations simply assess a \$50,000 fine, no questions asked and no second chances. (There is an appeals process, but it's not something that you'd want to go through, and it's expensive.)

If you sell merchant services or credit card processing services, you need to do business under the registered name of your acquirer. If you don't, the Associations consider this improper business name registration and a violation of their rules.

The rules apply to how you answer the phone, how you greet people in voice mail and what you print on your fax coversheets, letterhead, business cards, Web sites, marketing materials, merchant agreements and any advertisements.

It's a simple concept. However, some sales reps have

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dodged or fought the issue for years. In the past, these reps have willingly taken these risks, even against specific written and verbal advice. At this point, I emphatically say: Stop doing this!

A \$50,000 fine is a major expense that can destroy your residual income and personal credit history. Is there even one hardworking MLS who would take that risk? Probably not, but an alarming level of confusion does exist among MLSs when it comes to this particular issue of compliance.

I visited GS Online's MLS Forum where "business names" has been a hot conversation topic. Here's what was heating up on the Forum:

"I just got a notice from an ISO about [how] the Association is gonna fine MLSs \$50K for doing business under their own name that is not registered with the sponsor bank. Ouch. I guess most of us will need to carry several sets of business cards with the ISO's name! The notice also stated that all MLS marketing materials, phone and answering greetings must say the ISO name. I wonder how this would work if I rep for several ISOs?" – JoeT

"According to the Association rules posted on GS Online, you're not even supposed to rep several ISOs, so I'm pretty sure they'll tell you to just choose one and rep that one in all materials, phone, etc." – jtmerch

"I'm pretty sure you can answer in the generic 'merchant services' and you would be OK." – tazman

"I received the same notice. So my question is how can some ISO, and there is more than one, still offer a private-label package? We all know there are several of these out there. I have been told by a couple of these ISOs that as long as the application says 'processing by' on the front in small print, you are OK. I have also been told they just have to know who you represent." – Coach Bob

"So then, if an MLS would register with HSBC (for \$1,000 as mentioned in another thread), would that MLS be 'in compliance' to rep for any HSBC ISO?" – renrod

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"I noticed that these compliance rules urgent notices that I received came over the last few weeks from mid-size to larger ISOs who are Global Payment Systems ISOs and HSBC Bank. None of the other ISOs I write for sent any such messages. Possibly some of you got them from other sources.

"I also wondered what would be wrong with having a phone answer: 'For ABC Merchant services, press 1; for DEF, press 2; for XYZ, press 3, etc.' You could also have a different greeting in each mailbox: 'For technical support, call 1-800 ...; for chargeback and statement issues call 1-800 ...;' or, 'if you have been referred to your agent, please leave a message after the tone.'

"I think it would be a good idea anyway to have those numbers and possibly Web sites as a greeting on your answering machine and you are probably within the compliance rules." – maketelinc

"I think there are several 'interpretations' of the rules, and that's what makes it so difficult to comply. I know that the ISO I work for has designated a compliance officer that works directly with Global and HSBC, with the guidelines that Global provided us with, to make sure all of our offices are in compliance.

"The gray areas of these rules are not worth the \$50K fine, and/or causing bad blood with Global. We want to make sure they are protected as well as we are from any fines or violations. Therefore we offer many solutions to help the agents get in compliance." – JamieG

"It is going to be very interesting to see how this plays out. Assuming every registered ISO in the industry has violators in their ranks and then understanding that the card Associations are run by the large issuing banks, like let's say Chase or Bank of America, are the Associations really going to fine one of its controlling members? I seriously doubt that a Chase will be fined or BofA.

"So will that mean that there may be a shift towards these larger issuing banks to avoid the scrutiny? Then one could argue that the fines have a monopoly effect of eventually pushing the bulk of the acquiring business to the large issuing banks, i.e., the card Associations. It could also have the effect of putting all the small players out of the ISO/MSP business.

"Maybe Visa/MasterCard only want the largest of players to participate in this end of the industry. Maybe it's too hard to police the 450 or so registered ISOs. Perhaps if there were just 40 or 50 registered ISOs, then they

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could implement their rules more effectively. Perhaps we may see a rapid shift in who is allowed to represent who in this business. The days of representing five different providers may be coming to a screeching halt. Or just maybe I'm thinking too much about all this ... " – alphapro

"This industry is so screwed up, it's not even funny. Thousands of people work in it and nobody knows the rules. If all it takes is \$1,000 to become a registered MLS, then let's do it. I'd have no problem writing a check as long as I get something official in writing from the Associations. Why is something that seems so simple, so complicated? I know that I would sleep better at night if I paid \$1,000 and were registered. I think most would agree.

"Do the Associations read this forum? If so, please ... instruct us how to comply ... Most of us are just hard-working citizens just trying to earn an honest living. Here's an idea: Let's donate the \$1,000 fee to the tsunami relief effort. Charge us another \$50 and send each of us the rules and regulations book with a certificate allowing us to sell Visa/MasterCard. Include a document that says, 'I will abide by the rules of this book,' which is to be signed and returned.

"Life is too short. Let's work together. We are partners. We want to help eliminate credit card fraud and criminal activity. I want to comply. There's enough money for all of us. Help me help you." – terpgash

As you can see, MLSs have many opinions, and some misunderstandings, when it comes to business name compliance. Since I don't have the space in this column to explain the card Associations' rules and regulations on this topic, I'll highlight the key points and hopefully answer your primary questions.

First, the \$1,000 registration idea does not work. While MasterCard has a program to register MLSs (not organizations or companies with many sales representatives), Visa does not.

If you decide to register with MasterCard, you would not be covered with Visa, which is the Association that charges the \$50,000 fine. So MLSs are still looking at the same deal: full ISO/MSP registration with both Visa and MasterCard that requires \$10,000 upfront, a \$4,000 annual renewal fee and a fairly extensive application to complete. Currently, no other options exist.

For many of you, this is not practicable. Therefore, you



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need to learn the actual Association rules with regard to "doing business as" (D/B/A) name compliance. There is no room for "interpreting" the rules when Visa assesses a \$50,000 fine, and the only other avenue is an appeals process that costs a non-refundable \$5,000.

My advice to you is to strictly adhere to doing business as the registered name of the company whom you represent. This means using the registered ISO name in all instances, from answering phones to fax coversheets, letterhead, marketing materials, Web sites, business cards and everything in between.

Please understand that the Associations have "spider" software to search out certain words on business-related Web sites. Putting a Web site online but not advertising it will not put you in the clear; the Associations could still fine you. In fact, this is how they will most likely do it.

Another scenario I've seen is through disgruntled merchants. You know the types. They're angry over a lease that they didn't understand or the fact that their account was just put on 100% reserve.

They can complain to Visa or MasterCard, and if they

complain about your unregistered D/B/A name, there's your \$50,000 fine. Why put yourself at risk only to do business as any old name?

I also strongly recommend showing caution when working with marketing referral partners. Specifically, be careful about your marketing materials and Web pages. A Web page that touts merchant services and that is facilitated through a Web-hosting provider should not reference Visa or MasterCard nor should it reference credit card processing rates and fees.

You really need to wait until you transfer these over to your site where only the registered ISO/MSP name appears before the Association names and credit card processing rates.

Finally, do not listen to anyone who tells you that it's okay if you do business as "Ray's Original Merchant Services, a registered agent of XYZ Merchant Services, Member Service Provider for XYZ Bank, USA."

While this might be creative, it's not in compliance with the card Association rules. In fact, I'm sure you could find dozens of other ways to work around the rules. The problem is that the Associations do not like it when you do

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this, and they will express their displeasure with a \$50,000 fine.

Have I referenced the \$50,000 fine enough in this article? Good, because I'm doing it with the hope of waking up any of you non-compliant MLSs out there who think you will continue to get away with it.

Instead, let's all get it together, respect the Association rules and continue to prosper in this phenomenal business.

On a lighter note, if I haven't already confused you enough, here is what Visa had to say when asked about D/B/A compliance for MLSs:

"As an Association, Visa maintains rules that are designed to guide Visa members in ensuring the integrity of Visa payments and protecting all stakeholders in our system. For information about Visa's rules, independent sales organizations and other third parties need to work with their sponsoring Visa member financial institution to understand any rules that might apply and their impact to their specific operations."

To translate for Visa: If you have any questions, you need

to speak with your sponsor bank for edification. The problem is that sponsor banks have not always done a great job at disseminating information down to the MLS.

In any event, Visa and MasterCard have made it very clear. Do business under a non-compliant name and you'll pay a price. So talk to your registered ISO. Take the necessary steps to become compliant, and remember that in this instance, Shakespeare might not be right. A rose by any other name *might not* smell as sweet.

I'd like to take this opportunity to announce that I have two more columns left to write, and then I will turn "Street Smarts" over to a new host selected by The Green Sheet. Sadly for me, it's the end of an extraordinary, two-year run.

I've never enjoyed a project more. Can you believe that throughout this two-year commitment, I have never missed a deadline or an issue? Stay tuned. I promise not to disappoint you in my last two columns.

"Life moves pretty fast. If you don't stop and look around once in a while, you could miss it."

- Matthew Broderick as Ferris Bueller in the movie "Ferris Bueller's Day Off"

See you next time where the rubber meets the road. 

Ed Freedman is founder and President/Chief Executive Officer 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 e-mail Freedman at ed@totalmerchantservices.com .

The Green Sheet is pleased to announce that the National Association of Payment Professionals (NAOPP) will sponsor our "Street Smarts" column beginning April 2005. Members from NAOPP's Board of Directors will write the articles. As has been done in the last two years, the authors will continue to solicit comments and ideas using GS Online's MLS Forum. The Green Sheet thanks Ed Freedman for his commitment to the column and for a job well done.

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Education (continued)

Legal Ease Reporting Legally

By Adam Atlas

Attorney at Law

.....
Editor's note: In this issue of The Green Sheet, we have two articles under the column "Legal Ease." Anthony L. Ogden's article appears on page 84.

Anyone who has worked in the acquiring business for more than a month knows that revenue and residual reporting is as important to the ISO and merchant level salesperson as the check that comes with it.

In negotiating ISO deals, I've often had to modify language proposed by the bank or processor in order to improve on its reporting obligations.

Keep the following things in mind when negotiating the reporting clause in an ISO agreement:

The best reporting will be Internet-based and provided in real time. The current industry standard is to receive no less than a printed report with each monthly residual check. The standard is, however, moving closer to real time, Internet-based reporting.

Why Is Reporting so Important?

.....

The best deal in the country is not worth the paper it's printed on without adequate reporting. If a processor promises to pay 80% of revenue received but does not give you the means to objectively calculate that revenue, you might as well have not signed any agreement at all.



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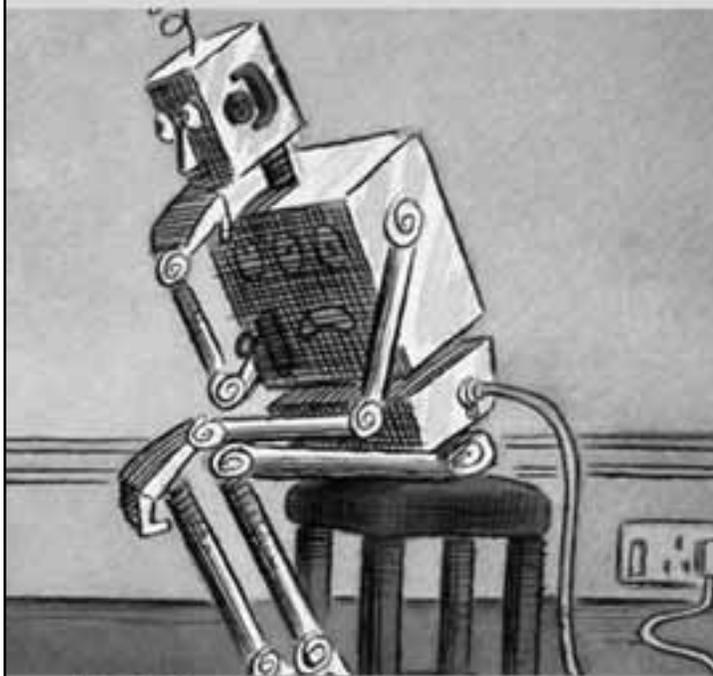


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Reporting is important because it informs you whether or not the bank or processor has provided what's entitled to you under your agreement.

Is Reporting Mandatory in the Agreement?

Believe it or not, some ISO agreements fail to state the obligations of the payor of residuals as to the reporting required.

I recommend against signing an agreement that does not at least have a general obligation on the part of the processor or bank to provide reporting on residual payments.

The agreement can state this obligation in either the body of the text or in the fee schedule. In either case, the contract should state it clearly and unambiguously. As is the case with every important clause in an agreement, it should be so clearly stated that your grandmother would understand it.

How Often Will Reports Be Published?

The best reporting will be Internet-based and provided in real time. The current industry standard is to receive no less than a printed report with each monthly residual check. The standard is, however, moving closer to real time, Internet-based reporting.

Did You Review Details Carefully?

Depending on your negotiating position opposite the processor or bank, you can negotiate various levels of detail in reporting.

In a nutshell, the reports provided should enable you to verify the accuracy of the residual payment made.

If the reports do not provide enough information for that purpose, then they are inadequate. For example, you should be able to determine the volume processed by each merchant in your portfolio as well as a general breakdown of the types of transactions (i.e. Visa, MasterCard, etc.).

Compare the wording of the residuals clause in the agreement to the reporting clause. These clauses are often worded similarly in respect to the amount of detail the processor or bank will provide.

Is the Report Intelligible?

The report should be easy to read and understand, whether it's online or in hard copy. If the bank or processor produces the report in a way that is com-

Most agreements give the ISO 30 - 90 days from the date it receives payment to contest the accuracy of a payment. Depending on your bargaining position vs. the processor's or bank's, you might be able to bargain for more time to contest a residual payment.

plete but very impractical to use, then that defeats the purpose of having reporting in the first place. Make sure the report has a summary section followed by a breakdown of the details.

Do You Have the Right to Contest?

Always couple your right to receive reporting with the right to contest the amount of a residual payment based on the information in the reporting.

Most agreements give the ISO 30 - 90 days from the date it receives payment to contest the accuracy of a payment. Depending on your bargaining position vs. the processor's or bank's, you might be able to bargain for more time to contest a residual payment.

But make sure you monitor the timing of your review of residual statements in order to have enough time to contest the accuracy of a payment, if necessary.

Do You Have Audit Rights?

Depending on your bargaining position vs. a processor or bank, you might be able to obtain audit rights. Audit rights allow you to send an independent, third-party auditor to verify the processor's or bank's books. You would do this to obtain assurance that the processor or bank has paid you the correct amount. If you do obtain audit rights, expect to have a negotiation over who should pay for the auditor.

An ISO agreement usually covers reporting in one sentence. As you can see from the points raised above, you have a lot to think about before signing-off on that sentence.

Remember that your residual check is only as good as the reporting on which it is based. ■

In publishing The Green Sheet, neither the author nor the publisher is engaged in rendering legal, accounting or other professional services. If you require legal advice or other expert assistance, seek the services of a competent professional. For further information on this article, e-mail Adam Atlas, Attorney at Law at atlas@adamatlas.com or call him at 514-842-0886.

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Education (continued)

Legal Ease

Why Are You Losing Merchants?

By Anthony L. Ogden

BankCardLaw

In my experience as an attorney, I think that sometimes the most valuable service you can provide is sharing your observations. This type of communication is very effective because it goes far beyond simply reciting legal rules and principles in a sterile vacuum.

Instead, sharing observations allows you to convey practical, "real world" information. This promotes cause and effect understanding of the occurrences that seem to elude corrective efforts. In this article, I refer to unnecessary loss of merchant accounts.

Merchant account termination and loss are avoidable. Yet these revenue-diminishing events continue to occur with alarming frequency. Could it be that needless merchant

account loss is just an acceptable part of any merchant portfolio? As an acquirer, ISO or merchant level salesperson (MLS), do you expend enormous sales and marketing resources to form merchant agreements knowing that you will lose a significant number of signed merchants?

If the answer to the preceding questions is "yes," and you do not care about avoiding preventable loss, then you might not want to read this article. However, if keeping the merchants that you sign and enjoying the revenue stream that they provide interests you, please continue reading.

For more than 10 years, distressed merchants have contacted me. Almost invariably, they seek urgent solutions for acute problems with their merchant accounts. Among other things, merchants request assistance with terminated or MATCH-listed merchant accounts, chargeback problems and the withholding of reserves for extended (business-threatening) periods of time.

When questioned, a surprising number of merchants report that their acquirer, processor, ISO or MLS did not provide satisfactory assistance, and they never received their merchant agreements or any training or practical information for using their merchant accounts.

Amazingly, most merchants were also unaware of the common schemes of fraud that threaten their merchant accounts (unless of course they were already suffering from the ravages of fraudsters).

Few merchants knew about the various measures to prevent account compromise, or at least reduce account exposure. A prime example would be card-not-present merchants who had never heard of address verification system (AVS), let alone card verification numbers (CVV2, CVC2 and CID) or other fraud-reduction solutions. Incidentally, many of these merchants were good, revenue-producing accounts in someone's portfolio before preventable tragedy struck.

Do the examples above sound like any of your merchants? If so, you are at risk of losing part of the revenue stream that you've worked so long and hard to create. Naturally, any portfolio will gradually lose a percentage of its merchants over time through attrition.

However, nothing is natural or acceptable about unnecessarily losing merchants. To wit, if you were a commercial

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Education

fishing operation and you knew your nets had gaping holes in them, wouldn't you fix those nets?

In the merchant acquiring industry, it would be easy and perhaps convenient to believe that a certain number of avoidable merchant account losses are acceptable. But considered another way, avoidable losses cause you to work harder than necessary. In essence, you spend valuable time on a never-ending quest to "reinvent the wheel."

You find that you need to sign more merchants just to replace those accounts that you needlessly lost. Chasing new merchants to replace lost accounts becomes a required cost of maintaining your desired income stream. This vicious cycle fails to reward you for the good merchants you initially signed.

Do you want to increase your odds of retaining the good merchants you sign? Of course you do. Let's examine how to go about making this positive change. For starters, you might think that changing the merchant agreement is the magic answer. But believe it or not, the merchant agreement is not necessarily the best place to stem the tide of needless merchant attrition.

Certainly, all merchants should receive a copy of their

merchant agreement and be able to understand its terms. However, the jam-packed fine print that details the merchant agreement terms does not lend itself to providing practical information on merchant account use.

The solution for stemming needless merchant attrition involves several elements. First, as an acquirer, ISO or MLS, you should clearly identify the perils associated with operating a merchant account in order to promote merchant awareness.

Second, you should identify and present to merchants the various methods of preventing or reducing merchant account perils, perhaps in a menu form. In this way, you assist merchants in selecting "courses" from the solutions menu to fit their needs.

Third, you should either provide your merchants with ongoing education or you should do it through a knowledgeable third party. Fourth, you must enable your merchants to communicate with you in an efficient manner that avoids losses (e.g. properly structured e-mail, standardized forms online or automated telephone menus).

Taken as a whole, the number of good merchant accounts lost for preventable reasons is absolutely mind numbing.

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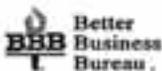
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Your merchant portfolio is a valuable investment derived from your considerable sweat equity. You must take steps to protect it. Be aware that the ferocious competition for merchant accounts comes not only from your fellow competitors, but also from ill-intended fraudsters and criminals. Loss of your merchants to a competitor's lure of "better, cheaper" processing terms rivals losses caused not only by the vile acts of fraudsters, but also by merchants making mistakes because they are ill-informed.

Don't consider your deals "closed" just because merchants sign the agreements. Instead, inform and educate your merchants and provide efficient lines of communication. MasterCard International, Visa U.S.A., American Express Co. and Discover Financial Services all publish resources in print and online to provide valuable tools for responsible and informed merchant account use.

As the author of "What Every Business Should Know About Accepting Credit Cards" (reviewed in The Green Sheet, Oct. 25, 2004, issue 04:10:02), I strongly encourage you to provide this fast-track, plain-language, practical information to your merchants. It can help them quickly gain understanding of their merchant accounts, related risks, risk prevention, avoidance of common account-killing mistakes and the value of using best practices.

To underscore its value, many banks, ISOs, MLSs and other industry professionals have already purchased the merchant account book and use it for their own in-house training. The educational and return on investment value is obvious. If you provide the same useful information to your merchants, you convert them from potential portfolio risks into valuable allies for strengthening your merchant portfolio.

The challenge is before you. The tools are within your reach and at your disposal. Take up the challenge. Stop losing good merchants and instead reap the residual rewards of your hard-earned and meticulously built merchant account portfolios. ■

The above article is authored for general informational and educational purposes and is not to be construed as legal advice, nor relied upon as legal advice from The Law Offices of Anthony L. Ogden ("BankCardLaw"). Individual facts, circumstances and applicable law may vary. Therefore, you are strongly encouraged to seek the advice of a qualified attorney regarding your particular matter. BankCardLaw is the micro-niche legal and consulting practice of Anthony L. Ogden, a bankcard attorney with more than 10 years of industry experience and author of the merchant handbook titled, "What Every Business Should Know About Accepting Credit Cards." The mission of BankCardLaw is "strengthening merchant credit card accounts." To obtain more information about BankCardLaw services and publications, visit www.bankcardlaw.com or call 661-775-8527.

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Education (continued)

Things You Need to Know

Part 1: Understanding Underwriting and the Process of Processing

By Nancy Drexler

Cynergy Data

As a merchant level salesperson, you call on merchants to sell them processing solutions. Frequently, they ask you questions: Why should I change processors? Can you give me a rate that's better than my current processor? Why does it matter who my processor is?

After a lengthy presentation, you convince them that your company is the right choice. They sign on the dotted line, you send in the application, and ... the processor declines it. Sometimes merchants are an unacceptably high risk for your processor.

It's your job to know why, not only so you're not surprised another time, but also so you can help future merchants get underwritten.

The basics of underwriting and measuring risk are fundamental in this industry. As a sales representative, you and every one of your merchants should understand the guidelines used by a processor when deciding to accept or decline merchant applications.

In this article, the first in a three-part series on merchant-level training, I'll discuss the process of underwriting and, once the processor approves a merchant, how the process of processing credit cards works.

Next month, this column will address merchant level risk protection, and in April, it will explain how to read a merchant statement and unlock the earning potential it contains.

All Merchants Are Not Created Equal

In underwriting, certain clear differences exist between merchants. These distinctions, many of which you can easily correct or minimize, often make the difference between a processor approving your application or declining it.

(And if certain merchants seem like risky prospects according to underwriting guidelines, use this information to manage their expectations so they won't be blindsided by an acquirer's rejection.)

Acquirers categorize merchants according to potential risk. By answering the following questions, you will determine the category into which your merchants fall and help them improve their risk rating.

• **How Likely Is a Chargeback?**

This is a question in which the answer varies from industry to industry. Take the example of a restaurant: Restaurants rarely face chargeback issues because when patrons are unhappy with their meals, they will likely request changes or replacements to their entrees rather than leave the restaurant, go home, wait a few days, and then call their issuing bank to request a refund.

Compare this to a retail store, where returns and chargebacks are much more common, and you'll see why having a low risk for chargebacks can put your merchants on the fast track to an acquirer underwriting them.

• **Is the Merchant Selling a Product or a Service?**

If a merchant sells tangible objects, things you can pick up and hold in your hands, it's easy to prove that customers received the items for which they paid.

The risk that the items will be charged back is much smaller than it is for say a cleaning service, where customers and merchants might have very different definitions of what constitutes an acceptable delivery of service.

• **How Is the Product Delivered?**

This question and the next one are particularly important for MO/TO and Internet merchants. If the merchants in question routinely ship items to customers without requiring a signature, customers can very easily say that they never received the package and then charge it back, whether this is true or not.

Merchants who require signature confirmation on deliveries are a much smaller risk for underwriting.

• **Is the Card Present?**

This is crucial, and not only because it saves your merchants the higher card-not-present processing fees. By getting an imprint or signature or using a wireless terminal to swipe the card wherever the transaction takes place, merchants will be much more attractive underwriting prospects.

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Education

Beyond Underwriting: Merchant Business Basics

Once processors approve merchants for underwriting, assign an appropriate risk level to them, and set them up with downloaded equipment, they're ready to begin processing.

This is the point in the process when many of you as sales representatives take yourselves out of the equation. You've made the sale, now it's time to sit back and watch the residuals roll in, right?

Wrong. This will work in the short term, but you'll quickly lose your merchants to attrition if you don't work to keep them satisfied after the sale.

One way to do this is to make sure that they understand the process: what goes into choosing an acquirer and what your company can do for them that the competition can't.

Use this information to walk your merchants through the basic processes of processing; let's face it, many of us could use a refresher course, too.

When a card is swiped or keyed into a terminal, software or gateway, the system dials out to the front-end computers for authorization and receives an approval code, a decline message or a call center message (this is only used when the card is listed as lost or stolen or the cardholder is over his credit limit.)

Let's assume the transaction goes through. When the merchant "batches out" at the end of the day, this creates a settlement file listing all of the electronic transactions that affect a merchant's daily balance and sends it to the back-end bank.

The bank reconciles this file by posting transactions to the cardholder and processing payments to the merchant's bank account.

The next step varies from acquirer to acquirer, but here's the way it works at Cynergy: A mirror file of this batch is sent to the acquirer and filtered through the risk department, which flags unusual transactions according to preset criteria.

Risk personnel then comb through the flagged transactions, trying to determine if they're valid or not.



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Education

If it seems unlikely that fraud has occurred, the transaction is released with the rest of the batch and the merchant gets his money with no interruptions.

If the risk department decides that a transaction looks suspicious or high-risk, it calls the merchant to get supporting documents and holds the funds until it completes the investigation, 270 days maximum.

Highly suspicious transactions can be immediately reversed if a thorough investigation finds evidence of fraud.

Merchants need to know that if they're involved in fraud, transactions that result in excessive chargebacks, or Visa/MasterCard violations, they can be placed on what is known as the "MATCH" list, the Member Alert to Control High-risk Merchants list. Most acquirers will refuse to process for a merchant who appears on this list.

This is tough material to explain to your merchants, but if you understand it and help them understand it, you'll receive fewer questions and hear fewer complaints in the future.

Most importantly, you'll understand how an acquirer protects your money and your merchants' money.

Next month, this column will focus on the ins and outs of risk, including chargeback protection, recognizing fraud and protecting funds for you and your merchants. ■

Nancy Drexler is the Marketing Director of Cynergy Data, 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 that ISOs and merchants need to be successful and to back it up with honest, reliable, supportive service.

For more information on Cynergy Data, e-mail Nancy at nancyd@cynergydata.com.



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Education (continued)

Firewall Away – Internet Security

By Joel Rydbeck

Nubrek Inc.

One of the most overlooked areas of Internet security in small businesses is the firewall. You should become familiar with firewalls because as more merchants use IP-based credit card terminals (such as Lipman's NURIT 3020), and online gateways (such as Authorize.Net) to process transactions, firewalls can help protect them.

In addition, business computers often store personal, financial and confidential information, and you want to make sure that the information is not available for others to peruse. In this article, I'll cover some basic steps for securing a network from malicious programs (and people) on the Internet.

A lot of companies initially launched their Web sites by running them off of someone's personal computer. However, as the Internet grew, malevolent users began hacking into computers to spread worms and viruses around the Internet.

In response, many companies put up firewalls to block access to their networks. They allowed employees to use their PCs to surf the Web and send and receive e-mail, but they blocked outsiders from accessing those PCs over the Internet.

What Is a Firewall?

Webopedia.com defines a firewall as "a system designed to prevent unauthorized access to or from a private network." That's as simple as it gets. A firewall sits between you and the Internet, allowing you to go where you need to go and exchange data with others, while simultaneously blocking outsiders from accessing the data and resources inside your network.

Without a firewall, almost every computer on the Internet would be accessible from any other computer. Some programs on your computer are designed to help you share your files with other users on the network, but they also allow access from the Internet without your knowledge.

A firewall prevents these applications from providing services without your permission. Many Web sites, including those that perform credit card transactions, also use firewalls to protect the servers.

While no site is 100% secure, you can educate yourself and your merchants and manage your risk so that the likelihood of an attack or security breach is very low.

Much of your security depends on how you get access to the Internet. If you gain Internet access through your office building, you might already be protected from much of the outside world, but this doesn't mean that you're protected from your competitor down the hall.

I spent some time in an office in Dallas where the Blaster worm had infected several of the computers in the building. The worm subjected every other computer in the building to a constant attack, even though all of the computers sat behind the office building's firewall.

What Protection Does a Firewall Offer?

You need protection from many things on the Internet. Two of the largest threats from which firewalls help protect you are:

- **Malicious Hackers.** These individuals use techniques, which can vary from applying advanced programming skills and social engineering to running software developed by others, in order to access your computer and data.
- **Worms.** These programs copy themselves from computer to computer over a network and usually do bad things. Worms use a variety of mechanisms such as networks and e-mail to transfer themselves.

A firewall protects the network while allowing users to exchange e-mail; however, it won't catch some worms that transfer themselves via e-mail (make sure that your version of Windows is up to date by visiting <http://windowsupdate.microsoft.com>).

What Types of Firewalls Exist?

You have many great firewall solutions to choose from. My goal is to help you set up a solution that you can easily understand and maintain on an ongoing basis as your business grows. If you use the Internet, you need a firewall; it's a no-brainer. But what kind of firewall do you need? Let's look at your options.

Software Firewall

You can download several different kinds of firewalls from the Internet, or purchase them on a CD. Software

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installed on your computer stands between your network and other applications on your computer and monitors all Internet traffic inside and out. Here are a few examples:

- **Windows Firewall.** This was Microsoft's answer to a lot of these risks and problems; if you have Windows XP installed, you simply need to turn it on. If you type "Firewall" into Windows help, you'll find some great information on how to set up the firewall.
- **ZoneAlarm.** This is a free, third-party firewall that you can download from <http://www.zonelabs.com> (visit my blog <http://www.merchanttechnology.org> for details on setting up ZoneAlarm).
- **Norton Personal Firewall.** You can purchase this solution at most major computer stores.

Hardware Firewall (aka Router)

Packaged in a little box, suppliers often combine a firewall with other features and capabilities. Many Internet providers build them right into their DSL or cable modems. (Because these applications cost so little, and the risk of not using them is so high, many providers offer a modem that does it all. If you think this might be the case with your product, jump down to "How to Test Your Network" where I provide instructions on testing a firewall.)

- **Linksys WRT54G.** This firewall will fit inside a box of cookies, and it includes everything you need to run your office. You can plug it in between your DSL or cable modem and your computer and be up and running in minutes.

Linksys includes some easy-to-read instructions for setting this up. Amazon.com offers the product for about \$60; if you buy it from a local computer store it will probably be \$70 – \$100.

- **Netgear WGU624.** This firewall is very similar to the Linksys product, but it has a different form factor and some different options.

Hardware Firewall

Focus: Fast, configurable and expandable

Other Features: Network in a box; often provides wireless access

Requirements: Ethernet connection to the Internet through DSL, cable modem or an office building

Installation: Plug it into your Internet connection and computer, and you're up and running

Pros: Provides Internet security; easy setup; very configurable; expandable to protect your whole office; low cost

Cons: Doesn't protect you on the road; requires cables

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Software Firewall

Focus: Portable

Other Features: Provides Internet security while you're on the road

Requirements: Computer with several megabytes of free space

Installation: Download from Web site or insert CD, and you're up and running

Pros: Provides Internet security; works well with dial up and mobile Internet access

Cons: Doesn't protect you on the road; requires cables; others can disable it; only protects your computer; uses computer resources; Pop-up windows from virus software get annoying

How to Test Your Network

If you're connected directly to the Internet, follow the steps below to assess your current situation. If you access the Internet through your office building's network, the results will reflect the security of the office building (in which case your computer might still be exposed to the guys down the hall).

From your Web browser, go to the Web site: <http://www.hackerwatch.org/probe/> . Click the arrow

in front of "Port Scan." A series of tests will run against your connection to determine if your computer is exposed.

The tests should finish with "Test complete. No open ports were found." All of the results should be either Closed or Secure. If you see Open as a result, you need a firewall (if you already have one, configure it so that the test lists everything as Closed or Secure).

Securing your network will help you protect your information security and extend your confidence. As the merchant services industry continues to leverage the Internet and the competitive advantages it brings, you'll be able to provide additional value as you advise your clients on their technology solutions with terminals and workstations. 

Joel Rydbeck, Chief Executive Officer of Nubrek Inc., brings his strong background in e-commerce and business process automation to the merchant services industry. Nubrek offers eISO, a software application that tracks clients and provides automated commission and residual calculations. For more information on spyware visit Rydbeck's blog: www.merchanttechnology.org, e-mail him at joel@nubrek.com or call 877-390-1887.

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ing system. This enables simple and more cost effective support of and migration between the different models, the company said. The product is also compatible with VeriFone's legacy multi-lane solution, the EverestPlus payment system.

The Omni 7000LE has an ATM-style interface, a large eight-line back-lit display and a vertical swipe, bi-directional card reader. It has a 32-bit processor, two megabytes of Flash memory and one megabyte of SRAM.

Its 21 laser-etched, hard plastic keys will withstand wear and tear longer than the traditional soft rubber keys. Four of the keys are also programmable function keys.

An Entry to the Multi-lane Environment

Product: Omni 7000LE

Company: VeriFone Inc.

For merchants with multiple lanes who need speedy transactions to keep up with high traffic through those lanes, VeriFone has introduced a "lite" edition to its Omni 7000 family point-of-sale terminals for multi-lane retailers, the Omni 7000LE. The terminal supports debit, credit, loyalty, electronic benefits transfer and Women, Infants and Children (WIC) transactions.

VeriFone considers this terminal an entry-level point into its modular Omni 7000 multi-lane line; retailers implement this product for basic POS multi-lane needs, and they can upgrade to more functionality such as signature capture, contactless and Internet protocol-based processing, or graphical user-interface displays, as needed.

All products under this family of terminals use the same types of cables and stands and power supply and operat-

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VeriFone has configured the terminal with the latest security features, including triple data encryption standard (3DES), master key/session key and derived unique key per transaction (DUKPT) key management. It's also Visa PIN-entry device (PED)-approved for PIN-based transactions.

The Omni 7000LE has triple serial ports, which enables merchants to integrate the terminal with most electronic cash register systems as well as bar code scanners, check readers/imagers and other peripherals.

VeriFone Inc.

2099 Gateway Place, Suite 600
San Jose, CA 95110
1-800-VeriFone
www.verifone.com

A Loyalty Program With Three Parts

Product: The LoyaltyWise Solution Package

Company: Synergy World Inc., LoyaltyWise.com

Do you know of any merchants who have expressed interest in implementing an electronic loyalty or gift card program for their customers, but have hesitated because of the cost? LoyaltyWise.com and Synergy World Inc. offer what they believe is an affordable solution that merchants can implement quickly.

The companies call the offering the "The LoyaltyWise Solution Package," which provides three applications in one.

The first is a custom electronic gift card program that enables merchants to provide plastic gift cards with their own logo and brand. Merchants can activate the cards for any dollar amount, and every gift card transaction deducts the sale from the prepaid balance. The balance is also printed on the sales receipt.

The second application is a custom-branded reward card program, which merchants can use two different ways. One tracks points per dollar; merchants assign a point value for every dollar the customer spends and can set the rewards when customers reach the point value.

The other tracks points per transaction; merchants assign one point per transaction and designate a point threshold before a reward can be earned.

The third application of The LoyaltyWise Solution

Package is a measured loyalty card that allows merchants to limit the number of times a consumer can redeem a reward card for a specific offer.

"This application is ideal for any restaurant that wants to limit how many times a buy-one-get-one-free meal can be redeemed by a customer," said Joel Kantor, Synergy World's Chief Executive Officer.

The merchant loads the card with a preset number of swipes/offers. Every time the customer uses the card, a swipe/offer is deducted from it. When all swipes have been used up, the words "card not valid" will appear on the receipt.

Merchants can also program all of the reward applications to award random instant prizes, another nice feature.

Synergy World Inc. and LoyaltyWise.com

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Tranax Upgrades MBS5000

Product: Tranax MBS5000 with the automated print depository (APD) module

Company: Tranax Technologies Inc.

ATM developer Tranax Technologies Inc. first released its Windows-based MBS5000 series of ATMs in October 2004.

Since then, the company has announced new functionality for this product: an automated print depository (APD) module, which enables the ATM to accept envelope deposits and print transaction data right on the envelope.

The MBS5000 is ideal for community banks and credit unions operating ATMs that are not 3DES compliant, which they will need to upgrade to meet requirements.

The APD module provides an alternative to the teller line, provides the option of accepting deposits at drive-up ATM locations or allows customers to make their own deposits. Tranax said that all the leading processors support the ATMs.

The ATM's features include an encrypting PIN pad (EPP), UL291 level one ATM certification and an approximate weight of 1,000 lbs. It also has sun-viewable monitors and stainless steel key pads that function in any type of weather.

The MBS5000 has a 27-inch body that fits on a 36-inch island; it also retrofits into a Slimline kiosk with minimal modification needed.

The ATM establishes connectivity through a modem or Ethernet card.

Tranax offers the MBS5000 as a drive-up or walk-up ATM, and offers rear-vault access for both models. Tranax also offers a drive-up version with side-vault access. 

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Mark E., Houston, TX
(Over 10 years experience)

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Sincerely,
Stu Rosenbaum
CEO, US Merchant Systems, Inc,

PS. Even if you weren't around in the good old days, if you have an intense burning desire to succeed-by providing this kind of exclusive service... and earning more than you ever have, call Jessica anyway. 800-655-8767, ext. 262.

PPS. Here's what another of our agents recently said about our new exclusive products and services:

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Ernest P., Austin, TX



Inspiration

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"Men keep agreements when it is to the advantage of neither to break them."

- Solon



Navigating Negotiations

Life is full of negotiations, whether they are part of discussions, agreements, arguments or even fights. Some are large, such as signing a new client, securing a lease or purchasing a home, and some are small, such as extending a warranty, authorizing vacation time or working out a payment plan.

Large or small or personal- or business-related, we face negotiations daily. The more negotiations we complete, and the more we prepare for them, the happier we will be with the outcome.

Following are some tips to help you get what you need, and maybe even what you want, from your negotiations:

Before the Negotiation

The result of your negotiation is directly related to what you do before any discussion occurs. Planning ahead is invaluable. Before you approach the negotiation table, have a clear idea of what you need and what you want from the resulting agreement.

Compose a list of exactly what you're willing and not willing to accept. Include items that you must have, the "deal breakers." Also list items that you would like to have, but that you'd give up in return for something else. And list items that you'd be willing to give up without receiving anything in return.

Finally, determine ahead of time if you'd be willing to delay any part of the agreement, financial or otherwise, until a later date.

For instance, would you consider a payment plan if the

overall purchase price is increased, or is having the money upfront more important to you? Are you prepared to postpone negotiations and delay a deal if the agreement doesn't satisfy you, or do you need a signed contract soon? If so, what concessions might you make?

As you make your list, you might consider bluffing. You might be tempted to tell the other party that you won't make concessions or that something is non-negotiable when, in fact, you are willing to compromise.

Sometimes bluffing will work to your advantage, but be careful. Don't bluff unless you can back it up. The point is to secure the deal, not to "win." Also, if you earn a reputation as someone who bluffs all the time or who walks away from deals, future negotiations will prove progressively more difficult.



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Electronic Transactions Association

2005 Annual Meeting and Expo

Highlights: The electronic payment processing industry's biggest event of the year will take place earlier than usual in 2005, but that won't diminish the excitement or opportunities for learning and networking. ETA expects more than 3,000 professionals from across the country and around the world to attend in order to learn about new trends, meet with peers and explore the latest in cutting-edge technology. The conference includes presentations, seminars, break-out sessions, banquets and receptions; everyone from sales reps to CEOs will leave this event with pertinent and timely information, numerous business contacts and progressive ideas to put to work immediately. More than 150 vendors will exhibit in the Expo Hall, including The Green Sheet. Visit us at booth #1630 just inside the exhibit hall's entry doors and enter to win a "Greentastic Voyage 2005" to Maui or South Africa.

When: March 15 - 17, 2005

Where: Mirage Hotel and Casino, Las Vegas

Registration: Visit www.electran.org

NACHA - The Electronic Payments Association

Payments 2005 Conference

Highlights: Now is the time to learn about automated payments. In 2004, approximately 2.5 billion automated clearing house (ACH) payments were made; accounts receivable conversion (ARC) is the fastest growing payment application in the 33-year history of the ACH network. "Payments 2005" will cover issues and hot topics, including case studies on ARC, NACHA initiatives and pilots, electronic billing and more. More than 160 educational sessions along six tracks and workshops will feature speakers from financial institutions, private-sector companies and government agencies. An exhibit hall will showcase state-of-the-industry products and services from more than 90 vendors and suppliers. In the opening general session, John Stossel of ABC News' "20/20" will discuss the ideas of individual freedom, free markets, technology and the real and perceived threats to liberty we face today. This year, a town hall-style meeting will give industry participants a chance to provide input for NACHA's Board of Directors' new strategic ACH plan now in development.

When: April 10 - 13, 2005

Where: Henry B. Gonzalez Convention Center, San Antonio, Texas

Registration: Visit www.nacha.org

During the Negotiation

The physical aspects of a negotiation can have a subliminal effect on the participants, and thus the outcome of the process. Something as simple as the furniture can have an impact on the resulting agreement.

For example, if each party sits on opposite sides of a table, the initial tone is adversarial; it's "us against them." And in some instances, this might work to your benefit. For example, if you have six people in the meeting and the other side only has one or two and you want to convey the feeling of power and authority, this scenario might work best for you.

However, if your goal is to form an agreement with a potential partner, you probably want a more teamlike atmosphere. In this case, a circular table might work better.

Finally, if you plan to sign a contract with a client then sit on the same side of the table; this conveys the feeling of being side by side. Or perhaps forgo the table completely and sit in a more relaxed atmosphere such as on chairs or a couch.

After the Negotiation

After the negotiations have ended and you have secured your agreement, celebrate! Then take some time to review what happened. Look at both the process and the outcome and analyze what pleases you and what you can improve.

Did both sides win? Does this deal benefit both parties? Is this an agreement that you can expand in the future?

After a successful negotiation, neither party will feel that they got everything they wanted. The best case scenario is to have both sides walk away feeling that they got what they needed and some of what they wanted.

You want the other party to feel good about the negotiation because you will most likely need to work with them in the future, and you want to be on good terms.

Even if you don't work with this particular party in the future, you always want to have the reputation of being a fair and professional negotiator.

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You Close the Deal

We'll Handle the details



Why do it all yourself?

Forget about all the new "tools" being offered - what it boils down to is more work for you, which means less time seeking new business.

Automated processes are great, but most merchants aren't 'one size fits all'. When you need to speak to a real person, Paymerica will be there.

Working on a big deal that needs a professional edge? We provide shared cost or free marketing assistance for your associations and large multi-location merchants, including marketing materials, business planning and trade show assistance.

Paymerica, LLC is a registered ISO/MSP of J.P. Morgan Chase Bank, Hicksville, NY


PAYMERIC
1/877-PAYMERIC
(729 - 6374)
Ext. 301



ResourceGuide

AdvertiserIndex

Vital Merchant Services
(800) 348-1700

PROCESSORS LOOKING FOR ISOs

First Data Merchant Services

(866) FDMS-ISO

Global Payments Inc.

(800) 801-9552

iPayment, Inc.

(800) 748-6318

Money Movers of America, Inc.

(800) 815-4360

National Processing Co.

(800) 672-1964 x7655

NOVA Information Systems

(800) 226-9332

REAL-TIME CHECK/CREDIT CARD PROCESSING

eProcessingNetwork.com

(800) 971-0997

USAePay.com

(866) USAePay (872-3729)

REAL-TIME CHECK/DEBIT PROCESSING

paymentoptionsolutions.com

(888) 767-7674

SITE SURVEYS

Property Resource Network Inc.

(800) 676-1422

STORED VALUE PROGRAMS

i2c, Inc.

(888) 327-8188

SUPPORT DESK FOR POS TERMINALS & PC SOFTWARE

CardWare International

(740) 522-2150

TASQ Technology

(800) 827-8297

Vital Merchant Services

(800) 348-1700

SUPPORT STANDS FOR POS TERMINALS

Amvox Equipment Company, Inc.

(800) 999-2699

Table listing various companies and their page numbers, including ABANCO International, ACCPC American Credit, Advanced Merchant Services, etc.



Celebrate

15 Years Strong

In 1990, First American Payment Systems signed on its first merchant. Today, we provide services for approximately 75,000 merchants across the country. Through the years, we've built an outstanding operation centered on superior service. Our knowledgeable, multi-lingual call center is available to assist merchants 24/7, and our experienced Client Services team provides first-class support to our valued ISOs and agents. We also offer flexible sales programs, 24-hour merchant approval and on-time monthly residuals. Our proven experience in the industry can work for you. Come and join the celebration at First American.

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- FirstView Online Reporting
- FirstPay.Net Internet Solutions
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NOBODY'S FASTER!

Now you can get your merchants boarded and downloaded within 5 minutes!

"ELAP has eliminated the when issue in terminal reprograms. With 5 minute downloads it is no longer a question of how long until I can get my builds done for my new signups. ELAP has helped me sign and reprogram merchants in the same day. That is unheard of." – Jeff, NAB ISO PARTNER

Nothing compares to the power of North American Bancard's new online merchant application entry system. ELAP allows you to enter the merchant information, set the pricing, determine the equipment you would like deployed or reprogrammed, and submit the application, all from a link on our online agent info center.

Once the application has been submitted, the download will be built and emailed to you within minutes, the equipment will be prepared for deployment, and the merchant will be boarded and ready for processing. It's so easy! Now you can get your accounts up and ready to process within one hour of submission.

- Applications can be boarded and downloaded in minutes!
- Track your submissions in real time!
- Make the sales process a one call close. Take an application and complete installation within 5 minutes.

NorthAmerican
BANCARD

To find out more visit www.GONAB.com or call: 1-888-229-5229

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New Equipment

T77 Thermal	\$299
O396	\$ 50
BankPoint PIN Pad	\$ 49
S7C-15	\$ 25

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T330	\$ 50
XL300	\$ 25
O396	\$ 40
T7P Friction	\$159
P900	\$ 99

LIMITED QUANTITIES SO DROP US A CALL NOW!

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TASQSM

TECHNOLOGY

A Decade of Appreciation and Dedication

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▶ Fun Things to Do with Your New 19-key T7Plus.

#17: Batch transactions with one hand behind your back.

Try it! We dare you! See if the ATM-style keypad on your new T7Plus is really a one-hander. Tonight after close, batch your day's transactions with only one hand. Better yet, batch and send with only one finger!



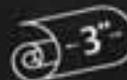
Here's how we did it:

- Pressed the **SETTLE** key with our index finger
- Entered our password and pressed the **ENTER** key
- Selected the host pressed the **ENTER** key
- Reviewed sales and refund totals and printed report on the optional 3-inch paper roll in large, readable type
- Pressed the **ENTER** key to send the batch settlement

One finger. No kidding! In fact, one of our developers used her pointy elbow. It's that easy to use a terminal certified by major processors, available at all major suppliers and supported by the industry's most knowledgeable team.



ATM-Style Keypad



Optional 3" Paper Roll



Fast Transaction Speed

▶ For more information about the 19-Key T7Plus, call **1-877-2T7PLUS** or visit **www.hypercom.com**.

