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Agents of change



A new phase in the endless game of survival of the fittest has arrived. Bailouts, bankruptcies, layoffs and foreclosures have sent the U.S. and world economies into turmoil. As credit dries up and businesses begin to fail at an accelerated rate, the payments industry will surely be affected.

Now, more than perhaps at any time in the history of payment processing, many ISOs and merchant level salespeople (MLSs) need to rethink how they do business if they expect to survive the economic upheaval. In a recession, clinging to old strategies to generate revenue, such as selling POS terminals or switching merchants based on cheaper rates, may no longer be effective.

But opportunities for increasing revenue are abundant. Dynamic currency conversion (DCC), merchant cash advance, Payment Card Industry (PCI) Data Security Standard (DSS) compliancy services and prepaid products are obvious and relatively easy value adds to keep merchants sticky and boost residuals.

Hunker down

Daniel Wadleigh, Sales Consultant to the payments industry, theorizes that human psychology mirrors the state of the economy. In his marketing manual Profit Controlled Marketing, Wadleigh discusses the four basic human desires: approval, security, comfort and significance. "It is both desire for enhancement (positive) and risk of loss (negative) that propel people to act," he wrote.

In boom times of economic expansion, businesses and individuals are more aggressive in seeking out new business and trying new sales strategies. Risk-taking is a more acceptable action. If one venture fails, it is more likely cash reserves will be available to cushion the fall.

But the opposite is true in times of economic stress and recession. Money's tight.

See Change on page 63

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 **Notable Quote**

A recent report from Trustwave noted that 92 percent of its forensic audits had involved level 4 merchants, such as neighborhood convenience store merchants who accept less than 1 million transactions annually. Can you really afford to take chances when boarding new merchants?

See story on page 28



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Forum

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Lost in voice mail

One of my merchant customers called me recently asking for a cash advance program. This is something that we have thought about doing but have put off because of more "important" projects. Now, time is of the essence to provide this service to one of our good and long-time customers.

Of course, the first place to go was *The Green Sheet*. I picked up a few recent issues of the magazine and made note of each cash advance provider. I called each one. Every call I placed to an advertiser for cash advance services went to voice mail, except for one person who answered and offered to take a message and then "pass it along"!

A few times when I called back, I bypassed the voice mail system to get an operator who then told me that "so and so was out" or transferred me to someone else's voicemail.

Come on Green Sheet advertisers! There are people like me ready to buy your services. Answer the phone!

James Dainis
General Manager
Alaska ATM Service

James,

Thank you for turning to *The Green Sheet* for your research. We regret that you have had difficulty in getting the information you

seek in order to select the best cash advance program for your customer.

With customer service being more important now than ever, I'm sure your experience will be eye-opening for those who would like to help provide you with such a program.

Try contacting the North American Merchant Advance Association, www.northamericanmaa.org. Founded in April 2008, the organization exists to promote best practices and ethical standards in the cash advance industry.

Also, if you ask members of GS Online's MLS Forum for information about cash advance programs, you're bound to get some speedy responses, including first-hand experiences members have had with cash advance providers. To join the Forum, just click the Register Today! link in the upper right hand corner of our home page, and follow the prompts from there.

Editor

Cash advance list, please

Do you have a list of merchant cash advance companies in the United States, as well as any information on merchant default rates on cash advances across various industries, such as restaurant versus petroleum.

Georgia Nelson
Unity Investment Partners

Georgia,

As far as we know, there is no list of U.S. companies in the cash advance sphere, which has expanded rapidly in recent years. We also do not have information about comparative rates of default among merchant categories.

If you visit the North American Merchant Advance Association's Web site, www.northamericanmaa.org, and access the organization's contact page, you can use the form provided to request information about its members, as well as data, if any, it may have regarding default rates.

Editor

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QSGS

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

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Cover Story

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Agents of change

A new phase in the endless game of survival of the fittest has arrived. Bailouts, bankruptcies, layoffs and foreclosures have sent the U.S. and world economies into turmoil. As credit dries up and businesses begin to fail at an accelerated rate, the payments industry will surely be affected. But there are things you can do to ensure your business remains viable.

Feature

40

From restaurants to revenue streams

Tom Nitopi once owned a small chain of restaurants. But then he discovered the unlimited earning potential of a career in the payments industry. In this interview, he shares some of the experiences and insights he has gained on his way to becoming the Chief Executive Officer of NXGEN Payment Services.

View

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Consumers' new mantra: Shop smart

A new survey from MasterCard Worldwide suggests nearly one in three Americans will be looking harder for bargains this year than when they shopped the winter holiday season last year. A report of findings, released in November 2008, indicates consumers will shop "smarter" this year, focusing more on cost-savings and practical gifts.

News

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Private label, public dilemma

According to a report published by TowerGroup, gift card sales for the 2008 holiday season will total approximately \$88.4 billion, a drop of nearly 9 percent from 2007. But the rise of open loop cards could be a silver lining for financial institutions in an otherwise dark gift card cloud.

Feature

28

Embracing PA DSS compliance

Visa Inc.'s Payment Application Best Practices was absorbed into the Payment Application (PA) Data Security Standard (DSS) published by the Payment Card Industry (PCI) Security Standards Council (SSC). For all practical purposes, the new PA DSS requirements will lead to major changes in how POS terminals are certified and sold. Get ready now.

News

48

Fed insures open loop cards

In November 2008, the Federal Deposit Insurance Corp.'s board of directors approved its General Counsel's Opinion No. 8 requiring the funds held in FDIC-insured banks that secure open loop, stored value cards be secured up to \$250,000. All funds underlying stored value products will be treated as deposits and subject to assessments.



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News

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Reading Black Friday tea leaves

Sales for Black Friday 2008 reportedly were up 1 percent over last year. And some sources indicate consumers are not going to reduce holiday spending significantly in 2008. But others believe that even though Thanksgiving weekend sales were good news for merchants, the overall retail climate remains depressed. What does it all mean?

Education

70

Street SmartsSM: E-commerce essentials

A few short years ago, a company called GoDaddy.com was introduced to the world during a Super Bowl game. Not many people had a clue what the company did, but the commercial generated enough interest to cause plenty of people to find out what GoDaddy.com was all about. Wouldn't you like to land an account like that someday?

News

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PCI help on the way

The PCI SSC launched a quality assurance program for Qualified Security Assessors and Approved Scanning Vendors. The program is intended to promote reliable interpretation of the PCI DSS and ensure quality among all vendors.

Education

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Shifting focus for 2009

It is almost time to say farewell to 2008. For many professionals in the payments industry, it has been a challenging year. Selling to merchants has become an increasingly daunting task. But those who embrace emerging trends and shifting market conditions will see larger growth and much higher merchant retention than businesses that stand pat.

So, you're comfortable with your
residual stream, huh?
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Education

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Recruiting top college grads

Is your merchant services business looking for rapid growth? Finding talent from within the payments industry is one way to go. However, college recruiting is another alternative many financial services companies can use successfully. And the "superior college recruiting strategy" is gaining traction as an effective way to reach this group of potential employees.

Education

90

Looking beyond PCI

Many ISOs are taking a simplistic approach to security. In the process they are setting themselves up for unnecessary cost and effort, while missing the chance to make some real improvements to their world. Fortunately, the right approach can avoid problems and help ISOs and merchants be safer and more compliant, all while helping ISOs' bottom lines.

Education

86

A little analysis, significant rewards

How will the current economic upheaval impact our industry? Will we see a downturn in card usage? Will average tickets decrease? Will merchants fail? The answer to these questions is yes. However, since you have no control over these events, consider placing your focus and energy on what you do have the ability to affect – with liability and risk topping that list.

Inspiration

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Ditch the holiday roller coaster

ISOs and merchant level salespeople know better than most just how much retailers depend on holiday-season sales; your fortunes are entwined with theirs, after all. But money isn't the only thing being spent this time of year. The season demands time and energy, too. Here are some tips to help you conserve your time and energy amid the holiday hoopla.



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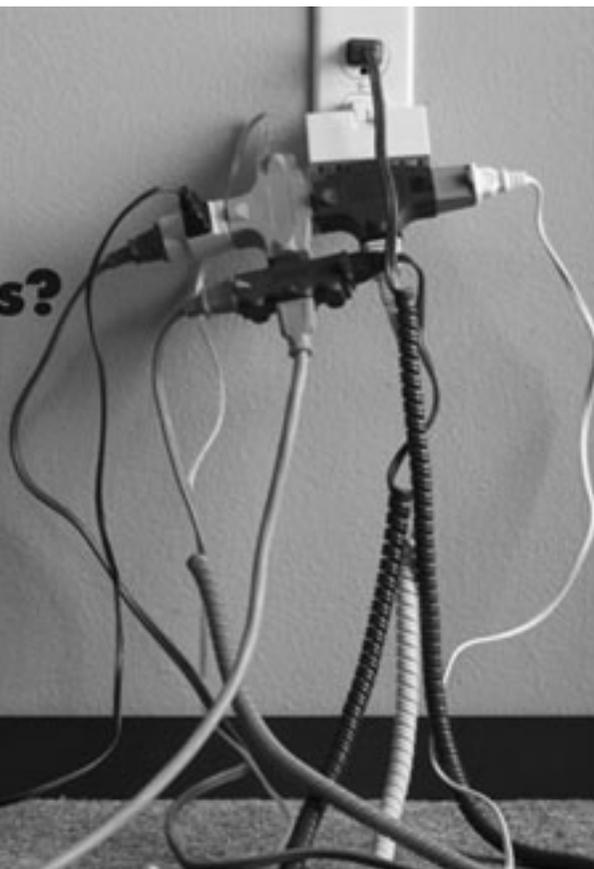
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IndustryUpdate

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NEWS

Fed injects Citigroup

On Nov. 23, 2008, the federal government agreed to rescue **Citigroup Inc.** by helping to absorb potentially hundreds of billions of dollars in losses on toxic assets and injecting nearly \$300 billion into the troubled financial institution. The agreement marks a new phase in government efforts to stabilize U.S. banks and securities firms.

As part of the agreement, the U.S. Department of the Treasury and the Federal Deposit Insurance Corp. will provide protection against unusually large potential losses on an asset pool of approximately \$306 billion of loans and securities. Citigroup will have to absorb the first \$29 billion in losses in that portfolio. After that, the Treasury Department, the FDIC and the Federal Reserve will take on any additional losses.

The securities, backed by residential and commercial real estate, will remain on Citigroup's balance sheet. As a fee for this arrangement, Citigroup will issue preferred shares to the Treasury Department and the FDIC.

Heartland best to sell for

Selling Power magazine named **Heartland Payment Systems Inc.** as the number one service company to sell for in the United States. Heartland topped a list that included Sprint Nextel Corp., UPS Inc., Marriot International Inc., FedEx Corp., Google Inc. and other high-profile companies.

The award, in its eighth year, ranks the top 25 best service and top 25 manufacturing companies to sell for. Each company was evaluated on three key categories: compensation, training and career mobility.

"This is an honor for our entire company and an important addition to the Heartland legacy," said Sanford Brown, Chief Sales Officer at Heartland. "This designation recognizes what we have felt for some time – that Heartland offers the best direct sales opportunity in America.

"For individuals who want a rewarding and fulfilling professional career based on principles, values and hard work, Heartland provides the infrastructure and the opportunity for them to thrive."

LML asserts property rights

LML Patent Corp., a subsidiary of payment processor **LML Payment Systems Inc.**, filed suit in the U.S. District Court for the Eastern District of Texas against 18 financial institutions and alternative payment platform PayPal Inc. The suit alleges the defendants infringed U.S. Patent No. RE40220 (issued Apr. 8, 2008) relating to intellectual property applicable to electronic check processing that the company said it invented.

"The filing of this lawsuit is consistent with our strategic objective to protect our intellectual property," said Patrick H. Gaines, Chief Executive Officer and President of both LML entities. "We have awarded several licenses to industry participants in the past, and what we will not allow is these defendants to use our intellectual property without a proper license."

Final UIGEA rule

The **Treasury Department** and the **Federal Reserve Board** released a final rule to implement the Unlawful Internet Gambling Enforcement Act of 2006. The rule requires U.S. financial firms that participate in designated payment systems to implement policies that

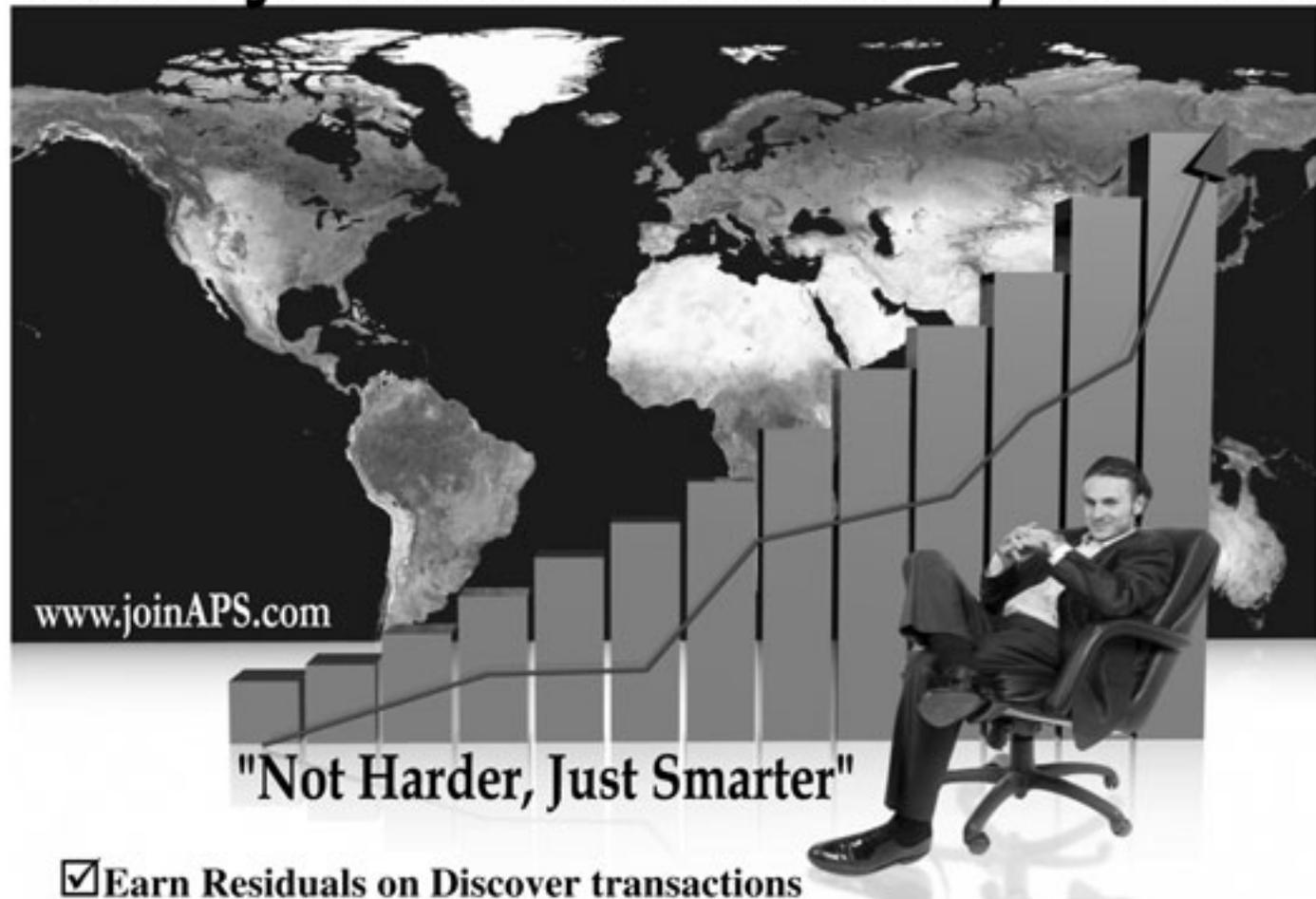
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LINES

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- The **Marketing to Moms Coalition's** 2008 Holiday Shopping report indicates that 87 percent of mothers surveyed plan to do holiday shopping at mass merchandisers or supercenters. Thirty-seven percent stated department stores are their second preference.
- Even though gift cards remain the most requested present, gift card sales are expected to fall almost 6 percent this holiday season according to the **National Retail Federation's** sixth annual Gift Card Survey conducted by **BIGresearch**.
- Nine out of 10 Canadian consumers surveyed by **Leger Marketing** for **Future Shop Ltd.** indicated they want to receive electronics this holiday season.

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IndustryUpdate

are designed to prevent payments to gambling businesses in connection with unlawful Internet gambling. Compliance is required by Dec. 1, 2009.

ANNOUNCEMENTS

Bling Nation launches network

Bling Nation Ltd. secured more than \$13 million in funding and is now fully launched. Bling Nation enables local debit payments to be conducted as contactless payments through a customer's mobile phone to a supporting contactless payments reader at the POS.

CardWare certified

CardWare International has been awarded a certificate of compliance with the Payment Card Industry (PCI) Data Security Standard (DSS.) The compliance certificate was awarded by Trustwave's TrustKeeper Validation Service.

Charge Card Systems best of Boca Raton

Charge Card Systems Inc. was selected for the 2008 Best of Boca Raton Award in the Credit Card and Other Credit Plans category by the U.S. Local Business

Association. Each year, the USLBA identifies companies it believes have achieved exceptional marketing success in their local communities.

Comodo gets 25 percent

According to Web analytics firm Netcraft Ltd., **Comodo Group Inc.** now controls more than 25 percent of the business-validated secure sockets layer certificate market, securing its position as the world's second largest high assurance certification authority.

Discover honored

Discover Financial Services received Computerworld Inc.'s Enterprise Intelligence Award that honors best practices in the use of information technology solutions built on Teradata Corp. platforms. Discover was the winner in the "Integrated View of the Business" category.

eProcessing endorses GETI

EProcessing Network LLC certified Global eTelecom's (GETI's) gift card and loyalty products for integration into its gateway solutions.

EProcessing will host webinars to introduce the program to its agents with GETI representatives participating.

Hypercom Interac certified, moves up

Hypercom Corp.'s two smart card-based 32-bit multi-application mobile electronic payment terminals in the Optimum M4200 series received Interac Association chip PED device certification for use within Interac's direct payment network.

In other company news, Hypercom rose to No. 33 on the FinTech 100 annual ranking of the top technology providers to the global financial services industry.

This marks a nine-point gain over 2007. The company is the only provider of high security card payment terminals and services to be recognized for five consecutive years.

NAMAA welcomes new members

The **North American Merchant Advance Association Inc.** gained two new members: First Funds LLC and GRP Funding Inc. NAMAA represents merchant cash advance providers and promotes competition and efficiency throughout the industry.

MerchantPortfolios.com debuts new site

ResidualsForSale.com, a Web site dedicated to the buying and selling of residual revenue streams, was launched by *MerchantPortfolios.com*.

Sellers of residuals can post their opportunities for sale,

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IndustryUpdate

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PaySimple ranks high in Denver

PaySimple Inc. was recognized by the *Denver Business Journal* as the sixth-best medium-size company to work for in the Denver area for 2008. Winners were selected based on employee surveys.

PARTNERSHIPS

ACS serves Oklahoma

Affiliated Computer Services Inc. now provides the **Oklahoma Employment Security Commission** with payment card services.

Under the five-year agreement, unemployment insurance benefits will be available on a MasterCard Worldwide-branded debit card that can be used at banks, ATMs and retailers.

Capital Payments, CPASite form alliance

Capital Payments LLC formed a mutual referral and marketing alliance with **CPASiteSolutions Inc.** Capital

Payments' suite of payment processing solutions will be available to CPASiteSolution's clients.

PPP working with Charge Anywhere

Charge Anywhere LLC finalized an agreement with **ISO Pennsylvania Payment Partners Inc.** The partnership will promote Charge Anywhere's integrated applications and wireless solutions throughout PPP channels.

FNIS, Obopay ally for P2P payments

Fidelity National Information Services Inc. and **Obopay Inc.** formed a person-to-person mobile money transfer service for financial institutions using FNIS's core processing services.

Through the alliance, FNIS becomes the industry's first core provider to launch a mobile phone-based person-to-person payment service.

GRP Funding partners up

GRP Funding LLC partnered with several credit card processors to increase its level of service to merchants and sales representatives. **Integrity Payment Systems, PayProTec LLC, Sage Payment Solutions, Alpha Card Systems, Credomatic of Florida Inc.,** and **Vision**



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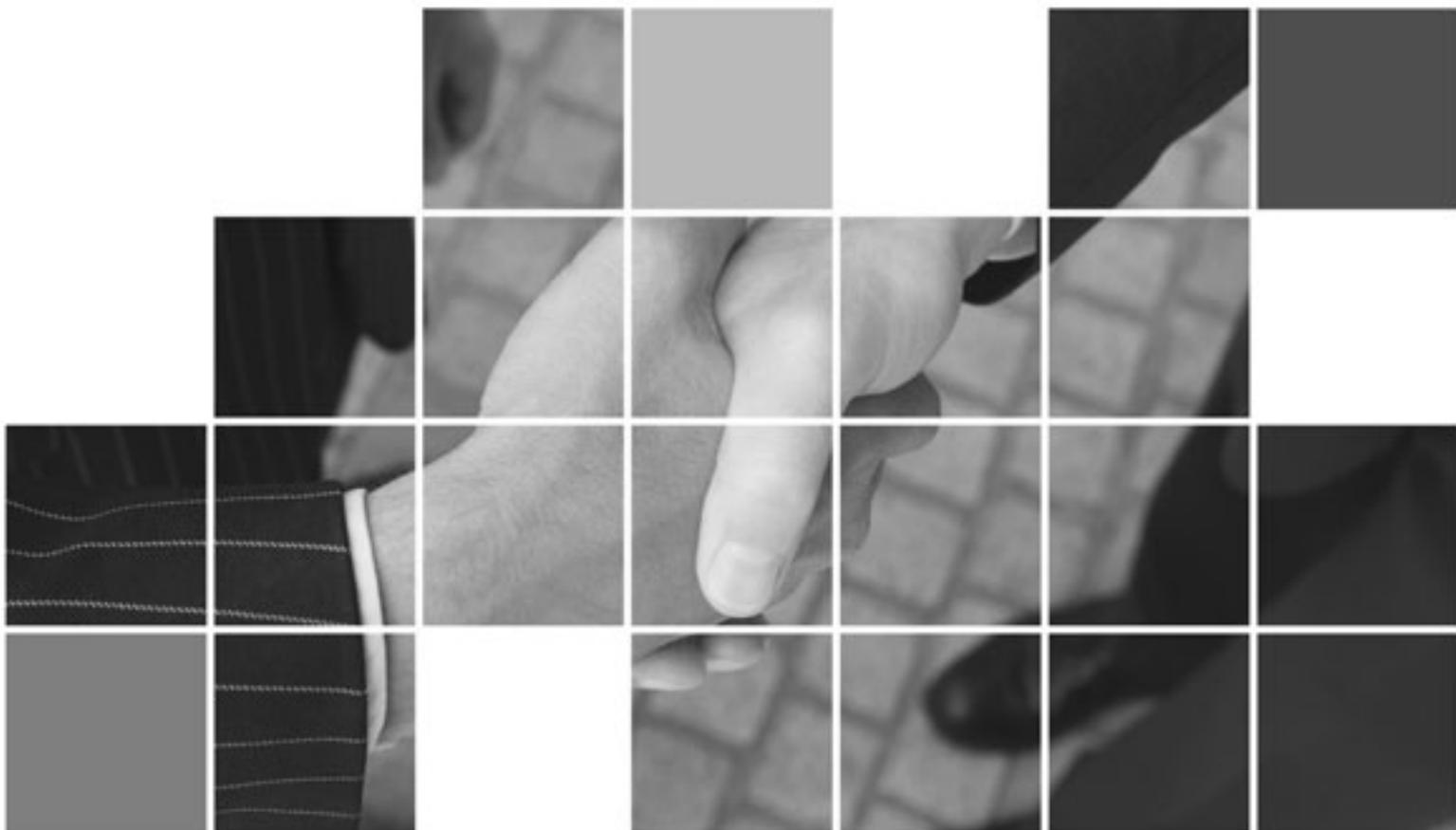
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Payment Solutions LLC are now approved processing partners of GRP.

GSI Commerce, Levi Strauss sign on

GSI Commerce Inc. extended its e-commerce agreement with **Levi Strauss & Co.** through 2015. Levi's has partnered with GSI since 2005.

IP Commerce, PaySimple surf Web

IP Commerce Inc. and **PaySimple Inc.** launched Commerce Enrollment, an automated online merchant account application.

IP Commerce and PaySimple co-developed the online merchant application, and PaySimple completed its beta launch.

Litle says Bill Me

Litle & Co., a payment platform for merchants in direct-to-consumer commerce, now offers **Bill Me Later's** next-generation payment service through the Litle & Co. platform.

MyECheck gets A+

MyECheck Inc. signed the **California State Teachers'**

Retirement Fund as a customer to its Check 21 software.

CalSTRF is the largest U.S. teachers' retirement fund and the second largest U.S. public pension fund with a membership of 795,000 and assets of \$147 billion.

NYCE and Verient co-pilots

NYCE Payments Network LLC signed a contract with **Verient Inc.** to conduct a pilot of NYCE's SafeDebit, an e-commerce payment solution that will enable online shoppers to make purchases on the Internet without sharing their PIN or account information at merchant Web sites.

Panini checks out J&B

Panini North America Inc. and **J&B Software Inc.** signed a reseller agreement in which J&B will offer customers Panini's Vision X check scanner.

Vision X has been certified to work with J&B's Web-based remote capture solution, eCapture.

UATP partners with Moneta

Universal Air Travel Program partnered with **Moneta Corp.** to support Moneta's online payment wallet for the 250 airlines using UATP payment gateway services.

Initially, Moneta transactions will use the U.S. automated clearing house debit network. In 2009 Moneta will offer international debit payments, credit cards, pay later and pay early functionality.

ACQUISITIONS

Heartland buys Chockstone

Heartland Payment Systems Inc. acquired **Chockstone Inc.**, a privately held provider of gift card programs and loyalty solutions. Terms of the agreement were not disclosed.

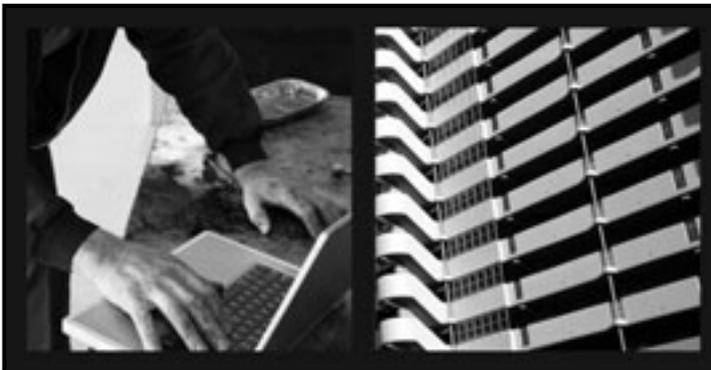
Ingram acquires European firms

Ingram Micro Inc. expanded in the European data capture and POS market with the acquisitions of **Eurequat SA**, based in France, and **Intertrade A.F. AG**, based in Germany.

The companies will be integrated into Ingram's EMEA Data Capture/POS division. Management for the two acquisitions will remain in place.

DCC Merchant Services purchased

TriSource Solutions LLC acquired **DCC Merchant Services USA LLC**, a provider of multicurrency payment solutions to ISOs, merchant level salespeople, agent banks and merchants.



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APPOINTMENTS

CyberSource picks Bodine

John Bodine, CyberSource Corp.'s Vice President of Sales and Marketing, is the new head of the company's small business unit. Bodine joined CyberSource subsidiary Authorize.Net in 1998.

TransUnion expands collection vertical

TransUnion LLC hired four team members for its collection vertical. **Scott Carter** is the division's new Group Vice President; **Rick Juretic** joined the company as Vice President of Sales; **Tom Jordan** is the new Vice President of Business Development and **Stewart Sui** is the new Vice President, Analytic and Decision Services. All four have extensive prior experience in executive management, business development, operations and sales.

RevEurope appoints two

RevEurope Payments Ltd. appointed two new members to its board of directors: **Anne Cobb**, former President of Visa International for the Central and Eastern Europe, Middle East and Africa region, and **Gerard Compain**, CEO and Founder of Cadege Technologies and Consulting.

Cobb's career spans 30 years in the payments and banking industries. Prior to joining Rev Europe, she served as General Manager of Eurocard International. Compain has 17 years of executive experience, including Chief Executive Officer at Ingenico.

Springbok has new director

Springbok Services Inc.'s new Director of Compliance and Risk Management is **Patti Ann Johnston**. Johnston was an internal auditor for MasterCard. Previously, she held security and risk analyst and management positions in MasterCard's security and risk services department.

Trustwave appoints Latin America boss

Trustwave appointed **Hermes Romero** to Manager of Business Development for Trustwave Latin America. Romero has 13 years' information security and networking experience, specifically in South America.

PreCash promotes Taylor

PreCash Inc. named **Steve Taylor** its Executive Vice President of Operations and Chief Financial Officer. He was previously the company's Senior Vice President of Operations. 

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Insider's report on payments**Consumers' new
mantra: Shop smart**

By Patti Murphy

The Takoma Group

Looking for ideas to help your merchants draw in more shoppers this holiday season? Encourage them to consider special savings and discount programs.

Gift card sales (proprietary as well as those issued by other merchants) are worth considering, too, although there are indications that gift cards may be losing some public appeal.

A new survey from MasterCard Worldwide suggests nearly one in three Americans will be looking harder for bargains this year than when they shopped the winter holiday season last year. A report of findings, released in November 2008, indicates consumers will shop "smarter" this year, focusing more on cost-savings and practical gifts for the holidays.

I discovered firsthand the other day that smarter shopping doesn't stop with bargain hunting, either. It came in the form of an urgent e-mail from a relative with a warning about gift cards.

I have a bit of a reputation in the family for gifting money in the form of gift cards to my two-dozen or so nieces and nephews. (Seriously, ours is a big family.)

And one of my sisters-in-law wanted to alert me (and about a dozen other folks) to the possibility that some store-branded gift cards could prove worthless should those stores file for bankruptcy protection or worse, close altogether in the weeks and months after the holidays.

Gift card honeymoon over?

When a company declares bankruptcy there's no obligation to honor gift cards – a fact that was brought to light earlier this year when the upscale gadget chain The Sharper Image Corp. filed for bankruptcy protection and told customers it would no longer accept the chain's branded gift cards.

Eventually, after a lot of public outcry, the company agreed to redeem the cards at far less than their face value.

Then, last month, the attorneys general of three states (Connecticut, Delaware and Maryland) leaned on the electronics chain Tweeters to continue accepting gift cards until all its stores are shuttered, which most likely will occur on Dec. 31, 2008. The retailer stated that it was filing for bankruptcy protection and would not honor its gift cards after Nov. 15.

Holiday data points 2008

So what are shoppers looking for this holiday season, and how do they plan to pay for their purchases? Here are some insights and projections from a recent survey by the NRF.

- Survey responses indicate 41.5 percent of holiday shoppers plan to pay for the bulk of their purchases using debit cards in 2008, up from 40.1 percent in 2007.
- Credit card usage in 2008 will dip slightly to 31.5 percent, from 32.3 percent last year.
- Cash usage will inch up a bit; 22.8 percent of shoppers plan to use cash primarily, compared to 22.1 percent last year.
- Just 4.3 percent of consumers are planning to pay by check this holiday season.
- Clothing and accessories top the list of gift purchases (57.4 percent), followed by books, DVDs, CDs and video games (55.6 percent) and toys (41.6 percent).
- Fewer than one in five (19.3 percent) are planning jewelry purchases this holiday season.

In November, the press was brimming with stories warning of risks gift card purchasers assume in a tough economy. "The Gift Card Comes Wrapped in Growing Risk," read a headline in The New York Times.

At about the same time, a Maryland company, GiftCardRescue.com LLC, unveiled a service that is supposed to protect consumers from useless gift cards, provided the cards are purchased through the company's Web site. GiftCardRescue says it will reimburse consumers for unused gift card balances should the retailer issuer stop honoring its gift cards within a year of purchase.

Gift cards have won many converts these last several years. MasterCard's survey results suggest 57 percent of Americans will purchase gift cards this year; 61 percent are hoping to get them as gifts.

But indications are that card buyers will be spending less. Data analyzed by the National Retail Federation suggests gift card sales will dip about 6 percent this holiday season, to a total \$24.9 billion.

The NRF's Third Annual Gift Card Survey, conducted by BIGresearch, found consumers expecting to spend, on average, \$147.33 on gift cards this year, down from \$156.24 in 2007.

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The biggest gift card spenders: men. The NRF's data suggest men will spend an average \$156.98 on holiday gift cards this year. "Since gift cards never go on sale, some price-conscious shoppers will be passing up gift cards in favor of holiday bargains," noted NRF President and Chief Executive Officer Tracy Mullin.

Today's smart shopper

Nationwide, the smart money this holiday season is on bargains.

"With bargain hunting on the rise and Americans looking at a variety of cost-cutting and practical giving strategies, the 2008 holiday shopping season is all about the smart shopper," said Rob Sheets, group head for U.S. Commerce Development at MasterCard.

According to MasterCard's research, 42 percent of Americans will be hunting for bargains this year by shopping at merchant locations offering special discounts, free shipping and rebates.

Twenty-eight percent hope to save by waiting for last-minute deals. Other smart buying strategies consumers are using include shopping online (34 percent), shopping in-store early bird specials (30 percent) and taking

advantage of Black Friday (28 percent), the day after Thanksgiving and the traditional start of the holiday shopping season. I admit, I don't spend much time in brick-and-mortar stores, and I've never been tempted to engage in the kind of "commando shopping" that has become analogous with Black Friday.

But as I sat down to write this column, I took a call from a friend. A single mom with three teenagers, she's been struggling with how to make the best use of the money she saved for holiday shopping.

"What do you know about Black Friday?" she asked. Not much, I told her, except that it's supposed to be a bargain hunter's delight. "That's what I heard, too," she said. "I'm going to do it. I want to get the kids each something nice even if I can't afford to buy them much this year."

I didn't have the nerve to warn her about the crowds.

I must say, I was a bit surprised to learn there were folks who didn't know that some of the best bargains appear on Black Friday. But then, as the research indicates, people are more serious than ever about finding bargains in today's economy. ☑



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Embracing PA DSS compliance

By Dave Faoro

VeriFone

In April 2008, Visa Inc.'s Payment Application Best Practices (PABP) was absorbed into the Payment Application (PA) Data Security Standard (DSS) published by the Payment Card Industry (PCI) Security Standards Council (SSC). For all practical purposes, the new PA DSS requirements will lead to major changes in how POS terminals are certified and sold.

The PA DSS is intended to help software vendors and others develop secure payment applications that do not store prohibited data – such as full magnetic stripe, card verification value 2 (CVV2), PIN or sensitive data – and ensure their payment applications support compliance with the PCI DSS.

In essence, the PCI DSS covers merchants' overall security and the PA DSS covers third-party applications used in those environments. The PCI SSC has qualified organizations known as PA Qualified Security Assessors (QSAs) to validate that these payment applications support PCI DSS.

When a breach occurs, generally a forensic audit is completed by security firms. In this audit, everything is reviewed for compliance – hardware, site, application and communications. These audits result in judgments regarding whether merchant sites meet full PCI compliance.

Acquirers that do business with noncompliant merchants face stiff penalties. Visa, for example, said, "Members are subject to fines, up to \$500,000 per incident, for any merchant or service provider that is compromised and not compliant at the time of the incident."

A recent report from Trustwave noted that 92 percent of its forensic audits had involved level 4 merchants, such as neighborhood convenience store merchants who accept less than 1 million transactions annually. Can you really afford to take chances when boarding new merchants?

Impact of PA DSS

What we know as stand-alone POS terminals did not fall under the scope of Visa's PABP; with the move to PA DSS, that has changed. Very few POS solutions may still escape the requirements for PA DSS audits. For merchants' payment applications to avoid a PA DSS audit, all of the following on-site conditions must be met:

- The POS terminal has no connections to any of the merchant's systems or networks (for example, routers).

- The POS terminal connects only to the acquirer or processor which requires a private line for communications (for example, dial-only or leased line).
- The payment application vendor provides secure, remote: updates, troubleshooting, access and maintenance.
- The following are never stored after authorization: the full contents from the mag stripe (that is on the back of a card, in a chip or elsewhere), CVV, CVV2, PIN or encrypted PIN block.

From a manufacturer's perspective, developing terminals that would only work in those limited environments is not practical – they could not be sold to much of the general market.

Many PAs today are built to run in either a dial or Internet protocol (IP) environment, so they have to comply with the PA DSS. In addition, many merchants are taking it upon themselves to implement IP conversion solutions for traditional dial terminals, so something developed for a noncompliant environment today could end up being converted to PA DSS validation.

Implementation focus

While the PCI SSC implements the standards, each card brand and payment processor is responsible for managing enforcement to ensure non-PA DSS payment applications are ultimately outlawed from the payment networks.

Visa, for example, has already initiated its own three-year plan to accomplish this goal (see http://usa.visa.com/merchants/risk_management/cisp_payment_applications.html). Also, major processors have already indicated they will not provide Class A and Class B support to applications that are not PA DSS validated.

The council requires that PAs be subjected to security audits by authorized PA QSAs. Responsibility for submitting an application to PA QSA organizations lies with the software vendor. However, resellers are held responsible by the council to:

- Implement only PA DSS compliant payment applications into a PCI DSS compliant environment (or instruct merchants to do so)
- Configure payment applications according to the PA DSS Implementation Guide provided by the vendor
- Configure payment applications (or instruct the merchant to do so) in a PCI DSS compliant manner
- Troubleshoot, deliver remote updates, and provide remote support according to the PA DSS Implementation Guide and PCI DSS

Merchants have similar responsibilities with regard to configuration and implementation. They must also maintain PCI DSS-compliant status for both the environment and the application configuration.

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Getting there from here

While the PA DSS sets some rigid requirements by which terminals can be excluded, the reality is that suppliers have to develop solutions for the greater good, not narrow exceptions. It is the responsibility of manufacturers and resellers to facilitate, not inhibit, PCI DSS compliance. Our downstream customers, whether integrators or merchants, expect us to provide them with secure products.

We shouldn't expect that they can all become security experts and understand all the rules of being PCI compliant. It's also not realistic to expect software developers and solutions providers to develop applications solely for a private-line world when most of the growth is for public-network access.

From our perspective, that means that we have to implement the PA DSS across the board for devices that could be used within the scope encompassed by the standard – the alternative would be to manufacture two versions of the same unit to have PA DSS and non-PA DSS versions. VeriFone has taken a proactive approach to this issue and recently announced an initiative for blanket implementation of PA DSS over applicable devices. Going forward, VeriFone is establishing a universal compliance program for all its applications used in its programmable payment

acceptance devices. A universal compliance program takes the guesswork out of the PA DSS. It removes the potential for confusion among the parties regarding who is responsible for what. Ultimately, we're all responsible, and we all need to take steps to ensure we're each doing our part to ensure consumer trust in the payment life cycle.

Costs of compliance

All of this compliance testing comes at a cost, of course, and security is turning into a major component of payment solutions pricing today. Because each PA used by each bank, processor or acquirer must now be audited for each discrete payment terminal, full PA DSS compliance will result in hundreds of individual audits by qualified assessors.

Various service and solutions providers are now beginning to identify compliance costs as a separate line charge in their pricing to both identify for their customer the value of their efforts, as well as to ensure they can recover costs rather than absorb them.

That's the approach we plan on taking as well – not only does it put the manufacturer's security efforts upfront, but it should also make it easy to compare and contrast what each supplier is doing in that regard and how much it is costing customers. Identifying compliance costs serves a number of purposes:

- It identifies the true cost of doing business.
- It puts a value on security compliance implementation.
- It eliminates security from the "should have" category and puts it in the "must have" section.
- It deters bargaining over inclusion of security features.

VeriFone firmly believes security compliance costs should be highlighted to merchants in a separate line item fee. This will enhance their understanding that security is not only incumbent but also an ongoing focus for the solution they have purchased through ISOs.

Security is no longer an option for anyone; it's a benefit that shields merchants from fines, audit costs and loss of consumer trust. It's vital to educate merchants on the need for security. Those who attempt to hide the cost and fail to turn security into a value added service will ultimately be left behind by competitors that take a more proactive approach. At the end of the day, the only method of protecting ISOs from card network penalties in case of security breaches at ISOs' merchant systems is to strictly adhere to all security mandates.

That means updating merchants to PA DSS-approved applications as soon as they become available. ■

Dave Faoro is Chief Security Officer for VeriFone. He can be reached at dave_faoro@verifone.com.

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Gear up now for PCI PED compliance

By Biff Matthews

CardWare International

Ralph Waldo Emerson said, "This time, like all times, is a very good one – if we but know what to do with it." As we run out the clock on 2008, I suggest that one important thing we should do with our time is prepare to meet the Payment Card Industry (PCI) PIN Entry Device (PED) deadline of July 1, 2010, now just 18 months away.

While a year and a half may seem like ample lead time to attain compliance, in reality it is very short in light of PCI PED's far-reaching operational demands.

Issues

Regardless of where you are in the process of PCI PED implementation, important background issues need to be addressed – who is responsible for the cost being chief among them. Do ISOs pay the costs of getting their merchants compliant or does that responsibility fall on merchants? Obviously, this issue is inextricably linked with merchant retention.

Other issues include the broad sales decline registered in the fourth quarter of 2008, when many businesses generate most or all of their profits for the year.

In November 2008, the U.S. Commerce Department reported U.S. retail sales had fallen a record 2.8 percent in October, far worse than the 2 percent economists had predicted. Notably, sales declines were broad, across types of merchandise (building supplies, appliances, furniture) and types of businesses (department stores, discounters and so forth).

The well-being of financial institutions and ISOs is also in play, as both types of service providers feel the effects of an economy that seems to have lost its footing.

One at a time

In regard to the first issue, I have no advice, other than to warn ISOs to weigh wisely the "who pays" decision, as there are pros and cons on both sides, and the best answer will vary from company to company. If ISOs are not yet pursuing PCI PED implementation, they may be shut out of the game entirely. They need to get busy. In the meantime, here's an update of the two deadlines:

- **July 1, 2010** – The date when a complete phaseout of noncompliant PEDs that are stand-alone PIN pads is mandated. In addition, some early integrated devices with internal PIN pads must be eliminated.
- **Dec. 31, 2014** – The sunset date established by Visa

Regardless of where you are in the process of PCI PED implementation, important background issues need to be addressed – who is responsible for the cost being chief among them. Do ISOs pay the costs of getting their merchants compliant or does that responsibility fall on merchants?

Inc. for Visa PED devices; after this, all PEDs in the field must be PCI certified.

Deadlines, deadlines

So, what are the operational requirements for the initial deadline, 18 months from now? And what needs to happen first?

The first step is to identify merchants with noncompliant PEDs. Financial institutions and ISOs that have begun the upgrading process report this is a daunting task that includes determining who has what PEDs, who is non-compliant, who has received swap-outs with Visa PEDs and so forth. In a perfect world, records would tell us these things. In the real world, record keeping is sketchy at best.

Step two is determining the fate of noncompliant devices discarded by merchants. Will they be returned for verified destruction, hopefully in an eco-friendly manner? Next, if merchants bear the cost burdens of compliance, the manner in which billing is handled must also be determined; processes and procedures must also be developed.

Simultaneously with these steps, a previously determined quantity of compliant PCI PEDs, or a quantity of integrated devices with internal PIN pads, must be obtained or on order. Once they arrive, each device must go through the time-consuming encryption and testing process – made even longer by the new triple DES or 3D algorithmic standard.

Then, the problem of integrated units with internal PIN pads needs to be addressed. One approach is to add an external PCI PED, disabling the internal device. This, according to Visa, is permitted because an integrated device with a disabled PIN pad falls outside the PCI PED requirements.

If an integrated device with a noncompliant internal PIN



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pad is being replaced with an integrated device with a compliant PIN pad, an additional and separate step of programming and testing follows.

Once encrypted and/or programmed and tested, the PEDs will then be deployed in a systematic fashion with the expectation that the majority of merchants will follow directions. The terminal must be powered down before installing the PIN pad. Doing otherwise causes a blowout of the encryption.

ISOs constructing pricing models for meeting the PCI PED deadline should build in 12 percent to 15 percent for reworking merchants' systems and addressing a number of nonreturns on blown PCI PEDs.

The perfect storm

A factor not often considered is that encryption standards require considerable infrastructure for computers, encryption hardware and software, and secure facilities, as well as trained and certified personnel to monitor and maintain the newly compliant systems. Encryption service organization (ESO) and PCI requirements do not permit you or I to pull people off the street, give them five minutes of training and throw them into an unsecured warehouse to encrypt PIN pads.

As a certified ESO, CardWare International predicts that at the 11th hour – a few months before the deadline – two factors will collide to create the perfect PCI PED storm. Those factors are insufficient time and manpower and a lack of availability of PCI PEDs.

Let's examine PCI PED from the perspective of a credible, successful manu-

facturer. Would that manufacturer commit resources to producing and stockpiling PCI PEDs in anticipation of a need that could not be quantified? The answer, of course, is no.

Similarly, when it comes to manpower, no ESO or processor keeps highly-trained personnel on the payroll with the expectation of what might happen with a particular PCI PED project.

Head in the sand

Experience indicates the vast majority of financial institutions, ISOs and merchants will procrastinate and expect the deadline of PCI PED to just go away. Or they believe the deadline will pass without any consequences, similar to the nonevent of Y2K.

By virtue of the security environment in which the payments industry operates, regulatory tendencies are likely to continue to tighten.

But there is no reasonable chance that PCI PED will be anything but the game changer it was engineered to be.

So, when crunch time comes, where will you and your merchants be in terms of compliance? And, equally important, at what cost?

My take is that now, not next month or next quarter, is the time to implement PCI PED upgrades to get merchants in compliance – and out of the woods – by July 2010.

It is true, as Thomas Paine so wisely pointed out, that time makes more converts than reason. But when time is on your side, the economics are as well. And that may be the most compelling argument of all. ■

Biff Matthews is President of Thirteen Inc., the parent company of CardWare International, based in Heath, Ohio. He is one of 12 founding members of the Electronic Transactions Association, serving on its board, advisory board and committees. Call him at 740-522-2150, or e-mail him at biff@13-inc.com.



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ISO/MLS contact:

Hugh Bursi
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Diverse menu of software solutions

Merchants often phone technical support offices seeking answers to problems with POS terminals or defective card readers. These calls frequently diverge into other problem areas for merchants – why a service doesn't do this or that.

It is actually free advice merchants are doling out to service providers. Such advice, if acted upon, just might improve systems and products. But how many technical support reps actually hear what merchants are saying?

Hugh Bursi, Director of Marketing at On-line Strategies Inc., believes OLS has listened. Though the software and systems company's original vision was to provide strategic consulting and support, "over time customers began to ask us to create a new product for the market, and we started working on it," Bursi said.

In 2007, after three years of research and testing, OLS answered customer demand when it launched its first payment solution product, the payment transaction engine called OLS.Switch.

"Most of the [payments technology] that's available today is five, 10 years old, if not older, and we started out with a whole new concept and developed a completely different kind of solution for the market with an eye on some of the problems," Bursi said. "We were focused on availability and performance and total cost to the owners."

According to Bursi, the core people at OLS had experience in building at least one payment solution product before. Terry Richards, found-

er, President and Chief Executive Officer at OLS, was with system security manager S2 Systems Corp. almost from its founding in 1993. Andy Orrock, OLS's Chief Technology Officer, has been in the industry for at least 25 years. And Bursi has been in the business for 30 years.

"So we knew the mistakes to avoid; we knew the things that we needed to do to build a better product," Bursi said.

Although OLS draws from outside resources, it prides itself on doing its own research and development. "We were also able to offer a lot of other things besides fixing software bugs," Bursi said. "We could help them with new products, new additions to the software, some strategic planning, that sort of thing."

Today's special

OLS.Switch can replace current payment system engines, work with existing ones to reduce development costs or help providers transition from outsourced to in-house solutions. The OLS.Switch uses a business process scripting capability – a Java programming language-based virtual machine environment – which makes it highly adaptable.

Bursi pointed out that new services can be speedily added without disrupting the existing payment solution. "It adapts very quickly," he said. "It used to take months to get a new application or a new gateway or a new device up, and it takes us weeks, perhaps days."

OLS's system is able to process government property tax payments, traffic fines, parking tickets, transit

Company Profile

"A combination of industry expertise and superior technology differentiates OLS from other payment technology providers. Every day we see a new kind of market we can get into because of the flexibility of our product."

- Hugh Bursi, Director of Marketing,
On-line Strategies Inc

fares and so forth. But OLS also performs nonpayment information exchange functions. OLS.Switch is designed to do "any kind of electronic transaction that doesn't necessarily have to be a payment," Bursi said.

"It can be a credit card payment, debit card, all the normal stuff, but it will also do things like flexible spending account and health savings account payments."

For one of its customers in Kentucky, OLS performs what is called a meth-check. Kentucky, along with many other states, is struggling with a methamphetamine epidemic. When illegal drug makers started manufacturing meth using over-the-counter decongestants, state agencies began limiting the amount of decongestants even law abiding citizens could purchase in pharmacies.

When customers buy decongestants for such things as colds or allergies, drivers' licenses are used to check how many decongestants they have purchased recently – not just in local pharmacies, but across the state. For this nonpayment function, OLS's switch connects pharmacies to statewide databases that compile this information.

The host with the most

OLS.Host is the Dallas-based company's managed service payment model, which resembles software as a service or application service provider environments.

OLS.Host can be adapted to individual business needs to provide the benefits of in-house solutions without businesses having to struggle with Internet technology concerns.

"We have some clients that either want to get the payment processing out of their data center or they're outsourced right now and they want more control," Bursi said.

"But they don't want to bring it into their data center. So we're going to be their data center for payments. That's what OLS.host is all about. Basically, clients outsource their payments processing to us, but we charge a flat monthly management fee, not a per transaction charge."

But OLS hasn't forgotten its original mission. It continues to offer consulting services in support of businesses' project implementations or ongoing payment processing needs. Aside from customers lost through consolidations, OLS claims a 100 percent customer retention – attributed to the company's 24/7/365 mentality, Bursi said.

Value meal

Given the state of the economy, OLS is sensitive to the protective mindset of businesses. "People are a little hesitant to do anything," Bursi said. "Even though we feel like we can save people money over what they're spending today."

Bursi recognizes merchants are a little slower to make decisions than in days past. "They're still very interested in finding a better solution to their payment processing and finding new products and services to increase their revenue," he said. "They've either got to cut expense, which we can do, or increase their revenues, which we can do. So, we feel we're about as well positioned as we can be."

Having taken notice of the growth in international markets, OLS is branching out and gaining traction in developing South American countries that lack payment infrastructures to service their citizens.

"We can go virtually anywhere," Bursi said. "We can combine nonpayment applications with payment applications. We can do a two-step payment process. There's really no limit to what we can do because the business logic is soft."

The malleable, scalable nature of OLS's software allows it to process payments for retailers with \$50 million plus in annual sales and governments – in North and South America. One of its merchant customers has 5,000 stores. One card issuer that implemented OLS.Switch staved off a \$500,000 hardware and software upgrade, according to OLS' Web site.

A mobile feast

When OLS was founded, it was all about "what the banks did," Bursi said. "And today it's very little about what the banks are doing."

Looking forward, he commented, "The whole mobile thing has yet to be proven. How much people will adapt to it, how secure it can be. There's got to be some new technology there to help out."

Bursi believes OLS can adapt to mobile payments. "A combination of industry expertise and superior technology differentiates OLS from other payment technology providers," he said. "Every day we see a new kind of market we can get into because of the flexibility of our product." ■



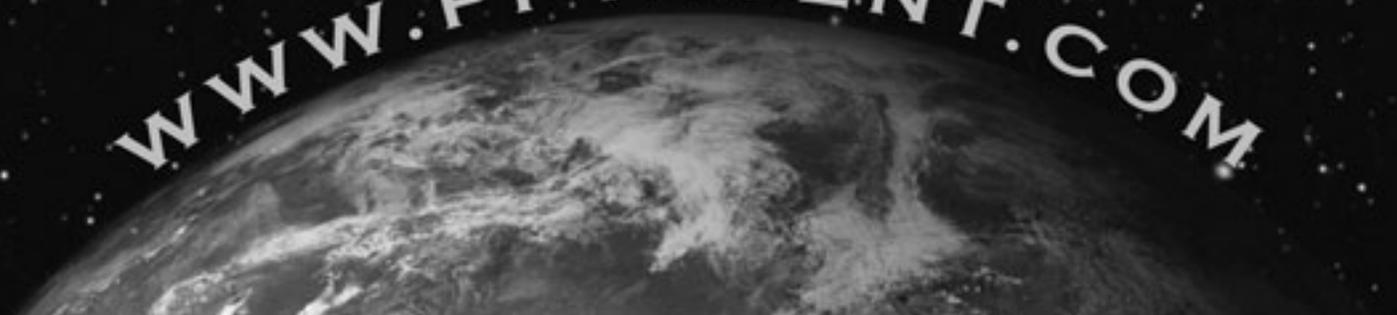
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From restaurants to revenue streams

Tom Nitopi, Chief Executive Officer of payment processor NXGEN Payment Services, was a stranger to the payments industry until the early 1990s. Nitopi was a merchant who owned a small chain of restaurants in the Sacramento, Calif., area. He hadn't given much thought to switching careers until he noticed his merchant level salesperson (MLS) upgrading his car and wardrobe year after year. His curiosity forced an invitation to lunch with his MLS.

When he discovered the unlimited earning potential of a career in the payments industry, Nitopi sold his business and began selling card processing for Bancard Inc. in 1992.

After rising to Vice President at Bancard, Nitopi started NXGEN in 1999. The ISO is a comprehensive payment processor based out of Whitefish, Montana, and is registered with Elavon Inc., Cynergy Data LLC and First Data Corp.



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GS: Has becoming an ISO made you more effective regarding merchant solvency? If so, in what way?

TN: That's interesting. What we've done is really taken bank card philosophy – which was service, service, service – and have tried to modernize it using technology. For example, we just came out with a new feature for our reps. They can now go on to our Web site, log in, and see all their merchant account data.

They can see monthly volumes, all the statements, fluctuations in transactions and the last time the merchant made a deposit. We keep trying to feed them more information so they can better service the merchants. We also get reports here that do help with retention.

GS: Do you have a different philosophical approach to your business model as an ISO than you did as an MLS or a manager?

TN: The biggest things that I see between owning an ISO and being a sales rep is that now I can make the changes accordingly. I mean, I control the steering, and so I can develop what I think is important to be able to help the merchants and the reps.

Before, I was just being given policies and procedures. Now I'm the one creating the policies and procedures that I believe best reflect our business model.

GS: Have you found this has raised your comfort level when dealing with merchants and other ISOs and banks, even training new merchants?

TN: Definitely. Because what I say and promise I know I am going to do. Before, I had to depend on someone else. And every time we have to depend on someone else where there are more people between us and the merchant, the less control we have. Now I have complete control, which is great, but it is also a very big responsibility.

GS: What types of processing does NXGEN offer, and what vertical markets are you looking to expand into?

TN: We sell all the card types including credit and debit, but we also sell ATMs now, we sell back-office check conversion and we're developing a gateway that has all these processing products integrated into that gateway.

GS: What types of merchants do you focus on?

TN: Well, we've been with brick-and-mortar and very traditional-based businesses. We do some Internet, not a whole lot of future delivery stuff.

We've always tried to be very conservative in our approach to the types of merchants we accept. We have also part-

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ISOpinion

nered with attorneys to the extent we have developed a Web site to attract bar associations. And we're just in the process of signing up three or four major bar associations in big metropolitan areas.

GS: Are bar associations an untapped market in your opinion, and is this an unusual vertical for the payments industry?

TN: You know it's interesting; there are not a lot of people doing that sector. I think one of the reasons is that lawyers are very tradition based. They're still billing people, waiting 30 to 60 days for the check to be mailed.

I mean, they have a lot of outstanding accounts receivables, so we're going in and trying to help them clean that up. The greatest thing is that we're being sanctioned by their bar associations and we're very close right now on signing a number of them.

GS: Are there other professional sectors you would like to expand into?

TN: Yes. We've recently partnered with the National Association of Doctors (NAD).

We're doing a number of mailings with them to hit the medical market because we're trying to explain rates as well as get them into a fully integrated system.

All these professional offices have Internet and computers and a terminal. But what they really need is a gateway where they can process credit and debit cards, process checks, and do ACH [automated clearing house].

We're also very strong right now in the government sector, and I think we're one of the few that got into government processing three or four years ago in the revenue neutral environment. We do property tax, things like that.

GS: It seems that you have picked three verticals with some of the toughest gatekeepers. Why did you do that?

TN: Well, that's why it was vital for us to create partnerships. Our attorney partners have helped us design Web sites for legal departments. We've worked with the NAD, and so we really try and partner with referral groups or associations that can help us break that tie and get in behind the gatekeepers, so to speak.

GS: Are you facing new challenges in the current economic situation, legislative environment or with implementation of new practices or standards like the Payment Card Industry (PCI) Data Security Standard (DSS)?

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TN: Well, we were always about Capitol Hill, because in one fell swoop they could strike a major blow to this industry. And I don't think they really totally understand this business.

Since the meltdown, I wake up in the morning, turn on the television and get depressed. But I come into work and I'm happy because I see our sales, volumes and transactions are up. And those are not due to same-store sales. They're up because we keep adding merchants year over year.

What concerns me most right now is PCI liability. There's going to be a lot of noise there over the next three to six months with all the merchants in the United States.

They're going to be hit with, in my mind, a surcharge because they're all going to have to become PCI compliant, especially with the software.

And depending on the processors, terminal-based merchants are going to get hit with a fee that's going to be a tough one to explain.

GS: Have you had to ramp up your company's efforts to get your merchants up to speed with the PCI DSS?

TN: Yes, definitely. I mean, we're reaching out to the merchants as well as our sales agents and internal staff so they can understand and answer questions intelligently when these calls start coming through.

GS: What kind of advice do you have to offer MLSs who are looking for an ISO?

TN: There are a number of things. One, try and talk to people that work for them, people that have been with them for a long time.

If you find that an ISO only has salespeople that have been with them for less than a year and the ISO is, of course, older than that, that's an issue.

Try and find an ISO that has long-term relationships. And it all depends on your willingness to work and learn and be professional. Just find a company that you can trust.

GS: What kind of person are you looking for in an MLS?

TN: I'm looking for somebody that I can trust, someone that has long-term vision. This is not a get rich quick industry, so I look for people that are motivated and want to make a lot of money.

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GS: What do you like best about the payments industry?

TN: That the carrot is out there, no maybes. You might have to bury your head in work for the first year, but then you come out and start making the kind of money you believed you could. But more than money is the freedom involved with the business, and very few industries will allow that. You can be an attorney and make a ton of money, but guess what? You're tied to your desk and your billing machine.

GS: What does a typical day look like for you now, and how different is it than when you worked for someone else?

TN: I have the luxury in that I do have a president of the company, so I can function as a CEO, and by that I mean I mainly deal now with our vendors and our processor and the bigger issues like PCI.

I also sit in on sales and product development meetings and try to help steer some of the developments in ways that I think are needed in the field. So I don't deal as much as I used to with the sales rep in the street, and I miss that.

GS: What keeps you inspired and motivated?

TN: I love this business because we are not just the middle man. We're the liaison between all of the moving parts in this industry. It also helps that I have what I think is the hardest working and most professional staff, and that stimulates me. We're up to something like 10,000 merchants now, and I couldn't do that without those individuals. My wife thinks I'm crazy, but we have no strategy at this point other than to grow, service our merchants and stay abreast of the industry.

GS: Has *The Green Sheet* been helpful to your business, and if so, in what ways?

TN: The first memory I have of *The Green Sheet* is that when I first started, the Internet wasn't very big and sales reps didn't even know what interchange was. *The Green Sheet* was the first publication that really laid out the truth about the industry and about pricing.

If you want to learn the secrets of this industry read *The Green Sheet*, because even with the Internet now and the ease of access to information, you all are still out there telling the truth about this industry, introducing new products, doing all the things that are on the cutting edge of this business. To that end, I feel you still serve this industry well, especially to the independent sales agent on the street. 📧

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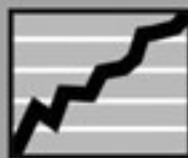
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Private label, public dilemma

According to a recent TowerGroup report, gift card sales for the 2008 holiday season will total approximately \$88.4 billion, a drop of nearly 9 percent from 2007. This plunge is largely due to two factors: a projected 14 percent decrease in the sales of merchant-sponsored – also called closed loop or private-label – gift cards coupled with a 5.6 percent sales increase in bank sponsored – network-branded or open loop – gift cards.

Brian Riley, Research Director, Bank Cards Practice at TowerGroup, said the rise of open loop cards, which can be used anywhere MasterCard Worldwide, Visa Inc., Discover Financial Services or American Express Co. gift card products are accepted, is a silver lining for financial institutions in an otherwise dark gift card cloud.

Consumers need trusted source

Riley said that if gift cards are issued by federally insured banks, consumers and merchants have a greater chance to recover monies if banks fail. "A recent policy statement by the FDIC [Federal Deposit Insurance Corp.] ruled that

gift card funds will become deposits and be placed at an insured depository institution," Riley said. "Consequently, the funds will be subject to assessments, but they will also be insured."

FDIC insured banks issuing network-branded gift cards now become trusted sources to help prevent card value loss. "With private label cards, you will find that the generally accepted accounting procedures are looser," Riley said. "There is no standard for defining the funds held by a retailer. Essentially, you're asking them to hold the money until the card is tendered. If there is a business failure or locations are closed, your funds are at risk."

In addition to slipping retail sales, a lack of consumer confidence in merchant-sponsored card products and a shift to branded products from financial institutions, consumers have become increasingly mistrustful of private-label cards. The collapse of several high-profile businesses, in which more than \$100 million in gift card value was lost, underscores consumers' fears.

Confidence a powerful force

Riley feels the three critical factors affecting private-label card sales are poor prior experience, the economy and the retail environment.

"In the early days of gift cards, they were fraught with limited disclosures, fees and a lack of control," he said. "Things have gotten better, but they are still a far cry from the safety and soundness you expect from a bank product scrutinized by the OCC [Office of the Comptroller of the Currency]. Many states have enacted legislation which prohibits poor disclosures or excessive fees, yet many retailers still get to enjoy the benefits of nonused cards."

Riley sees a shift to more practical buying through the 2008 holiday season. With unemployment up, consumer confidence down and the amount of business failures accelerating, retail sales are an obvious concern.

"Retailer bankruptcies cause havoc to gift card buyers," Riley said. "Closed loop cards are generally considered to be held by unsecured creditors with powerful law firms who are there to represent the interests of their clients. The challenge is to balance the right of the creditor to recover their money with the right of the consumer to claim their loss. In either case, someone does not receive full value."

TowerGroup believes gift cards are more beneficial when consumers transact the full amount and don't hold on to them for extended periods of time.

Cash is dark horse

However, payment professionals are less concerned about the value loss on gift cards than they are about consumers spending more cash and less plastic at the POS. "One of

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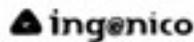
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the great things about the payments business is innovative competition," Riley said. "If you look at the strong players, you will find they all succeeded. And as card acceptance grew, so did their portfolios.

The real competitor to the industry is cash, Riley pointed out. "For the payments industry, making electronic transactions ubiquitous increases economies of scale for the whole network," he said. "The products are great, and the limits [of gift cards] are only the limits of your imagination. However, you are talking about a lot of money, and with that, there are prudent controls that should be considered." ☒

Fed insures open loop cards

In November 2008, the Federal Deposit Insurance Corp.'s board of directors approved its General Counsel's Opinion No. 8 requiring the funds held in FDIC-insured banks that secure open loop, stored value cards be secured up to \$250,000. According to the FDIC ruling, "All funds underlying stored value products will be treated as deposits and subject to assessments."

The opinion was proposed in August 2005. Following a comment period to allow feedback from consumers, merchants and financial institutions, the final ruling was implemented. Additionally, the approval comes in the wake of three large retailer bankruptcies during 2008 in which consumers lost over \$100 million in nonused and invalidated gift cards.

"It's a very good opinion," said Gail Hillebrand, spokeswoman for Consumers Union, the advocacy group that publishes Consumer Reports magazine. "It makes it very clear there is a way now for banks to set up prepaid cards so consumers can get FDIC insurance."

Closed loop left out

According to Holli Targan, Attorney and Partner with the Jaffe, Raitt, Heuer & Weiss law firm, funds covered under FDIC insurance include network-branded payroll and gift card products only. Private-label (merchant-branded) cards issued and funded by retailers are exempt.

"Explicitly excluded are funds backing closed loop cards, such as cards usable at a specific merchant or cluster of merchants," Targan said. "This opinion says that FDIC insurance doesn't cover merchant-branded cards, so if that merchant goes under, the consumer has no way of recouping their money.

"On the other hand, open loop cards – under the FDIC's definition – that are issued by a bank are covered if the bank fails. The cardholder could then make a claim and not lose the money that was on the card," she added. Cardholder funds for stored value cards held by an insured bank – as opposed to the pool of funds held by the card distributor with closed loop cards – are individually insured to FDIC limits.

New standards right on

Industry analysts believe the new standards for open loop cards will restore consumer confidence. "Consequently, I think generally this opinion will make prepaid cards more attractive to consumers, which is a good thing for the ISOs and MLSs [merchant level salespeople] out there selling them," Targan said.

According to Targan, federal regulators have normally been "sort of hands off" in relation to stored value products and have attempted to allow the market to develop without imposing too many regulatory burdens. However, the failings of Sharper Image Corp., CompUSA Inc. and Linens 'N' Things Inc., coupled with a petition filed by the Consumers Union with the Federal Trade Commission, got regulators' attention.

Consumers caught in between

In September 2008, the Consumers Union asked the FTC to protect consumers from losing money on gift cards when retailers filed for bankruptcy. "Gift cards shouldn't

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be the gift that stops giving when retailers go bankrupt," said Michelle Jun, Senior Attorney for Consumers Union.

Bankruptcy courts treat unused gift card funds as a debt. A retailer going through bankruptcy must petition the court to allow it to continue to accept its gift cards. Consumers may lose the value of their cards if the retailer does not make such a request or if the court denies it. The only remaining option for consumers is to file a claim as an unsecured creditor to the bankruptcy proceeding.

"Gift cards have exploded in popularity in recent years, but consumer pro-

tections haven't kept pace with the record sales," Jun said. "With more retailer bankruptcies on the horizon, the FTC should make sure that consumers with gift cards are protected when companies go bust."

Prepaid center of attention

Targan believes the opinion is an indication the FDIC and other government entities know what is going on in the marketplace and will impose regulations when they think it's important to do so. Additional regulations recently imposed in several states require securitization of stored value card funds, as well as more transparency with banking regulatory agencies.

"Since the last time the counsel issued an opinion on this topic in 1996, the banking industry has developed new types of stored value products, and therefore they thought it was time to readdress it," Targan said. "I think this should be good for [financial services] because it will give some comfort to people holding or distributing open loop cards that now have the benefit of federal insurance." ■

Reading Black Friday tea leaves

E-commerce analyst firm comScore Inc. said online sales for Black Friday, the day after Thanksgiving, were \$534 million, up 1 percent over last year; combined online sales for Thanksgiving and Black Friday were up 2 percent compared to 2007.

And according to a recent survey by online bank ING Direct, holiday shoppers are not planning to reduce their spending significantly in 2008, despite news of financial turbulence.

Though U.S. consumers surveyed expressed concerns about the current economic situation, most indicated they plan to spend from \$300 to \$1,000 – the same or more as in 2007.

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"The retail climate has been depressed in recent months," said Gian Fulgoni, Chairman of comScore.

"However, early reports suggest that Black Friday sales in retail stores were slightly better than anticipated. It's probable that on Black Friday consumers responded positively to the very aggressive promotions and discounts being offered in retail stores."

But comScore indicated that even though Thanksgiving weekend sales were good news for struggling merchants, U.S. consumers overall do not appear to be spending more freely.

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Too good to refuse

"It's my opinion that these pundits don't know what they're talking about," said Paul Martaus, President of consulting firm Martaus and Associates. "Last week all these talking heads said that Black Friday would be over by 10 in the morning because all of the bargains would have been gobbled up and everyone would be home. All of a sudden they spent more. One has to presume that there is a tad bit of pent up demand."

"For the last several months consumers have been listening to the doom and gloom, and they haven't been spending. Now they're confronted with 70 percent off in every store on the planet, and they haven't been spending their money because they're waiting for the earth to end. And in my opinion, they can't pass up those kind of bargains."

Martaus believes the current situation is similar to the Great Depression of the 1930s, during which half of the U.S. population was unaffected.

To shop or not to shop?

"I am not going to downplay for one second the fact that there are some significant negative things going on among major portions of the population, but for most Americans, they're still waiting for the other shoe to drop," Martaus said. "What's driving me crazy is I don't know what's behind it. We are truly in uncharted territories. In one news release the world is coming to an end, and then 15 minutes later everything is hunky dory."

Martaus suggested that rather than "waiting for Armageddon," consumers might as well go out and shop. 

PCI help on the way

The Payment Card Industry (PCI) Security Standards Council (SSC) launched a quality assurance program

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for Qualified Security Assessors (QSAs) and Approved Scanning Vendors (ASVs). The program is intended to promote reliable interpretation of the PCI DSS and ensure quality among all vendors.

The PCI SSC, managing body for the PCI Data Security Standard (DSS), PIN Entry Device (PED) Security Requirements and the Payment Application (PA) DSS, developed the plan in response to industry input.

"Feedback from the council's participating organizations and others made it clear that the assessment process for the PCI standards would benefit greatly from more rigorous guidelines," said Bob Russo, General Manager for the PCI SSC. "As a result, we created a clear-cut program that will help ensure all those involved in this process are consistent, credible, competent and ethical."

The new program will provide QSAs and ASVs a set of requirements to help ensure consistent, quality validation and assessment services to merchants and financial institutions.

Necessary guidance

Glen Boyet, Director of Marketing and Communications for the PCI SSC, said the PCI SSC took "an important step to ensure a level playing field for merchants and service

providers who use outside assistance in their PCI DSS compliance efforts."

Through the program's eight guiding principles, the PCI SSC and assessor community commit to:

- Uphold the best interests of assessor clients
- Ensure that assessor companies and employees adhere to validation requirements
- Maintain consistent assessor procedures and reporting
- Interpret the PCI DSS appropriately, as applicable to client systems and environments
- Remain current with industry trends and PCI SSC updates
- Back up all opinions with facts and documentation
- Maintain positive relationships among assessors and the PCI SSC

Responsible oversight

An expanded range of communication channels will allow the PCI SSC to interact with assessors, merchants and service providers on an ongoing basis through certification reviews, credit checks, training, educational webinars, newsletters, e-mail, question and answer documents, informational supplements and feedback forms. To retain the ability to conduct PCI assessments, QSAs



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and ASVs registered with the PCI SSC must participate in the program.

PCI SSC staff will validate assessor application and renewals, ensure that training is relevant and accessible to organizations and maintain the integrity of the testing process. The PCI SSC team will be responsible for monitoring and overseeing the program, including taking disciplinary action when necessary. The program will be rolled out in four stages in 2009.

A webinar designed for merchants and service providers who are implementing the PCI DSS and want to better understand the changes brought about with version 1.2 (released October 2008) was presented Nov. 25, 2008.

The session will address key elements of PCI DSS version 1.2 and what it means for any organization's compliance efforts. For more information on the PCI SSC and becoming a participating organization, please visit www.pcisecuritystandards.org, or e-mail participation@pcisecuritystandards.org.

Boost online loyalty with new tales

In an Aite Group webinar, Senior Analyst Ron Shevlin discussed ways in which financial institutions should reevaluate their marketing philosophies to strengthen customer loyalty. "Whatever it is they're doing, it isn't working like it used to," Shevlin said.

According to Shevlin two factors negatively affect customer loyalty:

- Not using bill pay data in marketing campaigns
- The ineffectiveness of traditional advertising philosophies to maintain and grow customer bases

"Self-proclaimed advertising gurus" mislead businesses, Shevlin said. "A customer's level of engagement grows when they are allowed to tell themselves stories in order to rationalize and justify their behaviors, which is critical for payment professionals to pay attention to."

Story time

Shevlin explained that successful brands tell stories that consumers buy into. Consumers then make purchases online based on those stories. "It wasn't so much the advertising message that got people to buy time and time again," he said. "What got them to stay loyal to a particular product or company was the internal story in their head."

Customers had gone through positive experiences at their financial institutions and "consequently were in a better position to tell these stories, not only to themselves, but to others as well," Shevlin said.

"In my research, it came down simply to three things: customer service over and above what was expected, assistance in helping customers make the right financial decisions and being really easy to do business with," he said.

Shevlin noted that the perception financial institutions want to foster is that businesses do what is best for customers and not the other way around. "We've all heard stories about why customers stay loyal," Shevlin said. "Sales agents lived up to the values portrayed in a company's ad or Web site. They listened to a merchant's problems or concerns and, most importantly, responded quickly to their inquiries." ■



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Change from page 1

One slip-up might mean catastrophe. It is a mentality based on fear.

"When fear sets in, people cut down on spending and protect what they have," Wadleigh said.

That survival instinct is playing out among merchants. Wadleigh's manual emphasizes the desire for humans to have security (control) over their lives. Economic uncertainty means loss of control. But one way for merchants to counter that sense of instability is to say no. "The ability to say 'no' is control," Wadleigh writes.

Wadleigh believes the same dynamic is at work today. Wadleigh's business partner Ken Givens is a proven closer, with an average close rate of 60 to 70 percent. But that average has fallen to 30 percent today. Merchants are not as willing to switch processors based on a pro's sales pitch, even if MLSs are offering free terminals and can demonstrate how they can reduce merchants' processing costs.

Look inward

But if the environment is not conducive to the hard sell, ISOs and MLSs may want to take a different approach. Instead of going after new merchants, sales offices and reps can target their existing merchants and offer them value added services.

"ISOs have hundreds, thousands of merchants in their portfolios," said Gene Lieb, Managing Partner at International Merchant Solutions. "Why not go back in and see what other services that they can add? If people are complaining that it's slow, don't go out cold calling. Sit in the office and re-call your merchants."

It takes less time and effort for ISOs and MLSs to generate additional revenue by promoting new products and services to existing merchants than to cold call potential new merchants or pound the pavement looking for the next sale. It is also easier to persuade existing merchants that specific value adds can augment their businesses because trust between agents and their merchants has already been established.

Of course, ISOs and MLSs are not immune to the psychological effects of the economic downturn. They want to keep what they already have as well, and that means merchant accounts. To increase the level of stickiness of their existing merchants, Lieb believes value adds make the adhesive stronger. If nothing else, simply making the effort to reconnect with merchants will also help strengthen relationships.

"Merchants love to speak to the people that they're doing business with," Lieb said. In no particular order of importance, what follows are the value added opportunities industry experts agree ISOs and MLSs might want to consider.

DCC

Simply stated, DCC gives foreign visitors to the United States the ability to shop in their home currencies at U.S. businesses. Receipts printed out at the POS show the exchange rate and the value of purchases both in U.S. dollars and foreigners' home currencies.

In a sagging economy, U.S. merchants are desperate for sales. If Americans aren't buying from U.S. businesses, foreigners increasingly are. Since the dollar is weak in comparison to the euro and other currencies, foreigners can get a greater bang for their buck in the purchase of U.S. goods and services.

DCC, along with its online counterpart – multicurrency conversion (MCC), are ways for U.S. merchants to attract more foreign cardholders to their brick-and-mortar and online businesses.

When foreigners are given the option to accept DCC or MCC at the POS, two out of three cardholders opt in – even with the processing fee associated with the service – according to foreign currency experts at Travelex.

With the added service, merchants increase their average ticket and the actual and virtual foot traffic to their real-world and e-commerce store locations. Additionally, DCC and MCC reduce merchants' costs because they are not charged foreign card handling fees.

ISOs, of course, reap multiple benefits as well. They get a percentage of that additional transaction fee; they get happier – and therefore stickier – merchants; and they have to look no further than the merchants in their existing portfolios for possible beneficiaries of the service.

When Thompson Morris, Chief Executive Officer of DCC Merchant Services U.S.A. LLC (recently acquired by TriSource Solutions LLC), talks to ISOs, he offers them simple advice. "Do yourselves a favor. Look at the merchant statements, look at your own portfolio, look at the summary page," he said. "It takes no time to look at the summary page and see the level of activity as it relates to foreign cards.

"It's isolated on that page because they are charging them a premium and charging them for handling. It is clear that you can actually identify those merchants that have a good level of credit card processing, good volume of foreign credit card processing. And those are your ideal merchants to go talk to because you can save them money and also provide them with a tool that's going to delight their customers."

Lieb heartily agrees. "If reps would take advantage, they could earn more money promoting DCC than they can credit card processing," he said. "And it's all in the same industry. So you never have to leave the industry to increase your revenue base."

CoverStory

Merchant cash advance

As the economy sours and credit becomes harder for businesses to attain, cash advance takes on a more important role as a funding tool for merchants. When a coffee shop needs a new espresso machine or a hair salon needs to upgrade its shampoo station chairs, ISOs can prefund merchants and be reimbursed over time based on a percentage of the businesses' credit card transactions.

Cash advance is therefore a way for merchants to receive funding without having to fork over huge down payments or jump through the hoops of banks to secure loans.

"It is a big opportunity," Morris said. "If it's used properly, it is the best way of generating additional revenue on top of credit card processing. The ISO just needs to pay attention to the merchants that they're signing up for cash advance – that it is used for the purpose of expanding the business, used for the purpose of replacing equipment without interrupting cash flow."

However, Morris cautions ISOs against employing cash advance as a lifeline for struggling or failing businesses. That caveat is why Henry Helgeson, President and co-CEO of Merchant Warehouse, believes cash advance is too risky a venture.



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"I think there might be short-term money there," he said. "But, in the long term, those ISOs are going to find themselves, more than anybody, typically the lender of last resort. And these days nobody wants to be the last in line."

If cash advance based on credit card receivables is deemed too chancy an opportunity, ISOs might investigate cash advance using check receivables – not credit cards – as the repayment mechanism.

The reason check-based cash advance is considered a more stable value add than the more traditional credit-based model is because the vertical market in which check volume remains robust is business-to-business. And businesses that pay other businesses with checks are more likely established entities with, perhaps, government contracts and histories of sound business practices.

Professional Merchant Advance Capital LLC (ProMAC), in partnership with Global eTelecom Inc. (GETI), launched such a check-based cash advance service in September 2008. Christian Murray, GETI's Director of Business Development, said the vertical comprises corporations that handle checks from other corporations and government agencies.

"There's a huge amount of check volume that pumps through those networks, as well as ACH [automated clearing house]," Murray said. "So that's where the volume is quite considerable from an opportunity standpoint and also from ProMAC's perspective." Those businesses also are "going to be more high profile clients," he added. "They're going to be more established. They're not going to be the businesses just started last year."

"Not only does it open up a vertical market for the ISO channel, it also secures larger opportunities and higher volume. And that's where things are going."

PCI DSS compliancy services

The responsibility of implementing, maintaining and upgrading merchants' security systems based on the requirements of the PCI DSS imposed by Visa Inc. and MasterCard Worldwide on all businesses that accept electronic transactions falls on ISOs and their acquirers. So ISOs and MLSs should be knowledgeable on the subject and could leverage that knowledge to become expert consultants.

"It's not a hard sell," Morris said. "There were, in the beginning, ISOs that were very, very resistant because they had small merchants and it would have cost them money in order for them to demonstrate that they are in PCI compliance."

"But because this is now a mandate by Visa and MasterCard, there's not much choice, regardless. The exposure is too great for ISOs not to make sure that they're

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merchants are PCI compliant. It's not worth the risk. And, in addition to that, since it's something that is mandated, it's built so that you can also create a revenue stream for yourself."

Prepaid

Opportunities to set up merchants with prepaid card programs abound, from gift and loyalty card to general purpose reloadable prepaid card programs targeted toward unbanked consumers without access to bank accounts or lines of credit.

To highlight but one opportunity for ISOs, Tim Sloane, Director of the Debit and Prepaid Advisory Service at Mercator Advisory Group, mentioned gift card malls. Despite the ubiquity of gift cards in the marketplace and the perception that all businesses now provide them, Sloane argued that such is not the case.

In a teleconference to publicize Mercator's 5th Annual Network Branded Prepaid Market Assessment, Sloane said prepaid distributors like Green Dot Corp., Incomm, Blackhawk Network and Coinstar Inc. have failed to penetrate about 26 percent of retail environments (at least 94,000 outlets).

Choosing from merchants already in their portfolios, ISOs could create networks of local merchants to offer consumers dinner at a local restaurant and a movie at the local theatre, for example. These merchant-funded discount networks married to restricted authorization network cards would feature primary brands on the front of cards, with two or three noncompetitive brands on the back.

With such localized networks – merchant communities so to speak – businesses can lock in consumer spending to their retail locations and increase return rates. ISOs benefit from higher residuals; merchants are also tied more closely to their services.

Yet more

Of course, opportunities for ISOs are not limited to the ones just mentioned. A few others are:

- ACH check clearing – The market is wide open for supplying small and medium-sized businesses with back office functions like remote deposit capture (RDC). Roughly 24 million businesses exist in the United States; banks only service the top 1 percent with RDC.
- Buying bank portfolios – Given the present state of the economy, banks are looking to sell merchant portfolios to generate liquidity. But based on the size of the portfolio ISOs intend to buy, return on investment may take two to three years to materialize.
- Processing high-risk merchant accounts – Adult content providers, online pharmacies and so forth experience higher than average levels of fraudulent transactions. Thus, acquirers and sponsor banks are shying away from processing those accounts. But for ISOs that can manage the fraud levels effectively, they can realize huge profits in this sector.

So, even in this troubled economy, a plethora of opportunities exist. But some industry insiders lament ISOs and MLSs are not taking advantage of them.

Same old same old

At IMS, Lieb has about 400 registered MLSs. IMS sends out weekly e-mails to its reps touting many of

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the value adds featured in this article. IMS can put its agents in direct contact with the vendors that supply these services. But Lieb said hardly any of its agents follow through.

Take DCC, for example. "You go into any major city, all of the hotels deal with the international travelers," Lieb said. "They take hundreds of thousands of millions of dollars in foreign credit card sales. Imagine earning 20 basis points on all of that money conversion. You know, reps just walk away from all of that." And Lieb doesn't understand why they don't pursue the opportunity. "It seems silly that they don't," he said.

"If you have that customer base, why not offer them more services?" But this reluctance among ISOs and MLSs to jump on new opportunities is evidently not a recent phenomenon. Morris pointed out how long it took gift and loyalty cards to gain traction in the marketplace.

"[Sales forces] stayed within their comfort zones and didn't adapt to the new product as quickly as they could have, or as quickly as it was desired by the industry," he said.

Wadleigh said the same thing is happening today. The opportunities are "too new, too different," he said. When he does a Yahoo search for "online merchant account," he gets 400,000 hits. "They're all the same," Wadleigh said.

Morris believes it is just another example of the human condition. "You are used to doing something a certain way and you've generated enough revenue for you to be in the business," he said.

"It may not be generating as much revenue as it used to. But what does that tell you to do? 'I need to work harder rather than smarter.' I think that, in itself, really puts it into perspective. They are more willing to work harder rather than smarter."

But viewed from the merchant's perspective, free terminals and cheaper processing is perhaps not the pitch they want to hear. "They've heard the credit card processing song for the past 20 years, and it's an old song," Morris said. "And that's not necessarily a popular song today."

Change that tune

A British biologist once said, "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." That biologist's name was Charles Darwin.

Change or die. That's a pretty blunt statement. But maybe it's as simple as that. Can ISOs and MLSs afford to think any other way? 

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E-commerce essentials

By Jason Felts

Advanced Merchant Services

A few short years ago, a company called GoDaddy.com was introduced to the world during a Super Bowl game. Not many people had a clue who the company was or what it did, but the commercial generated enough interest and publicity to cause plenty of people to find out what GoDaddy.com was all about.

Imagine signing that merchant account.

And how about Priceline.com? Do you remember William Shatner's now famous line, "This is going to be big, really big"? Indeed it was. Priceline.com has turned into one of the busiest travel portals online – with a merchant account that processes astronomical volume.

Defining the opportunity

This article is dedicated to merchant level salespeople (MLSs) who want to jump into selling electronic commerce (e-commerce) solutions and need an easy-to-follow guide. First, let's review some definitions:

- **e-commerce:** the buying and selling of products or services over the Internet and other computer networks. The transactions are usually fully approved online at the point of check out.
- **Internet protocol (IP):** A method of transmitting information and communications between computer systems and networks via the Internet. Payment gateways use IP to send information to payment processing networks.
- **Payment Card Industry (PCI) Data Security Standard (DSS):** a set of comprehensive requirements for enhancing payment account data security developed by the founding payment brands of the PCI Security Standards Council – including American Express Co., Discover Financial Services, JCB International Co. Ltd.,

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MasterCard Worldwide and Visa Inc. – to help facilitate the broad adoption of consistent data security measures on a global basis.

- **payment gateway:** an e-commerce system of technologies and processes that allow merchants to electronically submit payment transactions to the payment processing networks. Payment gateways enable payment authorization for e-businesses, online retailers, brick-and-mortar merchants who are also doing e-commerce transactions (bricks and clicks), or any merchant looking to process transactions online.

Payment gateways are the equivalent of physical POS terminals located in retail outlets. They encrypt sensitive information, such as credit card numbers, to ensure the information passes securely between customer and merchant.

- **shopping cart:** software used in e-commerce to assist people in making purchases online. The software allows online shopping customers to place items in the cart. Upon checkout, the software typically calculates a total for the order, including shipping and handling charges and the associated taxes, as applicable.

- **virtual terminal:** a merchant interface tool for manually keying in and submitting transactions through an Internet payment gateway. Transactions are completed similarly

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A payment gateway facilitates the transfer of information between a payment portal and the front-end processor or acquiring bank.

to those of a POS terminal, using unique user names and passwords provided by the payment gateways.

- **3D Secure:** an XML-based protocol used as an added layer of security for online credit and debit card transactions. The 3-D Secure protocol was developed by Visa to improve the security of Internet payments and offered to customers as the Verified by Visa service. Services based on the protocol have also been adopted by MasterCard.

How does a payment gateway actually work?

Now, let's get into the nuts and bolts. With a virtual terminal, a merchant logs into a gateway and submits a credit card transaction to the gateway on behalf of a customer via a secure connection from a Web site, retail store, MO/TO center or wireless device.

After receiving the transaction information, the payment gateway passes the data via a secure connection to the

merchant bank's processor. The merchant bank's processor submits the transaction to the credit card acquirer, which routes the transaction to the customer's credit card issuer.

The card issuer approves or declines the transaction, based on the customer's available funds, and passes the transaction results and, if approved, the appropriate funds, back through the acquirer. The acquirer then relays the transaction results to the merchant bank's processor.

The merchant bank's processor relays the transaction results to the payment gateway, which stores the transaction results and sends them to the customer and/or the merchant. This communication process averages three seconds or less.

The credit card acquirer passes the appropriate funds for the transaction (minus fees) to the merchant's bank, which then deposits funds into the merchant's bank account. A virtual terminal is a good option for a merchant who is not doing a high volume of sales online but desires to process transactions anywhere in the world by accessing the Internet.

As for choosing a gateway, Anna Solomon (known as FastTransact on GS Online's MLS Forum) recommends that you match the appropriate gateway to your customer. "Don't sell on price but on features," she said. "Not all gateways are created equal and can offer solutions where others cannot. Check what type of reporting capabilities the merchant is looking for.

"How many users may have access to the gateway? What are the fraud controls? Is it just a switch running the back-end or is it a virtual terminal in a call center?"

"So do your homework, learn the different gateways so you can sell the best fit for the merchant, and find an ISO that can not only educate you on how to be successful in this market but can take care of your merchant so they can be successful as well."

How does real time e-commerce with shopping cart work?

A payment gateway facilitates the transfer of information between a payment portal and the front-end processor or acquiring bank. When a customer purchases a product online using a real-time processing Web site, the transaction is approved online without the merchant needing to log in (as required when using a virtual terminal).

A customer places an order on a Web site by pressing the Submit Order (or equivalent) button found on the

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site's order page. The customer's Web browser encrypts the information to be sent between the browser and the merchant's Web server. This is done via secure sockets layer (SSL) encryption.

The merchant then forwards the transaction details to the payment gateway. This is another SSL-encrypted connection to the payment server hosted by the payment gateway. The gateway forwards the transaction information to the processor used by the merchant's acquiring bank. The processor forwards the transaction information to the card brand (Visa or MasterCard).

If an AmEx or Discover card is used, the processor acts as the acquiring bank and directly provides an approved or declined response to the payment gateway. The card brand routes the transaction to the correct card issuing bank. The issuing bank receives the authorization request and sends a response, including a response code, back to the processor (via the same process as the request for authorization).

In addition to determining the fate of the payment, (i.e. approved or declined), the response code is used when transactions fail to define the reason for the failure (such as insufficient funds, or bank link not available). The processor forwards the response to the payment gateway.

The payment gateway receives the response and forwards it to the Web site (or whatever interface was used to process the payment) where it is interpreted, and a relevant response is relayed back to the cardholder and the merchant. All of this takes place typically in two to three seconds.

The merchant must ship the product before being allowed to request to settle the transaction. The merchant submits all approved authorizations in a batch to the acquiring bank for settlement. The acquiring bank deposits the total of the approved funds into the merchant's designated account. This could be an account with the acquiring bank, if the merchant does banking with the same bank, or an account with another bank.

What should I expect in terms of pricing?

First, a potential merchant must have a valid merchant account. Typically, a gateway fee varies from \$5 to \$10 per month; you may expect to pay up to an additional 10 cents per transaction. Most gateways offer the ability to submit sales via virtual terminal, and they offer real-time e-commerce as described herein.

With real-time processing, merchants need shopping carts. The cost of a shopping cart can vary drastically from free to over \$500, based on the needs of individual

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merchants. For example, some merchants sell one product, for one price, with no shipping cost to calculate. Others like Amazon.com Inc. sell millions of products and have multiple shipping options. In the latter type of environment, merchants need a much more robust shopping cart.

What about underwriting and risk?

Anna Solomon had the following thoughts to share about underwriting and risk:

One of the things that really kills an e-commerce account is not knowing the underwriting parameters. There are seven criteria that underwriters look for when reviewing a Web site. If the requirements are not met, the site will still be able to process, but many ISOs will place a 100 percent hold on the account until the requirements are satisfied.

1. Refund/cancellation policy
2. Privacy policy
3. Terms and conditions
4. Products and the corresponding pricing listed
5. 128-bit, SSL page where personal and credit card information is obtained
6. Telephone contact number
7. Shipping and handling method and time shipped after the sale (if applicable)

Also, make sure you put the URL in the identifier line. Many chargebacks can be avoided when this is done. For instance, you might contest a charge if you order an awesome pair of shoes at www.redshoes.com, but you receive your consumer statement, and the identifier is Joe and Sue Enterprises. And be sure to include the customer service number in the identifier.

I concur with Anna's advice. I would also suggest you include accurate information on the merchant processing application, including a valid e-mail address, fax number, true average ticket, expected high ticket and estimated monthly bankcard volume.

It is up to the MLS to educate the underwriter about a merchant's operations and plans for growth. One of the ways to accomplish this is to prepare a cover letter with every application submitted, giving an overview of each merchant's business and future plans.

Who are e-commerce prospects?

E-commerce merchants fall into three categories:

1. Brick-and-click merchants who have traditional storefronts and sell products and services via the Internet.

2. Internet-only merchants with no storefronts. These merchants rely on their Web sites for all their sales. They may inventory and ship items themselves or use fulfillment houses.

3. Web-based auctions. Many merchants and individuals are selling via online auction sites such as eBay Inc., and higher-volume sellers are looking for alternatives to PayPal Inc. for many good reasons, including the high fees and inconvenience to customers.

Selling e-commerce

While I've provided a generic overview, selling e-commerce is a contact sport that requires education on your part and an interview with your potential merchants to understand what they need.

Until you know what you have available and what individual merchants need, selling e-commerce will remain highly challenging.

Recently, one of our sales partners signed a large association with a group of merchants who had typically called their offices from the field to run credit card sales. This association was presented the idea of using a virtual terminal and gave it a try.

The association's salespeople now collect money at the POS and can log in via a secure portal and receive authorization online using their laptops.

These merchants are producing an average of \$42,000 per month in processing volume and find it is much less expensive in the long run than paying wireless fees for a fleet of trucks.

I'd like to thank everyone who contributed resources for this article. I challenge all MLSs to research selling Internet-based solutions. This is a tremendous niche market that can prove very lucrative.

Should you have any questions about this or any article I've written, please feel free to contact me directly.

The number of success stories for those who understand and harness the power of selling e-commerce is unlimited. Are you ready to write your success story? 

Jason A. Felts is the founder, President and Chief Executive Officer of Florida-based Advanced Merchant Services Inc., a registered ISO/MSP with HSBC Bank. From its onset, AMS has placed top priority on supporting and servicing its sales partners. The company launched ISOPro Motion, its private-label training program, to provide state-of-the-art sales tools and actively promote the success and long-term development of its partners. For more information, visit www.amspartner.com, call 888-355-VISA (8472), ext. 211, or e-mail Felts at jasonf@gotoams.com.

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United Bank Card 

Education (continued)

Shifting focus for 2009

By Christian Murray

Global eTelecom Inc.

It is almost time to say farewell to 2008. For many professionals in the payments industry, it has been a challenging year. Industry veterans will tell you selling to merchants has become an increasingly daunting task. Many factors like a slow economy, market saturation, and the credit crunch and subprime mortgage meltdown have contributed to the many challenges the industry faces today.

I'm sure many ISOs and merchant level salespeople (MLSs) will also agree it's more difficult and challenging to expand and grow businesses at the same levels as previous years. Those who continue to embrace emerging trends and shifting market conditions will ultimately see larger growth and much higher merchant retention than businesses that stand pat.

Diversification in product offerings has always been an important ingredient in the evolution of the ISO business model. The current economic signs point to an overwhelming need in the marketplace for ISOs to offer a diversity of solutions to merchants because merchants are in need of solutions that help them generate more business.

More than ever, merchants seek to implement alternative payment methods. By doing so, merchants lower processing costs for themselves and, at the same time, increase sales, consumer retention and repeat business. So it's not just important for ISOs and MLSs to offer value added solutions; it's also essential that they internalize strategies within payment services to help merchants increase overall profits.

Top challenges

Challenges vary depending on business type, market segment, competition and overall demographics. But most experts would agree that the fundamentals of business point to:

- Increasing business and cash flow
- Building brand awareness through direct mail, e-mail, Web sites and in-store marketing promotions
- Attracting repeat business
- Saving time and resources
- Lowering operating costs

Refocus with value adds

A majority of ISOs and MLSs in our industry focus on helping merchants lower processing costs. But many

sales reps do not seek ways to help merchants grow their businesses.

If you are mainly targeting processing, what about the other 90 percent of what makes merchant businesses more successful and efficient? Multiple tools and services can be adapted to help merchants in other areas of their businesses.

Reps who are already targeting multiple sectors of merchant businesses with value added solutions are way ahead of the curve. It's up to every ISO and MLS to find tools that work best for the merchants they service.

Investing time and money now to diversify product offerings should be the highest priority of every sales office. Unfortunately, many ISOs and MLSs are focused on quick sales since the core business model has always been credit card processing. Consequently, they have a hard time shifting that focus to new products and services they can offer.

ISOs are not used to focusing on product offerings unless they generate large amounts of upfront cash or substantial residuals. This is understandable. But given the demands on merchants today, ISOs can't expect to retain merchant business and residuals if no additional value is being offered to them.

Priorities

ISOs and MLSs face many challenges to stay ahead of the pack. Some of the more important challenges are:

- Compensating for lower profit margins and transaction volumes
- Retaining merchants and reducing portfolio loss
- Surviving amid increased competition and market saturation
- Offering new and emerging solutions
- Competing against free equipment offers
- Recruiting and retaining agents and offices
- Analyzing consumer spending
- Recognizing quality third-party vendor solutions

The merchant perspective

Merchants care most about consumer spending and emerging solutions that will help them grow their businesses.

MLSs should make it a goal to uncover merchants' long-term objectives. Every merchant is unique; in some respects they all require customized options depending on the type of businesses they operate. It's up to MLSs and their supporting ISOs to perform needs analyses and uncover solutions that help merchants with their bottom lines. Businesses need to constantly evaluate costs,

technology, efficiencies and marketing initiatives to stay on top. The same goes for reps.

The alternative option is to continue selling based on cheaper processing rates and free terminal placements. Those strategies are already oversaturated in our industry. However, it may be too painful for certain reps to adapt and implement new products into the mix. This reluctance could be related to lack of:

- Resources to implement new offerings
- Confidence to execute new offerings
- Strategies for successful implementations
- Talent
- Willingness to change

Out with the old, in with the new

The market and competitive landscape will continue to drive diversification. Businesses that refuse to adapt will lose market share. So, with 2009 rapidly approaching, it's a good time for ISOs and MLSs to evaluate their overall product offerings. It's never too late to begin designing new sales strategies. Implementing ones that reach outside the proverbial box could just be the answer.

Competitors will always solicit merchants with enticing offers. But ISOs and MLSs can counter those offers with a new arsenal of solutions available to them. Just read *The Green Sheet*. But finding the correct balance of solutions to integrate into existing operations will take time and dedication.

Catering to merchants' needs, even if solutions are painful to implement, should remain a top priority. As many reps move to a more robust, bundled selling approach, merchants will recognize and realize more value. Reengineering old-school sales tactics is sometimes a major hurdle for ISOs and MLSs. But with the right support and tools in place, anything is possible.

Remember to keep focused on the solutions that help merchants increase sales and efficiencies. That is the mortar that holds residuals together. Also, tapping into niche markets with bundled solutions will help differentiate your offerings from the competition. Know your target merchants, understand the challenges, make a commitment and take action. 

Christian Murray is the Director of Business Development for Global eTelecom Inc. He has more than 12 years' experience within the payments industry. GETI provides check processing and gift and loyalty solutions. For more information, visit www.checktraining.com and www.giftcardtraining.com, or contact Christian directly at 877-454-3835 or cmurray@globaletelecom.com.

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Education (continued)

Recruiting top college grads

By Curt Hensley

CSH Consulting

Is your merchant services business looking for rapid growth? Finding talent from within the payments industry is one way to go. However, college recruiting is another alternative many financial services companies can use successfully.

In recruiting from colleges and universities, a strategy called "superior college recruiting" has rendered more traditional approaches outdated. Breaking free of entrenched methods isn't easy; few in the corporate world are willing to take on the challenge.

The traditional approach

About 95 percent of recruiting efforts on college campuses follow a model that is dependent on career centers. It relies heavily on career center services but very little on actual scouting for talent.

The traditional model is straightforward:

- Pick the top U.S. colleges and universities to target.

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- Arrange dates with college career centers for information sessions, job fairs and interviews.
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- Develop company brochures.
- Offer giveaways, and deliver compelling presentations.
- Hold on-campus interviews with candidates selected from sessions and fairs.
- Make offers of employment to the top candidates interviewed.

It's uncomplicated, relatively inexpensive and produces enough hires to keep countless companies reasonably satisfied. Unfortunately, corporate recruiters are unaware there are alternatives that yield clear, competitive advantages and include more sophisticated elements designed to ensure extraordinary results.

The missing elements

Superior recruiting is distinguished by reduced emphasis on campus information sessions and more focus on branding, technology, relationship building, aggressive marketing, and fact-based decision-making.

Following are nine key aspects of the superior college recruiting approach created by human resource expert Dr. John Sullivan:

1. Making data-driven decisions. Decisions are based on data rather than emotion. Recruiting tools and approaches, like sourcing and advertising, are selected based on the superior numbers they produce.
2. Creating a written strategy and plan. It's difficult to have an impact using a haphazard approach, so have a written strategic plan in place to focus and direct your recruiting effort to include:
 - Relationship recruiting: This strategy focuses on building relationships with faculty, students, alumni and staff. When you build long-term relationships with individuals whom students know and trust, those contacts can help you identify and sell top students on your firm.
 - Remote recruiting: This is designed to allow a firm to pick the very best students from a number of universities without having to physically visit each one. Remote recruiting emphasizes the use of the Internet and social networks to identify and assess college talent.
 - Continuous graduate recruiting: This long-term approach focuses on recruiting even after students

have graduated. One element of this strategy is to identify the best recruits while they are still in college. You can then wait until your targeted graduates stabilize and are trained by another organization for two years or more before recruiting them.

As graduates mature, they may consider your firm for subsequent employment opportunities. Working closely with alumni associations is key to maintaining open communication channels with alumni.

3. Identifying clear, measurable goals. Goals help everyone understand what they are working toward. Most traditional college recruiting efforts have simplistic goals, like recruit five interns or hire six business majors.

However, the goals of superior college recruiting is to dominate the college market and get a disproportionate number of exceptional students; build and maintain a measurable competitive advantage in recruiting; build an employment brand that makes every targeted college student aware of your firm; and win every head-to-head fight with competitors over top targets.

4. Establishing an employment brand. Your image as a great place to work is the cornerstone of this approach. Executing a formal plan to become an employer of choice so that every college student has heard of you

and wants to know more about you is the most critical element of superior recruiting.

College branding includes winning best place to work awards, placing on the best place to start a career list, being written up in targeted media for your best practices and having executives speak on campus. You can develop your employment brand even with just three or four local universities in your area.

5. Identifying top students. Dramatically expand the number of available ways to identify top students by adding an Internet component. Traditionally, students were identified through scholarships and assessment of those who attended information sessions.

Superior identification tools include the use of student and graduate assistant referrals, online and on-campus contests, social networks like Facebook and Twitter, and online forums. Other sources include campus professional clubs and honor society meetings to identify talent, as well as having interns act as on-campus recruiting ambassadors.

6. Convincing targeted students to apply. Put emphasis on multiple selling approaches. These marketing techniques are designed to get students to formally apply

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for positions via your Web site or sign up for campus interviews. Some effective approaches in use today include recruiter blogs or podcasts that highlight a firm's best points.

Other ideas to consider include creating compelling videos for your company's Web site or YouTube; texting recruiting messages to potential candidates; encouraging students to refer their classmates to you; designing a corporate career page dedicated to wowing top graduates.

7. Assessing applicants' capabilities. The most traditional aspect to recruiting is the face-to-face interview normally scheduled through a school's career

center. The superior approach allows off-campus student interviews. Additional features might include computerized online assessments, contests or interviews.

The most effective assessment process, on-the-job assessment, can occur during internships or with short-term projects students can complete off-campus during college breaks.

8. Making compelling offers. You can't classify your approach to college recruiting as superior unless you are aggressive. The foundation of the superior approach is identifying each target candidate's job acceptance criteria and tailoring the job offer so that it best meets each of the criteria.

9. Defining metrics for improvement. Most traditional recruiting systems don't learn from bad hires or employee turnover. Key recruiting metrics should include candidate and hiring manager satisfaction, the overall quality of the candidates, the percentage of diversity hires, new hire performance on the job, and one-, two- and five-year retention rates.

The way college students communicate is changing rapidly, so shifting your approach is essential. The rapid advancement of new technologies now allows college recruiters to do things that were not possible just a few years ago. If you are looking to be an innovative leader in the merchant services arena, adopting a superior college recruiting model is a critical piece of the foundation. 

Curt Hensley is the founder, Chief Executive Officer and President of CSH Consulting, a recruiting firm exclusively focused on the payments industry. He and his leadership team have over 50 years of combined experience recruiting in the merchant acquiring arena. They have placed over 1,200 payments industry professionals since their inception eight years ago. Contact Curt at 480-315-8800 or curth@cshconsulting.com.



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Education (continued)

A little analysis, significant rewards

By Jeff Fortney

Clearent LLC

There is ongoing discussion about the degree to which the current economic upheaval will impact our industry. Will we see a downturn in card usage? Will average tickets decrease? Will merchants fail?

The answer to these questions is yes. And such events are projected to continue through the holiday season and into 2009.

Control what you can

However, since you, as ISOs and merchant level salespeople (MLSs), have no control over these events, consider placing your focus and energy on what you do have the ability to affect – with liability and risk topping that list.

During times like these, merchant fraud increases markedly. Processors and ISOs who are responsible for liability and risk have a greater worry than those that don't.

And instances in which merchants either intentionally or unintentionally process fraudulent transactions lead to true financial losses at a time when revenues are also down.

Even though MLSs don't have liability, incidences of fraud have a monetary impact on MLS revenues. A loss of one merchant out of thousands may have only a slight impact on income for a processor. However, the loss of one merchant out of one hundred could greatly affect both the return on and the value of an MLS's residuals.

Protect your portfolio

Processors monitor transaction reporting daily in an attempt to identify and address transactions that may be at risk. They recognize the importance of constant, diligent monitoring. However, depending on the size of their portfolios, some transactions can fall through the cracks.

These transactions normally aren't large (by processors' standards) but could be a warning sign of a future issue. Remember, you know your merchants better than your processor. To protect your portfolio, and your income, do not depend totally on your processor to protect your revenue. You, too, should be actively monitoring your merchant and looking for any form of abnormality.

Merchant and portfolio reporting has been available for many years in various forms and has gained acceptance among larger merchants. And ISOs and MLSs have used

access to these reports as an opportunity to sell an added service – and generate added revenue.

Utilize reporting

In most cases, reporting offers nothing more than the ability for merchants to track their deposits and review their month-end expenses. MLSs may have no online access to their merchants' information or even online access to their own residuals.

And the majority of MLSs who do have access to reporting merely take a cursory glance at overall volumes processed. They hope to quickly see any growth in their business reflected in their revenue numbers. They're not paying attention to signs of potential losses that could negatively and dramatically affect their earnings.

Spot risk early

By spending five minutes a day, you can quickly spot merchants who are at risk and address the issues at hand before they cause you to lose your customers. This, however, assumes that you have reporting that will enable this.

To perform this review your online reporting must at least provide the following:

- Portfolio-level month-to-date volume
- Merchant-level month-to-date volume and ticket count
- Month-to-date and year-to-date merchant- and portfolio-level card mix
- Merchant batch detail

The best situation will also provide online reporting data that gives:

- Projected average ticket and projected volume
- Month-over-month comparison of individual merchants and portfolio overall (including month to date)
- Rolling, daily analysis of merchant data

Do it yourself

If you do not have this information available online, you will need the original merchant applications for your portfolio to develop baseline documents. This will require more time at the beginning and must be maintained as new merchants are added to your portfolio.

Without access to this data, your ability to quickly analyze your merchants is seriously compromised. And the likelihood that you won't find time to do this is high, which will seriously undermine your ability to run your business.

On the other hand, if you do have this data, you're positioned to perform a five-minute review. There are two parts to this: increased volume and loss of volume.

Education

Increased volume: At a portfolio level, look for evidence of a volume spike – an increase in volume day over day. If seen, examine your merchant base volume, and look for merchants who are showing a significant increase above what would reasonably be expected.

Once identified, examine those merchants' most recent activity. Look for round-dollar tickets, large ticket sizes that exceed the merchants' average or any activity that seems abnormal for each merchant under scrutiny. This could include an increase in key-entered tickets or a shift in the way transactions are handled.

Contact identified merchants, and ask about abnormalities you have observed. There could be a simple explanation (like a large sale or a malfunctioning terminal). The merchant will appreciate your making the inquiry, and this will give you another reason to ask for referrals.

Loss of volume: Examine your portfolio for either a downturn or smaller than anticipated growth. This can be a sign of attrition or a sign of a more serious (but rare) fraud situation.

Examine your merchants' transaction volume, comparing day over day, looking for any downward spike.

(This analysis works best when your online reporting offers portfolio analysis reporting.)

If identified, review the last batches for excessive returns or for zero batches – both of which can be signs of risky activity. Should these be identified, notify your processor immediately.

Otherwise, contact merchants whose volumes have decreased, and ask questions about their activities. They may have switched to other service providers, and this is your chance to regain their business.

Take five

A commitment of only five minutes daily to review your portfolio, identify at-risk merchants, and address their issues should become a staple of your daily routine. You work too hard to gain merchants' business.

A sliver of time spent protecting your clients and your portfolio is a small investment, but it can boost your business in what we know will be challenging times ahead. ☑

Jeff Fortney is Director of Business Development with Clearent LLC. He has more than 12 years' experience in the payments industry. Contact him at jeff@clearent.com or 972-618-7340.

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Education (continued)

Looking beyond PCI

By Tim Cranny

Panoptic Security Inc.

Payment Card Industry (PCI) Data Security Standard (DSS) is the single biggest information security concern facing most ISOs, their acquirers and merchants, but it is short-sighted to think it is the only issue.

Many ISOs and other organizations are taking a simplistic approach to security and compliance. In the process they are setting themselves up for unnecessary cost and effort, while at the same time missing the chance to make some real improvements to their world. Fortunately, the right approach can avoid these problems and help ISOs and merchants be safer and more compliant, all while helping ISOs' bottom lines.

Elephant in the room

The first question ISOs and merchants ask is, Can I avoid this entire issue and not be at risk? This is a perfectly reasonable question, given that these security and documentation requirements seem like such a distraction from normal business, but the answer for ISOs and merchants is no.

We are currently seeing a rash of hardware vendors and service providers telling merchants, Yes, use our product, and you can avoid PCI issues. But most of these people are, to put it delicately, twisting reality until it surrenders.

All merchants who ever accept, transmit, or process cardholders' primary account numbers during a transaction must comply with the PCI DSS. Far too many of these dubious vendors are using dizzying amounts of spin in their marketing literature. But most are careful enough to quietly water down their claims with "weasel" words like "avoid or minimize PCI problems" somewhere in their fine print.

These vendors are doing their customers and partners a disservice, potentially

leaving them exposed to the danger of security and compliance failures.

No quick fix

Usually the next question is, If I can't avoid it, what product or service can I get that solves it all for me? The short answer is – there isn't one. Far too many vendors are claiming they are the silver bullet, but the closer you look at their claims, the more they evaporate.

The longer, better answer is that this isn't really the right question. A better question might be, Is PCI the only thing I need to worry about? The answer here, again, is no – for most merchants and all ISOs.

When considering compliance requirements such as the Gramm-Leach-Bliley Act, the Fair and Accurate Credit Transactions Act, and other state-level legal requirements, you should think of PCI as the leader of the pack, not as an isolated issue. And it is clear to most industry experts that compliance requirements are only going to grow in coming years for a range of political and economic reasons.

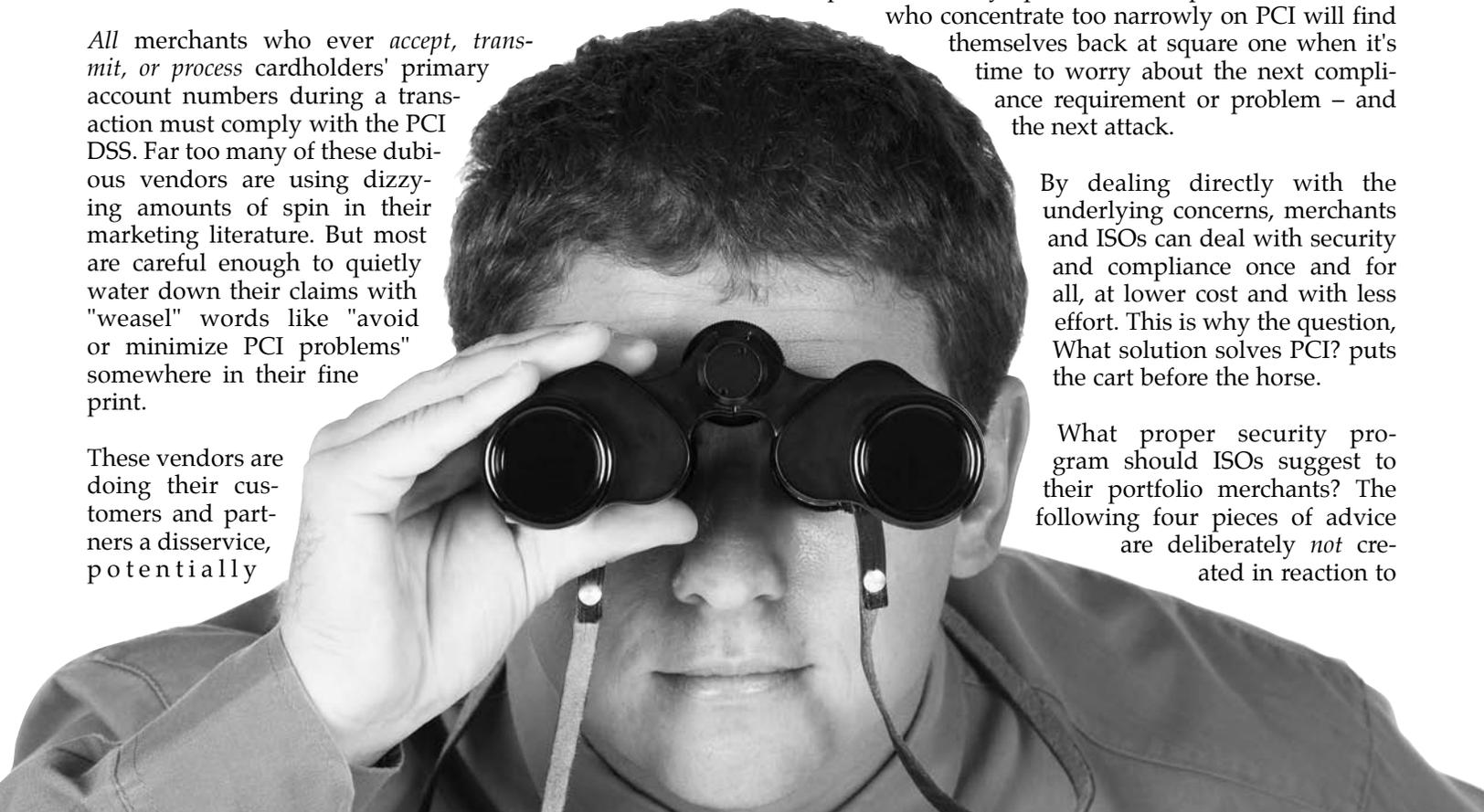
But compliance isn't even the real story. The most important thing for merchants and ISOs to remember is that the dangers are real; hackers and thieves are out there trying to steal data and commit fraud; those who don't protect themselves by taking the right precautions *will* be hacked sooner or later.

Treat the disease

PCI problems are symptoms of a deeper concern. Those who concentrate too narrowly on PCI will find themselves back at square one when it's time to worry about the next compliance requirement or problem – and the next attack.

By dealing directly with the underlying concerns, merchants and ISOs can deal with security and compliance once and for all, at lower cost and with less effort. This is why the question, What solution solves PCI? puts the cart before the horse.

What proper security program should ISOs suggest to their portfolio merchants? The following four pieces of advice are deliberately *not* created in reaction to



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Education

PCI. The good news is that following these steps also addresses PCI compliance.

It's not surprising that treating the disease decreases the symptoms. ISOs who give this advice to their merchants are helping them to solve PCI and a whole range of other security matters all in one go:

1. Recognize that the security threats and compliance issues are real, and they need to be actively addressed. Doing nothing will be more expensive than doing the right thing; the merchant could be attacked or hit with noncompliance penalties and expenses. In either situation, the ISO is put at legal and financial risk.

2. Avoid specific problems, where possible, rather than solve them. By far the best and cheapest way to handle a security issue is to avoid it altogether. If merchants don't store sensitive cardholder data on their computers, literally dozens of security issues simply disappear, and dozens of complicated, expensive and time-consuming solutions simply lose all relevance.

In the case of PCI, following this one step dramatically simplifies the merchants PCI burden. And by dramatically, we're not talking about a 10 percent reduction in pain; it's more like 50 percent to 90 percent.

3. Follow the known path. A lot of advice handed out to people urges them to be different, to avoid the standard solutions, but in the world of security and compliance that's almost always the wrong advice. A good piece of general security advice, directly relevant to PCI, is to follow the tested path.

If your merchants need POS devices, urge them to choose ones that are known to be compliant with the Payment Application DSS, rather than non-standard solutions.

If one of your merchants needs a network vulnerability scan for PCI, simply point them to an approved scanning vendor via a partnership you have in place or by directing them to the formal list on the PCI Security Standards Council's Web site at www.pcisecuritystandards.org/qa_asv/find_one.shtml.

The same argument applies to formal PCI audits and choosing a formally certified qualified security assessor.

4. Recognize and embrace breadth. As we've already said, security and compliance are broad issues and need a broad range of responses. There is no one, magical solution or strategy that will make it all go away, so ISOs need to be able to provide – either directly or through partnership – an equally broad range of solutions and strategies.

Unfortunately, almost all vendors try to narrow your world down, to make you focus on *them*, so it pays to carefully look for vendors and partners who explicitly aim at providing the full range of services needed. No one can cover the whole range themselves, so an ISO's best bet is to find a partner willing to act as a portal – a one stop shop for an entire ecosystem of other security and compliance vendors.

Be the tortoise

Merchants and ISOs have a choice: Deal with security and compliance issues with a short-term "what is the minimum I can get away with today?" approach or take a step back and do it once, properly. Following the latter path doesn't mean spending more; it just means spending smarter.

It leads to better security, better and cheaper compliance, and creates the right framework to guide ISOs in their partnership decisions and strategies. It also creates what every organization in the payment processing industry is aiming for: an environment where consumers use payment cards without fear or inhibitions. 

Dr. Tim Cranny is an internationally recognized security and compliance expert and is Chief Executive Officer of Panoptic Security Inc. (www.panopticsecurity.com). He speaks and writes frequently for the national and international press on compliance and technology issues. Contact him at tim.cranny@panopticsecurity.com or 801-599 3454.

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EducationShorts

Preparing risk departments for the holidays

By Deana Sellens

Take Charge Business Consulting LLC

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Every year we hear risk departments are not allowing time off in December because the holidays are the "busy season" for risk. We have even heard people sighting higher fraud losses during the holidays. To date, no one has been able to produce numbers to show any of this to be true.

Time and time again we find this entire line of thinking to be wrong.

It is true there is a transaction spike for retail stores and some mail order business with product, but there are also a ton of businesses with lower or no volumes during the holidays. The actual number of accounts that require investigation is almost unaffected.

January and February are actually the busy times for losses. Unfortunately, many risk staffs are short at this time because processors tell their staff to take vacation in January instead of December. January and February are the months when businesses tend to fail due to lower than expected sales volume during the holidays. Refund volume then overtakes the business, and that's it.

It is critical, especially now, that you train your risk staff to watch for struggling businesses. Running credit reports

and reviewing refund policies will be a key part in mitigating risk this year.

A thorough scrub of your portfolio should already be in process. It is important that you define all future service merchants now and begin re-underwriting those with significant volume.

Make sure you release statement messages and mailers to educate your merchants to clearly state refund policies on the credit card receipts. This would be a good year to push "no refunds/exchange only" policies. Inform merchants of the potential problems with no refund policy being in place.

Take time to train your risk team in underwriting. It is amazing how many risk monitoring teams have little or no training in underwriting. This antiquated way of thinking can be fatal to processors and ISOs. Research business credit reporting and test automated solutions to review your portfolio by volume and frequency benchmarks.

Bankruptcy is a serious concern this year, and first quarter 2009 will be a real test for some ISOs and processors.

Are you prepared? 

Deana Sellens specializes in operations, risk, compliance and project management consulting. She is a Partner in Take Charge Business Consulting LLC, as well as the current President of the International Association for Financial Crimes Investigators, Gulf Coast Chapter. Deana has a unique customer service oriented attitude toward risk and a proven track record in reducing bankruptcy and fraud losses. Contact her at dsellens@tcbconsultingonline.com.

10 ways to prevent credit card loss

By Gino Kauzlarich

MerchantService.com

To ensure no fraudsters take a bite out of holiday profits, here is a handy checklist to give to your merchant customers. It contains 10 things to watch for to spot potential fraud at the POS:

1. Embossed numbers on the card aren't straight or are badly spaced.
2. Touch-up paint has been applied to the front of the card.
3. Signature space on the back of the card has been tampered with.
4. Letters or numbers on the card appear to be altered.
5. Embossed numbers don't match numbers printed on transaction receipt.

6. Consumer takes extra effort signing the receipt, which may indicate forgery.
7. Customer appears nervous or hurried.
8. Shopper arrives at closing time and tries to rush the purchase.
9. Merchant asks for photo identification; customer claim to have left it at home.
10. Consumer pulls a credit card from a pocket, not a wallet. 

Gino Kauzlarich is Chief Executive Officer of MerchantService.com, which provides transaction processing for merchants. The company places a strong emphasis on increasing merchant profitability through lower rates or other tools. The firm also provides ATMs, surveillance equipment to halt theft and other merchant services. For more information, please e-mail info@merchantservice.com or call 888-288-3816.

ISOMetrics

The spend of holidays past

Year after year, consumers increase the amount of money they spend on holiday gifts. Even in tough times, consumers open their hearts and wallets to spend more. And the holiday season continues to be the lifeblood of the retail industry. Here are some highlights from the season going back through 2003.

2003

On Black Friday (the day after Thanksgiving), holiday shoppers spent \$4.2 billion – an increase of 5 percent from 2002, according to ShopperTrak.

Visa USA (now Visa Inc.) reported that in the two days following Thanksgiving, U.S. spending on Visa-branded debit and credit cards reached \$6.5 billion, climbing 12 percent from the previous year.

Fifty-four percent of U.S. consumers were still paying off credit card debt from the 2002 holiday season, but economists predicted they would increase their holiday spending by 6.3 percent, according to Consolidated Credit Counseling Services Inc. and Bank One Corp., respectively.

2004

More than 133 million people shopped over the Thanksgiving holiday, according to the National Retail Federation. The average shopper spent \$265.15, and total spending over the weekend reached \$22.8 billion.

MasterCard International (now MasterCard Worldwide) reported a 17.9 percent increase in transaction volume for the holiday season, causing it to process more holiday transactions than ever before.

More than 8.8 billion purchases were made online, a 24 percent increase over the holiday season in 2003, according to data released by VeriSign Inc.

2005

A survey from the NRF predicted just under \$18.5 billion in gift card sales for the holiday season, a 6.6 percent increase from 2004. More than 75 percent of respondents said they planned to buy a gift card.

Market research firm comScore Inc. reported total spending on retail Web sites for the four-day Thanksgiving holiday reached \$925 million. This was a 24 percent increase over the same four days in 2004.

Online consumer spending for the months of November and December rose to \$18.1 billion, a 25 percent increase from the same period in 2004, according to comScore. An estimated 33 percent of U.S. households made at least one Internet purchase during the holiday season.

2006

According to an NRF survey, debit cards would be the favored payment form for gift purchases for the 2006 holiday season, with 39.1 percent of consumers planning to use them. The number of individuals who intended to pay cash dropped to 24.3 percent, from 28.5 percent in 2005. One in three would rely on credit cards. Only 6.2 percent would write checks at the register.

For the first time, gift cards were expected to supplant toys, games, music and movies as the gift of choice, rivaling even apparel, according to an American Express Co. gift card survey of 1,013 shoppers.

Two-thirds (66 percent) of respondents said they would purchase gift cards. Those planning to buy apparel gifts remained steady at 68 percent.

According to Retail Decisions, online retail sales volume increased 109 percent on Black Friday. Most shoppers were online in the afternoon.

2007

Deloitte & Touche LLP's 22nd Annual Holiday Survey determined 18 percent of holiday shoppers planned to buy "green" products in the holiday season; 17 percent said they were willing to pay more for eco-friendly gifts.

According to the NRF's second annual Return Fraud Survey projections, nearly 9 percent of holiday merchandise returns would be fraudulent, up from 8.67 percent the year before. As a result, it would cost retailers an estimated \$3.7 billion, up from \$3.5 billion the previous year.

MasterCard reported that holiday spending from Thanksgiving to Christmas increased only 3.6 percent over the previous year. By comparison, sales grew 6.6 percent in 2006 and 8.7 percent in 2005.

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NewProducts

Lift that tradeshow burden

Product: Rotolift

Company: Jelco Inc.

For individuals and organizations that routinely man booths at industry events, the tradeshow circuit can be a grind. Each year, the Electronic Transaction Association's Annual Meeting & Expo comes up in April, with all the regional tradeshow dotting the calendar around it like islands in the South Pacific.

For many in our industry, that means the headache of transportation and setup of tradeshow booth displays. But Jelco Inc.'s Rotolift mobile lift case solution just might help ease the pain.

The Rotolift is an all-in-one mobile cabinet designed to ship, display and store video monitors with diagonals up to 52 inches.

For stability and portability, the monitor is shock-mounted to a frame inside the case. The case – which rolls on casters and weighs between 250 to 260 pounds with the monitor inside – can be shipped by freight to industry events or loaded in a truck or minivan. To protect the monitor during transportation, the case is lined with foam.

Just a snap

When presenters arrive at tradeshow booths, they roll the case into place and remove the two clam shell lids.

Then a lever is pulled and the monitor attached to the frame rises gently and quietly out of the case using a counterbalanced system of compressed gas (no electricity is needed).

The bracket on which the monitor is mounted to the frame can be rotated for either landscape or portrait mode. A two-piece, premium plastic lid is provided to cover the base for a finished look.

An optional accessory shelf can be mounted on any of the four sides of the base for the placement of small form factor appliances like laptop computers and media players.

According to Jerry McComb, Sales Manager at Jelco, setup is quick and easy. "Once you roll it in, take off the covers; it's pretty much ready in minutes," he said. "After the monitor rises out of the case, all you have to do is hook up your laptop to it and power it up. You're pretty much set." McComb said that, once the tradeshow is over, the self-contained unit is as simple to pack up

and move as it is to set up. The monitor slides back into the base. A keyboard, a mouse and a tradeshow kit can be securely stored within one of the clam shell lids. The Rotolift can then be rolled along to its next destination.

A new option

Jelco manufactures two models of the Rotolift.

One version is designed to carry and display a 37-inch to 42-inch LCD or plasma monitor; the other model supports monitors between 46 to 52 inches. Monitors do not come with the Rotolift.

McComb is hard pressed to compare the Rotolift to the competition because he doesn't believe it has any. "I really don't think there's anything else like it in the market because of its flexibility," he said.



Rotolift with monitor installed

NewProducts

"Because, with the rotating mount, it's a very unique case solution. We don't really have competition in that area."

The Rotolift, which was launched in June 2006, has a drape kit option. The drape is a black skirt that covers the base of the case for presentation purposes.

But Jelco is putting the finishing touches on a new model with wood laminate to give presentations a more polished appearance.

"We keep revamping it based on the requests of a lot of our customer base, what they look for," McComb said. Jelco's customer base comprises digital signage companies, military and other government entities.

But McComb points out that the Rotolift is suited for other businesses looking for a mobile, yet protective, display solution. Jelco products are available from audio-visual dealers throughout North America. 

Jelco Inc.

888-875-3526 or 847-459-5207

www.jelcoinc.com

POS in a box

Product: HP rp3000 POS bundle

Company: Hewlett-Packard Co. LP

Bundling is a way for ISOs and merchant level salespeople to simplify deals for merchants on a host of services. Merchants don't need to know, and in many cases don't want to know, every fee for every transaction or the pricing structures for all programs ISOs offer.

It seems Hewlett-Packard Development Co. LP has taken the concept of bundling one step further. HP recently launched the HP POS bundle, which contains POS hardware, software and additional services in one package.

Designed for small and medium-sized retailers, the bundled solution is based on the HP rp3000 POS System, and HP said it gives merchants everything they need to customize a complete in-store POS platform.

According to HP, the POS bundle is quick and easy to set up and saves time, money and headaches associated with building POS systems from scratch.

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According to John Snaider, Vice President and General Manager, PC Business – Americas, HP, the solution "pairs best-in-class hardware with an array of independent software vendor applications to offer customers the greatest flexibility of platform choices available on the market today."

Inside

The HP rp3000 features Intel Corp.'s Atom processor for low energy consumption and a "retail-hardened" design for reliability and resistance to wear and tear.

An array of software partners have certified HP's POS system to work with their applications, most of which support a diversity of retail environments and specialty markets. HP's partners that service specialty markets include:

- Business Machines Sales & Service for hospitality (restaurant)
- InfoGenesis for hospitality (hotel, restaurant)
- Junction Solutions for hospitality (hotel, restaurant)
- Meal Magic Corp. for hospitality (hotel, restaurant) and education

- Nova Libra Inc. for pharmacy
- pcAmerica for hospitality (hotel, restaurant)

Many of these software companies have reseller channels.

Outside

HP peripherals that work with the bundled solution include a thermal receipt printer, a cash drawer, a POS keyboard with integrated mag stripe reader and a universal serial bus bar code scanner.

The system can also be configured with an HP touch-screen monitor or flat panel displays. The bundle became available to HP-authorized resellers Dec. 1, 2008.

In addition to the solution, HP gives its customers access to its Total Care Access Program, which provides merchants with a portfolio of services, support and security designed to assist them in managing, protecting and growing their businesses. 

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POScript

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Researchers in Madrid, Spain, designed **subtitled glasses** for hearing-impaired movie patrons. A **mini-display hangs** over the right lens and picks up **text transmitted wirelessly** as the action on screen unfolds. ... Archaeologists discovered the ruins of a **6,500-year-old farming** settlement in central Greece. Uncovered were **remains of wooden homes**, pottery vases, ovens, stone tools and **unbaked clay bricks**. ... A Beatrix Potter watercolor depicting an **unnamed rabbit** sold at a London auction for £15,600. ... The world's record for the **tallest mohawk** was broken in Omaha, Neb.; the **27-inch do** took about three hours to create with **hairspray and blow dryers**. ... Spammers can reportedly profit by getting just one response for every **12.5 million e-mails** sent. ... Freedom-2 ink, made of **biodegradable, plastic-coated** dyes, makes it possible to remove tattoos in **only one treatment** – good news, given that a reported **one in five tattoo recipients** regret having gotten them. ... The Centers for Disease Control and Prevention estimates 20 percent of high school **students smoked cigarettes** in 2007. ... U.K. **scientists stumbled** upon a method for **capturing fingerprints** from surfaces that fingerprints **could not be lifted** from previously. ... A jury ordered drug maker F. Hoffman-La Roche Ltd. to pay **nearly \$13 million** to three patients who claim the acne drug Accutane caused them to develop a **chronic bowel disorder**. ... A **fresh lava flow** was recently spotted on satellite images of the Erta Ale Range of **Ethiopia's Afar region**. ... The 35th anniversary edition of the **1972 classic book *Free to Be You and Me*** by Marlo Thomas and friends was released with new **art and a bound-in CD**. ... The starburst **galaxy NGC 1569** is stuck in the middle of a **crowded galactic cluster** nearly **11 billion light-years** away from Earth. ... A cell phone in the pocket of a Louisiana man reportedly **stopped a stray bullet** from piercing his chest. It helped that the **bullet came at an angle** rather than head-on. ... The Espresso (meaning fast, not coffee) Book Machine can produce a 300-page **paperback on demand**, complete with color cover, in 3 minutes. ... Mortgage companies Fannie Mae and Freddie Mac are **suspending foreclosures** for about 16,000 households during the 2008 holiday season.

MLScapes

Here's what they're saying on GS Online's MLS Forum:

I think the current economic conditions have created unparalleled opportunities for funding – cash advance and otherwise.

– MTY MSI

It is the time to reflect, to be appreciative and to harvest gratitude this Thanksgiving. Be thankful for what we have, acknowledge the favors and give thanks for the big and small things in our lives.

– DLLB

Remember one thing. A contract is only as good as the people on both sides of the contract.

– Approved

ISO-Q test

1. The Payment Card Industry Security Standards Council recently disbanded, declaring its mission to secure cardholder data as it flows through every step on the payment chain has been accomplished.
2. TowerGroup expects total gift card sales for the 2008 holiday season to drop nearly 9 percent.
3. The five largest acquirers will phase out relationships with their ISOs over the next three years because they have found a way to completely automate the merchant acquiring and retention processes.

The second statement is correct.

Biz bytes

According to Three Types LLC, there are three types of investors:

Savers spend the majority of their lives slowly growing their "nest eggs" to ensure a comfortable retirement.

Speculators forgo the relatively low returns of a slow-growing, diversified portfolio in an effort to achieve higher returns on targeted investments.

Specialists pick a single investing area and become expert in that area.

Loopy laws

In Harper Woods, Mich., it is illegal to paint a sparrow and claim it's a parakeet.

Inspiration

WaterCoolerWisdom:

Everything should be made as simple as possible, but not simpler.

- Albert Einstein

Ditch the holiday roller coaster

As ISOs and merchant level salespeople, you know better than most just how much retailers depend on holiday-season sales to carry them through the following year; your fortunes are entwined with theirs, after all.

But money isn't the only thing being spent this time of year. The season demands time and energy, as well. How does that affect you? When a cashier wishes you happy holidays, do you inwardly groan a bit because you have so many extra tasks still undone?

The holiday season, for most, is fraught with endless extra errands, events and decisions. Like Santa, we're making lists and checking them twice: holiday card lists, gift lists, guest lists, holiday dinner grocery lists and to-do lists.

Too much to do

Your to-do list probably includes many of the following – and more:

- Sending cards to clients, friends and family
- Researching gift ideas for same
- Purchasing gifts
- Stopping by to personally deliver holiday cheer to special clients and friends
- Traveling out of town to visit relatives or friends
- Hosting out-of-town relatives or friends
- Phoning clients, friends and family whom you are unable to visit
- Hauling out holiday decorations at the office and at home
- Identifying and replacing worn out bulbs, crushed wreaths or broken decorative nutcrackers
- Decorating home and office
- Cooking labor-intensive, decadent dishes you trot out only once a year
- Taking children to view colored lights and storefront displays downtown or spectacularly decked-out neighborhoods

- Choosing which charitable organizations to support and deciding how much to give them
- Volunteering for a soup kitchen or similar charitable service

Your list probably also includes events to attend, such as:

- Formal and informal office parties hosted by your company
- Holiday parties hosted by your clients
- The lighting of community Christmas trees or menorahs
- Holiday performances at your children's or grandchildren's schools
- Special religious services
- Holiday musicals or ballets such as "The Nutcracker Ballet" or "A Christmas Carol"

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While many of the listed tasks are pleasurable, they can be time consuming and taxing. Factor in the routine personal activities that must continue despite the holidays (take the garbage out, drive the children to piano lessons, pick up the dry cleaning, shop for groceries and so forth), and getting everything accomplished can seem impossible. So, how can you keep yourself from being run into the ground? Eliminate activities that drain your time and energy.

Time to let go

Following are possible candidates for elimination or, if you can't chuck them, reduction:

- Watching television
- Reading newspapers and magazines
- Staying up late reading novels in bed
- Surfing the Web, reading blogs or visiting social networking sites
- Listening to talk radio
- Chatting for half an hour at a time on the phone
- Playing video games, solitaire or online role playing games
- Text messaging

And here are some bad habits to break (or avoid if you don't do them already):

- Working through your lunch break
- Skipping meals
- Eating too much, especially of rich, fatty foods that sap your energy
- Working late after everyone else in the office has gone home
- Drinking more than a moderate amount of caffeine and alcohol
- Sitting crouched at a computer for hours
- Failing to exercise and stretch

We all know the wisdom of managing time and prioritizing tasks to attain professional and personal goals. It makes sense to pay particular attention to this during the holidays. Eliminate the unnecessary clutter from your day, and don't overdo. After all, what's the point of celebrating only to be sick in bed afterward?

If you draft a plan and eliminate the unnecessary tasks, you may even be able to schedule a massage or an extra round of golf.

Good Selling!SM

Paul H. Green, President and CEO

DateBook

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



Northeast Acquirers Association

2009 Winter Seminar & Outing

Highlights: This event will offer vital knowledge for those new to the payments industry and opportunities for seasoned veterans to gain further information and insights.

Slated topics include industry updates from card companies, legislation affecting the industry, the impact of bank acquisitions on portfolios and packaging products versus selling value adds.

In addition, attendees will have ample opportunities to network with their peers – while browsing the vendor fair, sipping cocktails at the opening and closing receptions, or playing in the Texas Hold 'Em charity event.

One ski lift ticket is included with registration; snowmobiling is also available.

When: Jan. 27 – 29, 2009

Where: Grand Summit Lodge, Mount Snow, Vt.

Registration: www.northeastacquirers.com/nextevent.htm



Southeast Acquirers' Association

2009 SEAA Annual Seminar

Highlights: The SEAA's annual meeting offers a congenial atmosphere in which to network with fellow attendees and vendors. Breakout sessions and panel discussions led by industry leaders will offer advice and inspiration while addressing the latest payment developments and opportunities.

Vendors will include processors, equipment manufacturers, leasing companies and other third-party vendors.

When: Feb. 23 – 25, 2009

Where: Wyndham Orlando Resort, Orlando, Fla.

Registration: www.southeastacquirers.com



Bank Administration Institute

BAI TransPay Conference & Expo

Highlights: This year's conference is designed to inspire and engage attendees with visionary keynote speakers, an expo floor packed with resources and solutions, as well as interactive sessions and preconference workshops that will offer new perspectives on payments industry opportunities.

Scheduled speakers include author Dr. James Canton, who will address trends influencing the banking industry; Ram Charam, a leadership expert who has coached successful chief executive officers at multinational corporations; McKinsey & Co.'s David Stewart, who will discuss cash as a driver of growth in electronic payments; and Susan J. Webb, Product

Executive of Global Core Cash Management at JPMorgan Chase & Co.

When: Feb. 23 – 25, 2009

Where: San Diego Convention Center, San Diego

Registration: www.bai.org/transpay



Electronics Transactions Association

ETA Annual Meeting & Expo

Highlights: Thousands of professionals attend this annual event, which sports a host of educational programs and an exposition hall featuring more than 180 exhibitors. It also offers a chance to network with partners, clients, vendors and peers – new and old.

General sessions, panel discussions, topical lectures and more informal gatherings feature industry veterans, as well as rising stars; they cover issues of concern to attendees, including best business practices, legislative developments and data security requirements, as well as the latest innovations in technology.

Past speakers have included Fox News Analyst Stuart Varney, CNN Host Lou Dobbs, Visa Chief Executive Officer John Philip Coghlan, Discover Financial Services CEO David Nelms and other top executives in the payments space.

When: April 21 – 23, 2009

Where: Mandalay Bay Resort & Casino, Las Vegas

Registration:

www.electran.org/content/category/6/35/118



Institute for International Research

Prepaid Card Expo 2009

Highlights: This expo provides a chance to network with 2,400 attendees from over 25 countries, as well as share and explore new ideas in the prepaid industry. The event will feature vertical market workshops, market focus sessions and cross-industry track sessions. And the latest in prepaid technology, services and solutions will be displayed and demonstrated in a spacious exhibit hall.

Scheduled speakers include Ozzie Smith, former shortstop with the San Diego Padres and St. Louis Cardinals, member of the National Baseball Hall of Fame, and current broadcaster; Carol Kinsey Goman, Ph.D., author, coach and consultant; Mark W. Yusko, President and Chief Investment Officer, Morgan Creek Capital Management LLC; and Alpesh Chokshi, American Express Co.'s President, Travelers Checks and Prepaid Services.

When: March 9 – 11, 2009

Where: Orlando World Center Marriott, Orlando, Fla.

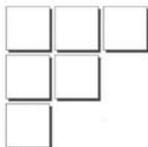
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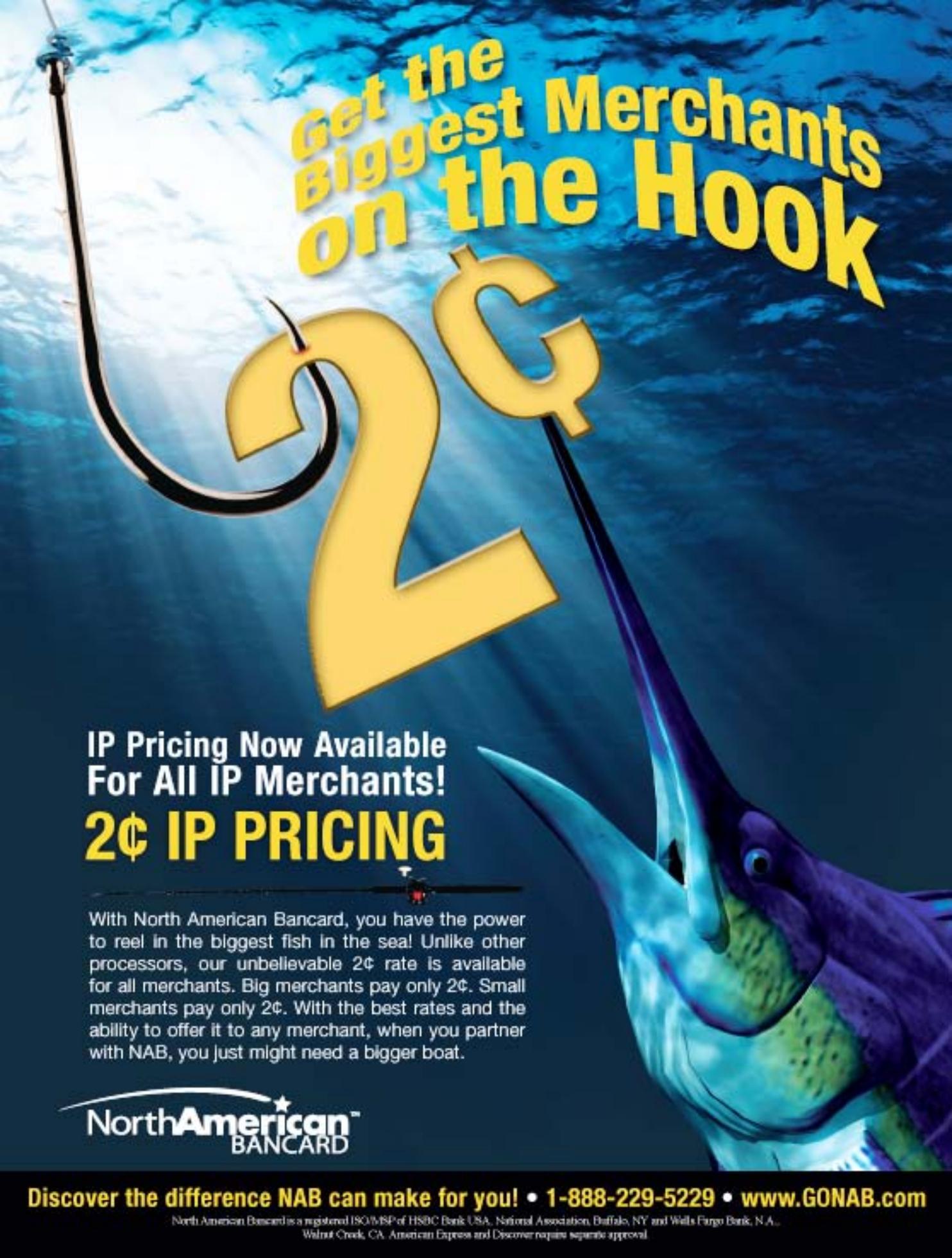


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North American Bancard is a registered ISO/MSP of HSBC Bank USA, National Association, Buffalo, NY and Wells Fargo Bank, N.A., Walnut Creek, CA. American Express and Discover require separate approval.



Angling for the Biggest Deals?

Let NAB's 2¢ IP Pricing bring them in.

Now Available for All IP Merchants!

And for all of your dial-up merchants, we still offer our low 2.5¢ dial-up pricing rate!

No Restrictions! All Merchants Qualify!

This is exactly what you've been waiting for. With great rates for every merchant, NAB puts the biggest deals right at your fingertips. And with the industry-best compensation plan, there's never been a better time to join the NAB team.

**With NAB, You Get an Interchange Revenue Split up to 65%
No Annual Fee or Batch Header Fee Required**

If you charge one, you share in it!

Up to \$750 Conversion Bonus!

Get paid 1.5% of the actual monthly processing on every merchant. If the merchant processed \$50,000, then you receive a \$750 bonus.

\$200 Approval Bonus

For each retail merchant approval and card-not-present merchant approval.

Don't Need Free Equipment?

Get an additional \$100 Bonus!

\$3,000 Signing Bonus

Sign up 30 merchants within your first 90 days and North American Bancard will pay you \$3,000!

Health Benefits Plan

Medical/Dental/Life/Long-Term Care. NAB pays 50% of insurance premium, up to \$300 per month.

DON'T FORGET: NAB will pay up to \$295 of your merchant's early termination fee!

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**NAB PROVIDES DAILY PAYMENT OF ALL BONUSES!
WHY WAIT WEEKS TO GET YOUR CASH? GET PAID
DAILY OR WEEKLY - YOU CHOOSE WITH NORTH
AMERICAN BANCARD!**

**NorthAmerican[™]
BANCARD**

