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August 24, 2009 • Issue 09:08:02

## Expanding options through microfinance

By Patti Murphy

*The Takoma Group*

**A**n emerging trend in the United States could, if successful, propel a massive shift from cash to electronic payments. It's called microfinance, and it has the potential to drive significant adoption of prepaid and debit cards, as well as emerging technologies like mobile payments.

By some estimates, the value of micropayments that have potential to move to electronic payments could top \$1 trillion a year.

Microfinance itself is not new. The first microfinance institution, Grameen Bank, opened for business in Bangladesh in 1976. Since then, the practice of making "micro" loans and providing other financial services to poor people with little or no credit histories has become an international phenomenon.

Last year, Grameen opened its first U.S. bank in the Queens section of New York. And in June 2009, Kiva.org, an international association that facilitates online person-to-person (P2P) lending, became available in the United States.

"Most people think of microfinance as something that helps people in the developing world alone, but the impact of microfinance can be felt in any community that supports creative, industrious entrepreneurs," said Premal Shah, President of Kiva.org. "Kiva's micro-loan model is extremely relevant to low- to moderate-income, U.S.-based entrepreneurs, especially given the current economic conditions, which makes access to credit a very real problem."

Shah expects the Web to become a major resource for low-cost capital for com-

See Microfinance page 59

### The underbanked: Who are they?

Here are some facts about the underbanked population:

- 40 million households (106 million individuals) are classified as underbanked.
- Median income is \$26,390 (\$47,500 mean income).
- Sixty percent are White (non-Hispanic); 19 percent Hispanic; 16 percent Black (non-Hispanic); 5 percent other.
- Sixty-three percent own their homes; 8 percent live rent free.
- Forty-five percent have children.
- Forty-seven percent are employed full time; 11 percent have part-time jobs.
- Forty-one percent are not employed (but 52 percent of these individuals are retired or homemakers).
- The mean number of adults per household is three.
- Twenty-seven percent are married; 29 percent have never been married, 16 percent are divorced or separated; 8 percent are widowed.

Source: CFSI Underbanked Consumer Study, 2008

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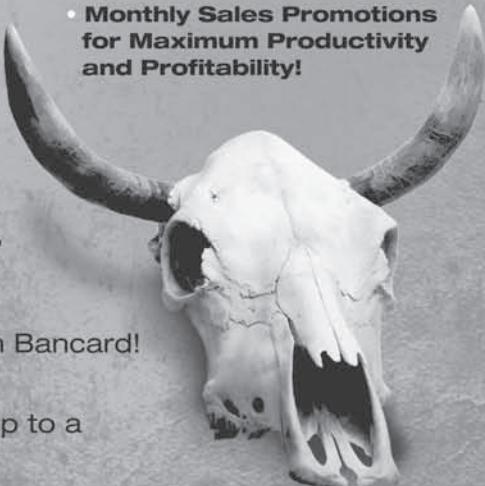
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# Forum

## Should we become an ISO?

I am writing you from Stockton, Calif., at the University of the Pacific. I found your Web site through searches and wanted to contact you for thoughts on an idea we have been talking about here. We currently have approximately 40 active merchant accounts crossing many different types of products and services. We have been carefully reviewing what we are paying in merchant fees and have begun wondering if there is a better way. We have been preparing to go out to bid for this service, but after a very cursory review of your Web site, I am left to wonder whether or not a business can be its own ISO (or "acquirer" per [www.corporate.visa.com/md/in/in\\_transactions.jsp](http://www.corporate.visa.com/md/in/in_transactions.jsp)). Are there laws or industry regulations that prohibit this? It would certainly seem to make sense at a glance. Does anyone there have thoughts on this? I am asking for knowledge here, nothing written in stone but whatever help, information or advice you would be willing to share would be great. Even if we cannot become an ISO or acquirer, do you have a list of companies that we could approach about merchant processing services that would offer competitive rates (all dependent upon their review of our existing merchant statements, of course)?

Todd Sparrow, University of the Pacific

*Todd,*

We referred your question to Jay D. Reeve, an attorney specializing in the payments industry. Formerly Senior Counsel and Associate General Counsel for Chase Paymentech Solutions LLC, he opened The Reeve Law Firm in July 2009. Following is his answer:

*The Visa Inc. or MasterCard Worldwide rules would govern the registration procedures the University of the Pacific would need to follow if it were to become a registered ISO or member service provider (MSP). I'm not aware of any reason the university could not register if it wanted to, but the registration process is both time consuming and expensive.*

*It appears that your motivation to ask the questions you have may be over fees. If you become a registered ISO/MSP, you may be able to negotiate better rates with a processor, but you will also take on increased responsibilities for compliance with card company rules (including data security rules).*

## Industry pillar Marc Shultz remembered

The payments community lost a pillar Aug. 1, 2009, when Marc Shultz succumbed to the H1N1 virus (commonly referred to as the swine flu). Shultz was known for his pioneering work in wireless payments, which helped to usher in the next generation of mobile, virtual and integrated solutions at the POS. He was also Vice President, Business Development at Charge Anywhere LLC and an Electronics Transactions Association committee member. Dale Laszig, Managing Director of DSL Direct LLC, who has known Shultz professionally for many years, said, "He always put people first. He was absolutely fascinated with people and he had great personal relationships." She added that he knew the individuals attached to his accounts down to birthdays and "all the different echelons of customers." A press release issued by Charge Anywhere stated, "Marc knew how to engage an audience and cared deeply about people, volunteering his time with the Electronic Transaction Association and as a Little League coach in his hometown of Portland, Ore."

Condolences may be sent to Marc Shultz Family, 515 NW Saltzman Rd., PMB # 833, Portland, OR 97229. Memorial donations can be sent to the Marc Shultz Memorial Fund, U.S. Bank, 12550 NW Cornell Rd., Portland, OR 97229. Proceeds will fund H1N1 virus vaccination research.

*Further, becoming a registered ISO/MSP does not automatically guarantee that you will be able to secure better rates for the university's merchant accounts and will likely just create bigger headaches for you in the long run. My advice would be to talk to a few respected ISOs/acquirers that have a track record for taking diverse merchant processing accounts and "aggregating" them for pricing purposes only. A properly constructed processing agreement can allow you to aggregate transactions for pricing purposes, but keep the transactions separated on a merchant by merchant basis to maintain compliance with the card brand rules and applicable law. A good ISO or acquirer partner will help you save money, remain compliant with the applicable rules and avoid the burden of ISO/MSP registration.*

*In terms of finding a few respected ISOs, The Green Sheet cannot endorse specific companies, but many of the major ISOs and acquirers support our magazine. If you peruse the advertising within our magazine and Web site, contact several companies that interest you and then ask targeted questions about their ability to meet your needs, you should be able to find a company that will work with you to provide the kind of pricing and service you seek.*

*Editor*

## How green is The Green Sheet?

Are The Green Sheet hard copy issues recyclable? Would it be with newspapers or magazines?

Matthew Brown, Total Merchant Services

*Matthew,*

*The Green Sheet is a recyclable magazine. The fact that it uses black ink only instead of a four-color process may give it a newspaper-like appearance, but the green paper upon which it is printed is magazine quality, not newsprint. Our assumption is that in recycling programs that group magazines and newspapers separately, it would be grouped with magazines. But since rules vary from community to community, it would be a good idea to check with the company providing your recycling service to make sure.*

*Editor*

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# QSGS

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

**Cover Story**

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## Expanding options through microfinance

An emerging trend in the United States could, if successful, propel a massive shift from cash to electronic payments. It's called microfinance, and it has the potential to drive significant adoption of prepaid and debit cards, as well as emerging technologies like mobile payments.

**Feature**

32

## Apple thriving close to the tree

Paul R. Garcia, Chairman and Chief Executive Officer of Global Payments Inc. (one of the world's largest payment processors) literally grew up in the credit card business. This article offers a look into the life and ideas of an industry stalwart.

**View**

26

## Financially strapped boost payment alternatives

Debit cards are fast becoming the payment instrument of choice for U.S. consumers. According to Visa Inc., the value of purchases made using Visa-branded debit cards in 2008 surpassed dollars spent using Visa credit cards for the first time. For many consumers who have made the switch, there may be no turning back.

**Feature**

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## A smarter way for the government to pay?

A July 2008 report by the Congressional Research Service to the U.S. Congress highlighted systemic problems with SmartPay, the government's charge card program administered by the General Services Administration. Might the use of prepaid cards be the answer?

**View**

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## Accounts receivable processing and the ISO revenue model

Three seemingly unrelated recent events should cause ISOs to think about the future of what we used to call the credit card industry. The first is that Visa Inc. published its better than expected quarterly earnings at the end of July 2009, and the others involve significant partnerships. What do these things mean, and how can ISOs make use of it all?

**News**

46

## EPX, joining end-to-end and tokenization

Payment processor Electronic Payment Exchange recently launched a data security system for merchants that combines end-to-end encryption and tokenization. The company said the system is the first of its kind.



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WHERE FORMS FOLLOW FUNCTION

News

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**Be the miracle**

CO-OP Financial Services, the nation's largest credit union service organization reported that, along with 130 of its participating credit unions, it raised nearly \$1 million for the Children's Miracle Network, a Salt Lake City-based nonprofit that provides financial assistance to more than 170 children's hospitals.

News

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**PCI SSC reaches Iron Mountain**

Iron Mountain Inc., an international information protection and data storage provider, joined the PCI Security Standards Council as a participating organization. According to an Iron Mountain representative, the company made its decision, in part, because it doesn't want to be "sitting on the sidelines."

Education

66

**Street Smarts<sup>SM</sup>: Blackjack savvy applied to merchant acquiring**

In business our rules are contained in our playbook. It's our business plan, our mission, vision and guiding principles. So it goes at the casino. This article explores some of the parallels between running a business and playing cards, as one of our Street Smarts authors strives to enter a high-stakes blackjack tournament.

Education

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**How to do effective performance appraisals**

ISOs employing merchant level salespeople (MLSs) need to conduct performance appraisals on a regular basis. Constant change, new regulations, organizational restructuring, new products, services and technologies, and changing delivery systems are just some of the reasons why.

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**Education**

## **Processing continuity: Threats and remedies**

Disaster recovery has become an industry unto itself, offering training, certification and outsourced solutions to protect businesses of all sizes from interruptions of service. So, how can MLSs address merchants' concerns about continuity in credit card processing?

86

**Feature**

## **The irrational truth of customer behavior**

In *All Customers Are Irrational*, author William J. Cusick describes the various ways in which consumers are led around by their subconscious thoughts and how companies are best able to exploit that tendency. Cusick believes most companies incorrectly rely on traditional profit models built on the long-held presumption that customers are, in fact, rational people.

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**Feature**

## **Payments on the edge: A con- versation with Conrad Sheehan**

Conrad Sheehan, founder and Chief Executive Officer of mPayy, spoke with *The Green Sheet* about the benefits and pitfalls of new and emerging payment methods like near field communication, digital downloads on mobile phones and virtual currency – including the real world financial implications of "gold farming" in the video game World of Warcraft.

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**Inspiration**

## **Reflect that glory**

Effective leadership demands humility in addition to the ability to delegate authority and turn to others for wise counsel and expertise. This article discusses how shifting the spotlight to colleagues or staff can empower future leaders in ways no other strategy can.

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## NEWS

### Third-party processors poised for growth

According to The North American Market for Third Party Payroll, Payment and Health Care Transaction Processing, 3rd Edition, a report published by research firm **Packaged Facts**, a division of **Market Research Group LLC**, the third-party processing market grew more than 11 percent in 2008 to \$61.9 billion and is expected to jump another 57 percent by 2013.

The report also found that corporate functions contracted to third-party processors are usually back office activities such as payroll, human resources, customer service, accounting, payables and receivables, records management and transaction processing. Major third-party processors are actively promoting new technologies and tapping into verticals like human resources outsourcing and mobile transactions to boost business.

The report assessed the market for data and payment-related transaction outsourcing and focused on three segments: electronic payment, payroll and health care transaction processing. "The drive for health care reform is helping to train public attention on using technology to streamline health care for patients and providers, a shift that won't come overnight but is likely," said Tatjana Meerman, Publisher of Packaged Facts.

### Comprehensive RDC guidelines now available

Information technology (IT) research firm **T. Houston Technology Group LLC** published its Risk Management of Remote Deposit Capture Guidelines as per The Federal Financial Institutions Examination Council's mandate that financial institutions offering RDC services provide training and risk management guidance.

"After months of research and development, we are publishing a comprehensive guide to RDC," said Tom Houston, President of T. Houston.

"Our goal with the guide and training program is to make the financial institution's job easier and provide the information they need to assist their customers." Joy Feyt, Senior Vice President of Business Development for T. Houston, added that everything needed to comply with state and federal regulations is in the guidelines.

For more information visit [www.thouston.com](http://www.thouston.com).

### Airlines' high risks of fraud

A recent survey of airline fraud investigators from **41st Parameter Inc.**, a fraud and risk management solutions provider to the airline industry, found insufficient rules and defense mechanisms in place at most airlines due mostly to lack of proper fraud detection tools. Consequently, payment losses due to fraud are a top priority for airline officials. Other survey findings include:

- All participating airlines reported some measure of fraud within their card-not-present channels; 25 percent also reported increased incidents of fraud.
- More than half the airlines reported their fraud detection solutions used fewer than 26 fraud rules to evaluate their level of transaction risk.
- Alternative payments methods such as Bill Me Later, eBillMe, PayPal and Google Checkout are now preferred over debit or credit cards by 6 percent of the airlines.
- More than 30 of the airlines reported up to 5 percent of reservations come from mobile devices or game consoles; another 8 percent indicated up to 20 percent of transactions came from these devices.
- Airlines reported more than \$500 million dollars annually in online fraud losses.

## BOTTOM LINES

### HEADLINES FROM THE RETAIL WORLD

- According to **eMarketer Inc.**'s Retail E-commerce Forecast: Cautious Optimism report, U.S. retail e-commerce sales (excluding travel) are expected to reach \$132 billion in 2009, a 4 percent decrease from 2008.
- **The NPD Group Inc.** reported that clothing sales in the United States during the first half of 2009 totaled \$84.7 million, down 7 percent from the same period in 2008.
- **Hybridcar.com** reported that U.S. hybrid car sales totaled 35,429 units in July 2009, up 35.19 percent over the 26,205 units sold the preceding month. As of July, total hybrid sales for 2009 were at 161,945 units, down 22.48 percent from the 208,911 sold for the same period in 2008.



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## Industry Update

"The travel industry is under siege by well-organized international fraud rings," said Ori Eisen, founder and Chief Innovation Officer, 41st Parameter. "Without comprehensive technology tools to aid investigators, airlines face a greater risk of fraud succeeding, especially as fraudsters exploit new channels and payment methods which in many cases are not currently detected."

## ANNOUNCEMENTS

### **Apriva class A certifies Hypercom's SPOS32**

Apriva class A certified Hypercom Corp.'s SPOS32 payment software on the Optimum T4230 terminal. The Payment Card Industry (PCI) PIN entry device-approved terminal features long-range general packet radio service with dial backup; 32-bit, multi-application processing; and 24 megabyte memory, which can accommodate gift card and loyalty programs.

### **Blackboard Transact 3.5 PA DSS-compliant**

Blackboard Inc.'s Blackboard Transact 3.5, a payment and security platform used by colleges and universities, was certified by qualified security assessor Trustwave as Payment Application (PA) Data Security Standard (DSS)

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compliant. "We remain steadfast in our commitment to delivering applications that comply with these evolving data security standards," said David Marr, President and Chief Operating Officer for Blackboard Transact.

### **Discover Zip payment devices accepted at Home Depot**

Discover Financial Services Zip payment devices – adhesive, contactless mini-cards that can be attached to personal items – are now accepted at **The Home Depot U.S.A. Inc.**'s 1,974 U.S. locations. "Saving time at the checkout provides added value to our merchants, our card issuers and our account holders," said Farhan Ahmad, Home Depot's General Manager, Prepaid and Director of Emerging Markets.

### **First Data certified Slim CD**

First Data Corp. certified Slim CD Inc.'s gateway software, which includes POS software, for its CardNet platform. Slim CD software reportedly allows for 2- to 5-second transactions through its Frame Relay.

### **Internet Payment Exchange is 10 years old**

Internet Payment Exchange Inc., which caters to health care providers, utility companies and municipal governments, has been offering its billing and payment solutions for 10 years. "Since starting in 1999, IPayX has helped organizations ranging from small municipalities to mid-sized health care systems, as well as large corporations to automate their billing and payment processes," said Douglas Braun, President and Chief Executive Officer of IPayX.

### **Intuit's GoPayment now available at App store**

Mountain View, Calif.-based Intuit Inc.'s GoPayment is now available as a free download at Apple Inc.'s App Store. The GoPayment application allows iPhone and iPod touch users to process card payments on those devices.

### **Mercator study explores card use**

A recent Mercator Advisory Group report revealed changes in consumer credit card use in response to the economic downturn. The Consumers and Their Credit Cards: A Cooling Relationship Threatens Post-Recession Outlook found a 60 percent success rate among the 27 percent of consumers who applied for credit cards. Almost two-thirds of those surveyed had switched to other means of payment for at least some of their purchases.

### **Merchants' Choice changes its name**

To reflect its expanded services, 20-year-old Merchants' Choice Card Services has changed its name to **Merchants' Choice Payment Solutions**. "We feel this change in cor-



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## Doin' it right

According to payments industry experts, the two biggest obstacles to bringing level 4 merchants into compliance with the Payment Card Industry (PCI) Data Security Standard (DSS) are lack of education and inactivity. Despite ISOs' and merchant level salespeople's (MLSs) efforts to keep PCI relatively simple, most small and mid-sized retailers remain bewildered by PCI's language and purpose.

To remedy this, PCI compliance and security solutions provider ControlScan Inc., The National Retail Federation and research firm PCI Knowledge Base released a report entitled, *What Small Merchants Know (And Don't Know) About PCI Compliance*, based on a survey of 220 level 4 merchants (those processing fewer than 1 million transactions or 20,000 e-commerce transactions annually).

### Minimal knowledge, maximum frustration

According to David Taylor, founder of PCI Knowledge Base, awareness of PCI among merchants has increased 86 percent since the PCI DSS was introduced in 2005, but a lack of intelligibility has deterred a considerable number from taking action to get PCI DSS certified.

"A lot of people we talked to don't necessarily believe that just because you're compliant means you're secure against a breach," Taylor said. "The other aspect we were concerned with is if they felt that PCI was worthwhile."

"Just because you're aware of something doesn't mean you're going to have positive feelings around it. And many payment

security organizations are frustrated because the level of knowledge and action is pretty minimal."

The survey disclosed that 85 percent of all breaches occur with small merchants and that 81 percent of breached businesses subject to PCI DSS were not compliant before their data were compromised. And fines for small merchants who have experienced breaches can be staggering – between \$5,000 and \$25,000 every month until compliance is achieved – far higher than the cost to upgrade terminal systems and get certified.

### Three sites, no charge

The report is being offered at no cost on all three organizations' Web sites. The survey's goal was to determine merchants' understanding and acceptance of PCI, perceptions of risks associated with being breached, level of confidence in their own PCI programs and money spent on compliance.

"My main worry is that these merchants think they know more than they really do, but in many cases they still need a lot of clarity," said Heather Varian Foster, Vice President of Marketing, ControlScan. "They view PCI and security very high, but they don't see how much risk they face, and that's the dichotomy. And certainly through our partnership with the NRF and PCI Knowledge Base we are working to help educate all those involved."

"By expressing their views about PCI, it means they are open to PCI products and services. Most level 4 merchants' compliance rates are very low, so I think this is

huge progress and something that we can use as a platform to help them fine tune what they need to know and provide better service and instruction as an industry to keep them from being a statistic. These merchants are asking for guidance to secure their businesses without it being overly complex."

### Continued education, leadership opportunities

Foster noted that thorough knowledge of what PCI compliance entails, as well as the ability to explain the requirements in layman's terms and help merchants properly complete the Security Assessment Questionnaire, can provide an opportunity for ISOs and MLSs to take leadership in rolling out PCI compliance programs. Merchants not only want education, but they also want their service providers to be their go-to resource.

"There really has to be specific training, so what we've done through this partnership is to really drill down and target a focused education program so those ISOs and acquirers can position their PCI service as a value that ties to that level of support and have an opportunity to really distinguish themselves," Foster said.

"This is a place for payment professionals to be leaders in this. A number of ISOs are starting to implement PCI as part of their whole product development process. There should no longer be just a check-the-box approach to PCI. It might be a challenge to execute, but there are certainly ways to do that. And what we've done with the help of the NRF and PCI Knowledge Base is to make that process as simple as possible." For more information visit [www.controls.com](http://www.controls.com), [www.pciknowledgebase.com](http://www.pciknowledgebase.com) or [www.nrf.com](http://www.nrf.com).

porate identity demonstrates the breadth of our product and service offerings and our future strategic direction," said Robert E. Marling Jr., Chairman of MCPS and CEO of Woodforest National Bank.

### NetCapture Receivables rolled out by NetDeposit

Payment processor NetDeposit LLC's newest remote deposit capture (RDC) solution NetCapture Receivables debuted at The Association for Work Process Improvement's (TAWPI) 2009 Forum and Expo in Washington, D.C. NetCapture Receivables is a Web-

based coupon and check capture application designed for accounts receivable environments and treasury management groups at financial institutions.

### OrderDynamics offers e-commerce

OrderDynamics Corp. offers an on-demand e-commerce platform which keeps all online merchants' e-commerce needs in one place without the need for payment or third-party processors. OrderDynamics' built-in Order Management Systems is fundamentally linked into all aspects of the process: e-mail marketing, customer relationship management, fulfillment and inventory control, front-end presentation, and merchandising rules.

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## Industry Update

### **SCM Microsystems' tiny smart card readers**

The latest smart card readers from **SCM Microsystems Inc.** are as small as a flash drive. These devices connect with either universal serial bus or near field communication to read standard or contactless smart cards, regardless of technology or manufacturer. Felix Marx, CEO of SCM Microsystems said the new readers come at the juncture of the "growth of contactless technology and the convergence of physical access and IT security systems."

### **USMS introduced TouchLite POS System**

**U.S. Merchant Systems** launched the TouchLite POS, a new, all-in-one POS system that supports multiple taxes, price levels, kits and matrices. Merchants can manage customer accounts and synchronize between stores and a central office. The unit comes with a three-year warranty.

### **Unisys introduces new image capture solution**

**Unisys Corp.** launched its SmartSource Adaptive series, capture devices for banks and corporate clients at the TAWPI 2009 Forum & Expo. The series has "a full complement of inbuilt check processing capabilities

and the added benefit of intermixed full-page processing in a single compact footprint that is tailored to the bank branch and back office environment," said Alan Howard, President of Unisys Payment Systems.

### **UPS rolls out new e-commerce suite**

The United Connect Business Suite, **United Payment Services'** new PCI DSS compliant e-commerce suite, offers its customers the ability to accept payments via e-mail, the Web, smart phone or in person; credit card tokenization for returning customers; 24/7 online reporting; and an Internet payment gateway with built-in shopping cart.

In other news, UPS made the 2009 *Inc.* 5000 list of the fastest-growing private companies in America.

### **TSYS Class A approves three more VeriFone wireless terminals**

Three more of **VeriFone's** Vx solutions were Class A approved by **TSYS Acquiring Solutions**. The wireless models Vx 510 GPRS, Vx 610 GPRS and Vx 670 GPRS join a dozen other Vx models previously Class A approved.

## PARTNERSHIPS

### **Alliance partnership is Charming**

Loyalty and marketing solutions provider **Alliance Data Systems Corp.** signed a long-term partnership with apparel retail chain **Charming Shoppes Inc.**

Under terms of the agreement, Alliance Data will assume operation of Charming Shoppe's private-label credit card programs, its credit card files and branded card program service center operations.

### **Elavon signs alliance agreement with FNC**

Payment processor **Elavon Inc.** signed a three-year agreement with **FNC Inc.**, a technology company serving the real-estate and mortgage industries. With Elavon's solution, FNC lender clients can include an electronic payment feature on their FNC dashboards for collecting and paying vendor fees.

### **First Capital under control**

Small-business credit card processor **First Capital Payments** joined forces with security solutions provider **ControlScan Inc.** to help small merchants meet the mandatory requirements set forth by the PCI Security Standards Council.

First Capital will have access to ControlScan's PCI 1-2-3 compliance solution, which allow merchants to analyze, remediate and validate their compliance with PCI DSS.



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## Industry Update

### **Chicago's Metra chooses Acuity Group**

**Metra**, the Chicago metropolitan commuter rail service, enlisted **Acuity Group LLC** to build a new Web site complete with electronic ticketing capabilities for Metra's commuters. "From the hundreds of proposals we received for the new Web strategy, Metra chose Acuity Group for its deep understanding of e-commerce and tactical way of doing business," said Phil Pagano, Metra's Executive Director. Riders will also be able to receive service alerts on their mobile phones.

### **Joint venture offers more mobile**

Mobile banking and payment solutions company **Monitise PLC** extended its business into Africa and the Middle East in a joint venture with payment processor **Paynet Systems Inc.** The companies expect to start operations under the agreement beginning in early 2010.

### **It's Avangate for Movavi's e-commerce**

**Movavi**, a Russian-based developer of multimedia processing tools, teamed up with Mountain View, Calif.-based **Avangate Inc.** for its e-commerce needs.

Movavi will use Avangate's e-commerce platform and the company's consultancy services to sell its software products globally.

### **Sterling, PSCU target small business**

**PSCU Financial Services Inc.** entered into a referral agreement with **Sterling Payment Technologies** for small business merchant processing.

"Small business owners can achieve significant benefits from our electronic payment services, and delivering this platform through their local credit union will also strengthen that relationship," said John Miglino, Sterling's Executive Vice President of Product and Marketing.

### **PayLogec, Nxgen Canada join forces**

**PayLogec Merchant Solutions** and **Nxgen Canada** partnered to market new payment solutions to financial institutions, trade associations, businesses and nonprofit organizations in Canada.

PayLogec's President, Don Andrews, said it would use Nxgen's operations and IT infrastructure to "automate processes and offer unique online data access to our valued partners."

### **The Golden 1 adds Fiserv's RDC solution**

**The Golden 1 Credit Union** added **Fiserv Inc.'s Consumer Source Capture**, integrating the RDC solution



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## Industry Update

into its existing Fiserv solutions. The Golden 1's President and CEO, Teresa Halleck, said the addition would "bolster our retail banking capabilities, as our members will now have the option of saving time and money by depositing checks anywhere anytime without making a trip to the credit union."

## ACQUISITIONS

### **Bottomline snags BofA's PayMode**

Bottomline Technologies signed a multiyear agreement to acquire Bank of America Corp.'s Software-as-a-Service, PayMode product, operations and vendor network. BofA will continue to market the electronic network for payment and invoice automation, retain existing PayMode clients, join Bottomline's Strategic Advisory Council and hold an equity interest in Bottomline in the form of warrants for 1 million shares.

### **FleetCor's ninth European acquisition**

Commercial fuel card provider FleetCor acquired the U.K. and Ireland fuel card business of **Retail Decisions** (ReD). The acquisition includes all of ReD's fuel card operations as well as its network of U.K. bunker fuel outlets, which contain the low-grade coal or heavy oil used to power ships.

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## APPOINTMENTS

### **TrialPay taps Greenberg**

E-commerce solution provider TrialPay welcomed **Daniel Greenberg** as its new Chief Marketing Officer. Greenberg brings nearly 20 years of experience in the software and Internet industries to the table and will head up global corporate, field and product marketing for TrialPay.

### **ETA gains Miller**

The Electronic Transactions Association appointed **Jill Miller**, an associate with the Jaffe Raitt Heuer & Weiss law firm, to its Government Relations Committee.

Miller's responsibilities include identifying, monitoring, and evaluating legislative and regulatory activities at the national and state level and disseminating those findings to its members.

### **Mills a leader at RPS**

Software developer and payment processor RP Solutions Inc. created a new position to drive sales and corporate growth. **Jim Mills**, a payment veteran with 20 years of senior executive experience in the financial sector, is the company's new Vice President of Business Development.

### **Little beefs up management**

To accommodate increased demand for its payment management platform and merchant services suite, Little & Co. hired **Thomas Murphy** as Vice President, Sales. He has over 20 years of business development and technology sales experience.

Little also appointed three new directors who will report to Marc Haskelson, Vice President, Business Development: **Ryan Friel**, **Rob Lyons** and **Matt McDowell**.

### **CRI appoints technical director**

In its continued development of countermeasures for side-channel attacks, Cryptography Research Inc. hired **Pankaj Rohatgi** as its new Technical Director, Hardware Security Solutions.

He will help the company's engineering team expand research and development efforts to fight such attacks. Prior to this appointment, he was a research scientist at IBM for 13 years.

### **MDS names new director**

To enhance the support it provides to ISOs, Miami-based processor Merchant Data Systems Inc. welcomed **George Sherman** as Director of ISO Relations. Sherman has over 10 years of experience with relationship and technical support. 



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*The executive management team at EVO would like to congratulate Ray Sidhom, founder and Chief Executive Officer of EVO Merchant Services, on receiving the Ernst & Young Entrepreneur Of The Year® 2009 Award. This award recognizes outstanding entrepreneurs who are building and leading dynamic, growing businesses.*

**"Ray Sidhom** is an out of the box thinker who believes anything is possible when you control your own destiny. Ray started by selling credit card machines to retailers. By 1994, he was convinced of his prospects. He formed EVO Merchant Services with a goal of building an in-house infrastructure to process credit cards throughout the entire transaction cycle. Fourteen years later, the tools he developed serve \$20 billion in transaction volume for the nearly 200,000 merchants he processes for every day.

Ray is a champion to the independent sales organizations he works with, which he calls partners. Currently, EVO is investing in the growth of its partners that have helped it achieve its own phenomenal expansion. For Ray, controlling his own destiny has been a winning strategy."

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Insider's report on payments

## **Financially strapped boost payment alternatives**

**By Patti Murphy**

*The Takoma Group*

**D**ebit cards are fast becoming the payment instrument of choice for U.S. consumers. Economic uncertainties are driving some of the growth. So, too, is consumer and merchant frustration over costs, primarily card rates and merchant interchange. As many of the researchers I've met over the years have explained: Most small, mom-and-pop business owners exhibit the same behaviors in both their personal and business lives, and that includes pricing sensitivity.

"The debit card market showed steady growth since its inception, but it is now the 'top-of-wallet' card for American consumers as a result of tightened credit lines and consumer frugality in the face of an uncertain economic future," said Brian Riley, Research Director for Bank Cards at TowerGroup.

The Needham, Mass.-based research firm estimated debit cards today account for 50 percent of all noncash transactions. Riley attributed the increased favor debit cards have gained to consumers' desire to better manage their purchases. In a recent research report co-authored by Riley and entitled, Shuffling the Cards: The Migration of Frugal Consumers and Cautious Lenders to a Debit Card World, TowerGroup predicted continued growth in debit as card issuers tighten credit lines and consumers become more thrifty.

Because debit cards link directly with consumers' demand deposit accounts, consumers are forced to spend only to the amount available in their checking accounts.

### **Going up**

According to Visa Inc., the value of purchases made using Visa-branded debit cards in 2008 surpassed dollars spent using Visa credit cards for the first time ever – \$206 billion in debit transactions compared to \$203 billion in credit card payments. The actual number of debit transactions exceeded the total of Visa credit transactions in 2002, which suggests debit cards are being used for many small-dollar purchases.

Efforts by the U.S. government and employers to move more benefits and payroll checks to debit cards (either tied to individual bank accounts or in the form of prepaid cards) are also contributing to the trend.

One year after introducing a low-cost debit card option for Social Security benefits recipients, the U.S. Department of the Treasury reported more than half a million Americans

have signed up for what has been dubbed the Direct Express Debit MasterCard.

For many of these consumers, there may be no turning back if responses to a recent survey by Mercator Advisory Group are any indication. The report entitled, The Consumers and their Credit Cards: A Cooling Relationship Threatens Post-Recession Outlook, suggested that as many as two-thirds of consumers could be classified as "payment changers."

These folks reportedly have taken specific steps to reduce credit card usage, including shifting payments to debit and prepaid cards. According to Mercator, "a vast majority indicate" these changes are apt to be permanent. "With this survey fielded at what might turn out to be the nadir of consumer sentiment in the recession, cardholders may be feeling empowered by turning away from credit and saying they will do so permanently," said Ken Paterson, Vice President for Research Operations at Mercator and author of the report.

"Future behavior could definitely depart from consumer expectations, but as a referendum on the appeal of credit cards today, the consumer point of view is certainly bearish," he said.

### **A predilection for prepaid**

However, unbanked and underbanked consumers are bullish on prepaid debit cards, as are numerous companies that have emerged to serve this market. Absent prepaid cards, unbanked consumers are compelled to spend with cash and money orders and to use a combination of check cashing, payday loans and other nontraditional arrangements to manage day-to-day finances.

One major player in the prepaid market, Green Dot Corp., headquartered in Southern California, reported that more than \$2 billion in payments were made in 2008 using its network-branded prepaid cards.

A survey of underbanked consumers recently conducted by the Network Branded Prepaid Card Association and the Center for Financial Services Innovation, a nonprofit affiliate of ShoreBank Corp. in Chicago, found 96 percent of users liked prepaid cards and 94 percent liked them enough to recommend a reloadable prepaid card to friends and family. Additional findings from that survey of the underbanked:

- Seventy-two percent said prepaid cards were a better value than check cashing locations, money orders or credit cards.

- Eighty-one percent preferred the straight-forward pricing of prepaid cards.
- Eighty percent liked the social status of using a payment card.
- Seventy-six percent said prepaid cards allowed them to better control spending.

"Reloadable prepaid cards give consumers with little or no access to credit or traditional financial services the ability to budget, spend and save like a mainstream consumer," said Kirsten Trusko, NBPCA President and Executive Director.

An e-mail recently came across my desk from a public relations firm representing FirstView Financial, a 5-year-old Atlanta firm that specializes in serving unbanked and underbanked consumers. Quoting FirstView's President and Chief Executive Officer Cherie M. Fuzzell, the e-mail read in part: "A traditional checking account is not the best solution for most unbanked customers" because of nonsufficient funds penalties and other fees. "Instead, many consumers would benefit from bank account alternatives offered by prepaid card providers."

Fuzzell is a one-time general counsel for leading card acquirer Elavon Inc. (formerly Nova Information Systems Inc.) Other former Nova executives also hold key man-

agement roles at FirstView. The company's Chairman, Joseph P. Meyer, takes credit for founding the first payroll debit card company in 1997.

### Inferiority complex

Concerns about prepaid cards are being raised in consumer circles, however. A report just published by Consumers Union in cooperation with the Consumer Federation of America and the National Consumer Law Center warned that prepaid cards can be "inferior" to traditional bank debit cards. The report cited high fees and potential differences in the treatment of prepaid card funds under Federal Deposit Insurance Corp. payout rules. "Until these consumer problems are solved, consumers using prepaid cards may find themselves stuck in a second-tier and much less desirable banking system," the report stated.

CFSI has taken issue with the findings, insisting that its own research indicated consumers are financially savvy and making solid choices, adding that "if they choose the right prepaid product, the fee structure is a far better deal for them than fees from overdraft, check cashing and more." ☐

*Patti Murphy is Senior Editor of The Green Sheet and President of The Takoma Group. E-mail her at patti@greensheet.com.*

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## Accounts receivable processing and the ISO revenue model

**By Brandes Elitch**

CrossCheck Inc.

**T**hree seemingly unrelated recent events should cause ISOs to think about the future of what we used to call the credit card industry. The first is that Visa Inc. published its quarterly earnings at the end of July 2009. Given the issues with the economy, you might have been a little bearish about Visa's earnings, but you would have been wrong.

### First, Visa's earnings

Visa posted a top-line sales increase of over 2 percent year to year, and earnings were up 13 percent from July 2008. Visa's goal for next year is a 20 percent growth in earnings.

Visa now derives 60 percent of its U.S. revenues from debit cards and 40 percent of overall revenues from foreign transactions. If you haven't been paying attention, you might not have realized that Visa's transaction volume is now about twice that of MasterCard Worldwide, which even surprised me.

Also noteworthy is that unlike American Express Co., which issues its own cards, Visa is relatively isolated from credit exposure in the current consumer financial debacle, since its cards are issued by banks, not Visa directly.

If you are an ISO, keep a close watch on how Visa is generating its income, because up to now, being a successful ISO has been about handling merchant credit card processing, which increasingly means taking Visa transactions.

### Second, Visa and U.S. Bank

Additionally, Visa and U.S. Bank N.A. created the joint venture, Syncada. (Who thinks up these names, anyway?) Syncada is "a B2B [business to business] global invoice exchange platform with integrated receipts and payable financing." This network processes and tracks invoices, makes and receives payments around the world, and offers payables and receivables financing through local and global financial institutions.

In this case, Visa decided to use a product developed by U.S. Bank, the sixth-largest commercial bank in the United States. Called PowerTrack, the product provides automated B2B electronic invoicing, payment processing and trade finance for "hundreds of customers."

That doesn't sound robust, until you realize that last year it processed \$18 billion worth of invoices.

**If you haven't been paying attention, you might not have realized that Visa's transaction volume is now about twice that of MasterCard Worldwide, which even surprised me.**

The real motivation for banks here is not to get the electronic invoicing business – that is just a modern, electronic version of the lockbox business. The real money is in the trade finance function: either loaning money to pay invoices, buying receivables at a discount or loaning money against them to increase cash flow for clients.

Visa's press release stated this is "a more efficient way to pay and be paid by replacing inefficient, paper-based B2B processes with an integrated, fully electronic financial supply chain platform." You could have lifted this very language from a press release First Chicago Bank & Trust did 20 years ago when it launched the GM Project, and not much has changed since then on this front, but perhaps enough has changed to make it different this time.

### Third, BofA and Bottomline

The third event is that Bank of America Corp. entered into a "strategic relationship" with Bottomline Technologies to "advance the growth of Bank of America's market-leading electronic network for payment and invoice automation."

Bottomline will acquire BofA's PayMode product, operations and vendor network for B2B electronic invoicing, payment processing and remittance data delivery. BofA said it has about 550 clients that have processed about \$300 billion since the inception of this product – that's a big number, although the time frame wasn't specified.

A BofA spokesman said, "After a thorough evaluation, we have concluded that working with Bottomline will accelerate the growth of PayMode."

### What it means

Here's the way I see it:

1. Visa is not just a credit card processing company any-

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## View

more. It sees its growth as managing the whole receivables and payment process, and rather than try to invent a product to do this, it bought an interest in a product developed by one of its major issuing banks, so it can get speed to market and a product that works.

The company will offer Syncada to all financial institutions (FIs) that are Visa members, and those FI's can private-brand it, enabling them to compete on a level playing field with even the largest banks for trade finance and international business. This is where Visa is going to put its energy in the next year, and, as an ISO, you should think about how you can participate in this.

2. BofA built a product similar to the one developed by U.S. Bank. For reasons that are anyone's guess, going forward BofA is turning over the marketing and product management to a company that is a "pure play" in the billing and invoicing space.

Two major banks built similar products, and each seems to enjoy a measure of success with its own product.

But U.S. Bank hit the jackpot, because Visa is going to market Syncada internationally to all its banks as the

solution to the age-old question of how to automate receivables processing.

While BofA would doubtless disagree, it seems to me that BofA is turning over PayMode to Bottomline in the hope that the third party will be more successful at selling it than BofA was, and if so, this will mean new demand deposit accounts for the bank.

This might be a big success for BofA in the long run, but in the short run, it is much less than a home run, at least compared to the U.S Bank situation.

### The ISO opportunity

Now, how do ISOs make use of all of this? A few weeks ago I attended the Midwest Acquirers Association's annual conference (which incidentally was very well organized – kudos to the people who put it together).

Remote deposit capture (RDC) was a big theme, and this year the buzz seemed to be around integration with general ledger systems – not just QuickBooks, but others, too.

Keep in mind that while people are saying checks are going away (from perhaps 30 billion to around 25 billion annually, over the next few years), all B2B payments are check-based and are likely to remain so for the foreseeable future.

For ISOs, it's a good news scenario. First, a recent study published in July 2009 by Aite Group LLC shows that about half of small merchants in the United States have never even heard of RDC.

Secondly, manufacturers have been building better and better imagers, so now an imager (with the right software) can read a check and the coupon/stub/invoice that accompanies it, and automatically post the cash books, bank ledger, accounts receivable and customer account. This is a big deal for small merchants or for any merchant.

And you, as ISOs, will have to explain, sell and install this equipment for merchants, not the banks, which have been asleep at the switch for four years now with RDC. There's no reason you cannot call on larger firms, too, and sell the merits of an automated accounts receivable processing product because, if there's one lesson we have learned, it's that ISOs can sell and banks cannot. ■

*Brandes Elitch, Director of Partner Acquisition for CrossCheck Inc., has been a cash management practitioner for several Fortune 500 companies, sold cash management services for major banks and served as a consultant to bankcard acquirers. A Certified Cash Manager and Accredited ACH Professional, Brandes has a Master's in Business Administration from New York University and a Juris Doctor from Santa Clara University. He can be reached at brandese@cross-check.com.*

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# Industry Leader

## Apple thriving close to the tree

**P**aul R. Garcia, Chairman and Chief Executive Officer of Global Payments Inc., one of the world's largest payment processors, literally grew up in the credit card business. Garcia's father was President and CEO of Diner's Club International Ltd. and instrumental in the creation of the American Express Co. card.

When growing up, Garcia spent a great deal of time at his father's Manhattan office and, through him, learned the values that helped him succeed in his own right.

"I had the opportunity to meet senior bankers involved in the issuing business, to listen in on their conversations," Garcia said of his formative days in New York. "I learned from watching the way my father treated his customers and colleagues that, by being personable and approachable, they can figure out who you really are and what you're all about. I feel fortunate to have met all those people and to have gotten involved at the beginning of a very exciting wave."

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### Experience meets opportunity

After graduating in 1975 from Ithaca College in Ithaca, N.Y., Garcia began his career selling Citigroup Inc. travelers checks to financial institutions. While at Citi, he met representatives of the newly formed Equifax Inc. and was offered a position to sell Equifax's credit reporting services to banks and big retailers. Then after a serendipitous meeting at JPMorgan Chase & Co., Garcia found himself on the path to the payments industry.

"The guy that ran the credit card business at Chase also had the merchant business under him," Garcia said. "He mentioned it was starting to gain some momentum, believed that it was really going to take off and asked if I would be interested."

"Well, I was 27 at the time, and they made a pretty attractive offer that turned my head. So I jumped on board, and that was the beginning of my merchant experience."

Garcia worked his way up the executive management ladder as a sales executive at Chase. He recalled there were only two enterprises doing significant transaction processing in the 1980s: Chase and National Bancard Corp. (NaBanco).

"Other companies were, of course, coming up and started to give us some competition, but we were the only two companies in the world doing that kind of online interface with merchants and processing at that time," Garcia said.

"So naturally I found myself selling against NaBanco a lot. Their CEO and I went head-to-head a bunch of times: Long story short, he offered me a senior executive management role, and I joined them in 1981 to run their sales division."

### Addition by division

Garcia served as CEO of NaBanco and then Group President of Card Services at First Data Corp. In 1997, Garcia temporarily left the payments arena to take over the reigns of Productivity Point International Inc., an instructor-led information technology training company.

"We must have had around 300 computer training centers when I was with PPI, but I didn't realize how much I missed the payments industry," Garcia said. "However, in 1999, National Data Corp. called me, and they said they had this little division and wondered if I would be interested in spinning it out and having a separate company focused on payments. I said that I would; it's hard to believe that was 10 years ago."

Garcia joined NDC as CEO of its Atlanta-based e-commerce division in June of 1999. NDC eCommerce began operating as Global Payments Inc. in December 2000 and



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## Industry Leader

spun off from NDC as a distinct, publicly traded company in February 2001. Garcia had planned to retire in the late 1990s, but memories of his father re-inspired him, giving his tenure as CEO of Global a second wind.

"I thought back on what a positive role model my father was for me, and I thought I owed that not only to my kids but to the new venture at Global," Garcia said.

"The company had 1,200 people almost exclusively in the U.S. when I joined, and now we have almost 6,000 staff members worldwide. It was important to me to instill the pride and promise of what this company could be and to communicate clear values and vision in a very crisp way."

### Provide and nurture

Garcia added that he feels fortunate to be surrounded by highly qualified, reliable people, which eliminates any need for micro-management. Garcia said CEOs and other executives running the day-to-day operations of large companies need to understand they are responsible for empowering their staff and providing opportunities for success.

"As a CEO, you want to be well thought of, but if you focus on yourself too much, you do your employees and

clients a disservice," Garcia noted. "If you are the company, what happens when you are no longer there? That's not good for you, your investment partners, your shareholders or your staff. What you want is a company culture and not a cult of personality, and that's what I strive for every day. Management, I believe, is just people taking care of people."

"When you take care of the people who take care of the customers, then we all get rewarded with their continued business. And that's a wonderful circle that repeats itself."

"You also must realize that, as a company leader, you have to always be morally and ethically just. Set the right example with encouragement and nurturing, and you can impact lives in a significant way. Conversely, if you are capricious, mean, selfish or dishonest, you can destroy a lot of people."

Garcia feels he is smarter and more capable now than ever before in his career, and he continues to challenge himself and those around him to grow intellectually and hone their skill sets.

He said Global's philosophy has no secret formula for success; everything revolves around its staff and customers. Additionally, Garcia believes there are three secrets to happiness that have nothing to do with health, wealth or marital status.

### The happiness quotient

"The first secret is to do something meaningful and recognize that your work is important," Garcia said.

"The second is to have someone to love and to love you, and number three is to have something to look forward to. If you have those three things you are fundamentally a happy person. If you don't, at the end of the day, you're not going to fulfill your true happiness potential."

With more than 30 years of payments industry experience to draw from, Garcia is nearing the dénouement of his career, and he has a unique perspective on the industry's evolution and current promise. He believes Global and the industry as a whole are in very good hands and will continue to thrive regardless of outside influences.

"Putting aside some of the legislative issues, the industry gets better every year," Garcia said. "The ETA [Electronic Transactions Association] is a much stronger organization. The ISOs are growing and prospering because they're doing everything we talked about: They're ethical, honest and clever, and they realize that they must continue to deliver true value to everyone."

"And lastly, we have to be very grateful for our customers. At the end of the day they're the ones that sign our checks. They are what drive this business, and we can never forget that." ■



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# SellingPrepaid



## Prepaid in brief

### NEWS

#### Court rules in Green Dot's favor

According to legal firm **Bryan Cave LLP**, the Federal Circuit Court of Appeals sided with Bryan Cave's client **Green Dot Corp.** in a patent infringement lawsuit brought against the distributor by Every Penny Counts Inc.

In 2007, EPC sued Green Dot and codefendants American Express Co., Visa Inc and MasterCard Worldwide, claiming that five of EPC's patents had been violated, Bryan Cave said.

The patents reportedly involved an automated system for distributing excess cash from retail sales transactions to predetermined charitable or savings accounts. EPC wanted to expand the system to include prepaid card transactions.

#### 'Scam' involves fake prepaid Web site

The *Las Vegas Sun* reported that **Visa** sued several Web sites that had infringed on the card brand's trademarks. Visa's lawsuit reportedly said seven domain names had "Visa" incorporated in the names; the domain names were registered to companies in Florida, Arizona, Colorado, Seattle and Antigua.

In the lawsuit, Visa claimed the companies were "cyber-squatting" – setting up fake Web sites to capture or divert Internet users from Visa's actual Web site at [www.visa.com](http://www.visa.com). One of the false sites allegedly included a link to "prepaid Visa card," the news outlet said.

Another fake site was reportedly "[www.vissa.com](http://www.vissa.com)"; when people mistakenly typed in the extra "s," they would be taken to the fraudulent site.

### ANNOUNCEMENTS

#### EntroPay gets into the virtual game

EntroPay rolled out a new payment method for online gambling, the EntroPay Virtual Card, which features

instant payouts, cross-border capabilities and a flat \$6 fee. The EntroPay card can be used at any online location that accepts Visa cards. The cards can also be used to move funds from users' Entropay accounts to personal bank accounts.

#### Evolution program rewards schools

In its fourth year, **Evolution Benefits Inc.**'s Teacher Dollars Program rewards Hartford, Conn., teachers whose students have shown marked improvement in academic achievement. The teachers receive special-purpose debit cards that can be used for school supplies that would otherwise be coming out of the teachers' own pockets. Thirteen schools were selected to receive the cards this year.

#### Carr to deliver keynote speech at prepaid show

**Heartland Payments Systems Inc.** Chairman and Chief Executive Officer Robert O. Carr will deliver a keynote address, Fighting Intrusion with Innovation, at the 17th Annual ATM, Debit & Prepaid Forum in October 2009. Carr's presentation will include a look at how system intrusions have affected the payments industry, followed by a discussion of data security and the future of payment technologies. The Forum will be held in Las Vegas, Oct. 18 to 20.

In other news, Heartland rolled out its ePIN It! program for prepaid calling card services. It offers wireless and long distance minutes – domestic and international – and includes over 110 offerings from most major wireless carriers. Merchants download the program to their POS terminals. Personal identification numbers are printed on POS receipts when customers purchase minutes, which they can use to access the minutes from their phones.

#### MoneyGram expands south of the border

**MoneyGram International** expanded its operations in Mexico, Ecuador, Columbia and the Dominican Republic with almost 1,200 new agent locations, bringing the total number of locations in Latin America, including Mexico and the Caribbean, to 25,000.

#### NetSpend honored

International Data Group's *CIO* magazine recognized **NetSpend Corp.** as a 2009 CIO 100 honoree for its Financial Infrastructure Program. The award honors organizations worldwide for operational and strategic excellence in information technology.

## Vietnam gets 1World Card

Prepaid card provider **One World Ventures Inc.** expanded into countries and territories in the Asia Pacific region with the 1World Card program. Through an unnamed global partner, One World Ventures is now able to expand into Vietnam, a country whose per capita income has doubled in the past 10 years.

## Digital promotions for prepaid providers

**RC Strategies Group**, a Seattle-based digital promotions and e-marketing firm, released its Digital Promo Pack to help prepaid providers boost sales. The suite offers gift-with-purchase promotions of digital entertainment. Ingrid Ricks, Principal of RC Strategies Group, said digital promotions are a perfect fit for the prepaid distribution model "because they are delivered through a promo code and URL."

## RushCard rewards approaches

### 1st anniversary

Cincinnati-based **UniRush LLC**'s Prepaid Visa RushCard rewards programs continue to be well-received according to UniRush's customer satisfaction survey. The programs reward merchants' existing customers with discounts.

## VIPGift to launch CLAIM 2.0

**VIPGift** is set to release CLAIM (Customer Loyalty and Incentive Management) 2.0, its points-based loyalty solution, in Fall 2009. CLAIM is an incentive program with customizable earning and redemption tiers. Messages can be targeted based on multiple factors.

## White Eagle provides pupils with prepaid

**White Eagle PLC** now provides the MasterCard-branded Freedom Eagle Cash Card to students at Wellington College, a private British school founded by Queen Victoria and the Prime Minister The Earl of Derby in 1859. White Eagle's Freedom4Schools Program is designed to foster financial literacy and cut administrative costs.

## PARTNERSHIPS

### PSCU selected for reality show

**Affinity Plus Federal Credit Union** of St. Paul, Minn., and **Builders Commonwealth** partnered to support ABC-TV's *Extreme Makeover: Home Edition*. Needing a secure Web site to accept donations for the renovation of a home in Douglas County, Wisc., the two turned to prepaid card provider **PSCU Financial Services**. PSCU had the donation site up in less than 48 hours.

### Terminals made available via Amplex

**Amplex Corp.**, a U.S. distributor of serialized prepaid

products and government issued stamps, will now provide nationwide packaging and shipping services for **ExaDigm Inc.** products. On Aug. 1, 2009, ExaDigm's full product line became available for purchase through Amplex.

## MoneyGram inks two deals

**MoneyGram** and mobile gateway provider **Affinity Global Services** teamed up to expand money transfer services globally. Anthony Ryan, President and CEO for MoneyGram, said the alliance "will significantly enhance our agent network by allowing us to partner with mobile network operators in key corridors such as Latin America, Asia and Africa."

MoneyGram will also be providing money transfer services for **Samsara Private Ltd.**'s 200 partner locations, which are mostly banks in urban and rural areas of Nepal. "Samsara is a trusted brand in remittance services in Nepal, and we're pleased to combine its expertise with MoneyGram's global network," said Harsh Lambah, MoneyGram's Regional Director for South Asia.

## TenderCard certifies TransNet

**Precidia Technologies Inc.**'s TransNet payment engine was certified by **TenderCard** for gift card transactions, allowing TransNet merchants to route gift card transactions to TenderCard's secure socket layer host. The TransNet payment engine, housed on a hardware platform, can route transactions directly to multiple Internet Protocol addresses without a gateway and the associated costs.

## PHT supports MGMA project

**Preferred Health Technology Inc.**, with its A-Claim medical payment solution, endorsed the **Medical Group Management Association's** Project SwipeIT, which encourages government and private insurance plans to issue standardized mag stripe member identification cards to reduce human errors and expense.

## Partnership for financial literacy

The **Washington Urban League** and **ACE Cash Express Inc.** jointly sponsored a summer camp program in which young campers learn about personal financial management. By providing classes at the Urban League camp, ACE fulfills one of its corporate objectives: educating youth about the importance of financial literacy.

## ACQUISITIONS

### Mint focused on Waseela

Prepaid provider **Mint Technology Corp.** completed its due diligence for the acquisition of Waseela Equity LLC in Dubai, United Arab Emirates. Mint further stated

## SellingPrepaid

that the transaction has no material changes since its declaration of July 30, 2009. The deal, which is expected to close Aug. 31, 2009, includes the purchase of Standard Chartered Bank EMEA, which signed an agreement with Waseela Equity to handle payroll card customers.

## APPOINTMENTS

### Grabow joins FSV

**James "Jim" Grabow** joined FSV Payments Systems Inc. as its new Chief Retail Partners Executive. In this role, he will lead the development and delivery of prepaid card programs for FSV's financial services partners. Grabow, formerly Senior Director of Wal-Mart Stores Inc.'s Card Products division, is also involved with the Center for Financial Services Innovation and a member of the Bretton Woods Committee.

### Western Union taps von Schimmelmann

The Western Union Co. welcomed **Wulf von Schimmelmann** to its board of directors. His involvement will include seats on the corporate governance and compensation and benefits committees.

Von Schimmelmann adds this to his list of posts: Chair of Supervisory Board of Deutsche Postbank AG; member, Supervisory Board of Deutsche Telekom AG; Director of Accenture Ltd.; member, Supervisory Board of Maxingvest AG; and Chair of the Supervisory Board of BAWAG P.S.K., an Austrian bank.

### MoneyGram names Woods EVP and CFO

MoneyGram appointed **Jeffrey R. Woods** to the seats of Executive Vice President and Chief Financial Officer. Woods comes to MoneyGram from his post as CFO for Global Investment Banking and Chief Operating Officer for Investment Banking, Americas at JPMorgan Chase & Co. 



## Features

### Prepaid profile: SmartyCard

## A new kind of smart card

**A**s parents know, "tweens" are hard to please. Children ages 7 to 12 want to explore the world and have fun doing it. But what might be fun to tweens, like surfing the Internet unsupervised, does not square with responsible parents' desires to

safeguard them and help them learn in a constructive way. To deliver products that satisfy both tweens and parents is the goal of Gazillion Inc. subsidiary SmartyCard. As the brainchild of co-founder Robert Hutter, SmartyCard provides virtual incentives for tweens to learn online in interactive, child-friendly environments. Youngsters play educational games and take quizzes at SmartyCard.com to earn points for the purchase of virtual- and real-world goods and services.

The mechanism that allows tweens to "learn and earn" is SmartyCard's virtual card. With the card, parents purchase online the points that their kids then accumulate through the games and lessons.

Once players gather enough points, they can purchase music downloads from the Apple Inc. iTunes Store or DVDs and toys from Amazon.com. Or they can go the virtual route and spend their points in virtual worlds like Stardoll, Mindspark Interactive Network Inc.'s Zwinky Cuties or Disney Corp.'s Club Penguin. Tweens can choose from "hundreds of awards," said Chris Carvalho, General Manager at SmartyCard.

SmartyCard just implemented a subscription format that gives parents 5,000 points for \$6.95 per month. According to Carvalho, 85 percent of the Web site's users apply their points to the purchase of virtual world items that enhance their avatars and virtual experiences. "So that's really marrying up well with our subscription offering," he said.

### Back to school

San Mateo, Calif.-based SmartyCard launched in March 2009 at DEMO, a conference that showcases new technology, where it won the People's Choice Award for innovation and execution. Since then, it has grown its user base to almost 200,000.

Carvalho remarked, "Parents have come back and said, 'Look, this is such a no brainer proposition. This is fantastic. I can't believe nobody else has ever thought of this because this totally gets to the pressing points I have at home.'"

A father himself, Carvalho understands the time and effort it takes to search the Web for both entertaining and educational Web sites for youngsters. That's where Carvalho believes SmartyCard stands alone. "With other sites, the child gets bored fairly rapidly because there's no motivation really to continue to work," he said. "Here there's a strong motivation because, however they work, they earn points in the way that they want."

Through SmartyCard, tweens also increase their financial IQs, he added. "I think just by doing SmartyCard, you're teaching them because they are building up points, and then they have to make decisions," he said. "'Do I want to buy this or do I want to save up for a phone?' They are making those financial decisions within the game."

## Large playground

SmartyCard has a staff of 20 and personnel dedicated to customer support. They respond to e-mails within 24 hours and also communicate with customers via the social networking medium Twitter. The target market for SmartyCard is families that are Web savvy and utilize social networking. Aaron Burcell, Vice President of Marketing at SmartyCard, said the tween markets for education, online entertainment and games are each multibillion dollar markets. He added that grandparents spend over \$50 billion a year on their grandchildren in these markets. "If you look at sheer spending, the figures are too ridiculous to repeat," Burcell said. "At a customer level, there are over 20 million kids in the tween age ranges, according to U.S. Census Bureau statistics." 

## A smarter way for the government to pay?

**W**aste, fraud and abuse of taxpayer money by the federal government does not foster trust in government programs. A July 2008 report by the Congressional Research Service to the U.S. Congress highlighted systemic problems with SmartPay, the government's charge card program administered by the General Services Administration.

The GSA runs three charge card programs, utilizing purchase, travel and fleet cards. According to the CRS report entitled Misuse of Government Purchase Cards, transaction volume using SmartPay cards has grown from \$527 million in 1993 to \$18.7 billion in 2007. In the same time-frame, the number of cardholders has tripled to 300,000 and the number of purchase card transactions went from 1.5 million to almost 24.7 million.

### Do the math

The CRS said the amount of abuse of those cards has grown as well. The report detailed instances of card misuse, such as a U.S. Department of Agriculture employee using her purchase card to funnel \$642,000 to her boyfriend over a six-year period, or a Forest Service worker charging \$31,342 for personal items such as video game systems, cameras and jewelry.

The CRS report did not indicate how much money the abuse of purchase cards was costing the government annually, but it reported on approximate levels of abuse. An audit of the U.S. Department of Education estimated that 37 percent of purchases on cardholders' statements were not approved. An audit of the U.S. Department of Housing and Urban Development deemed 47 percent of transactions questionable.

Citing a Government Accountability Office report, the

CRS noted that almost one of every six purchase card transactions governmentwide had not been approved. The main cause of card abuse is lack of oversight, the CRS said. And when cardholders recognize that supervision is lacking, abuse is more likely to take place, the report concluded.

### The alternative

"I think, generally, if you have a credit card in your hand with a \$1,000 limit, you're going to go spend it," said Jonathan Bennett, Head of Corporate for Europe and North America at prepaid travel card specialist Travelex Currency Services Inc.

In contrast to credit cards are prepaid cards; since they are loaded with fixed dollar amounts, expenses can be more easily managed on the front-end, Bennett said. "You therefore can control how much that person is spending," he added.

Travelex operates in 24 countries and works with corporations around the world on travel card programs. With its Cash Passport service, Travelex provides airlines like British Airways PLC and Virgin Atlantic Airways Ltd. with a cost-effective alternative to the airlines' paper voucher systems, which reimbursed customers for flight delays and other problems.

Travelex also works with the British government on travel card programs, Bennett said. He sees no difference between a travel card designed for corporate environments and one for government agencies.

"Because we program manage when we run that program, we can shape that program very well for the government entity," he said. "We can control ATM charging. We can control the foreign exchange margins when [employees] go abroad."

While Travelex manages the programs, the entities have control over how, when and to whom funds are dispersed, with "multiple hierarchies" within agencies approving and loading funds, he said. Additionally, to prevent cardholders from purchasing unapproved goods and services, Travelex can restrict where cards can be used, he added. "We can challenge the process they have [used]," he said. "There are alternatives."

### P-card hard to dislodge

In response to the CRS report, Sen. Charles E. Grassley, R-Iowa, introduced legislation designed to require federal agencies to establish safeguards and internal controls on government charge cards. But switching to prepaid cards is not part of Grassley's plan.

One reason may be because of entrenched ways of doing business. For example, in the corporate world credit card providers are the established forces behind purchase

## Selling Prepaid

card programs, said Tim Sloane, Director of the Debit and Prepaid Service at Boston-based Mercator Advisory Group. "There is little incentive for a credit card company to displace credit cards with prepaid," he said. "In fact, these companies are more inclined to offer special credit card solutions than to add a new product line to the mix."

Another factor is that card providers can make more money on credit card transactions than on lower margin generating prepaid cards. "As a result existing corporate card companies are not rushing prepaid solutions to market," Sloane said.

Back-end integration is also a sticking point, Sloane noted. Since it is time consuming and expensive to implement, "a new prepaid solution that requires additional integration is a hard sell," he said.

But according to Bennett, the potential for prepaid card solutions in the corporate and government sectors is huge. "You wouldn't believe how much cash is being distributed around the world, having travelers checks distributed," he said. "The opportunity is massive in Australia, the U.K., Asia." 

## Card payments for caregivers

**T**he Illinois Department of Human Services selected Affiliated Computer Services Inc. to issue electronic payment cards (EPCs) to individuals who provide childcare and personal assistance to the disabled in their homes. According to the IDHS, the EPC service will be available to approximately 80,000 caregivers in Illinois. It is scheduled to go live Oct. 1, 2009.

Carol Adams, Secretary at IDHS, said the program will cut governmental costs of dispersing paper checks to recipients. She estimates the service will save IDHS \$230,500 annually. But she stresses that the main value of the solution will be in giving caregivers quicker, more convenient and less costly access to their monthly pay.

"The main objective is to speed up delivery of monthly payments," she said. "It helps people have immediate access. We have consumers that have concerns about their mail. It creates problems for them, worried about the security of their funds. So I think this is an easier and certainly a less expensive way for them to access their funds, particularly for people who don't have checking accounts."

Unbanked cardholders will no longer have to pay check cashing businesses to get their funds, she said. IDHS believes the 50,000 child care providers will reap \$5.5 million a year in savings; for the remaining 30,000 personal

assistants, a total collective savings could be as much as \$10.5 million annually.

Additionally, cardholders are not charged maintenance or other fees for using the reloadable MasterCard Worldwide-branded prepaid cards, Adams said.

### Taking good care

ACS runs 24 EPC programs serving 4 million consumers nationwide and administers Illinois' child support payments program. Dave Turner, Vice President of State and Local Solutions at ACS, said the EPC program will streamline the funds disbursement process, with recipients receiving payments electronically on the day they are issued.

"But if it were to be put in the mail on a Monday, it might not show up in their mailbox until Wednesday or Thursday," he said. "They're working late on Friday. They might not be able to get to the bank or, God forbid, have to go to a check casher. We're talking about easily a seven day improvement on getting access to those funds."

Cardholders are also afforded the protections of Regulation E, part of the Electronic Funds Transfer Act of 1978. "If there is an improper transaction or unauthorized transaction, these people can get their money back, whereas taking cash before, they didn't have any recourse," Turner said.

The program is also designed to increase consumers' financial literacy. Bryan Thomas, Project Manager at IDHS, said the EPC solution will help educate the unbanked population in Illinois on the benefits of electronic banking and payments. The marketing campaign the IDHS is initiating before the Oct. 1 launch includes posters and brochures enclosed with mailed checks, he said.

### Changing with the society

The EPC program pays day care facilities as well as individual family members who provide childcare for services rendered, Adams said. It also funds the work of personal assistants, whom Adams defined as caregivers who help out individuals in various ways.

"They may provide them assistance of even getting up in the morning," she said.

"Some of them do housekeeping duties – the kind of things that enable them to stay in their homes as opposed to having to move to some other kind of facility."

As the U.S. population continues to rise and individuals live longer, thereby increasing the stress on child and health care providers, the need for additional support workers will increase as well, Adams said. Therefore, she believes that child care providers and personal assistants are growth areas for electronic payments. 

# CompanyProfile



## M2 Global Ltd.

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Web site: [www.m2-global.com](http://www.m2-global.com)

### **ISO/MLS benefits:**

- Offshore processing for higher-risk merchants
- No physical relocation necessary
- Fraud filter that blocks card purchases from high-risk areas
- Payout cards for companies with global workforces
- Instantaneous global money transfer
- Text messaging feature to alert recipient of money transfer and balance

## Drawing new boundaries for processing, payouts

**W**ith strongholds in six of seven continents (absent only from Antarctica), M2 Global Ltd. has a broad geographical presence and wide-ranging influence. It is also positioned as a go-to source for assistance among merchants and ISOs who are looking to expand beyond their countries of origin.

"We have cardholders in 130 countries around the world, and we have significant global reach for a merchant as well – particularly a merchant who wants to grow his or her business internationally," said Craig Taylor, Chief Marketing Officer, M2 Global. "We're ideally suited to be able to service and support that merchant, and we've got experience, capability and relationships around the globe."

M2 Global's Merchant Services division falls under M2 Financial, one of three subsidiaries that make up M2 Global (the other two are M2 Systems and M2 Labs). M2 Financial has offices in Antigua (West Indies), Costa Rica and Florida; it is the processing arm of M2 Global.

### **A different option for processing**

In particular, M2 Financial specializes in offshore payment processing, a service for merchants whose businesses are, for one reason or another, ill-suited to the American banking system.

"The key items are high-volume merchant accounts that are not sitting comfortably within the U.S.," Taylor said. "That is typically who we work with. ... What we want to do is enable merchants to go offshore as far as setting up their processing accounts, meaning outside the United States."

Taylor has found that merchants move offshore for a number of reasons, among which are more lenient banking regulations, the ability to process more accounts and higher chargeback thresholds.

"The risk level we're prepared to take is higher," Taylor said. "We'll take a merchant that has a slightly higher risk level than most U.S.-based banks. So if somebody has more chargebacks than the allowable for a more conservative domestic bank or they're maybe considered a slightly higher risk business, like a travel or medical or pharmaceutical client, some of those clients would prefer to process offshore."

However, Rosalind Clark, Project Manager for M2, stressed that approval to process overseas is far from automatic. "They do have a process they go through, so we're very diligent as far as reviewing their application thoroughly," she said.

Taylor added that the reasons "larger" companies tend to move offshore more than smaller ones relate to the cost of relocating and the fact that offshore banks generally won't work with clients who have low transaction volumes.

"Frankly, small merchants, if they're not transacting at least \$100,000 a month,

**"Basically we are a technology provider - a processor - for a range of different banks that provide prepaid card products. This could be Visa or MasterCard, and basically the banks use our system in order to process those transactions."**

- Sean Forward, Managing Director for M2's Merchant Services

it's just not worth our time as a major processor to work with them," he said.

The company's processing center is located on the island of Antigua, which is where U.S. merchants who "don't sit comfortably" in the United States move their processing when they commission the services of M2 Financial.

"What we do is we have the merchant actually incorporate in the jurisdiction of the sponsoring bank," Clark said. "So for instance, although they may be located in California, they will still need to open a corporation over in Antigua." She added that such a corporation can be a "virtual corporation" and that establishing a physical presence on the island isn't necessary.

Taylor said those clients are predominantly multilevel-marketing firms (companies whose clients, in turn, become vendors), and that they generally deal in one of a handful of trades – among them, telemarketing, magazine sales, customer service centers and the import/export business. He said such businesses are particularly difficult to run under the U.S. banking system.

"[Many] have been asked by their domestic banks to basically move their processing away," Taylor said.

### Other opportunities

In addition, relocating sometimes will alert a merchant to other global opportunities, Taylor pointed out, adding that M2 Global offers a number of programs to help businesses expand or otherwise facilitate their global platforms.

Among those offerings is Globe Wallet, a prepaid global "payout card" intended primarily for use by companies whose employees are spread across the world. The card is similar to a payroll card, but with some unique qualities. Like payroll cards, payout cards are devices for paying company employees without checks.

"With a payout card you can pay freelancers or agents or independent salespeople or pay commissions or payout rewards and bonuses and all kinds of things, whereas a payroll card gets a little more restrictive," Taylor said. The service works with both unbanked and banked employees, he added.

"Basically we are a technology provider - a processor - for

a range of different banks that provide prepaid card products," said Sean Forward, Managing Director for M2's Merchant Services. "This could be Visa or MasterCard, and basically the banks use our system in order to process those transactions."

M2's Globe Wallet card also has some less common features not built in to the typical prepaid mechanism, Taylor said. One of those, of course, is that it is global, meaning employees from any number of countries or regions can use it, even if the company they work for is stationed somewhere far away.

"They can load those cards with the appropriate amount of commissions anywhere in the world," Taylor said. "And that money is instantly then transferred from their account on our system with our bank to anybody in South Africa or New Zealand or Japan, or wherever they happen to be working."

The card also operates in real time – meaning transferred money can be accessed instantaneously – and has a text messaging feature to alert the recipient of his or her latest money injection.

"A person's reloadable card has an extra 500 bucks on it as soon as you hit send," Taylor said. "And you can get an SMS [simple message service] message on your phone that says, 'Oh by the way, Craig just sent you \$500, and your new balance is 957 bucks.'"

### Different cards for differently sized payouts

Globe Wallet is one of two payout cards offered by M2. The other, iKobo, also works on a global platform but is intended for far fewer recipients. Whereas Taylor said Globe Wallet has been used to send remittances to as many as "literally, 10,000 to 100,000 employees," iKobo has traditionally been "more of a one-on-one product" used, for example, by parents sending money to their sons or daughters overseas.

"Let's say I'm sending my mum some money in the U.K.," Forward said. "I would go onto [the iKobo Web site], fill out the form, and iKobo sends the card to my mum and then loads the card. She can then go to the ATM and pull money out or spend the money wherever Visa's accepted."

In July 2009, M2 Global announced an expansion of the

iKobo card program to include business-to-employee transfers for small to medium-sized businesses with global workforces.

Meanwhile, big businesses continue to use Globe Wallet. Taylor said that between the two cards, "we're now the largest card-based global remittance product" – with recipients in over 130 countries.

Both the Globe Wallet and iKobo cards can be downloaded onto Web-enabled cell phones or used as conventional payment cards.

Taylor said money transfers to either Globe Wallet or iKobo (which is derived from the Kobo, a traditional West African coin) can be done with a cell phone; with Globe Wallet transfers can be made, via phone, from one of the prepaid cards to another.

### **'BIN scrubbing' to prevent fraud**

While M2 Global is in most respects helping to facilitate globalization, the company is also taking judicious measures to curb its spread in certain places.

Most notable is a program that Forward called "BIN scrubbing," which can flag or block payments coming in from specified regions or countries of the world – particularly places where fraud is rampant, like Nigeria.

According to Taylor, the scrubbing program can trace the origin of a credit card payment one of two ways: through the Internet Protocol (IP) address of the computer on which it's used or through the card's BIN number, which corresponds to the bank from which it was issued.

Taylor said transactions can either be flagged or blocked outright, depending on the merchant's preference. When transactions are flagged, M2 will often cross-check the card information with separate databases in search of red flags, like a criminal record linked to the cardholder.

The databases that are scanned can include things like the FBI's criminal database and the United States Terror Watch List, he added.

Taylor said it is fitting that M2 is making good use of mapping and geography-related technology, like the geographic filters, because "geo-location technology" is one of the company's hallmarks.

"The geo-location technology on the Internet you use to find the local pizza shop, and which is pretty ubiquitous, we actually own the patent to that technology," Taylor said. "For example, the online Yellow Pages – we own the patent to the back-end of that stuff."

Taylor added that the company plans to use that same geo-location technology as a way to filter credit card payments.

"We're working on, and will be rolling out shortly, technology that enables you to pinpoint where a card can be used, and can't be used, by either geography or location," Taylor said.

"So I've got a daughter that's going off to college in the fall, and I can set her card not to be able to be used in the liquor store, for example, based on IP address. Or I can say the card is only good in this ZIP code."

M2 global was founded over 22 years ago. Taylor noted that among the company's major clients are Blue Cross BlueShield, for whom M2 accepts and processes medical claims; Alliance Data Systems Inc., Citibank N.A., Delta Airlines Inc. and Tesco PLC (the "Wal-Mart of Europe").

### **The future – dynamic data**

Taylor also mentioned one more project in the works – and which he called another very significant piece of M2's future.

The project, called SAFE (Secure Access for E-commerce), aims to provide an extra layer of protection for online purchases.

It involves making a credit card's cardholder verification value (CVV) number – the three digit number on the back of the card required by online and phone transactions – a "dynamic number, where you can change it for every single transaction."

The service will require consumers to send out a text message to the M2 server to get a new CVV number, which will show up in the reply. After each transaction, the existing CVV number is voided, and another text exchange is needed to obtain another number.

"If anybody steals your card [data], it's worthless," Taylor said. The product seems to tie into a general theme of the M2 mission: mobility.

"Where we see the future is helping not only online but mobile technology, so our approach is to move everything we can into a mobile environment," Taylor said. "In effect it would become bank beyond bank. ... People may not need a bank in the future; they might just need an account somewhere and a phone to move things around."

Mirroring M2's other products and the migration of the company itself, SAFE changes the payment game by redefining its parameters. One way to see it is that the numbers become programmed to transcend the physical enclosure of a credit card, within which the data traditionally remains confined – and static.

M2's plan, conversely, is to remove data from within the card and insert new data from outside it, an approach that oversteps long-standing borders. ■

## Indictment for gambling processor

**O**n Aug. 5, 2009, Lev L. Dassin, Acting Attorney for the U.S. District Court, Southern District of New York, and Joseph M. Demarest Jr., the Assistant Director-in-Charge of the FBI, filed an indictment charging 34-year-old Canadian Dennis Rennick with bank fraud, money laundering and conspiracy to operate an illegal gambling business. The charges stem from Rennick's role in processing more than \$350 million for Internet gambling companies.

### Fraud brazen

The investigation found that beginning in 2007, Rennick opened a number of bank accounts in the United States under various corporate names. Rennick and alleged co-conspirators sent transaction proceeds from a Cyprus bank account to various U.S. bank accounts.

Rennick is accused of stating the U.S. accounts would be used for issuing rebate, refund, sponsorship, affiliate and payroll checks and for processing those transactions when, instead, said accounts were used to receive funds from offshore Internet gambling companies that offered

poker, blackjack, slots and other casino games. He then disbursed funds via checks to U.S. residents seeking to cash out their gambling winnings.

### Greed too great

In June 2009, federal prosecutors seized about \$33 million from Account Services Corp., one of the companies that Rennick allegedly used to pay online gambling customers. "It almost seems like this guy was more of a middle man to get the money back into the U.S., but I never heard of the guy and neither has anyone in the payments industry," said Gun Barrel City, Texas-based payments attorney Jay Reeve.

"Of course Fed banks today have to deal with the Patriot Act and KYC [know your customer] requirements, but it doesn't take that much work or that much genius to set up accounts on fraudulent representation."

### Stigma immense

With the exception of fantasy sports, online lotteries and horse or harness racing, the transfer of funds from a financial institution to an Internet gambling site is prohibited in the United States under the Unlawful Internet Gambling Enforcement Act of 2006. And Reeve doesn't expect this law to be revised anytime soon because of the stigma associated with Internet gambling.

"I don't know of any respectable acquirer that even wants to get near Internet gambling," Reeve said. "Of course everyone would like to have the money that it generates, but I think the big players look at it from the standpoint that a) they don't want the media writing about them getting all this Fed money and then making additional billions in gambling transactions; and b) they fear a greater loss of revenue in the soiling of their brand being affiliated with that kind of activity."

### Consequences severe

If convicted, Rennick faces up to 55 years in prison, \$1.75 million in fines and the forfeiture of approximately \$565.9 million, which according to the FBI, are the proceeds Rennick obtained through illegally processing online gambling transactions and conspiring to defraud financial institutions. ☐



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## EPX, joining end-to-end and tokenization

**P**ayment processor Electronic Payment Exchange recently launched a data security system for merchants that combines end-to-end encryption and tokenization, two of the industry's most exalted solutions for securing card data. The company said it is the payments industry's first processor to develop a product that joins the two.

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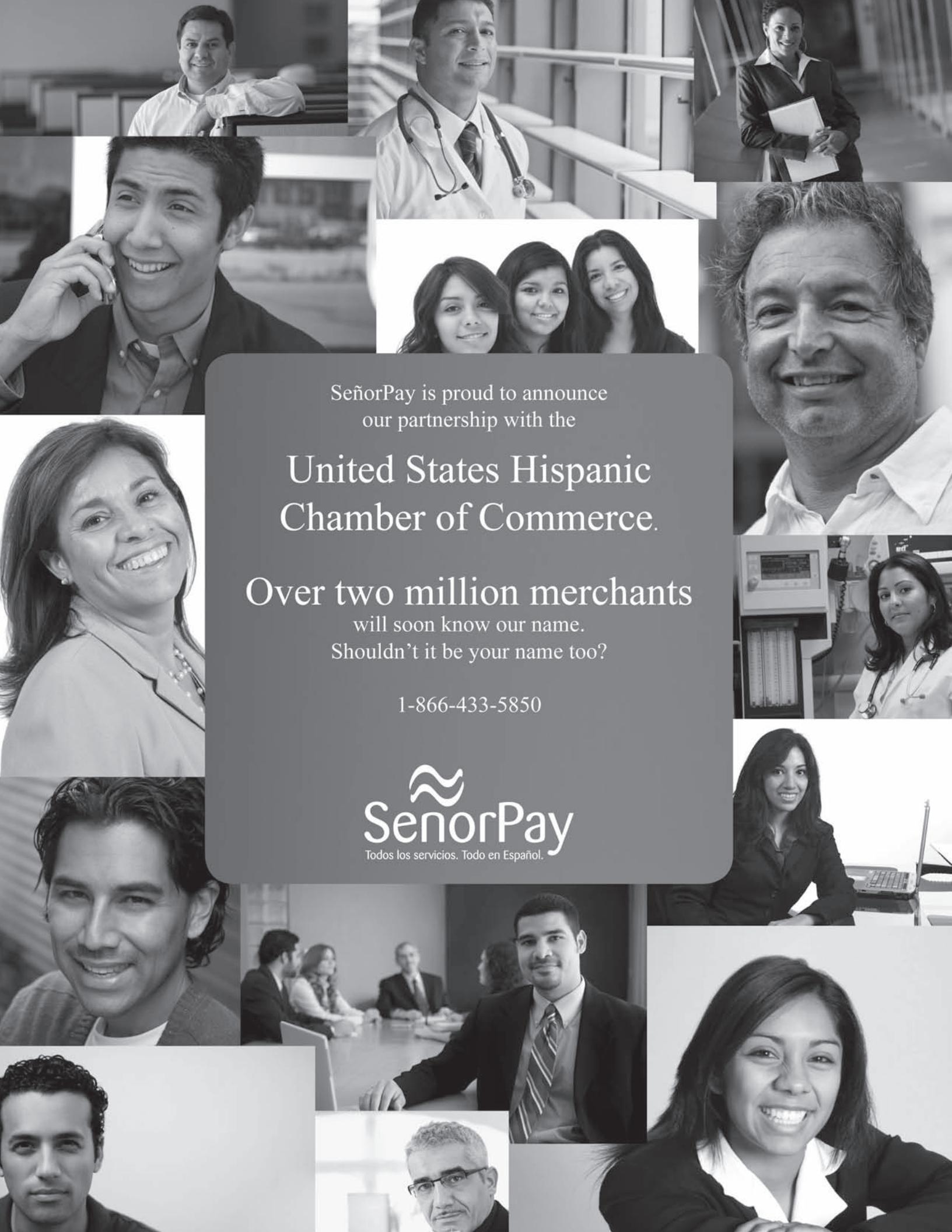
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"There maybe are a few entities that have tokenization as a real product today, and there are a bunch of entities talking about doing end-to-end encryption for the merchant, but we haven't heard of anybody combining the two, much less delivering the product to the market," said Matt Ornec, Chief Operating Officer for EPX.

EPX Vice President of Sales Jason Gwynn said the joint encryption-tokenization system has been implemented at one merchant location so far, and "several more are lined up that have anxiously been waiting for us to officially release this."

### How it works

According to Ornec, the new product keeps card data encrypted from the point of swipe until tokenization goes into effect. Card data that's immediately encrypted at a merchant's store remains that way until a token is substituted and sent back to the merchant – keeping all sensitive card data out of merchant hands, where it has historically been most vulnerable.

"It basically picks the credit card information up directly from the consumer, and goes around the merchant system, brings that information to us – EPX's processor – where we integrate the token [and] pass that token back so the merchant has a reference for that transaction," Ornec said. "From that token they can take actions against that initial transaction – issue a refund or void the transaction. The merchant doesn't have to touch the card number and doesn't even get the opportunity to store the data."

"The part [that isn't tokenized] is from the card reader to our posted Web application that we use in conjunction with tokenization. So the end-to-end encryption provides protection for that track data from the instant that it's swiped through to delivery to us as the processor."

### Industry more security-minded

Paul Grill, a Partner at payments industry-focused First Annapolis Consulting, said EPX's new solution is part of a larger trend of more intense security practices among merchant acquirers and vendors.

"I think you look at the EPX announcement in combination with some other activities we've seen amongst the major acquirers, as well as some smaller vendors, you see this trend toward layering in a couple different technologies together," Grill said. "Maybe you're starting with the baseline of PCI compliance, if you will, and the regular blocking and tackling of information and data security and then layering on top of that these additional enhancements."

"I couldn't give you a good answer as to whether or not this will be infallible, but certainly the concept of tokenization does put in an extra and more significant set of barriers." ☐

## Be the miracle

**C**O-OP Financial Services, the nation's largest credit union service organization reported that, along with 130 of its participating credit unions, it raised nearly \$1 million for the Children's Miracle Network, a Salt Lake City-based nonprofit that provides financial assistance to more than 170 children's hospitals.

From January through June 2009 the credit unions raised \$517,000; CO-OP's Miracle Match program donated an additional \$445,000.

CO-OP launched the Miracle Match program in 2008 to assist the Credit Union for Kids program, which supports local CMN hospitals by providing additional medical care, research and education that helps kids overcome illnesses and injuries. The program's goals are to increase donations and stimulate new fundraisers among CO-OP's 3,000 participating members.

"Credit Union for Kids has been partnering or raising funds for CMN since 1996," said Bill Prichard, CO-OP's Public Relations Manager. "And we formed the Miracle Match program so that when someone holds a Credit

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## News

Union for Kids fundraiser those funds can be matched through our program. And we make every effort to accommodate every application we receive."

### Inspired to act

To participate, credit unions simply send an application to CO-OP, explain the fundraiser they would like to hold and request matching funds. The fundraisers are as diverse as the communities and cultures the credit unions serve. CO-OP credit unions have sponsored such events as casino nights, softball and golf tournaments, cookbook sales and auction parties. Additionally, Prichard said that 10 new credit unions have joined the Miracle Match fold this year.

"This is significant because these are 10 new fundraisers we didn't have last year, and we're proud that these credit unions have been inspired by the Miracle Match program," Prichard said. "And let me say, as well, that all credit unions are eligible, not just those who are members of CO-OP. So anyone interested in putting on a fundraiser for 2010 needs only to fill out a very brief interest form on our Web site, and we will send them an application to get on board."

First time participants have raised more than \$64,000; corresponding Miracle Match donations from CO-OP

totaled \$88,000. CO-OP is committed to donating up to \$1 million in matching funds in 2009 and, based on the projected fundraisers planned, expects to do so.

### Appreciating generosity

"The credit unions, who do all the work in these functions, are the heroes, and we are very proud to help them support children's hospitals in their local areas," said Stan Hollen, President and Chief Executive Officer of CO-OP. "With so many families facing financial struggles during the economic turmoil of last year, it is reassuring to see there are still so many generous people in the credit union community who are willing to help children and families who need it the most."

"And this effort to improve the level of hospital care for children is an extension of the credit union movement and its tradition of uplifting the lives of individual members and entire communities."

To be eligible for the Miracle Match program, credit unions must engage in new or existing fundraising events not currently sponsored by CO-OP. Credit unions may receive one match per calendar year for each market in which they have a branch. For more information, visit [www.co-opfs.org/miraclematch](http://www.co-opfs.org/miraclematch). ☐

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## Travelex gears up for North American DCC

**T**ravelex Currency Services Inc. has established a new position, Vice President of Currency Select Sales for North America to generate new business for its dynamic currency conversion (DCC) product in the United States and Canada. It has appointed its own Paul Ackermann, formerly Head of Sales for North America in the company's outsourcing division to fill the position.

"We've designed Currency Select as a secure and flexible platform that our clients can count on to provide a marketable margin for each transaction, in most cases comparative to the amount the cardholder is charged by their issuer," Ackermann said. "So, DCC is effectively a transparent transfer of revenue from the issuer to the acquirer."

Following a positive response to the limited introduction of Currency Select in North America in 2008, Travelex is devoting additional product and client service support to North America and launching a comprehensive sales and marketing campaign to penetrate the ATM, POS and e-commerce markets under Ackermann's leadership.

### Driving U.S. adoption

Driving DCC adoption in the United States is not without its challenges. According to Mike Meyyappan, Senior Director, Product Management for TSYS Acquiring Solutions, part of the problem is geographic.

DCC adoption is greater in compact geographic areas like in Europe, parts of Asia and the Middle East, he said. But in the United States the usage is confined to metropolitan cities and tourist destinations, leaving much of the country out of the equation.

On the consumer and merchant level, one of the barriers is education, something that both TSYS and Travelex are addressing in their marketing campaigns. "As we make these offers, the traveler needs to be educated that it is a fair and equitable offer," Ackermann said, adding that DCC has received some negative press that also must be overcome with education. Both Ackermann and Meyyappan stressed the importance of disclosure.

Ackermann said he's seen tremendous acceptance in the last couple of months and Travelex has several deals it expects to come to fruition in the near future that will drive further adoption.

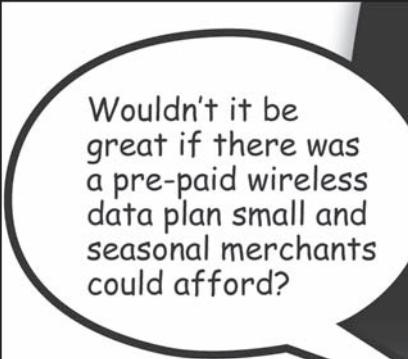
When asked if consumers' initial reluctance may be similar to the first time they were faced with out-of-network ATM fees Ackermann said, "Maybe. And that's part of the education, too. We're all consumers. If we're surprised

**"We've designed Currency Select as a secure and flexible platform that our clients can count on to provide a marketable margin for each transaction, in most cases comparative to the amount the cardholder is charged by their issuer. So, DCC is effectively a transparent transfer of revenue from the issuer to the acquirer."**

- Paul Ackermann, Vice President of Currency Select Sales for North America  
Travelex Currency Services

by anything, whether it's good for us or not good for us, we're somewhat skeptical of the offer initially."

Ackerman added that brand confidence also plays a part in consumer confidence in DCC. "It's a slow process; how-



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## News

ever, we feel that with the Travelex brand, with the companies that we're going to be doing business with, that there's going to be that higher degree of trust."

### Issuing issues

Meyyappan said consumers want to be in the driver's seat. They want to make an informed decision. "And as part of our training we also ask the consumers to look at their specific issuers' policies," he said.

"Some issuers, if the transaction was made in the cardholder's home currency do not add any fees whatsoever," he said. Other issuers, regardless of currency, will add fees based on the sole fact that the merchant location is foreign.



Meyyappan gave the example of a German tourist getting charged fees because he's paying for goods or services at a U.S. location, whether it's a DCC transaction or not.

"So consumers have an equal responsibility, if they want to take advantage of DCC, to be informed of their specific issuers' policies," he said.

"But we want to live up to our end of the bargain, which is to inform merchants that, 'Hey, you need to disclose this properly, and you need to disclaim this properly so that consumers leave your store with a smile on their faces.'"

### Training merchants

Ackermann said the merchant "has to be involved, obviously, because there's a number of ways that we can present the DCC offer to the cardholder whether it's through their POS device or their ATM screen, or if Travelex contracts with the merchant to provide POS devices that have been programmed and ready specifically for DCC. "The people working the counter must be able to answer the questions that the customer or traveler may have, too."

In addition, Ackermann pointed out that the merchants also share in the margin revenue that the service generates. Meyyappan agreed.

"Merchants also need to be trained and informed on the appropriate use of DCC and for the typical merchant level salesperson, this is not as straightforward as perhaps offering a point of sale terminal or service," Meyyappan said.

According to Ackermann, if a merchant level salesperson whose acquirer offers DCC is calling on a resort or any merchant that has a high volume of international transactions, the prospect for the added revenue from the DCC margin can be compelling. "I mean they're looking for any edge to strengthen the relationship between the ISO and the merchant and this gives them that little bit more," he said. **33**

## A silver anniversary for Fiserv

**M**ilwaukee-based payment solutions provider and processor Fiserv Inc. celebrated its 25th anniversary on July 31, 2009. Fiserv was founded in 1984 when Tampa, Fla.-based Sunshine State Systems Inc. and First Data Processing Inc. in Milwaukee combined to form the first national financial services company.

For the past quarter century, Fiserv has grown – through more than 150 acquisitions – from a \$20 million organization with 350 employees serving small banks and credit unions to a \$4.7 billion Fortune 500 company with 20,000 employees. Fiserv went public on Sept. 25, 1986; since then, its stock has risen from \$1.10 per share to approximately \$48 today.

"We had a great idea – to focus on data processing for banks and build from our foundation of regional operations to create a nationwide enterprise," said George Dalton, the company's co-founder, Chairman and Chief Executive Officer from 1984 to 2000. "Now, 25 years later, Fiserv is far exceeding anyone's expectations."

### Fiserv-ing the globe

In 1991, Fiserv entered the commercial bank, international and credit union core account processing markets with its acquisition of Citicorp Information Resources Inc.; this led to expanding into London and Singapore.

The company entered the online bill pay and electronic bill presentment market in 2007 with the purchase of CheckFree Corp. Today its footprint has grown to 250 locations in 40 countries worldwide with over 18,000 clients. Fiserv has been recognized numerous times for its stability, growth and contributions to the financial services industry, including:

- A number one ranking in 2005, 2007 and 2008 on the FinTech 100 list of technology partners serving the financial services industry
- In 2008, top honors for Fiserv from the *Information Week* 500 in the Banking and Financial Services category
- The 2008 Microsoft Inc. Global Independent Software Vendor – Partner of the Year
- A seventh place spot on The Chartis RiskTech 100 global list of top risk technology firms on functionality, core technology, organizational strength, customer satisfaction and market presence
- A number two overall ranking in the 2008 *Bank Technology News* top 25 most innovative people, companies and technologies category
- International information technology research firm Celent's top rating for Fiserv's retail Internet banking platform in 2008 and 2009

**"The bridge between our first 25 years and the next 25 is our commitment to serving clients. We know the real advantage is the quality of our people and their commitment to excellence ... and we are excited about the possibilities that lie ahead."**

– Jeffrey Yabuki,  
President and CEO, Fiserv

### Branded for commitment

In February 2009, Fiserv introduced a "go-to-market strategy" in which all of its business units were branded Fiserv. This was designed to bring one name to the market and optimize client access to the company. "The bridge between our first 25 years and the next 25 is our commitment to serving clients," said Jeffrey Yabuki, Fiserv's current President and CEO. "We know the real advantage is the quality of our people and their commitment to excellence ... and we are excited about the possibilities that lie ahead." 



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# TradeAssociationNews

## PCI SSC reaches Iron Mountain

**I**ron Mountain Inc., an international information protection and data storage provider, joined the PCI Security Standards Council (PCI SSC) as a participating organization. The company will work with the PCI SSC to help further develop and implement the Payment Card Industry (PCI) Data Security Standard (DSS) and the Payment Application (PA) DSS.

Founded in 1951, Iron Mountain operates in 39 countries on five continents. The company safeguards and provides access to more than 425 million cubic feet of paper records, 10 billion e-mails, 65 million computer backup tapes, 2.5 million PCs and 20,000 servers.

Its offsite data protection, records management and shredding solutions have been PCI compliant since 2006.

As a participating organization, Iron Mountain will have access to the most current PCI standards from the council and be able to provide feedback along with the more than 500 other organizations that belong to the PCI SSC.

According to Patricia Enfanto, Iron Mountain's Director of Information Security Compliance and Global Security Services, many companies are not only out of compliance but they don't even know where to start the process.

"More state regulations are being enacted, so there is a growing need for companies to become PCI compliant," Enfanto said.

"Being a member of the SSC provides us with a voice where we can offer real-world, frontline experience to challenges with compliance and how to best architect a program to help in meeting that standard. It's also a forum to communicate with other organizations and figure out what we need to do to drive PCI as quickly and as far as possible."

Iron Mountain was motivated, in part, because it did not want to be "sitting on the sidelines," Enfanto said, adding that, on its own, the PCI SSC "can only do so much and reach so many, so I think having Iron Mountain as an outreach gives us the opportunity to be an integral part of the PCI process and show folks how to better protect and store information. And I live, breath and sleep PCI, so from a personal standpoint this is very exciting." ■

## W.net appoints new director

**M**ichele M. Jerome, Senior Director of Enterprise Operations for The Coulter Companies Nonprofit Management Division in McLean, Va., was appointed the new Executive Director of Women Networking in Electronic Transactions (W.net), an organization designed to provide educational and networking opportunities to empower women in the payments industry.

Jerome has spent more than 15 years managing national and international nonprofit organizations but is a newcomer to the industry. "I've been surprised by the sheer volume of parties involved in the payments chain and how much more was behind the scenes than I was aware," Jerome said. "There are so many pieces in the puzzle, but they all fit together so nicely."

Jerome added that she is excited about the enormous potential of W.net's budding relationship with her employer, Coulter. Her goal is to have a tangible impact on the industry and to bring a balance of women into the payments sector.

"I found in my research that women only account for about 15 percent of the leadership positions in the payments sphere," Jerome said. "However, W.net has a wonderfully well thought out strategic plan and has accomplished much for only being around three years."

"I have been pleasantly surprised by the warmth of the people in this business and their willingness to be supportive and work together for a common goal even if the companies they work for are bitter rivals. So I'm looking forward to helping them expand that foundation and continue to grow." Additionally, Jerome would like to expand W.net's Local Interest Networking Circles (LINC) beyond the quarterly meetings in 10 cities nationwide to a virtual format.

"We are very interested in launching a virtual LINC that W.net members can participate in regardless of their geographic location," Jerome said. "We realize that there will always be members in areas that are not conducive to holding a LINC meeting, but we are committed to expanding our mentoring programs and strengthening our LINCs. It's really about becoming the organization women turn to for professional and personal development." ■



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**A NEW DIRECTION IN PAYMENT SERVICES**

## **Microfinance from page 1**

munity-focused businesses, as well as for helping to migrate to the financial mainstream these businesses and the individuals who run them. In fact, he's betting on it.

A four-year-old organization, Kiva.org is a nonprofit that facilitates P2P lending of amounts as small as \$25. Kiva counts 500,000 people around the globe who, collectively, have lent more than \$76 million to 180,000 entrepreneurs in 45 countries. And it enjoys a repayment rate of about 98 percent.

Kiva, headquartered in San Francisco, is partnering with Accion USA, a microfinance institution licensed to do business in 48 states, and Opportunity Fund, a community development bank based in San Jose, Calif. According to Accion, recent economic impact studies indicate that 60 percent of its borrowers have seen household incomes grow as a result of microloans.

"While microfinance has long been associated with the developing world, Accion USA's work has proven that it is also an established tool in the United States," said Gina Harman, President and Chief Executive Officer of Accion USA. "Microloans not only provide access to capital, but fuel business growth and job creation – key factors in driving economic recovery in the U.S."

### **Reaching America's unbanked**

Ellen Seidman, Executive Vice President at Chicago-based ShoreBank Corp. and a former chair of the Federal Deposit Insurance Corp., agrees. "We need a small dollar credit system in this country," she told attendees at a recent forum of bankers and regulators. "The traditional banking world has not picked up on this type of product," she added.

Seidman's comments came during a panel discussion at the 4th Annual Underbanked Financial Services Forum presented in June 2009 in Dallas by the Center for Financial Services Innovation, a nonprofit affiliate of ShoreBank Corp. A \$2.4 billion asset institution, ShoreBank describes itself as "America's first community development and environmental bank holding company." It operates from offices in six states and the District of Columbia.

CFSI estimates that 106 million Americans (representing 40 million households) have little to no interaction with federally insured financial institutions, a population referred to as the unbanked and underbanked. Roughly half (47 percent) of those individuals have full-time jobs, and 11 percent work part time, according to the 2008 CFSI Underbanked Consumer Study.

For many of these folks, payday loans are the only real credit option, Seidman and others have observed.

"As an industry, banking is in a major state of flux," said Bob Jones, President and CEO of Old National Bank, an \$8 billion-asset bank based in Evansville, Ind. "Serving

### **Microloans, American style**

While some lending institutions are quick to turn away potential borrowers with little or no credit histories, one California lender has opted to focus squarely on this market. Progress Financial Corp., headquartered in San Jose, is a state-licensed lending institution; it does not accept deposits. Its primary market: unbanked and underbanked Hispanic immigrants.

"We think this market is great for our company," said James Gutierrez, founder and Chief Executive Officer of Progress, a 1-year-old company with backing from well-known venture capital funds and former bankers.

The company relies on risk scoring models designed specifically for assessing borrowers with "thin" or no credit files and a network of agent supermarkets to collect applications. "We want to be able to serve 1 million people within the next four years," Gutierrez said at a recent industry forum.

As of June 2009, Progress had made about 25,000 personal loans for amounts between \$500 and \$5,000, at market interest rates. Funds are distributed by check or prepaid debit card. According to Gutierrez, more than 90 percent of borrowers have returned for additional loans.

the underbanked market makes sense, from both a convenience and financial standpoint," he told attendees at the forum.

Jones knows from experience. Following a 25-year career at Cleveland-based KeyCorp., most recently as chief of the bank's brokerage business, Jones was brought in by Old National's board of directors in 2004 to help turn around the institution.

He did this in part by ramping up the bank's community involvement and not issuing subprime loans. When the bank closed its books last year, its stock price was up 21 percent, while most banks in its peer group saw their share values drop 24 percent, according to Jones.

Old National made national news in late March when it became one of the first financial institutions to repay funds distributed through the U.S. Treasury's Troubled Asset Relief Program.

"We think serving the entire community is our moral responsibility; it also makes great business sense," Jones said, adding that if a community is strong the local bank will do well.

### **FDIC challenges banks**

According to the FDIC, most banks make little effort to develop services that attract unbanked and underbanked individuals. In a report released in February 2009, the FDIC wrote that although most banks offer basic checking accounts, few offer deposit, credit or electronic payment

## CoverStory

products that address the "unique needs" of unbanked and underbanked consumers.

The report detailed findings of the First National Survey of Banks' Efforts to Serve the Unbanked and Underbanked, which included responses from 685 banks, including some of the largest and smallest banks in the country. The FDIC's conclusion: Banks and regulators need to do more to reduce the number of unbanked and underbanked Americans.

Seidman, the former FDIC chief, wants to see the agency do more to encourage banks. "It really falls short," she said of the agency's efforts to get banks to reach out to underserved markets.

Western Union Co., a name commonly associated with consumer remittances and check cashing, has set its sights on these markets. The one-time unit of First Data Corp. has been forging alliances with large banks to offer consumer remittance services through brick-and-mortar as well as online banking channels. U.S. Bank N.A. and Fifth Third Bank were the first banks to sign on with Western Union. In a statement released by Western Union in July 2009, Mark Erhardt, Senior Vice President for Retail Products at Fifth Third, said the arrangement would help the bank serve "our customers and the community."

### Mobile payments and the unbanked

Outside the United States there has been significant interest in using mobile phones as a means of reaching the unbanked and underbanked.

Arthur D. Little, the international management consultancy, expects mobile payments to grow globally at a per annum rate of 68 percent for the next three years. In its April 2009 report – M-Payments surging ahead: Distinct opportunities in developed and emerging markets – the firm predicted the value of mobile payments worldwide could reach \$250 billion by 2012.

Mobile payments will develop differently in emerging and developed markets, with emerging markets posting the lion's share of transactions (65 percent) by 2012, the report noted. The consultancy went on to suggest that mobile payments will coexist with existing payment instruments in developed countries, because massive adoption will be limited to niche segments. "For financial institutions, m-banking and related m-payment services can be a differentiating factor and a chance to tap into the \$1 trillion market for micropayments," the report stated.

Meanwhile, CGAP, an international microfinance organization with ties to the World Bank, has been calling

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for creation of interoperable payment platforms that can support mobile telephone-based banking and payments, worldwide.

Africa is becoming a test bed of sorts for mobile banking and payments. In Kenya, for example, the largest mobile phone network, known as Safaricom Ltd., supports a mobile phone-based service for sending and storing money.

The service relies on more than 10,000 local merchants who act as "agents," collecting deposits and withdrawals from consumers' mobile phones, which serve as electronic wallets.

More than 7 million Kenyan consumers have signed up for the service since its launch in March 2007. Daily transaction totals average the equivalent of about \$1.96 million; the average loan is for about \$20, according to CGAP.

In March 2009, Grameen received \$4.7 million in grants from the Bill & Melinda Gates Foundation to help build a business case for mobile phone-based health care and financial services in Ghana and Uganda.

Shortly thereafter, CGAP revealed it was partnering with Wizzit Bank in South Africa (the mobile banking unit

of a large South African bank) to deliver banking services to poor people in small towns and rural areas of that African nation. In addition to mobile payments,

Wizzit encourages customers to use MasterCard Worldwide's Maestro debit cards.

### Prepaid cards make sense

Prepaid cards also make sense for serving the unbanked and underbanked, especially in the United States, where employers are encouraged to integrate prepaid cards with payroll processes.

Last year, the U.S. Treasury Department took a big step in this direction, introducing a prepaid card option for Social Security recipients.

As of July 2009, more than 500,000 recipients had signed up for Treasury's Direct Express Debit MasterCard.

"In its first year, the Direct Express card has helped to bring hundreds of thousands of Americans into the financial mainstream," said David Lebryk, Commissioner of the Treasury Department's Financial Management Service, which runs the program.

"Reloadable prepaid cards give consumers with little or no access to credit or traditional financial services the ability to budget, spend and save like a mainstream consumer," said Kristen Trusko, President and Executive Director of the Network Branded Prepaid Card Association.

A 2009 survey conducted by the NBPCA, done in cooperation with the CFSI, revealed that 94 percent of underbanked consumers who have reloadable prepaid cards like the cards so much they'd recommend the cards to others.

Trusko, in a presentation at the CFSI forum in June 2009, explained that credit risk models are being developed from consumers' prepaid card usage, thereby making these individuals more likely candidates for bankcards and loans. "Prepaid usage speaks to the ability and willingness of people to repay loans," added Paul Desaulniers, Director of Credit Decisioning at LexisNexis Risk & Information Analytics Group.

Alex Liu, Vice President for Global Prepaid Product Development at MasterCard, said his company is working to create a "bridge" between prepaid cards and mainstream credit products. "Credit building is the second biggest reason why people want to increase their usage of prepaid cards," Liu told the CFSI forum.

For more information about microfinance, go to [www.insidemicrofinance.com](http://www.insidemicrofinance.com).

*Patti Murphy is Senior Editor of The Green Sheet and President of The Takoma Group. E-mail her at patti@greensheet.com.*



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For one year, beginning September 1, 2009, every new merchant account signed with UBC will earn that Sales Partner an entry towards the million dollar prize. With the entries capped at 27,000, each entry will give you an unprecedented chance at one million dollars - better than any lottery or contest you've ever entered. This is an unparalleled chance for one of our valued sales partners to completely transform his or her life!

- United Bank Card CEO Jared Isaacman has personally written a rate and service guarantee stating that rates and fees will not be raised in order to fund this contest and that UBC's high level of service will not be compromised due to this influx of merchant accounts.
- An outside law firm, The Lustigman Firm, has been enlisted to help ensure that the promotion has been structured in a legally compliant manner.
- The contest drawing will be observed by Weiser LLP, an independent accounting firm.

**No Purchase Necessary.** UBC Million Dollar Giveaway starts on September 1, 2009 and ends on the date in which there are 27,000 entries or August 31, 2010 at 11:59PM ET, whichever is sooner. Promotion is open only to Sales Associates (as defined in the Official Rules) of United Bank Card, Inc. that are located in the fifty (50) U.S. states (and D.C.) 18 years of age or older. For official rules write to United Bank Card, Inc., PO Box 4006, Clinton, NJ 08809. Void where prohibited. Sponsor: United Bank Card, Inc., PO Box 4006, Clinton, NJ 08809.

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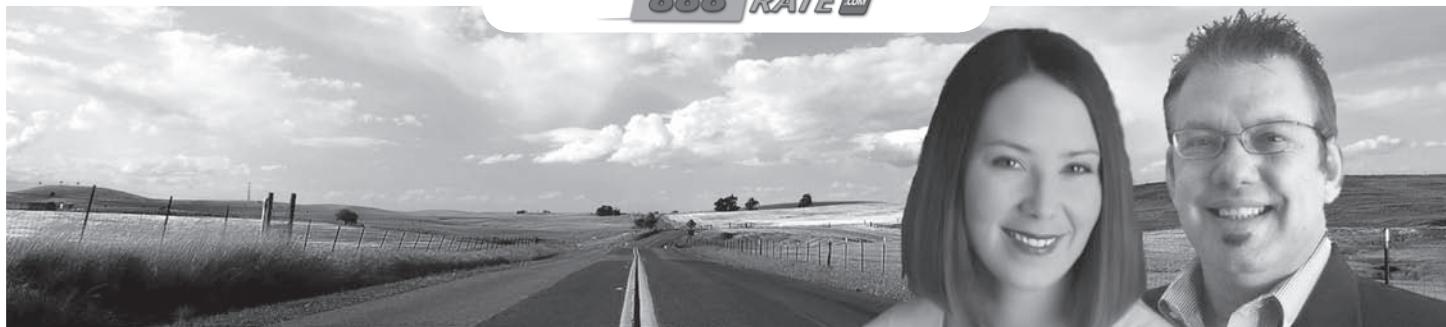
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## Education

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## **Blackjack savvy applied to merchant acquiring**

**By Jon Perry and Vanessa Lang**

*888QuikRate.com*

**I**t was the last weekend in June. School was out for the summer and many of our customers were on vacation with their families. Desiring some downtime, Vanessa wanted to head an hour north to a tribal casino in Oklahoma. She loves the sounds of the casino and the thrill of playing blackjack, also known as twenty-one.

A regular blackjack player was sitting next to Vanessa at the table. He commented that he needed another eight hours of play to hit 20. The gentlemen explained that if you played 20 hours of blackjack by the end of July, you would be automatically entered into their \$500,000 blackjack tournament.

I knew what was going to happen next. It's like when the toddler you have with you at the grocery store spies the candy displayed in the checkout lane.

On the drive home, Vanessa brought up the tournament. She said she had always wanted to play in one. I thought if I kept quiet and gently ignored the subject, it would go away. I was wrong.

The next week, Vanessa mentioned the blackjack tournament more than health care reform was debated on the major news networks. It was time to address the subject, and I relented to her wish of pursuing the big contest.

We set simple ground rules. They were:

- There would be a maximum monetary loss, beyond which Vanessa would not continue playing. She had to clock 16 more hours, and losing thousands of

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dollars for a desire to play in a tournament was not on the top of my list.

- She had to valet the car – no walking alone to the casino.
- She would only play at the casino during daylight hours.

### **Emotion versus logic**

Last Saturday, I was working on a project for a customer. It was going to take most of the day. Vanessa thought it was a fine time to make the trek to the casino.

By day's end, she had clocked in eight of her required 20 hours. On Sunday after brunch, we drove to the casino and spent the next five hours getting to 13. Seven hours were left. Our first rule had held; Vanessa was breaking even.

The first 96 people who met that 20-hour threshold would be allowed into the tournament. Everyone after that would be put on a standby list. The thought of putting in this much time and being relegated to a standby list didn't sit well with Vanessa.

I realized the casino had approached this tournament as we sell to merchants. Understand and go for the customer's emotional – not logical – sense, and you'll win the deal.

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**According to the U.S. Small Business Administration, two-thirds of new businesses survive at least two years, 44 percent survive at least four years, and 31 percent survive at least seven years. (Those numbers were culled before the current economic fallout began.)**

But to win at blackjack you must keep your head. When seated at the blackjack table, you and the rest of your fellow gamblers are playing against the house. Blackjack is science as well as luck. Hit on 16 when the dealer shows a face card.

Double down when you have an ace and four when the dealer shows a six. It's statistics. Keep your emotion out of the game, and play the odds.

When we play against the house, it is similar to ISOs vying for a customer. All of us at the table are looking to win this customer over. Some of us look to win by the seat of our pants.

Others use statistics, human behavior and other known variables to gain an advantage. Nothing irks me more than when the dealer is showing a face card and someone

at the table "holds" with 14. In our business, that's different. I like my competition to hold with 14.

### The house versus the player

The 20 hours Vanessa had played to qualify for the tournament were played against the house. But competition play is much different. In our last two and one-half hours toward the magic 20, we were educated.

Sarah, a semiprofessional blackjack player and Sam, our dealer, were explaining that tournament play was nothing like playing against the house. In tournament play, you are playing against other players. The objective – don't bust. Make the other player bust.

Since there would only be 18 hands per tournament round, you needed to maximize your winnings. Plays I would consider sacrilegious are common in tournaments. Splitting face cards, standing on 14 and doubling down on a natural blackjack are ways to maximize your winnings.

Vanessa whispered to me, "I wish I could be cutthroat."

It's not being cutthroat, I thought. It was understanding the socially acceptable rules and mores of this subculture. It was a different way of thinking.

While playing against the house felt similar to the plight of an ISO, competition play can be likened to business against business. I had a deeper understanding and appreciation of the mindset of a tournament player.

### It's only business

While we were at the casino, a pit boss shared with us stories of elderly women coming in and playing the tables. They had lost all of their money. At the tables they would cry and say, "I have no money for rent or food."

The stories the pit boss told were heart wrenching. Some readers may think, "How could you stand to stay in that business?" But is the casino business any different than any other? Whether it is entering into a contractual agreement or sitting at a table with rent money, we know what is at stake.

Putting your emotions aside, you realize that the casino is just a business. It is there to make money. And casino workers have probably heard every conceivable sob story

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under the sun. Like the leader of a doomed business venture, the elderly women had a dream. But they were greedy; they didn't plan; they didn't make rules for themselves and follow them.

In business our rules are contained in our playbook. It's our business plan, our mission, vision and guiding principles. As sponsors of a program called Project New, we help first-time business owners develop a sales and marketing plan.

According to the U.S. Small Business Administration, two-thirds of new businesses survive at least two years, 44 percent survive at least four years, and 31 percent survive at least seven years. (Those numbers were culled before the current economic fallout began.)

Let's look at the negative side of the SBA's numbers. One-third of all new startups will never make it past year two, 56 percent won't make it past year four, and 69 percent won't see year seven.

In October, we will have our annual corporate off-site meeting. All of our notes, changes, additions and deletions get updated in our playbook.

Even if you are a one-person shop, have a business plan.

Especially in these economic times, it is important to understand your cash flow, income statement and balance sheet. These financial tools should be factored into changes in your business plan.

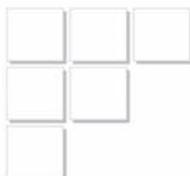
## 20 for Twenty-one

At noon on Monday, Vanessa made it to 20 hours. She was number 50 out of 96 to qualify for the tournament.

On Sunday, she will sit at the table with blackjack professionals. Even if she doesn't finish in the top 10, the 96 entrants have a chance to win \$10,000 in cash or a 2009 Mercedes Benz.

Vanessa is studying tournament play. Win or lose, she will always be a professional and a winner. We'll let you know how it turns out. ☺

*Jon Perry and Vanessa Lang are the owners of 888QuikRate.com, an ISO based in Ft. Worth, Texas, that was named Small Business of the Year by the local newspaper, The Star Telegram. For more information, tweet them at <http://twitter.com/dfwcard>, comment on their blog at <http://merchantservices.cc> or visit their profile at <http://linkedin.com/in/jonperry> or <http://linkedin.com/in/vanessalang>. Alternatively, you can contact Jon and Vanessa by phone at 817-857-3557 or by e-mail at [jon.perry@888quikrate.com](mailto:jon.perry@888quikrate.com) or [vanesa.lang@888quikrate.com](mailto:vanesa.lang@888quikrate.com).*



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## Education (continued)

# How to do effective performance appraisals

**By Vicki M. Daughdrill**

*Small Business Resources LLC*

SOs employing merchant level salespeople (MLSs) need to conduct performance appraisals on a regular basis. Constant change, new regulations, organizational restructuring, new products, services and technologies, and changing delivery systems are just some of the reasons why.

Performance appraisals provide:

- Insight into the work being done and into employees who are completing the work
- Communication for the development of new or improved ideas and the discussion of greater responsibilities and career advancement
- Clarity to employees about how the quality and quantity of work is perceived
- Timely feedback to increase performance and productivity
- Recognition of good work with positive feedback
- Two-way communication to help clarify company goals
- Two-way communication to help managers grow and improve leadership styles
- Guidance for managers on how to conduct professional performance appraisals

### The dreaded eval

Some managers fail to conduct employee reviews because they fear the possibility of disagreement and confrontation, as well as accumulation of hostility over past events. Once an argument starts, managers feel they have to win. So do the employees. Usually, neither wins.

Lack of interpersonal and interviewing skills is another common reason for avoiding reviews. If you do not know the techniques for directing the appraisal interview effectively, you are not likely to look forward to completing it.

But other issues arise as well. Many managers fear making matters worse by talking about performance. Some are anxious over who will review the completed forms. Sometimes their opinions may differ from higher level managers, and they allow this to overshadow real communication, which makes the entire process seem phony. Also, if the company's questionnaires are too complex, they take over the process and make it seem too bureaucratic.

An additional challenge centers on our challenging economy. The fact that an employee's work is favorable does not automatically ensure a promotion or raise, but employees sometimes expect one or both. This mistaken notion often results in disappointment for the employee, which may end up in the MLS quitting.

### Components

A performance appraisal is an opportunity for a conversation between a manager or supervisor and MLS, to discuss what they expect from each other and how well those expectations are being met. Performance appraisals are not adversarial proceedings or social repartee. They are an essential communication link between two people with a common purpose.

Leading those discussions is not always easy, but you can learn the principles and techniques for conducting effective appraisals and apply them to all of your employees. Performance appraisal systems must be workable, equitable, ongoing and as unbiased as possible.

Effective appraisal interviews depend in part on establishing limited, attainable objectives. The objectives are to:

- Set goals
- Judge results achieved in the past, and
- Establish goals for the future

### Effective appraisals focus on:

- Performance, not personalities
- Valid, concrete, relevant issues, rather than subjective emotions and feelings
- Reaching agreement on what the employee is going to improve in his or her performance and determining what you can do to assist the employee in improving performance and productivity.

### Legal issues

Many legal issues surround how employers can conduct reviews. The following are simply guidelines; they are not intended to replace legal counsel or representation.

Uniform Guidelines on Employee Selection 1978 is the controlling federal law in the area of performance appraisals. Your appraisal system must have no adverse impact on any of the areas covered by the law, such as race, sex, religion, national origin, age or handicapped status.

The Equal Employment Opportunity Commission requires that any measure of employees must be valid and fairly administered. You must be able to prove:

- A skill is a valid, true and necessary requirement of the job.
- You consistently observe the employee performing the assigned tasks.
- Your rating criteria must be the same for all employees of the same grade, class or group.



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## Education

- Performance can be described accurately and be based on documentation, such as logs and diaries.
- No sexual innuendo or sexual harassment colors the appraisal – or any other employee communications.
- Access to performance appraisals and other confidential items is controlled and limited because every employee has the right to privacy.
- Performance is accurately measured and described, and less-than-adequate performance is not praised.

### Five steps

There are five steps to conducting effective performance appraisals.

#### 1. Do your homework

- Review the employee's job description and requirements. Make sure it accurately describes the position as it is today.
- Review the goals and standards you established with the employee.
- Review the employee's history: job skills, training, past jobs and performance.
- Review your logs to determine special assignments, as well as successes and opportunities for improvement created during the review period.
- Seek input from customers who have direct and frequent contact with the employee – both internal and external.
- Evaluate career opportunities for the employee including salary ranges.
- Prepare the manager's portion of the performance appraisal document.

#### 2. Set the stage

- Set a mutually agreeable time and location for the interview.
- Make sure the employee understands the purpose of the appraisal, the process and how the results will be used. Emphasize the need for two-way communication.
- Be professional when extending the invitation. Do not joke or make light of the process. This will undermine both your credibility and the opportunity for achieving worthwhile objectives.
- Ask the employee to prepare for the interview by asking themselves several questions:
  - What were my specific accomplishments during this review period?
  - What goals or standards did I fall short of meeting?
  - What are my career objectives?
  - How could my manager help me do a better job?
  - Is there anything that the organization or my manager does to hinder my effectiveness?
  - Does my present job make the best use of my capabilities?
  - How could I be more productive?

- What have I done since my last review to prepare myself for more responsibility?
- Ask the employee to complete the self-assessment portion of the performance appraisal form.

#### 3. Conduct the interview

- Remember, this is a conversation. Your objective is to maximize the employee's participation.
- Do not discuss other employees' performance or behavior. Listen and agree to investigate issues. Remember that complaints may be based on personality or style differences and may not be actual issues.
- Prepare specific questions and areas for discussion.
- Rehearse the questions if necessary. Do not begin the process until you are in full control of the issues and your emotions.
- Minimize distractions and interruptions. Clear your desk and your mind of everything unrelated to the current situation. Hold all calls and close the door. Make sure the room temperature is comfortable and that the employee will be seated in a comfortable chair. Allow plenty of time to complete the meeting so you don't have to end the discussion before it's completed.
- Be sure the employee – not the performance appraisal form – is the center of your focus.
- Create a "sandwich." Begin with the positives, fill with the areas of opportunity, and end on a positive note.
- Ask open-ended questions like, "How are things going in general?"; "How can I make things better?"; "What is your opinion of \_\_\_\_?"; "How do you feel about \_\_\_\_?"; "What do you think caused \_\_\_\_?"

Be careful to avoid:

- Evidence of bias or prejudice such as race, religion, education, family background, age or gender
- Placing too much attention on characteristics that have nothing to do with the job, such as sincerity or friendliness
- Over-emphasizing favorable or unfavorable performance
- Relying on impressions rather than facts
- Holding the employee responsible for the impact of factors beyond his or her control, such as computer reliability

Be sure to include:

- Measuring results of the employee's performance, not behavior unless it adversely impacts the employee's performance
- Contributions made by the employee during the review period
- Performance issues that are new or ongoing
- Any professional or personal development that may be required for future advancement
- Setting goals for the next review period.

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### 4. Close the discussion

- Summarize the discussion and any agreements. Be positive and enthusiastic. Be sure to include commitments you have made. If there are areas of disagreement, review how you and the employee have agreed they will be resolved.
- Provide an opportunity for the employee to ask questions as well as offer new ideas and suggestions.
- Thank the employee and reinforce any agreements.
- Schedule any follow-up meetings that may be necessary.

### 5. Follow up

- Complete the documentation on the performance appraisal form and create any action plans discussed.
- Consider your performance in leading the discussion. Ask yourself:
  - What did I do well?
  - What did I do poorly?
  - What did I learn about the employee?
  - What did I learn about myself?
  - Did the employee give me any feedback that gave me new insight into myself?
  - What will I do differently next time?
- Follow through: Ensure that agreements are kept and plans are followed.

### 10 things to keep in mind

Here are the top 10 guidelines for performance appraisals:

1. The process is not easy, but using the principles and techniques provided



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in this article, you can learn to do an effective job.

2. Different managers have different styles and approaches. You must decide what works best for you and your company.
3. The annual performance appraisal is not a social event. Be careful not to lose your credibility by treating it lightly.
4. The entire process must be carefully thought out and planned. Be sure to do your homework. Remember, you are in control and must not begin the interview until you have command of the issues and your emotions.
5. Remember to adapt for different kinds of employees.
6. Establish proper goals. They must relate directly to the job, and they must be S-M-A-R-T: Specific, Measurable, Action oriented, Realistic, and Time and cost restricted.
7. Keep a log, diary or list of the year's outstanding performances, as well as areas for improvement. acknowledge both throughout the year (successes publicly, areas for improvement privately) so there will be no surprises when you get to the year-end review.
8. Follow the five steps for conducting an effective performance appraisal.
9. Remember to create a "sandwich" – begin with the positive, fill in with the opportunities for improvement and close on a positive note.
10. Follow through.

Every ISO with employees needs to conduct routine performance appraisals. Using these tools, you will be able to conduct an effective performance appraisal and continue to provide a climate conducive to ongoing success. ☀

Vicki M. Daughdrill is the Managing Member of Small Business Resources LLC, a management consulting company. E-mail her at [vickid@netdoor.com](mailto:vickid@netdoor.com) or call her at 601-310-3594.

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## Education (continued)

# Processing continuity: Threats and remedies

**By Dale S. Laszig**

*DSL Direct LLC*

**E**ven in the best of times, no business can afford to be without a contingency plan. Disaster recovery has become an industry unto itself, offering training, certification and outsourced solutions to protect businesses of all sizes from interruptions of service.

So, how can merchant level salespeople (MLSs) address merchants' concerns about continuity in credit card processing? Here are the top five threats to processing continuity and five tried-and-true responses to them:

### **Threat 1: Environmental disasters**

Global warming, earthquakes, hurricanes, tornadoes, tsunamis and volcanoes have wreaked havoc around the world, putting additional strain on infrastructure and relief agencies. Meteorologists predict more extreme weather events and encourage adoption of emergency preparedness in public and private sectors.

**Response – redundant network systems:** Most business owners recognize the importance of co-locating critical business data; our industry is no exception. Credit card processing networks have regionally diverse, mirrored front-end and back-end networks designed to automatically replace each other during routine maintenance or system failures.

Merchants can go further by using virtual terminals and Web-based tools to supplement their systems. For example, if a battery fails on a mobile credit card terminal, a laptop computer with an air card (a device that enables wireless Internet access) and card reader could continue processing by using a virtual terminal or installed payment application.

This secondary terminal would have the same merchant identification number and bank relationship as the primary terminal; transactions would be viewed from the same secure Web portal.

### **Threat 2: Organized or deliberate disruption**

Beyond the threat of terrorism, constant churn exists in real estate markets as businesses relocate. What processes can help companies stay in business during a move?

**Response – mobility strategy:** Merchants are accustomed to mobile payment processing for a number of reasons: Mobile workers accept card payments at points of service and points of delivery. Seasonal merchants process transactions during limited engagements and store or return equipment when not in use.

Consultants process payments wherever they work instead of waiting until they return to their offices.

Business continuity is another compelling reason to establish a mobility strategy: When merchants relocate, travel or participate in special events, mobile payment devices seamlessly process payments without creating additional work for the back office. Whether they use mobile payment terminals, smart phones or laptops paired with card reader peripherals, merchants get the advantage of lower swiped rates, increased security and speed.

### **Threat 3: Loss of utilities or services**

Outages and blackouts are a fact of life in big cities during peak usage periods and in rural communities during extreme weather. Expect the unexpected when using electricity, dial phone lines, cellular networks and Ethernet connections.

**Response – redundant hardware solutions:** Dual-communication technology protects merchants from communication failures. Credit card terminals with dial and Ethernet transmission control protocol/Internet protocol ports are designed to "fail-over" when a primary communications protocol shuts down.

Other dual-communication models have connectivity to both dial and cellular networks. The frequently overlooked countertop wireless terminal is preferred by some merchants for the speed and low cost of wireless networks over slower, more expensive dedicated dial lines. The dial port of the terminal, connected to a fax or company line, would be used only if cellular connectivity is lost.

Dual power supplies provide alternative energy sources during power failures. A terminal that can be powered by either electricity or battery power pack is an asset for merchants in remote locations with uneven electricity and frequent power surges.

It's a good habit to recommend surge protectors to all merchants to maintain the integrity of their processing systems. This is especially true for merchants who use backup generators, which are known to "spike," creating power surges that can compromise even the toughest POS devices.

### **Threat 4: Equipment failure**

The payments industry sets high standards for credit card terminals. The Payment Card Industry (PCI) PIN Entry Device (PED) standard regulates how devices process online, PIN-based debit transactions. Payment hardware and software have to be certified by processors.

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## Education

such as quick reference guides and trained support professionals who download, troubleshoot and provide online and help desk support.

Class B certifications acknowledge that incoming transactions can be authorized and settled by a processor's host network; support issues are directed back to the manufacturer and ISO. MLSs are trained by ISOs, value-added resellers, processors and manufacturers on product features and benefits and on how to sell them to merchants.

Obviously, selling refurbished equipment carries more risk of failure. Sometimes even new technology that comes with a manufacturer's warranty can be a lemon.

**Response – backup plan:** Although most MLSs promote equipment replacement programs, overnight replacements may include some downtime and risk of lost sales. How frequently does a next-day shipment become a second day-shipment due to carrier error or a missed shipment deadline? Immediate replacement is preferable to next-day replacement. Offer merchants additional protection: a spare credit card device, virtual terminal or manual imprinter to stand in during an emergency.

### Threat 5: Security breach

Credit card fraud and identity theft are the highest risk

factors in credit card acceptance. High profile security breaches at major retailers have led to further initiatives by card brands and processors to regulate procedures for transmitting, processing and storing cardholder data.

**Response – mandate PCI DSS compliance:** Educating merchants on the benefits of using industry best practices and the PCI Data Security Standard (DSS) has never been more important.

The PCI DSS regulates how to build and maintain secure networks, protect cardholder data, manage vulnerability, implement access control measures, monitor and test networks, and maintain an information security policy. For more information on the PCI DSS, Payment Application DSS and PCI PED, as well as how to help merchants choose certified and compliant solutions, visit [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org).

If it pays to expect the unexpected, then strategies for processing continuity will keep on paying for many years to come. 

*Dale S. Laszig is a writer and payments industry executive with a diversified background in sales and marketing. Her company, DSL Direct LLC, helps industry professionals and business owners leverage electronic transaction technology. She can be reached at 973-930-0331 or dale@dsldirectllc.com.*



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**Education**

# An operational look at improving sales force training

**By Deana Sellens**

*Take Charge Business Consulting LLC*

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**M**any operations departments do not understand the struggles of sales. It is difficult to be a "behind the scenes" employee in this sales-driven industry. Yet, the most successful ISOs' operations staff take an active role in training new sales reps.

Nothing is worse than finally getting a new, enthusiastic sales guy on board, and three deals later, you never hear from him again. This is especially apt to happen with salespeople who are coming from other industries. Merchant processing is a very difficult field to understand.

Sales training typically entails delivering a startup kit that

contains examples of various forms and policies. This is not a bad business practice. Sales starter kits are necessary, but training should not end there. Once the new office is on board and the sales training is complete, the sales department should step aside and turn the operational training over to operations.

Too often we hear clamoring about how salespeople do not understand operations. We tend to blame them for this lack of understanding, but if we do not invest in their training, we have no room to complain.

It is important that operations personnel always consider how it would be if they were out on the street meeting with potential clients and offering products they were counting on someone else to deliver. If sales reps lose customers due to back-end issues or miscommunication, they also run the risk of reputational damage. A salesperson's reputation and paycheck are both on the line. But operations is not a sales rep's forte.

## Try this

If your operations people do not help in the sales training process, ask yourself the following:

- How many of your new sales offices send in less than 10 deals and then vanish?
- Of these deals, how many of them were held up?
- How many were pended because of something missing or wrong?
- How many fell into the risk area almost immediately?

Now try something new: Beta test having operations assist in sales training on 10 new groups. Have your operations trainer do an introduction call and boarding 101 training. Make sure the trainer gets any applications from new sales offices, and assign an underwriter to new sales recruits. This person should go through the applications and look for training issues.

As issues are identified, go back through the process with the sales office. If you need to call a merchant, do it with the new sales office on the phone so reps can hear the approaches you are using.

You should see more sales representatives writing with you longer, as well as increased camaraderie between your sales and operations areas. If not, you can always discontinue the program. ☐

*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.*

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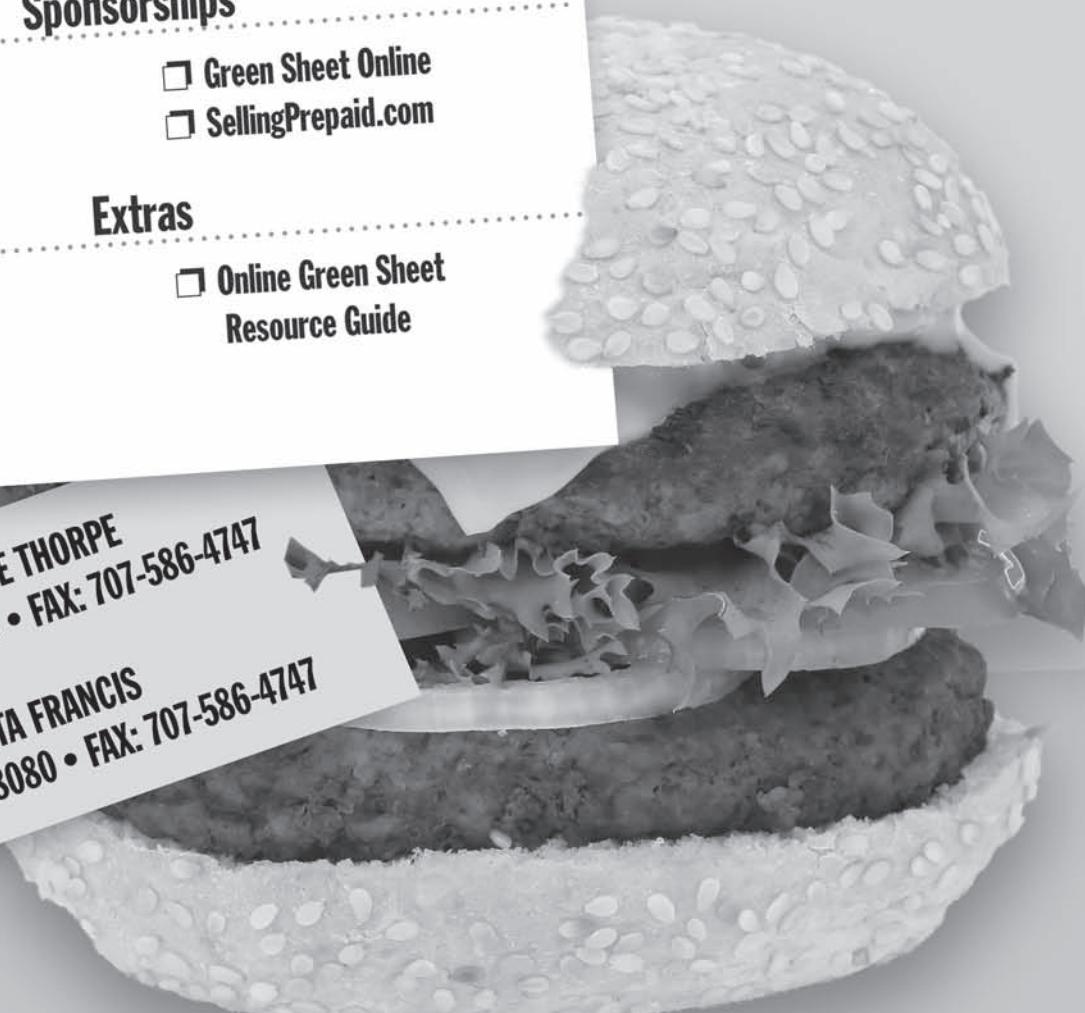
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## Payments on the edge: A conversation with Conrad Sheehan

**C**onrad Sheehan is the founder and Chief Executive Officer of mPayy, an online payment solutions provider that focuses heavily on cutting-edge payment methods involving cell phones, social networks and other hallmarks of the modern world. Before his current venture, Sheehan was Senior Vice President at JPMorgan Chase & Co. and a partner at Accenture, a global management and technology consulting firm.

Sheehan recently spoke with *The Green Sheet* about the benefits and pitfalls of new and emerging payment methods like the short-range, wireless communication technology near field communication (NFC); digital downloads on mobile phones; and virtual currency – including the real world financial implications of "gold farming" in the video game *World of Warcraft*.

The following is excerpted from the conversation:

**The Green Sheet:** The emergence of NFC for payments has been anticipated for some time. Is it finally ready to hit the U.S. market? What is holding it up?

**Conrad Sheehan:** It's been talked about forever. A fair question is has anything changed that one would expect a different result? We see a catalyst emerging that can break the logjam that has historically held back NFC if you look at it from a payments perspective. In the United States, payments are dominated by Visa and MasterCard, and on the credit side it's dominated by just a handful of issuers.

So you have huge powerful forces that control the payment system here in the United States, and they make great money on it. Now you also have a highly concentrated mobile carrier network – the top three or four controlling enormous blocks of people and relationships. You need those two parties to work together in order to conduct a payment.

You have to devise a business model and economic model such that everyone has the right incentive, and right now the banks control that. Right now it's a three party model – acquirer, association, issuer – and you've got the idea of two more parties coming in, one of which is extremely powerful and controls all the consumer relationships on the telephone side. Who's gonna give up money for that to happen?

**GS:** Might the short-term costs be worth the long-term benefits, even for the card companies?

**CH:** I think it's a tough argument that making payments mobile will stimulate consumption, and all of a sud-

den there's gonna be an expansion of consumers buying because of mobile technology. It's a pure substitution, like checks are being substituted away by credit cards and debit cards, so the check companies are losing out to the people who draw plastic from the banks.

**GS:** To what extent are cell phone companies profiting now from mobile payments online, as they would from NFC?

**CH:** They do from certain types of purchases, like if you were to get a ringtone. ... If you wanted to sell ring tones on any old device, the carriers are going to take a big chunk of that. Any payment where the payment is billed to the wireless bill, the carriers make a ton of money on that.

**GS:** Do they ever get a commission for purchases not directly related to the use of the mobile phone – for something outside the realm of ring tones and wallpaper?

**CH:** No, and that's kind of the problem. They're obviously playing a big role in any kind of future NFC business model – and frankly they should – and they're maintaining customer relationships; they're taking capital investment risks on devices, marketing customer support for entire relationships.

But at the same time, banks are doing that for debit and credit cards, and I don't think they necessarily want to give.

**GS:** My sense is that the mobile companies are more interested in moving forward with NFC than issuers, is that correct?

**CH:** Yes. They have everything to gain, and issuers have everything to lose.

**GS:** Is security still as big an issue with mobile and other online payments today as it was when electronic commerce emerged?

**CH:** The efforts by Visa and MasterCard through 3-D Secure have largely been unsuccessful. When you're issued a PIN, the people in the payments world know about it, but very often the issuing bank doesn't support it – like Citibank doesn't support it – and it's inconsistent, and it's one more PIN for a customer to use and they already have the protections of credit cards.

**GS:** What about changing the card verification value (CVV) number? Might that be a solution to protecting card information with online payments?

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**CH:** You can do the ghost number, the one-time use number. American Express pushed it out, but it never got to scale this idea of creating a random number generator, a token, which PayPal offers. But that requires you to carry around a little key fob that generates a little digit code.

**GS:** Would it be viable to get your PIN or CVV by text message?

**CH:** It's not as secure, and text messages are not guaranteed delivery because they hop different nodes through the network. A message goes over the air, then gets on the public switch network, routes itself, finds what phone is carrying that number then makes its way to the device. SMS [simple message service] is attractive, but it's tricky for any kind of mission critical or sensitive or secure data.

**GS:** What effect is mobile commerce having on commerce at large?

**CH:** I don't see any demonstrable effect right now. I think you might see people's entertainment budgets shifting a bit for mobile games, and the iPhone store is an example. But the idea of mobile phones stimulating overall consumption, again, I don't see that. It will make certain purchases more convenient, and that would be the goal.

It might shift some people's discretionary income from certain types of activity to others.

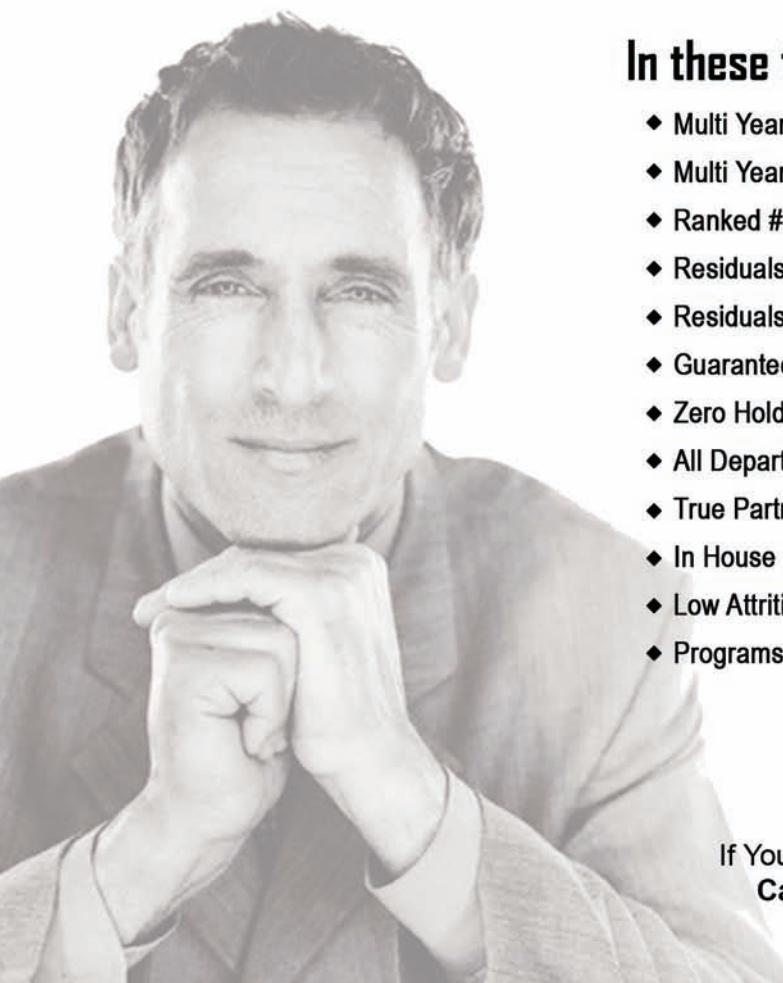
**GS:** Who's going to get hurt by that?

**CH:** If you see more people buying more online games on their phones, you're gonna see the folks like EA [Electronic Arts] or anyone who produces console games like on Xbox or Wii or Sony [take a hit]. There are only finite dollars and finite hours in a day, and if a kid who used to spend three hours a day on his Xbox is now spending three hours a day on his iPhone, that's in a microcosm an example of a shift.

We see the ability to take what people are generally calling location-based services and extending them into location-based commerce where you have price discovery and purchase done through a mobile device, but physical fulfillment is done in the ordinary way.

So I have a GPS [global positioning system] -enabled iPhone android device in the future that can find the nearest Starbucks. I order my regular *grandé* coffee. I buy it, but I pick it up at the store. But it's in a separate pickup line, and my phone number is written on the cup.

**GS:** Like coffee will call?



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**CH:** Yeah, exactly. The whole notion of will call, whether tickets or coffee, is attractive to the consumer. They don't have to wait in line, and it's great for the merchant because there's no queuing problem. These guys probably sell 80 percent of their coffee in the morning, but it's crickets from 10 to 11:30 a.m. and from 1 to 4:30 p.m. So if they can move more through that key window of time, that's fantastic.

**GS:** What other location-based services are on the horizon?

**CH:** Loopt, which is a popular iPhone application that can let you know what registered friends are near you. So if you're in the Embarcadero, and for whatever reasons a college buddy is traveling, and you didn't know that and see him pop up in the same district, you can call him.

That's social networking with GPS layered on top of it, but how does anybody make money from that? People are starting to think how coupons can be incorporated into that. If a retailer knows you're near a certain store, could they push you an offer? That could become a little annoying, but people could opt in to that.

**GS:** What about currency exchange or unregulated commerce on social sites like Facebook? Is that becoming a problem?

**CH:** There are a couple companies on Facebook that have built applications to do payment processing and the ability to buy gifts and gift people.

[Commerce] happens on games like *World of Warcraft*, where there is a naturally emerging internal marketplace among the players, and there's trading going on within the game and then outside of the game some kind of real financial fulfillment.

Like gold farming in *World of Warcraft*, where virtual gold is a commodity within the game, you could hire a bunch of people to farm gold and transfer it within the game but have

the money move outside the game. So inside the game it's a virtual currency; outside the game it's real currency.

**CH:** How could that be better regulated?

**GS:** Well, it's always risky because a virtual good is in infinite supply, so it shouldn't cost anything, but they've been able to create this perception of value. I don't think it's a threat to the economy by any means. ... From the perspective of regulation, I don't think it should even be on the radar screen unless it starts to delve into areas of illegal conduct. Then that's standard operating procedure. ☐

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# BookReview

## The irrational truth of customer behavior

In *All Customers Are Irrational: Understanding What They Think, What They Feel and What keeps Them Coming Back* author William J. Cusick, Chief Executive Officer of the Chicago-based marketing consulting firm Vox Inc., makes use of the Maslow hierarchy of needs to contextualize consumer behavior.

The hierarchy, developed by American psychologist Abraham Maslow, uses five categories to rank human behavior from primal aspects such as breathing and eating up to more complex endeavors like creativity and problem solving. In the middle is where customers go.

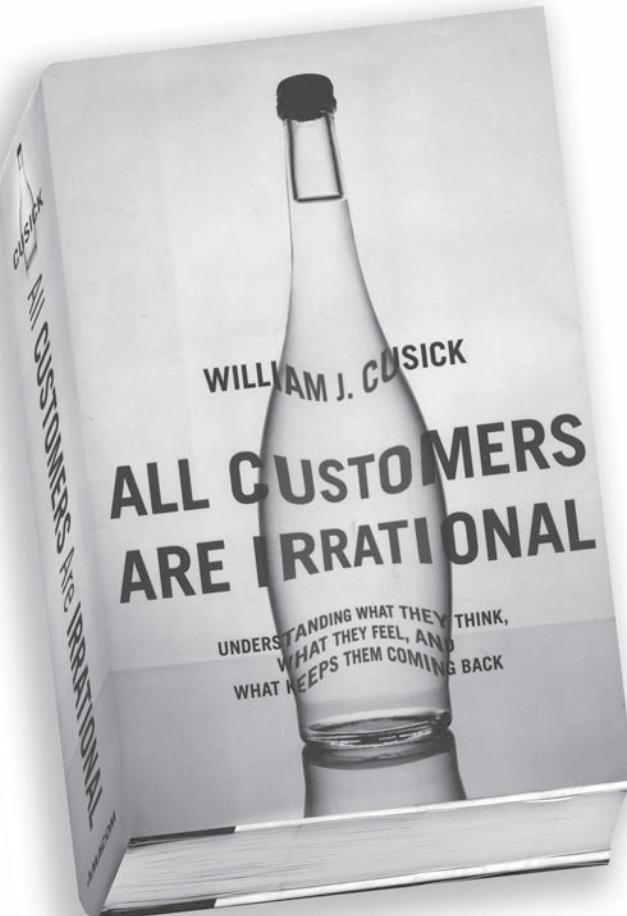
According to Cusick, consumers are driven by the need to belong and are drawn to companies with which they identify or that fit their "life stories." As evidence, the author cites studies that show customers identifying more with products that are anthropomorphic, meaning they exhibit human traits.

The author discusses a recent ad campaign from Apple Inc., in which a hip young actor plays the part of an Apple computer and is contrasted with an older, more stilted gentlemen meant to symbolize a computer using a Microsoft Corp. Windows operating system. The campaign's effectiveness is rooted in a very personal appeal to the identity of its audience, Cusick asserts.

"There is a delicate interplay between our logical but subservient conscious brain and our more powerful subconscious or irrational brain," he writes.

### Power of the subconscious

Indeed, the book describes the various ways in which consumers are led around by their subconscious



thoughts and how companies are best able to exploit that tendency. Cusick said most companies don't and instead rely on traditional profit models built on the long-held presumption that customers are, in fact, rational people.

The book's introduction states, "Year after year, budgets for marketing, advertising and prospecting swell with the goal of increasing amorphous categories like 'awareness' and 'mindshare.' Customer experience has been an afterthought."

Cusick asserts that, despite the claims made by consumers in survey after survey – which usually indicate very methodical, deliberate spending habits – most of them make decisions somewhat arbitrarily, based

**All Customers Are Irrational: Understanding What They Think, What They Feel and What Keeps Them Coming Back**

By William J. Cusick

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New York, N.Y.

Cloth, 229 pages  
ISBN 978-0-8144-1421-7

more on gut reaction than conscious thought. To back this up, he cites scientific studies that show the brain processing thousands of different things at one time, but only a tiny percentage of those consciously.

Cusick argues that consumer decision-making can be influenced by things as simple as the color of a room or the way employees are dressed – or even whether the shopper is holding a cold beverage or a warm one. In one study, a group of consumers were shown four pairs of the exact same pantyhose, and invariably chose one pair as being the best one – a decision made without rational or factual basis.

Not surprisingly, Cusick dismisses "customer satisfaction" surveys as

misleading and trivial. He advocates that companies actually observe the behavior of their customers to get a sense of their habits and not rely on answers from people who often either lack self-awareness, are reluctant to offend or are simply too incensed to fill out a survey to begin with.

Indeed, Cusick points out that the most dissatisfied customers rarely take part in such things. For that and other reasons, surveys tend to represent customer sentiment as being more favorable than it is. Thus, most companies don't do enough in the way of customer service.

Too often, it is viewed as an onerous or merely adjunct chore, Cusick says. He repeatedly turns to a quote from department store founder Marshall Field: "Customers are your only profit center." They should not, in other words, be viewed as anything less than the centerpiece of your mission.

However, the Web has given rise to better marketing and customer retention tactics, according to Cusick. For example, many Internet companies practice what the author believes is the best way to gauge consumer behavior: Rather than ask their customers questions about their preferences or feelings, they observe real-world behavior.

Sites like Amazon.com have used such observations to devise ways to make shopping easier or more pleasant and to facilitate purchasing – like recommending specific books, authors or musical artists to consumers based on where they usually browse or what they've historically purchased.

Cusick is especially enamored with Internet shoe retailer Zappos.com Inc. He points out that the notion of selling shoes online appears totally incongruous, since buying shoes normally requires trying them on.

But in a demonstration of how powerful good customer service can be, Zappos has overcome that obstacle by providing an array of other great services: Consumers receive their merchandise promptly in the mail, can return any item for a full refund and will always reach real people if they call the company's customer service hotline. There is no automated button pushing that so commonly drives people to feel like they're losing their minds.

Alas, Zappos appears to be an exception in a world where single-minded companies tend to cut corners, reduce services and make budget cuts to increase short-term profits at the expense of the consumers – and, ultimately, to the detriment of the company.

### **Companies irrational, too**

In the first chapter, Cusick contrasts the vast amounts of time businesses spend trying to acquire new customers with the relatively little attention paid to retaining existing ones, despite the fact that customer retention is profoundly less expensive than customer acquisition.

Cusick writes that for many industries, "customers are typically unprofitable through the first year, only hitting a break-even point later in the relationship (if they stay). Yet these potentially valuable assets are walking out the door with little thought or effort put into retaining them. The fact is that there is an exponential financial impact of focusing more on retention to drive growth. Yet companies still don't get it."

All in all, the book illuminates the ways in which *companies* act irrationally almost as much as it does the customers which they serve. On the Maslow pyramid, businesses seem, in many respects, to occupy a layer even below that of their customers – that is, within the "safety" stratum (the desire for, among other things, security and resources) which rates one notch above the lowest category of breathing and eating.

Morality, creativity and problem solving – the most evolved human traits on Maslow's chart – evidently go right out the window when certain institutions become obsessed with short-term gain and forget their "only true profit center."

The actions of companies that nickel and dime or otherwise neglect their most important asset seem very regressive indeed, which is something that even the most irrational customer can see. ☐

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# NewProducts

## Flag and filter online payments

**Product:** Shop BuyVoice

**Company:** Planet Payment Inc.

**S**hop BuyVoice, a phone shopping service from payment processor Planet Payment Inc., builds a mobile wallet for customers that uses a form of identification the product's creators believe is as unique and inimitable as a fingerprint: the human voice.

Customers who register for the system provide all the usual information (name, address, card number and so forth) on the company's Web site before activating their accounts through an unusual process: They call a number and are prompted to repeat a certain phrase three times.

At the other end, voice biometrics technology is used to capture that sound and "rate" it. Thereafter, a customer making a purchase needs only to speak the same phrase to authenticate payment.

"There will be a pass phrase; we'll ask you to repeat that three times, and we take all three utterances and create one print out of that with a rating attached," said Marc Reiser, Chief Marketing Officer for Planet Payment.

"So whenever you call in we're comparing your existing voice saying that exact phrase to what we have on file."

### Your voice is unique

Reiser added that voice capture technology has been "compared to fingerprinting and retinal eye scanning as far as the level of security," and is so perceptive that it even works if you have a cold.

More generally, Shop BuyVoice is a system for making convenient phone payments that Reiser said could be used at conferences and sporting events, among other places.

Typically, the service provides a phone and product number that are tagged to a certain piece of merchandise – be it at a brick-and-mortar location, in a catalogue or on an electronic commerce site.

Customers call the number, activate their account with the voice recognition system and make a purchase by punching in the product code.

"If you're at a venue and you'd rather not stand in line to buy a football jersey at a football game and then carry around the merchandise throughout the day, you can basi-

### Features of Shop BuyVoice include:

- Voice biometrics technology is used to authenticate payment.
- Shopping made easy: Consumers don't have to wait in line or carry merchandise.
- Merchants get unique phone numbers and personalized payment portals.
- Text message advertising targets the device consumers shop with.
- It offers the choice of delivery or in-person pickup.

cally take a product number off the signage, make the call – or make the call later if you want – and it gets delivered automatically to your shipping address," Reiser said.

He added that merchants who register for the service are given a unique phone number and payment portal (that is, customers who call to buy a specific product hear the name, slogan and other particulars on the recording of the company that they're buying from, not that of Planet Payment).

### Advertise where people buy

Reiser also mentioned one more benefit: easy advertising. Customers can be given the option of receiving promotions through text messaging, which Reiser said was a particularly effective kind of advertising because it uses the same channel that payments are made from: cell phones.

Consumers who get the text messages are positioned to purchase the advertised item moments later.

Shop BuyVoice is sold entirely through ISOs and other reseller channels, Reiser said, adding that the phone order service generally involves product delivery, but it can also be used to reserve a product bought in person.

For example, a customer may pass a store that is closed and see a product (and its Shop BuyVoice tag) through the window.

That person can then call the listed phone number, pay for the product by providing the product code and pick it up the next day. 

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## Merchant management minus tech troubles

**Product: Hosted Download Management Service**

*Company: POS Portal Inc.*

ISOs generally have two options for managing their computer-based merchant profiles, on which the assorted data of their various merchants are stored and updated. One is to assume the task themselves; the other is to outsource it to a processor.

According to Nicolas Alezeau, Business Development Manager for payment technology provider POS Portal Inc., both avenues have significant drawbacks.

ISOs that outsource the work of profile management surrender a high degree of control, face considerable delays to modifying merchant data and run the risk of errors from botched communication.

Those that manage their own profiles bear the high costs of technology implementation and the associated information technology work.

"Generally ISOs, when they grow to a certain size, they start wanting to have more control of their merchant base and the ability to modify those profiles," Alezeau said.

"On occasion, they may have a merchant that's just taking Visa and MasterCard, and they'd like them to be able to accept American Express and Discover – and that requires a change at the point-of-sale terminal and at the profile level. For them to submit that request [to a processor], that can take up to 24 to 48 hours if they outsource it to the processor."

### Better alternative

A new product from POS Portal called Hosted Download Management Service provides a separate alternative. According to Alezeau, the service allows ISOs to manage their profiles in real time but relieves them of the technology burden that merchant oversight normally entails.

Rather, POS Portal hosts the technology necessary to create and modify merchant profiles – requiring ISOs only to register and create accounts but allowing them to modify those accounts as quickly and easily as if the technology were their own.

"It's kind of like real estate," he said. "You have your account, or your space in your system ... and

you can build your space with your applications that you want, and we host the infrastructure and we give you support."

### Different terminal, different download

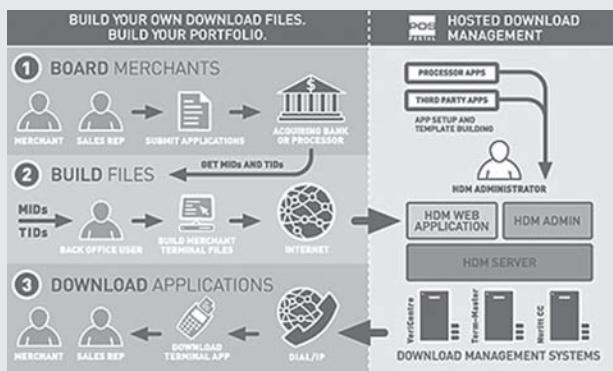
Making profile management even more difficult is the fact that terminals issued by different companies require entirely separate programs, Alezeau noted. For example, ISOs that oversee one merchant with a Hypercom Corp. terminal and another with a Verifone terminal typically need to download two separate programs. No single download is compatible with both.

Whereas the Hosted Download Management Service contains programs supporting all the different terminals. For an ISO that signs in, "you go to one Web site, and it looks the same every time," Alezeau said. "You have a drop-down list where you select Verifone or Hypercom or Nurit, and then it's the same Web page. It's easy training one of our clients."

Lastly, the service gives ISOs an upsell opportunity to other ISOs seeking control of their own portions of merchant accounts.

"[ISOs] pay a user account fee, but they can use that as an enabler to make additional revenue on their side,

### Preview of Hosted Download Management Service:



depending on their business model," Alezeau said. "They can give their sales agent or a smaller ISO the capability to say, 'Hey, do you want to be able to build your own downloaded profiles? It'll cost you x.' We're not able to partition that out, but it's still under the umbrella." ☐

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# Inspiration

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**He gives twice who gives quickly.**  
— Italian proverb

## Reflect that glory

**O**ne goal for most ISOs and merchant level salespeople (MLSSs), aside from closing merchant accounts and generating revenue streams, is being acknowledged for their triumphs and successes. And while it is gratifying to receive validation for quality performance and career milestones, it is equally important – if not more so – to share the lime-light with others.

When actors win awards or athletes receive accolades, the wise ones thank their colleagues and recognize they wouldn't be receiving honors without the help of the people supporting them. Making a point to recognize those who have helped you succeed is no less important for you, as ISOs and MLSSs.

After all, values in action such as practicing the golden rule, committing random acts of kindness and recognizing the good in people are the common threads that give us our sense of humanity.

### Mirror success

Effective leadership demands humility, as well as the ability to delegate authority and turn to others for wise counsel and expertise. Shifting the spotlight to colleagues

or staff can empower future leaders in ways no other strategy can.

It is human nature to feel encouraged when a superior appreciates a job well done, whether the kudos come verbally or in writing. It is imperative to look for the best in others without regard to status or role. Doing so is not only a tremendous motivator, but it also helps reinforce desired outcomes.

People, for the most part, just want to know that others care about them, that their efforts have meaning and purpose. Focusing on the strengths of colleagues instead of dwelling on their flaws contributes to conviviality and balance in the workplace. It also fosters a sense of accomplishment in those being appreciated while revealing a side of a manager or colleague that might not otherwise come to light.

Conversely, there is no quicker way to deflate motivation and ruin that "we're all in it together" spirit than for a superior to take credit for something an employee or colleague does.

### Praise wisely

There are many ways to acknowledge a job well done. Some employees are comfortable with public pronounce-



## Inspiration

ments; others prefer private communication. Tailor reinforcement to each individual. A person's ability to receive praise is as distinct as one's learning style and personality. It is also important to remember that commending someone should be done in a timely, specific and personal way.

So, take the time to witness and applaud someone else's achievements as they happen – in real time. This will not be practical in all situations, but when circumstances permit, it shows you are paying attention and that you are genuinely interested.

Here are some other ideas on how to effectively deliver praise:

- Give everyone a chance to pass along positive thoughts at department or company meetings.
- Keep a kind of revolving trophy that moves from project to project and employee to employee, something that is visible as a token of success and achievement and is kept until someone else's performance is "trophy worthy."
- Recognize contributions or achievements tangibly: Gift certificates, movie passes or complementary time off are just a few ways to do this.

- Say thank you when it is least expected. It gives staff an incentive to keep pushing ahead without being pushed. And you might be surprised how far these two little words can influence those you depend on to meet your organization's goals.
- Acknowledge all group members, not just project leaders or senior employees. Superiors were once underlings who needed the support that helped them get to the position they are in today.

### Light the way

Remember, no company can thrive without building harmony and instilling self-worth among its staff. And it takes infinitely less energy to let others know they are important than to seek recognition for your own accomplishments. To give without counting the cost and to put others first can lead to a greater sense of satisfaction than anything you might achieve for yourself individually.

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Paul H. Green, President and CEO

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## Western Payments Alliance Operations Conference

**Highlights:** This event is designed specifically for individuals with automated clearing house (ACH) responsibilities who are looking to take their ACH payments expertise to the next level.

Through a combination of keynote addresses, general session panels and numerous concurrent sessions led by payments industry leaders, attendees will learn about the latest operational issues facing the ACH in light of changing ACH Operating Rules, compliance requirements and evolving risk issues.

The conference will include lectures, product showcases, a ceremonial luncheon and workshops – including an ACH basics workshop and an Accredited ACH Professional (AAP) preparation workshop for individuals interested in taking the AAP exam in 2010.

**When:** Sept. 9 – 10, 2009

**Where:** Harrah's Hotel and Casino, Las Vegas

**Registration:** [www.wespay.org/Content/docs/pdf/education/ops\\_con\\_reg\\_form.pdf](http://www.wespay.org/Content/docs/pdf/education/ops_con_reg_form.pdf)



## Electronic Transactions Association 2009 Strategic Leadership Forum

**Highlights:** This annual event will unfold in Times Square, at the financial center of the world, and will include high-profile speakers looking at what the payments industry will face in the years ahead.

Slated seminar topics include the shift in payment types, new technologies, and the three things that can put you out of business and other aspects of risk management. An opening reception will convene the night of Oct. 14. The conference's second day will include an evening reception and an afterglow party. The forum also promises a few "new twists ... you won't want to miss."

**When:** Oct. 12 – 14, 2009

**Where:** The New York Marriott Marquis, New York

**Registration:** [www.electran.org/content/category/6/75/123](http://www.electran.org/content/category/6/75/123)



## Western States Acquirers Association Western States Acquirers Association's 2009 Conference

**Highlights:** WSAA's sixth annual show will feature a keynote address by industry veteran Paul Martaus and Mark Dunn's Field Guide Seminar. Topics to be discussed at educational sessions include Payment Card Industry Data Security Standard compliance, gateways and data security, and sales strategies. An open forum will be paneled by high-level industry executives who will take questions from the audience and elaborate

on their successes despite the economic downturn. In addition to the always popular exhibit hall, the WSAA will give away thousands of dollars in prizes to show attendees.

Sponsorship opportunities are still available; please contact Xavier Ayala at 707-269-3222 or via e-mail at [xavier.ayala@moneris.com](mailto:xavier.ayala@moneris.com).

**When:** Oct. 14 – 15, 2009

**Where:** Sheraton Park Hotel at Anaheim Resort, Anaheim, Calif.

**Registration:** [www.westernstatesacquirers.com](http://www.westernstatesacquirers.com)



## Source Media Conferences ATM, Debit & Prepaid Forum

**Highlights:** Now in its 17th year, the ATM, Debit & Prepaid Forum focuses on some of the most significant opportunities for financial institutions today: self-service and cash management, the debit portfolio, prepaid products, and nontraditional, alternative payments. Workshop topics will include mobile payments, the evolution of prepaid products, the ATM revolution and finding the best investments in the payments sector.

The agenda includes numerous conference topics, continental breakfasts, afternoon dessert, morning and evening networking receptions and a forum dinner with conference chairman Tony Hayes, a Partner at the consulting firm Oliver Wyman. Other speakers include Robert O. Carr, Chairman and Chief Executive Officer of Heartland Payment Systems and Frank Cotroneo, Chief Operating Officer of NetSpend, a provider of prepaid debit cards and services.

**When:** Oct. 18 – 20, 2009

**Where:** Caesars Palace, Las Vegas

**Registration:** [www.sourcemediaconferences.com/ATMDebit09](http://www.sourcemediaconferences.com/ATMDebit09)



## EPCOR Payments Summit 2009

**Highlights:** This annual event includes one full day and one half day of informative general and breakout sessions. There will be a networking reception at the Ohio Theater, plus continental breakfast, lunch and coffee breaks each day.

Topics addressed will include check acceptance technology covering Check 21, ACH, remote deposit capture and image exchange, current crises and changes ahead in the payments industry, managing end-user risks (fraudsters and hackers), alternative payments, mobile payments and the industry's use of Web services like Facebook, Twitter and PayPal. There will be a networking reception and roundtables.

**When:** Oct. 22 – 23, 2009

**Where:** Hyatt on Capitol Square, Columbus, Ohio

**Registration:** [www.associationdatabase.com/aws/pc/pt/sp/home\\_page](http://www.associationdatabase.com/aws/pc/pt/sp/home_page)

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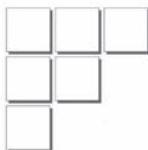
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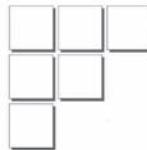
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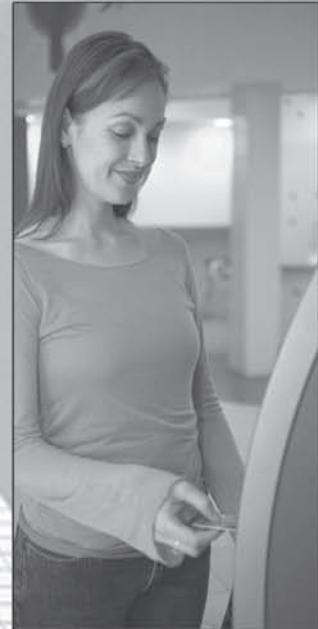
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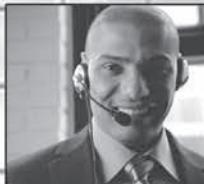
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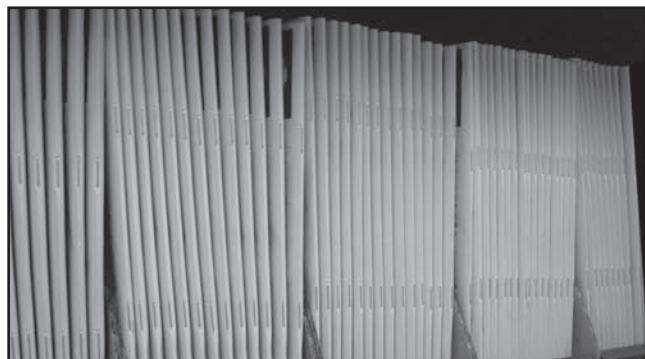
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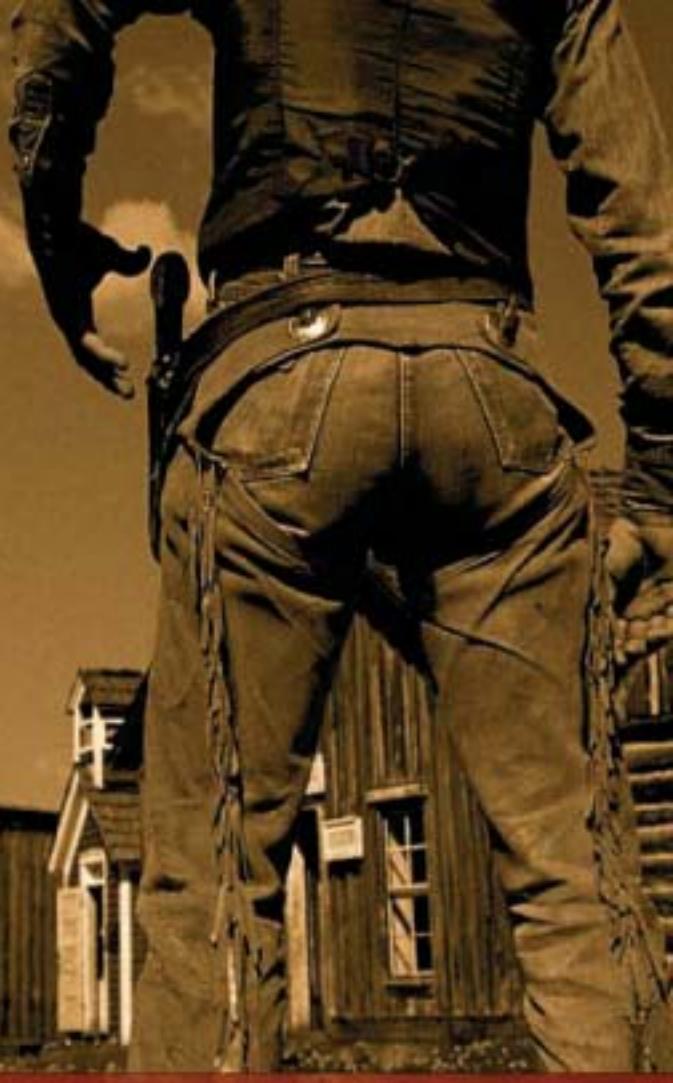
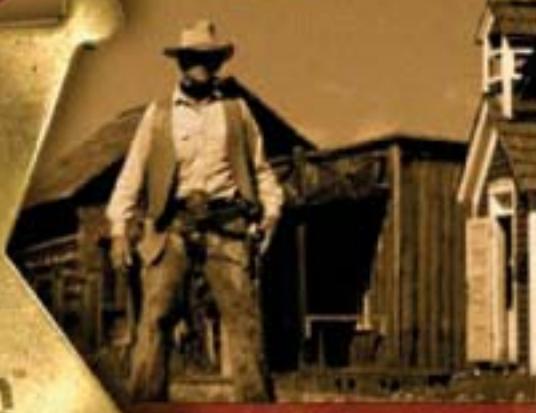
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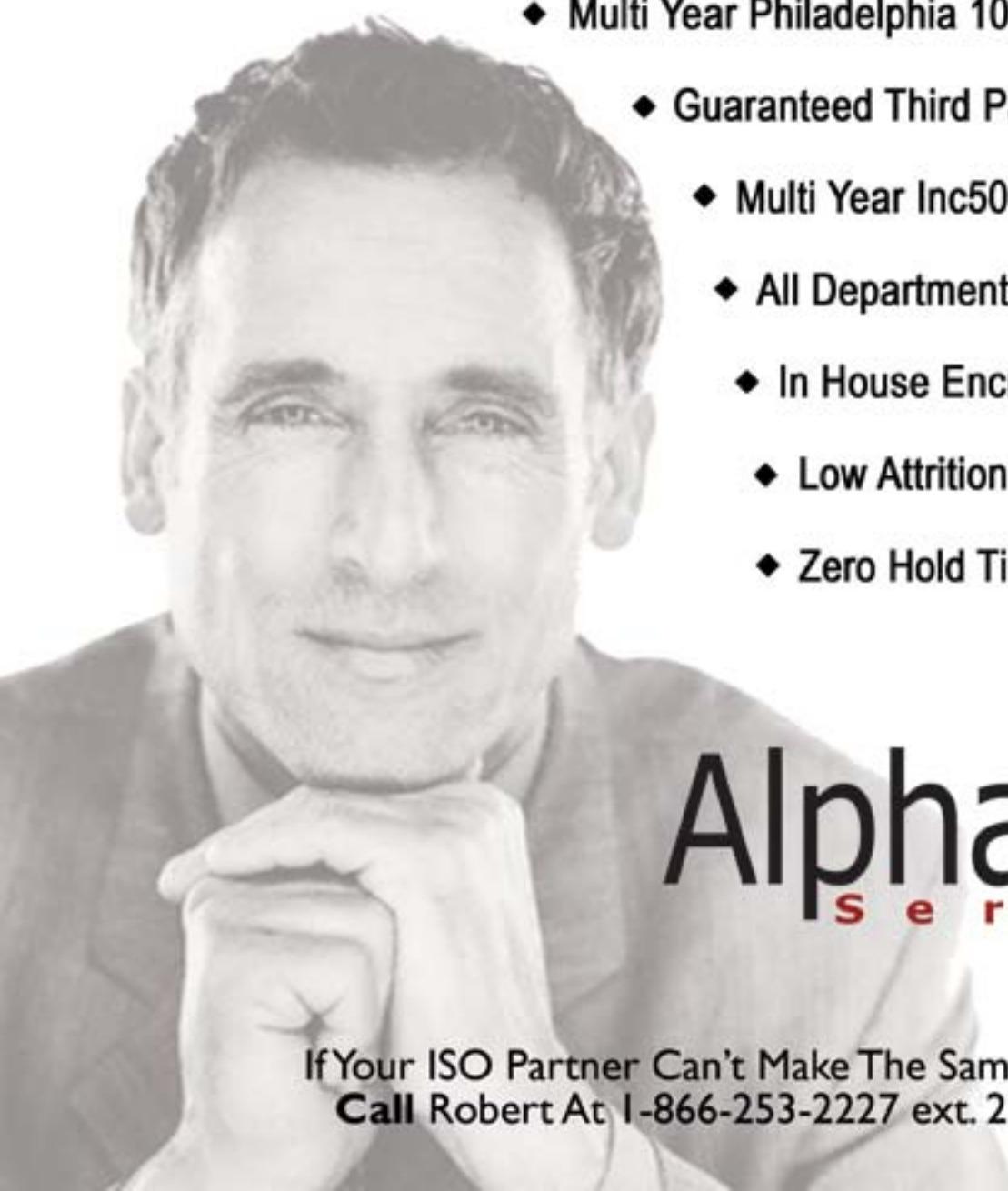
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**AlphaCard**  
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# LATEST NEWS

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Hold Times  
Statement Fees  
Transaction Fees

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(Applications Approved In Same Month)

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