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October 26, 2009 • Issue 09:10:02

Holiday season warrants new pursuits

ISOs and merchant level salespeople (MLSs) doing business in both brick-and-mortar and e-commerce retail environments report that anywhere from 30 to 70 percent of a merchant's annual income is made during the holiday shopping season between early November and late January each year.

Thus, each holiday season tends to be a "hands-off" period in terms of signing new merchants or up-selling existing accounts and a time to focus instead on customer service – including troubleshooting for merchants during a hectic time when any glitch in transaction processing can be especially costly – and planning ahead.

Research and consulting firms Deloitte Development LLC and Retail Forward report that sales volumes for the fourth quarter of 2009 are expected to reach approximately \$810 billion, the second worst total since 1967 (when the U.S. government began tracking retail data) and only a couple percentage points higher than 2008's record low.

According to industry experts, these sales projections, coupled with the dearth of new business formations as a result of the recession, mean that ISOs and MLSs will need to become well versed in alternative payment forms and value-added products and services to augment traditional core credit and debit card offerings.

"Every processor is gearing up for wall-to-wall madness," said Paul Martaus, President of payment consultancy Martaus & Associates. "It's the highest volume time of the year, and their numbers for 2010 are going to come out of the next couple of months. There's no new business to be had during the holidays.

"However, that being said, the leading-edge guys, if they're smart, are going to be analyzing the Christmas season to determine what their next year is going to look like with regard to selling – and then boarding – new merchants. ISOs won't want to bother their processor trying to open new relationships during Q4, but they should be laying foundational groundwork with these merchants for the next phase."

Remote possibilities

Michael Pratt, Chief Marketing Officer for remote deposit capture (RDC) specialist Panini North America Inc., believes ISOs and MLSs should use the holiday season as an opportunity to think beyond traditional payment forms.

"We know that ISOs have options to sell a variety of different products to occupy their time," Pratt said. "Payment alternatives like RDC and automated clearing house are two of these. And as a company that targets the small-business market, we see opportunities through our reseller channel to plant the seed with merchants for payment factors outside of basic credit and debit.

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NotableQuote

Will card processing "up in the cloud" protect merchants from penalties or fines if they process a fraudulent credit card or compromise cardholder data? No, because the incidents would still be attributable to a specific merchant identification number and bank relationship. The value proposition of using cloud computing to process credit cards is that it saves time and money.

See story on page 70



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Forum

Taking us to the Clouds

We received the following feedback on "POS forecast: Increasingly cloudy," by Dale S. Laszig, *The Green Sheet*, Sept. 28, 2009, issue 09:09:02:

Great article. I love the way Dale writes; she writes visually, taking what is a difficult topic for most and putting it into bite-size pieces that are easy to digest.

Steven Feldshuh
Paymint Partners LLC

Steven,

Thank you for taking the time to send along this appreciative note. It is encouraging for both Ms. Laszig and The Green Sheet as we do our best to provide pertinent, informative, timely articles for the payments industry's feet on the street.

Editor

The fine points of ERR

Regarding "ERR, a merchant retention tool," by Bob Schoenbauer, *The Green Sheet*, Sept. 28, 2009, issue 09:09:02, we received the following note:

Bob Schoenbauer recently wrote a nice article about ERR [Enhanced Recover Reduced], but there was a slight math error. Using ERR, you have the option to assess a surcharge to the merchant's downgraded sales volume. The surcharge is an ISO-defined percentage that is applied to the downgraded sales volume of participating merchants. Bob did a great job of explaining that.

In the ERR article, the rate for the transaction came in at 4.06%, but that is incorrect. The proper formula for ERR, according to the FDR ERR Sell Sheet available to FDR clients is:

Qualified discount rate charged, i.e. 1.69% - (minus) Nonqualified interchange rate, i.e. 2.30% + \$0.10 + (plus) Difference between nonqualified interchange rate and "base" qualified rate (i.e. 2.30% + \$0.10 - 1.54% + \$0.10 for CPS Retail) + (plus) ERR surcharge %, i.e. 1.00% = (1.69% x sale amount) minus (2.30% + \$0.10 cents x sale amount) plus (0.76% x sale amount) plus (1.00% x sale amount) = 1.15% profit on the individual sale.

(By the way, the \$0.10 transaction fee of the interchange was dropped off for ease of math in the example below.)

The "rate" of that sale would ultimately be 3.45%, which is 1.15%

plus the nonqualified interchange of 2.30% (interchange for the EIRF credit sale).

The calculation that was done appeared to be the actual interchange rate (2.30%) plus the ERR rate (1.00%) plus the difference in the two interchange categories (2.30% - 1.54% = 0.76%) which came to 4.06%.

Instead, it should be the qualified discount rate (1.69%) plus the difference between the two interchange categories (0.76%) plus the ERR rate (1.00%), or 3.45%.

Basically, an easy way to think about ERR is as follows:

- A. Charge the qualified rate.
- B. Subtract whatever interchange category you hit (i.e. EIRF credit).
- C. Charge the difference between the interchange category you hit (step B) and the "should of" rate (i.e. the CPS retail rate of 1.54%).
- D. Charge your ERR surcharge %.
- E. Determine your profit on a particular sale.

On a \$300 sale, that would look like this:

- A. $\$300 \times 1.69\% = \5.07
- B. $\$300 \times 2.30\% + \$0.10 = -\$7.00$
- C. $\$300 \times ((2.30\% + \$0.10) - (1.54\% + \$0.10)) = \2.28
- D. $\$300 \times 1.00\% = \3.00
- E. $A - B + C + D = \$3.35$ profit on the sale

The profit actually comes to around 1.12%. You have to take into account you billed 1.69% plus 0.76% plus 1% (3.45%) and still had an expense of 2.30% + \$0.10 for the interchange, or an effective rate of 2.33%.

$$3.45\% - 2.33\% = \text{your } 1.12\% \text{ profit}$$

Otherwise, it was a nice article. Well done, Bob!

Michael Nardy
Electronic Payments Inc.

Michael,

Thank you for drawing upon your expertise to address something that could cause confusion for ISOs and merchant level salespeople seeking to implement ERR. We will append your explanation to the online version of Bob Schoenbauer's fine article. Your clarity, commitment to excellence and generosity are very much appreciated.

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

1

Holiday season warrants new pursuits

Some industry research firms project sales volumes for the upcoming holidays will be the second worst in over four decades, just percentage points above the record low consumer spending in 2008. Consequently, ISOs and merchant level salespeople (MLSs) might want to adapt by pursuing new avenues to remain afloat as the recession persists. What are their best options?

Feature

36

Top 15 tips for gift card success

An Archstone Consulting survey predicted that retail gift card sales will exceed \$35 billion in the 2009 holiday season. One reason for this expected bonanza is that retailers have become more innovative in how they market the cards to their customers. Here are some of the ways.

Feature

26

A virtual RDC roundup

Remote deposit capture (RDC) is becoming an increasingly popular solution for merchants and a potent value-added service for ISOs to offer. But the process of scanning checks to electronically deposit them into bank accounts is not without complexity. A recent RDC Roundtable Virtual Conference & Expo shed light on the fundamentals of this service.

News

42

Congress gives interchange reformers lukewarm reception

Opponents of the interchange status quo had another shot at grabbing congressional support Oct. 8, 2009, with a hearing before the U.S. House Financial Services Committee. Yet, the hearing appeared to be more a formality than a serious attempt to address interchange legislation.

Feature

34

What is stored-value?

In May 2009, a bureau of the U.S. Department of the Treasury asked for input from the prepaid card industry concerning the definition of stored-value. It was seeking clarification in order to revise regulations that cover the obligations of money services businesses to report possible instances of terrorist financing, money laundering and other financial crimes.

News

42

VeriFone addresses PCI enforcement confusion

Discrepancies in the way compliance is enforced can be a source of confusion among merchants, ISOs and MLSs. An Oct. 8, 2009, webinar put on by secure payment solutions provider VeriFone addressed this and other issues relating to the Payment Card Industry (PCI) Data Security Standard (DSS)-compliance sunset dates and compliance generally.

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News

45

Visa prefers data-field encryption

When Visa Inc. speaks, the payments industry listens. The world's largest card brand issued a global best practices paper that advises all merchants that accept electronic payments to consider data-field encryption technology be installed on their private networks as a necessary complement to the PCI DSS.

Education

60

Street SmartsSM: Don't let distractions hobble your business

If you've heard it once, you've heard it twice: I just don't have any time to get that done. This is a primary concern, especially for those running a business from home, where a sole proprietor can run into all sorts of distractions. Many MLSs operate home-based businesses. How can you, as a small-business owner, effectively manage your time?

Feature

50

Payments a strong presence at the AFP

At the Association for Financial Professionals 2009 Annual Conference, held October 4 through 7 in San Francisco, issues relating to both the automated clearing house network and Check 21 laws had a noticeable role. This article looks at some of the conference's highlights.

Education

66

Complexities of multicurrency processing

Multicurrency processing is the ability to send a transaction to interchange for authorization in international currencies, and there are many layers to this rapidly expanding global service. This article explores different things to consider in implementing multicurrency processing.

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Education

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Cloud security, a weighty issue

Credit card transactions need heightened verification and security. Think homeland security for terminals; these safeguards came in response to security breaches and are designed to protect cardholder data. While security procedures can't guarantee our safety when we fly or use our payment cards, they can minimize risk.

Education

74

Conducting effective meetings

Planning and delivering effective meetings is a fundamental skill for managing a successful business. With a little effort, you can learn to plan and conduct effective meetings that are short, effective and productive. This article examines some of the keys to effective meeting planning and compoment.

Education

72

**Look ahead,
prospect and prosper**

Back in 1996, many people were already lamenting that the good old days for ISOs and MLSs were gone. Does this sound familiar? Well, it's not true. While a few businesses are down, a surprising number are doing very well this year. It is just another cycle.

Inspiration

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Get real with expectations

ISOs and MLSs are inundated with motivational phrases. But lofty goals and high expectations should be tempered with realism. How can identifying your limits and learning to work within them empower to you do better?

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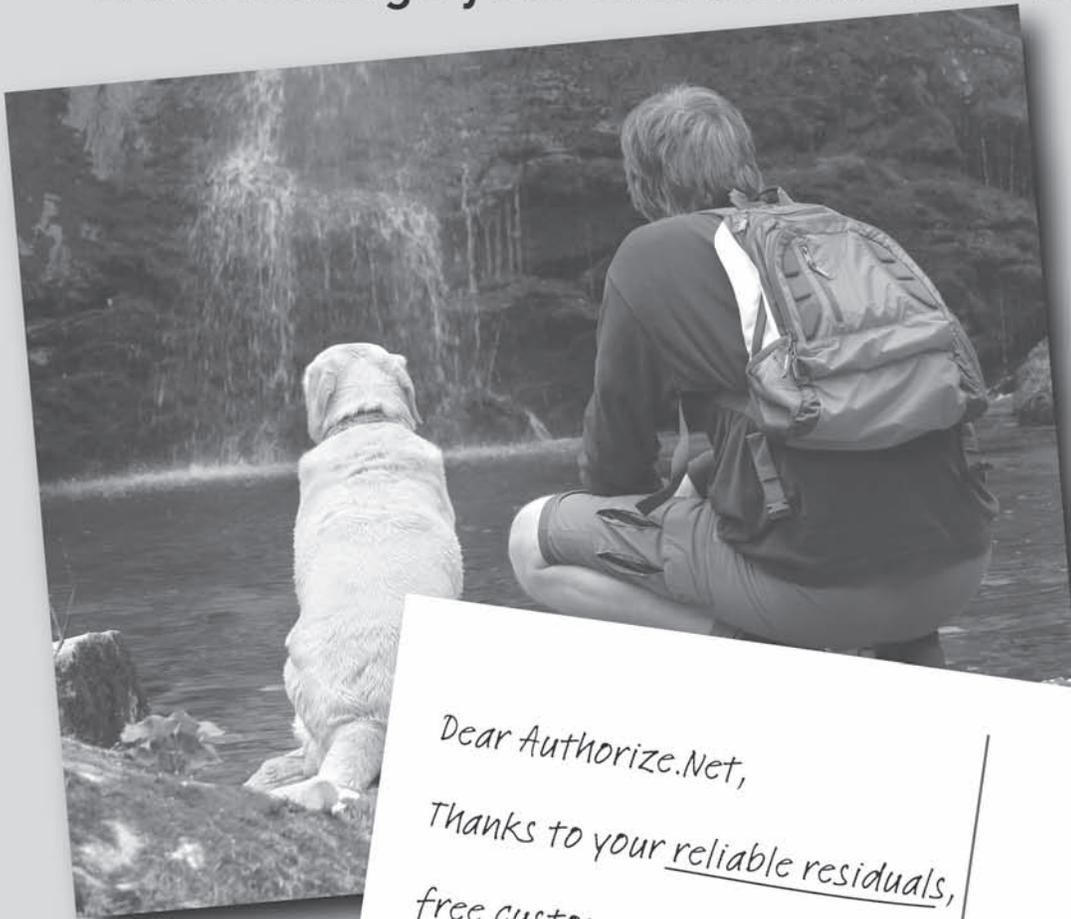
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NEWS

AmEx makes changes

To foster growth and exploit new opportunities, **American Express Co.** altered its corporate structure. Some of the changes put in place in October 2009 are as follows:

- Edward P. Gilligan, who formerly headed AmEx's Global Business to Business Group, now oversees global consumer, small business and network businesses.
- Global Services was formed to handle company-wide customer service, technologies, operations, business processing and information management. It will be led by Stephen J. Squeri, who was promoted to Group President. Prior to this appointment he headed AmEx's Technologies and Corporate Development.
- A new organization, Enterprise Growth, will increase existing assets and fee revenues and create new opportunities in payment areas and related businesses. An executive will be recruited to head this new division.

Also, AmEx President Alfred F. Kelly Jr. resigned to seek a chief executive position elsewhere. His resignation will be effective early in 2010.

"American Express has a strong, experienced management team and a unique collection of assets," said Kenneth I. Chenault, the company's Chairman and Chief Executive Officer. "The new organizational structure I am announcing today will help us realize the full potential of these assets and ensure that American Express continues to be a leader in global payments."

FIS completes Metavante Technologies acquisition

Fidelity National Information Services Inc. (FIS) completed its acquisition of Metavante Technologies Inc. The combined company will retain the FIS name. FIS also unveiled a new logo and the tagline: never compromise. FIS serves community banks, credit unions, and mid-tier and large financial institutions. It supports payments for international banking, government, health care and education.

According to the terms of the acquisition, Metavante shareholders receive 1.35 of FIS common stock for each share of Metavante common stock held. "The combined scale, complementary product capabilities and market breadth of these two great companies will drive significant competitive advantages in the increasingly dynamic marketplace," said FIS Chairman William P. Foley II.

Frank Martire, FIS President and CEO added, "We will continue to make business and product investments, and we will strategically integrate our products where it makes sense to do so in order to deliver high-value solutions to our clients and prospects."

Under Martire, the executive team of FIS consists of the following Corporate Executive Vice Presidents: Mike Hayford, Chief Financial Officer; Frank Sanchez, Strategic Solutions; Brent Bickett, Business Development; George Scanlon, Finance; Ron Cook, Chief Legal Officer and Corporate Secretary; and Mike Oates, Chief Human Resources Officer.

Executive Vice Presidents include Anthony Jabbar, Financial Solutions; Frank D'Angelo, Payment Solutions; Jim Susoreny, Sales and Client Relations; Mark Davey, International; Brian Hurdis, Technology Services; Ram Chary, Global Commercial Services; and Marcia

BOTTOM
LINES

HEADLINES
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- According to the **International Council of Shopping Centers**, U.S. chain store sales in September 2009 increased 0.1 percent compared with the same period last year. This represents the strongest reading since July 2008, when sales increased 3.3 percent. The ICSC projects U.S. holiday sales for November through December 2009 will increase approximately 1 percent over the same period in 2008.
- **The U.S. Census Bureau** reported total U.S. retail and food services sales for August 2009 were \$351.4 billion, an increase of 2.7 percent from the previous month but 5.3 percent below August 2008 totals.
- Sales of hybrid cars in the United States jumped 48.6 percent between July and August 2009 to 38,701 units, according to a survey by **Autodata Ltd.** Hybrid sales represented 3.07 percent of new car sales during August, a 9.2 percent increase over the previous month.



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Industry Update

Danzeisen, Senior Vice President, Global Marketing and Communications.

Batteries included

QSecure Inc., a powered card platform company, received \$10 million in Series D funding from Worldview Technology Partners Inc., Allegis Capital LLC, UMC Capital and Société Générale.

Powered cards contain embedded batteries for such purposes as displays, dynamic account information, authentication services, light and sound. Some even have a keyboard for typing a password to generate a one-time authentication code to verify who is in possession of the card and cardholder identity for transacting online.

The funds raised by QSecure will be used to complete final development and initial pilots of QSecure's first powered card products and the continued development of its powered card platform.

"Powered cards offer a unique set of benefits to financial institutions – greater security, in both online and offline transactions, as well as the ability to expand functionality through future software enhancements," said David Krall, CEO of QSecure.

"Unlike mobile platforms, the issuer maintains complete control of branding and distribution," Krall added.

Pete Goettner, General Partner, Worldview Technology Partners, said the capital raised in this round of financing "will allow QSecure to begin card deployment at customer sites while continuing to innovate the platform. QSecure is uniquely positioned to be a market leader in this rapidly growing segment."

ANNOUNCEMENTS

Bottomline execs receive honors

Global Finance magazine's 2009 "Who's Who in Treasury and Cash Management" listed **Bottomline Technologies'** Chief Technology Officer Eric Campbell and Director of Global Marketing Marcus Hughes. Campbell's expertise is in Web-based cash management products and services. Hughes has 20 years of experience in international banking.

Digital Check launches TellerScan

Digital Check Corp. rolled out its new check scanner series, TellerScan TS240, which features built-in scanner diagnostics. "Our goal is to deliver a foolproof and hassle-free user experience and to minimize help desk requirements for training and support," said John Gainer, Executive Vice President of Digital Check.

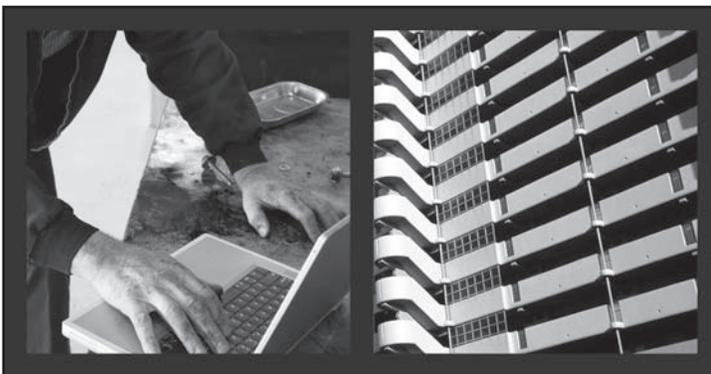
Javelin, InformationWeek say Discover is tops

Javelin Strategy & Research's annual assessment of identity safety named **Discover Financial Services** as best in detecting fraud among 25 U.S. credit card issuers. It also came in second on Javelin's Card Issuers' Identity Safety Scorecard. In other company news, *InformationWeek* named Discover to its InformationWeek 500 for 2009, which lists the most innovative business technology organizations.

Fiserv launches new solutions, renews CUs

Fiserv Inc. developed a global account processing solution that it claims will change the way large credit unions do business. Fiserv's Acumen's server deployment model, using Internet technologies such as Java and AJAX, is designed for rapid and cost-effective scalability.

In other company news, Fiserv launched its Merchant Acceleration Program to help financial institutions promote merchant capture, a remote deposit capture solution. It also unveiled its Fraud Risk Manager 4.6 and Anti-money-laundering transaction monitoring solutions. In addition, Fiserv reported it renewed 217 credit union account processing clients in the first eight months of 2009.



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Doin' it right

In September 2009, Trustwave – a firm of security experts specializing in solutions that facilitate merchant compliance with the Payment Card Industry standards for data, software and POS device security – received a five-star rating from *SC Magazine* for its Managed Security Services. Trustwave was also the only company the magazine ranked "recommended" for its fraud prevention services.

"I think it means – to us – that they recognize we have become sort of a visionary in this market with respect to providing cost-effective solutions for the smallest merchants all the way up to Fortune [1000] accounts," said Robert J. McCullen, Chairman and Chief Executive Officer of Trustwave. "It's not the Nobel Prize, but for us it demonstrates that third parties are acknowledging our capabilities to help merchants feel better and mitigate their risk."

For 20 years, *SC Magazine* has offered information technology (IT) professionals a forum in which they can learn from their peers' experiences and access analysts' findings and vendor information.

Trustwave was honored for its entire package of services including its Unified Threat Management, Intrusion Detection Services, Network Access Control and mailMAX, an e-mail security solution. "The two big things we acquired this

year were our network access control and data loss prevention solutions," McCullen said. "So now we can prohibit unwanted users or devices – even USBs – trying to enter your network as well as keep cardholder data safe."

Continual presence

McCullen added that *SC Magazine* is a big deal in the IT world in terms of its in-depth reviews of technological innovations and how companies deliver products and services to market.

"We're not a company that's just going to ship you a CD or box and say, 'Here you go, you install it,'" McCullen said. "I believe where we are unique is our ability to offer all of our services as a subscription, which is much better in the economic environment today. We differentiate ourselves because we can apply that expertise worldwide more efficiently and cheaper than you having to install it, train on it and then keep it running."

McCullen added that merchants cannot merely load up a shopping cart of fraud prevention technologies and expect to solve their security problems. "They need experts who uniquely understand their needs," he said. "We feel we have the forensics and applications in place to monitor every attack threat merchants in all sectors face today."

Holistic care

Trustwave was founded in 2000 and has since expanded to 20 countries on six continents. The company has call centers in Europe and the United States and offers continual customer and technical support in 12 languages. McCullen noted that Trustwave has over 700,000 customers and is adding nearly 100,000 new merchants every month.

"Sustained growth and trusted relationships are created by providing merchants an inexpensive means to get and stay compliant," McCullen said.

"We've been building and acquiring solutions over the past three or four years that include all the technology merchants need like secure e-mail, anti-virus software and SSL [secure socket layer] certificates, to name a few. And there's really no one provider in the market that offers all those things" as a software-as-a-service.

"They can simply pay for what they need and have an expert monitor all that holistically," he noted. "The comprehensive suite of offerings we are able to provide prevents our merchants from having to switch out terminals and replace them with new ones that have encryption software. We feel we enable our merchants to get down to business quickly and help them avoid all the disruptions that can adversely impact their bottom line." 

Frontline hangs shingle in Hoosier State

Frontline Processing Corp. opened a new office in the Midwest. "With the Indianapolis office we have taken yet another integral step in our mission to provide unparalleled support to our clients nationwide," said Chris Kittler, President of Frontline Processing, which is headquartered in Bozeman-Montana.

Fusepoint provides free PCI webinar

Security Analyst Justin Folkerts of **Fusepoint Managed Services Inc.** addresses Payment Card Industry (PCI) Data Security Standard (DSS) compliance in a free webinar hosted by Fusepoint and available on its Web site at www.fusepoint.com/webinars/PCI/player.html. Folkerts is a 12-year veteran in the information technology space.

MCC launches new cash advance program

Merchant Cash & Capital LLC released the Starter Plus

cash advance program. The program is designed to provide financing options to businesses that fail to qualify for traditional cash advances.

"The Starter Plus program gives merchants that would ordinarily be declined due to poor credit, restricted industry type or other reasons the ability to start with a small advance and graduate to a customary cash advance in as little as four to six months," said Paul Giuffrida, Director of Renewals and Starter Plus Program at MCC.

Merchant Warehouse snags award

100 Best Inc., an online resource for consumers on e-commerce solutions and services, named **Merchant Warehouse** the best merchant account provider. Criteria considered in this decision included pricing, merchant support, equipment options, technology, ethical business practices and customer satisfaction.

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Industry Update

Panini shared its I:Deal

Panini North America showcased its Panini I:Deal, which it launched early in 2009, at the AFP 2009 Annual Conference in San Francisco. Doug Roberts, President of Panini North America, expressed his pleasure in bringing the new check scanning platform to the small businesses that participated in the design via Panini's market research activities.

VPS becomes RedFin Network

Secured Financial Network Inc. changed the moniker of its wholly owned subsidiary, Virtual Payment Solutions Inc., to **RedFin Network Inc.** The name was changed to brand the payment gateway provider and to avoid the impression that it sells merchant service processing, according to Jeffrey Schultz, RedFin Network's President and CEO.

US Dataworks exhibits platform

US **Dataworks Inc.** exhibited its enterprise payment platform, Clearingworks, at the AFP 2009 Annual Conference in San Francisco. "No other company has the full range of capabilities that banks and billers need to streamline the entire transaction lifecycle, including payments processing, check processing, payment remote deposit capture, payments decisioning and rout-

ing, and returns management," said Mario Villarreal, US Dataworks Chief Operating Officer.

Visa launches Spend Management

Visa Inc. rolled out a global information tool to provide extensive reporting and expense management functions for any size organization on a single, scalable platform. IntelliLink Spend Management comprises three core solutions: reporting, data services and program support.

Wausau gives thumbs up to CTS scanner

CTS North America's LS150 check scanner was certified by **Wausau Financial Systems Inc.** to be sold, serviced and delivered to WFS and its customers through MTS Software Solutions Inc. Urs Bockli, Vice President of Sales and Marketing for CTS North America, said this certification "is another example of our strong partnership – where we seek to bring innovative solutions to the market which are both effective and affordable."

PARTNERSHIPS

Billing Revolution, 3Cinteractive team up

3Cinteractive LLC, a mobile marketing and technology company, added **Billing Revolution's** credit card transaction processing to its mobile payment platform, enabling 3Cinteractive to increase its footprint in the mobile commerce market.

Century Payments partners for a cure

Century Payments signed a multiyear agreement with **Susan G. Komen for the Cure**, a breast cancer research fundraising organization. Through its Every Swipe Counts program, Century now donates \$25 for each new customer signed and 5 percent of revenue generated from said customers.

MMOA in the pink

Money Movers of America Inc. provides merchants and consumers the ability to easily donate to the **National Breast Cancer Foundation** at no cost to the merchant or the donor, using its Process Pink program. "If they contract with MMOA for their processing, a portion of their fees goes toward a very worthy cause – at no added cost," said Anthony Holder, Chairman and CEO of MMOA.

MeS revs payments for superstore

Motorcycle Superstore Inc. chose **Merchant e-Solutions Inc.** to process its domestic and global transactions through MeS' Global Acquiring Platform. Now Motorcycle Superstore can "manage global payments through a single interface," said Jason E. Miller, Vice President of Technology for Motorcycle Superstore.

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Industry Update

NAFCU prefers Sage

NAFCU Services Corp. added Sage Payment Solutions, a division of Sage North America, to its list of preferred partners. NAFCU, a wholly owned subsidiary of the National Association of Federal Credit Unions, reportedly uses a stringent process to approve companies for its Preferred Partner Program; Sage's reputation for exceptional customer service helped it secure this partnership.

Microbilt to Take Charge

Take Charge Business Consulting LLC partnered with MicroBilt Corp. to give its customers access to consumer or commercial information to verify, authenticate and make decisions regarding new business and help control risk in merchant processing.

ACQUISITIONS

Co-op to gain Loanlink

Co-op Financial Services signed an agreement effective Oct. 31, 2009, to acquire The LoanLink Center from CUNA Mutual Group.

This move is designed to expand Co-op's call center

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Jack Henry takes the Gold

Jack Henry & Associates Inc. completed its acquisition of Goldleaf Financial Solutions Inc., making Goldleaf a wholly owned subsidiary of Jack Henry. Outstanding shares of GFS common stock can be redeemed for 98 cents each. Goldleaf will be folded into Jack Henry's ProfitStars, its third primary brand.

VeriFone ups investment in Semtek

In an agreement signed in September 2009, VeriFone became the lead investor in Series B financing of Semtek Corp., doubling its stake in the company. VeriFone also acquired an option to purchase the remaining shares of the security technology developer at a future date. The two companies also expanded their worldwide distribution agreement.

APPOINTMENTS

Landry joins Mercator

Mercator Advisory Group recruited Bob Landry to expand its services for retail banking. Landry, a 30-year financial services veteran, assumes the role of Vice President, Banking Group Services. "It's a rare opportunity to join a research organization of this caliber and be tasked with expanding its core competencies into new areas," Landry said.

PayPal adds three execs

To help push global growth, PayPal Inc. hired three new executives: John McCabe, is the new Senior Vice President, Worldwide Operations; Ed Eger is Senior Vice President, Transaction Management; and Renier Lemmens now leads PayPal's business in Europe. All three industry veterans will report to PayPal President Scott Thompson.

Ezic expands team

Ezic Inc., digital payment solution provider, added several positions in sales, finance and engineering. Angela Stamison stepped in as Vice President, Channel Sales; Valerie Salgado moved into the CFO spot; Shannon Burke joined the check support team; and Rob Crossley joined Ezic as a Software Engineer.

Cardlytics taps Torgerson

David Torgerson, former Vice President at CheckFree Corp., joined Cardlytics as Senior Vice President of Bank Sales. "He is a proven innovator in every sense, and his close working relationship with major clients led to the development of many new successful product lines at CheckFree," said Scott Grimes, CEO and founder of Cardlytics.

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Insider's report on payments

War of words over interchange heats up

By Patti Murphy
The Takoma Group

This article, reprinted from *The Green Sheet*, April 25, 2005, issue 05:04:02, exposes the long roots of the tension between retailers and the card brands over interchange.

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Issue 04:05:02

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Patents Protect Ideas, Enforcement Generates Revenues

In February 2004, Mark Ogram contacted *The Green Sheet, Inc.* He wanted to buy ad space in the publication for the purpose of soliciting expert testimony. He sought knowledgeable witnesses who could answer questions to support new litigation he was about to undertake.

Ogram wasn't looking for psychologists, handwriting experts or forensic pathologists, like real-life and TV defense attorneys and prosecutors do. Instead, he was looking for people in the payment processing field—in particular, people who know about electronic payments made on the Internet—to share their knowledge with the court on his behalf.

"Finding experts is a difficult task," Ogram said. "Our attorney likes people with good wallpaper." In their search for expert witnesses, he, his company and attorneys have also contacted other resources including universities. "We're looking for people with expertise in two areas—the status of payments and payment techniques in 1995 and the present."

Ogram and his partner, Wayne Rod, own Net MoneyIN in Tucson, Ariz. They also own several patents and have several more pending. The

See Patents on Page 55

Notable Quote:

When you assume liability for merchant losses, think of your merchants as your children. You will likely benefit from their successes and suffer from their failures.

See Story on Page 70

The battle over bankcard interchange is heating up. The National Retail Federation, which represents companies owning 1.4 million retail outlets nationwide, warned that "interchange is out of control."

The Food Marketing Institute called the latest round of Visa U.S.A. [now Visa Inc.] and MasterCard International [now MasterCard Worldwide] interchange increases a "bad April Fools' joke." FMI represents the lion's share of U.S. grocers; its 1,500 member companies operate 26,000, or three-quarters, of all retail food stores in the United States.

The complaints were loud enough to stir the interest of mainstream media outlets, like *The Wall Street Journal*.

The newspaper reported "Merchants balk at higher fees for credit cards" in its April 12, 2005, edition.

Rising interchange might benefit checks

At grocery stores run by SuperValu Inc., the changes in interchange pricing are expected to result in cost increases in the "seven-figure" range, said Jackie Snyder, Senior Business Consultant at the firm.

SuperValu operates more than 1,500 grocery stores, including those operating under names such as Cub Stores, Farm Fresh Markets, Save-A-Lot and Shoppers Food Warehouse. It reports annual sales of \$20.2 billion.

Snyder described interchange as her company's "number one concern." As a result of rising interchange, she said, "checks are a preferred method of payment for us."

Mallory Duncan, NRF Senior Vice President and General Counsel, suggested other retailers might do the same. "Retailers are seriously looking at their alternatives," he said.

Crazy quilt of changes benefit high-end card issuers

As reported in past issues of *The Green Sheet*, both Visa and MasterCard adopted new interchange rates, effective April 1, 2005. Unlike past increases, this time around they have less to do with the risk of a transaction going bad and more to do with card types as well as the size and type of the retail establishment that accepts a card payment.

Visa, for example, has hiked interchange on transactions initiated with rewards cards. It's also charging higher rates on credit card payments at restaurants and at all but the largest grocery chains.

MasterCard is charging more for transactions on its upscale cards.

Interchange is the base amount paid to card issuers by transaction acquirers for each card payment processed; it's set at a percentage of the total of each ticket. The actual fees paid by merchants, known as the merchant acceptance fees, also take into account payments for processors, ISOs and any other organizations involved with a transaction.

Feeling the pain

The April price hikes are part of a trend toward increasing interchange revenues in a maturing payment card market.

FMI's President, Tim Hammonds, complained in a statement that interchange on credit cards has increased five times since 1994, rising from 1 percent of the transaction amount to as much as 1.65 percent, plus 10 cents, in the case of the Visa Signature credit card.

Hammonds claimed that with the latest increases, grocers pay almost twice as much money to accept card payments as flows to the typical supermarket's bottom line. FMI data indicate that net profits for the supermarket industry, overall, were 0.88 percent last year.

NRF's Duncan likened the moves by Visa and MasterCard to "a hidden tax increase for American consumers."

He said credit card companies have become "more than greedy, and are using these fees to increase their own profits far more than to provide any legitimate service to retailers or consumers."

According to a recent report from Morgan Stanley, owner of the Discover card network [now Discover Financial Services and no longer part of Morgan Stanley], the weighted average for Visa and MasterCard interchange rose from 1.58 percent in 1998 to 1.75 percent in 2004.

That report also predicted that card interchange would

grow to an average 1.86 percent by 2010. In 1998, card interchange cost retailers \$9.4 billion, according to Morgan Stanley. By 1998, the interchange tab total-ed \$17.4 billion; the company projects interchange costs will reach \$32.4 billion by 2010.

Grocers lash out at Visa

The FMI is particularly irked by Visa's price hikes.

"The increase is yet another example of Visa asking retailers and consumers to fund marketing and rewards programs that benefit only a few customers, while being subsidized by everyone else," Hammonds said.

"Increases of this magnitude are unconscionable, especially when transaction costs are declining and plastic is becoming the predominant form of payment in the U.S.

"In every other aspect of business, when costs go down, fees go down. The card issuers apparently don't think the laws of competition apply to them."

NRF's Duncan added: "Banks are on the verge of killing the goose that laid the golden egg." 

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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Feature

A virtual RDC roundup

Remote deposit capture (RDC) is becoming an increasingly popular solution for merchants and a potent value-added service for ISOs to offer. But the process of scanning checks to electronically deposit them into bank accounts is not without complexity. A recent RDC Roundtable Virtual Conference & Expo, presented by online financial services forum Bankerstuff.com, shed some light on the fundamentals of RDC.

Three flavors

According to Rob Hayden, Senior Expert at payments industry consulting firm McKinsey & Co., there are three types of RDC:

1. Corporate capture
2. Branch capture
3. ATM capture

While corporate capture is the most mature RDC market, branch capture is becoming increasingly popular, and ATM capture is an emerging segment, Hayden said. He added that significant growth is occurring in all three markets.

Key drivers

In the keynote address, *An Outlook for Remote Deposit Capture*, co-presented by Hayden and David Stewart, also a Senior Expert at McKinsey, five trends were discussed that seem to favor the expansion of RDC in the marketplace.

These trends are economic slowdown, retreat from risk, more aggressive regulation, changing competitive landscape and the maturing electronic payments market. Following is a discussion of each one:

Economic slowdown: Stewart pointed out that a year ago global financial services firm Lehman Brothers collapsed on Sept. 15, 2008. Since then: the gross domestic product of the United States has declined for 4 consecutive quarters; unemployment has risen to a 20-year high of 9.7 percent; the credit markets have dried up; and personal income and consumer confidence have declined. As a result, consumers are spending less and spending less often, Stewart said.

Therefore, businesses are looking for strategies to reduce operating costs and optimize working capital.

Retreat from risk: Due to the struggling economy, "retreat from risk happened across all sectors in the payments value chain," Stewart said. So commercial banks

have reduced the supply of credit available to businesses. This move has "strained the loyalties of some corporate customers," he added; those customers are likely to seek out businesses that offer products such as RDC to "help simplify the business case."

More aggressive regulation: With the payments industry facing new regulations in 2010, keeping business balance sheets in the black will increase in importance. "Products or technologies that facilitate deposit collections or improve the value propositions to customers will be that much more important in the very near future," Stewart said.

Changing competitive landscape: Major acquisitions have dominated the financial landscape, such as Wells Fargo Bank acquiring Wachovia Bank and PNC Financial Services Group Inc. acquiring National City Corp. In consequence, "the top four or five banks now control well over half of the cash management market in the U.S.," Stewart said.

For smaller banks that don't possess the scale of the large banks, functionality, service and innovation will increase in significance.

Maturing electronic payments market: Stewart recognizes that debit card usage is on the rise, and the use of checks is on the decline. Despite this, Stewart predicts the growth of RDC adoption will reach 20 percent in 2010. "Commercial customers want better ways to deal with [checks]," he said. They're going to find a provider of RDC to do it."

How to go about it

One conclusion drawn from the interactive roundtable is that careful planning is crucial to successful RDC deployments. In one discussion entitled *Best Practices for RDC Customer Approval*, Kathy Levin and Terri Sands, Managing Directors of Payments Information Circle LLC, documented the steps financial institutions (FIs) must take before RDC rollouts can occur.

According to Levin and Sands, the first step is to document the client approval process and submit it to the institution's senior management for consent. The actual process consists of vetting the client for its risk level in handling checks. That is accomplished by procuring an application from the potential client and, based on the information furnished by the applicant, generating a risk profile for that client.

Then, it's on to the FI's credit department to approve and set limits upon the RDC customer's check conversion activities. The final step in the approval process is to have the customer sign a legal agreement. "Then and only then can you really go to client set-up," said Levin.

As part of an RDC provider's underwriting, it is wise

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to create a "portrait" of an ideal RDC customer because, as Levin said, "All receivables are not created equal." An example of a good RDC prospect is a local merchant who has been a reliable customer for years; conversely, a problematic candidate does business in another state and contacts you about your RDC product by phone.

Attention to detail

In the *WACHA Roundtable Discussion*, Mary Gilmeister, Accredited ACH Professional and President of the Wisconsin Automated Clearing House Association, offered insights into how to go about risk assessments. Her comments took the form of questions that RDC providers must ask, such as:

- Where will scanned checks be stored and for how long?
- Do you have a duplicate item detection process in place?
- Are you monitoring returned electronified checks for bad image quality to detect potential money laundering schemes?
- What happens to the security controls of your system if merchants' check volumes increase?
- Are you destroying physical checks when you should?

Personal experience informed Gilmeister's remarks. When one merchant in her sales territory experienced a break in, the thieves didn't steal cash; they stole checks, which raised the specter of identity theft, since checks contain sensitive customer data, such as names, addresses and bank routing numbers. Thus, it is vitally important to know whether merchants are storing checks on site for weeks or even months.

"The longer you have that check at the merchant, the better the chance the check gets stolen," Gilmeister said.

She also stressed that providers should investigate the physical security controls at the RDC customer, such as what security protocols have been implemented for the transmission of check images and what anti-virus software is installed on computers.

According to Gilmeister, keylogging (also called keystroke logging) has become a problem on RDC systems. Keylogging is the act of monitoring a user's actions at a computer keyboard to take note of (or log) the keys struck. This is usually done covertly with the installation either of malware within the computer system or of a hardware circuit attached between the keyboard and the computer. ☒

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Selling Prepaid



Prepaid in brief

NEWS

AmEx removes fees on gift cards

American Express Co. gave its gift card customers an early holiday present. In an unprecedented move, it removed all monthly fees on all of its gift cards, whether the cards are in stores, in wallets, in the mail, or on their way to market.

"Customers told us that monthly fees undermine the value of gift cards, plain and simple," said Alpesh Chokshi, President of Global Prepaid, American Express. American Express Gift Cards no longer include activation, balance inquiry, monthly service or replacement fees. In addition, AmEx expanded its relationship with Simon Property Group, making the card brand the main provider of Simon gift cards. "The elimination of monthly fees on the American Express/Simon Giftcard will be a major differentiator in the marketplace and will drive our growth this season and beyond," said Mikael Thygesen, Chief Marketing Officer, Simon Property Group.

AmEx is also developing new customizable designs for the holiday season. Consumers will be able to inscribe messages on the cards to the cards' recipients.

MoneyGram moving forward

On Sept. 24, 2009, the U.S. District Court for the Western District of Texas, Austin Division, sided with the **Western Union Co.** in a patent infringement lawsuit brought against **MoneyGram International**. The case related to patented technologies that enable customers to send transactions without written send forms. The court awarded \$16.5 million to Western Union.

"Clearly we are disappointed with the jury's verdict," said Carolyn Eshleman, Vice President and Associate General Counsel at MoneyGram. "We are evaluating the decision, determining next steps required, and reviewing our legal options, including post-verdict motions and appeals."

The company continues to move forward in spite of this

setback. MoneyGram signed a new multiyear agreement with Itaú Unibanco, Brazil's largest private sector bank. The partnership will add 1,000 MoneyGram agent locations in Brazil and provide its services to Itaú Unibanco's network of nearly 5,000 locations.

MoneyGram also renewed a 35-year partnership with CUNA Strategic Services to provide 7,900 credit unions with easier access to the company's global money transfer and bill payment services.

In addition, MoneyGram came to the aid of families suffering from natural disasters in the Philippines, Samoa and Tonga. It has temporarily waived its fees for money transfers from Australia and New Zealand to Samoa and Tonga until Oct. 31, 2009, to assist in the coordinated effort to bring relief to those islands recently hit by a tsunami and an earthquake.

MoneyGram also pledged a \$20,000 MoneyGram Global Giving grant to the American Red Cross for its relief efforts in the Philippines to help Typhoon Ondoy victims. It also reduced its money transfer fees from Oct. 2 to Oct. 16, 2009, from North American MoneyGram agent locations to the Philippines.

ANNOUNCEMENTS

Alliance Data raises \$1.3 billion

Alliance Data Systems Corp. closed \$1.3 billion to fund existing and new private label credit card programs. \$300 million of that is to be used for financing outstanding card assets, as well as growth and portfolio acquisitions.

Billeo leverages search engines

Billeo Inc. launched the Offer Assistant, a patent-pending, free service that generates targeted discounts and rewards through search engine results. "Billeo's Offer Assistant is the first application that brings discounts and rewards to you when you actually need them – when you're searching for something to buy online, or when you are at the checkout page," said Murali Subbarao, Billeo's Founder and Chief Executive Officer.

Coinstar execs present at William Blair

Coinstar Inc.'s CEO Paul Davis and Chief Financial Officer John Harvey presented at the William Blair Emerging Growth Stock Conference in New York on Oct. 6, 2009. The presentation is archived on Coinstar's Web site.

Facecard gets facelift

Facecard Prepaid MasterCard, after a year of beta testing, sports enhanced features that include parental controls, fully integrated social networking features and a new design. The card also features "Prewards," free direct deposit and bill pay, and peer-to-peer gifting functionality.

Mi-Pay observes milestone

Mobile payments firm Mi-Pay celebrated its fifth anniversary. The U.K.-based company said it is ranked in the top five mobile money providers in the world and is expanding its services in Africa, India, Eastern Europe and Latin America.

NetSpend releases index

NetSpend Corp.'s National Spending & Savings Index revealed that low to moderate income consumers are watching their budgets but spending more this year than last on groceries, travel and entertainment, and utilities. The survey also broke down national and regional spending trends.

NBPCA issues disclosure dos and don'ts

The Network Branded Prepaid Card Association published a document entitled *Leading Practices for Consumer Disclosures of Network Branded Prepaid General Purpose Reloadable Cards* to encourage businesses to communicate clearly to existing and potential prepaid cardholders. The paper addresses best practices for prepaid card packaging, Web sites, advertising and the cardholder agreement for general purpose reloadable cards.

One World ventures out with 1World Card

One World Ventures Inc. set plans into motion to issue the prepaid 1World Card in the United States. One World's partner bank, the identity of which One World did not disclose, agreed to apply for the bank identification number and become One World's issuing bank. During the regulatory process, One World will formulate terms and conditions with regard to using an outside processor and submit marketing material and logo to Visa Inc. for approval.

Western Union sends relief

Western Union's corporate citizenship program Western Union Foundation pledged a relief grant of \$100,000 to Mercy Corps for its efforts in Indonesia and Samoa following the recent tsunami and earthquake.

Services. The agreement will provide patient financing and marketing services for affiliated dental offices via a private-label credit card. PDS expects to earn more than \$300 million in revenue in 2009 and currently has nearly 200 member dental practices.

Alternative payment providers to target unbanked

Green Dot Corp. and PayPal Inc. signed a deal that allows online shoppers without bank accounts or credit cards to checkout using PayPal's payment gateway. Green Dot's MoneyPak, available for purchase at several major retail stores, can be used as a financial tool in lieu of a bank account or credit card. MoneyPak is also used for making cash payments, paying bills and reloading prepaid cards or funding other accounts.

OneBridge uses MAP

OneBridge signed a referral agreement with Seattle-based Member Access Pacific. OneBridge adds Visa prepaid cards as part of the partnership. "The Visa Prepaid Card and MAP platform complement and enhance our card solutions," said Jim Kern, OneBridge President.

PSCU helps save data

PSCU Financial Services Inc. entered into a five-year agreement to lease a portion of its Phoenix data center to Ongoing Operations LLC. PSCU helped found Ongoing Operations and is now renting out its space to accommodate the increased demand in that company's disaster recovery and business continuity services.

ProfitPoint re-ups with gourmet chocolatier

ProfitPoint Inc. renewed its partnership with Godiva Chocolatier Inc. in a multiyear agreement. ProfitPoint will continue processing for the Godiva Gift Card Program. The two companies will continue to roll out new prepaid initiatives to serve Godiva patrons and increase revenue opportunities.

ACQUISITIONS

Accor buys Exit

Global prepaid provider Accor Services acquired Czech Republic-based Exit Group, a meal voucher provider that made 77 million euros. Accor offers employee and constituent benefits products, and rewards and incentives products in the Czech Republic.

APPOINTMENTS

Harvey leaves Coinstar in November

John Harvey, Coinstar Inc.'s Chief Financial Officer,

PARTNERSHIPS

Alliance Data goes dental

Loyalty and marketing provider Alliance Data Systems Corp. signed a multiyear agreement with Pacific Dental

Selling Prepaid

resigned effective Nov. 9, 2009 – the last day Coinstar's third quarter financial report can be filed. Harvey had stated his intention to resign in September, citing the time his position took from his family due to his commute from Chicago area to Seattle.

Incentium gets new SVP

Incentium, formerly VIPGift, appointed 25-year veteran **Sara Sampson** to Senior Vice President of Marketing and Business Development. "It's an exciting time to return to the loyalty and incentive industry," Sampson said. "I look forward to developing additional programs, applications, business models and relationships as we continue to redefine the industry." 



Features

What is stored-value?

In May 2009, the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury, asked for input from the prepaid card industry concerning the definition of stored-value.

FinCEN sought clarification of the term in order to revise the Bank Secrecy Act (BSA) regulations that cover the obligations of money services businesses (MSBs) in reporting possible instances of terrorist financing, money laundering and other financial crimes.

"The proposed changes are intended to more clearly delineate the scope of entities regulated as MSBs, so that determining which entities are obligated to comply will be more straightforward and predictable," FinCEN said.

As part of the possible changes outlined in its notice of proposed rulemaking (RIN 1506-AA97, found at <http://edocket.access.gpo.gov/2009/pdf/E9-10864.pdf>), FinCEN desires to revise the definition of MSB so that issuers – as well as sellers or redeemers – of stored-value products will fall into the same broad MSB category for purposes of regulating their anti-money laundering (AML) practices.

FinCEN specified that MSBs in the prepaid card industry play a critical role in helping unbanked consumers access financial services via electronic payments. Since the prepaid card industry has grown so large, FinCEN is concerned that sellers and redeemers of stored-value should be subject to the same BSA and AML requirements as issuers of stored-value.

"Law enforcement, FinCEN and other federal regulators

have repeatedly stressed the need to prevent transactions that typically flow through these businesses from going underground, which would diminish transparency with respect to these transactions," FinCEN said.

The NBPCA replies

In response to FinCEN's query, the Network Branded Prepaid Card Association drafted a letter that outlined how it believes stored-value should be defined.

The letter, which can be accessed at www.nbPCA.com/docs/NBPCA-Notice-of-Proposed-Rulemaking-RIN-1506-AA97.pdf, said the definition of stored-value should only include "instruments that represent monetary value, as is the case under the current definition."

The NBPCA's point is that cards that do not provide access to funds, such as point-based rewards cards and electronic coupons, should not be covered under the definition. Regulating those products would "significantly increase compliance costs" for card issuers and program managers to no great benefit, since these products pose little risk of being used to facilitate money laundering or fund terrorist operations, the NBPCA said.

Furthermore, FinCEN asked if stored-value should be considered money transmission. The NBPCA believes not, since prepaid cards do not contain monetary funds, but instead function as access devices. "Any rule which would designate some stored value products as money transmission would cause unnecessary confusion without enhanced effectiveness," the NBPCA said.

The NBPCA understood the question to also mean whether an issuer of a stored-value product can be defined as a money transmitter, which would include that issuer in the MSB category and subject it the BSA regulations. To that question, the NBPCA answered no.

"This would cause very serious issues for the industry, but would do little to assist law enforcement," the NBPCA said.

The burdens of regulatory compliance that would be foisted on issuers, as well as sellers and redeemers of stored-value products, might force businesses such as retailers to discontinue selling prepaid cards to the public.

Myths debunked

In its letter, the NBPCA took the opportunity to debunk a few common misperceptions about prepaid cards. Among them were that prepaid cards:

- Function as unregulated or loosely regulated payment instruments
- Render cardholders anonymous
- Can be loaded with high-dollar amounts, such as \$100,000 to \$1 million

In response to the first myth, the NBPCA said issuers, sellers and redeemers of open-loop, network-branded prepaid cards must follow legal requirements set forth by the USA Patriot Act, the BSA and by other regulatory entities. In addition, program managers, processors and other third-party service providers are subject to oversight and audit by issuing banks as well as bank regulators, the NBPCA said.

As for the second myth, the NBPCA noted that, with the exception of cardholders of low-value gift cards, prepaid card users are required to provide identification and verification during the card activation process. Finally, the NBPCA maintains that load limits on prepaid cards issued by its members in the United States generally range from \$2,500 to \$10,000. And the typical amount loaded on a general purpose reloadable prepaid card is less than \$250.

In conclusion, the NBPCA's position is that stored-value products should be evaluated by FinCEN using the same criteria as that of other financial products and services, namely by assessing the degree to which each product is at risk of abuse by money launderers and terrorist financiers. 🌐

New alternative takes flight

When executives in top-tier corporations in the payments industry travel, they don't fly coach. A chartered jet is one way they get to those important business meetings coast to coast.

Often corporations will buy a fractional, which means partial ownership of a private plane. The advantage of fractional ownership is that it is cheaper than owning a plane outright, while still offering customers convenience and substantial time savings over commercial flying.

A fractional consists of a block of flight hours that corporations purchase, which can easily run into hundreds of thousands, if not millions, of dollars. In a bad economy, with even large corporations closely scrutinizing their expenses for cost savings, tightening up travel budgets is a priority.

Up-up-upgrade

Startup private jet service provider InJet LLC has what it considers a unique alternative to the purchase of a fractional in its Touch 10 jet card program. Anthony Johns, Vice President of Sales and Marketing at InJet, calls it a sampler card, where clients purchase 10 flight hours in order to evaluate InJet's service. If they like the service, they can then upgrade to full membership, which comes with larger blocks of flight time. The Touch 10 card is

therefore like a rebate card that a retail merchant offers to attract new customers.

"With the card you are really building a relationship," Johns said. "You know that if somebody buys a card from you, whether it's 25, 50, 100 hours, they're committing to allow you to provide them travel services for that extended period of time."

Johns said the chartered private jet industry is a multibillion dollar one. He estimated that only a quarter of that business accommodates vacation travelers – the rest is strictly business related travel. Consequently, InJet's clientele is largely corporate officers and their teams. But the purse strings for corporations' yearly travel budgets are controlled by chief financial officers.

"So for the CFO, it's a budgeting thing," he said. "[The card] gives them the ability to budget out the sales team or the management team or the executive team ... and determine how much he is going to have to invest in travel." Given the state of the economy, charter services' fractional programs are suffering, according to Johns.

"The card is becoming very attractive now because the fractional programs are having a real hard time renewing their customers," he said. "And, on average, probably per [financial] quarter, if you look at all the programs combined, you probably have a good block of about 200 to 400 shareowners coming to the end of their term every quarter."

A card with wings

Returns on investment in fractionals can be low. "The reality is if you're getting 40 percent back on your share investment when it is time for you to term out after seven years, you're lucky," Johns said. In comparing annual multimillion dollar investments in fractionals with InJet's more cost-efficient programs, paying hourly seems like a better way to go, he added.

The Touch 10 card is not a mag striped-enabled device. Due to the size of payments, clients prepay for flight time by wire transferring funds to InJet's banking partner, Lydian Bank & Trust, headquartered, like the charter jet service is, in Palm Beach County, Fla. The bank manages InJet's customer accounts. Clients sign up online, where the information gathered is used to create user profiles. InJet uses that information to personalize flights, such as what kind of car service the client likes to get to the airport and whether that client likes crushed or cubed ice in in-flight cocktails, Johns said.

Through the bank, customers are provided complete account transparency, he noted. They receive monthly statements and can monitor flight activity and how their funds are being distributed to pay for costs, such as flight time, catering and repositioning (flight time in returning a plane to its base position after dropping off passengers).

Selling Prepaid

It is only upon completion of the passenger's journey that the bank releases funds to InJet. While the card itself is not a stored-value instrument, Johns believes it is a prized possession nonetheless. "The card is specifically for the member to keep in his pocket," he said. "It's a status symbol for them. They love to talk about who they fly with. They love to flash that card." 📱

Top 15 tips for gift card success

An Archstone Consulting survey predicted that retail gift card sales will exceed \$35 billion in the 2009 holiday season. One reason for this expected bonanza is that retailers have become more innovative in how they market the cards to their customers, Archstone said. In a Giftex Prepay (now Global Prepaid Exchange) white paper, *Gift Card Primer: How to make gift cards work for you*, author Dan Horne elucidates the top 15 tips for gift card program success.

1. **The customer is still king:** From a customer's viewpoint, shopping for gifts isn't easy. Gift cards are therefore an easy fall-back option, and so they sell themselves to a certain degree. But merchants can increase sales volumes by understanding customer needs and cater cards to fulfill those needs.
2. **Market to the recipient:** People generally want to purchase cards that will give the card recipients the greatest enjoyment. So emphasizing through messaging why recipients would be happy receiving a gift card can boost sales.
3. **Don't say "convenience":** Gift card buyers realize that purchasing gift cards is an easy gifting option. But they don't want to be reminded of that fact because it devalues the idea that the card is a gift meant to convey thoughtfulness and an understanding of the recipient's likes and dislikes.
4. **Announce your presence:** Since gift cards are becoming a fixture in consumers' minds, like flowers and chocolate, consumers need visual cues as soon as they enter the retail environment – either brick-and-mortar or online – to steer them to the gift card section.
5. **Avoid the Chinese menu:** Limit gift card designs to only a few choices, just as you would for items in any other product category.
6. **Avoid exclusivity:** Be careful about signing exclusive contracts with suppliers, distributors and processors. "Contract provisions that limit how you run your business are not in your best interest," Horne wrote.
7. **Give cards a good home:** During non-holiday periods, provide a prominent and permanent place in the retail environment for the cards, so customers can find them easily.
8. **Keep branding consistent:** Since gift cards are an extension of brand names, stay consistent with marketing themes and gift card images, logos, et cetera.
9. **Make it presentable:** Provide value-added packaging that enhances the piece of plastic into a true gift. Do the equivalent of tying that gift card with a bow.
10. **Grab their attention:** Some gift card buyers are impulse shoppers. So as not to miss such patrons, place gift cards near the POS, where shoppers take out their wallets.
11. **Be transparent:** "Make the terms and conditions of your cards as clear and simple as possible," Horne wrote. By giving consumers the broadest possible terms in how and when they use the cards, chances increase that you will gain customers for life.
12. **Make it pretty:** Gift card designs should emphasize gift-giving occasions and gender roles to enhance the impression that the card is not just a standard, everyday purchase.
13. **Christmas all year 'round:** While merchants do most of their gift card business during the holidays, remember to promote gift cards during Mother's Day, Father's Day, school graduation periods and so forth.
14. **Think big:** Third-party distribution and branching out into the business-to-business sector can dramatically expand the scope of gift card programs and profitability.
15. **Keep the pace:** It is imperative that gift card providers stay abreast of industry trends and technologies. "In a market that is evolving as quickly as gift and prepaid cards, you are always in danger of falling a step behind," Horne noted.

From the heart

As a time-honored tradition, gift giving is among the best ways to show love and appreciation. The gift card is but one way to demonstrate affection and respect. "The heart of the gift is the message," Horne believes. It is a point providers would be wise to remember and practice when rolling out gift card programs. 📱

CompanyProfile



Whitehall Capital LLC

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Calling in the experts

When children have difficulty with their homework, they often receive help from parents, older siblings or tutors. Individuals with aggressive canines have the option of consulting dog training professionals to help get their pets under control. And when people are injured in auto accidents they are typically taken to hospitals where they are examined and treated.

What about startup payment companies that are uncertain how to devise the best business structure and position their products and services for a successful launch, or what if established businesses are suffering lackluster performance or worse. Where can they turn to find effective assistance?

Whitehall Capital Advisors LLC was created to fill that need. Whitehall founder and Chief Executive Officer Tom Cannon said his company is called in when businesses require help to focus, grow and move forward.

Whitehall does this by helping companies refine their business plans, raise capital, recruit quality executives, and launch and market new products and technologies. Whitehall's experts also advise clients on equity/debt formation, international strategy creation and execution, licensing, and preparation of joint ventures and co-partner initiatives.

Whitehall prides itself on having the technological expertise, business acumen and experience necessary to help companies whether they are just starting up, moving in a new direction, rolling out a new product

line, going global, raising capital for expansion or streamlining processes to prepare for growth. Cannon will even become a company's interim CEO during a company's transition until the business gets an even footing.

And according to Whitehall, its principals have experience with all aspects of financial services, payments, payment platforms, authentication and transaction processing, as well as extensive software and Web services experience. Whitehall has consulted with companies from South Korea to Australia to the United Kingdom. The company also just finished an 18-month assignment in Israel.

Benefiting from experience

Cannon's experience in the payments industry began in the 1970s at International Business Machines Corp. where he served as Branch Manager for offices in Chicago and then moved on to head the company's San Francisco offices.

Subsequently, Cannon and a group of friends started First Data Resources (now First Data Corp.). He served as Executive Vice President and Chief Marketing Officer. In that role, he oversaw First Data's worldwide sales. He noted that while he was at First Data, he also invented the first affinity (co-branded) credit card with the American Automobile Association and Visa Inc.

Cannon also was an innovator in the prepaid sphere. "I invented the prepaid card and launched it over 20 years ago," he said. "Of course, the infrastructure wasn't there to support it electronically ... [Now] it's bigger than credit cards. It's not

Company Profile

something that I could predict ... I had a hard time convincing people of it 10 years ago."

In addition, Cannon founded GasCard Inc. in 1985 and took the company public. Through that experience, he learned the intricacies of raising money and positioning a company for a merger or sale. And this became a specialty. "That's my primary focus, and I've consulted with all of the big players," he said.

Andre Hansen, GasCard's Director, Information Technology, said Cannon "surrounded himself with the best people, created the right cultural environment and instilled a work ethic that ensured success."

Delivering results

Whitehall offers strategic advisory services in several ways: hosted software as a service, on-demand and mobile-generated services, pay-per-use models and fees for services used. Through its merchant banking arm, Whitehall Capital LLC, the company provides assistance with financing, business structuring, capitalization, mergers and acquisitions, debt/equity structured finance to \$25 million or more, and business valuation.

According to Whitehall, the cost of retaining the company's services is quickly recovered through expense reduc-

tion, revenue increases or both, and in many cases, it is equivalent to the cost of paying a part-time employee for several months.

In addition to placing experts on the management teams of client companies, if needed, Whitehall also formulates plans for capitalization and devises new strategies based on a given company's strengths. Whitehall works as long as it takes to complete the job; it can sometimes take months, or even years, to get a company headed in the right direction.

Cannon said Whitehall is an organization of doers, not talkers. "We won't engage unless we're sure we can deliver, and we deliver specified results," he said. "It's not vague generalities. We quantify it and help people move their business considerably to the forefront of whatever business environment that [the business] might be in."

Ringin endorsements

Mitch Wiggins, CEO of Western Clearing Corp., said Cannon's expertise in the payments space helped Western Clearing with all sides of its automated clearing house and check 21 operations. "We think very highly of Tom and his company," Wiggins said.

Cannon helped the company raise equity capital, introduced Western Clearing to international banks and potential originating depository financial institution partners.

Arthur Mrozowski, a partner with Silicon Hill Ventures LLC, has worked on various deals with Cannon since 1998, when Cannon introduced the first gift card at One Network. Mrozowski said he is impressed with Cannon's knowledge, especially in the banking industry. Whenever Silicon Hill needs an expert in mobile or Web-based transactions, the company calls on Whitehall, Mrozowski added.

Peter Lang co-founded Pay Commerce Inc. with Cannon and knows how difficult it is to find someone who has both engineering expertise and a good head for business. "Tom is the most knowledgeable, hardest working, energetic payments executive I've ever know," he said. "He is strategic and detailed, able and willing to do everything necessary to build a company, and he takes exceptional care of clients.

"Tom handles all phases of negotiation, planning, execution and training with authoritative knowledge, skill and experience seldom found in one person."

Guiding principles

Cannon listed three "philosophies" he applies to Whitehall. The first is to respect the individual. "The second one is only deal with things in a highly ethical, professional way," he said. "I won't even touch something if I consider it to be borderline illegal."

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The third is to pursue excellence in anything you guarantee "because the only thing you can really control in your life is your reputation," he noted. "How much money you make is secondary. I won't deal just for money – never will." Cannon added that he has frequently turned down large retainer fees when anything, including the individual seeking his help, seemed shady.

Cannon said his biggest reward "is seeing people succeed because of specific advice and things that I put in place that helped them save a tremendous amount of money, and I get a lot of referral business because of it. Endorsements like that, you can't beat it when somebody calls up and says this guy saved me \$2 million last year, and you ought to take a look at him."

Confronting hurdles

Cannon believes one of the biggest challenges people face today is sifting truth from falsehood. "The economics is disgraceful in this country, because I think the numbers are misleading," he said, adding that some individuals continue to proffer deceptive numbers to influence business.

Cannon said that when the capital markets encounter trouble, it flows down to all economic sectors, and there are "permutations of attitude that flow from the strength of the U.S. markets in particular. I'm not a market predictor, but my guess is that we're going to see another big downturn before the year's end."

The present market has changed "the whole complexion of the startup," he added. "A person who can afford the risk can make a lot of money investing in developing-stage companies right now." He added that in spite of the huge opportunities available, risk-aversion is saturating small business under this presidential administration, perhaps more even than under President Bush.

Getting expert help

Whitehall can assist companies, large or small, at any stage of their funding and operations. Cannon said many people don't understand what pieces need to be in place for each stage of funding; some don't even know what those stages are. As a result, "they're never going to raise" the necessary funds, he said.

Cannon advises entrepreneurs to proceed carefully and keep expenses low. "Try to barter instead of using cash," he said. "Reserve your own capital, and don't give up your full-time job until you're sure you have something that's workable." Just as important is ensuring your family is behind your decision, he added.

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Congress gives interchange reformers lukewarm reception

Opponents of the interchange status quo had another shot at grabbing congressional support Oct. 8, 2009, with a hearing before the U.S. House Financial Services Committee. The hearing was called to accept testimony on H.R. 2382, the Credit Card Interchange Fees Act of 2009, and H.R. 3639, the Expedited CARD Reform for Consumers Act of 2009. In terms of H.R. 2382, the hearing appeared to be more a formality than a serious attempt to address interchange legislation.

Committee Chairman Barney Frank, D-Mass., made it clear during the hearing that he was most interested in enacting legislation that would move up the implementation date on provisions of the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD Act of 2009).

The Credit CARD Act, signed into law in May 2009, established strict limits on how and when banks can

increase rates on credit cardholders. Those limits are set to take hold in February 2010, but Frank and several other members of the panel want to move up implementation to December 2009 because, they said, too many banks are hiking rates for no obvious reason other than to get out in front of the CARD Act caps.

Legislation under consideration

As for interchange, Frank has said he's still trying to get his arms around the issue and that testimony given on H.R. 2382 is part of that process. But some Washington insiders suggested Frank might have been sending a message to opponents of financial regulatory reform legislation he and other key Democrats are attempting to push through Congress.

H.R. 2382 was introduced by Rep. Peter Welch, D-Vt., who appeared before the House Financial Services Committee last week to urge consideration of "the plight of the small retailer." Joining Welch at the witness table was Kathy Miller, a constituent who runs a country store in Elmore, Vt., and who complained to the panel that she often loses money on small purchases because of interchange fees.

"[W]e just can't keep absorbing these fees and survive in these tough economic times," the Vermont store owner insisted.

The Credit Card Interchange Fees Act, as drafted by Welch and co-sponsored by a bipartisan group of 13 other House members, would allow merchants to impose minimum purchase amounts for card payments, prohibit Visa Inc. and MasterCard Worldwide from charging different interchange rates for transactions that use rewards cards, require public disclosure of merchant agreements and empower the Federal Trade Commission with oversight authority for the merchant acquiring space. 

VeriFone addresses PCI enforcement confusion

A large part of what complicates compliance with the Payment Card Industry (PCI) standards for data, PIN entry device and payment application security is the frequent, though necessary, changing of the rules to keep up with evolving security threats.

To make things easier, the PCI Security Standards Council (PCISSC) established specific timelines by which upgrades must be made to payment terminals. Yet, compliance is enforced by the card brands, not the PCI SSC.

Furthermore, the rules can be tweaked by individual acquirers eager to ensure the compliance of their



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merchants and thus avoid liability for data breaches or rules violations.

Such discrepancies in the way compliance is enforced can be a source of confusion among merchants, ISOs and merchant level salespeople.

An Oct. 8, 2009, webinar put on by secure payment solutions provider VeriFone (available on VeriFone's Web site at www.verifonezone.com) addressed this and other issues relating to the PCI sunset dates and compliance generally. The webinar, hosted by Lori Breitzke, Director of Marketing for VeriFone, clarified when those sunset dates are, the differences between each one and other related issues.

Those dates

Two important sunset dates are July 2010 and December 2014, and both relate to PIN Entry Device (PED) terminals. The first date is the time by which terminals manufactured before 2004 must be swapped; the latter pertains to terminals manufactured between 2004 and 2007. Those cannot be used after 2014, but their sale has been forbidden since the end of 2007.

Meanwhile, PED terminals built after 2007 – all of which contain Triple Data Encryption Standard (DES) encryption, which is the key feature in all this – can as yet be used indefinitely.

According to Breitzke, there is "a whole lot of confusion over what the impact is" of the PCI compliance sunset dates because of some of the additional rules they have spawned.

For example, Visa has required that summaries be submitted of all triple DES-compliant terminals and "attendant POS activity" by October 2009.

Visa stated further that beginning in August 2012, acquirers may be assessed fines for "fostering non-triple DES compliant merchants or agents" even though triple DES encryption won't be required of all merchants by the PCI SSC until 2014.

New fees

"We know there is one major acquirer that has come out and said they are going to be charging noncompliance fees," Breitzke said. "But we've heard that several large acquirer processors have been charging these fees, so it's really up to the ISO to communicate with the acquirer processor to figure that out.

"But I think that's going to be very likely [that acquirers in general will begin levying fees for noncompliance] because the acquirer is the one that's going to be liable. So a way for them to recoup some of those costs of non-compliance or a breach would be to charge some kind of a fee."

Breitzke said that for merchants using terminals without PIN debit, there is "absolutely no compliance or security mandate to get rid of it." Nonetheless, she stressed that, for security reasons, having an updated terminal is always a good idea.

Breitzke also mentioned an omission in the PCI SSC's merchant self-assessment security questionnaire used to check various compliance points: It does not contain any questions that specifically address PED devices. "We have spoken with the PCI Security Council, and they do plan to update that questionnaire," she said. ☒

First Data STARs with PayPal

First Data Corp. announced a new program that allows consumers with the company's STAR debit cards to register with online payment provider PayPal Inc. through online banking Web sites. First Data believes this will provide enhanced security for e-commerce payments as well as bolster revenue for participating financial institutions.

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provide a direct link from their online banking sites to the PayPal network.

Customers who register for PayPal this way will be authenticated by their banking site and then by PayPal, and with every PayPal purchase they make, the payment portal will be branded both with the appropriate bank name as well as the PayPal name.

"The consumer is authenticated via the financial institution's Internet banking site, and then the customer completes his enrollment at the PayPal site, so the premise is a consumer that is known and already authenticated right off the bat," said Julie Saville, Vice President of the First Data STAR Network. "Once the consumer is enrolled, from that point onward, he or she is able to shop on the Internet and would select PayPal.

"Once they select PayPal they are presented with a pop-up screen ... and will also see their financial institution brand, which is a key feature of the program."

Real-time debit

Saville added that, by connecting PayPal directly to customer checking accounts, the program allows debit payment settlement to happen in real time. "All transactions that result in funding to the PayPal wallet will end up going through STAR in real time, so that the financial institution authorizes it in real time as well," she said.

By contrast, "a lot of the PayPal transactions today are routed through the [automated clearing house] network, and so financial institutions do not

receive these in real time," she said.

"For consumers, it allows them to reconcile their bank account right away, and know what funds are available. ... We already have real-time infrastructure built with the PIN debit networks in this country, so let's use it."

Richard Brierley-Jones, Executive Vice President at e-commerce solutions provider eWise Systems USA, said First Data's new service caters to consumers who, in a time of economic strain, are increasingly relying on debit rather than credit cards.

"Debit cards and credit cards in particular were never designed to be used in the online world; they've been made to work that way in some way, shape or form," he said. "I think what this is ultimately trying to do is allow people to access their checking accounts while maintaining the secure environment.

"More people want to use their debit card and checking account as a primary way of transacting in the online world, and this allows them to do that."

Brierley-Jones said the program could hurt issuing banks by steering consumers away from credit and toward debit cards, which carry lower interchange rates. "What PayPal is trying to do is reduce their costs, and the way they can do it is use other forms of funding to increase their margins," he said. "A debit card has lower interchange fees than a credit card ... but the banks are potentially losing out on interchange revenue."

Myriad benefits

For financial institutions registered with First Data's new service, however, the benefits are numerous, Selville said.

"It provides a value-added service to their best customers, which are their Internet banking customers," she said. "It reinforces their brand on the Internet for every purchase their customers make, and it increases their revenue opportunity because now the transactions flow through to the financial institutions as a revenue generating transaction instead of as an ACH expense." 



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Visa prefers data-field encryption

When Visa Inc. speaks, the payments industry listens. The world's largest card brand issued a global best practices paper that advises all merchants that accept electronic payments to consider data-field encryption technology be installed on their private networks as a necessary complement to the Payment Card Industry (PCI) Data Security Standard (DSS).

In the paper, available at http://corporate.visa.com/_media/best-practices.pdf, Visa makes five main recommendations:

- Limit unencrypted (clear text) data "to point of encryption and point of decryption."
- Use robust key management that is consistent with international or regional security standards, given merchants' geographic footprints.
- Use key lengths and cryptographic algorithms consistent with the same above standards.
- Protect cryptographic devices against physical and logical (software or firmware) compromises.
- Use an alternate account or transaction identifier – such as a token in lieu of the original card number – for business processes.

According to Eduardo Perez, Senior Business Leader, Payment System Risk, Visa, the card brand's announcement comes at a time when merchants are looking for guidance on what technologies should be utilized to protect data.

"Really, the intent of these best practices is to provide a foundation, or a primer, for merchants considering these solutions on how to implement them and then how to evaluate them after the fact once they've been implemented," Perez said. "So the goal here is to support merchants and ultimately [enable them] to effectively deploy the use of encryption solutions within their payment card environment."

Visa's 'end-to-end'

Data-field encryption is also known as end-to-end encryption. The technology is seen by many in the industry as a necessary safeguard against data theft since encrypted data is useless to fraudsters if they don't have the key to decrypt it.

End-to-end encryption is defined as starting at the point of swipe, when cardholder data is encrypted. That data remains encrypted as it is routed from the merchant's private network, then over the public network through to the acquirer's back-end system, where the data is decrypted for processing. But Visa said data-field encryption gives a

"Really, the intent of these best practices is to provide a foundation, or a primer, for merchants considering these solutions on how to implement them and then how to evaluate them after the fact once they've been implemented."

– Eduardo Perez, Senior Business Leader,
Payment System Risk, Visa

more specific definition of what needs to be encrypted. It defines the exact cardholder information (data fields) that should be encrypted at the point of swipe. For example, the paper states that the first six digits of the primary account number need not be encrypted for routing purposes, while the middle section of numbers should be encrypted.

Complimentary

Visa's guidelines do not recommend merchants employ any specific end-to-end encryption technology providers or even mandate merchants to implement the

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technology. "What we believe is that it's one complimentary way to protect cardholder data," Perez said. "It really emphasizes the need, in fact, for proper data security, because even with encryption, entities will still be required to protect the keys and properly manage those keys, and to ultimately protect cardholder data when it is decrypted or it is in the clear."

While the PCI DSS strives for comprehensive data security – including "data at rest," meaning how it is stored, as well as "data in motion" (data being transmitted) – Visa's data-field encryption recommendation is focused primarily on protecting data in motion, according to Perez.

"Merchants are already using encryption today to meet some portions of the [PCI DSS], specifically to protect cardholder data at rest," he said. "And so this document, while it covers encryption for stored data, it also covers and emphasizes encryption of data in transit."

"That's data that we know that hackers and criminals covet, and so we felt that this was another solution that merchants should consider in combination with their PCI DSS compliance and other security efforts."

A data in motion attack is perpetrated via malware (also known as a "sniffer") – malicious software slipped inside a merchant's or processor's network that sniffs out cardholder data traveling through the network and transmits it back to fraudsters.

Public versus private

According to Tim Cranny, Chief Executive Officer of Panoptic Security Inc., the current version of the PCI DSS is focused on securing stored data or data transmitted over public networks, not on the security practices for data transmitted within merchants' private networks – from one server to another, for example.

Bob Russo, General Manager of the PCI Security Standards Council (PCI SSC), believes a layered approach to security is the best defense against data breaches.

"Which specific technologies an organization chooses to implement to meet the requirements of the DSS is discretionary," he said.

"Organizations seeking to deploy security technologies must recognize that secure implementation is as important as the decision to implement itself."

Russo reported that the PCI SSC is currently in the feedback process. The council is soliciting opinions from its members to determine how the PCI DSS will evolve. As part of that process, the PCI SSC commissioned market research firm PricewaterhouseCoopers to review the impact of emerging technologies on the scope of the PCI DSS.

The next step in the process will be a review of the research findings at the council's next community meeting, which will take place in late October 2009 in Prague, Czech Republic. 

Encryption debate heads to court

The race for card data security superiority has taken an unusual turn with two of the most vocal corporate advocates taking each other to court. Terminal manufacturer VeriFone Holdings Inc. was the first to get its points on the record by filing a patent infringement complaint against Heartland Payment Systems Inc.

At issue in the case is a patent acquired by VeriFone when it purchased Lipman Electronic Engineering Ltd. and renamed it VeriFone Israel Ltd. The patent (US 6,853,093 B2), issued in 2005, covers what is described as "anti-tampering enclosure for electronic circuitry."

In its complaint, which was filed Sept. 9, 2009, with the Federal District Court for the Northern District of California, VeriFone Israel asserted that a new card

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terminal Heartland wants to import and distribute in the United States, under the Heartland NP3000 moniker, infringes on that 2005 patent.

Dueling lawsuits

A week later, Heartland's attorneys were at Mercer County (New Jersey) Superior Court accusing VeriFone of trying to sabotage Heartland's efforts to develop and bring to market POS terminals that support end-to-end encryption of card and transaction data. Heartland, one of the top bankcard acquirers in the United States, is headquartered in Princeton, N.J.

The company became a vocal champion of end-to-end encryption after it was discovered in early 2009 that it had suffered a major data security breach despite having been deemed in compliance with the Payment Card Industry (PCI) Data Security Standard (DSS). The PCI DSS details the industry's baseline requirements for securing credit and debit card data.

Heartland's end-to-end encryption efforts, known collectively as the E3 Project, reportedly employ the highest level of encryption security available today. Heartland expects it will eventually replace the Data Encryption Standard (DES) and Triple DES methods for securing payment card data.

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Complaints

In its complaint, Heartland said it has spent "significant time, money and effort" working with a Taiwanese manufacturing firm, Unelectra International Corp., to develop E3 terminals. A successful test of one such terminal was completed in June 2009, the complaint said, and Heartland planned to introduce it to the U.S. market as the Heartland NP3000 during the third quarter of 2009.

VeriFone insists the Heartland NP3000 infringes on its 2005 patent, and that Heartland was aware of this fact but chose to ignore it. Asked about this claim, a Heartland spokeswoman told *The Green Sheet*, "Heartland respects the patent rights of others and has strong defenses to the allegations in VeriFone's complaint."

The lawsuit filed by Heartland, meanwhile, alleges that VeriFone and its CEO Douglas Bergeron have "engaged in an unlawful and tortuous campaign to punish Heartland and injure competition," and it accuses VeriFone of a "xenophobic determination to prevent Heartland from obtaining the next generation of secure POS terminals from manufacturers in Taiwan and China."

Among its specific allegations, Heartland charges that VeriFone has refused to do business with Heartland and will neither sell terminals to nor support existing VeriFone products used by Heartland and its clients until it abandons plans to import the UIC terminals.

Heartland also alleges in its complaint that VeriFone has put the squeeze on companies working on Heartland's E3 Project, even threatening to put some out of business if they do not cease working on that project.

Cases pending

Reached for comment, a spokesman for VeriFone described the litigation against Heartland as "a simple case about IP [intellectual property] infringement" and added that "VeriFone has already announced that it is committed to licensing the VeriShield Protect end-to-end encryption solution to the payments industry."

VeriFone's spokesman also mentioned the company's Sept. 30 announcement that it had become the lead investor in Semtek Corp. by doubling its investment in the technology developer and acquiring an option to purchase Semtek's remaining shares in the future. He also noted that the companies had entered into an expanded, worldwide agreement calling for "open licensing of the Semtek encryption technology to all other point of sale hardware vendors."

A spokeswoman for Heartland, meanwhile, insisted the New Jersey firm is "taking appropriate legal measures to protect our merchants from unfair and exploitative business practices" and "making E3 quickly and widely available to merchants." 

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Trade Association News

Payments a strong presence at the AFP

At the Association for Financial Professionals 2009 Annual Conference, held October 4 through 7 at the Moscone Center in San Francisco, automated clearing house (ACH) and Check 21 opportunities were running themes among presenters exploring upgrades to the electronic payments sphere.

Indeed, while the conference addressed a range of financial topics, payments industry subjects had a noticeable role. From the exhibit hall to the forum rooms, issues beyond ACH and Check 21 surfaced, including remote deposit capture (RDC), credit card fraud, the credit crisis and international currency exchange.

Same-day ACH

One noteworthy forum was Same Day ACH: Potential Opportunities and Limitations, wherein three panelists discussed a plan by the Federal Reserve for same-day ACH clearing on debit payments, set for rollout in the second quarter of 2010.

"ACH has been pretty stagnant the last couple years – the last 35 years or so," joked presenter Peter A. Davey, Senior Manager, Enterprise Payment Strategy for Capital One Financial Corp. The national ACH network was established in 1974. Davey and his fellow presenters, Stephen Ledford, Senior Expert at McKinsey & Co., and Richard R. Oliver, Executive Vice President and Retail Payments Product Manager for the Federal Reserve System, lamented the federal ACH system as archaically slow in a world where money transfer has become highly efficient in other places.

"We know people are [streamlining settlement processes], but we need to move toward it as an industry or someone else will," Oliver said.

Oliver said the same day ACH program was inspired partly by the Check 21 law, which took effect in 2004. It is planned as an opt-in service for banks under which ACH-converted checks and debit payments will be cleared in the afternoon rather than overnight (payments made beyond a certain time will be cleared the following afternoon; at present, clearance of ACH debit payments can take two to three days). Check 21 payments, which convert physical checks into digital images sent remotely to a banking institution, are not subject to ACH rules and are generally cleared much more quickly than physical checks.

Oliver said the benefits of same day ACH clearance will be many. Among them will be accelerated revenue for

banks and accelerated returns – or what Oliver called "less temporal exposure" for pending monies to keep balance sheets cleaner.

"Certainty of payment is a big issue," Ledford added.

Davey said faster clearance will also allow banks to invest their money earlier, as well as reduce insurance premiums to the Federal Deposit Insurance Corp. Premiums are based on the size of a bank's overnight deposits and can be lowered by transferring afternoon settlements away from deposit accounts.

Next-generation RDC

Check 21's influence was also evident in the conference's exhibit hall. On the vast and luminescent exhibit space, where over 200 organizations held booths, RDC digital check scanners were among the most commonly displayed contraptions.

Exhibitors ranged from the world's biggest banks to smaller lenders, payment processors, technology providers and NACHA – The Electronic Payments Association. One exhibit was the Panini I:Deal from payment technology provider Panini. A smaller than average RDC device, it is designed for small businesses with lower check volumes. In demonstration, checks inserted into the I:Deal did a quick see-saw motion through the scanner; John Bristol, National Channel Manager for Panini, opened the device to reveal a moving camera lodged inside a rotating cylinder that captures images of the front and back of a check, requiring checks to be inserted only once.

Goldleaf Financial Solutions, too, presented an RDC scanner intended as a "dummy proof" device in which even haphazardly inserted checks can be properly scanned. Goldleaf's scanner is rectilinear and flat, and resembles conventional paper scanners.

International focus

Meanwhile, NACHA promoted a program, deployed in September 2009, to more strictly regulate international ACH transactions.

According to Debbie Barr, Senior Director, Network Rules Processes and Communication for NACHA, the system – which is run through the United States Department of the Treasury's Office of Foreign Assets Control – uses a vast database to prevent blacklisted individuals from conducting cross-border transactions. "We are doing a full screening and blocking by verifying against this list," she said.

About 4,000 people attended this year's conference, according to Rebecca Wolfson, Manager of First Impressions for AFP. The next AFP Annual Conference is scheduled for Nov. 7 to 10, 2010, in San Antonio, Texas. ☞

Research Rundown

Payments industry professionals no longer rely only on traditional brick-and-mortar credit and debit card processing. Remote deposit capture (RDC) and prepaid card programs are two value-added services that help merchants gain and retain customers and reduce costs.

Following is information distilled from recent payments industry reports concerning these markets:

RDC jumpin' in 2009

An October 2009 report from Celent LLC, *State of Remote Deposit Capture 2009: New Markets, New Models*, revealed that approximately 6,860 financial institutions have adopted new RDC solutions in the past year.

Celent also reported that:

- By the end of 2009, nearly 10,500 U.S. financial organizations – 64 percent of all institutions – will adopt RDC technology.
- Financial institutions will add over 3,600 new RDC devices in 2009.
- Another 42,000 scanners will be deployed outside of financial institutions by the end of 2009.
- Collectively, these institutions will have an estimated 463,000 capture devices, adding nearly 130,000 this year alone.
- An estimated 505,250 commercial RDC scanners will be installed by year's end, a 35 percent increase over 2008.
- Within the next three years, 95 percent of financial institutions across the United States will implement branch or teller RDC solutions.

For more information, visit www.celent.com/index.htm.

Prepaid remains strong

Mercator Advisory Group's *Sixth Annual Closed Loop Prepaid Market Assessment*, published in September 2009, indicates that the open- and closed-loop prepaid markets continue to grow.

A significant portion of this growth is driven by the increased adoption of open-loop network branded cards as replacements for checks. The report was based on a survey of 1,012 consumers and financial professionals.

Following are highlights from the report:

- In 2008, \$187.24 billion was loaded on closed-loop prepaid instruments, an increase of 4.3 percent over the 2007 total of \$179.59 billion.

- The total load for all 33 prepaid segments in 2008 (open- and closed-loop) was \$247.7 billion, a \$27.4 billion increase – or 12.4 percent – over the \$220.3 billion loaded in 2007.
- Private-label retail cards (closed-loop) are the most commonly and frequently used. More than 45 percent of respondents surveyed use this card type to make purchases.
- Open-loop prepaid gift cards have generated more than \$5 billion in sales since 2005. Since 2006, the open-loop card market has grown at a compound annual rate of 53 percent.
- In 2010, open-loop (network-branded) prepaid cards will account for more than half of the entire market, with sales projected at approximately \$181.6 billion.
- Network-branded cards had \$60.42 billion loaded in 2008, an increase of 48.6 percent.
- Closed-loop gift cards used for consumer incentives grew by 19.3 percent.
- Sales of gift cards through third-party distributors grew 21 percent.
- While gift giving motivates most consumer purchases, nearly one in five respondents use prepaid cards to help manage household budgets, the budgets of family members and friends.
- Distribution of Social Security benefits on prepaid instruments, now out of the pilot phase and being fully implemented, hit \$1.48 billion in 2008.
- Prepaid payments for digital content (ringtones, music, gaming et cetera) grew 17 percent over 2007 to \$8.04 billion. Of this, music products accounted for \$4.71 billion, a 24 percent increase over 2008.
- Since Jan. 1, 2009, 87 percent of purchases of prepaid products, including gift card purchases, were made for families and friends.
- The in-store gift card market segment grew by \$1.1 billion during 2008.
- Prepaid malls continue to be the bright spot in the prepaid market. Some merchants who suffered negative growth for gift card sales in-store saw significant growth when they increased the number of prepaid malls through which they sold gift cards.
- Some merchants reported that their 2008 store sales were down by as much as 30 percent, but gift card sales were only off by 6 or 7 percent.

For more information, visit their Web site at www.mercatoradvisorygroup.com. 

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Holiday from page 1

"And if merchants are not ready to do that now because of the holiday crush, we have to at least make sure – from a budgeting and finance standpoint – that they are well positioned to have those technologies in place for next year."

The Federal Reserve's *2007 Payments Study* (containing the most recent figures available) reported that Americans wrote 30.6 billion checks for a value of \$41.7 trillion in 2006, accounting for 31 percent of the total U.S. payment volume. And though check volume is expected to continue declining, the average dollar value of checks is increasing.

According to the Fed, verticals with the greatest check usage consist of companies that use recurring payments (utility, insurance, telecommunications, home financing and property management companies) and business-to-business (B2B) payments.

The study found that 49 percent of recurring payments are still made with checks. Additionally, B2B payments generated 60 percent of U.S. check dollar value.

Tangible revenue

Martaus pointed out that the biggest problem in deploying RDC with the same economy of scale as credit and debit processing is the absence of a definable business model.

ISOs and MLSs that sell traditional bankcard services know exactly what revenue is generated on terminal sales and transaction volumes. And although a variety of cost-effective and efficient check capture and processing products exist, the lack of a tangible return on investment for the feet on the street is preventing widespread RDC adoption in the ISO reseller community.

"Two sales agents are talking, and one guy is driving a brand new Mercedes," Martaus said. "When asked how he could afford a new Mercedes, the guy says he sells electronic check processing. 'You sell what?' the second guy asks.

"The point is that salespeople are closers, not businesspeople. They say, 'Don't confuse me with facts; I've got my close nailed down.' So the idea of penetrating a market that lacks a proven long-term cash flow is anathema to these guys. Every sales guy I know in the world can tell you every penny they'll make when they close the deal. But RDC has yet to establish a definable revenue stream.

"Some companies do have sales models to help these guys. The problem is you've got to get them to take their eye off the ball they are currently playing with – and the only way to do that is through profit motive. Unfortunately, RDC's profit margin isn't significant enough yet to get their undivided attention."

Adoption recipe

To promote greater interest within the ISO reseller channel, companies like Panini are taking a proactive role in outreach to supplement their efforts in developing the market. Pratt believes the optimal model for RDC adoption employs education and demand generation.

"We work very hard to meet with and educate not just our reseller channels but the end user as well," Pratt said. "We have to address the question of, what can RDC do for me? So we built a return on investment model that businesses could use to enter the variables for their own business and determine the payback for RDC."

Pratt added that Panini also works to help stimulate demand through direct e-mail campaigns, opt-in Web sites (sign-up programs for individuals interested in a Web site's products and services) or landing pages (the page that appears when a potential customer clicks on an advertisement or a search-engine result link) to assist its ISOs in cultivating and widening the demand for check processing solutions.

"Our marketing programs are designed not only to benefit our channel partners, but to help accelerate the adoption of the RDC market," he said. "More importantly, I wouldn't assign a great degree of seasonality to our products. If a business can get their checks cleared faster and cheaper, they're going to be interested in that regardless of the time of year. And in this recession, I think any merchant would be more receptive to products that enhance deposits.

"So this is the time when ISOs and banks and people like us need to be in front of these merchants and explain that those checks sitting in drawers could easily be on their balance sheets. Additionally, there is a great opportunity, particularly on the merchant side, to look at multifunction value-adds, like adding a mag stripe reader, so that a merchant can do more than just capture checks."

Achieving greater adoption of RDC – or any alternative payment offerings – requires more awareness among the end-user community and a higher focus on cultivating partnerships. "We have to seek out these end users, raise their expectations of what we can offer and let them know what tools are in the market to help them solve their problems," said Pete Hamel, Vice President, Platform Delivery for card-not-present payment solutions provider 3Delta Systems Inc.

"Interacting and networking with treasurers and cash managers at shows like the AFP [Association for Financial Professionals] is the way this market is moving. You just don't go to sign deals anymore at trade events – those days are gone," he added.

Martaus believes community banks offer potential for ISOs and MLSs to expand their product and service offerings during the holiday season. He added that the more

Market trends shape sales models

The holiday shopping season traditionally generates strong revenue streams for ISOs, processors and MLSs.

And for most payment professionals and retail merchants, holiday sales constitute a significant portion of their annual income.

Some industry research firms project sales volumes for the upcoming holidays will be the second worst in over four

decades, just percentage points above the record low consumer spending in 2008; consequently, ISOs and MLSs might want to adapt by pursuing new avenues to remain afloat as the recession persists.

Knowledge of overall industry trends as well as sales volumes in specific markets may help payment experts determine the most practical and profitable course of action moving forward.

Following are recent research findings and projections regarding holiday sales activity:

- A National Retail Federation study from September 2009 projects holiday retail industry sales to reach \$437.6 billion, a 3 percent drop over the previous 10-year average but 0.4 percent higher than retail sales for 2008.

- TowerGroup disclosed that from 2005 to 2007 online payments during the holiday season increased at an annual growth rate of 29.6 percent; TowerGroup expects that growth to continue at a rate of 18.7 percent through 2012.

- The International Council of Shopping Centers projects a 1 percent increase in same-store sales for the second quarter of 2009. With January 2010 included, sales may rise 1.5 percent, the best performance in three years.

- eMarketer Inc.'s *Online Holiday Shopping Preview* predicts Web-based merchants will ring up sales worth \$24.3 billion during November and December 2009, a 22.1 percent increase over 2008.

- The Nielsen Co. reported that households will continue to spend on what consumers consider "essential gift giving" such as staple consumables, candy, beverages and alcohol, and entertaining at home. Eighty-six percent of the 22,000 respondent to Nielsen's study said they expect to spend the same or less than they spent in 2008. Nielsen also found that gift cards, apparel, toys and technology will be the most popular sales items in 2009. Cookware, kitchen items, bed and bath accessories, and alcohol are also expected to do "very well." Verticals such as dollar stores, online merchants, discounters and club stores are expected to attract the "lion's share" of holiday spending. Office supplies, pet stores, home improvement and pharmaceuticals will be hit hardest by the recession.

innovative ISOs are partnering with some of these small community banks and credit unions and using their capabilities as closers to make the case for alternative payment products and solutions.

"Banks are, for lack of a better phrase, a lesser developed species," Martaus said.

"And I worked as a bank executive for years, so I mean no disrespect. But they don't get selling, don't like it, don't understand it and quite frankly don't want to do it.

They'd rather have someone else come in and get those products and services implemented."

Breaking boundaries

For companies like international payment processor and merchant acquirer Merchant e-Solutions Inc., the holiday

season is a time to focus on nonretail merchants as well as assist U.S.-based merchants in expanding their geographic footprints.

"From an Internet perspective, we work diligently from Q1 to Q3 to get our merchants signed and set up with alternative payments as well as training them on those services, so that when Q4 comes around, everything is in place to handle the larger payment volume," said Kevin Gallagher, Merchant e-Solution's General Manager, E-commerce.

"In many cases more than half of their annual volume occurs during this period; consequently, we start shifting our focus to B2B in Q4 because they aren't impacted by the holiday rush. There's so many opportunities in B2B and person-to-business (P2B) verticals like education, government and recurring billing. I think it's a huge potential for

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the ISO reseller channel as a value-add to offset the retail processing and product and service addition freeze."

Gallagher added that the payments industry is also seeing tremendous growth in international payments and multi-currency conversion transaction products.

Many e-commerce merchants in the United States are looking overseas to expand their portfolios to generate additional revenue.

"We've opened up a whole new market for these merchants since the last holiday," Gallagher said.

"And we can also include offerings that enable our merchants to accept payment in local currencies. Currency conversion has been a very hot area recently, especially so in the past year as merchants are looking to expand sales volumes in a somewhat depressed economy. And I think that will continue to grow as more and more consumers worldwide shop and buy online."

P-card proliferation

Aaron Bills, co-founder and Chief Operating Officer for 3Delta Systems, has found tremendous opportunities for purchase cards (p-cards) in the B2B space.

Bills noted that the p-card, now in its third decade of existence, has become one of the biggest revenue generators for his company in the current recession.

In July 2008, the Congressional Research Service to the U.S. Congress reported that government purchase, travel and fleet card volume grew from \$527 million in 1993 to \$18.7 billion in 2007.

In the same period, the number of cardholders tripled to 300,000. Additionally, p-card transactions went from 1.5 million to almost 24.7 million.

"The B2B space is stronger now than I've seen it in quite some time," Bills said.

"And it's been more relevant lately for the ISO as a value-added product. Our card volume in the B2B p-card space is one of the few areas we've actually seen consistently increasing sales volume. This segment is climbing nicely, and there are all kinds of potential in a market that is still relatively – and remarkably – untapped. By no means is this market saturated, not by a long shot.

"And the beauty of p-cards is that it really allows the merchant to control their spending. For B2B accounts, p-card users have spending limits. Additionally, that purchasing agent is restricted on where the card can be used, it passes all the line item detail back to the merchant, and the merchants are getting a lower interchange rate from Visa and MasterCard for those transactions. For us, p-cards remain the prevalent growth opportunity."

Enduring philosophy

Many payment professionals agree that introducing new payment technologies and solutions and then selling them to merchants is akin to swimming upstream against a strong current – stop moving and you're swept away.

Theodore Svoronos, E-Commerce Consultant and Certified Fraud Examiner with Group ISO Inc., said the best way to overcome such obstacles is to consistently bring value to merchants.

"Merchants truly don't know most of the ISOs, MLSs or merchant service providers out there," Svoronos said. "We're not a household name. We have to constantly prove ourselves as the best athlete for the competition, so we can't afford to get slow or soft.

"That merchant will make the best business decision for them – and for us, hopefully, but we have to offer the best possible service, knowledge, professionalism, price, expertise and quick response time – every time. This is our foundation – and really, when you look at it fundamentally, our only value-add."

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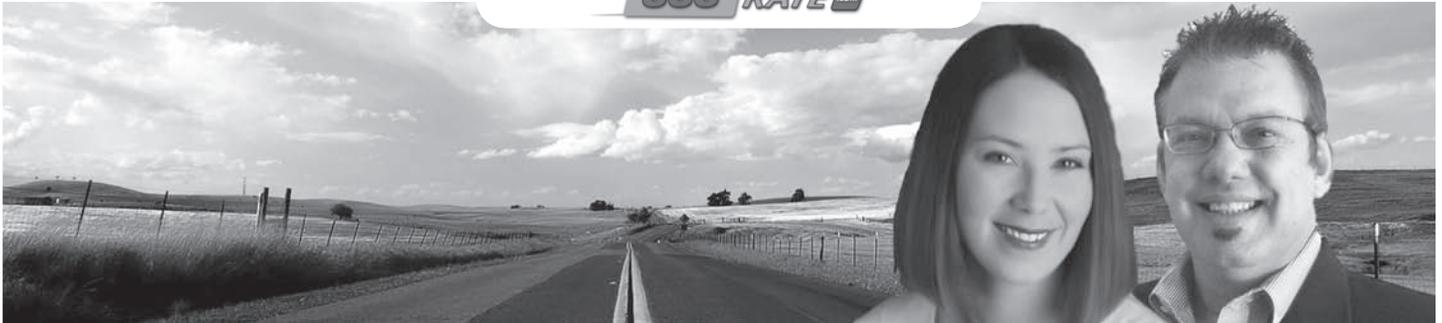
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Education

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Don't let distractions hobble your business

By Jon Perry and Vanessa Lang

888QuikRate.com

All around everything is buzzing. No, it's not spring already. The noise is coming from those myriad electronic devices designed to make sure we all know what is going on in real time. As feet on the street, our ability to manage time and close deals puts dollars in our bank accounts.

When we are new to the merchant services business, we are usually gung-ho and active, but as our businesses mature, we can get comfortable, complacent – distracted.

Many merchant level salespeople (MLSs) operate home-based businesses. This adds distractions that must be identified and managed before they become problematic. How can you, as a small-business owner, effectively manage your time?

If you've heard it once, you've heard it twice (and probably said it yourself): I just don't have any time to get that done.

This is a primary concern, especially for those running a business from home, where a sole proprietor's roles often include sales, information technology, human resources, marketing, accounting, husband or wife, parent, committee chair and so forth.

Identifying challenges

Let's take a look at common distractions home-based businesses face daily:

Telephone: Being able to connect with somebody is a vital tool for business success. Today cell phones and inexpensive call routing services make it extremely easy to contact just about anybody at any time.

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Since your job description also includes secretary, using a telephone management system provides several benefits, including call screening. You can create a telephone management system utilizing inexpensive services that will provide an automated response unit to not only give you a bigger look and feel but also give you knowledge about incoming calls. For example, if a caller pushed No. 1 for sales, that may be a priority over a customer service call (or vice versa).

If your business is mobile, these systems can also e-mail voice mail messages directly to your inbox for viewing on most smart phones. An automated response system can also handle calls after business hours so you can, for example, relax on Saturday morning.

And most important, use the telephone to generate business, not interrupt it. Sometimes that means turning off your phone or leaving it in the car when on a sales call. Speaking from experience, a 15 minute meeting can become one hour when a client keeps answering the phone.

When used properly, the phone can be a revenue generator instead of a drain on time. Set aside an hour each day to follow up with new clients,

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vendors et cetera. Make it at a time of the day that you can reach both the East and West coasts during their business hours.

E-mail: A study done by Dr. Thomas Jackson (www.drthomasjackson.com), of Loughborough University in England, found that it takes an average of 64 seconds to recover your train of thought after interruption by e-mail.

Therefore, people who check their e-mail every five minutes waste 8.5 hours per week figuring out what they were doing before the interruption. That is a startling figure. So, wisely managing e-mail communications can be a quick hit for gaining more time.

Social media: Social media are new and exciting, but keeping up with the technology the various social networks use can be extremely time consuming. Tools exist that can update all of your social media tools with one click of a button. It takes time to set up, but once they are up and running, social media can be managed in 15 minutes or less each day.

Separating business social media from personal

social media can help ensure that during business hours you are not planning your next vacation or sharing pictures of a recent one.

Also, keep this in mind when posting on forums like GS Online's MLS Forum. Be respectful of other people's time by limiting your posts to business topics, and follow the rules set out by the forum.

Family and pets: When we asked MLS Forum participants what their home-based business distractions were, the responses centered on family and pets. One of the main benefits to home-based offices is the increased amount of time spent with family.

But it can quickly become a distraction in a situation like texascommerce describes on the forum: "My 2 1/2-year-old son ... chasing him down the stairs, after he grabs the Blackberry off my desk, while I have the blue tooth in my ear talking to a merchant."

Forum member rbelcher's distractions are "just the four Chows; they get barking, and when I am on the phone the merchant can hear them in the background. I just say they forgot to get the security dogs out of the building today." This is an excellent example of being prepared to react when distractions occur.

Ultimately these distractions are a small price to pay for the benefits of a home-based office, but they are one of the primary pitfalls steering us away from tending to business.

Habits: Daily routines speak volumes about your ability to consistently perform to standards week after week. A day can start with sleeping in a little bit later (especially on rainy days), getting the kids off to school, dressing (hopefully), checking e-mails and so on, and before you know it, it's 11 a.m.

Examine your routine and identify where you can capture a few more hours to apply to measurable goals that are falling short of your expectations. Forum member bmiller0630 looked back on his past month and noticed a few distracting items.

"Some days I sleep in one hour longer," bmiller0630 wrote. "My 30-minute lunch ends up to be two hours. I watch new release movies on Tuesday from the Redbox (during working hours). My 2 year old and 5 year old slam doors, scream, fight, etc. Instead of cold calling the whole day, I ended up at a golf course with friends."

Staying focused

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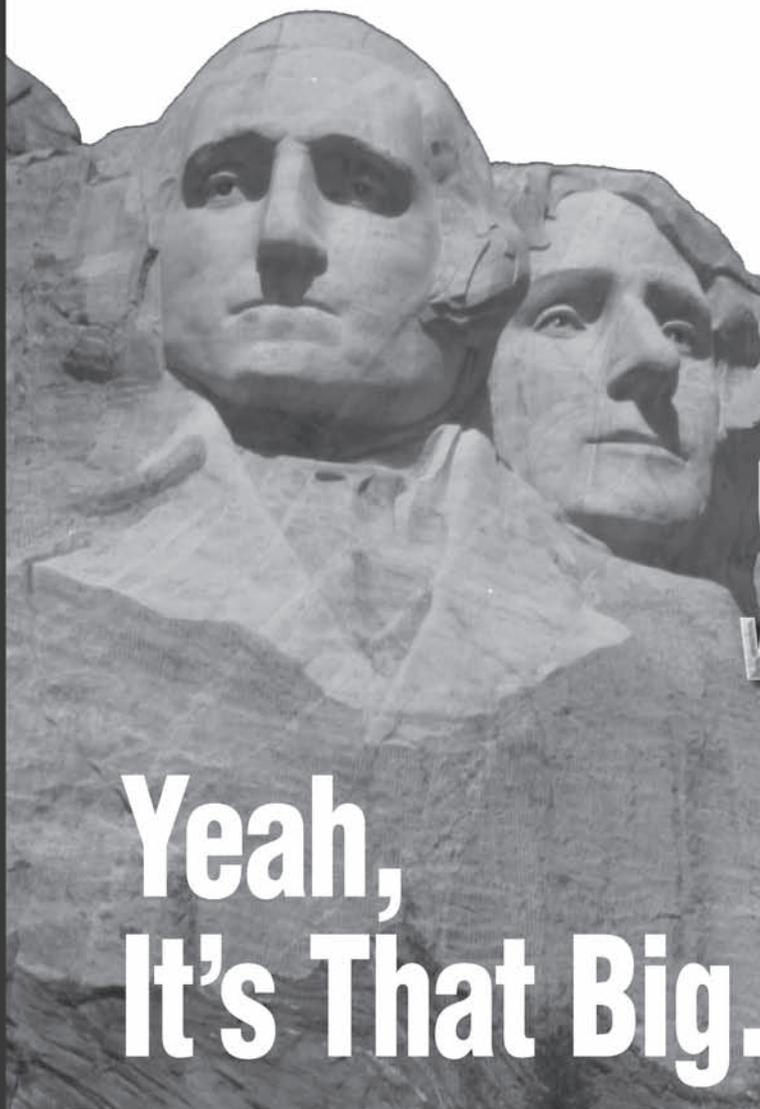
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productivity is to create and stick to a schedule. Here are nine tips to help you stay on target:

- 1. Plan your work, and work your plan.** At the end of each day check your schedule, calendar and task list to make sure you accomplished everything. Work until you've done it all. Then spend 10 minutes planning the following day. This will help avoid embarrassing oversights and ensure critical follow ups are performed.
- 2. Build in wiggle room.** Don't pack your schedule so full that there is no room for customer service or family emergencies. Always set expectations with clients such that you will exceed them versus struggle to meet them.
- 3. Write it down.** Use pen and paper, voice recorders, cell phones and other available tools to make note of action items as they pop up. Add these to your plan at the end of the day.
- 4. Keep your work space and car clean.** Before making each day's plan, straighten up your desk; stack papers according to action items. Clutter is a distraction that can inhibit productivity.
- 5. Prioritize routinely.** Put your schedule and task list in order of first to last. FIFO (first in first out) is not always the optimal strategy for planning. LIFO (last in first out) can avoid clutter and get quick-hit items out of the way.
- 6. Say no.** Often, to avoid saying no, we do not prioritize items appropri-

There is no better feeling than sitting down at the end of the day knowing you accomplished your goals.

ately. This is true with family and clients. Feel free to say no, or not right now or I will get back to you on that.

- 7. Enlist family and friends to help.** Being able to convert potential distractions into valuable bonding time and still achieve the necessary work load is a great skill. Copying, scanning, social media, cleaning, housework, cold calling and answering phones are just a few ways family members can help, resulting in increased productivity and family bonding time.
- 8. Keep track.** Employ measurement systems to make sure distractions are not impeding your goals.
- 9. Reward yourself.** Making your rewards a direct result of a productive work week satiates that innate human drive for pleasure. A successful four-day work week could result in a full day of golf or just a long, three-day weekend.

There is no better feeling than sitting down at the end of the day knowing you accomplished your goals. Identifying and minimizing your unique distractions results in less stress, more downtime and a bigger bank account. ☑

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 or vanessa.lang@888quikrate.com.

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Education (continued)

Complexities of multicurrency processing

By Carrie (Bardeen) Hometh

Payvision

Multicurrency processing is the ability to send a transaction to interchange for authorization in international currencies. That said, there are many layers to this rapidly expanding global service, and being able to peel those layers away is essential to offering an effective solution.

First and foremost is understanding what a merchant wants and needs. One merchant may wish to offer customers a handful of currencies, yet settle in European currencies. Another merchant may come along and have a completely different list of currencies required to sell and settle in.

To provide merchants with the most suitable multicurrency processing solutions, you must identify their specific business requirements and then match them with your best options.

What's in the tool box

Therein lies the next complexity – understanding your options. For example, a European acquirer may offer many currencies to authorize in. But depending upon where the customer is located or where the individual's card was issued, the transaction may settle using a different interchange category – domestic, intraregional or even inter-regional.

The size of your merchant also comes into play. When a business has a large, complex, multinational footprint, it may be better off registering in different parts of the world.

Therefore, the company may need a variety of settlement solutions and may desire domestic global acquiring. A smaller merchant may not need these options and may only want to settle in U.S. dollars (USD).

It is important to have all types of solutions in your multicurrency processing tool bag. You cannot tell merchants how to conduct business, but you can present yourself as a knowledgeable sales consultant who understands their needs and provides effective multicurrency processing solutions.

It's a small world

In the past, processing was a fairly simple undertaking. Merchants located in the United States sold and authorized in USD. The complexities they faced involved different terminals and different applications, but they always settled in USD. Most U.S. acquirers were licensed with

MasterCard Worldwide and Visa Inc. to do business only in the U.S. region.

Now, with the widespread acceptance of multicurrency processing and international acquiring, licensing with the card brands in different regions and meeting complex merchant requirements come into play.

That also necessitates understanding where customers are located in the world and what kind of treasury requirements merchants have.

Here in the United States, when a merchant sells and settles in USD, there are no treasury concerns. Merchants who want to sell in different parts of the world have to make business decisions about what types of currencies to use and where those monies should be wired.

Should they keep their transaction settlements in the same currency? Do they want to manage their own currency fluctuations? Do they have suppliers who need to be paid in certain currencies? As you see, processing issues for these merchants are much more involved than those of typical U.S. domestic merchants.

International focus

To overcome these complications, find a multicurrency processing partner that truly understands the issues and is willing to educate you on them. As with selecting any type of strategic alliance, you have to do your due diligence.

For example, you may have a merchant who is approved in the United States but will not be accepted by European or Asian acquirers.

Different geographical regions represent different cultures with distinct business mores. Your multicurrency processing provider needs to have knowledge of differing cultures, understand the nuances of their business practices and have an established reputation of offering effective global solutions.

Take the time to compare multicurrency processing to what you are used to selling. For example, to be effective at selling to restaurants, you have to ask the right questions and understand dissimilar needs, such as the demands of a fine dining establishment versus those of a quick service restaurant (QSR).

And you have to offer the appropriate solutions with credibility.

The same goes for the international arena. The approach is the same, but the questions are different. Does your client need to translate a Web site's language? Does

the site need Internet protocol geolocation technology tools (which recognize where a customer is coming from and can default to the customer's language)?

If the customer's address is located in France, he or she will probably want to read Web sites in French and make purchases in euros.

Smart merchants who want to sell online worldwide are going to look for ways to make their global customers feel as welcome as possible and provide them many options.

For example, does a business want to use "international flags" on its Web site whereby a customer clicks onto a country's flag and the currency is defaulted to that country? Does the site need a drop-down box to allow customers to select a certain currency?

In the restaurant sphere, a trained merchant level salesperson (MLS) knows to offer one type of program for fine dining establishments and another to QSRs. And that same MLS needs to be proficient with the new vernacular of multicurrency processing and know which questions to ask.

It is important to also recognize that multicurrency processing doesn't work for all types of merchants.

It is not recommended for small merchants who don't possess the necessary infrastructure, but it is recommended for the "sweet spot" categories: digital downloads, hard goods, electronics, travel, card-not-present and catalog transactions, and high-risk categories (emotional content).

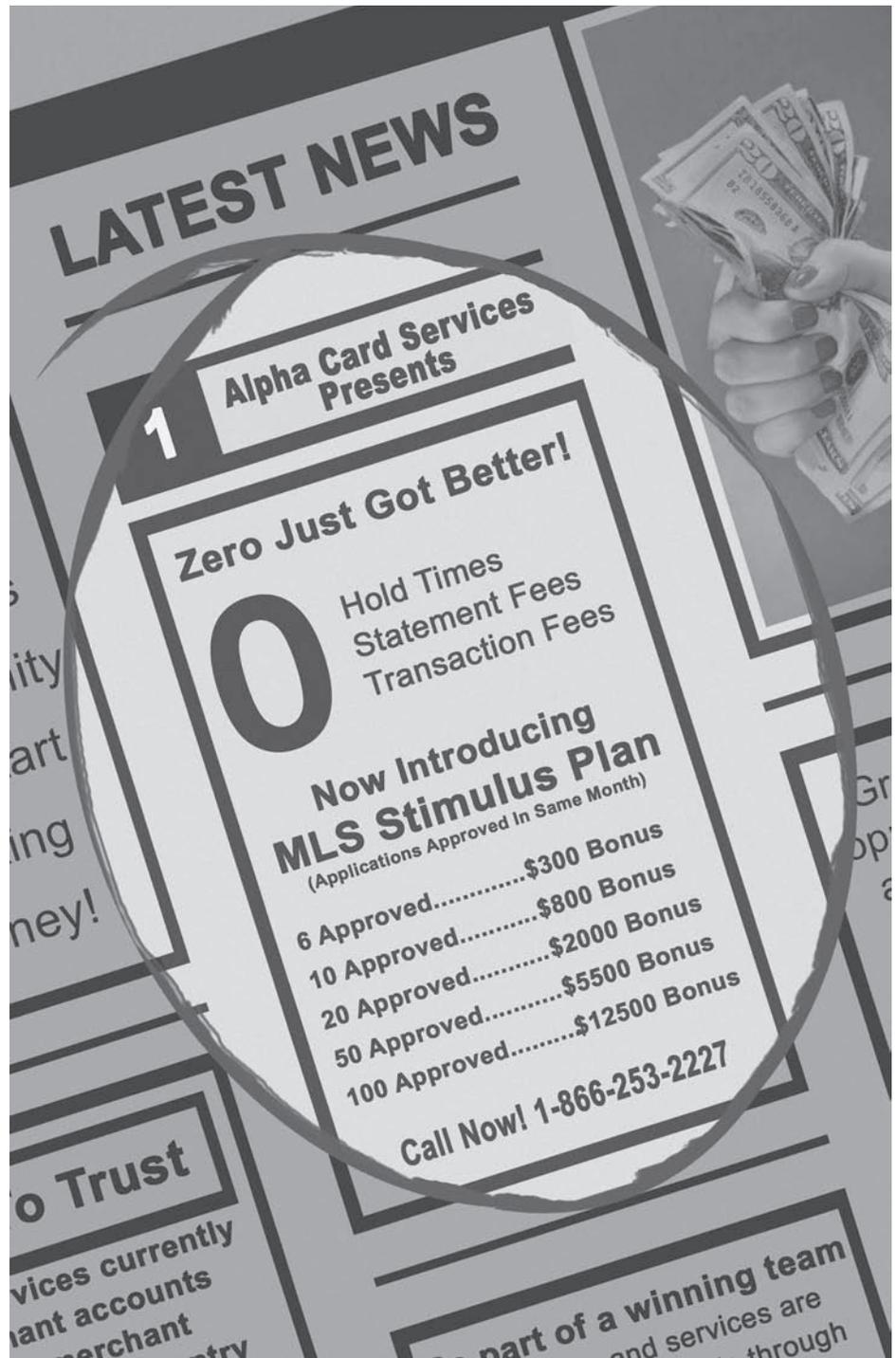
What's in store

Despite the complexities, it is essential to offer multicurrency processing in today's competitive and shrinking domestic marketplace.

If you have e-commerce merchants in your portfolio, you must consider getting into the multicurrency processing game, or you will lose your merchants to competitors already established on the playing field.

Multicurrency processing is a rapidly expanding segment of the industry, and the experts don't foresee any decrease in momentum. In the current economic climate, multicurrency processing is one of the few arenas that is red-hot. 

Carrie (Bardeen) Hometh is a respected industry professional in the international marketplace with over two decades of global experience and expertise. She currently serves as Senior Vice President of Sales and Marketing for Payvision, a leading international payment solutions provider that offers a comprehensive suite of products and services that include global acquiring, multicurrency processing and alternative payment solutions. She can be contacted at c.hometh@payvision.com.



Education (continued)

Tips for new sales executives

By Jeffrey Shavitz

Charge Card Systems Inc.

While many sales executives who join ISOs have credit card sales experience, Charge Card Systems Inc. – like all ISOs – works with many individuals and organizations that are considered "newbies" to the payments industry.

At first, many new salespeople think our industry is quite simple – just lower the rate a few basis points and you have earned yourself a new merchant account.

However, if you want to become a seasoned sales professional, you have much to master – from the actual sales pitch to financial analysis and cost comparisons to understanding all types of equipment to ultimately closing the deal and handling the conversion.

Take the long view

A common question: How do you achieve a prosperous career in the payments space? I hope to offer some practical and relevant insights to make your launch into our industry productive – and realistic.

Just like the real estate expression "location – location – location" determines the value of your property, "patience – patience – patience" is a well-worn phrase that is paramount if you want to thrive in the payments space. Consider it your mantra.

Due to the residual nature of our income and the time required for deals to develop and grow, merchant level salespeople (MLSs) do not prosper overnight.

However, for those with staying power and who truly understand the value of residual income, the annuity of this income stream is long and measurable; it will provide you and your family with compensation for years to come.

How exciting it is to earn money month in, month out, as long as you service your merchants and they continue to process with you and your organization.

Work together

MLSs enjoy advantages on the job such as autonomy, entrepreneurship and the opportunity to be your own person.

On the negative side is the lack of accountability between ISO and salesperson. Many MLSs I have spoken with truly don't have a plan of action, but as the

expression goes, "you must plan your work" and then "work your plan."

Finding a mentor, whether it's your immediate supervisor or a fellow sales partner, is a great way to increase your knowledge, stay on track and help others.

Candidly, my two best friends in the credit card industry are also my friendly competitors. We know it's a big world out there with millions of merchants; we are never concerned that one of us is trying to "steal" our merchants. We share information daily, and it makes us all that much smarter going forward.

Strategize and follow through

Too many MLSs truly do not have a strategy setting forth how they will achieve the success they desire. The sales partners I have worked with have developed timetables for specific benchmarks – three months, six months, one year, three years and so on. Each milestone has detailed numbers to quantify its respective time frame.

One aspect of implementing a strategy is to prospect within targeted and vertical industries. Understanding a specific niche or industry sector (whether charities, medical offices, emerging markets, restaurants and so forth) clearly differentiates you from the competition.

Most MLSs are generalists who do not understand the inner workings of particular markets.

Also, attending industry-specific tradeshows is a great way to meet key players within targeted industries, and the business-to-business opportunities are numerous.

Commit to your career

Furthermore, you are a sales professional. Too many MLSs who aspire to earning \$100,000 annually (just to pick a random number) do not consider themselves to be true credit card specialists; they tell their friends they are working part-time in the credit card industry or they are trying out both real estate and credit cards and will determine later which one to stay with.

If you were a merchant, would you buy from this type of salesperson? Could you ever be confident that such a person would be capable of dealing with your money?

Our industry is incredibly rewarding, and even with the challenging economy there are numerous opportunities to develop a successful career in our space.

Be patient, work hard, have fun, and you will undoubtedly earn the success you deserve. 

Jeffrey Shavitz, a member of The Green Sheet Advisory Board, is one of the founders of Charge Cards Systems Inc. He can be reached at 800-878-4100 or jshavitz@chargecardsystems.com.

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Education (continued)

Cloud security, a weighty issue

By Dale S. Laszig

DSL Direct LLC

Just as travelers must submit to screening and identity checks at the airport in a post 9/11 world, credit card transactions need heightened verification and security. Think homeland security for terminals; these safeguards came in response to security breaches and are designed to protect cardholder data. While security procedures can't guarantee our safety when we fly or use our payment cards, they can minimize risk.

The PCI Security Standards Council is a global forum established by American Express Co., Discover Financial Services, JCB International, MasterCard Worldwide and Visa Inc. The council designs, promotes and enforces industry best practices for the transmitting, processing and storing of cardholder data.

Compliance standards regulate how to build and maintain secure networks, protect cardholder data, manage vulnerability, implement access control measures, monitor and test networks, and maintain information security policies.

With the July 1, 2010, deadline approaching for the implementation of Payment Card Industry (PCI) Data Security Standard (DSS)-compliant payment applications at all merchant establishments, there is a growing sense of urgency about understanding PCI and finding safe, cost-effective ways to implement it.

Conflicting counsel

As businesses shop for validated applications and compliant hardware, many merchants are receiving contradictory advice. Some are being told they need to upgrade their equipment, which is not always the case. Others are being charged additional dues and assessments by their processors, regardless of whether or not their systems are compliant.

Even merchants who follow regulations to the letter, file timely Self-Assessment Questionnaires, and pass all screens and audits can still face losses and penalties if hackers break into their systems and gain access to cardholder data. So, in effect, noncompliance can be retroactive.

All of this makes outsourcing data security attractive to business owners, both large and small. They are increasingly migrating to cloud computing as a green alternative to building or maintaining their own secure networks.

Cloud computing is a collection of virtualized information technology (IT) resources available on demand, either by subscription or single use, and accessible on the Internet. Factors attributable to the viral growth of cloud computing are: flexibility, scalability, automatic updates, accessibility and freedom to focus on core business.

Lofty goals

Will card processing "up in the cloud" protect merchants from penalties or fines if they process a fraudulent credit card or compromise cardholder data? No, because the incidents would still be attributable to a specific merchant identification number and bank relationship. The value proposition of using cloud computing to process credit cards is that it saves time and money.

Merchants don't have to invest in updating existing infrastructure (which can include servers, networks, card readers and storage) to meet industry security standards.

Larger merchants are increasingly walking away from the sunk costs of these older legacy systems and embracing the new cloud paradigm: flexible, scalable networks with an array of value-added content managed by remote servers that will grow in direct proportion to merchant requirements.

Security in cloud computing is a topic of vigorous debate in the elite circles of PCI DSS Qualified Security Assessors (QSAs). One such expert is Andrew Hacker, who has provided strategic guidance to the IT and security industries for more than 15 years.

As Director of the Information Security Practice at Mindteck, Hacker has observed that the greatest challenge in regulating cloud computing is that "the security controls that you have in place in the physical world go away when you go virtual."

Hypervisor is a newer technology architecture designed to manage multiple virtual machines that can coexist on a single hardware server without disrupting each other. However, the fact of their coexistence can be a concern to security analysts tasked with creating new rules for security in the virtual world. A QSA's scope is based on segmentation properties and, as Hacker commented, "How do you define what segmentation means in a virtual environment? The industry still needs to define these controls."

Defining segmentation is just one facet of determining how to identify and regulate remote access points, which is the larger challenge facing security professionals as the global business community increasingly migrates to outsourced, thin client solutions.

While there is widespread disagreement on approaches to regulation, consensus is growing that this is a prioritized

work in progress because cloud computing represents the future of information technology.

Builders versus breakers

Security analysts usually fall into two distinct camps. They are builders or breakers, according to Mark Curphey, a Security Analyst and Manager of Microsoft Corp.'s Application Consulting & Engineering Team in Europe. Builders usually represent the glass as half full in IT matters, while breakers see the glass as half empty and are intent on exposing weaknesses and failures in IT approaches.

A full copy of Curphey's article, "Tomorrow's security cogs and levers," can be found in *Beautiful Security: Leading Security Experts Explain How They Think*, a compendium of views on security industry trends published by O'Reilly Media, Inc. It is also available at <http://securitybuddha.com>

Curphey, a self-described "builder," is so confident in the continuing evolution of cloud computing that he envisions accompanying security systems to also be cloud-based in design. He points out that some companies have already outsourced their IT security to companies like VeriSign Inc. and Secunia.

Security analysts in the breaker camp are most concerned about security and privacy issues that may arise when companies rely on third parties to manage IT infrastructure, processing systems and critical business data.

According to its Web site, The Electronic Privacy Information Center was created in 1994 to "focus public attention on emerging civil liberties issues and to protect privacy, the First Amendment, and constitutional values."

EPIC recently filed a letter of complaint with the Federal Trade Commission against Google concerning "privacy and security risks associated with the provision of 'Cloud Computing Services' by Google Inc. to American consumers, businesses and federal agencies of the United States." Details on this are posted at <http://epic.org/privacy/cloudcomputing/google/ftc031709.pdf>.

Whether you side with builders or breakers on the contentious topic of security in cloud computing, it's clear we'll have to figure this out; many merchants are already on board, and the plane is taxiing down the runway. ☒

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 (continued)

Ask the coach

Look ahead, prospect and prosper

By Bob Schoenbauer

Capitol Payment Systems Inc.

Question: I was approached to sell my business. What is your opinion regarding the industry today and where it will be in five years? Should I sell and start something new from scratch or wait on the economy?

"Coach" Bob's answer: My position has always been to look ahead, not back. Here is what it takes to be successful today and tomorrow: flexibility, being open to change and a big dose of perseverance. Like most things in life, your business is what you make it. When I entered the merchant services industry in 1996, I was already hearing statements like the following:

- The good old days are gone.
- Lease prices are down.
- There is too much competition.
- Dishonest agents and ISOs are misguiding merchants.
- It's impossible to compete with processors' in-house reps.

Does most of this sound familiar? The fact is our business is up. I also just had this conversation with my processor yesterday and was told that, while a few are down, a surprising number are doing very, very well this year. I believe it is just another cycle.

My experience is that the model of processor and bank direct reps cycles in and out about every five to seven years. One day there is one on every corner; the next day they are all gone due to the management requirements they entail for processors and banks.

Many of you who know me know that selling my company is never an option for me. I think this business is the best thing that ever happened to me and my family, and it has been a great fit. It is just way too much fun. Hopefully, one day my business will be run by my three sons.

In this business, like any other service industry, all you have to do is the right thing. Treat everyone with the respect they deserve, and as the true partners they are, and do what you promise not only today but tomorrow. When the phone rings, pick it up and help the caller. With a little patience, the rest will take care of itself.

Start from scratch? We are all in a residual-based industry to avoid that very scenario. Where will you be in five years? Resting on your residuals, I hope.

Question: If you were just entering the business today,

considering everything you have learned, how would you get started?

"Coach" Bob's answer: Building a strong business in the merchant services industry is about the satisfaction and retention of our valued partners, both merchants and agents. This question, though, seems to be about how I would find those first merchants and how I would quickly build a portfolio to support my family.

I would employ the same basic model I used from the mid 1990s until 2003. Our industry has undergone incredible change, but on the front-end this is still a sales-based industry in its purest form.

I believe telemarketing is the quickest way to get in front of a high number of qualified prospects. I started Capitol Payment Systems with two telemarketers setting appointments just for me in a small office above a restaurant. We started in January, and I signed up 12 merchants that month – the next month 18, and well over 20 the next. Four reps and a few more telemarketers started on May 1. We did 44 merchant applications that month and never looked back.

Running even a small telemarketing room while also selling is not easy. I came in early, handed out the newest, hottest list (copied out of the phone book) and got the crew motivated. I would be back around 3 or 4 p.m. to do paperwork, talk with the telemarketers about their day and help new reps with questions. If I didn't have appointments during lunch, I would drive back, if possible, to surprise them.

I realize this isn't something everyone can or wants to do. Running telemarketing is challenging and can be costly. Here are a few less costly alternatives that may help jump-start your sales. Admittedly, the first may require a little luck. A local coupon book business in Annapolis, Md., sold through telemarketing to homeowners in the evening and called my house one night. I could see the company was local, so I asked for the manager.

While talking with him, I learned the office was nearby and had six women working the phones in the evening. I asked if any of them would like daytime work. He said a few would, so I met with him and made a deal to pay him \$8 per hour plus bonuses for two workers to make calls for us. This not only worked great for me but also helped him out.

I am sure you can track down a small telemarketing room in your town. Remember, it doesn't have to already be tar-

getting business owners. If the outfit is calling homeowners in the evening, some of the telemarketers could very likely need part-time daytime work. You may find a local business with in-house telemarketing that would let you use its resources during the day as a way to help retain its part-time workers.

Looking for something a little less costly? Some of our sales partners have had great success using canvassers. Pay a high school or college student to go door to door passing out fliers. With just basic training, a canvasser can grow into a hot lead machine.

If a merchant shows interest, the canvasser simply asks for the merchant's contact info and explains that you will call personally to go over the program and set an appointment. In some cases, canvassers can progress into setting your appointments on the spot or even become salespeople.

If canvassers sound too expensive, find another business owner to share the cost of paying someone to hand out fliers for both companies. Alternatively, if you want to do outreach yourself, stop at shopping centers when you're out at night, and put handwritten notes in the doors of closed businesses. This works very well. A very effective variation is to mail handwritten notes to local business

owners. For these to work, they must be handwritten. Describe your experience and emphasize that you provide local service during and after the sale.

With all this said, I'll admit that leasing made it much easier for us to get off the ground. But while leasing isn't what it once was, it is still a viable part of our industry. Many of CPS' sales partners still lease terminals every month when adding value-added services such as prepaid cards, selling POS systems, moving to Payment Card Industry Data Security Standard-compliant equipment or just upgrading to newer, faster, more compact equipment.

While telemarketing was the answer for me, another method may work for you. Most of all, don't say no to new ideas before trying them. Stay open to change, and always think outside the box. 

"Coach" Bob Schoenbauer is the President and founder of Annapolis, Md.-based Capitol Payment Systems Inc., which was established in 1997. Bob attests that CPS is a debt-free ISO/MSP built on clarity, respect and an open door for MLS partners. He is always available for advice, drawing on his experience in both face to face and phone sales. You can reach him at bob@capitolpaymentsystems.com, coachbobs@verizon.net or 410-8974960. For more info on CPS, please visit www.capitolpaymentsystems.com.

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Education (continued)

Conducting effective meetings

By Vicki M. Daughdrill

Small Business Resources LLC

Every day, millions of business people plan and attend meetings for staff, boards, committees, special teams, sales and service personnel, and more. Many of these meetings are held with enthusiastic, expert planning and execution. However, many are poorly conceived and executed, producing poor results.

Planning and delivering effective meetings is a fundamental skill for managing a successful business. With a little effort, you can learn to plan and conduct meetings that are short, effective and productive.

The four C's

Begin with the four C's of good meetings: concentration, coordination, camaraderie and constructive criticism.

- **Concentration.** It is important to determine the purpose and desired outcome for each meeting. The Friday staff meeting is no longer an acceptable reason to hold a meeting. First, determine if a meeting is absolutely necessary or if an e-mail, fax, conference call, or a one-on-one meeting can achieve the same result more efficiently.

Second, determine the items to be discussed and prioritize them in order of importance. Third, establish the date, time and location for the meeting. Fourth, consider any controversial issues and decide the best approach to dealing with them. And, fifth, remain focused while conducting the meeting to assure that the desired outcomes are reached.

- **Coordination.** An effective meeting requires a neutral leader to keep the focus on the planned content of the meeting. The unbiased facilitator can keep everyone on time, on track and on target to achieve the objectives established at the beginning of the meeting. Many meetings deteriorate into arguments and gossip unless the leader controls and coordinates the agenda.
- **Camaraderie.** The most effective meetings achieve the desired results when attendees work well together, share ideas openly, and state opinions clearly and succinctly. The more participants know, understand and appreciate each other, the better they are able to acknowledge and accept diverse thoughts and ideas.

Better decisions are reached when a diversity of opinions leads to a consensus. It is imperative that the meeting facilitator includes each participant in the discussion to assure that a thorough discussion of the topic, including differing opinions, is conducted.

- **Constructive criticism.** Meeting attendees are aware of how a meeting is going, what is being accomplished and whether their input is valued. The facilitator should frequently ask questions such as: How are we doing? Do we need to revisit this topic at a later meeting? Do you want to extend this meeting to allow for further conversation on this issue?

Many seasoned facilitators will include a short feedback session at the end of each meeting in order to receive constructive criticism. To help the facilitator conduct a more efficient meeting the next time, simple questions can be asked, such as: What worked well in this process? What can we do to make the next meeting more effective? How do we make the next meeting better?

Following is a step-by-step guide to assist you with planning and conducting your next meeting.

Step 1: Planning and preparation

- Set the objectives and determine the desired objective. What exactly are you planning to accomplish by having a meeting?
- Determine if having a face-to-face meeting is necessary, or if a conference call, or other format will achieve the same results.
- Select a location, date and time.
- Decide what topics will be covered and establish the results you desire.
- Estimate the amount of time required to complete the meeting. Be sure to allocate enough time to achieve your goals.
- Create an agenda and deliver it to the participants prior to the meeting. The agenda should include: a beginning and ending time, the location of the meeting, a list of attendees, and an explanation of the roles of each participant.
- Arrange the necessary equipment you will need, such as audio visual equipment, telephones, easels, screens et cetera.
- Prepare and duplicate any handouts for attendees.
- Select and order any food or refreshments that will be needed, deciding exactly when the food will be delivered.

Step 2: Conducting the meeting

- Begin and end the meeting on time.
- Provide a short welcome to attendees and thank them for their time.
- Identify the attendees and allow introductions if necessary.
- Briefly review the agenda.



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- ▶ Southeast
 - Gregory Renfroe, x1927

Education

- Establish the ground rules for the meeting.
- Advise attendees if notes will be taken and whether copies will be provided to all attendees following the close of the meeting.
- Explain your role as the meeting leader or facilitator.
- Facilitate the discussions by sticking to the agenda, controlling the discussion by not allowing any single member to dominate the conversation, redirecting the conversation as needed to stay on point, and encouraging full participation – calling on quiet participants if necessary.
- Use humor when possible to break the ice, calm the tension, refocus the discussion, control a heated discussion, help relax the attendees, build team spirit and have fun.

Step 3: Closing the meeting

- End the meeting on time, unless the group agrees to extend the meeting for further discussions.
- Attempt to close on a positive note, detailing the accomplishments of the meeting.
- Review any actions and assignments to be completed prior to the next meeting.
- Schedule the next meeting date, time and location.
- Obtain a commitment from participants to attend the

next meeting and complete their assignments.

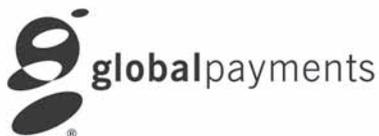
- Clarify when meeting notes, if taken, will be delivered to attendees.
- Thank participants for their attendance at the meeting and their participation in the process.

Step 4: Following up

- Evaluate your performance as the leader and consider steps for improvement.
- Consider the results or outcomes of the meeting. Did it accomplish your goals?
- Determine any necessary support or resources needed to complete any tasks decided on during the meeting.
- Follow up on any assignments or tasks resulting from the meeting.
- Distribute meeting notes or other collateral pieces within a timely period after the meeting.
- Set the date, time and agenda for any follow-up meetings needed.

Following these simple steps will help you improve your meeting skills and assist you in conducting effective, productive meetings. 

Vicki M. Daughdrill is the Managing Member of Small Business Resources LLC, a management consulting company. E-mail her at



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- 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.

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NewProducts

Beefed up RDC

Product: TellerScan 240

Company: Digital Check Corp.

Five years after inactment of the U.S. Check Clearing for the 21st Century Act, the remote deposit capture (RDC) scanners tasked with recreating checks as digital images have grown increasingly refined to address previously overlooked problems such as when two checks adhere to one another.

That is one of the problems targeted, in a layered and advanced way, by the TellerScan 240 (TS240), a new RDC device from Digital Check Corp. Like many RDC scanners, the TS240 can be fed many checks at a time (up to 100), though they pass through the check scanner one at a time by an automated process.

For any number of reasons, two checks can stick together, a phenomenon known as "piggy-backing." The event can cause less sophisticated RDC machines to read one of the checks and bypass the other.

"You could get something on the check, for example if somebody's eating breakfast and gets maple syrup on the check," said Paul Ruppel, Director of Marketing and Product Development for Digital Check. "If you're running a restaurant or something, that kind of stuff can happen. Sometimes it's just the paper of the check that causes it to stick. It's a very common problem."

Different checks on piggy-backing

The TS240 has several mechanisms that can identify double checks and prevent piggy-backing from morphing into a larger mishap. For one, Ruppel said, if there's any "bleed through" on the magnetic ink character reader line (the magnetic numbers printed on the bottom of every check that contain, among other things, the consumer's bank account number) the TS240 will spot it.

As a precaution, it also checks a check's corners to make sure no other layer of paper lurks underneath. "The checks generally aren't going to line up exactly, and we inspect those corners to see if there's two showing and within milliseconds we can determine if it's a double feed," Ruppel said.

Ruppel added that some checks contain decoys that can trick some machines into thinking there is a double feed when there's only one check – such as a thick government check whose opaqueness looks like multiple checks, or personal checks that contain drawings of things like cars and domestic pets.

For these, the TS240 has a feature that "thresholds" the

Features of **TellerScan 240S** include:

- Ability to identify "piggy-backed" checks in two ways
- Franking feature to prevent multiple run-throughs of one check
- Built-in diagnostics
- Option to cut out backgrounds on documents for easier reading
- Ability to scan other types of financial documents, such as money orders



image down to its essentials to make it readable. The feature also allows financial documents other than checks, such as money orders and bank receipts, to be scanned and routed to financial institutions.

"Money orders have been a real problem in the industry because they use security paper, which is generally really difficult to handle in scanners or copiers, and because of the security feature, the blotter mark and the security ink they use," Ruppel said. "When we scan a [document] we capture a jpeg image; then we threshold it down to a tiff image, meaning we're removing the background but keeping the important document information."

In house diagnostics

Ruppel said the TS240 also contains a "franking" feature that acts like a stamp, verifying that a given check has already been run through the scanner. In addition, it has a catch-all device in the event that a problem of any sort arises: a built-in diagnostics program, which identifies the problem on the user's computer monitor and obviates the need for a troubleshooting phone call. ☎

Digital Check Corp.

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NewProducts

Fortifying e-commerce with signatures

Product: SignatureLink

Company: SignatureLink Inc.

Payment cards were invented decades ago without any real foreknowledge of e-commerce, and many say such cards lack adequate controls for the online medium. But e-commerce platforms have themselves made some changes to make virtual payments safer.

Often those changes involve identifying what features in physical POS environments are absent from e-commerce platforms and figuring out ways to bridge the divide. A product called SignatureLink, from a company of the same name, is designed to do just that.

SignatureLink has taken a long-time hallmark of brick-and-mortar card payments and enhanced it. The service allows online merchants to require that purchasers sign, with a mouse, at the bottom of every transaction. Everything else stays the same – the service is not meant as a replacement to other security features but rather an add-on to existing ones.

Features of **SignatureLink** include:

- Provides extra online authentication via electronic signature
- Captures multiple signature properties, including image and sign velocity
- Rejects simple signatures made of only one or two dashes or lines
- Complements rather than replaces existing security features



"It's analogous to a brick-and-mortar store: You're buying something, you have a point of sale terminal, you swipe your credit card and sign your name," said SignatureLink Inc. Vice President Michael Labate. "We're taking that offline process and enabling companies that sell products online to use our virtual signature pad as the last step in the checkout process."

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"You sign your name and click submit, and basically we create an actual image of that signature that you provided. We store it in our system and return a response back to the checkout cart, and the normal payment processing routine prevails from there."

Multiple features of signature captured

According to the company, the electronic signature SignatureLink captures is more complex and less imitable than a conventional signature.

For starters, a certain level of complexity is required: a signature made of a simple dash or a couple straight lines will be rejected by the program, and the user has to sign again. Also, the program captures not only the image of a signature, but also properties relating to the way it is drawn.

"With signatures now it's really just an image," said SignatureLink Chief Technology Officer Jason Napsky. "With SignatureLink, there are other biometric features we capture that make signature comparison of an electronic signature actually stronger than a signature comparison on a piece of paper. We capture other information like the speed of signing, the velocity and the acceleration."

Tracking those properties makes it impossible to forge an online signature by cutting and pasting a stolen one, Napsky added.

Checks signed online in the future?

Surprisingly, SignatureLink cannot, as yet, be used on the payment medium to which it would seem especially well-suited: online checks.

According to Chito Collins, Lead Sales and Marketing Consultant for SignatureLink, Check 21 laws still require that digital checks originate as physical documents, but expansion of Check 21 to allow checks to originate as digital images is coming.

"It's a major enhancement on the functionality of the Check 21 law," she said. "[Its deployment] will be a year-and-a-half to two years, depending on how fast the government works."

Labate added that while the service was currently being used only to authenticate at the back-end of transactions, it could also be used as a blocker that prevents fraud. Consumers would have their digital signatures stored on file, and online transactions would require that new signatures roughly match existing ones. 

SignatureLink Inc.

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- Brendan Francis

Get real with expectations

SOs and merchant level salespeople (MLSs) are inundated with motivational phrases. "Dream big" is a popular one. "Set the bar as high as you can" is another. It is true: Ambition and drive are rewarded in the payments industry. But lofty goals and expectations should be tempered with realism. In fact, setting limits on expectations can empower and liberate and, in the long run, make you a better seller.

Ask yourself what happens if you push to attain a high level of residual income, but then fall short. Do you get

discouraged, dejected, depressed or even fear you are in the wrong profession? If so, then maybe you have set that proverbial bar too high.

Despite the American ethos that each individual controls his or her destiny, external circumstances such as global economic turmoil or job cuts can profoundly influence your bottom line. Reviewing your sales strategies and professional behavior is invaluable. But impractical goal-setting can hamper your day-to-day sales activities and cause unnecessary anxiety when it comes to closing accounts.

Recognize roadblocks

Having realistic expectations will help you meet goals. MLSs need to recognize their strengths and areas of expertise and build upon what they do well. Having lowered expectations doesn't necessarily equate to poorer results.

To get your expectations in line, first understand your limitations. Many issues affect your performance, but you may not even consider them during the course of a workday. These include:

- The finite amount of hours in the day to conduct business
- The need for a certain amount of rest and food to sustain the energy level required for sales
- The need to understand and accept the amount of stress you can handle
- The effects of trying to do too many tasks simultaneously
- The scope of your experience level and industry knowledge
- Your degree of interest in the type of merchants you are pursuing
- The health of vertical markets you want to break into
- Time constraints imposed by outside commitments to friends, family and extracurricular activities
- The effect of company policies on your ability to do your job
- Time zone restrictions in doing business outside your geographic area

Embrace strengths

A good starting point might be to define your personal



Inspiration

limitations and then set expectations accordingly. Technical writers more than likely don't venture into penning romance novels. Obstetricians wouldn't attempt brain surgery. Lumberjacks who work and live in the outdoors understand they more than likely would not be successful administrative assistants.

Once you've made an honest evaluation of your skill set and industry knowledge, then address how you can use your limitations to create focused goals.

You might find that what you thought were flaws can help you achieve greater success over the long term.

To do a personal, in-depth, self-assessment questionnaire that reflects who you are and not how you wish to be perceived, start by asking yourself such things as:

- What verticals and market segments do I feel passionate about?
- Am I pursuing verticals that require in-depth knowledge I do not have, making me less effective to potential clients?
- What expertise did I bring into the payments industry and how can I apply that knowledge in creating a set of sales goals that builds on my strengths?

- What areas of the payments industry are most comfortable for me?
- Am I having fun? If not, why not?

Establish boundaries

Always consider ongoing expectations of work and family before taking on new projects or responsibilities. Often we accept opportunities and challenges because of the expectations of, or loyalty to, others.

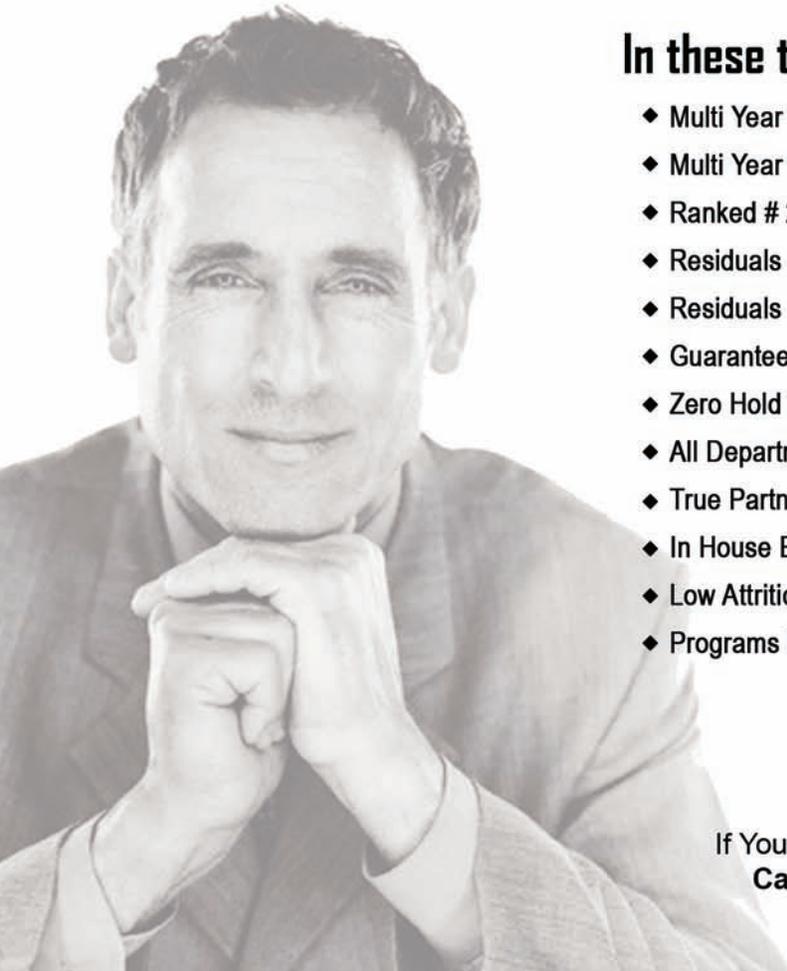
Loyalty and selflessness are admirable traits. However, just because you can do a job doesn't always mean you should. Ask yourself, Will taking on additional commitments adversely affect the boundaries I am trying to set to have the best chance for success?

ISOs and MLSs who take the time to stop and reflect on what they are shooting for – and whether their goals are realistic – are well positioned to set appropriate limits that can, indeed, help them reach their goals.

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Bank Administration Institute

BAI Retail Delivery Conference

Highlights: This event began 30 years ago as an ATM conference with 200 attendees and is now reportedly the largest retail financial services event in the world, bringing together almost 6,000 participants annually.

It is known for delivering new technologies, innovations and strategic insights to the financial services community and affords an opportunity to connect with industry thought leaders and top solutions providers

This year's institute will offer a number of workshops, general sessions and networking opportunities. Among the slated speakers are Jack Welch, former Chairman and Chief Executive Officer of General Electric Co., business strategist and author Ram Charan and Gerard Baker, Deputy Editor-in-Chief of *The Wall Street Journal*.

When: Nov. 3 – 5, 2009

Where: Boston Convention & Exhibition Center, Boston

Registration: www.bai.org/retaildelivery/registration.asp



Electronic Transactions Association

Compliance Day

Highlights: Compliance Day is a forum for banks, processors and ISOs dedicated to helping the merchant acquiring community better understand the rules and requirements that govern the payments industry.

Hear about the latest operating regulations and get answers to complex issues directly from representatives of each of the four major card brands and the PCI Security Standards Council.

Forum topics will include card company operating regulations, up-to-date information on registration requirements, due diligence and risk assessment for merchant relationships, and the latest developments in the Payment Card Industry (PCI) Data Security Standard, including PCI 1.2.

When: Nov. 11 – 12, 2009

Where: Fairmont Chicago, Millennium Park, Chicago

Registration: www.electran.org/content/view/40/63/



NACHA – The Electronic Payments Association

The Institute of International Payments

Highlights: This event comprises two-and-a-half days of intensive instruction and course materials, taught by experienced practitioners drawn from leading organizations engaged in international payments. Breakfasts, lunches, refreshment breaks and a networking reception are included.

Following the implementation of the International ACH Transaction rules on Sept. 18, 2009, new and emerging payment services have the potential to facilitate international trade with increased ease in an enhanced security environment. This event is meant to help promote a keen understanding of international trade, which can enhance an organization's offerings to attract more business and increase the bottom line.

When: Nov. 17 – 19, 2009

Where: Federal Reserve Bank of Atlanta, Atlanta

Registration: www.nacha.org/conferences/InstIntlPmts2009/default.htm



Source Media Conferences

Cards & Payments Loyalty Conference

Highlights: This one day conference will provide tips to assist rewards program managers, discuss strategies for managing costs and optimizing program returns, and educate participants on broader industry trends in financial institution, co-branded and private-label credit card rewards

There will be presentations from managers of payment card loyalty programs of some of the most well-known brands in the industry in addition to experts in program communications, innovative products and fulfillment cost management.

The event will include several networking breaks, including a networking lunch from noon to 1p.m.

When: Dec. 2, 2009

Where: New York Hilton, New York

Registration: www.americanbanker.com/conferences/loy09



Southeast Acquirers Association

2010 Annual Conference

Highlights: The focus of this event is education and providing information on current issues concerning the feet on the street in the electronic payments industry. The two-day seminar will include various networking opportunities with all vendors and attendees.

The exhibit hall will feature many of the leading credit card payment processors, equipment manufactures, leasing companies and other third-party vendors in the industry.

Breakout sessions will provide a collegial forum in which to learn and share information, and panel discussions, which have been some of the most heavily attended sessions in years past, will be led by industry leaders.

When: March 22 – 23, 2010

Where: Sheraton Atlanta Hotel, Atlanta

Registration: www.southeastacquirers.com/conference

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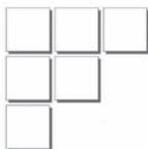
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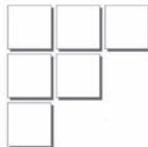
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