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January 9, 2012 • Issue 12:01:01

New federal watchdog eyes prepaid cards

A showdown is brewing in Washington over how federal regulations should treat prepaid debit cards. The debate hasn't garnered much traction, however, because the federal agency at the center of it all – the Consumer Financial Protection Bureau – remains leaderless, a casualty of legislative gridlock.

At issue is the governing structure of the CFPB. Created under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the CFPB is intended to be a federal super-cop with a jurisdictional reach that includes all dealings between financial services companies and consumers. The law calls for the bureau to be led by a single director. However, Senate Republicans have repeatedly rejected nominations for the position and have vowed to continue doing so until the CFPB is restructured so that it is led by a five-member board.

This is just the latest in a series of political moves that have softened the power-punch that was expected when the CFPB was proposed under the Dodd-Frank Act. "In the end, it was a nonevent," said industry consultant Paul Martaus. The CFPB is supposed to operate as an independent, autonomous entity within the Federal Reserve. The Dodd-Frank Act stipulates that the U.S. Treasury Department watch over the bureau until it has a full-time, permanent governing structure, but it stops short of allowing the Treasury Department to step in and start running the bureau.

The CFPB has been operating without a director since opening its door on July 21, 2011. And until it has a full-time director, its authority is limited to examining banks with assets over \$10 billion and affiliates of those banks for compliance with federal consumer financial protection laws, such as the Electronic Fund Transfer (EFT) Act enacted in 1978 and the Equal Credit Opportunity Act enacted in 1974.

The agency is also supposed to field consumer complaints about financial services providers. The four federal financial institution regulators – the Federal Deposit Insurance Corp., the Federal Reserve Board, the National Credit Union Administration and the Office of the Comptroller of the Currency – retain oversight authority for institutions with less than \$10 billion in assets. And the Federal Trade Commission will continue to bring enforcement actions against nonbanks for violations of consumer protection statutes.

Although the bureau lacks rule-making authority absent a full-time director, that hasn't stopped it from working on new rules. "Under the new law, our nonbank supervision program will be able to look at companies of all sizes in the mortgage, payday lending and private student lending markets," the bureau noted in a statement. "But for all other markets – like consumer installment loans, money transmitting and debt collection – the CFPB generally can supervise only larger participants."

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Notable Quote

According to *Beyond Facebook*, the Asia region generates the most social gaming revenues (40 percent), followed by North America (28 percent), Europe (23 percent) and Latin America (5 percent).

See story on page 37



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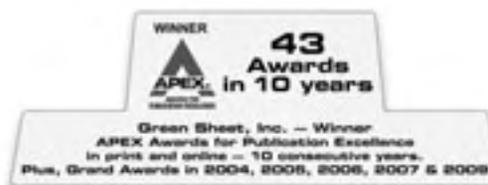
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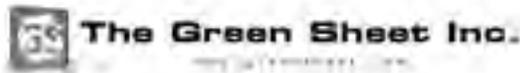
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Forum



From GS Online's MLS Forum

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Are salons worth the effort?

Recently, GS Online Forum member **MICHAEL** posed the following question: What's been your experience writing salons? Good accounts to go after?

He received a range of opinions on the matter from forum members. Here's a sampling of perspectives shared:

"Generally small volume multimerchant accounts. High-end salons are good, but many are tied to POS and appointment software. I tend to leave them alone.

- **BIGRED_DAVE**

"Many salons have multiple independent contractors, whereas the owner leases out the additional chairs in the salon. May be a good account for e-loyalty/gift cards.

- **APEXBSINC**

"Length of ownership is often very short. Many have revolving doors."

- **THECREDITCARDMAN**

"Generally more trouble than they're worth."

- **JEH1003**

"I have mixed feelings about salons... As long as the account is profitable, all accounts are good accounts; all the verticals have their challenges, and this vertical challenge is the turnover. ... In my experience, they are profitable, and I will take them all day long."

- **MARINESTEBAN**

"I tend to look at these accounts as one merchant regardless of the amount of stylists. If there's five stylists each doing \$5k each, that's \$25k total volume. If you can make it worth your while there, then it's worth it. They can be a pain, but usually only when stylists move around (i.e. hired/fired) which can happen monthly, just once a year or anywhere between.

"I'd go for them, especially if you're still getting your feet wet in the industry. The account has multiple merchants, so there's a good opportunity for some training on various points including programming terminals (again and again and again), troubleshooting basic issues, dealing with customer service problems, etc.

"One piece of advice, not all salons are the same, and even stylists at the same salon can be very different. Sometimes you'll make most of your money through volume fees, other times through monthly fees. Watch out for blanket pricing that may not always cover costs (i.e. waiving monthly fees)."

- **MBRUNO**

"If you just outline the expectations from the get-go, they are fine businesses. Many salons have five to 10 stylists all in the same machine. You should definitely explain that that type of setup requires an update to the machine to remove old and add new stylists, which is done over the phone with tech support. Many salons see the first setup and don't know the work involved in removing old and adding new each time it's done. So as you begin that relationship, define the expectations so everyone is on the same page. In recent memory, an ISO had a salon of 20 accounts and said new ones can only be added or removed on the 10th of the month – or whatever day it was. So each month, he got paperwork and cancellation forms during the first week, and he went back a day or so later and updated the terminal. That way, the agent was not going there 10 times a month doing downloads."

- **EMPIRE**



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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

New federal watchdog eyes prepaid cards

The newly created Consumer Financial Protection Bureau has yet to appoint a director, but its presence is already being felt in the prepaid card industry. Intended to be a federal super cop, the CFPB is tasked with overseeing the business practices of certain financial service sectors, including prepaid. But will its proposed regulatory authority stymie the growth of the industry?

News

28

VeriFone, NBCUniversal partner on payment-enabled media

POS device manufacturer VeriFone Inc. is entering showbiz by teaming with NBC for media content via payment terminals in taxis, on gas pumps and over consumers' wireless devices. "Consumable" entertainment at the POS is a new way to add value to ISO-merchant relationships.

News

26

Heartland nearing closure on breach after favorable ruling

Heartland Payment Systems Inc. was delivered from more litigation concerning its 2008 data breach when a federal judge dismissed all claims by banks that the processor acted negligently and broke contractual obligations in connection with the multimillion-dollar breach.

Feature

34

Banks exhibit 'appetite for prepaid'

A Center for Financial Services Innovation webinar looked at the prospects for banks entering the prepaid space in 2012. Research conducted by MasterCard Worldwide reveals a majority of retail banks are either planning, or have already embarked on, a journey into prepaid.

News

26

Forensics expert, Google differ on Wallet security

With the coming of the mobile wallet comes a new host of security concerns. A digital forensics firm maintains that Google Inc.'s Google Wallet is vulnerable to fraud because of a "significant" amount of data left unencrypted on smart phones. Google countered that multiple layers of security keep cardholder data safe.

Feature

35

The game card opportunity beyond U.S. borders

A SuperData Research Inc. white paper illuminates prospects for game card expansion via social media in emerging markets. Facebook may be the dominant social media platform in the United States, but other networks around the world have been successful in gaining market share. And prepaid game cards are one way these companies monetize their content.

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- Shawn Dillon, Director of Sales



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Feature

38

PCI SSC rolls out new SIGs

In November 2012 the PCI Security Standards Council (PCI SSC) held a first of its kind election. Nearly 500 council members from around the world voted on topics for special interest groups (SIGs) in 2012. The results were: cloud computing, e-commerce security and risk assessment.

Education

60

Kick off 2012 with a plan for success

Although 2012 is already off and running, it's not too late to consider a list of top 10 marketing tips to give your business a real boost. In fact, there's no better time than now to put these tips into action. This article explains what the actions are and why they are essential to an effective marketing strategy.

Education

54

Street SmartsSM

The Durbin Amendment: Bust or boon for the industry?

Debate within the industry over doom and gloom predictions regarding the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 changed abruptly in November 2011. That's when agents writing accounts to tiered pricing received their first post-Durbin residual checks. But are there drawbacks to tiered pricing?

Education

64

Keep it honest in 2012

The majority of merchant level salespeople (MLs) will tell you, when you ask them point blank, that they're completely honest. However, even the most honest people in our industry have moments when they walk the fine line between truth and deception. The beginning of a new year is an ideal time to resolve to be fully honest in all business dealings.

Sustained Growth in a Down Economy

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Education

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PCI: The year in review, the year to come

2011 contained several elements of steady but unspectacular progress such as minor updates to the Payment Card Industry Data Security Standard and Self-Assessment Questionnaires. The industry also saw incremental improvement in the compliance and validation areas. Is it unrealistic to expect more impressive types of gains in 2012?

Feature

72

Show us the money! - Growing business online by accepting more forms of payment

Have you ever been in a retail store that only accepted credit cards for payment? No cash or debit payments? That would be bizarre. But when you go online, you'll find thousands of sites that are still accepting credit cards only for payment, including those for the majority of the direct marketing industry. This, however, is changing.

Feature

70

Highlights from Inside Microfinance

Bank On got a facelift, part of which is the new moniker JoinBankOn.org; Dwolla, an online mobile payment platform, is eliminating the 25-cent fee it charges for small-dollar payments; and a California firm rolled out a cash replacement product that makes it easier and safer for migrant workers to send money back to their homelands.

Inspiration

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Work through discomfort, expand your reach

Each January, many ISOs and MLSs revisit their sales goals and strategies. Whatever your business goals for 2012 are, one thing is certain: to succeed, you must interact successfully with all types of people, even those with whom you either disagree or are uncomfortable.



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NEWS

Holiday cheer

Charitable giving was very much a part of the payments industry holiday season as companies reached out in 2011 to help those less fortunate. Here are some of the charitable contributions reported as of Dec. 29, 2011:

- **Fifth Third Bank ISO Certified Payment Processing** teamed with **Metrocrest Social Services** in Dallas to donate 700 lbs. of food and \$1,400 in a holiday food drive to help local families.
- **Chosen Payments**, a Wells Fargo Bank N.A. ISO, partnered with the Ventura County, Calif., **Children's Services Auxiliary** through the Spark of Love program to host a holiday storefront where parents and foster parents shopped for toys for their children. The event helped 65 Ventura County parents acquire gifts for approximately 325 children.
- Atlanta prepaid company **InComm** delivered five gifts of \$1,000 Vanilla Visa Gift Cards to the winners of its A Million Options sweepstakes.
- **Western Union Foundation** awarded \$3.4 million in grants to foster economic opportunity through education, training and small business development globally.

EMVCo white paper

EMVCo, an organization formed by American Express Co., JCB Ltd., MasterCard Worldwide and Visa Inc. to manage the Europay/MasterCard/Visa smart card standard, published a white paper updating its effort to standardize contactless mobile payment distribution.

The paper describes EMVCo's work coordinating the development of contactless mobile payment standards in the rapidly developing mobile payments environment. It also addresses the need to resolve technical infrastructure issues with mobile handsets that enable contactless payments.

The EMVCo *White Paper on Contactless Mobile Payments* is available for free download at www.emvco.com. EMVCo Executive Committee Chair Patricia Partelow said, "EMVCo has been working over the last few years to ensure that its specifications and testing processes meet the requirements of this emerging [mobile handset] payment environment, and the development of this white paper delivers a full update on the activity."

New book for ISOs, MLSs coming in March

C3ET Credit Card Consortia for Education & Training Inc. is publishing a new resource for ISOs and merchant level salespeople (MLSs) consisting of the book, *Credit Card Processing for Sales Agents*, and its companion study guide. Both are expected to be available by March 15, 2012.

BOTTOM
LINES

HEADLINES
FROM THE
RETAIL
WORLD

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- **RichRelevance Inc.**'s *Holiday Shopping Study* indicated the total share of U.S. online retail dollars attributable to mobile devices grew from 1.87 percent in April 2011 to 3.74 percent in December 2011.
- **Dataium LLC**'s *Auto Shopper Intensity* index, a predictive indicator of automotive sales based on web activity, showed significant gains in lead generation for luxury brands entering December 2011, with lead growth of 27 percent for BMW; Saab posted an 11 percent gain.
- According to the **NYC & Co.** tourism board, Brazilian visitors to New York are expected to continue to outspend all other nations. In 2010, Brazilians spent \$1.63 billion in the city, outpacing U.K. travelers at \$1.42 billion, Canadians at \$1.27 billion and Italians at \$1.1 billion.



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Industry Update

"It's the first book written by credit card processing and business experts from across the country," said Bill Pirtle, C3ET President and current author of the Street SmartsSM column for *The Green Sheet*. "The book is expected to standardize training for sales agents and ISOs. ... It will fill a niche that has been lacking." The publication promises to deliver industry expertise on topics such as sales techniques, setting up ISOs, POS systems, terminals, contracts, ethics and much more.

More than 30 contributors have agreed to write about their areas of expertise. These industry stalwarts include Adam Atlas, Marc Beauchamp, Mark Brady, Sam Caine, Michael Angelo Caruso, Steve Eazell, Howard Falcon, Jeff Fortney, Ben Goretsky, Tim R. Green, Linda Grimm, David Holman, Biff Matthews, Michael Nardy, Bill Pirtle, Paul Rianda, Kate Rodriguez, Christopher Smith, Steve Sotis, Ted Svornos, Angela Swinney-Rhodes and Brian Tracy.

For more information or to pre-order the book, please contact Bill Pirtle at bill@c3et.net. Discounts are available to the first 1,000 orders placed before Jan. 13, 2012.

Australia to amend merchant surcharge standards

After a period of public consultation on potential

changes to standards relating to merchant surcharging for card acceptance, **Australia Reserve Bank's** board decided a case exists for changing the standards. The board said the proposed variation "will allow scheme rules to limit surcharges to a reasonable cost of acceptance, while still ensuring that merchants cannot be prevented from fully recovering their costs."

The board also said the need for this change arises because "in recent years some surcharging practices that potentially compromise price signals, such as surcharging in excess of card acceptance costs, have become more widespread. The board believes that the proposed variation will improve the efficiency of the payments system by providing better price signals to cardholders." The board also noted the proposed variation may not necessarily address all surcharging practices that are viewed by the public as being of concern.

ANNOUNCEMENTS

First Data online payment gateway

Global payment processor **First Data Corp.** introduced its Global Gateway e4, an online payment gateway designed for e-commerce merchants. Global Gateway e4 includes a suite of payment services and the ability to expand payment acceptance globally.

Mobile commerce awards

Google Wallet, the payment application created by technology giant **Google Inc.**, was named Mobile Commerce Technology of the Year, and **Starbucks Corp.**'s mobile payment app was named Mobile Commerce Application of the Year in the annual Mobile Commerce Awards sponsored by the online trade publication *Mobile Commerce Daily*, a subsidiary of Napean LLC.

InspirePay introduces universal payment hub

InspirePay, a new company backed by, among others, Tiforp Business Ventures LLC, introduced the first universal payment platform consolidating all online commercial transaction options into one payment hub. Consumers can use the hub to pay with any Internet payment choice, including credit cards, PayPal, Google Checkout, Dwolla and Amazon Payments. The platform is fully customizable.

Merchant Warehouse named top ISO

Merchant Warehouse was named the Best Merchant Account Provider for 2012 by 100Best-Merchant-Accounts.com. According to the website, its decision was based on Merchant Warehouse's affordable account services and many features offered to help new storefront and online businesses get started.

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IndustryUpdate

NAB's free open SDK

ISO North American Bancard released its Pay Anywhere Software Development Kit (SDK) to mobile payment solution developers. Pay Anywhere is a free app and credit card reader. The SDK allows developers to easily integrate Pay Anywhere into their applications. The SDK is currently only available for the Apple Inc. iOS platform. An SDK for the Google Android operating system is promised soon.

PayByPhone adds NFC to SF parking

PayByPhone, a subsidiary of European payment processor PayPoint PLC, is bringing NFC technology to San Francisco's 30,800 parking meters.

The San Francisco Municipal Transportation Agency is adding PayByPhone's NFC-enabled stickers to the meters, giving drivers the opportunity to pay for parking via mobile phone. Information stored on the parking meters can be read remotely by drivers on an NFC-enabled phone.

Payfirma processing more than \$1 million per day

Canadian processor Payfirma Corp., a 2011 startup

company, said it is processing more than \$1 million per day on its mobile and Internet platforms. Payfirma reportedly was the first Canadian company to launch a mobile POS app and swiper for smart phones.

Pay.On mobile POS terminal

Online payment processor Pay.On AG introduced a new mobile POS application for Apple smart devices. The new application allows Apple smart devices to function as card payment terminals. A payment application for the Google Android operating system is expected soon.

Sequent's neutral NFC platform

NFC software and services provider Sequent Software Inc. released an NFC services platform that lets mobile operators, card issuers and application developers board and manage consumer accounts in mobile devices. The new platform supports payment, transit, loyalty and other services.

South named to 2012 Premier 100 IT Leaders list

John South, Chief Information Security Officer at Heartland Payment Systems Inc., was named to the IDG *Computerworld* 2012 Premier 100 IT Leader list. The Premier 100 honors leaders from technology and business for technology leadership and innovative approaches to business challenges.

Regulus Group, J&B Software now TransCentra

TransCentra Inc., a billing and payment software and services company, said it is rebranding its two subsidiaries, Regulus Group and J&B Software, as TransCentra. The company said the name TransCentra is meant to convey the company is central to billing and payment transactions.

VeriFone milestone in Russia, score with Brighton

VeriFone Inc. reported that its millionth payment acceptance system in Russia was installed in the city of Tyumen by the company's partner INPAS Co., working in conjunction with West Siberian Bank of Sberbank. VeriFone has been active in the Russian market in strategic partnership with INPAS since 1995.

In other company news, Brighton Collectibles is now bringing the checkout to shoppers in its 150 locations with VeriFone's GlobalBay Mobile POS. More than 300 iPod Touch systems equipped with credit card readers are being used to help sales associates quickly complete customers' purchases on the spot, rather than making them wait in checkout lines.

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Industry Update

Wausau expands suite to help with RDC

Wausau Financial Systems Inc. is expanding its Deposit 24/7 Suite to allow financial institutions to help small and midsize businesses take advantage of growth opportunities in payment processing through remote deposit capture (RDC). The turnkey, bundled service package includes a marketing tool kit, online enrollment, training guides, risk monitoring, and the ability to accept multiple payment channels through RDC.

Xsilva introduces iPhone platform

Xsilva Systems Inc., a developer of retail technology for Apple iPhones and iPads, introduced LightSpeed for iPad, an interactive customer platform. The new platform offers personalized selling, inventory scanning, and wireless payments on the popular tablet device. A show-and-tell feature allows salespeople to share product details and up to five zoomed images with customers.

PARTNERSHIPS

Amazon.com, Pay.On partner

Amazon Payments, an affiliate of online retailer

Amazon.com Inc. is now using the Pay.On AG gateway PayPipe and is fully integrated into the Pay.On Pay Sourcing platform. Amazon customers will now be able to pay at other retailers using the payment information stored in their Amazon accounts.

Fiserv offers Sageworks products

Financial solutions technology company Fiserv Inc. reached an agreement with Sageworks Inc. that allows Fiserv clients access to a suite of Sageworks' products. The suite collects and analyzes data, identifies and monitors loan portfolio risks and measures and reports on the impact of those risks.

InSide Secure provides NFC to Intel

InSide Secure, a company providing semiconductor solutions for secure transactions and digital identity, said it reached an agreement with Intel Corp. to provide Intel with InSide's NFC products and technologies. Intel will be able to access InSide's software, firmware and core hardware technology as it develops future Intel products.

NFC consortium formed

NTT Docomo Inc., KDDI Corp., and SoftBank Mobile Corp. formed the Japan Mobile NFC Consortium to promote the adoption of multiple international standards for NFC technologies. The group intends to work with other groups in the Japanese mobile industry to make Type A and Type B NFC standards compatible with the Japanese mobile ecosystem.

PayPal integrates with Frontdesk, Fandango

PayPal Inc., the payment subsidiary of eBay Inc., integrated its payment interface with Frontdesk Anywhere Inc., a web-based hotel management software company, and Fandango Inc., the national movie ticket retailer. PayPal is building on the \$3.5 billion in mobile payment volume it did in 2011 – a five-fold increase over 2010.

Planet Payment, BEA implement gateway

Planet Payment Inc., a provider of international and multicurrency payment processing services, and Hong Kong-based The Bank of East Asia implemented the Micros Payment Gateway at Hyatt Regency Hong Kong-Sha Tin and Hyatt Regency Hong Kong-Tsim Sha Tsui. The gateway is designed to facilitate integrated payment support for the Micros suite of enterprise hospitality products employed at Hyatt Regency hotels in Hong Kong.

Vantiv, TransEngen strategic relationship

Payment solutions provider Vantiv LLC formed a strategic relationship with health care transaction

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IndustryUpdate

processing technology provider **TransEngen Inc.** TransEngen is providing access to its Healthcare Virtual Payments System to Vantiv customers. The companies said the relationship will improve cash flow for health care providers, reduce patient receivables and lower the costs of patient billing and collecting.

ACQUISITIONS

eBay acquires BillsAFE

Online retailer **eBay** acquired the German purchase-on-invoice technology company **BillsAFE GmbH** and said it would combine the company with its payment subsidiary **PayPal** to provide a comprehensive payment service. The BillsAFE technology allows customers to make a purchase and receive an invoice for payment after the purchased item is received.

Clear2Pay purchases ISTS Worldwide

Clear2Pay, a payment solutions provider to financial institutions, purchased retail payment technology provider **ISTS Worldwide Inc.** ISTS customers include **PayPal**, **Sears Brands LLC**, **Levi Strauss & Co.** and **VeriFone**.

CO-OP buys Corporate Network eCom

CO-OP Financial Services, which specializes in payment processing and other financial services for credit unions, purchased **Corporate Network eCom LLC**, an online and mobile bill paying service and subsidiary of **U.S. Central**, a corporate credit union. The purchase was approved by the National Credit Union Association and is expected to be completed in the first part of 2012.

FleetCor spends millions on AllStar

Fuel card and specialized payment product company **FleetCor Technologies Inc.** purchased U.K. fuel card company **AllStar Business Solutions Ltd.** from the **Arval Group** for approximately \$304 million. Arval and FleetCor also entered into a strategic relationship through which Arval will provide fuel card payment solutions to AllStar customers.

APPOINTMENTS

CO-OP promotes business development pros

CO-OP Financial Services promoted **Jackie Scheuerlein**, **Andrea Rusnak** and **Donna Denley** within its Business Development department. Scheuerlein is now the company's Director, Relationship Management.

She previously served as Business Development Manager and National Relationship Manager (NRM) with CO-OP. In her new capacity, she will be responsible for leading CO-OP's nationwide team of NRMs.

Rusnak and Denley were both appointed to the position of Business Development Manager. Rusnak will lead a team of regional NRMs and support personnel; Denley will lead a team of NRMs. Both now report to Scheuerlein.

Smith new VP at Kahuna

Mark D. Smith is the new Vice President of Financial Solutions at Kahuna ATM Solutions. Kahuna Financial Solutions is a new division for the company. Smith will manage the value-added reseller channel and provide sales support to financial institutions. He will also work on the Kahuna financial product line. Smith formerly worked for Triton Systems LLC, a manufacturer of off-premise ATMs.

Tihilä elected EESPA chair

Esa Tihilä, Chief Executive Officer of the Finnish purchase-to-pay solution company **Basware Corp.**, is the newly elected Chair of the European E-invoicing Service Providers Association. She is the first to serve as chair of the newly formed EESPA. ☐

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Heartland nearing closure on breach after favorable ruling

Nearly all bank claims filed against Heartland Payment Systems Inc. in the aftermath of its massive data theft, initially reported in January 2009, were dismissed by U.S. Southern District of Texas Judge Lee Rosenthal Dec. 7, 2011.

The ruling

Nine banks filed complaints against Heartland following the theft of data from nearly 130 million credit and debit cards. The banks sought damages from Heartland for alleged negligence, violation of the consumer protection laws of several states and for breaching its contractual obligations to them. In essence, Judge Rosenthal found most of these claims were not viable.

Rosenthal dismissed the negligence and contractual obligation claims. He threw out the negligence claims because the law does not allow tort damages in cases where no physical or property injury exists. He dismissed the breach of contract claims because there was no direct or implied contract the banks could connect to a breach incident.

Rosenthal said he will allow the banks to file an amended breach-of-contract claim. He also let stand a claim filed under the Florida Deceptive and Unfair Trade Practices Act.

Settlements

Enough suits were filed against Heartland following the breach, the largest ever in the payment card industry, for the claims to be separated into consumer claims and financial institution claims. Heartland settled the consumer claims in 2010 for \$4 million. The settlement gave eligible consumers up to \$175 for expenses associated with the stolen credit or debit card information. Heartland also agreed to pay as much as \$10,000 to identity theft victims who suffered losses as a result of the breach.

Heartland Chief Executive Officer Robert O. Carr told *The Green Sheet* that to the best of his knowledge, all consumer claims are settled. He also said he does not expect the banks to file additional claims but he is prohibited from speaking further about any continuing litigation issues.

Carr said there was no sense of vindication in the company after Rosenthal's favorable ruling. He noted the breach has directly cost Heartland "between \$125 million

and \$150 million." Unfortunately, he could offer little help for other companies looking to avoid their own breaches in a world where data theft is becoming a booming industry. "Our situation was very unique as a nonbank, public payments company, so I don't think our approach would necessarily be appropriate for most other potential victims," he said.

Crime and punishment

Three hackers were publicly held responsible for the Heartland Breach. U.S. citizen Albert Gonzalez was arrested and sentenced to 20 years in prison after pleading guilty to charges related to the breach. The indictment also named Maksym Yastremskiy of Kharkov, Ukraine, and Aleksandr Suvorov, of Sillamae, Estonia. Asked if he was confident all the hackers involved in the breach were identified Carr answered, "I am confident this is not the case."

Moving forward

Carr has worked on a number of initiatives to improve security in the payments industry. Heartland is now manufacturing its own Heartland E3 terminal, an encrypted, tamper resistant security module that wipes out the encryption keys and renders the terminal inoperative if the security module is tampered with.

Also, the operating system of the E3 is locked down so that every application applied to the terminal must have a certificate and be tied into the operating system. When a transaction goes through the end-to-end encryption, a token is created on the back-end to allow for chargebacks, reversals or other processes needed after the transaction.

Carr said more than 20,000 merchants are using the E3 terminal. "It has been very successful for us," he said.

Carr also helped to found the Payments Processing Information Sharing Council under the umbrella of the Financial Service Information Sharing and Analysis Center to provide a way for the industry to share information about fraud threats, vulnerabilities and migration in the payments industry. "The PPISC is a vibrant and effective organization with almost all large acquirers, including Heartland, very involved in sharing experiences and information," Carr noted. ■

Forensics expert, Google differ on Wallet security

A forensics exam of Google Inc.'s Google Wallet by the digital forensics and security firm via-Forensics LLC revealed a number of apparent holes in the mobile wallet's ability to protect

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the personal information it stores. However, the ease with which these holes can be exploited to steal data remains at issue between the two companies.

"We've agreed to disagree," both the researcher, viaForensics Chief Investigative Officer Andrew Hoog, and a Google representative who asked to remain on background separately told *The Green Sheet*.

The forensics report

Hoog reported in a blog released Dec. 12, 2011, "While Google Wallet does a decent job securing your full credit card numbers (it is not insecurely stored and a PIN is needed to access the cards to authorize payments), the amount of data that Google Wallet stores unencrypted on the device is significant (pretty much everything except the first 12 digits of your credit card).

Many consumers would not find it acceptable if people knew their credit card balance or limits. Further, the ability to use this data in a social engineering attack against the consumer directly or a provider is pretty high."

He additionally wrote, "Privacy conscious consumers understand that analyzing nearly everything you use Google Wallet for is basically the price you pay for the service. From a tech standpoint, it's very exciting to see Google Wallet in production. However, it has consistently been viaForensics' position that the largest security risk from apps using NFC does not stem from the core NFC technology but instead the apps that use the technology."

Google applauded

Hoog told *The Green Sheet* he applauds Google for its open system. He said the company studied his findings and even corrected a problem he found – deleted data that could be recovered. "In the long term, open systems tend to be more secure" because people are able to find problems and point them out to the software firm, he noted.

"Google had an appropriate reaction to our findings," Hoog added. "They looked at each case and responded. They worked with us and made changes. They did not address all the items we found." He noted his analysis encompassed "only 10 percent of the tool kit we would use if we are really analyzing an application," and it is possible there are problems with the wallet viaForensics did not find.

Hoog suggested Google can do two things to fix the problems he addressed. The first is not to store data on the phone. "It doesn't do any good to store data if you can [otherwise] fetch data like payment history over a network and display it," he said. "There's no need to store the data, and I believe Google agrees with us."

He also pointed to problems with applications such as email that include sensitive data that needs to be stored

on the mobile device. "If you are storing sensitive data you need to protect that data," he said. "We strongly urged them to encrypt this data."

Hoog said smart devices running the Google Wallet app hypothetically could board malware that would give intruders access to the root data analysis program and, from there, to the operating system. In theory, the intruder launching a successful attack of this type would have unfettered access to the information on the device. For this reason, he believes manufacturers need to make it more difficult to pull data off devices.

Google response

The official Google response to the viaForensics finding reads, "The viaForensics study does not refute the effectiveness of the multiple layers of security built into the Android OS and Google Wallet. This report focuses on data accessed on a rooted phone, but even in this case the secure element still protects the payment instruments, including credit card and CVV numbers.

"Android actively protects against malicious programs that attempt to gain root access without the user's knowledge. Based on this report's findings we have made a change to the app to prevent deleted data from being recovered on rooted devices."

A Google representative, speaking on background, pointed out there are no known exploits that get root access to a device. Google maintains that even if root access is somehow obtained, credit card information is still protected.

The company also pointed out that encryption is of no value when root access to a phone is gained. "Our Wallet is more secure than your wallet," the Google employee said. "If someone steals your wallet they have your credit card information."

Hoog's position is slightly different. "We believe wholeheartedly it is possible to secure mobile apps," he said. "It takes effort, diligence and auditing, but it can be done." ■

VeriFone, NBCUniversal partner on payment-enabled media

Imagine pumping gas and watching a Jay Leno monologue. Imagine grabbing a taxi and getting a local news, weather and sports update on the trip across town. Imagine waiting for a pharmacy pre-

scription and viewing an NBCUniversal Media LLC game show or comedy while you wait. These scenarios are no longer futuristic. They are soon to be implemented due to a new agreement between VeriFone Inc. and NBC Owned Television Stations, a division of NBCUniversal.

Effective Jan. 1, 2012, NBC will deliver news and information along with clips from its regular entertainment programming on VeriFone's Paymedia Solutions payment-enabled media terminals to more than 12,000 taxis, thousands of gas stations and other digital out-of-home platforms. Advertisers will be able to engage interactively with consumers via the terminals to deliver e-commerce offers, coupons and micro-sites.

New Yorkers first

The launch will begin in nine cities – including New York, Chicago, Boston, Las Vegas, San Francisco, Washington and Miami – and is predicted to rapidly expand to other markets. New Yorkers will comprise the first group introduced to the partnership as there are more than 6,800 New York taxis already outfitted with the NFC-enabled Paymedia terminals.

Riders in New York will immediately have access to regularly refreshed local news and weather updates from the local NBC affiliate, as well as content from NBC Sports Group, NBC News, NBC prime time and late night programming, several cable networks and Universal Pictures. Breaking news and headlines will stream across the interactive TV screen and allow customers to access more information about events from the interactive screen.

The Paymedia terminals will also allow riders to purchase products advertised on screen simply by swiping credit cards or tapping NFC-enabled phones on the terminals.

Advertisers will be able to build mobile and social features into campaigns, track user engagement and allow users access to coupons. Advertisers can also target the time of day their ads will run and the locales in which they want to advertise.

Strategic fit

VeriFone Vice Chairman Bud Waller said when announcing the partnership, "NBCUniversal is the perfect strategic fit for us as we extend our payment-enabled media platform beyond TaxiTV into other verticals, including our existing client base of over 60,000 gas stations and more than 1 million retail installations."

Greg Scholl, President of Local Integrated Media for NBC Owned Television Stations, added, "We are excited about future growth prospects as VeriFone continues to innovate its products and push into new digital out-of-home sectors."

Jason Gross, VeriFone Media Director of Strategy and

Marketing, told *The Green Sheet* VeriFone ended its previous agreement with American Broadcasting Companies Inc. to go into business with NBC Universal. "The rollout of payment-enabled media is just the tip of the iceberg," he said. "We are really in the early stages."

Gross noted consumers will be able to download a content app that will let viewers continue to watch the stream of programming and advertising after they are engaged through the VeriFone Paymedia platform.

"The divisions of NBCUniversal are looking for as much value as possible," he said. "The loop of content and advertising is timed to the length of the engagement."

The 10 to 20 minutes you spend in a taxi is an engaging experience. We know the average trip length because we run the system that calculates the fares. On the other hand, we can do short consumable bites of content. For instance, at a gas station you may see one small sketch from Jimmy Fallon or a Jay Leno monologue." Gross added that the content will be approximately 50 percent paid advertising, "maybe slightly higher."

ISO benefits

Gross believes Paymedia value-added services will help VeriFone, its customers and partners add new revenue. In May 2011, VeriFone introduced Paymedia Solutions as a subscription-based service providing merchants with payment-enabled media at the POS. The service includes integration of services such as couponing, loyalty, location-based social media and value-added services.

VeriFone said Paymedia is "an expansive portfolio of systems, infrastructure and services with which ISOs, acquirers and other resellers can equip merchants with a true 'intelligent checkout' capability." Paymedia also includes end-to-end encryption and tokenization to facilitate Payment Card Industry Data Security Standard compliance. ■

The future of contactless payments

Contactless payments may have gotten a boost when Visa Inc. released its plan to accelerate adoption of the Europay/MasterCard/Visa (EMV) contact and contactless chip technology in the United States.

A new 23-page report from Mercator Advisory Group Inc. titled *Moving Parts: EMV, NFC and Contactless Deployment in the U.S.* looks at the implications and issues surround-

News

ing the push for contactless payment technology in the United States. The report evaluates Visa's decision to push EMV in the United States and what that decision may mean to the industry. It also offers insight into where contactless payments may be heading.

The authors also assess the impact new payment methods may have on how merchants make acquisition decisions. They additionally review other, slightly different, contactless technologies such as MasterCard Worldwide's PayPass card and Visa's payWave card.

Preparation required

"If Visa Inc's view of the world comes to pass, merchants, acquirers and issuers will be embarking on the most complex update to their payments infrastructure in 20 years," Mercator Advisory Group said in a press release promoting the study.

Among the issues the industry will face with widespread implementation of contactless payments is security. Mercator Advisory Group noted adoption of the EMV security standard is now going to be an issue in the United States for which stakeholders need to be prepared.

"The expected EMV rollout in the U.S. will require no little choreography on the part of merchants, acquirers and issuers because it will touch every payment device," George Peabody, Director of Mercator Advisory Group's Emerging Technologies Advisory Group, noted.

"Given the coincident timing of the EMV announcement and the arrival of NFC [near field communication], merchants have to carefully plan their POS infrastructure investments over the next five years and more. Timing is everything." As consumers move to increasing adoption of smart devices, Mercator Advisory Group urges anyone who accepts, processes, routes or assumes risk for payment to prepare for accepting both NFC and EMV payments. ■

Payment predictions for 2012

Prognostication goes with New Years like fruitcake goes with Christmas – many people don't like it, but many others find value in attempting to divine the future. However, even the best predictions, like the best fruitcakes, go stale quickly. With this in mind, here are some 2012 payment predictions:

Contactless

2012 will be the tipping point for mainstream

"The expected EMV rollout in the U.S. will require no little choreography on the part of merchants, acquirers and issuers because it will touch every payment device." - George Peabody, Director of Mercator Advisory Group's Emerging Technologies Advisory Group

contactless adoption, Visa Europe predicts. Visa Europe's Contactless Barometer study found consumers like contactless payments, but contactless POS terminal deployment is not keeping pace with the market. To see the report, please visit www.visaeurope.com/en/newsroom/news/articles/2011/contactless_barometer.aspx.

Security

More mobile threats, hacktivism, social-media exploitation and targeted attacks in 2012 are predicted by McAfee Labs, a division of Intel Corp.'s wholly owned security technology company McAfee Inc. Specifically it foresees:

- Industrial threats will mature and segment.
- Embedded hardware attacks will increase.
- Hacktivism and the groups such as Anonymous will continue to grow and evolve.
- Virtual currency systems will be under increasing attacks.
- 2012 will find much more focus on cyber war.
- More legitimate advertisers will use techniques developed by spammers to reach consumers.
- Consumer trust will be an issue when more rogue certificates and rogue certificate authorities are discovered.

For further information, go to www.mcafee.com/us/resources/reports/rp-threat-predictions-2012.pdf?cid=WBB047.

Infrastructure

There will be "fundamental shifts in payment transaction origination and acceptance in the United States," predicts a new Mercator Advisory Group report titled *Moving Parts: EMV, NFC and Contactless Deployment in the U.S.*

For more details, see www.mercatoradvisorygroup.com/index.php?doc=Emerging_Technologies&action=view_item&id=682&catid=5. ■

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New Menendez bill targets prepaid fees

A year ago **Sen. Robert Menendez**, D-N.J., sponsored the Prepaid Card Consumer Protection Act of 2010. On Dec. 17, 2011, Menendez introduced in the U.S. Senate a similar bill designed to foster consumer protections and eliminate "hidden" fees on prepaid cards.

The legislation, called the Prepaid Card Consumer Protection Act of 2011, targets what Menendez called the "most egregious hidden fees" found on prepaid cards. The bill also intends to protect consumers' funds if cards are lost or stolen, or if the deposit holding company goes bankrupt.

S. 2030 would require full disclosure of fees before consumers buy prepaid cards, limits on the types of fees that can be charged, consumer protections for prepaid cards, and the Consumer Financial Protection Bureau to issue regulations within nine months of the bill's enactment into law.

Among the disclosure requirements is a provision that prepaid card providers issue wallet-sized summaries of fees associated with programs. S. 2030 prohibits a number of fees from being charged, including annual, overdraft, usage (at the POS), dormancy, balance inquiry and customer service fees. Additionally, Menendez wants debit card consumer protections extended to prepaid cardholder.

Consumer advocacy group Consumers Union, as well as the New Jersey Public Interest Research Group, came out in favor of the legislation. The 2010 bill failed to gain traction in Congress. A spokesman at the senator's Washington office told *SellingPrepaid* that the 2011 bill is not materially different than the 2010 version.

More states to offer prepaid tax refund option

The arrival of 2012 brings a new prepaid debit card option for tax refund recipients in several states. Following **New York** state's early December 2011 announcement of

its plan to add prepaid cards as a refund delivery option in 2012, alongside direct deposit and paper checks, **South Carolina** and now **Louisiana** have jumped on board.

The South Carolina Department of Revenue will issue an open-loop, Visa Inc.-branded prepaid card through Bank of America Corp. In Louisiana, the MyRefund Card is also Visa-branded and will be issued by JPMorgan Chase & Co. Unlike the New York State tax refund program, through which taxpayers will be able to check a box on tax forms in order to receive refunds on MasterCard Worldwide-branded prepaid cards, the Louisiana tax refund card will be automatically mailed to taxpayers who do not opt for refunds to be direct deposited to bank accounts.

Byron Henderson, Press Secretary for the Louisiana Department of Revenue, said the program falls in line with the government-wide mandate by Louisiana Gov. Bobby Jindal to more efficiently use state resources. The MyRefund program is expected to save the state government agency \$500,000 annually that would have been allocated for the printing and distribution of tax refunds via paper checks, Henderson added. Forty-seven percent of Louisianians have tax refunds direct deposited, according to Henderson; the other 53 percent receive paper checks.

The timely introduction of a contactless wristwatch

A partnership between **MasterCard Worldwide**, watch manufacturer **LAKS** and U.K. prepaid card issuer **Vincento Payment Solutions Ltd.** resulted in the launch of Watch2pay, called the U.K.'s first prepaid contactless wristwatch. The watch is integrated with MasterCard's PayPass near field communication (NFC) technology to enable "Tap & Go" POS purchases of up to 15 British pounds per transaction at over 70,000 U.K. retailers, MasterCard said.

MasterCard noted that contactless payment wristwatches are already available in Turkey, Poland and a number of markets in Asia. When customers purchase the LAKS watch online, they also receive a contactless, general-purpose reloadable (GPR) prepaid card. Both the wristwatch and the card have the same international bank account and personal account numbers.

Matt Lanford, Head of Prepaid at MasterCard Europe, said the card brand has nearly 100 million PayPass cards and devices in circulation globally.

According to a November 2010 MasterCard case study, Austria-based LAKS has been developing and producing contactless payment watches since 2002 and has been a MasterCard PayPass-approved vendor since 2006. For the contactless wristwatch implementation in Poland, MasterCard and LAKS teamed with Bank Zachodni WBK, which acted as issuer and processor of wristwatch/card payments.

The case study said LAKS estimated that, by the end of 2011, there will be between 75,000 and 160,000 PayPass-enabled watches in circulation in Poland, the U.K., Italy, Germany, Turkey and the United States.

ANNOUNCEMENTS

Canadian retailers choose CashStar for e-gifting

Digital gift card provider **CashStar Inc.** said Best Buy Canada and Future Shop became the first major retailers in Canada to offer its e-gift card platform. The e-mail-based digital cards can be personalized with custom messages and shared on Facebook.

Gift card malls come to Brazil

Prepaid card distributor **epay**, a division of Euronet Worldwide Inc., is teaming with Brazilian supermarket chain Grupo Pão de Açúcar to launch what is touted as the first gift card mall program in Brazil. The move is timed to take advantage of the 2014 FIFA World Cup and 2016 Summer Olympic Games in Brazil.

Green Dot to move HQ

According to a Dec. 18, 2011, *Los Angeles Times* blog post, **Green Dot Corp.** will move its headquarters from Monrovia, Calif., to a 141,540-square-foot space in Pasadena, Calif. Real estate brokers called it the biggest office lease in the area in 2011. Green Dot recently completed the acquisition of Bonneville Bancorp.

InComm expands in Mexico

Atlanta-based prepaid card distributor **InComm** launched digital content and gaming cards at eight Best Buy Co. stores in Mexico. The selection of cards will include iTunes, PlayStation, Club Penguin, IMVU and Zynga offerings.

Intuit offers GoPayment prepaid card

Accounting software firm **Intuit Inc.** rolled out the Intuit GoPayment Prepaid Visa Card. The card expands Intuit's strategy beyond processing credit cards on mobile devices.

Eleven banks sign with i2c

Prepaid card payment processor **i2c Inc.** said it has

signed processing deals with 11 banks since October 2011. Altogether, the 11 banks manage 23 prepaid programs in the United States, according to the processor.

Itz Cash Card unveils India's first GPR card

Mumbai, India-based **Itz Cash Card Ltd.** rolled out what it called the first GPR card in India. The Visa-branded Freedom Prepaid Card is issued by Development Credit Bank Ltd.

Murali M. Natrajan, Managing Director and Chief Executive Officer of DCB, said issuance of the card represents an "innovative and powerful step towards empowering the urban unbanked segment" in India.

UniRush introduces RushGoals

UniRush LLC launched RushGoals, a new cash-back reward tool tied to the Visa Inc.-branded RushCard. RushGoals is designed to help cardholders create personal financial goals, put money aside in separate sub-accounts and track savings progress.

PARTNERSHIPS

WISeKey to integrate with Bancorp's infrastructure

Geneva, Switzerland-based data security firm **WISeKey SA** inked a deal with the holding company **The Bancorp Inc.** to deploy secure financial services internationally via the WISeID platform. Carlos Moreira, founder and CEO of WISeKey, said the agreement is part of WISeKey's commitment to the Clinton Global Initiative to provide "1 billion digital identities with prepaid capabilities by 2015."

ACQUISITIONS

Bryan Cave merges with Holme Roberts & Owen

International law firm **Bryan Cave LLP**, which has a specialty in the law as it pertains to the prepaid card industry, merged with Denver-based **Holme Roberts & Owen LLP**. The combined law firm will have more than 1,100 attorneys in over 30 offices worldwide.

Wirecard buys Newcastle's prepaid card division

Wirecard AG of Munich, Germany, purchased the prepaid card division of Newcastle Building Society for 8.9 million euros. Newcastle's prepaid card portfolio is considered one of the largest in Europe. The portfolio will be part of Wirecard's newly founded U.K. subsidiary Wirecard Card Solutions Ltd.

APPOINTMENTS

Contis Group taps Lonnen

U.K.-based prepaid card solutions provider Contis Group hired **Andi Lonnen** as a financial director. Lonnen, formerly Group Financial Controller at The Private Health Partnership Ltd., is expected to help Contis Group expand its prepaid card footprint across Europe.

Kietz joins edō Interactive

Steven J. Kietz brings his expertise in mobile payments technology to merchant-funded rewards program manager edō Interactive as General Manager and Executive Vice President of Strategic Partnerships. Kietz has served in senior executive roles at Citigroup Inc. and JPMorgan Chase & Co.

Giftango selects Marshall

Digital gifting provider Giftango Corp. appointed **Jereme Marshall** to the position of Director of Strategic Accounts. Marshall joins Giftango from Western Union, where he was the Senior Director of Global Cards. In his new role, Marshall is expected to drive Giftango's growth through channel partner programs within specific vertical markets.

Rogers signs on at Plastic Jungle

Plastic Jungle Inc. welcomed **Dan Rogers** as the online gift card exchange provider's new Chief Financial Officer and Chief Risk Officer. Formerly an executive at BillFloat Inc., Rogers is tasked with overseeing Plastic Jungle's trust and safety practices. 



Features

Banks exhibit 'appetite for prepaid'

2012 may be the year banks adopt prepaid card strategies to attract customers otherwise beyond their present reach. Research conducted by the Center for Financial Services Innovation in conjunction with MasterCard Worldwide concluded that a majority of banks are either investigating implementation of prepaid card programs or already plan to in the next 12 months.

The findings, published in a CFSI-sponsored webinar

entitled *Banks and Prepaid Cards: Trends, Innovations and Public Policy*, said 45 percent of the 25 largest banks and 60 percent of banks below the top 25 have prioritized general purpose reloadable products, combining for an overall 52 percent of banks that have made prepaid cards a priority.

Shekhar Sahgal, Vice President, Product Management, MasterCard Worldwide, said the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was one major catalyst for banks to get into prepaid, as reduced revenue from debit card interchange fees has forced banks to look for other ways to make money.

But Sahgal also said banks noticed the success of prepaid card companies, such as Green Dot Corp. and NetSpend Holdings Inc., in reaching consumers that banks either turned down for basic banking services or viewed as users of check cashing services.

Picking up the turned down

According to the research, banks are intent on four different categories of customers for prepaid cards:

- Existing and profitable customers
- Existing but not profitable customers
- Younger customers new to banking
- Underserved or turned-down customers

The underserved/turned-down (unbanked) segment is the "overwhelmingly unanimous target" of banks, Sahgal said, with 54 percent of banks surveyed making the unbanked their top priority. But almost 85 percent of bank respondents are targeting more than one of the above categories.

Jeff Gibson, Senior Managing Consultant, MasterCard Advisors, said banks' "appetite for prepaid" depended on their customer turn-down policies. Banks with higher demand deposit account turn-down rates, who thus tend to have more conservative risk policies about extending banking services to certain customers, are more interested in implementing prepaid card strategies.

Walk or run to market?

According to the webinar, banks have two ways to implement prepaid card programs. Banks can either implement a program in-house or outsource it to a third party. The former approach is more time intensive but potentially more lucrative for the bank, while the latter offers banks a speed-to-market solution that may, however, lack customer service integration with the bank.

The research showed that, overall, banks were evenly split between the two approaches, with the largest 25 banks tilting toward in-house (58 percent) while smaller banks favored speed-to-market (60 percent).

"For some speed-to-market is a priority," said Gibson. "They want to get it out the doors, see if it works and whether it justifies an investment to make it in house." But other banks recognize that outsourcing the program risks creating an "incongruous, inconsistent customer experience," he added.

However, the researchers found most banks aspire to running their own in-house prepaid card solutions that are integrated with their other banking products. 📱

The game card opportunity beyond U.S. borders

While Facebook is by far the largest social gaming platform in the United States, its market share in other countries is not as dominant. International markets for social gaming therefore present opportunities for U.S.-based prepaid card providers to enter emerging markets with game cards.

SuperData Research Inc. estimates that the social

gaming market will reach \$8.6 billion in worldwide revenues by 2014. Despite Facebook's dominance, the bulk of that revenue – \$5.6 billion – will come from non-Facebook networks. With revenue driven by prepaid game cards used by social gamers to enhance in-game experiences, companies that partner with game developers and social media sites can grow prepaid card footprints internationally.

Dr. Joost van Dreunen, SuperData Lead Analyst and Managing Director, named three components important for a successful game card implementation: social game content, marketing and a growth audience.

"I think by providing a worldwide brand, or setting up an infrastructure in that sense, emerging markets can be very valuable to the U.S. companies that provide that service," van Dreunen said.

A key ingredient is that prepaid card providers partner with game developers and social networks that have large audience bases. "To win those contracts, I guess you would have to grow with a company like that," van Dreunen added. "And that's a little bit of a gamble."

"And it takes expertise to sort of see, well, what's going to do well in the next six months? The next 12 months?"

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Feet on the street south of the border

In a white paper entitled *Beyond Facebook*, SuperData highlighted popular social networks in emerging markets, including Hyves (The Netherlands), Tuenti (Spain) and VKontakte (Russia). In Latin America, SuperData focused on social network Quepasa Corp. and social game distributors Vostu and Mentez.

In Brazil, Mentez distributes prepaid cards via a version of the U.S. feet on the street. "They have street teams," van Dreunen said. "They send 20 guys out every day to sell the cards at bodegas and small shops, Internet cafes, everywhere." Chain store distribution, the preferred method in the United States, is not as advanced in Latin America, he noted.

What Mentez has perfected is saturating the Brazilian market with cards, according to van Dreunen. "You have a big market share and then you just push out the cards," he said. "What that means practically is that you have to close the loop between the person making and publishing the game and the person paying and playing the game."

Internet cafes are popular in places like Latin America and Asia because individuals in those regions often don't own personal computers to allow them to connect to the Internet. In South Korea and China, "PC bangs" have sprouted up. These centers allow patrons to play online games for a small hourly fee.

Growth at issue

According to *Beyond Facebook*, the Asia region generates the most social gaming revenues (40 percent), followed by North America (28 percent), Europe (23 percent) and Latin America (5 percent).

To arrive at these percentages, SuperData sampled 774,158 unique transactions on social networking sites made by over 150,000 individuals over a six month period. With this data, the New York-based research firm calculated the average revenue per paying user (ARPPU).

In Central America, the ARPPU is about \$7.31, while in South America it hovers around \$6.08. The report said the ARPPU is greater in developed markets than in emerging markets, which only reinforces the opportunity to convert social media users into paying customers.

"Traffic [on social websites] is not the issue in Latin America," van Dreunen said. "It's monetization. How do I get these people to spend some money?... So, people start off first being indirect payers [via opt-in marketing incentive offers]. How many convert to paying players? And I think that that's where there's a lot of room for growth still left." 

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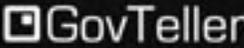
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PCI SSC rolls out new SIGs

Editor's note: For further thoughts on formation of PCI SSC SIGs, specifically the need for a SIG devoted to small and midsize merchants, see "SMBs: Security must become serious," by Bill Farmer, The Green Sheet, Dec. 26, 2011, issue 11:12:02.

In November 2011, the PCI Security Standards Council (PCI SSC) held a first of its kind election. Nearly 500 council members from around the world voted on topics for special interest groups (SIGs) in 2012. The results were: cloud computing, e-commerce security and risk assessment.

These topics were the top finishers on a list of seven issues put before members as possible subjects for SIGs. The seven topics were trimmed from a list of 13 subjects suggested by the PCI SSC community.

SIGs provide an opportunity for member organizations and individual council members to share their business and technical expertise in the global effort to apply Payment Card Industry (PCI) Data Security Standard (DSS) and related security standards to specific industries or technological issues.

SIGs recommend changes, clarifications or improvements to PCI security standards and the programs supporting those standards. Any PCI organization or individual member may take part in a SIG. All are encouraged to join the discussion.

General objectives

PCI SSC General Manager Bob Russo told *The Green Sheet* the specific objectives for each of the new SIGs are currently being decided. Russo said the council would be more concise about the objectives when the SIGs begin meeting in January 2012.

Generally speaking, the cloud SIG will look at the risks and security challenges of storing cardholder data in a cloud network. "There is a good opportunity here to build on the virtualization guidelines delivered by a previous SIG on the topic earlier [in 2011]," Russo stated.

The e-commerce SIG will help merchants and service providers understand how to work online securely. "E-commerce is a different beast than brick-and-mortar security, so we are excited to explore new best practices and guidance in this area," Russo noted.

The risk assessment SIG will "explore developing best practices and recommend methodology for merchants, service providers and [qualified security assessors] when it comes to performing risk based assessments applicable

What is a SIG?

A special interest group (SIG) is a group of people interested in advancing a given area of knowledge, technology or culture. SIGs function cooperatively and are solutions oriented.

Members share ideas and may hold meetings and organize conferences. Some SIGs are also advocacy groups (political groups, for example) in which members have a common objective or agenda.

SIGs formed by the PCI SSC provide an opportunity for member organizations and individual council members to share their business and technical expertise in the global effort to apply the PCI DSS and related standards to specific industries or technological issues.

to cardholder data," Russo said. "Output of this SIG may further the efforts initiated with the council's Prioritized Approach document from several years back and help organizations understand how to mitigate the biggest risk first."

Topics to recycle

Russo said those topics not chosen for SIGs this year would not be discarded. The council will continue to hold these ideas for consideration for future SIGs.

"What has emerged from the SIG process ... is that we know our stakeholders want more on mobile [and] additional guidance on point-to-point encryption and cloud technologies," he said. "While cloud will be looked at in the SIGs, the council is also committed to providing additional guidance to these other important topics."

PCI participation

Russo noted PCI SSC staff members will chair SIGs to help remove bias while pushing the discussion forward and help ensure work is completed on time.

"We have everyone's best interest in mind – our mission is card security – we will ensure that any guidance or output does not cater to one specific group, but benefits the broader payments landscape as a whole," he said.

Russo expressed satisfaction with the interest and participation in the SIGs. "The benefits of having a large participant base (and we had hundreds of companies participate on previous SIGs) is that we have a wide range of industries and perspectives to add.

"The result is a great amalgamation of all of this knowledge that can help aid folks in almost any industry." 

Research Rundown

Top challenges facing payments in 2012

A survey by Compass Plus conducted during the Cartes & Identification 2011 international payment and digital security conference in Paris revealed that fraud and the rise of mobile and near field communication (NFC) payments are expected to be the biggest challenges facing the payments industry in 2012.

Fraud was the number one concern in 2011 for 31 percent of survey respondents, followed by growth of NFC technology at 27 percent. Mobile and NFC payments eclipsed fraud as the most significant concern respondents anticipate for 2012. Other critical issues cited in the survey were the proliferation of new payment channels and nontraditional payment providers, the ongoing global economic crisis, and regulation emerging in conjunction with the arrival of new payment players.

Of those surveyed, 42 percent believe mobile payments will reach critical mass in two to three years. Regarding NFC payment technology, 29 percent projected mass adoption within two years; 27 percent estimated widespread adoption could take more than four years.

Among potential fraud threats, hacking of Internet banking sites ranked highest for 29 percent of respondents, followed by customer-not-present fraud for 26 percent. Highest-ranking fraud prevention strategies for 2012 were consumer education, 29 percent, and deployment of advanced fraud protection systems, 27 percent.

"The industry is clearly concerned with not only how to deal with new innovations such as mobile and NFC, but also how to guard against fraud as new payment technologies sit side by side with existing ones," said Maria Nottingham, Global Marketing Director for Compass Plus. "The survey results point to a wider trend. The proliferation of new payment technologies and industry players is creating an increasingly complex and competitive industry environment."

She added that "to be successful in such an environment, we believe service providers need to deliver customized, innovative payment services to market quickly and cost effectively without compromising security and reliability."

SMB data security holes

A security threat awareness poll conducted by Symantec Corp. in September 2011 asked 1,900 small and midsize businesses (SMBs) how familiar they are with network security threats and what they are doing to protect themselves against attacks.



Source: Symantec Corp., *SMB Threat Awareness Poll, Global Results*

"Historically, there has been some slowing in spending between Black Friday and the last week before Christmas.

This year we did not see that occur as consumers kept spending on discounted goods."

- Silvio Tavares, First Data Global Information and Analytics Solutions
Source: First Data *SpendTrend Mid-Month Flash*, Dec. 21, 2011

New ATM evolution

Dynamic changes in revenue and cost structures have forced financial institutions (FIs) to consider more efficient, customer-centric channels. Mercator Advisory Group's report, *The Evolution of the ATM Banking Channel*, examines the role of next-generation ATMs for FIs seeking new cost-saving avenues, enhanced customer-focused interaction and technological advances as part of an integrated multichannel program.

Hand-helds no longer back burner

Citing a survey by Hospitality Technology, an Action Systems Inc. white paper, *A Decade After Their First Appearance Are Tableside Ordering and Payment Solutions Ready for Prime Time?*, states the ability to provide table-side ordering and payment will be the most interesting POS platform innovation for 2012. The paper also addresses how hand-held devices can increase revenue, reduce costs and overcome obstacles associated with fixed-station POS systems.

Small-business RDC strategies

According to the Aite Group LLC report, *Small-Business RDC: Strategies for Success*, over 50 percent of U.S. banks have deployed remote deposit capture (RDC) technology, yet small-business adoption remains low. Aite Research Director Christine Barry, co-author of the report, said, "Small businesses need RDC, and banks can charge for it. But money is being left on the table due to low adoption levels and less-than-proactive strategies."



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ISO/MLS benefits:

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International savvy for global acquirers

In 1994, when the Internet had yet to become the commercial and cultural powerhouse it is today, RocketPay LLC Managing Director Carrie Hometh was talking with other payments industry veterans about a future where encrypted transactions could be sent over the web. At the time, Hometh was with a firm that wrote the code for CyberCash Inc., which was then on the forefront of web-based payments (CyberCash founder, Bill Melton, founded VeriFone Inc. in 1981).

Drawing from a background in international payments, Hometh jumped into the world of international acquiring in 2001, and she never looked back. At the end of 2010, Hometh and her husband, Rod Hometh, founded RocketPay, a consulting company that would help domestic ISOs and acquirers negotiate the tricky business of expanding their businesses to places across the globe.

Core issues

Among the central issues globalizing acquirers must contend with are:

- Deciding where they want to operate
- Finding a foreign-operating partner bank that best suits their needs
- Learning a new set of risks and legal parameters that will apply to the company's underwriting
- Deciding whether to institute foreign currency conversion on their e-commerce sites and whether to settle in foreign currencies or convert back to a domestic one
- Devising marketing methods geared toward new global regions
- Training a sales force

Helping acquirers make all of these decisions is the specialty of RocketPay. "RocketPay advises on all aspects of an acquirer's decision to globalize their payment infrastructure," Hometh said. "You can't just one day say, 'Let's go sell in Europe'; you have to receive sponsorship in another place, and you have to exchange concerns – such as whether to hedge or let merchants manage their own foreign currency exposure, based on where your existing merchants want to operate, as well as where you think a good place would be to acquire new merchants."

Licensing requirements

For ISOs operating in Europe, there is also the matter of deciding whether and how to become a fully licensed acquirer of the major card brands or to forgo the full licensing and operate under a proprietary bank, as is required in the United States.

"Access to the card scheme is mission critical," Hometh said. "It's the most important thing, and [acquirers] can't conduct business without it. So when they have full control over their own licensing, they also have full control over their own underwriting.

"In the United States [where ISOs are not fully licensed members], they can give approval for merchants, but a proprietary company must still approve

Company Profile

A central issue for international acquiring is the role of currency, two central aspects of which are marketing currency and settlement currency.

that application to begin operating. As a full proprietary member, you don't have to do that anymore. It adds credibility and decreases the costs of organization, because it eliminates the need for a third party."

However, becoming a fully licensed acquirer in the European Union region requires a physical presence in the region, which can present challenges that outweigh the benefits of autonomy for some acquiring businesses, Hometh said. "You have to be domiciled in Europe," she said. "It's easy to become incorporated [as a transacting entity], but to be domiciled means you have personnel and legal requirements. ... You are running a multinational business."

Currency concerns

A central issue for international acquiring is the role of currency, two central aspects of which are marketing currency and settlement currency. "Worldwide, consumers prefer to shop and buy in the currency of their own choosing," Hometh said. "This can be called a marketing currency; our industry would call this an authorization currency.

"There are significantly fewer settlement currencies to authorization currencies. The merchant must decide what settlement currencies are best for their treasury requirements. It could be that the merchant has expenses in euro, for example, or suppliers they need to pay in euro. So the business issues are different" merchant to merchant.

Consumers are generally more comfortable paying in their currency of choice, both because they're familiar with its value and because they tend to trust it more than they do a foreign alternative, Hometh said. Offering customers in China the ability to pay in yuan, or in Japan to pay in yen or in India to pay in rupees can boost revenues by decreasing shopping cart abandonment and increasing return customers, she added.

Hometh said acquirers with an international presence – be it in two, 10 or 80 different countries – may offer currency conversion services to merchants who prefer to receive settlement in their operating currency without experiencing potential fluctuation.

But acquirers that offer conversion of marketing currency to merchants must also decide whether they want to settle in the foreign currencies offered, or if they want those currencies converted back to their normal operating currency for bank settlement.

Needs assessment

How a company addresses currency depends largely on its merchants' back-end treasury requirements, and it's essential to set up the process to meet those requirements, Hometh emphasized. RocketPay comes into the equation as an intermediate party acting between an acquirer and its merchants, helping to assess the needs of a merchant base and advising the acquirer accordingly.

A U.S.-based company doing cross-border transactions whose merchants operate primarily in U.S. dollars is likely to forge a banking relationship that converts its foreign currency payments back to dollars for settlement, Hometh noted. A U.S. merchant may want to accept payments in a number of currencies but want to be paid in U.S. dollars and not have to manage accounts and do bookkeeping in all those different currencies. "That's a perfect time to talk about foreign exchange," she said

Hometh noted that merchants may choose to have multiple currency bank accounts for euro settlement, for example, but this will mean the acquirer must be able to settle in euro. "Like-to-like transactions will not experience any currency fluctuation as they are never converted," she said.

By providing like-to-like processing to merchants that need the international currency, they do negate the risk posed, she added.

"When a merchant is authorizing in one currency and settling in another currency there is the potential for fluctuation," Hometh said. "If the merchant is settling in euro, for example, fluctuation is dependent on what currency the transaction is authorized in. ... These are the types of things we advise on."

Partnership issues

Choosing the right acquiring bank is crucial for deciding what region a company is licensed in, how many settlement currencies it offers, how its underwriting and back-office operations are managed and whether it offers a foreign exchange solution, Hometh said.

"We speak to the treasurer or CFO to try to understand their currency requirements and operating needs," Hometh said. "And it usually becomes clear if they need currency processed in a like-to-like manner – if they process in Japanese yen, then they [may or may not] want to settle in yen; only the merchant will know whether they need the transaction to be settled in yen – or if they want it converted to" another currency.

Currency, however, is just one of several factors that are weighed for selecting acquiring and processing partners overseas. Hometh said different regions around the world have different standards for underwriting, risk management and payment acceptance.

For example, Address Verification Service, a common fraud fighting tool in the United States, isn't used in many countries worldwide, where different fraud tools are employed.

Hometh said she refers international acquirers to companies that have the expertise they require. "It depends on the situation," she said. "If it's authentication, I'd go right to Cardinal Commerce. If it's, 'Help me find an acquirer in Europe,' I'd boil it down to a top five, we'd get presentations and proposals, look at their underwriting, and we'd prepare for a product launch to make sure everyone's been properly trained to launch a global acquiring operation."

Marketing considerations

On the marketing end, international merchants face the barriers of diverse languages and cultures, which are surmounted through the use of translation, Internet Protocol geo-location technology tools, country-specific websites and so on.

Then there is learning a foreign region's payment language. Certain universal payments, like the major credit cards, are already familiar to any acquiring outfit, but sales people have to familiarize themselves with the alternative payments that are region-specific, such as e-wallets, vouchers, prepayments and country-specific processes for invoicing, Hometh said. There are also more general branding and marketing issues that apply to every global e-commerce venture, according to Hometh.

"Merchants may ask things like, 'Should I use geo-location to see where customers are coming from?' Or, to convert to foreign currency, 'should there be a drop down menu or should I have specific pages for each type of currency?' There are a lot of marketing questions," Hometh said.

For high-risk merchants, there is the additional challenge of finding countries in which to operate.

"You have to treat high-risk merchants differently because certain banks accept high risk, but others won't," Hometh said. "For example, very few European acquirers accept multilevel marketing merchants, and that's normal in the United States. But very few United States acquirers accept adult merchants, and there are quite a few in Europe." ❏



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Company Profile



PAX Technology Inc.

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Company address:

560 Broadhollow Rd., Suite 100
 Melville, NY 11747
 Phone: 631-247-9660
 Fax: 631-247-9665
 Email: inquiry@pax.us
 Website: www.pax.us

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An emerging global POS leader

Consolidation of the global POS equipment market has narrowed the field to just a handful of key players in recent years, making the opportunities for startup companies in this arena seem limited indeed. Electronic payment systems manufacturer PAX Technology Inc. set out to defy the odds when it was founded in Hong Kong in 2000. Since then, PAX has grown to become one of the top-ranked companies in this sector.

In June 2011, *The Nilson Report* stated that among POS manufacturers "PAX Technology is the fastest growing and is positioning itself to be a global alternative to VeriFone and Ingenico." In 2008, PAX ranked eighth in annual shipments for POS vendors, according to Nilson. And PAX reported sales of its terminals grew by over 71 percent from 2009 to 2010.

But just how a newcomer like PAX was able to gain a respectable chunk of global market share when it faced stiff competition from industry stalwarts is a testament to what the company believes is a simple, yet visionary plan. Heather Hatch, PAX Director of Marketing, said the objective was to "come out with a terminal manufacturing company that not only focused on quality, but also price. Some of the terminal manufacturers were starting to get a little pricey."

She added that for PAX, reliability and ruggedness were key factors in designing its terminal line, as was engineering products that were affordable to average merchants for whom every penny counts. PAX is "a very R&D focused company with over 450 engineers, 150 of which are in R&D itself," Hatch said. The research and development (R&D) and manufacturing plant for PAX is located in Shenzhen, China, which to date has deployed over 2 million terminal shipments to more than 50 nations, Hatch noted.

Another determining factor in PAX's relatively rapid ascension as a global contender was its decision to make an initial public offering (IPO) on the Hong Kong Stock Exchange in the fourth quarter of 2010. Proceeds from the company's IPO have fueled capital investments, including further expansion into the global markets, including the United States, the company reported.

Branching into the U.S. market

In 2008, PAX officially opened its first U.S. office in Atlanta before moving north to its current quarters in Long Island's Melville, N.Y. According to the company, as a full-fledged subsidiary, PAX U.S. represents a long-term, multimillion-dollar commitment supported by an experienced in-house team, as well as over 100 engineers in Shenzhen dedicated to the project.

"All of our U.S. operations are run out of our New York office," Hatch said. "We're industry leaders that have come from large companies like Lipman, VeriFone and Hypercom, so the amount of staff experience and customer responsiveness there, just because we've all been in this industry for so long, is unprecedented."

Hatch also expressed optimism about PAX's continued presence in the U.S.

Company Profile

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To further enhance terminal data security, PAX joined the Voltage SecureData Open License Program in January 2011.

market moving forward. "I think our time is now, with the whole VeriFone/Hypercom thing that went down," she said. "There's definitely room in the industry for another player in the U.S. I think you'll start seeing some great things come out about what we're doing."

Core products and features

According to Hatch, PAX offers a full line of POS products including PIN pads and countertop, mobile, multilane and contactless readers. The company plans to expand its line of mobile commerce-focused POS products in the near future, she said.

In the meantime, PAX has built its reputation on the reliable performance of its S-Series, which is Payment Card Industry (PCI) compliant, according to the company. "Our basic workhorse of the company is the SP20 Secure PIN pad, which emulates the VeriFone PIN pad," Hatch said. "If you have a VeriFone dial-up sitting there, you can just swap it, and it works. It's an extremely inexpensive, yet secure PIN pad. That's where PAX came into the market with that PIN pad. Then now it's moved up to the mobile terminals."

The PCI Payment Transaction Security (PTS) 2.1 certified SP20 PIN pad offers both Data Encryption Standard (DES) and 3DES encryption with a built-in privacy shield. The fully programmable SP30 model, which is EMV L1 and L2 certified, features dial modem or Ethernet/Internet Protocol connectivity, with contactless or magnetic stripe card reader options, PAX reported.

"We've just done some integration with Casio in our SP30 PIN pad, which is a more robust PIN pad," Hatch said. "It handles full payment within the PIN pad." The company's countertop terminals include the SP30-T and the S80, which feature additional ports and Wi-Fi connectivity.

The company noted the PAX S90 mobile payment terminal offers the same certifications as the SP30 PIN pad and provides a transceiver that can capture weak radio signals for reliable transactions.

The S90 also features a built-in PIN pad, four ATM-style side keys, multi-application support and a high-speed thermal printer. PAX describes its S90 as a compact and secure hand-held device for conducting card-based payments over wireless networks, with store-and-forward capabilities.

With the S90 mobile terminal, battery capacity reportedly delivers up to 40 hours of standby time. Compared to other terminals available today, the battery capacity of the PAX terminal is approximately double that of most competing products, Hatch said.

The compact MT30 multilane PAX terminal bundles a touch screen with stylus and signature capture capabilities. It also has Visa Inc. payWave and MasterCard Worldwide PayPass certifications.

The PAX R30 and R50 contactless readers are equipped to process radio frequency identification payments. The R30 weighs in at a mere 3.7 ounces and measures 5 by 3 by 1 inches, so it can fit into tight spaces. The R50, though

slightly larger than the R30, offers more angle adjustments, functionality and memory for uploading multiple applications, according to the company.

"One of the main things about PAX that's different from other providers is it's easy to integrate to our products," Hatch said. "Anybody who can write a Microsoft web page can integrate to our product, so it's easy and cheap for development.

"The terminals are obviously PCI secure. We've taken care of the hard stuff and locked down any security or PCI standards that nobody can change. The terminals are basically 'turn them on and go.'"

She noted the company's products also are equipped with EuroPay/MasterCard/Visa (EMV) technology. "So as that's coming into the market as Visa is going to start mandating that that needs to happen, the terminals themselves are already EMV-certified," Hatch said.

Mission forward

"One of the things we've been working on lately is finalizing all the direct certifications into the processors," Hatch said. "I know in the past when people thought of PAX when they came into the U.S. in 2008, they didn't have all of the certifications done yet, so I think they'll start to see those being announced fairly soon." Earlier this year PAX's S90 mobile terminal received Class-A certification through Apriva, Hatch noted, adding that since the certification, sales of the S90 mobile terminal have taken off dramatically.

"The S90 seems to be a great model," said Marc Diamond, Manager of Technical Support Resolution for Century Bankcard Services, a longtime ISO that has worked with PAX since it first opened its U.S. subsidiary.

"We've also been using the PIN pads," Diamond said. "The PAX PIN pads are cost-effective and have fewer errors. ... It seems to be a lot less temperamental than some of the other devices out there. I think it's just better hardware. We've had these terminals out in the field and never had any of them come up tampered."

To further enhance terminal data security, PAX joined the Voltage SecureData Open License Program in January 2011. "One of our primary goals is to deliver highly secure and affordable data protection to our customers," said Mike Mulcahy, Chief Executive Officer of PAX.

According to PAX, the company's POS devices encrypt payment card primary account numbers and other sensitive data, and secure the data at all points – whether the data is at rest, in transit or in use.

PAX also reported that, in addition to PCI PTS certification, its POS terminals have achieved a growing list of quality and security certifications issued by international

organizations, including ISO9001:2000 quality management system, EMV 2000 and RoHS certification. "We provide terminal management systems and software development tools for channel partners and resellers who wish to write secure payment and value-added software applications," PAX stated online.

Hatch believes the affordability and ruggedness built into the PAX line will assist ISOs in the process of upgrading merchants from less secure terminals. Hatch said, "I think a lot of ISOs are scared to move to next-generation products, because they always think, 'Well, then I'm going to have to pay more. Why would I want to do that?'" But for merchants with older systems, the risk of data compromise increases exponentially with each passing day, she added.

"Our focus is to work with customers as long-term business partners providing POS solutions, system integration and support," PAX stated on its website. "We provide a full range of services including consulting, installation, technical support, custom development, training and remote terminal management." In terms of product availability in the U.S. market, Hatch said PAX routes its products through the same distribution channels as competing POS equipment manufacturers. ■

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 Federal watchdog from page 1

Prepaid card companies under the gun?

The CFPB identified six types of companies for potential supervision. Those involved in:

- Debt collection
- Consumer reporting
- Consumer credit and related activities
- Money transmitting, check cashing and related activities
- Debt relief services
- Prepaid cards

Acquiring isn't in the cards at CFPB, for now

With the possible exception of prepaid card programs, the new Consumer Financial Protection Bureau doesn't have regulatory authority in the merchant acquiring space – at least for now. "The whole goal [in establishing CFPB] is to look at consumer risks and to protect consumers, and ISOs don't really interact with consumers," said Ray Carter, Principal, at First Annapolis Consulting. "It may be that there's some impact on acquiring down the road, but I don't see it in the cross hairs at this point."

Independent consultant Paul Martaus agrees. Although there were legislative proposals early on that might have had ramifications for acquirers and ISOs, none survived to make it into the final Dodd-Frank Act of 2010. "There's nothing in it for the acquiring sector," Martaus said.

Some groups are unhappy about that outcome. And some consumer advocacy groups have asked the CFPB to include member services providers (MSPs) and ISOs under its supervisory purview.

"We believe the simplest way to regulate the prepaid field is to focus on the MSP/ISO and to put responsibility for the actions of the retailers back to the MSP/ISOs," the Community Reinvestment Association of North Carolina wrote in its comment letter to the CFPB. The group said this would be in line with the approach federal regulators take when a bank hooks up with an unscrupulous tax-refund-anticipation lender.

Meanwhile, the coalition of Merchants Against Unfair Interchange (MAUI) said in the summer of 2010 that it intends to push the CFPB to address debit card interchange in its rule-making.

In a statement, the CFPB said its interest in prepaid cards is about terms and conditions. It added that it would "need to consider carefully whether to cover all or only certain types of prepaid card products in an initial rule, and, for those included, how to define the relevant market or markets."

Undeterred by the lack of a CFPB chief, a group of consumer advocates has asked for a legal "clarification" from the CFPB that prepaid debit cards are bound by debit card rules set forth in the federal EFT Act. The group – which includes Consumers Union, the Consumer Federation of America and the National Consumer Law Center – insisted the extension of coverage has become an imperative as more consumers use prepaid cards in lieu of checking accounts.

"General use, reloadable prepaid cardholders should have the same protections that debit cardholders enjoy," the group wrote in a letter to Raj Date, a Treasury Department adviser and temporary Director of the CFPB. Those desired protections include:

- Clear and conspicuous fee disclosures
- Limits to losses from unauthorized transactions on lost and stolen cards
- Requirements for prompt re-crediting of disputed transaction amounts
- Additional detailed instructions for handling disputed card transactions

"Finally, while we believe that overdraft fees should be completely eliminated from prepaid cards and that credit should not be tied to a deposit account, at a minimum the protections of Regulation E should apply," the group stated in its letter to Date.

The letter came on the heels of a 49-page document the group submitted in response to a request for comment the CFPB issued in June, seeking input on its supervisory reach.

"Prepaid cards are very complicated products involving many different players in the supply chain including the payment network, the card issuer, the fulfillment and transaction processor, the program manager, the loading network, and the distributor or vendor," the group wrote in that letter. "It is essential that the CFPB design a supervision system that enables it to protect consumers fully in such a complicated product."

The Center for Financial Services Innovation, which champions efforts to reach unbanked and other financially underserved Americans, has taken a similar position. "Most major prepaid card providers already offer basic consumer protections, such as deposit insurance, fraud and error resolution procedures, and account disclosures," the CFSI wrote in a July 2011 policy paper. "But consumers need assurances that any general purpose

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reloadable (GPR) prepaid card account in the marketplace has these protections."

Broader oversight sought

Consumer advocates, in their joint letter, also asked the CFPB to consider broadening its supervisory power to include companies like Wal-Mart Stores Inc. that "have other products that may interact with prepaid cards and could merit independent attention." And it asked the bureau to specifically address "those retailers that exercise control over the terms and conditions of the card." The Dodd-Frank Act specifically exempts retailers from the CFPB's jurisdiction. Automobile dealers also got a legislative pass.

The joint letter was one of more than 500 submitted by financial institutions, consumers and policy wonks in response to the CFPB's June request for comments. Letters from financial institutions and their advocates echoed the call for a broader definition of what firms are subject to the bureau's oversight. In its June proposal, the CFPB suggested using a market share approach to deciding what nonbank companies it regulates – a strategy some warn could allow large retailers to escape oversight.

The National Association of Federal Credit Unions specifically urged the bureau "to regulate Walmart, Home Depot

and other large retailers with growing financial services portfolios." It concluded with this plea: "the CFPB should strive to ensure that all financial services providers are subject to the same strict oversight currently employed for financial institutions." Not surprisingly, retailers balk at the notion of CFPB oversight. "The retail industry's record in serving the needs and best interests of our customers, the consumers that the rule was designed to protect, is clear," the Retail Industry Leaders Association stated in its comment letter to the CFPB.

The American Bankers Association amplified the NAFCU's battle cry, insisting that online and mobile payment services providers be on the list of nonbanks subject to CFPB oversight. Citing data provided by Gartner Inc., the ABA said more than 140 million consumers now use mobile devices to pay for goods and services and that virtual currencies are being used outside the Internet, "and their use can be expected to expand even further."

In addition, the Consumer Bankers Association wrote, "In our view, an equitable, competitive environment is best achieved when all financial services competitors operate under the same set of rules. If the CFPB establishes categories [of companies subject to its jurisdiction], then there would be the risk of excluding certain financial services providers that should be included, to the detriment of both consumers and financial institutions."

Rob Garver, a Washington-based writer, counseled bankers to be careful what they wish for. A one-time bureau chief at American Banker, Garver recounted in a recent blog post how banks for years fought to keep Wal-Mart from owning a bank, and one result has been that Wal-Mart now is a bank in all but name for millions of low-income Americans.

Wal-Mart's pricing of financial services undercuts that of most of the banks and nonbank providers it competes against, Garver said. "Walmart still cannot accept deposits and doesn't make loans, but in terms of serving the day-to-day financial needs of lower-income consumers, that doesn't much matter," Garver wrote in *The Fiscal Times* blog at, www.thefiscaltimes.com.

Prepaid disclosure bill pending

In a related development, Sen. Robert Menendez, D-N.J., introduced legislation to specifically regulate prepaid debit cards. The bill, proposed in December 2011, would limit fees and extend the reach of Regulation E (the Federal Reserve's rules implementing the EFT Act) to explicitly include prepaid debit cards.

"Unsuspecting consumers are finding out the hard way that prepaid cards often give you much less than the dollar amount you load onto them, thanks to unnecessary fees," Sen. Menendez said in announcing his bill (S. 2030). "We need to ensure that families who rely on prepaid cards are not surprised by hidden charges." ■

Voters say yes to consumer watchdog

Partisan political wrangling may have stymied the Consumer Financial Protection Bureau, but a recent poll of voters suggested Americans are anything but divided about wanting a consumer watchdog agency like the CFPB.

The poll, taken in July as CFPB was set to open for business, found likely voters across the board – Democrats, Republicans and Independents – favor the Dodd-Frank Act (which created the CFPB) by a margin of five to one. Seventy-one percent of those polled by Lake Research Partners for a trio of consumer advocacy groups favored the law; just 14 percent said they were opposed.

An even larger share of voters (74 percent) told pollsters they supported a single federal entity with a mission of protecting consumers from deceptive practices. Asked about specific issues, 93 percent of voters said they favored an agency that would require clear explanations of rates and fees for consumer financial products; 73 percent wanted an agency that would regulate financial services providers that presently lack government oversight, such as prepaid card companies, payday lenders and mortgage brokers.

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The Durbin Amendment: Bust or boon for the industry?

By **Bill Pirtle**

C3ET Credit Card Consortia for Education & Training Inc.

The back and forth debate within the industry over the doom and gloom predictions of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 changed abruptly in early November 2011 when something big happened. Agents writing accounts to tiered pricing received their first post-Durbin rule residual checks.

Early debates hinted the amendment was the first nail in the coffin of the ISO and merchant level salesperson (MLS). However, many on GS Online's MLS Forum knew immediately that, while hitting the banks hard, the Durbin Amendment would not affect the card brands or agents selling on Interchange Plus and could greatly benefit ISOs and MLSs writing tiered rates.

A few, like myself, were incensed that Sen. Dick Durbin, D-Ill., would blindly follow lobbyists into a system where price controls would be welcome.

Although this legislation does not directly hurt merchant services, it sets a dangerous precedent that could eventually end the industry. If Congress comes back years hence and sets a flat limit on the amount merchants can be charged, there will be no room for ISOs and MLSs.

Several ISOs are developing training programs for their agents on how to sell under the current rules. At the July 2011 Midwest Acquirers Association conference just outside Chicago, industry consultant Matt Clyne called those who sold Interchange Plus under the new rules "idiots."

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On its face, Matt and the others have a great point; if you sell on tiered, you can make a lot more money ... for now.

The problem with such strategies is the seeming race to the point of no margin (or profit) by inexperienced agents and some ISOs. The big ISOs are betting merchant volume will allow for profits with lower margins per account, but what is the motivation for smaller ISOs and MLSs?

In April 2011, I wrote a brief e-book called *Dick Durbin is Wrong: Errors Behind His Amendment to Dodd-Frank* (available in several formats for no charge at www.smashwords.com/books/view/51629). In the e-book, I outlined some predictions, of which many came to pass.

Since the amendment's enactment, banks have sought new revenue sources and ended debit reward programs. Also, the small-ticket interchange (at least for regulated debit) rate category was eliminated, and merchants receiving cost reductions did not lower their retail prices.

The topic to consider now is, what will we do if (or when) the Durbin Amendment is repealed?

Did Congress learn its lesson?

Recent articles indicate that change is coming. Sen.



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By cutting interchange on regulated debit, Congress set in motion the response of terminating the small-ticket interchange for the regulated debit rate category.

Bob Corker, R-Tenn., in an Oct. 25, 2011 *Politico* article (www.politico.com/news/stories/1011/66806.html), wrote:

"So banks have been forced to choose: run their debit-card businesses at a loss or charge customers a fee. Given that banks are private companies, with shareholders, they are predictably choosing to charge customers a fee. As a result of the Durbin Amendment, and this price cap, the era of free checking may be coming to an end.

"And what about the savings we were promised in the form of lower retail prices? I wouldn't waste time looking for those. Prices paid by consumers are unlikely to drop 1 cent. Interchange revenue will just go to the big-box retailers' bottom lines – while consumers foot the bill.

"Who's to blame? Not banks. Not retailers either. This was entirely a self-inflicted wound by a Congress more interested in scoring political points than doing the right thing by the American people.

"The Durbin Amendment should serve as a lesson to Congress and this administration that 'feel good' measures passed in a spirit of populism that cause politicians to pick industry winners and losers are often counterproductive. And the American people are left paying the price – literally."

Six reasons for repeal

Richard A. Epstein, a New York University law professor who consulted for TCF National Bank in litigation against the Durbin Amendment, wrote a *New York Post* article listing six reasons why Durbin should be repealed. The article included the following:

"Third, merchants are not ripped off by debit cards, which have many advantages over cash and checks. Electronic transactions are faster to operate; they generate sales records of value for the firm; they allow for the banks to guarantee payments by running instant checks to see whether they will accept payment; they eliminate the risk of bad checks or counterfeit bills; and they increase the size of median customer purchase. The merchants who pay more get more.

"It defies credibility to think that retail behemoths are coerced into using these cards against their will. If debit cards cost them money, cost-conscious merchants would drop them in a Wal-Mart second.

"Fourth, in complex networks, it actually pays for merchants (who are not particularly price-sensitive) to subsidize the costs of debit-card holders (who are price sensitive).

"One hidden benefit that merchants get in exchange for their fees is the larger customer base generated by bank advertisement. That base allows them to spread their fixed costs over more customers, so that everyone wins. Cut out the cross-payments and the system becomes less efficient."

The complete article can be found at www.nypost.com/p/news/opinion/opedcolumnists/dick_debit_card_dud_w1VfZwH-wJTR79g8s8go06H.

Unintended consequences come to fruition

A Wall Street Journal article (www.online.wsj.com/article/SB10001424052970204319004577084613307585768.html) brought to the attention of the MLS Forum by **BANKCARDREP** listed one of many "unintended consequences" that we all predicted would happen.

By cutting interchange on regulated debit, Congress set in motion the response of terminating the small-ticket interchange for the regulated debit rate category. All regulated debit cards now have the same interchange of 0.05% + \$0.22 (including a penny for fraud).

Consider getting two burgers and a drink at McDonald's for \$3.00. Before the Durbin Amendment, the interchange cost of the transaction was about 7 cents using my regulated debit card. Now, the interchange cost is 23 cents.

If Sen. Durbin and the lobbyists really did not anticipate this, they need to be put out to pasture. And those thousands of McDonald's franchisees and others that just had their costs effectively tripled by Sen. Durbin and the National Retail Federation need to reconsider their membership in the NRF.

What does an organization that, due to its lack of foresight, just screwed its members that deal in low-dollar transactions do for an encore? Well, in mid-November 2011, the NRF filed a federal lawsuit against the Federal Reserve, according to a Dec. 8 article in *The Green Sheet* (www.greensheet.com/breakingnews.php?flag=breaking_news&id=740). The basis of the argument is that the Fed exceeded its authority to allow for fraud expense.

I look forward to the friend of the court briefs filed in support of the call to "void the rule" to establish the



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interchange rate. First, I would expect TCF National Bank to file paperwork.

Sen. Durbin said the bill was meant to address "swipe" fees, but the Fed applied it to all transactions, including keyed and Internet transactions (where risks are much higher). Then what about consumers who expected lower costs? Perhaps a lawyer would start a class-action suit for the benefit of millions of consumers who are paying higher fees.

In another fun twist for the short-sighted NRF, if the rules are set aside, the card brands will raise interchange again. Think about it, the Durbin Amendment placed the power to set the rate solely with the Fed, which acted on the rules it was given to work with. The Fed's board fulfilled its legal obligation.

If the Fed rule is overturned, there is no mechanism in place short of a court order to make it create new rules. It would take a new law to restore the authority that the court removed.

So, let's all wish the NRF luck in its challenge to the Durbin Amendment.

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Readers, we have a choice to make. We can price our merchants with a discount rate using tiered pricing. In the short term, we will increase profits (which will vary depending on the mix of card types).

The dangers we face using tiered pricing are that other agents can switch clients to low-ball Interchange Plus rates or that a sudden shift in regard to the Durbin Amendment (either repeal or lawsuit) may allow for interchange higher than your tiered rate.

We could also choose to make a fair profit with Interchange Plus. While a low-ball offer could steal a merchant, overall attrition would likely be lower than with a profit-enhancing tiered rate. In my opinion, the real benefit with Interchange Plus is that when the Durbin Amendment is either repealed or overturned (as I expect within the next two years), there would be a smaller jump in costs for merchants, with no effect on our residuals.

What you do today, determines your tomorrow. ☑

Bill Pirtle is the President of C3ET Credit Card Consortia for Education & Training Inc., a joint venture with Theodore Svoronos of Merchant University. Created to establish a comprehensive training program for ISOs and merchant level salespeople, C3ET is working with industry experts to produce a training guide to be published in early 2012. Bill's email address is bill@c3et.net. He welcomes all connections on Facebook and LinkedIn.

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Kick off 2012 with a plan for success

By Peggy Bekavac Olson

Strategic Marketing

Although 2012 is already off and running, it's not too late to consider a list of my top 10 marketing tips to give your business a real boost. In fact, there's no better time than now to put these tips into action.

1. Learn from the past

Reflecting on the past is important in identifying your marketing strengths and weaknesses. Determine whether your team has expended sufficient effort. Also, evaluate the effectiveness of the various marketing campaigns, programs and tactics you've been utilizing.

An integrated marketing plan details the actions you believe are necessary to reach specific business goals and sales objectives.

Figure out what from your marketing mix works and what doesn't, and discover which tactics yield the best return for the time and dollars invested. Evaluate your marketing team for effectiveness, including employees, consultants and outside agencies.

2. Make a plan

An integrated marketing plan details the actions you believe are necessary to reach specific business goals and sales objectives. The plan identifies what to do and when and how to do it, with all activities and tactics working together in a consistent, repetitive approach.

Include efforts that have been successful in the past. Study the competition, and incorporate elements of their best marketing endeavors. And don't forget to try something new, too.

Some up-to-date information from the *2012 Marketing Trends Survey*, conducted by StrongMail and Zoomerang across a wide range of U.S. industries, should help guide your thinking about marketing activities to include in your plan.

The report indicates email marketing (60 percent) is the program most frequently cited for increases in marketing spending and effort. More survey respondents (55 per-

cent) planned to increase their budgets for social media spending than for mobile marketing or search engine optimization/pay-per-click spending (both at 37 percent).

By contrast, few executives expect to increase spending on direct mail (18 percent), tradeshow and events (18 percent) or public relations (16 percent). The trend is clear: companies are ramping up electronic forms of marketing. So, your marketing plan should take this into account.

And don't forget to make use in your plan of the Rule of Seven, which is based on the notion of repetition. The rule suggests that to get prospects to take action to become a buyer, you must reach and positively impact them at least seven times. You achieve this with as many campaigns, programs and tactics as possible to build awareness, credibility and your reputation.

I recommend that while you are taking all this into account, you make a list of the potential programs, campaigns and tactics you'd like to employ. Then pick those that you believe will give you the most bang for your buck, and include them in your plan.

3. Develop a calendar

Map out exactly what you will do during each month of 2012. Having a marketing calendar in place will help you stick to your plan and identify any potential bandwidth issues. Having a marketing calendar provides company-wide visibility into objectives and schedules, which in turn creates transparency and accountability.

4. Create a budget

Figure out how much your marketing plan is really going to cost. Your budget should take into account both in-house and outsourced personnel resources, advertising and events fees, printing and postage costs, travel, and more. Only then will you know exactly what you'll need financially to make your plan a reality.

Map your spending against your marketing calendar to have a clear picture of cash flow so that funds are available when needed.

A rule of thumb for marketing budgets at small to mid-sized businesses is 8 to 10 percent of company revenue, with approximately half of the funds committed to generating leads and the other half to building awareness.

5. Secure financial and personnel resources

No plan – no matter how good it is – can be successful without allocating adequate financial and personnel resources. Rather than shoot from the hip day to day or month to month, get executive approval for your plan and secure the funding; then make sure adequate personnel resources are in place.



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Education

6. Polish your brand

Make sure your company has a professional corporate identity (logo mark and color scheme) that is visible in every prospect and client interaction you have. Business stationery, electronic templates, marketing materials and your website should present a coordinated, consistent look and feel.

Develop concise, compelling corporate and product messaging that articulates who you are, what you do, what you stand for, the value you deliver and how you're different from the competition.

7. Prepare supporting marketing materials

These include brochures, presentations, sales letters, emails, website landing pages, banner ads, tradeshow booths and so on. These materials don't make the sale. But they are fundamental to helping make sales by educating potential buyers while building brand recognition, credibility and reputation. Make sure you have the materials ready to properly support your sales team and the tactics in your marketing plan.

8. Execute, execute, execute

Don't let fear and laziness – or the excuses that you lack time, effort, knowledge, discipline or persistence – hold you back. Make sure to stick to your plan, your calendar and your budget, and line up proper resources if you want to achieve success.

9. Measure results

Describe what success looks like for every tactic in your marketing plan, and then set metrics. This must be done before you can begin measuring any kind of meaningful results or calculating return on investment.

10. Review and adjust

Systematically review your plan and tactics, perhaps quarterly, and make adjustments based on successes, failures, the competition, business and market conditions. Fortify tactics that work; shelve the ones that don't. Don't be afraid to interject something new mid-year. But make sure you think it all the way through before executing.

I hope my top 10 marketing tips for 2012 will help put your company on the path to marketing success. I wish you all the best and expect that you will have a fantastic year. 📧

Peggy Bekavac Olson founded Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payment companies, after serving as Vice President of Marketing and Communications for TSYS. She can be reached at 480-706-0816 or peggyolson@smktg.com. Information about Strategic Marketing can be found at www.smktg.com.

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Education (continued)

Keep it honest in 2012

By Jeff Fortney

Clearent LLC

January is the traditional time for making New Year's resolutions. Whether they're for personal goals, tackling a certain project or changing a habit, we make resolutions to help us accomplish something important in the coming year.

Keeping resolutions can be challenging, but the practice can have a tremendous impact on our lives. In the payments world, we too should make resolutions because they can help us grow our businesses and our bottom lines.

For those of you who are already tossing around some ideas for New Year's resolutions, I'd like to suggest that you add one about honesty to your list, such as "I hereby resolve to be fully honest in my sales efforts in 2012."

You might wonder why I've chosen such a topic, or even be a little put out by it, but let me explain. The majority of independent sales agents and merchant level salespeople will tell you, when you ask them point blank, that they're completely honest.

However, even the most honest people in our industry have moments where they walk the fine line between truth and deception.

Half truths, white lies

Chances are we've all been in this gray area at one time or another when we speak a partial truth or tell a white lie, as some call it. Many times this lie is unintentional, but it still happens.

The primary areas that tarnish honesty revolve around fear, misconceptions and access to information. If we look closely, I bet we can each find instances like this in our recent past. Therefore, it only makes sense that honesty should be a 2012 resolution.

The next step is to make sure that this resolution, like others we've set before, is not too vague or too broad. Otherwise, the result will be like resolutions we set long ago, but have since forgotten.

Many memory tricks can help us remember important information. One is association. So, without further adieu, I'd like to share three television quotes to help drive this point home.

- "Oops." – Governor Rick Perry, December 2011 presidential debate

When faced with a question on the three Cabinet agencies he would close if elected, Perry specified two he deems unnecessary and then stammered for a while, checking his notes and staring at the camera while being unable to remember the third.

His fellow candidates even made suggestions, which made matters worse. The only thing he could think of to say was, "Oops."

Instead of simply saying that he had forgotten, his choice of words and actions made the situation much worse, causing him to become a punch line for many late-night TV hosts.

Don't be afraid to admit that you've forgotten. We all forget things from time to time. After all, we're only human.

When it happens, don't try to cover it up. Be honest and admit that you've forgotten, apologizing when appropriate. Your honesty will go a long way with a merchant. Learn from your mistake and move on.

- "As God is my witness, I thought turkeys could fly." – Arthur Carlson, Station Manager, "WKRP in Cincinnati"

In an effort to hold a turkey giveaway for Thanksgiving, sitcom character Mr. Carlson decided to give away the birds by pushing them out of a helicopter from 500 feet.

Obviously, he hadn't done his research, because the turkeys began "hitting the ground like bags of wet cement," according to the character of newsman and eyewitness Les Nessman. Carlson's assumption that all game birds can fly led to a fateful result.

The lesson here is that when we're confronted with a question or a situation, we shouldn't take our limited knowledge and expand it to fit that situation.

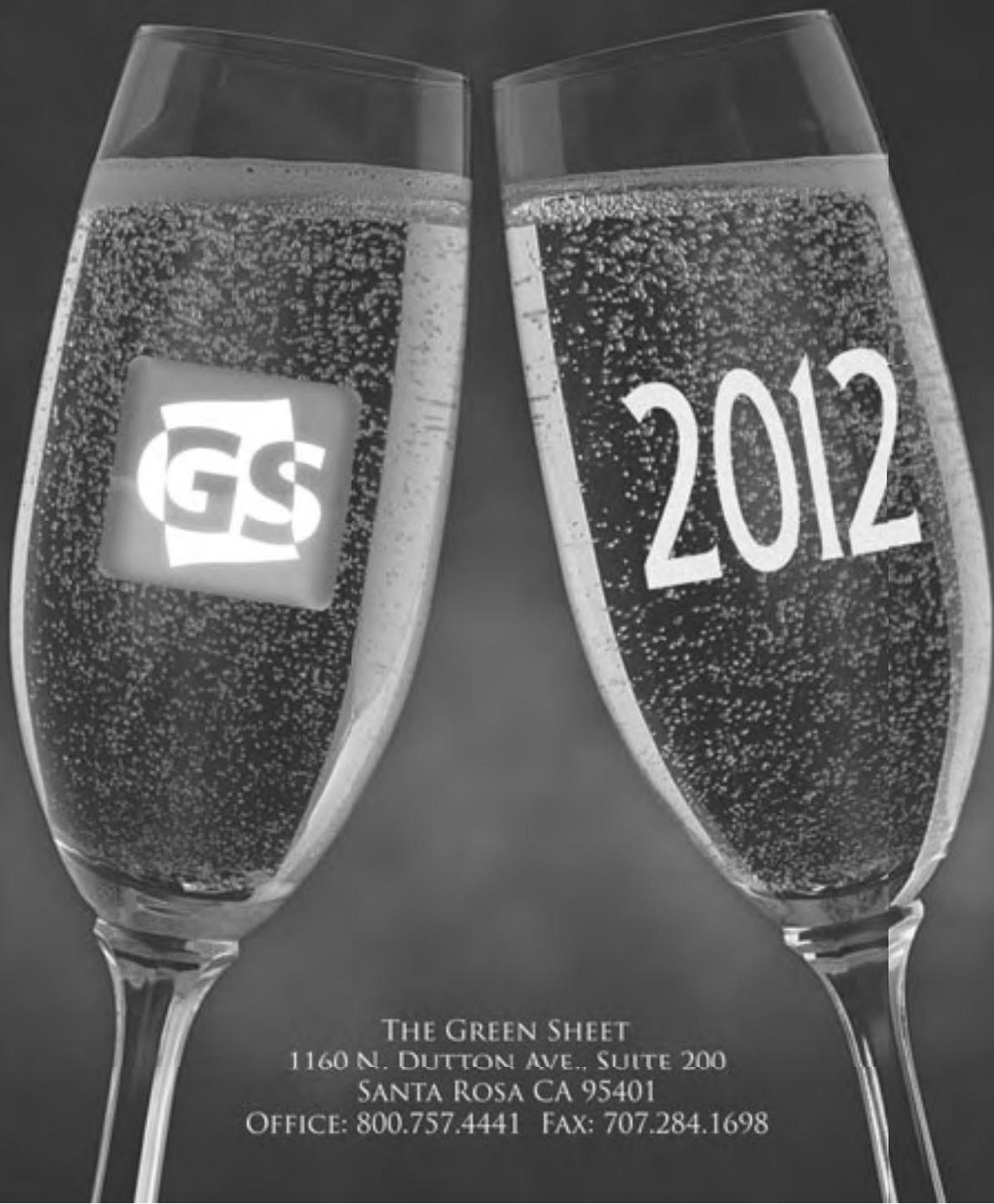
Even if you think you know the answer, it's better to admit honestly that you may know the answer but want to confirm it first. That helps you ensure you're giving customers the right information.

After doing your research, you may find you were correct. Or you may find you were taking an answer that fit a different set of facts and twisting it to fit the situation at hand.

Ultimately, this can make the situation worse because you may give the merchant inaccurate

The Green Sheet would like to take a moment to
thank our readers as we continue to bring
you the latest in payments news in 2012

Best Wishes for a successful New Year



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Education

information. Just make sure you don't wait too long to research your answer. Providing your customers with quick, accurate answers will help build trust.

- **"Santa will leave you a pony under your tree. But if it isn't there in the morning, that means your mommy chased it away and killed it."** – "Married with Children" character Al Bundy, as Santa, speaking to a neighbor's son.

At times, merchants ask us questions that tempt us to respond much the way Al Bundy does. Merchants may describe situations that happened to them. Yet instead of examining the situation more closely, we say, "That will never happen with us."

In essence, you're implying – without fully understanding the situation – that the other processor did something wrong. It's just easier to blame the competition and hope that it never happens with you.

In such cases, it is better to ask a few clarifying questions so that you can provide the merchant with an honest answer. If it's something like a

chargeback or fraud, you may not have been able to do anything differently. But if you don't offer an honest answer, your reputation could be damaged forever.

It's better to lose a deal than not be completely honest. Merchants will accept a lack of knowledge if you tell them you'll quickly track down the answer.

However, they'll be suspicious of a misleading answer or one that is said out of fear. These situations do serious damage to your claim of expertise, are a poor approach to sales and give our industry a bad name.

When you keep your resolution to be honest, you'll find your merchants are more cooperative and more likely to send you future business. And best of all, your honesty may result in referrals from merchants who did not sign with you. Keep in mind that honesty really is the best policy. ☑

Jeff Fortney is Vice President, ISO Channel Management with Clearent LLC. He has more than 17 years' experience in the payments industry. Contact him at jeff@clearent.com or 972-618-7340. To learn about how Clearent can help you grow faster and go further, visit www.clearent.com.



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PCI: The year in review, the year to come

By **Tim Cranny**

Panoptic Security Inc.

The start of the new year is a good time to review what 2011 was like for implementation of the Payment Card Industry (PCI) Data Security Standard (DSS). I especially want to revisit what has gone well, what has gone wrong, and what ISOs, banks and the rest of the payment card industry should expect in the coming year.

How we did in 2011

The year just finished contained several elements of steady but unspectacular progress: minor updates to the PCI DSS and Self-Assessment Questionnaires (SAQs) were rolled out to Level 4 merchants and generally caused little disruption. Also, the industry saw incremental improvement in compliance and validation; it's probably unrealistic to ask for much more.

A program like the PCI DSS is very hard to make work. It asks busy people to do difficult, inconvenient things for obscure reasons, all in the middle of tough economic times. And we can't assume the difficulties would disappear if merchants took the time to understand the issues, because the challenge is getting them to take the time in the first place.

One of the core issues with the PCI DSS is that it demands expertise from merchants. But most merchants simply do not have that expertise – or any easy way of getting it. This is particularly a problem for Level 4 merchants. And while some companies know how to solve this, the industry as a whole is still trying to come to grips with it.

First gear or overdrive?

The year just ended saw some other trends continue to become more visible. At the end of 2010, I predicted that 2011 would see growing tension between a slow-moving standard like the PCI DSS and a fast-moving industry. That has certainly proven to be the case.

On the one hand, the standard can't change too quickly without giving everyone whiplash. On the other hand, the underlying realities of our industry are changing quickly due to things like tokenization, virtualization and mobile payments. This presents only two real choices for the development of the PCI standard: too slow or too fast.

Moving too slowly fails to deal with the real threats and changes to the security world, while acting too swiftly is unacceptable for a formal process. We have found no easy answer to this.

What I can see working is a continued evolution of the standard toward a more complete, risk-based approach. Doing so is more complicated and less able to produce simple universal answers, but it is the only approach that has the required flexibility. This evolution will take years to achieve. But when it does, the standard will be structurally better at dealing with this central tension.

We saw other changes to the industry in 2011. As could have been predicted, the Qualified Security Assessor space continues to be a relatively mature, stable business. But dealing with Level 4 merchants remains a far more complicated business.

At the end of 2010, we started to see evidence of a slow but steady migration



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of ISOs and banks from simplistic, web-form-based SAQs to more feature-rich solutions. The latter demonstrate that ISOs and banks need tools and resources to help them implement soup-to-nuts, long-term PCI programs.

What will 2012 bring?

I hope the new year will be a continuation of the old – not because 2011 was such a wild success, but because continuity and incremental change are the only viable strategies for a maturing standard like the PCI DSS. The changes to the standard and the industry that I expect to see include:

- Continuing challenges for the industry in adapting to the challenges and disruption caused by mobile payments and other emerging technologies
- A corresponding continuation in the slow move toward a more risk-based approach to security
- An escalation in attacks against small merchants – driven, incidentally, by the success of the PCI's efforts in improving security at larger merchants; attackers are now shifting focus to the more vulnerable smaller merchants
- A growing recognition that smaller merchants need PCI programs that are more sophisticated and comprehensive than some of the older solutions still in use today

- Higher expectations of ISOs, acquirers and others regarding their PCI programs for smaller merchants
- A greater emphasis on explicit metrics for defining and tracking success with PCI programs
- Market consolidation and simplification, driven in part by a move by the large players away from vendor-based solutions and toward internally provided applications
- Growth in the international nature of the PCI DSS, with other parts of the developed world starting to catch up with the United States

Nothing is certain with things like the PCI DSS, which is a messy combination of technology, security, politics and money issues. But I am confident that those who prepare for the coming changes will have a simpler, more successful year ahead. ■

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

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Highlights from Inside Microfinance

By Patti Murphy

ProScribes Inc.

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Bank On gets face lift

Bank On is getting a face lift. Its new moniker is JoinBankOn.org, and its hallmark is a simple to use database tool that helps identify underserved communities and households and is dubbed, appropriately enough, Reach Your Community.

Reach Your Community is powered by PolicyMap, an online interactive analysis tool that can be used to map out key socioeconomic statistics on U.S. communities down to the neighborhood level. PolicyMap is a service of The Reinvestment Fund, a nonprofit that promotes neighborhood revitalization programs.

I took a test drive and discovered that only one out of 510 households in the rural Maryland community where I reside are unbanked; 75 households are considered underbanked. In the upstate New York community where I spent my childhood, 7.7 percent are unbanked, which also is the national average, according to the Federal Deposit Insurance Corp.

In New Orleans, one out of every eight households (12.5 percent) is unbanked, and one out of four (25.5 percent) is underbanked, according to the website. Underbanked households are those that report having an account with a financial institution but still use nonbank providers, such as check cashing houses and payday lenders.

Bank On is a network of local coalitions of government agencies, financial institutions and community organizations intended to help unbanked and underserved consumers transition into the financial mainstream. Programs typically feature low-cost deposit accounts at participating financial institutions and financial education programs.

Pioneered in San Francisco in 2006, Bank On initiatives are now underway in over 100 communities, according to a recent report out of the U.S. Treasury Department, *Banking on Opportunity: A Scan of the Evolving Field of Bank On Initiatives*.

The Treasury Department is an active partner in JoinBankOn.org, as are the San Francisco Office of

Financial Empowerment, the National League of Cities and the New America Foundation. The Corporation for Enterprise Development, a Washington think tank dedicated to expanded economic opportunities in low-income communities, is spearheading the project.

Kasey Wiedrich, Senior Program Manager at the CFED, said the database tool will be valuable to "anyone working to develop effective strategies aimed at increasing financial access for those who may be living outside of the financial mainstream."

The Treasury Department, in its recent report on Bank On initiatives, said the concept holds promise, and it suggests tying the programs to asset-building initiatives (for example, America Saves) to promote financial stability, not just access. ■

Micropayments on the cheap

Dwolla, an online mobile payment platform operated by The Members Group, is eliminating the 25-cent fee it charges for small-dollar payments – those under \$10. TMG, a payment processing firm owned by a credit union group, said the move is intended to make Dwolla more attractive to both merchants that deal in small-dollar products (like coffee and snacks) and to younger consumers.

Dwolla is more than just an online mobile payment platform. Its "wow factor" is its social networking interface. So, for example, someone using Dwolla to purchase a cup of coffee can broadcast that fact via Facebook, and instantly 100-plus friends know all about it. Think of it as free advertising.

So what does this have to do with microfinance? Plenty.

Each new micropayment initiative that hits the market is another opportunity for micro-entrepreneurs to compete with more traditional merchants. To survive in most businesses these days, you need to be able to accept credit and debit cards. But traditional card acceptance fees are pricey and too confusing for the typical small upstart. Hence the introduction of mobile gadgets like the Square mini card reader.

Meanwhile, Intuit Inc., which in addition to accounting software also supports electronic payment applications, is planning to roll out a prepaid card account that unbanked merchants can use to deposit funds accepted using Intuit's GoPayment device, according to published reports. GoPayment, like Square, runs off the telephone jack of mobile smart phones. ■

Boom: It's mobile

A California firm is rolling out a cash replacement product that makes it easier and safer for migrant workers to send money back to family and friends in their homelands. Known as Boom, the new service aims to make person-to-person payments as easy and cheap as sending text messages. "With Boom, consumers finally have access to the kind of banking and money transfer service they have desired for years," the company said in an announcement.

Migrant workers in the United States remit billions of dollars every year to family and friends around the globe, paying as much as \$20 cash per transaction. Meanwhile, recipients often have to travel long distances to money transfer offices, and they risk being held up for their cash.

M-Via, the Palo Alto, Calif., firm that created Boom, pulled together a network that includes hundreds of thousands of merchants and ATMs that covers the United States and much of Mexico as well as access to over 15,000 cash load locations in the United States. Boom supports mobile money transfers of any size from \$5 to \$1,000. "The beauty of m-Via's solution is that while it is complex behind the curtain, it's incredibly simple for consumers' use," said Jesus Delgado-Jenkins, a Senior Vice President at 7-Eleven Inc., a Boom merchant.

"Traditional money transfer services are unsafe, expensive and inconvenient for recipients who have to travel to pick up money," said Bill Barhydt, m-Via's Chief Executive Officer. "With massive consumer migration happening on a global scale and with billions of dollars flowing across borders every year, this is a multibillion-dollar market opportunity," said Jim Robinson of RRE Ventures, a venture capital firm with an eye for mobile and financial investments. ■

Mastering possibilities in microfinance

The MasterCard Foundation and the United Nations Capital Development Fund are expanding efforts to make microfinance services, especially savings, more available to low-income individuals in Sub-Saharan Africa.

MicroLead was created in 2009 with funds from the Bill and Melinda Gates Foundation. MasterCard Worldwide and the UNCDF committed to the next phase of the project, which targets 450,000 low-income folks in underserved African markets.

The UNCDF is a capital investment fund that focuses on

the world's 48 least developed countries in Africa and Asia. The MasterCard Foundation is a charitable arm of the international credit card company MasterCard.

Recent studies suggest poor people are active savers. A statement from MasterCard and the UNCDF announcing the next phase of MicroLead said that in some countries the opening of savings accounts outpaces loans by a factor of 12. One of the tasks the UNCDF is undertaking in the next phase of MicroLead is to test if a savings-led approach creates a stronger and more resilient financial services market. "We believe that the fight against extreme poverty through building inclusive financial sectors needs innovative approaches and strong partnerships," said David Morrison, UNCDF Executive Director.

Reeta Roy, President and CEO of the MasterCard Foundation, said, "By helping microfinance institutions to develop savings and other financial services that promote financial inclusion for the poor, the MicroLead program is not only building capacity, but also increasing access to financial services to nearly half a million clients in Africa." ■

Microfinance code of conduct for Europe

The European Commission published a set of guidelines intended to support more uniformity in micro-credit initiatives across the continent. The European Code of Good Conduct is not a replacement for established rules and regulations. Rather, it offers guidance and is directed at micro-credit providers, investors, customers, partners and even regulators, the EU said. It is designed primarily to address nonbank providers of micro-credit, which fall under numerous regulatory jurisdictions.

The five-page code is divided into five sections addressing customer and investor relations, governance, reporting, management information systems and risk management. A sixth section addressing social and ethical issues will be added in 2012, the EU said.

"The development of the code was based on the recognition that – in light of the disparate regulatory frameworks in which micro-credit providers in the EU operate – there was a need for a unifying set of expectations and standards that was common to the sector," the publication states in its introduction. "The code sets out good-practice guidelines that will better enable the sector to face the challenges of accessing long-term finance, maintaining and raising the quality of services, and moving toward sustainability." ■

Patti Murphy is Senior Editor of The Green Sheet and President of ProScribes Inc. She is also the founder of InsideMicrofinance.com. Email her at patti@greensheet.com.

Show us the money!

- Growing business online

by accepting more forms of payment

By **Brian Crozier**
UseMyServices.com

Editor's note: This article first appeared in the October 2011 issue of Direct Marketing, an Ontario, Canada-based publication about interactive marketing and sales. Reprinted with permission. © 2011 by Brian Crozier.

Have you ever been in a retail store that only accepted credit cards for payment? No cash or debit payments? That would be bizarre. But when you go online, you'll find thousands of sites that are still only accepting credit cards for payment, including those for the majority of the direct marketing industry.

The Internet has been traditionally very credit card oriented since the early days, but things are changing fast, and while e-commerce has been a very positive experience for

most direct marketers, they often face unforeseen payment and fraud costs when they expand internationally.

Looking to the gaming industry

When we look at the e-commerce payments strategy followed by the online gaming industry, we can see that their sites ensure their customers can fund their accounts with credit cards and a wide variety of other alternatives.

Today, many of the payment companies that became well-known in gaming have also become the leaders in global e-commerce payment processing.

Savvy direct marketers realize that accepting more forms of payment is the easiest and fastest way to boost online sales and profit. Plus it offers a competitive advantage. If you can't accept the form of payment your customers want to use online, they'll either go to the more expensive offline channel or to your competition.

Recognizing the danger of this, the majority of online businesses are now implementing comprehensive, global payment strategies that include accepting more forms of payment than just credit cards.

Offering multiple forms of payment

You might be thinking that accepting payments can't be that difficult, since most consumers have credit cards to make purchases, but research actually shows that 30 to 40 percent of consumers don't have a major credit card and others don't want to use theirs online. Also, credit cards are not as popular outside of North America, so if you have international customers, you need to offer them the payment methods they have in their local country. A web merchant can't make the sale online unless the merchant can accept the payment.

PartyPoker.com (which does not accept U.S. players) is a prime example of a company offering multiple payment options to its customers; every online business could learn from the company's payments strategy and increase sales globally. Remember, by offering your customers more online payment options you increase the odds of making that sale online. 

Brian Crozier works in global business development at UseMyServices.com. For the past nine years, the company has focused on making it easy for online merchants to instantly accept payments from their customers with online banking from Canada and around the world. Brian can be reached at brian@usemyservices.com.



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ISOMetrics

Online shopping up for holiday season 2011

Preliminary numbers are in for the year-end shopping season, and they indicate strong sales for the 2011 holiday season, especially in the e-commerce sphere. Average ticket size is down a bit (8 percent), but overall sales and transaction numbers are up (25 and 36 percent, respectively). Following are data drawn from studies of consumers' online shopping behavior this year:

Number of days from Dec. 12 to Dec. 18 in which online sales exceeded \$1 billion:

4

Final shopping weekend before Christmas sales:

\$1.04 billion

- the second-largest weekend online spending volume on record.

Black Friday:

2010: \$648 million
2011: \$816 million
26 percent increase

Cyber Monday:

2010: \$1.00 billion
2011: \$1.25 billion
22 percent increase

Thanksgiving Day

2010: \$407 million
2011: \$479 million
18 percent increase

Green Monday (Dec. 12):

2010: \$954 million
2011: \$1.1 billion
19 percent increase

Thanksgiving weekend:

2010: \$886 million
2011: \$1.00 billion
22 percent increase

Free Shipping Day (Dec. 16):

2010: \$942 million
2011: \$1.07 billion
14 percent increase

Online spending from Nov. 1 to Dec. 18:

2010: \$27.08 billion
2011: \$31.97 billion
15 percent increase

Source: comScore

**Holiday Season year-over-year online sales growth overall:
+25 percent**

**Holiday Season year-over-year online transaction numbers growth:
+36 percent**

**Holiday Season year-over-year average online ticket growth:
-8 percent**

Source: Chase Paymentech Solutions' Cyber Holiday Pulse Index

NewProducts

Going global with online payments

Product: Global Gateway e4

Company: First Data Corp.

With online purchases in the United States projected by Javelin Strategy & Research to reach \$429 billion by 2015, safe and reliable solutions for processing card-not-present transactions have become a hot commodity.

In mid-December 2011, First Data Corp. introduced an online payment gateway to assist the growing number of e-commerce merchants who have chosen to expand payment acceptance globally.

"Based on extensive feedback from merchants, First Data is excited to launch the new Global Gateway e4, which delivers a comprehensive suite of payment services and is designed to enable easy integration from any website or mobile channel," said Phil Levy, Vice President, eCommerce for First Data.

One of the stated purposes of the gateway is to provide a broader set of global processing capabilities to merchants, regardless of size or technical skills.

Using simple application programming interfaces (APIs) and web-based interfaces, merchants can integrate via its real-time payment manager; a checkout hosted by First Data; or a web service API that allows merchant and/or third-party applications to securely process transactions.

"This new gateway is a continuation of our strategy to provide merchants with an expanding set of online payments capabilities including multicurrency processing, TransArmor tokenization, virtual gift cards, integrated fraud tools and flexible recurring billing services," Levy said, adding that merchants can add new payment types to websites as they expand into new global markets.

Payment options available through the gateway include traditional credit and debit cards, PayPal, gift cards, fixed and variable amount recurring billing, and multiple currencies and international payment processing options offered in a variety of languages.

Other features include dynamic reporting capabilities that enable merchants to create and manipulate transaction reports and search options for locating data quickly.

Describing how the system operates, First Date wrote, "Global Gateway e4 acts as a messenger to quickly and securely pass payment information between the

Features of Global Gateway e4 include:

- Web and mobile integration
- International payment processing
- Multicurrency support in multiple languages
- 3D secure, tokenized transactions
- Simple API and web-based interfaces

consumer, the merchant, the bank acquirer and the consumer's bank to authorize and settle and fund all your card-not-present business."

The e4 gateway is 3D secure with a fully redundant infrastructure and 24/7 availability. First Data supports the new gateway through online instructional and training guides and a merchant support team that is ready to expedite issue resolution around the clock. 

First Data Corp.

866-382-8643

www.firstdata.com

A platform for multichannel retailers

Product: Multi-Channel Retail Management Suite

Company: Retail Anywhere

Now more than ever, multichannel retailers are seeking an integrated approach for managing costs and resources more efficiently, whether they sell through brick-and-mortar, MO/TO or online channels. For this type of retailer, having access and being responsive to real-time data are essential to creating a consistent customer experience. To give retailers better control, Retail Anywhere recently launched its Multi-Channel Retail Management Suite.

According to the company, the suite provides bi-directional integration between the company's web-based Retail Anywhere POS system and NetSuite Inc.'s cloud-based enterprise resource planning platform. Offered as an on-demand, software-as-a-service platform, the system apparently requires minimal upfront costs and packs plenty of functionality for an end-to-end retail management system.

For starters, Retail Anywhere POS for NetSuite bundles

a comprehensive transaction set for managing retail transactions, gift cards, stored value cards, special orders, returns, split tendering, price look-up, taxation, and other merchant-specific transaction features. Using the software, merchants can also manage employee contact information, access, discounts and commissions.

From a marketing standpoint, as more retailers turn to customer relationship management (CRM) tools to capture customer buying preferences to create future sales opportunities, Retail Anywhere POS system allows merchants to capture customer contact information, orders, merchandise preferences and purchasing history.

Its real-time reporting features enable merchants to track all activities related to employees and customers by workstation or department, as well as manage individual items, tender and key performance indicators. For a higher level of control, Retail Anywhere offers an advanced software configuration that permits retailers to define user interface, system components and keyboard elements; set price and selling rules; and set up tender control.

Retail Anywhere POS can also be deployed on mobile devices for processing payments and printing customer receipts. "From the mobile unit, store employees can review customer information, perform item look-ups while on the sales floor, determine quantity on hand and even locate out of stock items in order to save the sale," the company said.

Features of Multi-Channel Retail Management Suite include:

- Adaptable to a variety of retail segments
- Compliant with PCI PA-DSS requirements
- Real-time, chainwide inventory management
- CRM tools for creating future sales opportunities
- Partner referral program for sales agents

Retail Anywhere POS is compliant with the Payment Card Industry (PCI) Payment Application Data Security Standard (PA DSS) and certified ARTS Data Model Conformant. Because every retailer is different, the company said its software is configurable for multiple retail segments.

For ISOs and merchant level salespeople interested in partnering with Retail Anywhere, the company offers a partner referral program, paying a referral fee for each completed installation. 

Retail Anywhere

800-257-2734

www.retailanywhere.com

Boost Your Biz

Lessons from the lemonade stand

A freckle-faced child selling lemonade at the roadside is reminiscent of a Norman Rockwell painting. But the image happens to represent entrepreneurship at its most basic level. Imagine the setup.

The business is nothing more than a stand made of a used produce crate, a red wagon to transport pitchers of lemonade and plastic cups, a lawn chair to sit in, and a cardboard sign saying, "Lemonade – 25¢." Of course, the "startup" is parked on the sidewalk at a busy intersection.

First of all, admire its simplicity. The overhead costs are minimal – a few dollars for cups and instant lemonade mix, no rent and no 1099-K forms to fill out. Then recognize the clear-cut pricing and the equally straightforward product. The young go-getter is not trying to reinvent the wheel; it's a tried-and-true product that has inherent value for consumers, especially on hot summer days.

Simplicity with a twist

But the lemonade is not simply water and lemon-flavored sugar mix. The child has incorporated freshly squeezed lemons into the drinks – the key attention-grabber. And notice that the business supports a local charity. A discreet jar placed on the stand is there to collect donations for school supplies for cash-strapped local schools. When customers break dollar bills to purchase lemonade, they often drop the leftover change into the jar – and feel good about it.

Because the entrepreneur is an exceptional math student, accounts receivable is assiduously kept in a notepad, with the proceeds deposited in a shoebox for the nightly batch to the child's sock drawer. Profits are then poured back into the business to pay for more cups and lemons, and maybe an assistant for expansion to a second stand.

The basics of business never change. This four-foot-tall lemonade vendor is essentially in the same business as ISOs and merchant level salespeople selling sophisticated services with complicated pricing to merchants. At the beginning of a new year, the example of a child's lemonade stand can serve as a reminder of the fundamentals that make a business successful. 

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10 years ago in The Green Sheet

Smart cards deemed superfluous

As 12 European nations prepared for the introduction of a single-currency (euro) system by mid-2002, many payment professionals in the United States reportedly felt Europe's smart cards continued to be a solution in search of a problem and that plastic cards embedded with computer chips were, for the most part, an expensive gimmick.

Pepsi machines accept credit cards

Pepsi-Cola North America introduced a wireless technology system in vending machines that allowed customers to pay for sodas with credit cards. The new vending machines used U.S. Wireless Data Inc.'s Synapse card-payment and telemetric system. Synapse also collected machine inventory information and transmitted it to the local Pepsi distributor.

Visa sued by online processor

WebsiteBilling.com, an online credit card processor, sued Visa U.S.A. (now merged into Visa Inc.) over the card brand's chargeback policies. The Hollywood, Fla., processor stated Visa did not refund penalties for chargebacks that were reversed, and many WebsiteBilling.com merchants were terminated because Visa alleged they had excessive chargebacks.



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DateBook

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



International Quality and Productivity Center

3rd Annual Mobile Commerce Conference

Highlights: This event offers conference participants the opportunity to share experiences, ideas and solutions with mobile-system professionals, as well as learn from an array of mobile commerce experts representing diverse industries.

Conference workshops, working sessions, case studies and networking breaks will focus on growing mobile commerce systems from e-commerce bases; interconnecting multichannel mobile strategies across all channels; working with end users; and monitoring and quantifying mobile commerce integration.

When: Jan. 30 – Feb. 1, 2012

Where: San Francisco, venue to be confirmed

Registration: www.mobilecommerceevent.com/Event.aspx?id=625612



Northeast Acquirers Association

NEAA Winter Seminar & Outing

Highlights: The NEAA winter show, now in its 27th year, is the oldest regional acquirers tradeshow in the United States. And the event is returning once again to The Grand Summit venue near Mt. Snow, Vt.

Seminar topics slated for the 2012 event include the Payment Card Industry Data Security Standard from the ISO perspective, selling POS systems, growing businesses through social media, the introduction of the Europay/MasterCard/Visa card technology in the United States and issues involving mobile payments.

Among the speakers scheduled for the event are SignaPay Ltd. President Kevin Jones, Discover Financial Service's Bob Kinsella, Nancy Austin and David Talach of VeriFone Inc., and Tony Abruzzio of ISIS. Activities this year will include snow tube races sponsored by SignaPay, free skiing and snowmobile rentals.

When: Jan. 31 – Feb. 2, 2012

Where: Grand Summit Resort & Conference Center, Mt. Snow, Vt.

Registration: www.northeastacquirers.com/event.htm



Smart Card Alliance

2012 Payments Summit

Highlights: The SCA's fifth annual Payments Summit is designed to build on previous successes. After years of double-digit growth in the number of event participants, the summit is moving to a larger meeting space to accommodate a more broadly focused agenda. It will combine the rapidly growing council meetings with a new "Roadmap to EMV Payments" conference track, which drew hundreds of attendees to the annual conference in Chicago last spring.

The SCA's objective – to host a single, comprehensive payments event, covering every leading transaction platform: card, mobile and transit payments – is accomplished by bringing together experienced smart card practitioners and suppliers with innovative solutions-developers and end users across the payments, mobile and transit markets.

When: Feb. 8 – 10, 2012

Where: Hilton Salt Lake City Center, Salt Lake City

Registration: www.cvent.com/events/2012-payments-summit/event-summary-4331cd14a7f34f59be009bce63d7934d.aspx



IIR Holdings

Prepaid Expo USA 2012

Highlights: This independent expo is designed to generate business for the entire prepaid and stored-value community. Aims of this year's show are to promote prepaid businesses with next-generation solutions, discuss regulatory challenges and analyze technology disruptions to the industry. The seventh annual expo will boast more than 1,700 attendees and over 100 exhibitors.

Independent market research and an unbiased conference structure will create an atmosphere that gives industry professionals the chance to be inspired by provocative keynote speakers; connect with leading prepaid card providers; and discover the regulatory issues, emerging and mobile payment technologies, distribution challenges and consumer insights that are changing business practices today.

When: March 12 – 14, 2012

Where: Mandalay Bay Resort and Casino, Las Vegas

Registration: www.iirusa.com/prepaid/welcome-page.xml?registration=XU2548GRST

2012 Calendar of events

To submit your event to this calendar, email a press release to press@greensheet.com. Please include the name, date and location of the event, as well as highlights of planned activities and registration contact information.

2012 Events	Date	Location	Web site
World Research Group, 3rd Annual Prepaid Card Congress	Jan. 24 - 26	Las Vegas	worldrg.com/showConference.cfm?confCode=FW12006
ACI, Prepaid Card Compliance Conference	Jan. 30 - 31	Washington	www.americanconference.com/prepaidcard
IQPC, Mobile Payments and NFC	Jan. 30 - Feb 2	London	www.mobilepaymentsandnfc.com/Event
NEAA, 2012 Winter Seminar & Outing	Jan. 31 - Feb 2	Mt. Snow, VT	www.northeastacquirers.com/event.htm
Smart Card Alliance, 2012 Payments Summit	Feb. 8 - 10	Salt Lake City	www.event.com/events/2012-payments-summit
Comexposium, Cartes in North America	March 5 - 7	Las Vegas	www.cartes.com
ILR Holdings, Prepaid Expo USA 2012	March 12 - 14	Las Vegas	www.ilrusa.com/prepaid/welcome-page
Gulf Bay Consulting LLC, Mobile Payments	April 11 - 12	Orlando, FL	www.socialmobilepayments.com
ACI, Emerging Payment Systems West Coast Edition	April 16 - 17	San Francisco	www.dwt.com/Events?find=441258
ETA, 2012 ETA Annual Meeting & Expo	April 17 - 19	Las Vegas	www.electran.org/content/view/815/494/
SourceMedia, 24th Annual Card Forum & Expo	May 9 - 11	Orlando, FL	www.globalmediodynamics.com/upcoming-events
World Research Group, 3rd Annual Prepaid Card Congress	May 10 - 11	Las Vegas	http://worldrg.com/showConference.cfm?confCode=FW12006
Smart Card Alliance, NFC Solutions Summit 2012	May 22 - 24	Burlingame, CA	www.smartcardalliance.org/pages/activities-next-conference
2012 NBPCA Annual Congress	June 3 - 5	National Harbor, MD	www.PrepaidEvent.com/
Global Media Dynamics, 2012 Mobile Payments	June 11 - 12	Las Vegas	www.globalmediodynamics.com/upcoming-events



NORTHEAST ACQUIRERS

Jan. 31 - Feb. 2, 2012



Smart Card Alliance

Feb. 8-10, 2012



April 17 - 19, 2012

Inspiration

The true triumph of reason is that it enables us to get along with those who do not possess it.

- Voltaire

WaterCoolerWisdom:

Work through discomfort, expand your reach

Each January, many ISOs and merchant level salespeople (MLSs) revisit their sales goals and strategies. Whatever your business goals for 2012 are, one thing is certain: to succeed, you must interact successfully with all types of people, even those with whom you either disagree or are uncomfortable.

Given that you have chosen sales for your profession, chances are you are naturally an upbeat, outgoing person who already has a good deal of skill when it comes to communicating with people. But sometimes, even the best of us fall short in some areas of outreach. Here are some examples of what I'm talking about. Maybe you have:

- Avoided a neighborhood or town because it has a reputation for being either more liberal or more conservative than you are
- Stopped calling on a merchant who voiced an opinion you oppose about cultural or economic "wedge" issues
- Become visibly miffed when a prospect showed up late for a meeting and did not have a reason you felt was good enough
- Failed to return a call from a merchant who was upset about a charge on his or her monthly statement
- Didn't attempt to communicate with a prospect whose first language is not English even though the merchant was referred by one of your customers

Let reason rule

Whether or not the scenarios just described hit home for you, they may have brought to mind certain instances in which you've let a potential or current client get under your skin, or let discomfort or anxiety deter you from pursuing a solid lead – and thereby failed to close new deals or lost accounts you once had.

One thing these situations have in common is lack of emotional control – not a pathological lack of control, certainly, but still a deficit that can hamper sales. Fortunately, you can take steps to bolster yourself so you can more easily surmount intimidating situations and handle people you find difficult.

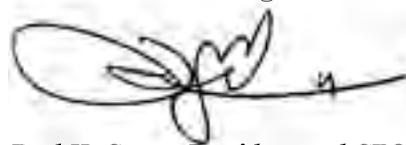
Here are some ideas:

- When dealing with people who disagree with you, keep in mind that they have just as much right to their opinion as you do, and just because you don't see things their way doesn't mean you can't do business together.
- When someone makes a remark that has the potential to rile you, don't respond right away. Take a breath, count to 10, listen with interest and do not argue. Then endeavor to steer the conversation back to the business at hand.
- When approaching a vertical market comprising people whose culture is different than yours, remember that we all have more in common as human beings than we have differences. Research the market before you start making calls, and then move in with confidence that you have something of value to offer. You'll likely make mistakes, but if you're genuine and friendly, you will overcome these.
- Just as you want to be forgiven for your faux pas, be forgiving of others. Let the little slights and oversights go, and don't jump to negative conclusions about other people's motives, drive, potential or character.

(There may be an occasional merchant who is downright abusive, and if you encounter one of those, end the relationship gracefully, without letting the individual get the best of you. In these sorts of situations, it's good to remind yourself not to take what the merchant is dishing out personally. It's likely the next ISO or MLS who knocks on that merchant's door will be treated the same way.)

Re-examining and readjusting your behavior in just one area in which you've pulled back from opportunity due to negative thoughts or feelings can have a positive impact not just on your relationships, but also on the overall success of your life's endeavors.

Good Selling!SM



Paul H. Green, President and CEO

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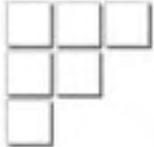


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J. David Siembieda,
President and CEO,
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Are you ready? Mobile payments, remote deposit capture, new financial regulations, evolving technology and some unexpected competitors mean we are in for an exciting time in 2012. Along with these changes and offerings, there will be opportunity for more revenue, more services to engage our merchants and more ways to grow a business.

We're looking forward to the new year and have several exciting check processing services to assist your merchants and feed your income with on-going residuals. How about remote deposit capture with future deposit and guarantee? We have it and you can start selling it now.

Now is also a good time to say a special thank you to the many ISOs and partners that share and contribute to our success. You make it happen and we appreciate it!

We're excited about 2012 and hope you are, too. Contact us for more details on our sales and revenue-sharing opportunities. And have a happy and prosperous New Year!



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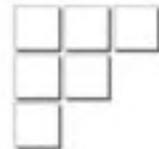
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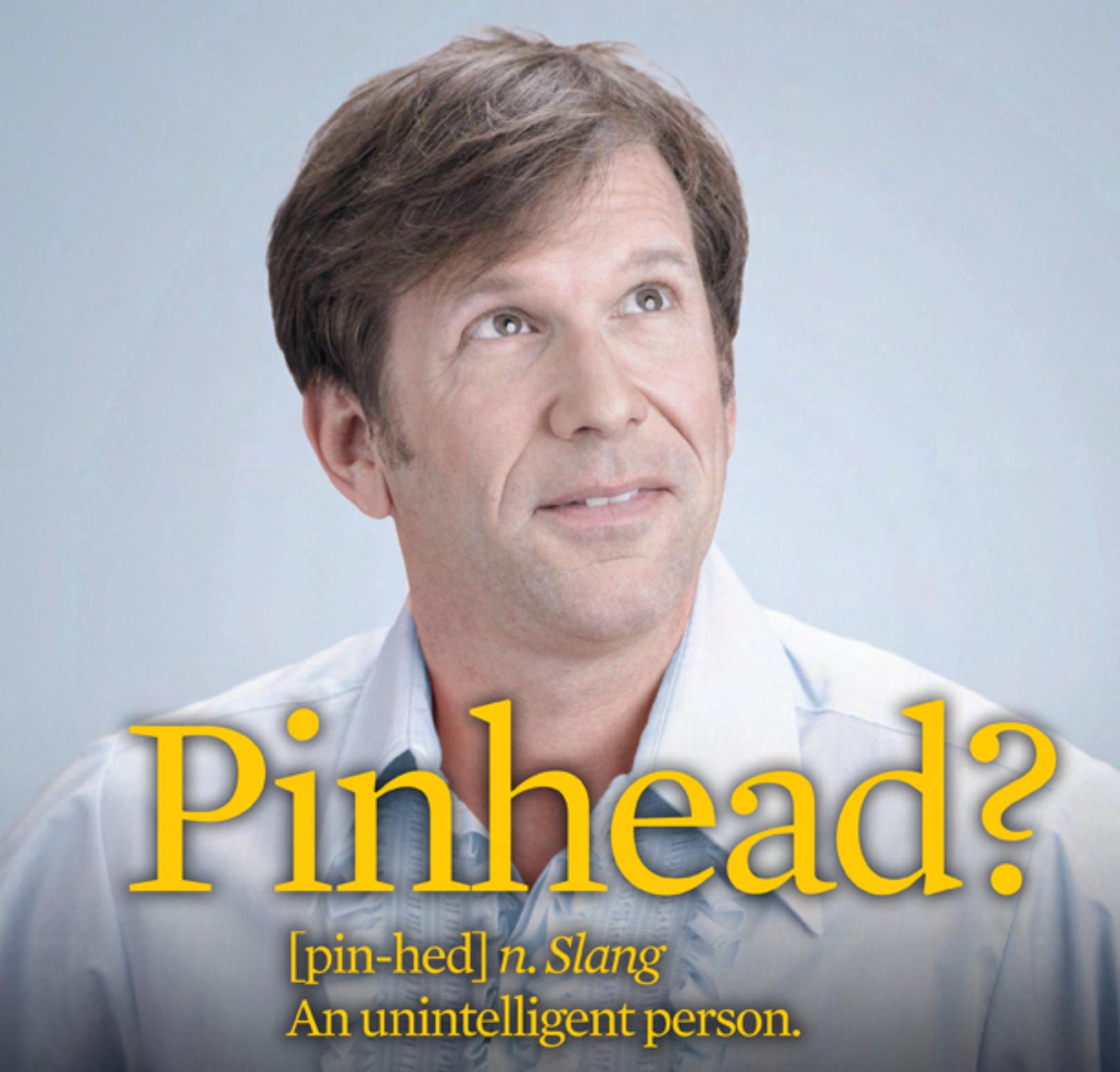
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