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# ISOs no longer need bank sponsorship in Europe: Are you ready to go?

By Caroline Hometh

RocketPay LLC

**F**or more than four decades, ISOs and member service providers (MSPs) wanting to conduct business in Europe were required to access MasterCard Worldwide and Visa Europe through proprietary bank members, just as they are required to do in the other regions of the world.

Such bank sponsorships were the only way ISOs and MSPs could gain access to multiple currency processing and domestic or regional acquiring in the European locales where they wanted to do business. And to gain better management over these mission critical functions, ISOs and payment service providers (nonbanks) often contracted with multiple sponsor banks.

"It got to be that we needed more than one bank to play it safe," said Benjamin Nachman, Chief Executive Officer of online payment technology developer Credorax.

### Enter the PSD

The Directive on Payment Services (PSD) changed that requirement for

 Ready to go to Europe continued on page 55

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**The only way to give merchants the opportunity to sign with you is to ask them to. A no makes you no worse off than if you don't ask.**

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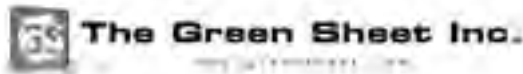


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# Forum

## Does Durbin open the door for merchant surcharging?

"Can retailers charge consumers for interchange fees now? Was it because of the Durbin Act? Thank you for your help."

David Mierkey  
Intelijen Group

David,

It is our understanding that it is not allowed for merchants to charge consumers for interchange fees. However, we decided to refer your question to an industry expert who could provide you an in-depth answer. Mark Brady, Director of Compliance at Compliance Solutions and Resources, offered the following comments:

*If this question asks if merchants may surcharge a cardholder for a POS transaction, the short answer is no. But let's see what "Durbin" does say about card processing and POS transactions. First, here is some background to Section 1075, which contains the Durbin Amendment. This is just one section in the financial services overhaul law called the Dodd-Frank Wall Street Reform and Consumer Protection Act.*

*In brief, Sen. Richard Durbin, D-Ill., offered an amendment to the Senate version of the financial regulatory overhaul bill. His amendment received bipartisan support from the Senate, and was later modified and included in the final Wall Street Reform Act that President Obama signed into law on July 21, 2010.*

*The Federal Reserve Board has sole authority to write the implementing regulations mandated in Section 1075 of the Wall Street Reform Act, which include the following:*

1. Regulations to establish the debit interchange fee parameters
2. Regulations on fraud standards included in debit interchange rates
3. Regulations on network fees
4. Regulations that prohibit exclusive network arrangements for debit
5. Regulations that allow merchants to route payment transactions

*Although the card brands continue to prohibit surcharging, the Durbin Amendment does impose certain limits.*

*It limits card brand restrictions on setting transaction minimums or maximums on credit cards. All merchants will be allowed to set a minimum transaction amount for the acceptance of credit (not debit) cards provided:*

- *The value does not exceed \$10 (The Federal Reserve Board can increase the amount), and; the value does not differentiate between issuers or card networks*
- *Any federal agency or institution of higher education will be allowed to set a maximum transaction amount on the acceptance of credit cards provided the value does not differentiate between issuers or card networks*

*It limits card brand restrictions on offering discounts for use of a form of payment. A payment card network may not inhibit the ability of a merchant to provide a discount or incentive for payment by the use of cash, check, debit card, or credit card provided:*

- *The discount or incentive does not differentiate on the basis of the issuer or payment card network, and is offered to all buyers, and disclosed clearly.*

*So while Durbin does not address surcharging, it does give merchants some relief in declining to accept credit card transactions not exceeding \$10.*

*We wish to thank Mark Brady for this explanation of how new regulations under the Durbin Amendment affect merchants and consumers at the POS.*

Editor

## Call us, write us

Would you like us to cover a particular topic? Do you have a question you'd like us to answer? Is there someone you consider an industry leader? Did you like or dislike a recent article in *The Green Sheet*? What do you think of our latest GSQ? Email your comments and feedback to [greensheet@greensheet.com](mailto:greensheet@greensheet.com) or call us at 800-757-4441.



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# QSGS

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

Cover Story

1

## **ISOs no longer need bank sponsorship in Europe: Are you ready to go?**

Until recently, ISOs conducting business in Europe were required to work through proprietary bank members. The Directive on Payment Services changed that for European Union countries, and this has provided the first opportunity for ISOs to become licensed as proprietary members of the card schemes – with no need for bank sponsorship.

News

26

## **InspirePay's new way to pay**

Investors and payments industry professionals are talking about InspirePay, a free software-as-a-service payment tool from Boulder, Colo.-based merchant acquirer Inspire Commerce Inc. Launched in December 2011, InspirePay reportedly enables online merchants to invoice and receive payments through any payment system the merchant chooses.

News

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## **Fitzsimmons leaves First Data for Cynergy Data**

Kimberly Fitzsimmons, the well-known President of Independent Sales for First Data Corp. Commercial Services, left First Data in January 2012 to become the new Chief Executive Officer at Cynergy Data LLC. Her mission? To grow the company.

Feature

33

## **Gift cards reinvigorate ATM channel**

ISOs invested in the ATM channel have a new service to sell: gift cards. Mesa, Ariz.-based ATM technology developer Better ATM Services Inc. said on Jan. 10, 2012, that a pilot program in collaboration with Visa Inc. was underway where three Arizona credit unions are testing the effectiveness of ATMs that dispense open-loop, Visa-branded gift cards.

News

24

## **FBI warns banks of new cyber threat**

A new year brought a new Internet security threat with it, according to recent FBI warnings. The new threat is a phishing scheme dubbed "Gameover" that attempts to get people, often in financial institutions, to open fake emails purportedly from NACHA – the Electronic Payments Association.

Feature

35

## **The slam dunk of stadium cards**

In December 2010, the San Antonio Spurs basketball franchise announced that season ticket holders would have the option of receiving tickets on closed-loop, stored-value smart cards. The cards are only good for admission to regular-season home games; fans can't also buy concessions with the cards. Why not include concession purchases, too?

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- Shawn Dillon, Director of Sales



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NY 04/16/2012-04/19/2012

View

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### Prepaid opportunities ahead

Consumer acceptance of prepaid debit cards has grown at a faster clip than any prior new payment method. Plus prepaid debit, especially open-loop, prepaid debit accounts, are vital to the ongoing success of mobile payments and efforts to mainstream unbanked and underbanked Americans. Thus the time is ripe for banks to ramp up prepaid programs.

Education

66

### You're never too small for an HR department

Entrepreneurs are typically idea people. They have the confidence to conceive of an idea, but may not have the discipline to carry it out. Investing in better technology and focusing on streamlining operations are fine. But the execution of business objectives may be missing a key component: human resources.

Education

60

Street Smarts<sup>SM</sup>:

### Hard lessons and easy pickings

Many merchant level salespeople (MLSs) say they "own their processor" when they actually mean they have created a company to work with the processor. This is one of several errors that can doom sales presentations before they even begin. This article discusses this and other pitfalls and offers advice on what to do instead to increase the chance of closing deals.

Education

68

### Durbin - the aftermath

The Durbin Amendment to the Wall Street Reform and Consumer Protection Act of 2010 created opportunities for all ISOs and MLSs, including the chance to earn greater profits, to gain more accounts by offering a discount on debit card activity and to show your current merchants that you are truly looking out for their best interests.

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Education

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### Skimming through the holiday season

The week before Dec. 25, 2011, showed the heaviest online shopping totals ever recorded. With that came a major increase in credit card skimming. Advanced technologies such as contactless payments have opened the door to new skimming strategies on the part of fraudsters. This article offers advice on how to protect sensitive data at the POS and elsewhere.

Feature

84

### The business of being social

Heads up, ISOs and MLSs. Instead of just employing social media in your business, you may need to turn your enterprise into a social business from the inside out, and this will require a cultural shift, one that transforms the way your business is structured and how colleagues and partners interact with one another, as well as with customers and prospects.

Feature

74

### Riding the POS life-cycle wave

MLSs have the unique advantage of being in the real world, forming relationships with the people who buy their companies' products and services. What can be done to leverage this position during challenging economic times? Creating sales strategies based on the age of merchants' processing equipment is a good way to start.

Inspiration

89

### Belief makes dollars and sense

There is nothing so powerful and motivating as having an emotional connection to the products you sell. When you have faith in your offerings, you're not just trying to make a buck. Instead, you truly believe your services will help merchants stay in business, make more money, and even enrich their lives beyond mere dollars and cents.

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# IndustryUpdate

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## NEWS

### Bergerons expand scholarship program

VeriFone Inc. Chief Executive Officer **Douglas G. Bergeron** and his wife, **Sandra Bergeron**, are expanding their scholarship-mentorship program to the **University of California Berkeley**. The program, first initiated at Georgia State University, aims at assisting "high-potential women" to pursue careers in science, technology, engineering and mathematics.

The UC Berkeley scholarship will go to five undergraduate women every year. Each selected student will receive scholarship money, academic support and mentoring from executive level women in their chosen fields.

There have been 25 Bergeron scholars since the program was founded in 2006. The Bergerons have committed \$1.5 million to fund this program.

### December SpendTrend released

**First Data Corp.** released a First Data SpendTrend that compares December 2011 and December 2010 data. SpendTrend tracks same-store consumer spending by credit, signature debit, PIN debit, electronic benefit card and check at U.S. merchant locations.

"Dollar volume growth on cards overall was a healthy 6.9 percent in December," First Data reported. "However, strong auto sales, driven by low interest rates, likely diverted consumer spending to car sales from other retail areas. Auto sales are not captured in SpendTrend figures."

The company noted that overall year-over-year average tickets declined 0.1 percent in December 2011 and said it was the first negative reading since January 2011. However, overall transaction growth was up 7 percent in December, and most retail merchant categories had higher sales growth in December 2011 versus November 2011.

"Consumer willingness to spend in December was based largely on the ability to find bargains, and merchants utilized steep discounting to drive traffic," said Silvio Tavares, Senior Vice President and Division Manager of First Data Global Information and Analytics Solutions, which publishes SpendTrend.

For more information, visit [www.firstdata.com/infoanalytics](http://www.firstdata.com/infoanalytics).

### Online holiday spending soars

**Chase Paymentech Solutions LLC** reported a record breaking season for the 50 leading U.S. online merchants

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- According to a **Motricity Mobile Shopping Survey** conducted by **Wakefield Research**, 70 percent of mobile shoppers made more purchases during 2011 than in 2010, and the average price for the most expensive item purchased via smart phone or tablet device was \$274.
- A **Cosmetics, Beauty Supply & Perfume Stores** report from **Research and Markets** estimated total combined annual revenue in professional beauty products, representing 13,000 stores in the United States, reached \$10 billion in 2011.
- The **American Pet Products Association** reported pet industry spending in the United States was expected to generate \$50.8 billion in 2011, up from \$48.35 billion in 2010.



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## Industry Update

participating in its **Cyber Holiday Pulse Index**. Chase found that from Nov. 1 to Dec. 31, 2011, the number of transactions was up 37 percent and sales volume rose 25 percent year-over-year.

Average sales value declined 9 percent. However, December 2011 saw a 35 percent increase in number of transactions, and sales volume was up 22 percent over December 2010.

Analyzing the payment activity for the 50 top e-commerce retailers provides valuable insight into shopping trends, the company said. Chase noted a trend toward smaller tickets during the last few years.

The company said that while some of the trend to smaller value tickets is attributable to the recession, it also believes the data demonstrates an increasing demand for digital media such as music and e-books.

Further details can be found at <http://pulse.chasepaymentech.com>.

### Thompson jumps PayPal for Yahoo!

Is **Yahoo! Inc.** getting into the payments business? That's what many payments industry people are wondering since news arrived Jan. 4, 2012, that Scott Thompson,

President of eBay Inc.'s subsidiary **PayPal Inc.**, is leaving PayPal to take over as CEO at Yahoo.

Among other things, Thompson is credited with helping PayPal transform from a payment arm for eBay sales into a leading online payment solutions provider, and most recently for guiding PayPal into its new POS retail trials. In the process, Thompson increased the number of PayPal users from 50 million to 104 million, while revenue rose from about \$1.8 billion to more than \$4 billion annually.

Yahoo does not offer a payment solution; its search engine rival, **Google Inc.**, made a major move into payments with its Google Wallet.

"Scott brings to Yahoo a proven record of building on a solid foundation of existing assets and resources to reignite innovation and drive growth, precisely the formula we need at Yahoo," said Roy Bostock, Yahoo Chairman of the Board. "His deep understanding of online businesses combined with his team building and operational capabilities will restore the energy, focus and momentum necessary to grow the core business and deliver increased value for our shareholders."

Before joining PayPal, Thompson was Executive Vice President of Technology Solutions at Inovant LLC, a Visa Inc.-owned technology company. He previously served as Chief Information Officer at Barclays Global Investors.

### Visa certifies smart phones for mobile payments

**Visa Inc.** and **Visa Europe** said near field communication (NFC)-enabled smart phones from Samsung Electronics, LG Electronics and Research In Motion Ltd. have been certified for use with Visa payWave, Visa's mobile application for POS payments. The certified devices include the Samsung Galaxy SII, LG Optimus NET NFC, BlackBerry Bold 9900 and 9790, and BlackBerry Curve 9360 and 9380.

"This is an important step for Visa, its financial institution partners and the mobile industry," said Bill Gajda, Global Head of Mobile Product for Visa Inc. "In addition to issuing plastic magnetic stripe or chip-enabled payment cards, financial institutions can now consider offering their account holders a way to transform their smart phones into fully functional mobile payment devices."

According to Visa, the certification of these smart phones paves the way for mobile device manufacturers, mobile operators and retailers to partner with financial institutions to offer Visa mobile payment functionality to consumers globally.


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## ANNOUNCEMENTS

### Apriva Wallet released

Apriva LLC, a provider of wireless transactions and information messaging solutions, released its Apriva Wallet mobile commerce platform for merchant acquirers, ISOs and other channel partners. The app can be used with either the Apple Inc. iPhone or Google Android devices.

### ATX upgrades Tabbedout

Austin, Texas-based ATX Innovation Inc.'s mobile payment solution Tabbedout now allows users to choose among discounts and specials that automatically appear in its free restaurant and bar payment app for iPhone and Android users.

### Cynergy adds Microsoft app, improves VIMAS

Payment services provider Cynergy Data LLC added a new processing platform that is compatible with smart phones using Microsoft Windows. Cynergy said that together with its partner Aircharge, a software and hardware developer for the payments industry, Cynergy offers more mobile platforms than any other payment provider.

Additionally, Cynergy introduced improvements to its online management system VIMAS. The new features include an online application with digital signature, a sophisticated merchant pricing model, customizable residual pricing and private labeling options, among other things.

The company said the new tools will help ISOs increase control, flexibility, speed and efficiency.

### Diebold shows 4G LTE-enabled ATM

Diebold Inc., which provides integrated self-service delivery and security systems and services, in collaboration with Verizon Wireless, presented its new 4G LTE-enabled ATM at the 2012 International Consumer Electronics Show held Jan. 10 to Jan. 13, 2012, in Las Vegas. Diebold said this is the first ATM to use 4G technology.

### Elavon introduces MobileMerchant

Payment company Elavon Inc., a subsidiary of U.S. Bancorp, introduced Elavon MobileMerchant, a software package that allows small businesses to accept payments anywhere on their smart phones. The solution is currently being tested in the U.K.

It will go into general release in March 2012. The software uses chip and PIN technology to encrypt card data and ensure no personal information is stored on the phone.

### EPX expands to EU

Electronic Payment Exchange (EPX), a provider of combined tokenization and end-to-end encryption payment solutions to multinational merchants, is becoming a direct merchant acquirer in the European Union. The company's initial location will be in the U.K.

EPX said it already offers payment processing services in the North American, Latin American and Caribbean regions, and it expects to begin offering payment services directly to EU merchants in the first quarter of 2012.

### Intuit taking GoPayment app, card reader global

Intuit Inc. plans to take its free GoPayment mobile credit card app and card reader hardware global.

The first implementation will be in Canada, where GoPayment will provide small businesses and others selling products or services in Canada with what the company said is an easy, affordable way to accept credit card payments on iPhone, iPad or iPod Touch devices.

Intuit will also begin shipping its free, newly designed GoPayment card reader in both the United States and Canada. This card reader is reportedly a compact,

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## IndustryUpdate

cylinder-shaped device that helps maximize sales with new features that increase the accuracy of each card swipe.

### France investing in NFC

According to **Invest in France Agency**, a French organization that promotes and facilitates investment in France, 17 French cities are in the running to participate in a €20 million (\$25.4 million) grant program from the French government targeted at speeding up the introduction of commercial near field communication (NFC) services in the country – particularly in transportation.

The grants are also expected to showcase France as one of the world leaders in NFC technology. Many of the proposals focus on supporting NFC public transportation ticketing solutions. One plan under consideration would switch the Paris transportation system to NFC ticketing. Other proposals focus on tourism and information service projects in addition to transportation.

### PXT launches smart phone payment app

**PXT Payments Inc.**'s PXT Money, a mobile payment and discount program, launched a mobile app that allows customers to instantly load money from PayPal, credit card or debit/checking accounts onto their phones.

Consumers then need only give their phone number to make a payment.

### Guess trying VeriFone GlobalBay mobile solution

Payment technology provider **VeriFone** reported that **Guess Inc.** is using the VeriFone GlobalBay solution for the iPad inside a dozen Guess stores in the United States. The clothing retailer also recently demonstrated the solution in Asia.

Guess is mounting iPad devices on rolling stands consumers can use as self-service kiosks. Shoppers can use the iPad to browse through in-store and online inventory for immediate or online purchases. After hours, the iPads can be used for training sales associates. VeriFone said the new solution offers multichannel selling opportunities that better engage customers.

## PARTNERSHIPS

### Apriva, Juniper Systems partner

Wireless transaction and mobile communications solutions provider **Apriva LLC** and hand-held computer and intuitive field computing solutions provider **Juniper Systems Inc.** said Juniper's Mesa Rugged Notepad is now fully integrated with the Apriva Authentication Suite. The package is targeted at government and enterprise customers.

### Etisalat, TechTuners team for travel

United Arab Emirates telecom services provider **Emirates Telecommunications Corp.** (Etisalat) partnered with the Dubai-based software company **TechTuners** to develop an end-to-end online and offline payment solution for the travel and tourism industry. The solution integrates Etisalat payment platforms with TechTuners travel and tourism industry software.

### Maas, Pivotal select TSYS

Transaction technology company **Maas Global Solutions Corp.** said its Paymentsite Gateway is now integrated with the **Total System Services Inc.** (TSYS) Summit platform, an in-house payment capture system. The integration will help POS devices to stop storing sensitive data and will reduce the number of compliance-related terminal downloads.

In other news, TSYS signed a payment services agreement with Melville, N.Y.-based ISO **Pivotal Payments** that designates TSYS the preferred provider of authorization, settlement and dispute resolution services for Pivotal.

### TMG, CO-OP Financial team


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## IndustryUpdate

a strategic alliance between **The Members Group Inc.** and **CO-OP Financial Services**. Terms of the agreement call for CO-OP Financial Services to make a strategic investment in TMG. Both companies will continue to offer their own branded products and will operate independently. Both companies will, however, cross-sell each other's products and services.

## ACQUISITIONS

### Kinnevik acquires Seamless shares

Swedish investment firm **Investment AB Kinnevik** acquired 2.3 million shares of the Stockholm software company **Seamless Distribution AB**, manufacturer of Mobile Money, prepaid e-Top Up and value-added services. The purchase amounts to a 9.5 percent share of the company. Kinnevik has an option to acquire another 1 million shares, an additional 3.5 percent of the company.

### VeriFone completes Point acquisition

**VeriFone** reported it recently completed the acquisition of Sweden's Point Transaction Systems AB, Northern Europe's largest provider of payment services and solutions for retailers. VeriFone paid \$1.5 billion for Point and said it intends to increase Point market

presence to where Point is the world's largest payment infrastructure for alternative payments and NFC mobile commerce.

## APPOINTMENTS

### DeSouza goes to Sequent

**Alain DeSouza** is the new Vice President of Market Development for Canada for the NFC software and services firm **Sequent Software Inc.** DeSouza joins Sequent from Research in Motion, where he was Senior Market Development Manager. DeSouza will supervise Sequent's business in Canada.

### Fiserv appoints three

Fiserv made three executive appointments in January 2012. **Shawn Donovan** was named Senior Vice President and Chief Sales Officer. Donovan comes to Fiserv from Axiom Corp., where he was Executive Vice President.

**Steve Tait** is the new Group President of International Operations. Tait was formerly Fiserv's Group President for Depository Institution Services. He joined the company in 2009. **Tom Warsop** is the new Group President for Distribution and Sales. Warsop previously helped to form Fiserv's single global sales organization.


### BlueStar taps Ferrer, Olivera

Hebron, Ky.-based technology solutions provider **BlueStar** made two appointments in January 2012. **Richard Ferrer** is the new Europe/Middle East/Africa Marketing Manager. He will oversee marketing and business development across the region. **Michele Olivera** was named Marketing Manager for Latin American Operations. She has more than 10 years' experience marketing and developing new business in the region.

### Herrmann promoted at TriSource

**Larry Herrmann** is the new Assistant Vice President of Risk and Underwriting for **TriSource Solutions LLC**, an Iowa-based merchant services provider. Herrmann worked in financial services fraud investigation for more than 31 years and is currently serving a term as Vice President of the Merchant Acquirers' Committee.

### FS-ISAC elects South

**John South**, Chief Security Officer at payment processor **Heartland Payment Systems Inc.**, was elected to the Board of Directors of the **Financial Services Information Sharing and Analysis Center (FS-ISAC)**, a forum for collaboration on critical security threats facing the financial services sector. South will serve a three-year term in which he will help oversee FS-ISAC operations and set direction for future information sharing and security initiatives that benefit the membership. 



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## Fitzsimmons leaves First Data for Cynergy Data

**I**n what she said was a surprise to many of her peers in the payments industry, Kimberly Fitzsimmons, the well-known President of Independent Sales for First Data Corp. Commercial Services, left First Data in January 2012 to become the new Chief Executive Officer at Cynergy Data LLC.

Fitzsimmons began her career in the industry in 1987 with payment processor Concord EFS Inc. She was a Senior Vice President with Concord when First Data acquired the company in 2004 and is credited with being a key in the successful integration and merger of the two companies.

"This is an interesting move," Fitzsimmons said. "After 25 years it was an emotional and very personal decision to leave, but Cynergy Data has a great foundation of people, many of whom I've known and worked with over the years."

### The mission

Fitzsimmons said her new board of directors gave her a mission when she was hired: grow the company. "This has been a solid producing company over the years," she said. "But recently it hasn't grown much. That is my challenge – growing and driving sales."

Cynergy boasts approximately 100,000 merchants in its portfolio with volume of about \$10 billion annually. Fitzsimmons said she is still in the early stages of data gathering, so it is too early to talk yet about goals during her tenure. "We have good players," she said. "We are just making sure they are in the right position. When that evaluation is through, I think we will have our short-term and long-term goals set soon after."

### Partnerships and products

Fitzsimmons said the crux of building the business is partnerships – who to partner with and how to structure deals. She said she intends to turn the company's focus to its products. "Our products are what differentiate us from the rest of the ISO models," she said. "We want to be a technology leader and use our technology not just for our clients; we may want to license our technology to others also."

Mobile commerce is a part of the industry's future, she said. "It's not a matter of if, but when," she said. "We have to be ready for mobile commerce, and we are definitely ready to be there. We have the product, and we have the tool set."

At the center of Cynergy's products is the company's

VIMAS account management system for ISOs. "VIMAS version 2 is being rolled out now," Fitzsimmons said. "I want us to have VIMAS on a regular enhancement schedule." She added that the company is testing a number of new products, but it is not quite ready to make announcements about them yet.

### The meaning of success

Fitzsimmons believes success will be measured through the company's ability to provide service and build relationships. "I am a person who values people," she said. "We value our employees here as assets. We value our customers, our ISOs and our merchants, and our relationship with them."

At First Data, Fitzsimmons helped grow sales through the referral network she set up. She plans to build a similar network for Cynergy. "We want to be working smarter, not harder," she said. "We will be setting up referral programs in multiple flavors." ■

## FBI warns banks of new cyber threat

**A** new year brought a new Internet security threat with it, according to recent FBI warnings. The new threat is a phishing scheme dubbed "Gameover" that attempts to get people, often in financial institutions, to open fake emails purportedly from NACHA – the Electronic Payments Association. Once the emails are opened and a link in the message is activated, malicious software embedded in the website attached to the link infects the recipient's computer and gives criminals access to the recipient's bank accounts.

### The virus

The FBI said Gameover is a virulent improvement on the more familiar Zeus malware that was created several years ago and targeted at banks. The Gameover phony emails tell the recipient, often a banking executive identified through social networking channels such as LinkedIn, that NACHA has found a problem with a bank account or an automated clearing house (ACH) transaction. The message contains a link that supposedly leads to a solution for the problem; the link instead leads to a bogus website where the Gameover malware is downloaded and begins accessing banking information from the computer it has infected.

It may seem natural to some banking officials to open electronic mail purportedly from NACHA because the association is in charge of developing, administering and governing the important ACH network.

When thieves gain entry to a financial institution, they



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## News

typically launch a distributed denial of service (DDoS) attack through which a legion of computers suddenly flood the bank's server with traffic that prevents legitimate users from accessing the site. Under the cloak of the DDoS attack, the criminals begin transferring money from accounts.

The FBI believes the DDoS draws attention from the money transfers and makes it impossible to reverse the transactions. Worse, the agency believes the malware has the ability to defeat several kinds of dual-factor authentication.

### The scam

The FBI said in some instances the thieves are transferring the funds to jewelry stores to pay for gems, which their agents pick up and deliver back to them for conversion to cash. Often the agents who pick up the jewels, called "money mules" by law enforcement, are not aware of the

***The FBI believes the DDoS draws attention from the money transfers and makes it impossible to reverse the transactions. Worse, the agency believes the malware has the ability to defeat several kinds of dual-factor authentication.***

criminal activity they are participating in, the FBI said. They are frequently people who work out of their homes who applied for a seemingly legitimate job through the Internet. Other victims include the merchant jewelers who, when schemes are discovered and the transactions with the jewelers are reversed or canceled, are forced to absorb the loss of the jewels, the FBI noted.

### NACHA response

In a statement issued late in 2011, NACHA said it is requesting "financial institutions, billers/merchants, and payment providers ensure that their front-line staff – those who interact with customers – understand the sustained and evolving nature of these attacks."

NACHA said the phony emails often claim to be from actual NACHA employees or departments and often include a counterfeit NACHA logo along with NACHA's mailing address and phone number. "NACHA itself does not process nor touch the ACH transactions that flow to and from organizations and financial institutions," the association stated. "NACHA does not send communications to persons or organizations about individual ACH transactions that they originate or receive."

NACHA stated it is not the only organization criminals are using as a phony front for their thefts. The association said similar phishing attacks are occurring using bogus emails supposedly sent by the Federal Reserve Bank, the

Internal Revenue Service, other federal agencies, commercial financial institutions, payment organizations, technology companies and other businesses.


NACHA urged people who suspect they have received an improper email purporting to be from NACHA to forward the message to [abuse@nacha.org](mailto:abuse@nacha.org) to help in the capture and prosecution of the thieves.

### Security

Kevin McAleavey, a researcher and developer of the KNOS secure operating system, noted in a recent blog, "Like so many other dangerous exploits and malware, once again the target is Windows-based systems that are used for Internet access as well as business use, but Gameover goes far beyond the level of mayhem commonly found in ordinary day-to-day infections and poses a particular risk to smaller operations without their own security 'geeks' at the ready. Now that the criminals have

honed their skills, they're turning to the weakest link in businesses in order to rack up their cash flows."

McAleavey and other security experts recommend using dedicated computers never used for navigating on the Internet for financial transactions, so when criminals do gain access to company computers there is no financial information to steal.

The FBI advises those who think they have been victimized by the Gameover scheme to file a complaint with the FBI's Internet Crime Complaint Center. 

## InspirePay's new way to pay

**I**nvestors and payments industry professionals are talking about InspirePay, a free software-as-a-service payment tool from Boulder, Colo.-based merchant acquirer Inspire Commerce Inc. Launched in December 2011, InspirePay reportedly enables online merchants to invoice and receive payments through any payment system the business chooses.

For instance, an online merchant can invoice a customer and, at the same time, give the customer payment options from a list that may include, but is not limited to, any credit card; the payment services of PayPal Inc. (including

***InspirePay is targeted at an audience similar to the one courted by Square Inc. – the micro-entrepreneur, the small new business, people doing consulting work and similar micro-businesses.***

PayPal), Dwolla Corp. and Stripe Inc.; or the open source currency Bitcoin.

### **What it is**

InspirePay is targeted at an audience similar to the one courted by Square Inc. – the micro-entrepreneur, the small new business, people doing consulting work and similar micro-businesses. According to Inspire Commerce, InspirePay is a free, secure, professional payment system for small online businesses that is also being used for peer-to-peer payments.

Mark Fischer, Inspire Commerce Chief Executive Officer, said Inspire Commerce is a certified B corporation, which means the company's goal is not only to benefit clients and stockholders, but also to benefit the community in which it resides.

He noted that Inspire Commerce developed its business with a "boutique group of loyal merchants" who often share the company's interest in helping the local community and that the company returns 10 percent of its revenue stream to nonprofits chosen by merchants through its For Benefit Merchant Program.

### **The idea**

Fischer said InspirePay was developed when he grew tired of having to turn people away because their business was just not ready for merchant acquirer services. He found he was often referring people to PayPal as a solution when he knew the PayPal system probably would not be the best option for that business. Still, Fisher was also aware the PayPal option is an important one for online businesses – a lot of online payments are made with PayPal, and businesses that have PayPal as an online option see an average 19 percent growth.

Fischer also believed entrepreneurs and professional service providers want a professional payment site dedicated to their business. "We saw a need to integrate all these different payment methods into one simple, intuitive user experience," he said.

### **Options**

So three years ago Inspire Commerce started building the software and opening it to selected merchant accounts. The system the company built was designed to be easy to set up; it gives merchants a customized payment page with logo, phone number, address and the ability to connect to the payment options a given merchant selects. And

when a merchant wants to add another payment option, he or she can easily add it to the application.

"If I send you a payment request, then you (the one paying) should have options for how you want to pay me," Fischer posted in a blog. "I'm not saying the system should allow you to pay me in every single way. If I – as the person requesting payment – don't like AmEx, then I shouldn't have to offer AmEx. But I should be able to offer it if I want to (and I do)."

Subsequently, Fisher told *The Green Sheet*, "This gives the micro-merchant a sandbox to play in to develop their business. We can monitor the account through our platform, and when the merchant is ready for a merchant account, we'll feel good about selling those services to them. We're a B corporation; we don't want to sign anyone until we know we can benefit them."



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## Monetization

According to Fischer, the trial model made money for the company. However, he said the public product launch "is not about monetization right now; it's about building a kick-ass product." He added that eventually the company will offer premium InspirePay products, which should increase revenue. Fischer also noted that in the short time since InspirePay's public launch, the company has already had acquisition inquiries, and users, merchant accounts and money transfers are rapidly increasing. ■

## Fiserv sues FIS over alleged patent infringement

**F**iserv Inc. subsidiaries CheckFree Corp. and CashEdge Inc. filed a patent infringement suit against Metavante Corp. and Fidelity National Information Services Inc. (FIS) on Jan. 5, 2012, in the U.S. District Court for the Middle District of Florida. The suit alleges Metavante and FIS are violating CheckFree and CashEdge patents on technology having to do with electronic bill payment and presentment and account-to-account transfers.

### The patents

The complaint alleges three specific infringements of patented technologies, though Fiserv said it may add additional patent infringement claims after discovery into the defendants' systems and services. The three patented technologies now at issue are the:

- CheckFree Dynamic Biller List Generation (U.S. Patent No. 7,792,749 or the '749 Patent)
- CheckFree Systems and Methods for Risk Based Determination of a Form for Crediting a Payee on Behalf of a Payer (the '524 Patent)
- CashEdge Method and Apparatus for Managing Multiple Accounts (the '223 Patent)

The complaint alleges, "Instead of competing fairly, however, defendants are exploiting the innovative technologies that CheckFree and CashEdge have worked hard to develop and protect through patents. For example, defendants have infringed, and continue to infringe, the '749 Patent, the '524 Patent and the '223 Patent by providing customers financial and payment solutions that process payment instructions, provide electronic biller notification, and/or process account-to-account funds transfer transactions."

### Relief requested

Fiserv asked the court for a jury trial if any issues go to trial. It also asked the court for a judgment that the

patents were infringed by the defendants; a permanent injunction prohibiting further patent infringement; an order requiring FIS and Metavante to pay damages, costs expenses, and interest; and an order awarding CheckFree and CashEdge attorney fees.

Fiserv issued a statement that said, "Fiserv is a leader in providing innovative and complex technology solutions and has devoted significant resources developing and maintaining an extensive intellectual property portfolio. These valuable assets, and the patent protection Fiserv has been granted, enable Fiserv to create and deliver cutting-edge technologies that meet evolving market needs. We have a responsibility to protect our intellectual property from further infringement and exploitation."

Fiserv acquired CheckFree in 2007 and CashEdge in 2011. The complaint noted that when Fiserv purchased CheckFree, the company had 4,000 associates and its products were used to process more than 75 percent of the automated clearing house transactions in the United States. When Fiserv bought CashEdge, the company serviced more than 500 financial institution clients and employed more than 300 people worldwide. In 2009, CashEdge processed almost \$50 billion in online funds transfers.

FIS did not respond to a request for comment. ■



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# Trade Association News

## ETA CPP test results revealed

**T**est results from the Electronic Transactions Association's first Certified Payments Professional (CPP) examination are in, and they are posted at [www.electran.org/cpp](http://www.electran.org/cpp). Thomas Goldsmith, ETA Director of Communications and Public Relations, confirmed 221 applicants took the exam and approximately 81 percent passed - about what was expected by the testing professionals hired by the ETA.

The ETA is reviewing the testing and preparing to administer its second CPP exam in May 2012. The application deadline for the May testing is April 1, 2012. The tests are given at testing centers around the country.

Goldsmith said the CPP credential certifies that an individual has the knowledge and skills needed in today's complex electronic payments industry. Test applicants are asked to demonstrate their knowledge of sales, pricing and interchange; business processes, operations and work flow; products and solutions; and risk, regulatory compliance and security.

Next, the ETA will launch its first ever CPP promotion to retailers. "We have hired a public relations firm to reach out to merchants with the intention of keeping certified payment professionals at the forefront of the retailers' attention," Goldman said. "Retailers will be able to verify the salesperson they are talking with is a CPP, or they will be able to find one in their area who is." ■

## ETA board updates

**E**TA members elected three new board members and reelected two current members, according to the organization's interim Chief Executive Officer, Pamela Furneaux. Chuck Harris, President of NetSpend Corp., Mike Passilla, President and CEO of Elavon Inc., and Chris Hysten, General Manager and Vice President for Intuit Inc., were elected to their first two-year term on the ETA's board. Gregory Cohen, President of Moneris Solutions, and Jeff Rosenblatt, President of EVO Merchant Services, were each reelected to an additional two-year term.

Eddie Myers, President and Chief Operating Officer of Payment Processing Inc., ascended from the role of President-elect to ETA President as of Jan. 1, 2012. And the ETA board elected the following officers: Roy Banks, CEO, Accelerated Payment Technologies, as President-elect for 2012; Kim Fitzsimmons, Senior Vice President, First Data Services, Treasurer; and Debra Rossi, Executive Vice President, Wells Fargo Bank, Secretary. Rick Pylant,

Chairman and CEO, Strategic Payment Systems Inc., remains on the board as immediate past President. ■

## EastPay conference speakers

**E**astPay, which represents 800 financial institutions and businesses in the southeastern United States, selected the keynote speakers for its Information Interchange 2012 conference to be held Feb. 26 to 28, 2012, at the Wyndham Orlando Resort in Orlando, Fla.

This year's conference will focus on the latest developments in electronic payments. Keynote speakers are Jan Estep, President and CEO of NACHA – The Electronic Payments Association; Cheryl Venable, Senior Vice President of the Federal Reserve Bank of Atlanta; and Rich Oliver, former Executive Vice President and Director of the Retail Payments Risk Forum at the Federal Reserve Bank of Atlanta. For registration or more information, please go to [www.informationinterchange.org](http://www.informationinterchange.org). ■



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# Selling Prepaid



## Prepaid in brief

### NEWS

#### CFPB outlines Nonbank Supervision Program

The Jan. 4, 2012, appointment of former Ohio Attorney General Richard Cordray to the position of director of the newly created **Consumer Financial Protection Bureau** raises the issue of what regulatory power the agency will wield over the prepaid card industry.

A glimpse of what is to come is contained in a Jan. 5, 2012, CFPB blog post that announced the CFPB's Nonbank Supervision Program. The program will "assess whether nonbanks are conducting their businesses in compliance with federal consumer financial laws, such as the Truth in Lending Act and the Equal Credit Opportunity Act."

The CFPB will review nonbanks' business practices, including consumer directed marketing materials, program details, and compliance systems and procedures. It will require nonbanks to file reports when requested and will generally notify a nonbank in advance of an upcoming inspection, according to the blog.

The CFPB was mandated in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The law calls for a single director to head the agency. But Republican members of Congress, concerned about the extent of that director's powers, have pushed for a restructuring of the CFPB so that it is led by a five-member board.

#### Gift cards leveraged for 're-commerce'

With a lackluster economy and consumers intent on stretching funds as far as possible, businesses like **Amazon.com Inc.** have launched "re-commerce" programs that offer prepaid gift cards to consumers who trade in used gadgets such as old tablet computers and outdated cell phones.

Amazon's Electronics Trade-In Store, launched in May 2011, allows consumers to search a list of items the online retailer accepts for trade in. If products are

eligible, customers follow prompts and print out shipping labels to mail items free of charge to Amazon.

After Amazon receives and inspects products, Amazon.com Gift Cards that reflect the trade-in value of items are deposited electronically into customers' accounts. The virtual gift cards can then be used for purchases on the website. Amazon gift cards are issued by ACI Gift Cards Inc., a company headquartered in Washington state.

#### CAT appeals patent invalidation

Chicago-based gift card processing technology provider **Card Activation Technologies Inc.** filed a legal brief in the United States Court of Appeals for the Federal Circuit in response to a July 2011 ruling by the Federal District Court for the District of Delaware that invalidated CAT's patent claim. CAT said retailers, gas stations, phone companies and other businesses that utilize stored-value cards, such as gift cards, infringe its patent.

### ANNOUNCEMENTS

#### Guitar Center strums Blackhawk's tune

Safeway Inc. subsidiary **Blackhawk Network** is integrating gift card malls into over 200 Guitar Center Inc. stores nationally. Additionally, Guitar Center-branded gift cards will be available throughout Blackhawk's gift card mall network beginning March 2012.

#### CouponTrade hosts drive for unwanted gift cards

Online gift card exchange **CouponTrade.com** is hosting "Sell Your Gift Card Month" through the end of January 2012. The company said nearly \$20 billion worth of gift cards goes unused each year, amounting to \$65 million per day.

#### Exchange reports 93 percent return for unused cards

Sacramento, Calif.-based gift card exchange **GiftCardBin.com** developed a process that pays up to 93 percent of the value on particular unused gift cards. GiftCardBin said it upgraded its website to make the gift card exchange process more accessible and secure.

#### InteliSpend unveils new corporate card

**InteliSpend Prepaid Solutions LLC** said its new

Expense Visa Prepaid Card is designed to improve corporate spending management and streamline business expense administration. IntelliSpend cited an Aberdeen Group study that reported expense management automation showed a 63 percent cost reduction rate and a 42 percent higher travel policy compliance rate.

### Plastyc experiences big jump in signups

Plastyc Inc. reported a 93 percent increase in new signups in Houston in November 2011 compared to the same period last year. The increase coincided with a two-month marketing campaign in Houston that featured Plastyc's UPside Visa prepaid card.

### PrepaYd Wireless challenges Verizon fee plan

In response to Verizon Wireless's proposal (subsequently withdrawn) to charge users \$2 to pay phone bills with credit cards, PrepaYd Inc. subsidiary and telecommunications provider **PrepaYd Wireless Inc.** said its "Y Pay More" no-contract prepaid calling plan offers fee-free payment options.

### SCL meets PCI standards

U.K.-based **Stanton Consultancy Ltd.** achieved Payment Card Industry Data Security Standard Level 1 Service Provider certification. SCL, which received its assessment from qualified security assessor Blackfoot (UK) Ltd., said it has issued over 30 million prepaid cards on its UltraPoS platform.

### Transaction Wireless provides e-gifting for burger chain

Hamburger chain operator Red Robin International Inc. chose digital gift card solution company **Transaction Wireless** to power its business-to-consumer and business-to-business gift card programs.

## PARTNERSHIPS


### Prepay Nation expands to Afghanistan

Mobile money transfer firm **Prepay Nation** allied with the Afghanistan division of telecommunication provider **Etisalat** to allow mobile phone users in the United States, Canada and Europe to send small-dollar money transfers to recipients in Afghanistan. Etisalat said it provides voice and data services in 31 Afghani provinces and 196 districts, with more than 12,000 retail outlets.

## APPOINTMENTS

### IntelliSpend VP named to IRF board

**Matthew S. Harris**, Vice President of Marketing at IntelliSpend Prepaid Solutions, will serve as the 2012

Chairman of the Board at the Incentive Research Foundation. The IRF conducts research to promote and advance the business use of incentive applications to reward employees. 



## Features

## Gift cards reinvigorate ATM channel

**I**SOs invested in the ATM channel have a new service to sell: gift cards. Mesa, Ariz.-based ATM technology developer Better ATM Services Inc. said on Jan. 10, 2012, that a pilot program in collaboration with Visa Inc. was underway where three Arizona credit unions are testing the effectiveness of ATMs that dispense open-loop, Visa-branded gift cards.

The news followed a November 2011 announcement that Better ATM Services partnered with ATM manufacturer Triton Systems to offer closed-loop gift cards via Triton's network of off-premise ATMs.

Better ATM Services' technology integrates into new and existing Triton ATM models allowing gift cards to be dispensed via cash trays. Now with the Visa pilot, ATMs can also dispense open-loop gift cards (used wherever Visa is accepted), as well as closed-loop, retailer-specific gift cards.

The new ATM functionality means ISOs have a "whole new value-add to bring to each of their locations," said Todd Nuttall, Chief Executive Officer at Better ATM Services. Additionally, gift card-enabled ATMs make merchants "stickier."

"Today ISOs have seen a lot of their money, their profit, come down, because all it takes for them to lose revenue is another ISO to come in and offer that store location five cents a transaction less to steal the location," Nuttall said.

"With our technology, you move into a store and you go ahead and add gift cards to that [store's] ATM. And maybe you do it for free. But now you've made it sticky to where it's very difficult for another ISO to come in and just bid a few cents less and take over the business."

Nuttall noted that gift card-configured ATMs can dispense other types of prepaid cards as well, depending on the needs of merchants' clientele. For example, international phone cards can be offered through ATMs for

## Selling Prepaid

merchants that service immigrant communities, or transit cards for businesses near mass transit facilities.

### The 'sleeping giant' of incentives

Nuttall said the gift cards dispensed via ATMs are made of polyester as opposed to plastic and are thinner than standard payment cards. Also, the cards are dispensed as "sheets" of three different "panels" – each sheet being a little larger than a \$20 bill.

Users snap off the gift card (the first panel) from the middle panel (containing customer service information) and the third panel (containing incentives and promotional offers).

Nuttall called the incentive/promotional panel the "sleeping giant" of the scheme. Research conducted by Better ATM Services showed customers first examined the third panel to see what offers they were receiving, such as a free tire repair promotion or \$25 in free meals at a local eatery. "It's amazing what you can put on it as part of promotions that guide people on how they use that money," he said.

### Bridging payment gaps

Nuttall likens Better ATM Services to gift card mall innovator Blackhawk Network; the ATM technology pro-

vider is basically doing with ATMs what Blackhawk did with retailers – opening up a new channel for the sale of gift cards.

Nuttall said the U.S. ATM industry has reached a saturation point, with machines blanketing the country and already positioned in the most desirable locations. "What we hope to bring is a new set of revenues that actually allows it to continue to expand, [where] more locations are more profitable, even more convenient to customers," he added.

Nuttall also believes banks and the card brands can be winners, too. By not providing prepaid cards themselves, banks taught customers to go elsewhere to purchase the products, he said; by making buying prepaid cards at ATMs as convenient as withdrawing cash, banks can recapture some of that lost business.

As for the card brands, their overarching goal is to displace cash, Nuttall said. "Where is cash born?" he asked. "Cash is born in the ATM ... and if there's anything you can do to give more value to people to put it on a card right from the ATM, now every transaction that they do from that point on is on your program. So, for them, this represents a pretty substantial incremental distribution channel and usage channel." 🌐

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## The slam dunk of stadium cards

By David Parker

Polymath Consulting

**E**ven at the beginning of 2012, when sports franchises and stadiums worldwide are upgrading systems to allow for digital access, they still sometimes believe that adding in fully integrated electronic payment systems in the first stage is just one step too many.

Case in point is the San Antonio Spurs. In December 2010, the National Basketball Association franchise announced that season ticketholders would have the option of receiving tickets on closed-loop, stored-value smart cards. The cards are only good for admission to regular-season home games; fans can't also buy concessions with the cards.

A report in the *SportsBusiness Journal* said the smart card implementation – part of the Spurs' three-year plan to move to a cashless ticketing system – is expected to save the Spurs \$50,000 a year in overhead costs that would have otherwise been allocated to paper ticket issuing and processing. Given the research on how cashless payment systems substantially increase sales at sports venues, one would hope the Spurs' three-year plan includes a system that integrates ticketing with concessions.

### Give and go

In June 2011, I wrote about the rise of prepaid card installations to render stadiums "cashless" (for more information, see "Prepaid scores in stadiums internationally," by David Parker, *SellingPrepaid E-Magazine*, June 16, 2011, issue 11:06:A). The article highlighted Polymath Consulting research published in *The Cashless Stadium/Events: Is there a move from closed to open loop?*

Polymath updated the report in October 2011 because the pace of this transition has increased in Europe. New stadiums across the continent are going live with open-loop, network-branded prepaid payment solutions – and even extending these capabilities to speedway stadiums (for motorcycle racing), such as the one instituted by Bank Zachodni WBK S.A. in Poznań, Poland.

The bank also launched a football stadium card that has already been adopted by five football (soccer) clubs in Poland's premier league. Most of these cards have similar features:

- Season ticketing
- Picture ID

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## Selling Prepaid

- Chip-enabled, contactless payment functionality to drive transaction speed at half-time/breaks
- Parking or mass transit payment capability

The use of prepaid cards has not been limited to stadiums. At the Isle of Wight Music Festival held in June 2011, MasterCard Worldwide ran a trial where it issued prepaid wristbands enabled with contactless PayPass technology.

The wristbands, which provided event access and payment functionality for VIPs, were preloaded with 30 British pounds and could be used to purchase food and drink with a tap of the wrist at the POS. Festival-goers were then

quizzed on the experience. Among the findings were:

- 96 percent said the wristbands were quicker than paying with cash or cards.
- 98 percent said they were easier to use than credit/debit cards.
- 100 percent said they wanted to use the PayPass prepaid wristbands again.

### Catch and shoot

A similar, closed-loop payment system was used at four major Hungarian festivals – Budai Gourmet, VOLT festival, Heineken Balaton Sound and Sziget festival. Event organizer Sziget Ltd. banned the use of cash at the festivals and made the contactless prepaid solution of Budapest, Hungary's Metapay the official currency.

Again, follow-up research found that 96 percent of festival visitors and 87 percent of festival merchants were happy with the prepaid card system. The merchant research is particularly important as the lack of merchant desire/demand is sometimes cited as a reason for not implementing these types of programs. Whether the solution is open- or closed-loop, experience has shown that giving users a quicker, easier way to spend money at festivals and stadiums will result in them spending anywhere from 30 to 70 percent more.

Major challenges arise when implementing cashless payment solutions at stadiums and festival venues, not the least of which is putting in place the required payment acceptance points at all relevant locations and ensuring that even mobile vendors can accept such payments. However, the business case for increased revenue and customer satisfaction is unarguable. To turn a basketball phrase, it's a slam dunk. 🏀

*David Parker is Founder and Chief Executive Officer at U.K.-based, international consulting and research firm Polymath Consulting Ltd. Along with providing expertise to organizations across the cards and payments industry, with a special emphasis on prepaid cards, the consultancy also publishes the Prepaid Report. He can be reached at davidparker@polymathconsulting.com.*

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Insider's report on payments**Prepaid opportunities ahead****By Patti Murphy***ProScribes Inc.*

**S**ome analysts believe the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 will thwart growth in prepaid debit cards. I'm not convinced. From my vantage point, it looks like a good time for banks in particular to ramp up prepaid programs.

And I'm not alone. I suspect Green Dot Corp. saw the writing on the wall last year as it awaited Federal Reserve Board approval of its bid to acquire a small Utah bank through which it now issues prepaid cards.

Granted, prepaid cards have received some bad press. But consumer acceptance of prepaid debit cards has grown at a faster clip than any prior new payment method. Plus prepaid debit, especially open-loop, prepaid debit accounts, are vital to the ongoing success of mobile payments and efforts to mainstream financially underserved (unbanked and underbanked) Americans.

Even the upscale American Express Co. has invested in the prepaid market. Last year AmEx introduced Serve, a platform that supports various prepaid applications, including e-commerce. The new prepaid platform is based on technology AmEx inherited with its 2010 purchase of Revolution Money Inc., a person-to-person payment platform. This year AmEx plans to rev up Serve by getting wireless companies to preload it as a payment application on mobile devices.

AmEx also offers a co-branded prepaid card with the retailing chain Target Corp. that incorporates features popularized with its credit cards (like purchase protection and roadside assistance), and it has been selling gift cards at U.S. Postal Service locations.

**Prepaid under scrutiny**

The Boston-based consultancy Mercator Advisory Group expects prepaid card sales to top \$522 billion in 2012 and \$683 billion in 2014, with sales of general purpose (open-loop) prepaid cards inching out closed-loop card sales for the first time in 2014. "[T]he prepaid market continues to have strong growth despite the economic turmoil and increased legislative and regulatory action," Mercator said in announcing its *Eighth Annual Prepaid Market Forecast*.

But Tim Sloane, Director of Mercator's Prepaid Advisory Services, cautioned that rapid growth in prepaid debit could be stymied by regulatory factors. "The future for prepaid is extremely foggy, given the uncertainties associated with the economy and how the industry will address

the challenges imposed by the Federal Reserve, FinCEN and OCC," he said.

The Financial Crimes Enforcement Network (FinCEN), which operates out of the U.S. Treasury Department, issued rules last year requiring nonbank providers of prepaid cards to follow the same "know your customer" requirements imposed on banks by the Bank Secrecy Act.

The Office of the Comptroller of the Currency is a Treasury Department agency that charters and regulates commercial banks. Last June, the OCC issued a regulatory bulletin advising banks that its examiners are looking closely at prepaid debit card programs with a special focus on how banks manage risks associated with these programs.

**The Boston-based consultancy Mercator Advisory Group expects prepaid card sales to top \$522 billion in 2012 and \$683 billion in 2014**

**Regulating prepaid**

Prepaid debit cards are exempt from the interchange rules imposed under the Durbin Amendment, but only temporarily; the exemption expires on July 21, 2012, for any prepaid debit card program that permits overdraft and monthly ATM access fees. Congress carved out the temporary exemption to coax prepaid card issuers to eliminate these fees. And there's evidence that such a trend is underway.

Congress also included language in the Dodd-Frank Act establishing a regulatory framework for prepaid debit cards. It created the Consumer Financial Protection Bureau to oversee compliance with consumer protection laws by nonbank providers of financial services. And in a public statement, the CFPB said it was closely monitoring six areas of services provided by nonbanks, including prepaid debit cards. "These are important markets," said Bureau Director Richard Cordray.

Cordray was appointed to the post by President Obama during the recent congressional holiday recess in an end-run around Senate Republicans who had been holding up a vote affirming the selection of Cordray for the post.

Some members of Congress threatened to challenge the legality of the so-called recess appointment of Cordray. It

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## View

doesn't hold up as a serious strategy, though, since presidents (Democrats and Republicans alike) have been making recess appointments for as long as I can remember, and I don't recall any that ended up in litigation.

Politics aside, prepaid debit cards are debit cards, and all issuers should be held accountable to the Electronic Fund Transfer Act and Federal Reserve Regulation E. That's not the case today; nonbanks like Wal-Mart Stores Inc. and NetSpend Corp. can take a pass on the rules. That means their customers are not guaranteed the same protections as folks who purchase bank-branded prepaid cards. It is true that some nonbanks are trying to leverage consumer protection features to competitive advantage, but no one is holding their feet to the fire.

### Burdens on prepaid

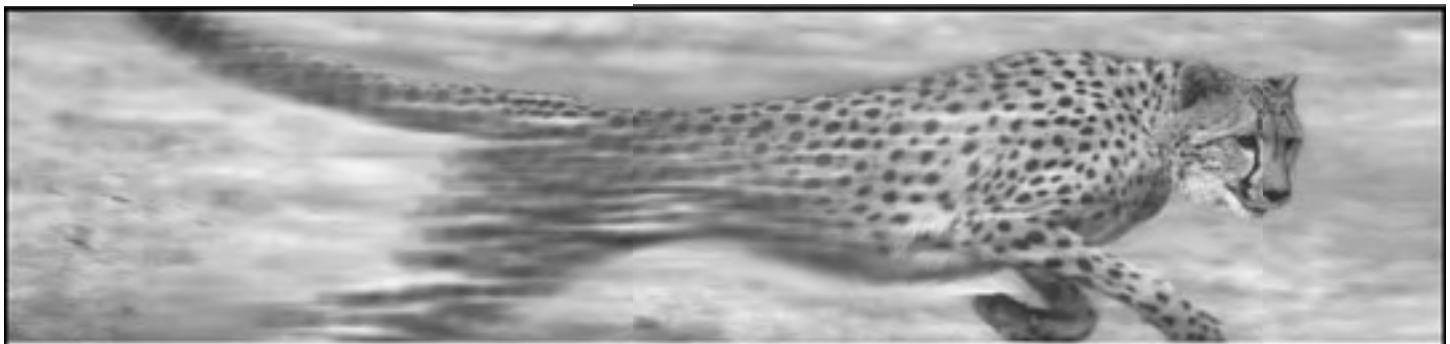
Regulatory compliance is no minor consideration for banks, and it doesn't come cheap. Federal bank examiners pour over their books regularly and grade them on compliance with consumer protection rules, including Reg E. Just over 77 percent of bankers surveyed in 2011 by the Independent Community Bankers Association of America ranked the cost of complying with new regulations (such as debit interchange rules) as one of the top three threats to their payment strategies; 26 percent said it was the single greatest threat.

Ensuring that nonbanks cashing in on the popularity of prepaid debit cards are put through the same regulatory rigors as banks should make for fairer competition. Just in case the CFPB doesn't get around to the task, a trio of U.S. senators introduced a bill which, if enacted, would extend Reg E protections to all open-loop prepaid debit card programs.

The Prepaid Consumer Protection Act (S 2030) calls for full disclosure of consumer fees when cards are purchased, limits on the types of fees that can be imposed (for example, overdraft charges), Federal Deposit Insurance Corp. coverage to protect customer deposits should a prepaid company go bust and CFPB oversight of prepaid card issuers.

It was introduced by Senators Robert Menendez, D-N.J., Jeff Merkley, R-Oreg., and Richard Durbin, D-Ill., author of the controversial Durbin Amendment. S 2030 closely follows policy recommendations put forth in July 2011 by the Center for Financial Services Innovation, a Chicago-based think tank that focuses on strategies for banking the unbanked. ■

*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](mailto:patti@greensheet.com).*



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## Pillars of payments

# An interview with Kevin Smith

By Ken Musante

*Eureka Payments LLC*

**K**evin Smith became Chief Executive Officer of LiteBox Merchant Services in November 2011. A division of LiteBox Group, LiteBox Merchant Services develops software and solutions to help non-profit businesses increase donor contributions through marketing and donor information management.

### Q. How did you get started in payments?

- A.** I got started in the payments industry from an advertisement in my local newspaper. The ad was for data entry for Bancard Systems, an ISO owned by Steve Dunn and Mike McCormack. I did this so I could continue my computer science degree at National University in Orange County at night while I worked during the day.

I worked for Bancard Systems for eight years until they were acquired by PMT in 1998. At that time, I was the Operations Director. I resigned in order to accept a position with Concord EFS, in the Bypass division. The job was a client relations type job, and I was instrumental in starting and building their ISO channel. ... At the time of my departure, I was Senior Vice President of the ISO channel. I was also the General Manager for Concord Payment Systems, which comprised the underwriting, risk, customer service and operations divisions for the ISO business.

We built the ISO business from scratch and added to it operationally with the acquisition of Larry Stone's business, Card Payment Systems. This was a very fast-moving, innovative business and is the type of project I enjoy and thrive in.

### Q. What is the goal of LiteBox Merchant Services?

- A.** Our goal is to increase the likelihood of repetitive donations with outbound, proactive marketing strategies formulated with customized donor-specific data. LiteBox Merchant Services is being built to provide merchant services to those entities serviced by LiteBox Group. Current LiteBox customers include the U.S. Chamber of Commerce, National Republican Senatorial Campaign Committee, Magic Johnson Foundation and the Latino Coalition.

The reason I accepted this job is that I am very challenged by the opportunity to build organizations from the ground up, and this also afforded the opportunity to work again with Steve Dunn, whom I hold in high regard. This is a great opportunity because LiteBox Group is not currently providing payments to their clients, and the nonprofit sector remains wide open.

### Q. What's it like to lead a public company as opposed to a private company?

- A.** In May of 2004, when I arrived at Pipeline Data, it was a fantastic time

to work for a public company because we had ample access to capital, allowing us to grow exponentially through acquisitions. The flip side is our numbers were heavily scrutinized (and publicly available) because we were required to publish our results quarterly.

When you are public, your performance is questioned by investors every quarter. Once we started our prolific growth, we were expected (by investors) to maintain it. In 2008, when the economy slowed, we were unable to maintain our growth through acquisition due to the restriction of available capital resulting from the economic downturn. This forced a transition to an organic growth strategy, which was facilitated by an investment and acquisition in February of 2009 by the Comvest Group.

This was effectively a complete recapitalization of the company. I was asked to stay on as Chief Operating Officer. Eight months later we acquired Cynergy Data out of bankruptcy. At that time I was tasked with integration of Cynergy Data and Pipeline and handled both the Chief Operating Officer and Executive Vice President of Sales positions throughout the integration.

When the integration was complete in March of 2010, I surrendered the operations role so I could concentrate on building sales. I continued there until the second quarter of 2011. During that time frame we grew sales over 160 percent and reinstalled the Cynergy brand as a leader in the ISO community.

**Q. How is your company owned today?**

**A.** LiteBox Merchant Services is a private company owned by six individuals. Although the headquarters for our parent organization is in Los Angeles, LiteBox Merchant Services will build our operations center in Alpharetta, Ga., as costs are lower and we have access to talent within the acquiring space.

**Q. What is the most difficult aspect or threat to your business and our industry?**

**A.** LiteBox works with some major nonprofit organizations, and it is critical to me that implementing payment processing for these businesses is seamless, flawless and above expectation. We have to marry the right processor with the right bank and the right underwriting criteria. I believe the relationship between the acquirer and the ISO is the single most important relationship in our business. The acquiring organization can make or break any ISO.

The biggest threat to the industry is the increased interference of the federal government and increased regulations. I feel we are just now seeing the tip of the iceberg. We have seen governmental meddling without an understanding of our business, and that is having severe ramifications. It's not that regulation is always bad, but it is not being thought out correctly.

**Q. What is your company's greatest competitive advantage and why?**

**A.** LiteBox Merchant Services' greatest advantage is our technology within the nonprofit space, along with customized statements, billing, convenience fees and integration that will allow us to differentiate from competitors. We want to leverage our large clients and build our own processing platform over time for specific and large niche markets within the nonprofit space.


**Q. What is your biggest failure and what did you learn from it?**

**A.** My first risk loss was not my biggest failure but it was the most memorable. I lost \$1,500 at Bancard Systems from a merchant who processed decreasing authorizations until they obtained an authorization that was approved. From that I learned the extent individuals would go to manipulate systems in order to defraud us. I've carried that lesson with me ever since.

**Q. How will the Durbin Amendment impact your company and our industry?**

**A.** It is still too early to tell. We are still learning ramifications and are implementing based on what we are looking at. The impact on operations and costs is still being estimated, so folks are still now processing data. It will change sales strategies for the good and bad. There will always be folks over-representing the benefits, but it will allow people other ways to represent their product.

I first met Kevin while he was at Pipeline Data Inc., before the recapitalization. I was fascinated to learn the details and journey his career has taken. I admire how he made his positions more than they were initially and how he climbed the ranks within the industry.

I especially appreciated his perspective on the differences between working for a publicly owned and privately owned company, as well his view on the threats to our industry. 

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# Meet The Expert



**Alan Kleinman**  
Principal and cofounder of  
Meritus Payment Solutions

**A**lan Kleinman, Principal and cofounder of Meritus Payment Solutions, said he entered the payments industry "randomly." As a venture capitalist in the health care sector, he was exposed to the payment collection struggles of health care providers.

Then he helped structure an investment into an ISO and saw the opportunity to provide better payment processes based on technology and customer service.

With business partner Hiep Tran, Kleinman founded Meritus in 2008 and went operational in January 2009. Ironically, Meritus doesn't have a big footprint in health care. Instead, its portfolio breaks down to 55 percent card-not-present merchant accounts and the remainder brick-and-mortar retailers, Kleinman said.

The company's primary sales channel is its stable of several hundred ISO partners across the country. "We don't look at it as an owner-agent relationship," Kleinman said. "We look at it as a partner relationship. I'm a firm believer that they are partners. ... They're just an extension of us."

Most ISO partners write five to 20 deals a month, according to Kleinman. They sell Meritus services under a non-exclusive agreement and thus have the choice to work with other service providers. It's that competition for sales agents that keeps Meritus attentive.

"I see a lot of opportunity because some people are not taking care of their sales forces out there," he said. "And I'm a big believer that you have to. That's paramount."

## Discipline creates freedom

When Kleinman and Tran started Meritus, they realized success rested on their ability to target vertical markets and develop solutions designed specifically for businesses in those markets. "We spent eight, nine months of building software before we ran our first transaction," Kleinman said.

Meritus is therefore a technology-driven ISO. Kleinman points to its internal merchant management system, called Zeus, as a hallmark of that focus. Zeus tracks Meritus' enterprise-wide network of resellers, from sales leads generated by agents to risk management of merchants.

"What [Zeus] does is it makes sure we have a very smooth operation," Kleinman said. "We wanted to be able to compete with anyone in the business. And to be able to do that we had to be 24/7 when we ran our first merchant. We had to be scalable. We had to have an experienced team. We had all those things in place day-one."

A mentor imparted to Kleinman a phrase he often repeats: discipline creates freedom. It's not just a catchphrase for Kleinman, but a business philosophy. Meritus displays discipline in how it recognizes the needs of merchants, as well as in its technology, Kleinman said.

"We're really identifying what are the merchant's needs and how do we improve [their] productivity and profitability," he noted. "It always goes back to that. And if we're able to do that, we are providing a solution that others aren't doing and that's our advantage." ■

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LINE ITEMS	Difference	Advantage	9/11 Items	Processor "A"	SignaPay
<b>ITEM FEES</b>					
Authorization	(\$0.0105)	Processor "A"		(\$516.24)	(\$787.27)
Capture	\$0.004	✓ SignaPay		(\$449.34)	(\$391.56)
Settlement	(\$0.003)	Processor "A"		(\$366.54)	(\$431.85)
Non Bankcard Trx Fee	\$0.0595	✓ SignaPay		(\$88.20)	(\$298.9)
Statement Fee	\$3.75	✓ SignaPay		(\$2,427.25)	(\$51.00)
Debit Trx Fee	\$0.09	✓ SignaPay		(\$1,643.60)	(\$587.00)
Monthly Minimum	\$10.00	✓ SignaPay		-	-
Debit Access Fee	\$0.00	✓ SignaPay		\$0.00	\$0.10
Batch Fee	\$0.12	✓ SignaPay		(\$1,094.55)	(\$211.91)
Voice Auth	(\$0.05)	Processor "A"		-	-
Voice Auth w/ AVS	\$1.05	✓ SignaPay		-	-
EBT	\$0.04	✓ SignaPay		-	-
AVS	(\$0.01)	Processor "A"		\$0.00	(\$872)
Network Residency Fee	\$3.75	✓ SignaPay		(\$1,916.25)	\$0.10
Chargeback Fee	\$0.00	✓ SignaPay		-	-
Retrieval Request Fee	\$0.00	✓ SignaPay		-	-
Annual Postage & Handling Fee	\$14.00	✓ SignaPay		(\$596.17)	\$0.10
Merchant Club	\$4.50	✓ SignaPay		(\$2,299.50)	\$0.10
<b>BANK FEES</b>					
	Difference	Advantage SignaPay		Processor "A"	SignaPay
Bank BIN Sponsorship/No Risk	2.5bps (0.025%)	✓		(\$638.52)	(\$28.79)
Risk Monitoring	0.5bps (0.05%)	✓		(\$70.95)	\$0.00
			<b>TOTAL</b>	<b>(\$12,215.10)</b>	<b>(\$3,288.18)</b>
<b>SEPTEMBER REVENUE/RESIDUALS</b>					
			Revenue Above Cost	\$32,510.62	\$41,417.54
ISO Revenue Share	20%	✓	RESIDUAL	\$19,506.37	\$33,110.03

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# Company Profile



## Alpha Card Services Inc.

### ISO/MLS contact:

Robert Heinrich  
Vice President of Sales  
Phone: 866-253-2227, ext.25  
Email: [rheinrich@alphacardservices.com](mailto:rheinrich@alphacardservices.com)

### Company address:

475 Veit Road  
Huntingdon Valley, PA 19006  
Phone: 866-253-2227  
Fax: 866-289-6600  
Website: [www.alphacardservices.com](http://www.alphacardservices.com)

### ISO/MLS benefits:

- 24-hour, immediate technical and service support for agents and merchants
- Low merchant attrition rate of 9.5 percent
- Comprehensive POS system, including payroll, billing and comprehensive gift, loyalty and marketing components
- Immediate notification to sales reps through email or text of any merchant issues

## The low-attrition ISO

**A**lpha Card Services Inc. founder and Chief Executive Officer Lazaros Kalemis believes good salesmanship in the payments industry has everything to do with offering great services in an open and honest way, and very little to do with the vigorous price competition that so often dominates the sales world.

"You're going to get beat on price every time," Kalemis said. "It's much better to lead your sales call with references to good service or value-added products. A merchant is being sold to 20 to 30 times a month, and they need to know what you can do to build their business."

That is especially true in a difficult economy, in which struggling merchants are desperately seeking ways to grow their businesses and retain customers, Kalemis added. "Merchants care a lot more about their marketing in this economy," he said. "So, what if I can provide you with a product that shows customer spending habits and helps to retain those customers and get them back into the store – at almost zero cost to the merchant? You help your customer grow their business, you have that customer for life."

To prove his point about the benefits of offering first-rate service, Kalemis pointed to a statistic about Alpha Card that he called his proudest accomplishment: an unusually low merchant attrition rate of 9.5 percent. (The industry average is about 22 percent, according to Robert Heinrich, Vice President of Sales at Alpha Card).

### Keys to keeping merchants

Huntingdon Valley, Pa.-based Alpha Card was recognized by *Inc.* magazine as one of the 500 fastest growing companies four years in a row. Additionally, the *Philadelphia Business Journal* has named it a top 100 Philadelphia-area company every year since 2007.

The reason merchants stay with Alpha Card is that the company aims to give its clients the highest level of service possible, according to Kalemis. Merchants are given instruments to spur growth, as well as provide people-based services that strive to be efficient, attentive and thorough, he said.

A cornerstone of good service is open and honest communication that takes place on a regular basis. To that end, Kalemis said Alpha Card has several key measures in place. The ISO stresses a policy of honesty in dealing with merchants, and agents are trained to provide and discuss all contractual details up front. To ensure that agents are upholding this policy and providing optimal service, the company follows up with merchants to secure feedback.

"When our agents send in deals, we're calling merchants to make sure everything was what they thought it to be," Kalemis said. "We are not afraid to talk to our clients." That level of service doesn't stop after merchants are boarded. The company's merchant contracts "disclose everything,"

***According to Dennis Thomas, Founder of Texas-based ISO RQS Inc., which has been a partner of Alpha Card since 2004, Alpha Card is distinguished by its quick response times and high-level service provided to both sales representatives and their merchants***

Kalemis said. Also, merchants continue to periodically receive both phone calls and mailed satisfaction surveys to make sure they don't feel misled or confused, and are otherwise happy with their service provider. "Do we lose some merchants this way? Yes," Kalemis said. "We can't compete with a lie. ... But in the long run, we benefit because our customers appreciate that we have a right way of doing things."

### **Keeping agents in the loop**

A similar policy of ready communication applies to the company's relationship with its agents. All contractual details are clearly laid out, and representatives are always kept apprised of any developments with their merchants, Kalemis said.

Any relevant information obtained from an existing client – be it about that client's current service agreement or the offer of a new agreement from another company – is immediately recorded in Alpha Card's computer database and then relayed to the merchant's agent via email or text message.

Because every pertinent detail is recorded in the company's database, agents can also log into their accounts on the Alpha Card web portal and review everything in a particular merchant's history, including pricing terms and any previous complaints or feedback. Such access allows agents to better prepare for phone calls addressing particular problems or needs, Kalemis said.

"Any issue, anything that happens with one of our rep's accounts, they're immediately notified," he noted. "The sales rep gets an email or text that there was a certain outcome, and you may have to follow up with your merchant. You don't have to log onto our portal to find out what happened."

Furthermore, Alpha Card's retention department will help agents address more complicated merchant issues if they need outside assistance. For example, if a merchant calls to say he or she received a better service offer from a different company, the retention department will vet the new offer for legitimacy, Heinrich noted.

"Say another sales rep is trying to take our merchant; the merchant processor is pricing interchange at six [basis points], and the sales representative is telling them they

can save them \$115 in processing," Heinrich said. "Our retention department will show it's impossible to have those kinds of savings."

According to Dennis Thomas, Founder of Texas-based ISO RQS Inc., which has been a partner of Alpha Card since 2004, Alpha Card is distinguished by its quick response times and high-level service provided to both sales representatives and their merchants.

"Other ISOs are good at taking care of their reps but don't do so well with merchants," Thomas said. "Alpha Card provides readily available assistance, and they seem to have found a balance between helping reps and helping merchants. I have agents that are kind of green, and they're able to contact underwriting or technical support with service or technical questions to get the help they need.

"[Alpha Card] works together with us as more of a partner instead of just sending documents. Usually to get something you're giving something away; with Alpha Card that's not necessarily the case."

### **Upkeep is in the tailoring**

By rooting itself in being attentive and responsive to the needs of its sales force and merchants, Alpha Card believes it has built an effective and ever-evolving suite of value-added products tailored to today's market.

Among those products is an all-encompassing POS system – built both for restaurants and for retail outlets that include hair salons, auto body shops and convenience stores – that offers not only card and check acceptance, but also gift and loyalty, bill pay and payroll pieces.

"Every terminal is guaranteed for five years," Kalemis said. "If you spill beer on it or a merchant throws it across the room, we'll replace it."

The system's loyalty program can be used to monitor consumer spending habits – it tells a merchant when customers registered in the program have been in the store and what people purchased at various times of each day.

It can also be used to generate advertisements and coupons sent instantly and automatically by text message or email. Such advertisements can be tailored to

certain types of customers (those who've bought specific items or food platters, for example) or sent out to every customer in the loyalty program.

"The merchant has access to view all of this data and do whatever they want with it," Heinrich said. "I'm a restaurant that's not getting a whole lot of revenue during dinner, so on the database I create a marketing program where, if customers come between 5 and 7 pm, they get a free appetizer or half-price certain items, and send the message out through text or email.

"On top of that, I can then see how many people opened that message, as well as how many people redeemed that coupon. Then I can say either it was a horrible program or it worked really well, and adjust it accordingly."

Kalemis added, "What we can do through the program is see specific habits of one of the cardholders or loyalty members, so if their favorite pizza is pepperoni pizza, we can send them promotions saying, 'Come in Tuesday for specials on pepperoni pizza.' Or, if you always come in for lunch but never eat dinner, we might send them specials for dinner or for weekend dining, so we can bring you in at different times."

### Keep on keepin' on

In the coming months, Alpha Card will register its merchants into a global positioning satellite-based service called PayCloud (through gift and loyalty firm SparkBase), causing merchant names to pop up when customers conduct mobile-based searches for certain types of businesses in a particular city or neighborhood.

Other Alpha Card products that can spur business growth include merchant cash advance and zero percent financing for the first year on a rented POS terminal.

"With every merchant, you ask a couple questions and target what their hot button needs are," Kalemis said. "It might be that, 'I haven't seen my sales rep in two years,' in which case you home in on that. Or, if it's a mechanic who needs a new machine to diagnose

[car-installed] computer stuff, or new tools, maybe the pressing need is a cash advance.


"You can't have one pitch for all merchants, and you have to find each one's particular needs. If I can get three value-added products to the merchant, it's sure going to be hard for them to leave me."

In an era of shrinking margins and businesses struggling to stay afloat, retaining merchants has become as important as boarding them. By making merchant retention a priority, Alpha Card recognizes that if you are going to work hard to get merchants, you better work just as hard to keep them. ■

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## Ready to go to Europe from page 1

European Union member countries. The PSD provides the lawful groundwork for the creation of an EU-wide single market for payments. Its focus is on establishing a contemporary, comprehensive set of regulations relevant to all payment services in the EU. Its purpose is to make cross-border payments simple, efficient and safe.

But for ISOs and MSPs, the PSD has provided the first opportunity for nonbanks to become licensed as proprietary members of the card schemes – without the need for bank sponsorship.

Originally proposed in December 2005, the new regulations, called Payment Services Regulations, became EU law in November 2009. The regulations are monitored and enforced by designated financial services authorities (FSAs) operating within the member countries.

"Being a UK solicitor, I was privy to the proposed laws," Nachman said, adding that sometime in 2006 he saw the beginning of the law and realized that becoming a licensed, proprietary member would be a viable option for his company.

Scott Galit, now CEO of Payoneer, Inc., was Group Head of Global Prepaid for MasterCard from 2005 to 2007 during the inception of the changes; he gained first-hand knowledge of the role the prepaid sector played at the time. "MasterCard was instrumental in supporting the growth of the prepaid industry in Europe and the first to enable e-money institutions to apply for a license," Galit said. "The revised ruling by MasterCard was driven by nonbanks who wanted to grow the industry and saw e-money as a way to allow them to better compete.

"There were so few bank issuers of prepaid cards that the opportunity to become directly regulated and an issuer was viewed as very strategic. Nonbanks really pushed for this as a way to gain more control over this mission critical aspect of their business."

Prior to the directive, European payment service providers were blocked from effectively competing and offering their services across the EU. The directive allows newly licensed payment institutions (money remitters, retailers, phone companies, payment service providers) the same rights to acquire and issue merchant accounts as banks.

The licensing is accomplished through FSAs established separately in each member country. The FSA licensing process works to reinforce rights and protections for consumers, retailers and businesses across Europe and covers credit transfer, direct debit and card payments. Just as importantly, it ensures faster payments to merchants. Settlement used to take 72 hours, but as of January 2012, settlement must be by the end of the next day.

### Drawbacks to working through EU banks

A decade ago, cross-border transactions were on the

increase. E-commerce merchants wanted to allow their international customers to shop and purchase in the currency they were most familiar with. Multiple currency processing was needed for acquirers focused on card-not-present merchants. With 34 percent of global e-commerce sales occurring in Europe, U.S. merchants wanted access to these buyers as well.

Quickly ISOs, Internet payment providers and multinational merchants began contacting European acquirers. ISOs – used to owning the merchant accounts, underwriting and carrying their own liabilities – found that turning these functions over to a partner in another country limited their ability to expand and control their businesses.

U.S. operations had improved to where an ISO could easily approve and board a merchant within a day or two. In Europe, acquirers often take weeks to approve and board a merchant. The application and agreement documents are separate and require two sets of signatures.

In most cases, the ISO does not own the merchant relationship. In addition, the operations and risk assessment teams had limited access to settlement data, which reduced their ability to effectively manage potential fraud and provide online chargeback management.

The ISO model was little used outside the United States, and European acquirer sponsorship options were limited in comparison to what ISOs were used to in the United States. Some ISOs began leveraging under collateralized banks in remote locations of the world.

And European acquirers were frustrated with the high-risk merchant accounts received by their resellers, making effective partnerships difficult.

"The [European] banks were slow to understand the complex needs of e-commerce merchants," Nachman said. "Business models were evolving faster than the banks could respond."

### The benefits of becoming licensed

Why does the PSD matter to U.S. ISOs?

- It means ISOs, payment service providers, prepaid card companies and all nonbanks interested in expanding their global acquiring capability now have a path to become full, proprietary members of the card schemes and no longer require sponsorship through banks in Europe.
- It solves the problem of ownership of merchant accounts.
- It allows ISOs to leverage their own operations processes, better manage fraud and give merchants a single point of access to global currencies.

## CoverStory

Additionally, when a transaction can clear interchange either domestically or within the same region, the rates often are lower. With added leverage come added responsibilities and accountability. Licensing and card scheme membership require ISOs to address the end-to-end transaction processing requirements; if they are not already doing so, ISOs will need to leverage outsourced solutions, license one or build their own. If they are offering multiple currency merchant accounts, it will mean they need to address the foreign exchange issues as well.

Regarding his company's decision to become licensed, Nachman said, "We were comfortable with these requirements and wanted more control over our business, especially the mission critical aspect of it: direct access to the card schemes."

### The FSA licensing process

What is involved? Obtaining an FSA license requires a comprehensive business plan outlining a three-year financial projection and a program of operations and information technology (IT) systems. Often this means working with a consulting company for advice on regulatory rules and limitations.

The regulators will look for the organization's safeguard measures, detailed organizational structure, risk

management procedures and money laundering controls. They also will look at the management's competence, capabilities and reputation. Those who wish to become licensed must retain counsel in Europe to prepare a legal brief on intended activities.

A license can be made applicable across Europe. In the initial stage of working with the regulators, it is essential to let them know if this is your intent. Having the license be available across the EU and receiving full membership with the card schemes will allow your business to acquire merchants across the region.

Nonbanks have been successful in licensing with a number of European FSAs. Many have found that licensing in Malta provides the best solution. Choosing a country is dependent on access to regulators, taxation concerns, and educated and experienced payment personnel. As the smallest of the EU's member states, Malta has emerged as a highly credible jurisdiction for financial services, banks and hedge funds.

Kenneth Farrugia, Chairman of the Board of Governors of FinanceMalta, a public-private initiative established to promote Malta's International Financial Centre, discussed his country's efforts to become a financial service center.

"We established the foundation as a partnership between the government sector and private organizations to raise Malta's profile as a quality finance center internationally," he said. "Since we joined the European Union in 2004, and starting with a small group of banks, in four years we now have 25 financial institutions conducting international business from Malta.

"We have an accessible, single regulator: the Malta Financial Services Authority. Malta is an attractive 'tried and tested' EU financial services center with the presence of a meticulous yet accessible regulator providing efficient licensing service. There are strong operational infrastructure options and a cost competitive jurisdiction featuring highly skilled and responsive practitioners and operators."

Farrugia also pointed out that licensed members must be domiciled within the EU, which makes the quality of life an important consideration. "In a recent *International Living* 2011 survey that ranked 192 countries, Malta ranked first, with a score of 100 out of 100 for climate and freedom," he added. "It is near the top score in categories leisure, culture, risk and safety."

Discussing the business climate in Malta, Nachman said, "We wanted to work with an English speaking Financial Services Authority. In Malta, we had better access to regulators in order to explain our business model. The Malta financial community are strong civil servants, wanting to serve their country. It is a very good environment to work in. Plus, there are tax advantages."

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Applications for financial entities have been identified as an expansion sector by the government of Malta, resulting in faster application time frames. "We found the Malta Financial Services Authority (MFSA) to be the most responsive financial authorities in the EU," Nachman said.

Farrugia noted that "lower labor costs and better availability of language skills compared to other EU states, a stable social and economic environment, and sophisticated IT infrastructure makes Malta an attractive option for a U.S. business wanting to become licensed as a financial institution in the European Union."

### The card scheme membership hurdle

But licensing isn't enough. The ISO must work with Visa and MasterCard to receive principal level membership. Nachman noted that "integration to the associations can be cumbersome."

Each country's FSAs encourage organizations considering licensing to work with the appropriate legal counsel, as well as with consultants experienced in assisting with completing the application pack and providing guidance throughout the authorization process. Malta-based QGen Group is one of the companies that provide specific professional advice on all the aspects of this process.

Damian Mifsud, CEO of QGen Group, said, "We're a business process outsource company, providing a one-stop shop for organizations needing assistance with this licensing and providing local support for the risk management, back-office solutions and full call center services for chargeback processing and multilingual customer support.

"We have worked with clients to help them achieve regulatory approval and to secure the card scheme [Visa and MasterCard] licenses they require to conduct their business. We have assisted a number of clients to obtain a payment institution license under the latest Payment Services Directive.

This process included scoping and drafting all the required documentation, as well as supporting the entire application process with the regulator."

Clearly, because of complexities and costs, this isn't always the right solution for every ISO. But the option to become a global acquirer and proprietary member is now available. ISOs now have the choice to control and own their European merchants and be in full control of their payment destiny.

"It wasn't easy or cheap or fast," Nachman said. "Getting the license was difficult, and getting the principal level of membership even more difficult. But now we are a principal member of MasterCard Worldwide and Visa Europe. We have a multiple currency, end-to-end proprietary

gateway and processing platform that allows us to have access to over 200 fields of data, which gives us significant information in order to decrease fraud.

"Our Partners Portal allows ISOs the ability to key in merchant data, upload pertinent 'know your customer' data and board a merchant very quickly. We have BINs in 27 countries, which gives us domestic processing all across Europe, improved issuer approvals and reduced costs. We are very happy with the results of the licensing and membership."

In a world where technology has made it far easier than ever before to do business globally, it might make sense for your ISO to become a full-fledged merchant acquirer in Europe. Why not explore the opportunity? ■

*Caroline Hometh is Managing Director for RocketPay LLC, a global payment advisory service to acquirers, ISOs and Internet payment service providers worldwide, specializing in establishing relationships that foster the growth of international payments. RocketPay will carefully consider your global initiatives and provide both strategic recommendations and hands-on assistance and expertise. Hometh can be reached via email at [chometh@rocket-pay.com](mailto:chometh@rocket-pay.com); via office phone at 978-255-3109, wireless at 978-807-5047 and direct at 978-462-3459; and via the web at [www.rocket-pay.com](http://www.rocket-pay.com).*



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# Education

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## Hard lessons and easy pickings

By Bill Pirtle

*C3ET Credit Card Consortia for Education & Training Inc.*

I vetted a processing agent, at the request of an association president and colleague. The agent had called the association, claiming to own a processor and requesting the opportunity to present an "exceptional" rate. This association, like many merchants or organizations, receives at least one of these calls daily, and some receive quite a few more. I was brought in to evaluate the presentation and report back.

It turned out that the man was an agent (and a new one at that) for a processor and needed to have his manager at the meeting. When I arrived at the coffee shop, we began to chat, and he told me the reasons why his company was the "best," while trying to explain how credit card processing works. Once the manager arrived, he stated the name of the association's current processor and pointed out some issues with it.

The upshot of the meeting was that the agent, also known as a merchant level salesperson (MLS), made errors that doomed the presentation before it even began.

### Three takeaways

Many MLSs say they "own their processor" when they actually mean they have created a company to work with the processor. Looking at LinkedIn profiles, you can find hundreds of agents who list themselves as presidents or owners of larger processors. This happens quite often, even though it makes agents look foolish.

A few lessons can be learned from my meeting.

- **Lesson one:** Clarify your role with your processor

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and state it clearly to merchants. Misrepresentation can prove costly. Going straight into explanations about what your processor does without first asking questions of merchants is also cause for concern. Telling a prospect what your processor's best features are is worthless without first asking merchants what their businesses entail.

Imagine walking into a sports store to get your daughter set up for soccer season. If you only say to the attendant that you are looking to get child's gear and the attendant doesn't ask for details, you may be shown a rack of athletic protectors, or uniforms and shoes that are the wrong size.

- **Lesson two:** First ask prospects about their products and how they are sold, then present features that fit with how they process transactions or want to process them. Also, before you begin your presentation, ask prospects what they know about payments.

Knowing first what merchants know about processing will allow you to educate them without talking down to them. Talking over a prospect's head or oversimplifying things both lead to no





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**Different agents have different targets when they enter the industry. About the easiest accounts to sign are startups.**

sale. Always start by asking questions. To solve merchants' problems, you need to learn what they are. Never assume.

During the presentation at my coffee shop meeting, the manager began discussing what he thought were the association's processor and issues with that processor. The problem was the association executive he was addressing did not do business with that processor. The MLS had apparently called multiple organizations and confused the heads of the associations.

The agent's mistake put his manager into a hole. The manager was led to research the wrong company before the meeting. The confusion was further compounded because the other organization's focus was grocery stores only, while the one I work with focuses on grocery, convenience and liquor stores, along with gas stations and auto repair shops, but actually accepts any business type as well.

- **Lesson three:** When you schedule an appointment, verify that you have the correct name of the prospect and company. If possible, look up the prospect on LinkedIn or Google. You may find clues as to the company's product line and affiliated companies. Also, associations sometimes post the rates offered by endorsed processors.

### Hunting for elephants or appetizers

At the coffee shop meeting, I was assigned to listen to the presentation, so the presenter's initial errors did not end the meeting. However, for many MLSs, these errors would have done just that.

One thing perplexed me about the agent – although I know all MLSs (yes, myself included) have done it. Why do newbies spend so much time and energy hunting elephants? Why do companies encourage agents to call large membership organizations when most MLSs will not even get in the door?

When I sold Aflac insurance, the training specifically encouraged agents to hunt "meal-sized" accounts. The philosophy was that it was much easier to land a small account with one call than to bring down the "elephant" that required management's help and multiple presentations, with low odds of ever closing the sale.

### Getting started with startups, salons

Different agents have different targets when they enter the industry. About the easiest accounts to sign are startups. There is no current processor to replace, a little expertise can bring good value for both the agent and the prospect, and there is a sense of urgency on the part of the merchant to sign because they want to accept cards. With a monthly minimum, decent statement fee and gateway or terminal sales, an agent can make a little money.

Some MLSs like to focus on vertical markets and find a specific industry to specialize in. The benefit for agents is they become experts on those verticals. Becoming the "go-to" person for an industry means you can charge for your experience. (If you ever get the opportunity to hear Mary Winningham of Mirror Consulting Inc. discuss the topic of verticals, take it.)

Many new MLSs come to the GS Online MLS Forum to find information on verticals. Excerpts from one such inquiry appeared on page 5 of *The Green Sheet*, Jan. 23, 2012, issue 12:01:02, and is expanded here.

**MICHAEL** asked if salons are good accounts to go after.

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**BIGRED\_DAVE** replied, "Generally, they're small volume, multimerchant accounts. High-end salons are good but many are tied to POS and appointment software. I tend to leave them alone."

UBCSC agreed, stating, "Go after saloons and forget about salons." On the other hand, **APEXBSINC** said, "Many salons have multiple independent contractors, where the owner leases out the additional chairs in the salon. They may be good accounts for loyalty and gift cards."

"As long as the account is profitable, all accounts are good accounts," replied **MARINESTEBAN**. "All the verticals have their challenges and this vertical challenge is the turnover (if they have multi MIDs). In my experience, they are profitable and I will take them all day long."

**MBRUNO** instructed, "I tend to look at these accounts as one merchant regardless of the number of stylists. If there are five stylists doing \$5,000 each, that's \$25,000 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 (that is, leave/sign new agreement), 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. Such an account is actually multiple merchant accounts so there's 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." Just make sure you are compensated for your time, whether it is covered

in your rate or with some kind of startup fee for adding accounts to existing terminals.

**MBRUNO** went on to say: "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 (that is, waiving monthly fees)."

**EMPIRE** advised, "If you just outline the expectations from the get-go, they are fine businesses."

"Many salons have 5-10 stylists, all using the same machine. You should definitely explain that this type of set-up requires an update to the machine to be able to remove old and add new stylists, which is done over the phone with tech support. Many salons see the first set-up and don't realize the work involved in removing old and adding new stylists."

"So, as you begin that relationship, define the expectations so that everyone is on the same page. In recent memory, an ISO had a salon of 20 accounts and told the salon owner that new ones could only be added or removed on the 10th of the month or whatever day they settled on."

"So each month he got paperwork and cancellation forms during the first week and he went back a day or so later to update the terminal."



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## StreetSmarts

That way, the agent was not going there 10 times a month doing downloads."

One tip for closing more salons would be to educate owners on the new Internal Revenue Service reporting requirements. Many salon owners are content to have a single processing account while leasing space to independent contractors and settling through the card processing.

However, what will result is an audit in which the 1099-K indicates the owner is earning everything going through the terminal and failing to report it. This can also result in fines from the IRS over whether the other stylists are employees of the salon or independent contractors. Separate merchant accounts and properly prepared leasing contracts will go a long way toward proving that there are no employee relationships.

The Orion 4Access was a remarkable terminal that housed up to 20 separate merchant identification numbers (MIDs), but 4Access Communications closed shop in January 2011. Research with your ISO or terminal supplier to determine the number of separate MIDs you can place on terminals.

### You had me at yes

New MLSs hear advice from all sides, and much of it

conflicts. Different ways will work for different agents, and some have found success using methods that did not work for me. One method many new agents fail to use works better than you may think.

It was reinforced when I landed some sought-after contributors for my upcoming book, *Credit Card Processing for Sales Agents*. I simply asked them to participate. It is that simple. Don't create reasons not to ask.

The only way to give merchants the opportunity to sign with you is to ask them to. A no makes you no worse off than if you don't ask. Failing to ask guarantees not getting a contract; asking gives you the opportunity. Hockey star Wayne Gretzky said, "You miss 100 percent of shots you never take." So ask yourself, "What is the worst that can happen?"

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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# You're never too small for an HR department

By Alan Kleinman

*Meritus Payment Solutions*

**Y**ou have big dreams, and your vision statement says so. Your team knows what you mean by *innovative, advanced, consultative* and *winning*, right? Well, you've told them a million times, but your passion and motivation are not reflected in the workplace. These words are empty promises if your company's employees don't believe them.

Entrepreneurs are typically idea people. They have the confidence to conceive of an idea, but may not have the discipline to carry it out. Investing in better technology and focusing on streamlining operations are fine. But the execution of business objectives may be missing a key component: human resources (HR).

Once an operation expands beyond the idea person, the key to success is the team and each team member. An HR professional can make the vision tangible and rewarding for the staff. Employees' skills and behaviors, coupled with the company culture, affect the ability to execute processes and deliver products and services.

If you're a small business dreaming about becoming big, you need to start thinking strategically about human resources. Paradoxically, HR can be even more critical for small businesses, because one rogue employee can ruin a small organization culturally and financially.

An effective HR professional can drive business growth by coaching and developing the management team to realize a vision and helping mid-level employees engage in their jobs and realize the importance of their contributions. Human resources affects business on all levels. Investing in this department helps businesses strengthen and grow.

## How many HR pros are enough?

Every business has a unique style, culture and approach to achieving strategic objectives. HR management should reflect this uniqueness, which influences the number of HR professionals you choose to employ.

Every organization needs at least one HR professional to help determine and/or carry out all the decisions, strategies, principles, operations, practices, functions, activities and methods related to the management of people.

Maybe your accounting department or an administrative assistant is handling HR, or you've grown big enough to

hire outside consultants. This is sufficient for employment compliance purposes for up to 15 employees. But this as-needed arrangement addresses only administrative needs or puts out the occasional fire. An HR professional on staff ensures that you have a proactive business partner to help craft your culture, hire the right individuals, and maintain compliance with state and federal laws.

Human resources can and should go beyond administrative duties, payroll, unemployment compensation, tax compliance and administering benefits. HR's commitment to the development and well-being of individual employees naturally lends itself to ensuring business goals are effectively communicated across all departments.

## Chief responsibilities of the HR department

Here are some HR disciplines important for achieving business objectives:

- **Compensation and benefits.** If you want to attract top talent, you need to know where your company stands in the market within and outside the industry. This is critical to positioning your company as a desirable place to work.

Employee compensation – both direct (pay) and indirect (benefits) – is used to attract, recognize and retain workers. An HR professional will proactively review and stay on top of trends, as well as reach out to employees to garner important feedback.

At Meritus Payment Solutions, we launched our first anonymous employee survey last year as an instrument to maintain open communication with our employees on compensation, as well as other important topics.

Results of such surveys may be used as baselines against which to measure future responses. This tool demonstrates that a company is invested in employees' development and well-being.

- **Employee relations.** Maintaining employer-employee relationships contributes to productivity, motivation and morale. Employee relations is chiefly concerned with preventing and resolving problems that arise out of or affect work situations.

It's easy to get bogged down in the day-to-day challenges of running a business, and it's difficult to make time to interact with individual employees. It all comes back to continuous two-way communications.

A few ways to keep information flowing are weekly newsletters, quarterly employee summits, an Intranet and a suggestion box. Ranging in level of



formality, each method presents an opportunity for open communication.

- **Organizational and employee development (OED).** This is the concept that can catapult a small company to a large company by improving its employees at all levels. OED deals with the overall arrangement of the organization and its functions. This is where management can refocus its view from "looking at the trees" to "seeing the forest."

A continuous review process ensures that both company and individual objectives are aligned. Moreover, reviews provide multiple touch-points to recognize employee efforts and ensure their professional aspirations are being met.

Also, cross-training new employees in all service departments smooths their paths to entry. Quickly developing comprehensive industry knowledge and skills empowers employees to make decisions and initiate improvements.

- **Ethics and sustainability.** This discipline deals with organizational and personal values and their expression in business decision-making and behavior. This discipline also involves managing the societal impact of business decisions, philanthropy and the role of HR in improving the quality of life of employees, their families and the community at large.

Philanthropic contributions are one way to engage with the community. To that end, you can increase your impact by holding community service weeks during which employees are encouraged to volunteer their individual time. In this way, the company makes a team contribution to a charity chosen by employees. Philanthropic efforts exemplify responsibility and accountability and advance the spirit of collaboration and camaraderie.

- **Business leadership.** Human resources partners with leadership and all employees to meet both business goals and personal career goals. In a small organization, HR may take the form of education and encouragement at all levels. The position of manager should not be an empty title. Hold managers accountable for the development of their teams, as well as their own professional and personal growth.

Hold monthly management training to refine and improve managers' skills and abilities, including the principals of the company. Defining metrics and goals that correlate to compensation results in performance management.

Also, provide a forum for management to share their successes and express frustrations within

their departments. By discussing current issues, sharing experiences and offering suggestions, managers create a shared knowledge base that consistently pushes the company forward.

### What we've learned

Here at Meritus, we are fortunate to have experienced year-over-year growth in number of merchants and processing volume. But like any growing company, we experienced bumps in the road. By establishing an HR department, we have laid the foundation for meeting business objectives in a way that is meaningful for every employee.

By attracting the right candidates, developing them professionally and personally, and maintaining open lines of communication, we've created a team that has one vision in sight. The implementation of HR results in growth, satisfaction and achievement for both the company and individual employees. 📌

*Alan Kleinman is the Principal of Meritus Payment Solutions, the leader in advanced global transaction processing. With a client-first mentality, Meritus provides a breadth of payment and transaction processing solutions that include mobile, credit and debit cards, gift and loyalty cards, electronic benefit transfer, automated clearing house, Check 21 and more. Contact him at [akleinman@merituspayment.com](mailto:akleinman@merituspayment.com) or 888-851-7558, ext. 141.*

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## Education (continued)

# Durbin - the aftermath

By Adam Moss and Jeffrey Shavitz

*Charge Card Systems Inc.*

**A**s Oct. 1, 2011, was approaching, the processing community was buzzing about the Durbin Amendment to the Wall Street Reform and Consumer Protection Act of 2010. ISOs wondered what it would mean to their bottom line? Will they show great profit early on and then watch attrition take over? Should they do anything? Should they wait? Is this an opportunity that only comes along every so often?

These are just a few of the questions discussed in conference rooms and around water coolers across the industry.

The reality is that no one knew what to expect or what would happen. There was optimism and anticipation of greater profit. Yet this hope was tempered by the unknown and the question of whether we would lose merchants if we did nothing and did not lower our pricing on regulated debit cards. While ISOs were asking themselves these questions, so too were merchant level salespeople (MLSs).

**Please keep in mind that merchants on interchange-plus pricing will automatically be given the lower base cost, so nothing needs to be done with merchants priced under this method, at least for signature debit.**

### Finding opportunities

In truth, the Durbin Amendment created opportunities for everyone. There was the chance to earn greater profits, to gain more accounts by offering a discount on debit card activity and to show your current merchants that you are truly looking out for their best interest.

Each and every day we work to earn the trust of merchants and thus their business. The introduction of the new debit rates, as was the case many years ago when signature debit was priced lower than credit, provided MLSs with the rare opportunity to cement that trust by offering a savings on regulated debit cards while at the same time enjoying greater profits.

How you handle pricing your merchants with regard to

regulated debit will depend on your ISO's inclinations and capabilities. For instance, some ISOs have the ability to price regulated and nonregulated debit cards with separate rates, thus protecting profitability.

Other companies offer a blended debit rate to achieve the same goal. In the end, both options help to protect the bottom line profitability of merchants, and you need to do what is right for your business.

However, remember the challenge is that your competition has the same ability to sell on lower debit card rates. So your actions or lack thereof and timing are key.

Please keep in mind that merchants on interchange-plus pricing will automatically be given the lower base cost, so nothing needs to be done with merchants priced under this method, at least for signature debit. However, no additional profit will be earned for these merchants either.

### Sharing information

A unique benefit of *The Green Sheet* is the opportunity it provides to learn from MLSs throughout the United States, as well as other countries. We would like to encourage more payment professionals to openly share information. It's a big world of merchants out there and, in our opinion, the collective intelligence of co-workers and colleagues makes all of us smarter.

In this regard, we would like you to respond to a simple "yes or no" survey about the Durbin Amendment, and we will share the results in a future article. The question is simple:

Given the new and reduced debit pricing as part of the Durbin Amendment, did you:

- Lower the debit pricing on your portfolio?
- Keep the pricing the same in order to increase your profitability?

To answer the survey, please email Jeffrey Shavitz, [jshavitz@chargecardsystems.com](mailto:jshavitz@chargecardsystems.com).

Thank you in advance for your participation. Given the fast pace of our industry, new fees and regulations will certainly arise in the coming months. We must continue to be entrepreneurial to find the opportunities within our industry, and we must remember that a problem brings forth opportunity. 📧

*Jeffrey Shavitz is one of the founders of Charge Card Systems Inc., and Adam Moss is the company's National Sales Manager. Shavitz is an active member of The Green Sheet Advisory Board and the First Data ISO Advisory Board; he can be reached at [jshavitz@chargecardsystems.com](mailto:jshavitz@chargecardsystems.com) or 800-878-4100. For additional information on CCS, please visit [www.chargecardsystems.com/gsadvisoryboard](http://www.chargecardsystems.com/gsadvisoryboard) or the company's corporate website at [www.chargecardsystems.com](http://www.chargecardsystems.com).*



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# Skimming through the holiday season

By Nicholas Cucci

Network Merchants Inc.

**T**he few days before Christmas was crunch time for many consumers. Now, sales numbers from the period are starting to arrive. The trends for the 2011 holiday season were obvious if you were one of the many trying to find that perfect gift at traditional retailers.

And online shopping saw an increase of more than 15 percent over 2010, with deals such as free two-day or overnight shipping. During the holiday season, shoppers spent over \$40 billion online, according to comScore Inc.

The week before Dec. 25 showed the heaviest online shopping totals ever recorded; the preceding week came in second. In December, 12 percent of online visits to retailers' websites came from mobile devices.

Most people did research online and then traveled to nearby stores to make purchases. Some 79 percent of shoppers used their phones for research, while 58 percent of those made purchases by phone.

## The fly in the ointment

With the increase in holiday shopping came a major increase in credit card skimming, which has become common. Advanced technologies such as contactless payments have opened the door for fraudsters to become more creative in their skimming strategies.

Store chain Lucky Supermarkets in California fell victim to skimming in late 2011. Self-checkout points have become a favorite target for fraudsters. According to a National Retail Federation report, 7 percent of retailers in a nationwide survey said they provide self-checkout machines – a number expected to more than double by the middle of 2012 as retailers seek to cut operating costs.

Typically, the people who operate self-checkouts are consumers, most of whom are not even aware of what skimming is or how to prevent it. This requires merchants to become more active in preventing fraud at all their locations. However, self-checkout stands are hardly the only machines that are vulnerable.

A skimming incident earlier in 2011 forced crafts retailer Michaels Stores Inc. to replace more than 4,000 employee-operated credit card readers in 20 states.

Lucky officials are limiting the release of information on the chain's breach while it is under investigation. However, Lucky's parent store Save Mart Supermarkets indicated it has replaced or inspected more than 2,500 card readers, including both self-checkout machines and registers staffed by employees in 233 stores in Northern California and Nevada.

This includes Lucky, Save Mart, Maxx Foods and Food Maxx stores. Lucky has urged all of its customers to check the status of their accounts with their respective financial institutions.

## Advice for consumers

Skimmer devices affect everyone. Customers feel violated and are frightened that they will become victims of identity theft. Banks, too, are troubled when their customers' information is stolen. They stand to lose money and goodwill and become responsible for reissuing new cards, which isn't cheap.

People usually don't realize they have fraudulent charges on their accounts until it's too late. And they face a difficult time proving to their bankers that they didn't take the cash themselves.

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Some thieves go for the gold, immediately removing the daily allowed limit from accounts. Bank customers who have mobile alerts set up on their accounts can receive Short Message Service alerts when they've reached or exceeded their daily limit. Other customers may not be as lucky. Their banks may not offer the alert protection.

No retailer wants to be involved in a data breach. In addition to helping merchants secure their own businesses, ISOs and merchant level salespeople could suggest their merchants provide shoppers the following tips on how to fight card skimming in an effort to ensure all parties to transactions are doing everything possible to thwart fraudsters:

- Before swiping your card, check the POS device to make sure nothing is attached. Most skimming devices are attached with double-sided tape or a magnet and can easily be removed.
- Shred all financial documents and paperwork with personal information before you throw them out.
- Do not carry your Social Security card in your wallet or purse. Keep it in a safe place, and do not give out the number unless absolutely necessary.
- Do not give any personal information over the phone, through email or over the Internet unless you know with whom you are dealing.
- Make your passwords to accounts more advanced. For example, use a mix of letters and numbers, and do not use the last four digits of your Social Security number or your birth date.
- Monitor your credit cards online, checking daily or weekly for unauthorized charges. The law requires the three major consumer-reporting companies to give you a free copy of your credit report.  
View your credit report often to make sure no accounts have been opened without your consent.
- Monitor your bank accounts.
- Watch for suspicious activity around you even at ATMs and restaurants. If an ATM looks tampered with, use another ATM. 🚫

*Nicholas Cucci is the Director of Marketing for Network Merchants Inc., a graduate of Benedictine University and a licensed Certified Fraud Examiner. Cucci is also a member of the Advisory Board and Anti-Fraud Technology Committee for the Association of Certified Fraud Examiners. NMI builds e-commerce payment gateways for companies that want to process transactions online in real time anywhere in the world. Contact him at ncucci@nmi.com.*



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## Education (continued)

# Riding the POS life-cycle wave

By Dale S. Laszig

*Castles Technology Co. Ltd.*

**M**erchant level salespeople (MLSs) have the unique advantage of being in the real world, forming relationships with the people who buy their companies' products and services. As front-line professionals, they're at the epicenter of commerce and are the first responders to any seismic shift in the retail, hospitality and payments landscapes.

What can be done to leverage this position during challenging economic times? Creating sales strategies based on the age of merchants' processing equipment is a good way to start. Are these devices in the beginning, middle, or end of their product life cycles?

Each product stage has its unique characteristics, pros and cons. The most effective sales presentations are age-appropriate in order to show every product to best advantage.

A typical product life cycle consists of development, introduction, growth, maturity and decline. While MLSs can influence the design of products during the development stage, most selling efforts are centered on the four subsequent stages: introducing products to the market, nurturing them through growth and maturity and helping customers move on when the products reach the end of their useful lives.

Following are guidelines to understanding and optimizing each stage of a product's life.

## Introduction

New products can be cause for celebration, but they're not for everybody. After quality assurance and alpha testing, the first order of business for a new product is to find the right beta test partners who are willing to have the product installed in their businesses and provide valuable feedback on day-to-day performance.

These early adopters enjoy the prestige associated with being the first in their industries or neighborhoods to try something new. They know to expect the unexpected and to have a back-up plan in place for when problems occur. Sometimes they earn a free or discounted product in exchange for participating in a beta test.

Launches are a call to action for sales and marketing teams to emphasize the novelty and innovation of a fresh new product. Target customers who are most receptive to trying leading edge, unproven products and manage

rollouts carefully. Successful beta tests should be followed by pilot testing in larger areas before new products are widely released.

## Growth

Every decade or so in the hardware business, a credit card terminal will separate from the pack and become an uncontested winner. Merchants will begin to ask for it by name, manufacturers will open new lines to keep up with demand, and MLSs will have the ride of their lives.

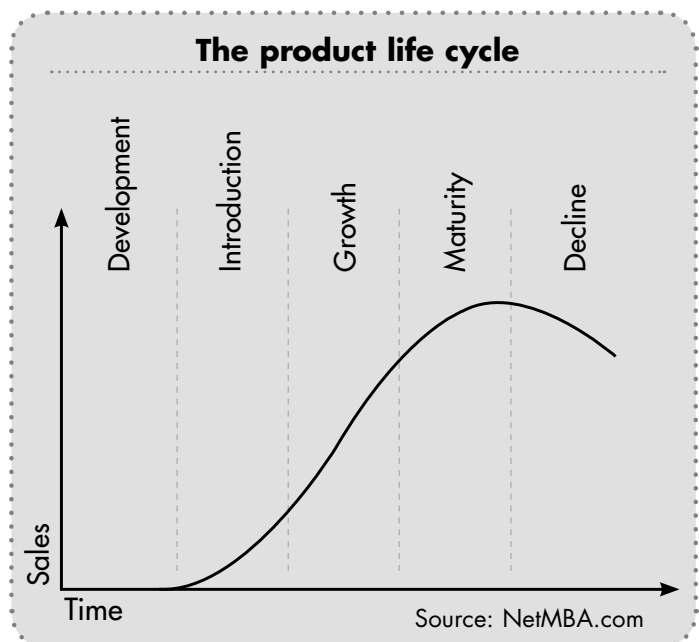
I remember the wise counsel of a sales manager during one of those heydays, advising us to stop banking on our hot-selling product as if it were a lifetime annuity. Inevitably, every gold rush comes to an end. It's important for sales professionals to plan ahead and be ready for the time when a best-selling product begins its inevitable decline into maturity and end of life.

Seasoned professionals understand the importance of keeping full pipelines and staying in touch with customers so they can anticipate their needs and react quickly with upgrades and enhancements to existing systems.

## Maturity

The greatest advantage of mature credit card terminals is their proof of concept. They have survived the beta tests and challenges of early adoption, and have become stable fixtures in the POS landscape. Salespeople can point with pride to the large installed base and high percentage of market share of these products.

The biggest pitfall in selling mature products is their risk of becoming commoditized. Former Harvard Business School Professor John Quelch, Dean and Distinguished Professor of International Management at the China



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Europe International Business School, recommends three approaches to working with older products to keep them fresh and exciting:

1. **Innovate:** A new product or even an upgrade of a proven device can put you ahead of your competitors, making them play catch-up to your innovations.
2. **Bundle:** Selling a commodity device with other specialty services will set your product apart from the pack and may allow you to charge a premium for the value-added component.
3. **Segment:** Large, mature markets can be divided profitably into multiple segments, allowing you to focus on the more lucrative elements. Your sales force can zero in on less price-sensitive customers who require applications expertise.

### Decline

John Stark, author of *Global Product: Strategy, Product Lifecycle Management and the Billion Customer Question (Decision Engineering)*, wrote, "The lifetime of some products is now so short that the development of a future generation has to start before the development of a previous generation has been finished."

This aptly describes the evolving payments industry, in which products continuously evolve in response to changes in security requirements, industry standards, government oversight and consumer behavior. A manufacturer's decision to end a product's life is usually met with a mixed response in the market. Some wholesale distributors rush to buy up remaining stock so they can continue to supply the majority of buyers who are slow to adopt a new product and even slower to change.

Others cut prices and attempt to clear their warehouses to make room for the next generation of products. After-market companies continue to supply spare parts and support and maintain products that are no longer manufactured. The end of a product's useful life can be the beginning of an exciting new chapter for MLSs who can combine closeout inventory selling with introductory offers on next-generation products.

Effective sales professionals cater to the needs of their customers by offering products that are best suited to their personal tastes and business requirements. Whether your terminal is newly hatched, growing rapidly or in its golden years, it is a timely resource for the right buyer. 📱

*Dale S. Laszig is Senior Vice President of Sales in the United States for Castles Technology Co. Ltd., a manufacturer and global provider of smart card, contactless and POS solutions. She can be reached at 973-930-0331 or [dale\\_laszig@castech.com.tw](mailto:dale_laszig@castech.com.tw).*

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# New Products

## Next-gen reader expands mobile

**Product: ROAMpay G3X Swipe**

*Company: ROAM Data Inc.*

**W**hen ROAM Data Inc. earned the 2010 Technology Innovation Award given by the Electronic Transactions Association, clearly the mobile application designer and manufacturer was on the right track. With the launch of its third-generation ROAMpay G3X Swipe, the company has raised the technology bar another notch. ROAM's most ambitious effort to date, G3X supports more than 100 mobile phone, tablet device and personal computer models.

"We are committed to providing our partners with industry leading mobile commerce solutions, said Will Graylin, founder and Chief Executive Officer of ROAM Data. "The new G3X is the latest product in our pipeline of products to come, which includes NFC and EMV readers for 2012, and a suite of mobile commerce solutions from mobile checkout, to mobile offers to mobile wallet."

### Features of ROAMpay G3X Swipe include:

- Support for more than 100 devices
- Patented technology for reliable card reads
- End-to-end encryption to secure payment data
- Software designed to reduce ownership costs
- More than 300 resellers worldwide

According to the company's website the ROAMpay G3X Swipe is lightweight, compact and is compatible "with iPhone, select Android and BlackBerry devices ... fits right in your pocket and plugs into your mobile device's 3.5mm headphone jack. A simple swipe of the customer's credit card and the transaction is completed. The ROAMpay Swipe also utilizes end-to-end encryption so your customer's sensitive information is never exposed."

ROAM's mobile commerce platform-as-a-service reportedly extends both physical POS and e-commerce solutions to the mobile environment through a combination of software, hardware and services. Core offerings include payment applications, peripherals, end-to-end data security, a payment gateway, development tools, and boarding and support services – all designed to assist ISO partners with fulfillment of mobile commerce initiatives.

"We are technology geeks that really know about mobile and payments and how that intersection can deliver new value to merchants and consumers," Graylin said. "Our goal is to build the most advanced, cost effective, and secure solutions for our customers to win market share today and stay ahead tomorrow."

In 2011, ROAM shipped approximately 450,000 secure mobile readers worldwide. With the G3X release, ROAM anticipates a lower total-cost-of-ownership for merchants. The company stated its "increased device compatibility means more sign-ups with the same marketing spend, lower customer service cost and lower reader cost based on ROAM's high production volume."

The G3X can be custom-branded to operate with existing applications or white-labeled as a turnkey solution for partners seeking to enter markets more quickly. ROAM does not sell directly to merchants, choosing instead to work in tandem with compatible merchant accounts set up through its merchant service providers partnership program. ■

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## NewProducts

## An open SDK for mobile payments

**Product: Pay Anywhere SDK**

*Company: North American Bancard*

**P**ayment processor North American Bancard now offers an open software development kit (SDK) for Apple Inc. iOS that is free to third-party developers who integrate its Pay Anywhere mobile payment platform within their own applications. The Pay Anywhere software application and card reader enable merchants to accept credit card payments on Apple or Google Inc. Android mobile devices. NAB plans to release an SDK for Android devices shortly.

"Our goal in making the Pay Anywhere SDK available is to enable developers to create apps that provide merchants with a smooth payment processing experience," stated Marc Gardner, NAB founder and President. "The Pay Anywhere mobile payment platform comes with nearly 20 years of experience in credit card processing, and this allows developers the freedom and peace of mind to concentrate on what matters most to them – app development."

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### Features of Pay Anywhere SDK for Apple iOS include:

- Software development kit free to developers
- Basic and advanced versions available
- Secure portal for payment processing
- Integrated approach to mobile payments
- No hidden fees, merchants pay only to process

Developers can choose between basic and advanced versions of the SDK. Pay Anywhere SDK-Basic provides a plug-and-play application programming interface (API) that requires minimal programming to implement within existing applications.

According to NAB, a software developer's existing application handles the amount and itemization of the transaction, and the API passes critical information to Pay Anywhere for completing the transaction.

Developers who require greater programming flexibility can create a customized application using Pay Anywhere SDK-Advanced. With this version, private-label branding keeps the focus on the developer's application while still relying upon Pay Anywhere for processing transactions.

Pay Anywhere users have access to a secure merchant portal and customer support, along with such built-in features as "geo tax" calculation and default tipping. The application also provides real-time reporting functions that can trigger automatic email sales activity alerts and track best-selling items at multiple locations.

NAB said it charges a flat transaction fee and set percentages for swiped and keyed entries, so Pay Anywhere merchants pay only to process payments.

"The Pay Anywhere SDK, along with the credit card reader, provides the opportunity for a developer to integrate a cost-efficient and secure payment interface into their application," NAB stated. "Developers can rely on the security of the Pay Anywhere system, which adheres to the strictest standards of PCI compliance, and ensures every transaction is encrypted."

Additionally, Pay Anywhere is backed by North American Bancard, which processes over \$1 billion in monthly credit card transactions for more than 125,000 merchants nationwide, the company reported. 📄

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# Book Review

## The business of being social

**H**eads up, ISOs and merchant level salespeople (MLSs), it will no longer suffice to just employ social media in your business, you must turn your enterprise into a social business from the inside out, and this will require a cultural shift, one that transforms the way your business is structured and how colleagues and partners interact with one another, as well as with customers and prospects – so says Michael Brito, author of *Smart Business, Social Business: A Playbook for Social Media in Your Organization*.

In his role as a Vice President at consulting firm Edelman Digital, Brito provides strategic counsel, guidance and best practices to several global technology accounts. He has hands-on experience spearheading social media initiatives at a range of organizations and believes marketers need to spend more time listening to the social customer and that if "brands love their customers," their customers will "love them back and tell others about it."

Brito stated that the three tenets of a social business are that it be engaged, connected and adaptive, and these tenets can be used as pillars to prepare a business for engagement in what he defined as a "market in transition."

The book's 12 chapters cover the following:

- 1. Human Capital, Evolved** – explains how to drive cultural change in the social business, tear down silos for organizational growth, turn failures into successes, gain executive sponsorship to facilitate change, activate employees to engage in social media and establish continuity. It also discusses standard social business



organizational models and who owns social media.

- 2. Surveying the Technology Supermarket** – describes how to choose the right social software, social listening software and social relationship management applications, and discusses such programs as Jive, Microsoft SharePoint, IBM, Box.net, Tibbr, Yammer and Cisco WebEx Meeting Center. The chapter also delves into the future of external social technologies, including the ascendance of Facebook and likely network consolidation.
- 3. Establishing a Governance Model** – discusses how to craft social media policies and procedures, while keeping transparency, disclosure and moderation in mind; how to train your organization or team for maximum organizational intelligence using non-competitive collaboration; and the value in establishing social media executive councils.
- 4. Embracing the Social Customer** – explains the role

### Smart Business, Social Business A Playbook for Social Media in Your Organization

By Michael Brito

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Pearson Education  
Que Publishing,  
Indianapolis  
248 pages

ISBN 978-0-7897-4799-0

social media practitioners play in effectively engaging social customers, how to integrate customer support into social media and how to use social media to solicit product feedback.

- 5. In Response to the Social Customer: Social CRM** – offers definitions for social customer relationship management (CRM), and discusses how the social CRM response process fits in with work flow, various applications of social CRM, and the roles and responsibilities involved. It also spotlights promising social CRM vendors.
- 6. Establishing a Measurement Philosophy** – provides guidance on how to select a measurement strategy that works, how to measure the influence of social channels and discusses the challenges involved in measurement, as well as the value of a Facebook fan.
- 7. How to Choose the Right Vendors, Agencies and Technology Partners** – explains exactly what the



chapter's title says and provides insight into an organization's culture and leadership, technology feature sets, in addition to support, training and maintenance considerations.

8. **Marketing Investments on the Rise for Social Business Initiatives** – discusses how to demonstrate the business value of social media in order to obtain budget approval, how organizations are prioritizing social media budgets and how to determine what your social media budget should be.
9. **Creating a Comprehensive Social Media Strategic Plan** – offers instruction on how to define the mission, goals, objectives, strategy and tactics for a social media plan; understand audience segmentation; and integrate social media with owned and paid media initiatives.
10. **The Rise of Customer Advocacy** – explains the difference between influencers and advocates (advocates love the brand and tell others about it; influencers affect the decisions of people in their sphere, but are not necessarily advocates); how to create a customer advocacy program through organizational readiness, finding the right advocates and choosing the right advocate platform.

11. **Ethical Bribe: Relevant Content Matters** – details how relevant content creates business value; happens as a result of listening; positions a brand as a trusted adviser; is relevant, authentic and believable; builds trust with the community; increases the reach of branded messages; and increases "organic" search results.

12. **Social Businesses in the Real World: EMC and Intel** – describes in detail how two leading technology companies, EMC Corp. and Intel Corp., evolved into social businesses from their early days of social media involvement into organizations that have created social media strategies and successfully integrated social media into the heart of their organizations.

Our society is increasingly influenced by social media, and the right kind of social engagement has been shown to foster customer loyalty. Given that merchant stickiness is prized in the payments business, becoming a truly social business could give ISOs a competitive edge.

Leaders wanting to take their companies, large or small, beyond making the most of LinkedIn or creating Facebook fan pages will find solid information on how to do so in this book. 📖

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# Research Rundown

## Acquirers tackle Level 4 PCI compliance

Despite ongoing concerns over Payment Card Industry (PCI) Data Security Standard (DSS) compliance among Level 4 merchants, a recent survey suggests acquirers have made tremendous progress toward Level 4 compliance. In *Benchmarking Level 4 Merchant PCI Compliance: The Acquirer's Perspective*, ControlScan and Merchant Acquirer's Committee interviewed over 146 banks, processors and ISOs, and found 94 percent have a PCI program in place for their Level 4 merchants.

"Over the last three years, ControlSan has extensively studied the viewpoints of small merchants regarding PCI compliance," stated Joan Herbig, Chief Executive Officer at ControlScan. "For the first time, we are benchmarking the experiences of acquirers in helping small merchants comply with the PCI DSS."

Herbig said that while recent research has broadened the topic of PCI compliance, it has been from the standpoint of larger Level 1 and 2 merchants, with little applicability to the challenges faced by smaller Level 4 merchants. "This study shines a light specifically on this segment," she noted.

According to the study, 64 percent of acquirers surveyed have had PCI programs in place for two years or less, 81 percent outsource some or all of their PCI compliance programs to third-party providers, and 54 percent claim overall merchant portfolio compliance rates of 41 percent or higher. Key attributes of respondents who reported high PCI compliance rates included frequent monitoring, a suite of PCI tools and outsourcing of compliance programs.

"Some of the most common questions we receive from acquirers, as a PCI compliance and security solutions provider, revolve around whether or not their peers charge PCI program and noncompliance fees," Herbig said. "Since the study directly addresses these topics, we can now speak definitively to standard practices by acquirers serving Level 4 merchants."

Of those surveyed, only 12 percent reported not charging a fee to merchants for participation in PCI compliance programs, and 52 percent charged noncompliance fees to encourage merchants to achieve PCI compliance.



To view a copy of the benchmark study visit  
[www.controlscan.com/whitepapers/acquirer\\_study\\_2011.php](http://www.controlscan.com/whitepapers/acquirer_study_2011.php).

## Common denominators in data breached

An IdentityHawk analysis of 87 publicly reported breaches which compromised 13,945,653 online records during the month of November 2011, revealed the nine types of data most commonly breached.

Types of data compromised:	Percentage of total:
Name and/or address .....	33 percent
Social Security number .....	16 percent
Date of birth .....	14 percent
Medical information .....	10 percent
Email address .....	8 percent
Miscellaneous .....	8 percent
Credit card number .....	5 percent
Account number .....	4 percent
Financial information .....	3 percent

Source: IdentityHawk, *The IdentityHawk November 2011 Identity Breach Report*

"To be frank, we are pleasantly surprised at the optimism that is being generated by over 1,000 of our small business clients. Optimism about their business and the economy and their ability to grow sales has not been apparent in recent months or years. We attribute this optimism to the recent headline drop in the unemployment rate, the growth in consumer spending and small gains in hiring in the fourth quarter. Whether this optimism will continue in the first quarter of 2012 is anyone's guess."

- Barry Sloane, Chairman, President and Chief Executive Officer, The Small Business Authority  
 Source: *SB Authority Market Sentiment Survey*, December 2011

## E-tail payment barriers

A survey report by Javelin Strategy & Research titled, *Why Consumers Don't Pay: Opportunities for Digital Commerce, 2011 Online Payment Poll*, revealed 79 percent of respondents would make online purchases, increasing spending by as much as \$89 per month, if safer and easier payment options than credit or debit cards were presented. According to the poll, concerns about credit card-related fraud and security remain a barrier to e-commerce progress.

## Bar code revolution

A white paper by Motorola Inc., *Cashing in on the Mobile Bar Code Revolution*, asserts that with over 5 billion mobile phones being used by 70 percent of the world's population, now is the time to capitalize on customer- and retail-driven adoption of mobile bar code programs. With the capacity to store electronic bar codes, mobile devices can be used by retailers to create virtual loyalty cards, gift cards and coupons to trigger sales, the company stated.

## Going global, online

For many online merchants, localizing websites to appeal to foreign markets presents unique challenges. A Cybersource Corp. white paper, *Global Payment Options: Payment Methods in Select Countries*, offers insights on country-specific payment preferences, e-commerce sales volume and growth rates, and number of online shoppers to help businesses expand into such markets as Brazil, Canada, China, France and others.



# DateBook

Visit [www.greensheet.com/datebook.php](http://www.greensheet.com/datebook.php) for more events and a year-at-a-glance event chart.



## 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](http://www.cvent.com/events/2012-payments-summit/event-summary-4331cd14a7f34f59be009bce63d7934d.aspx)



## Women's Network in Electronic Transactions (W.net)

LINC Phoenix

**Highlights:** W.net's LINC Phoenix will host an evening networking session with special guest speaker Cindy Kim, Director of Marketing and Social Media at JDA Software Group Inc.

A recognized expert in developing and implementing global social media marketing campaigns, Kim will address how to best utilize social media strategies to drive business in her presentation, A Fireside Chat on Building Your Personal Brand for Networking.

W.net's LINC meetings occur periodically throughout the United States and provide a forum for women in the payments industry to empower and inspire each other through networking opportunities.

**When:** Feb. 29, 2012

**Where:** Country Club, DC Ranch, Scottsdale, Ariz.

**Registration:** [www.w-net.biz](http://www.w-net.biz)



## 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](http://www.iirusa.com/prepaid/welcome-page.xml?registration=XU2548GRST)



## Southeast Acquirers Association

2012 SEAA Annual Conference

**Highlights:** The Southeast Acquirers Association's annual conference focuses on current issues of concern to merchant level salespeople and ISOs. Each year, the meeting brings industry leaders to the Southeast region of the United States for the purpose of advancing the success of the industry's feet on the street.

The 11th annual SEAA conference will begin with an opening reception, the popular Field Guide Seminar and W.Net's networking session for women attending the event. The conference will feature keynote speaker Pam Joseph, Vice Chairman of U.S. Bancorp Payment Services and Chairman of Elavon Inc., as well as presentations by vetted payment experts. Ample time will be designated for networking in the exhibit hall, where more than 80 vendors and sponsors will be on hand. A closing breakfast will be hosted in the hotel restaurant.

**When:** March 19 – 21, 2012

**Where:** Dallas Fairmont Hotel, Dallas

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

# Inspiration

**WaterCoolerWisdom:**

**When you believe in a thing, believe in it all the way, implicitly and unquestionable.**

- Walt Disney

## Belief makes dollars and sense

**T**he business of living can be a tough sell. Hurdles abound, from how to make that mortgage payment to staying employed in a difficult economy. But what gets you through is belief, be it in a higher power or simply in yourself – that you will find the grace and wisdom to make your dreams come true in time.

Belief is also at the heart of the business of selling financial services. There is nothing so powerful and motivating as having an emotional connection to the products you sell. You're not just trying to make a buck.

Instead, you truly believe that your services will help merchants stay in business, make more money, and even enrich their lives beyond mere dollars and cents.

But maybe it's not so much belief in the superiority in one type of card reader over another, or that a certain gateway never goes down. Of course, some products are better than others, but there will always be a better, faster, cheaper POS device than the one you're selling.

It's the nature of invention that a superior technology is always on the horizon – the next whiz-bang gadget that promises to put your technology to shame.

However, belief in a company philosophy or a set of business practices can run much deeper. Maybe your ISO treats its employees with a measure of respect and dignity that makes you proud to be associated with it.

Or perhaps your company is devoted to charitable giving, to the extent that the boss doesn't give himself or herself a raise and sends more money to a heartfelt cause on behalf of the company instead.

### Believe it

Whatever anchors your belief in a company, it is the same feeling or belief you exude when you make a sales call. When you approach a merchant, you're not just armed with a charming smile and a good hook. You walk in with your ISO figuratively behind you.

When you tell a merchant your ISO offers excellent 24/7 customer service from a dedicated call center in the United States that is staffed by knowledgeable associates who speak fluent English, you know it is, in fact, true. In this sense, the ISO is supporting you and giving you the confidence to make your pitch with conviction.

Consider the opposite. You approach a merchant knowing deep down that your ISO's merchant contracts come with bogus fees. Assuming you find the practice unethical, how can such knowledge not undermine your pitch?

How can you have confidence in the product you're selling if your belief in the ISO that supplies it is faulty?

Be assured many merchants pick up on your belief in the company you represent, or lack thereof. Merchants have been burned enough in the past to be wary when you approach them.

They can sense when something rings false in your voice, or maybe it's your eyes that give you away. You may be able to fake your way through a fancy presentation, but it's impossible to fake belief.

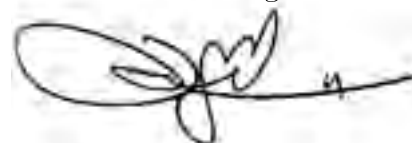
### Change it

Working with partners and companies you fully believe in spills over into your private life. Since you spend so much time at work, having pride in your ISO makes work more enjoyable and less stressful.

When you transition back to being a friend, parent or spouse at the end of the day, you don't have to deal with the emotional and psychological baggage of having to work for a shady ISO day in and day out.

Thus, when you hear horror stories about what goes on at less than ethical or careless ISOs, you can be grateful that you are not associated with them. And if you are unfortunate enough to work with such an ISO, maybe changing that situation is in order for the new year.

Good Selling<sup>SM</sup>



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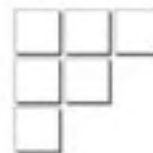
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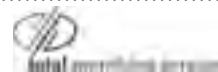
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Alpha Card Services  
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## Cover Wrap

Electronic Payments  
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[boob] *n. Slang*

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