



# The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

May 26, 2003  
Issue 03:05:02

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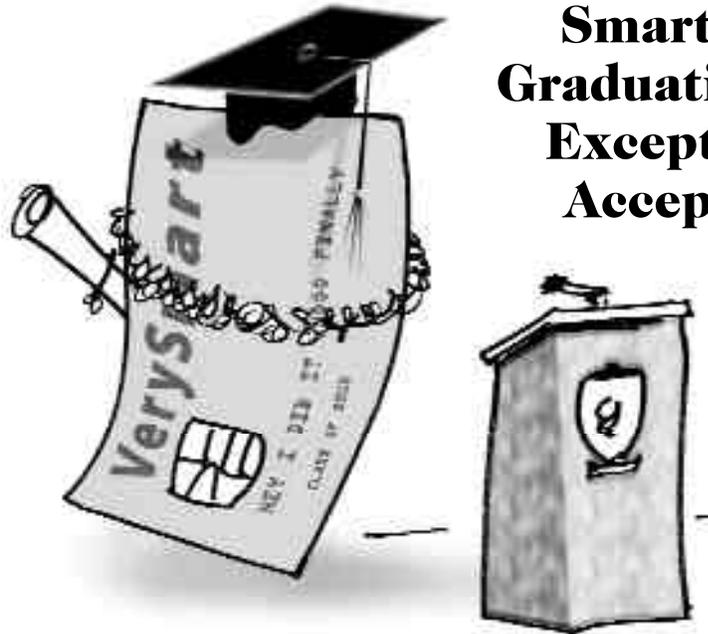
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## Smart Card Graduating from Exception to Acceptance



**I**n the rapidly growing smart card market, there's no such thing as too many cooks in the kitchen. Smart card technology has come a long way over the past 30 years, and now hundreds of organizations across multiple market segments are taking part in its development and deployment. The Smart Card Alliance brings all of these companies together with the goal to help drive the continual adoption of smart cards in the United States.

Smart cards are plastic cards about the size of a credit card and contain an embedded computer chip that can store a user's personal information, such as account data, passwords, shopping preferences and biometric information.

Smart cards have been widely adopted in Europe, Latin America and Asia by telecom companies for wireless phones and by financial institutions and retailers for security purposes with bankcards and processing payment transactions. Most bankcards in Europe and around the world already contain smart cards, which have been driven largely by Euro/MasterCard/Visa (EMV) mandates. The U.S. has been somewhat slower to use the technology with bankcards and payment devices, but most in this industry know it's just a matter of time.

"Over the last three years there have

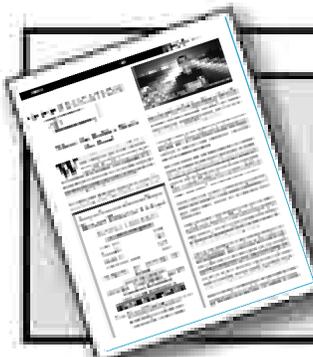


See SMART CARDS on Page 43

### Notable Quote:

I plan to hold ongoing conversations with you. I promise these conversations will be relevant and up-to-date. I will continually solicit your input for issues you would like to see discussed. I will review topics that appear on the MLS Forum. And, in the process, I also will offer my own insights and opinions.

See new feature – "Street Smarts" – on Page 28



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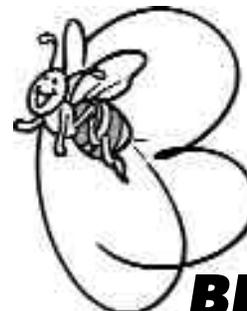


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- » John Beebe-Global eTelecom
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- » Audrey Blackmon-POS Portal
- » Robert Carr-Heartland Payment Systems
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- » Wayne Damron-Lynk Systems
- » Steve Eazell-Secure Payment Systems
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The Financial Services Industry Source for Education, Insights and Actionable Advice

**INDEX TO ADVERTISERS HAS MOVED TO END OF RESOURCE GUIDE, PAGE 78 IN THIS ISSUE**

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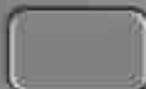
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## ECHO-ing Nonprofit Sentiments

Your recent article on credit card acceptance for non-profit organizations was very informative and, we hope, useful to your readers looking for a growing market for payment services.

We at ECHO believe that non-profit organizations can truly benefit from adopting credit card acceptance, both on a recurring basis and for one-time payments. We've witnessed for ourselves great interest among community groups, religious organizations, fraternal organizations and many others who have opened accounts with ECHO.

We would like to note one correction, however, that your readers will want to be aware of. Our Web site URL was incorrectly listed without a hyphen. The correct address is [www.echo-inc.com](http://www.echo-inc.com). Our "Non-Profits" page gives agents a good overview of our non-profit program, which Mr. Kimels so capably outlined.

Greg Imlay  
Marketing Director  
ECHO

## New Association

Would you have a contact for the new Midwest Acquirers Association?

Mark

The contact is Jim McCormick, c/o General Credit Forms, Inc., 3595 Rider Trail South, Earth City, MO, 63045. Phone: 314-216-8600; e-mail: [jimmccormick@gcfinc.com](mailto:jimmccormick@gcfinc.com). The new association's Web site is under construction. For more information about the Midwest



Acquirers and other associations, please see our new feature, "Trade Association News," which appears monthly.

Editor

## Reprint Procedure

Paul,  
I found "A Primer on Card Acquiring" in your April 28, 2003 issue (03:04:02) to be very informative and would like to incorporate it into our training. What are your policies on reprinting for training and educational purposes? Thanks again for your excellent articles on our industry.

Peter Scharnell  
Vice President, Marketing  
Electronic Exchange Systems

Peter,  
Thank you for the positive feedback. It's always good to know that what we have produced is useful.

We are happy to have our information quoted in other publications as long as we are credited correctly: "As published in The Green Sheet, issue \_\_\_\_\_. Copyright 2003 All rights reserved."

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Editor

## CORRECTION

Lin Fellerman's work history was incorrectly reported in the Industry Leaders profile in the April 28, 2003 issue of The Green Sheet ("He Has the Cure for What Ails Industry," 03:04:02). Fellerman moved to Tampa, Fla., in 1981, and in 1982 he was given responsibility for managing all corporate data processing activities for Telecredit's Credit Card and Check Services subsidiaries. He subsequently was promoted to President of the Check Services division, which he ran from 1986 to 1995.



# INDUSTRY UPDATE

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## NEWS

### First Data Wants More Time to Buy Concord

**First Data Corp.** said it wants more time to get antitrust clearance to buy **Concord EFS, Inc.** Following talks with the U.S. Department of Justice, FDC said it will withdraw its original April 10, 2003 filing seeking antitrust approval and re-file the form with the DOJ and the Federal Trade Commission regarding its pending merger under the Hart-Scott-Rodino Antitrust Improvements Act. The re-filing will allow the Department's antitrust division more time to review the proposed merger; it also starts a new 30-day regulatory review period that would have expired on May 12. First Data plans to buy Concord for approximately \$8 billion.

### Visa Sued for Patent Infringement

**Visa USA Inc.** and **Visa International** are being sued by two technology partners, **starpay.com, LLC** and **VIMachine, Inc.** The companies claim that Visa's payer service – VPAS, or "Verified by Visa" – infringes on their patented technology involving the process of authenticating credit card account holders in online transactions.

starpay and VIMachine also claim that they shared information about patented technology with Visa through face-to-face meetings, telephone calls, e-mails and in regular correspondence and that Visa then stole the information from them by filing a patent application

for a solution based on that information. The complaint against Visa was filed May 8, 2003 in the U.S. District Court for the Northern District of Texas.

### Countdown to Section 326

**The U.S. Treasury Department** issued final regulations for implementing Section 326 of the USA Patriot Act. Section 326 requires that financial institutions establish minimum procedures for identifying and verifying customers who open new accounts in order to guard against money laundering and the financing of terrorism. The rules affect more than 30,000 U.S. financial institutions, which must be compliant with Section 326 by October 1, 2003.

### U.S. Bills to Get Color

**The U.S. Treasury Department** and the **Federal Reserve System** unveiled a new design and updated security features for the \$20 bill. The new bill will be harder to fake and easier to check because it's the first time since the 1905-Series that U.S. currency will include background colors other than black and green. The new Series-2004 currency designs will be introduced into circulation in late 2003 and will start with the \$20 bill.

## ANNOUNCEMENTS

### EPN Offers ACH through Internet

**The Electronic Payments Network (EPN)** now offers financial institutions of all sizes the ability to transmit



- ▶ **Kmart** emerged from 15 months of bankruptcy protection as the newly named Kmart Holding Corp. It is a smaller company than before (down to 1,500 stores from 2,100) and has new management.
- ▶ **Major retailers** such as Wal-Mart, Target, J.C. Penney and Sears, Roebuck and Co. missed their sales targets for April 2003, blaming chilly temperatures.
- ▶ **CBL & Associates Properties, Inc.** opened Cobblestone Village in St. Augustine, Fla., a 261,110 square-foot community shopping center.
- ▶ **Chain Store Guide (CSG)** re-released its Database of Retail Locations, which it updates three times a year with information on merchant location, modeled weekly sales volume and square footage. The database allows companies to access businesses across the U.S by industry class or choose stores by market definition, state and zip code. For more information, visit [www.csgis.com](http://www.csgis.com).
- ▶ **Grocery distributor Roundy's Inc.** will buy 31 Rainbow Foods stores from bankrupt Fleming Cos., Inc. for \$42.5 million plus inventory.

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and receive ACH transactions via EPN's new high-speed Internet connection. Arizona FCU (Phoenix, Ariz.), TruWest CU (Scottsdale, Ariz.), First National Bank of Jeffersonville (N.Y.), EastBank (Minneapolis) and Fort Lee (N.J.) Federal Savings Bank are some of EPN's customers using this new service. EPN's Internet connection is secure and uses the latest encryption and authentication technology. Customers load Windows-based software called the Personal Computer ACH Interactive Management System (PCAIMS) on their PCs and connect to EPN through the Internet.

### Help Wanted at ViVOtech

Santa Clara, Calif.-based start-up **ViVOtech, Inc.** is looking for a Senior Vice President, Sales. If you are interested in learning more about this position and the company, contact Gerald Hukee, Human Resources Manager for ViVOtech, at 408-248-7001, ext.130 or visit [www.vivotech.com](http://www.vivotech.com).

### Yaga Opens UK Office

**Yaga, Inc.** announced the opening of a new office in London to provide sales support for publishers in Europe who need commerce and merchandizing technology for their Web sites. Andrew Grant will head the new office.

### Global Payments Certifies ACH Direct

**ACH Direct, Inc.**'s Payments Gateway platform received certification from **Global Payments Inc.** for processing credit cards, debit cards and checks. Traditional retail, mail order, service industry and Web-based merchants all can use the Payments Gateway platform.

## PARTNERSHIPS

### Fiserv and SVPCo to Share Check Images

Customers of **Fiserv, Inc.** and **SVPCo** will be able to exchange and settle check images through the SVPCo network. The two companies have partnered to establish an integrated system "connection" that will allow participating financial institutions to electronically exchange check data and images among their client financial institutions.

Fiserv provides outsourced item-processing services for 1,700 clients through a network of 48 check-processing centers with imaging capabilities. SVPCo provides electronic payment services such as ECP, ACH and imaging. SVPCo's vision is to have an industry-wide exchange of check images.

### Dresdner Bank Renews with FDC

**Dresdner Bank AG** signed a five-year processing agreement with **First Data Corp.**, renewing its four-year relationship with FDC. First Data will continue to deliver credit card processing for Dresdner Bank's customers in Germany.

### New Gift Card POS Solution

Gift card and loyalty processor **Givex USA Corp.** and touch-screen point-of-sale software provider **RPOWER Restaurant POS** announced plans to integrate their products to create a POS system for the hospitality industry. The companies expect the new solution to be available summer 2003. It will be marketed directly by RPOWER's dealers. In addition, Posera, Inc. integrated its 2003 Maitre'D software with Givex's frequent diner points processing services.

### Global eTelecom Signs Two for ECC

**DestinBank...The Financial Centre** will provide Electronic Check Conversion to its customers and a network of banks across the U.S. by licensing in-house **Global eTelecom, Inc.**'s proprietary electronic check conversion technology. Global eTelecom's check services are licensed under U.S. Patents 5,484,988; 6,164,528; 6,283,366; and 6,354,491 from LML Payment Systems Corp.

Global eTelecom also renewed a two-year agreement with **Cynergy Data** and will continue to provide pro-

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cessing and support for Cynergy's Electronic Check Conversion program.

### China's Largest Bank Picks Hypercom

**Hypercom Corp.** said it expects multimillion-dollar orders for thousands of its Hypercom ICE 5500Plus and ICE 5700Plus card payment terminals to come out of its partnership with **Industrial and Commercial Bank of China (ICBC)**. ICBC plans to offer Hypercom's terminals to merchants in China. Hypercom will be ICBC's preferred equipment provider for the second year in a row.

### Moneris to Process for Intrawest Resorts

**Moneris Solutions Corp.** will process Visa and MasterCard and debit card payments at all of **Intrawest Corp.**'s Canadian properties. Intrawest is a developer of village-style resorts and has multiple points that accept credit and debit card payments, such as hotels, restaurants, stores, equipment rental, lift ticket and greens fees payments.

### NPC, Payerpath Team Up

As part of a multiyear co-marketing agreement with **National Processing Co., LLC, Payerpath, Inc.** will market NPC's HealthPay service (formerly known as AcceleratedPay) to its payer partners. Payerpath is a provider of financial transaction solutions over the Internet for the health care industry.

### Smart Cards Hit the Midwest

**First National Bank Omaha**, a division of First National of Nebraska, will issue 100,000 Visa smart cards from **Oberthur Card Systems** to its customers over the next two years. One service the bank will offer through the smart cards is FileIT, a "convenience storage" application that allows cardholders to securely store personal data such as birthdays, a social security number or frequent flyer details in their card's memory.

## MERGERS/ACQUISITIONS

### Two Clearing Houses to Merge

Two of the oldest clearing houses in the U.S., – **The Clearing House** and **The Chicago Clearing House**, announced plans to merge. The organizations were formed separately in the mid-19th century – before the Federal Reserve – to facilitate the exchange of payments. Today, both are owned by banks and both clear and settle checks.

The Clearing House, through the National Check Exchange, processes \$7.8 billion daily for its 35 participants in the Northeast. The Chicago Clearing House provides check clearing and settlement services totaling more than \$2.5 billion daily for seven member banks

and 400 affiliates throughout Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin.

### Paymentech Adds 15,000 Merchants

Payment processor **Paymentech Canada** acquired **Citibank Canada**'s MasterCard merchant portfolio (excluding Citi Global relationships) of 15,000 merchants. In October 2002, Paymentech Canada acquired Scotiabank's Visa portfolio. The combination of these merchant portfolios will allow Paymentech to provide consolidated billing and settlement to Canadian merchants.

### PRE Expands in Puerto Rico Market Share

**PRE Solutions, Inc.** acquired **Innovative Solutions, Inc.**, one of its largest competitors in Puerto Rico. PRE Solutions said that with the acquisition, it now has more than 50% of the prepaid market share on the islands. PRE Solutions' prepaid products and services such as wireless, long distance, home telephone, Internet and MasterCard branded-cards are provided in all 78 municipalities of Puerto Rico and United States the Virgin Islands.

### TSYS Adds Enhancement

**TSYS** acquired **Enhancement Services Corp. (ESC)**, provider of loyalty and gift card programs. ESC will operate as a wholly owned subsidiary of TSYS, and ESC's President and CEO, Steven Wilson, will continue to manage day-to-day operations.

## APPOINTMENTS

### Lynk Hires VP for MSP Sales Team

**Lynk Systems, Inc.** announced the appointment of **Tom Della Badia** to Vice President of its newly formed MSP Sales Channel. Before joining Lynk, Della Badia served 3 1/2 years as Regional Vice President for NOVA Information Systems' New York Regional Distribution Center.

### Visa Hires Brand Expert

**Visa International** appointed **John Elkins** head of Global Brand and Marketing. Elkins is founder and former CEO of Interpublic Group's FutureBrand, a global brand consulting firm with clients such as Bank of America, UPS, Microsoft, Telefonica, British Airways and Samsung. Elkins previously served as CEO of the Naisbitt Group.

### eFunds Snags Industry Veteran

**Eric S. Bleicher** joined **eFunds Corp.** as Vice President of National Sales for eFund's EFT solutions business line. Bleicher has 24 years of experience in the financial services industry. Before joining eFunds, Bleicher was

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Vice President of ISO Business Development for NYCE Corp. He also has served as Vice President and General Manager of US Processing/First Data Resources and has held positions with M&I Data Services and A.O. Smith Data Systems.

### PPI Lands Bankcard Exec

**Payment Processing, Inc. (PPI)** hired **Lisa J. Brzezicki** as Vice President, Strategic Business Development. Brzezicki has 20 years of card industry experience in areas such as business development, marketing and sales. She most recently served as Vice President, New Markets for MasterCard International. Brzezicki also held various management positions for 11 years at American Express.

### MagTek's Hart Named President/CEO

**Annamarie D. "Mimi" Hart** was named Chairman, President and CEO of **MagTek, Inc.** Hart has been associated with MagTek for more than 28 years, most recently serving as a Director since 1999 and as a strategic advisor to MagTek's executive management team. She began her career at the company in 1975 as a Sales Executive. Hart succeeds Thomas McGeary, who passed away in December 2002.

### Catuity Elects New Chairman

**Duncan P.F. Mount**, a major **Catuity Inc.** shareholder and a non-executive board member, was elected to serve as Chairman of Catuity's Board of Directors. The company changed the role of Chairman to be a Nonexecutive Chairman; and as part of this transition, David L. MacSmith voluntarily stepped down as Chairman.

The Catuity Board now consists of five directors, with one executive director and four independent non-executive directors.

### JCB Promotes Omoto

**JCB International**, the largest card issuer and acquirer in Japan, promoted **Masahiro Omoto** to Executive Vice President and General Manager of the Advanced Technologies Department. Omoto had served 16 years of his 18-year career with JCB in the International Department. Most recently, he has been responsible for smart card migration outside of Japan, including product launches and pilots in Taiwan, the U.S., U.K. and Switzerland.

### Capital One Recruits New CFO

**Gary L. Perlin** will serve as **Capital One Financial Corp.**'s New Executive Vice President and CFO, effective July 1, 2003. Perlin replaces David M. Willey, who resigned in March after receiving a Wells notice from the SEC.

Perlin currently is CFO and a Senior Vice President of the World Bank in Washington, where he has served for 13 years. Before joining the World Bank, he worked at the Federal National Mortgage Association (Fannie Mae) for more than 11 years.

### Cynergy Data Appoints VP Sales

**Cynergy Data** hired **Donald Saunders** as Vice President of Sales, overseeing the national recruitment efforts of Independent Sales Organizations and sales agents. Saunders has more than 10 years of bankcard industry experience. Saunders previously served as Vice President of Sales for Electronic Data Resources.

### Spectrum Adds VP Business Development

**Spectrum Merchant Services**, a division of Spectrum Business Solutions LLC, appointed **Pamela Smith** as Vice President of Business Development. Smith has 15 years' of industry and banking experience. She most recently served as Director, Business Development/Western Region for Paymentech Processing Services. She also was the AVP Bankcard Manager and Business Development Officer at Bank of the Cascades in Oregon, overseeing both the issuing and acquiring program.



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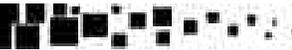
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## New Members Join Green Sheet Advisory Board

**T**hree more industry experts recently joined The Green Sheet Advisory Board, a cross-section of industry representatives that makes significant contributions to the breadth and depth of both The Green Sheet and GSQ. The Green Sheet staff compiles questions posed to us by our readership, and approximately every six weeks we send a selection of these questions to the Advisory Board. Their responses are used to develop articles for our publications.



ciate their willingness to help strengthen our industry by supporting our publications with their industry knowledge and insight. Here is a brief introduction to these new members:

**Penny Baker** founded National Bankcard Systems, Inc. in 1997. Headquartered in Austin, Texas, the company was ranked 27th on Inc. magazine's 2002 list of America's 500 fastest-growing private businesses.

The newest Advisory Board members:

- **Penny Baker**, President/CEO, National Bankcard Systems, Inc.
- **Wayne Damron**, Senior Vice President of Sales, Lynk Systems
- **Doug McNary**, Executive in charge of third-party sales channel, First Data Merchant Services

Advisory Board members agree to give some of their time to serve our readership, the payment processing industry's Merchant Level Salesperson (MLS). We truly appreciate

According to the Austin Business Journal (Vol. 22, No. 34, November 2002), "With \$220,000 in revenue in 1997, National Bankcard Systems ratcheted sales up to \$5.39 million in 2000 and \$9.47 million in 2001. Revenue is projected to hit \$12 million this year [2002]."

Penny has attributed the rapid growth of the company to his yellow pages advertising in 50 markets at one time. In true entrepreneurial spirit, he isn't averse to a certain amount of risk.

**Wayne Damron** has more than 20 years of sales and marketing management experience in the financial services/bankcard processing industry. He began his career as a Marketing Officer with The First National Bank of Commerce and went on to become a Senior Sales Executive for Envoy Corp. Damron also served as Vice President, Sales Manager for First American National Bank, where he managed a considerable merchant program. As Vice President, National Sales Manager of CFC Financial Services in Louisville, he managed the company's national sales efforts.

Immediately before joining Lynk, he was Senior Vice President of Sales and Support for MagCard Services, a wholly owned subsidiary of First USA Merchant Services. Damron currently heads up all indirect sales agendas for Lynk, including the LynkPartner program, which has more than 400 banks and associations as referral partners.

Before that, as Vice President of Regional Sales, he led Lynk's sales team to record levels of new sales. During this time, he developed a turn-key agent bank program and grew the direct sales force to 33 times its original size, making it one of the largest direct-sales forces within the acquiring industry.

When asked why he wanted to be a member of the Advisory Board, Wayne responded, "I hope that my 20-plus years being in the industry would qualify me to at least have an opinion on the many issues facing our industry today. It is a most trying time for acquirers and

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for ISOs in particular. The dynamics of how we do business are changing, and we are faced with adaptation or stagnation. I would like to think that as good as this industry has been to me, it is my duty and honor to give something back."

Damron would like to see The Green Sheet become "the driving force for establishing high ethics that all ISOs [MLS's] should follow." He continued, "There are various organizations that seem to be trying to do something in this regard but none that I give a really good chance of making a difference. Unfortunately, education is not the sole solution. Enforcement of the current rules and regulations would be a great enhancement."

(An "Industry Leaders" profile of Wayne appears in this issue, beginning on Page 18.)

**Doug McNary** is the executive in charge of First Data Merchant Services third-party sales channel, comprised of Cardservice International, TASQ Technologies and First Data Merchant Processing (FDMP) Omaha.

Doug's leadership, business development and strategic

expertise drive the First Data third-party sales channel to offer clients a full spectrum of relationship programs. Doug leads the third-party sales channel as it meets the needs of clients, agents and merchants.

Before assuming leadership of the third-party sales channel in 2002, Doug led the Strategic Business Development group of First Data Corp., which focused on mergers and acquisitions, partnerships, joint ventures, new products, product enhancements and other revenue-building models.

Before October 2000, Doug was President of Western Union North America, where he was responsible for all sales, agent management, marketing, customer service and business-development functions for Western Union's consumer money transfer, money order and electronic benefits transfer businesses in the United States, Mexico and Canada. He joined First Data in 1985, and before that he worked for Xerox Corp. in Omaha.

McNary chose to join the Green Sheet Advisory Board because "it is a great opportunity to collaborate with my peers, improve education among [MLS's] and independent contactors and to establish and position industry standards and ethical practices.

"As an industry, we need to improve the way ISOs and agents [MLS's] work and in the process enhance our professionalism and integrity, and I would welcome the opportunity to contribute to that effort."

When asked what the Green Sheet can do differently to better serve the ISO/MLS community, he said that, "The Green Sheet has been a great foundation for growth and legitimacy in this industry. Its continued commitment to inform and educate professionals at every level in this industry about our strengths, challenges and opportunities would serve us well.

"I would like to be part of the board's effort to communicate to our industry specifically, practically and effectively."

We welcome each of these executives to the Advisory Board and look forward to their contributions in the months to come. ■

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## Life of a Salesman

**W**ayne Damron readily admits that sales is his life. And while he has built a career around the art of selling payment services, he has seen the industry evolve from the early days of paper credit card drafts and phone authorizations.

Knowing an industry that well, of course, has helped him through the years. Beyond that, it has been the satisfaction that results from closing deals and, perhaps more important, meeting people that has fueled his love for what he does.

Damron's contributions as Senior Vice President of Sales at Lynk Systems, Inc. have enabled the company to grow and expand into new areas. His role there has changed a little, too, but a successful sales effort always will be his primary focus even though he isn't pounding the pavement the way he used to. As Lynk has added personnel, Damron has watched over sales managers in expanded territories and has supervised the formation of a new MSP program.



Damron, who was born and raised in Kentucky, has been in the payment industry since 1982. He attended college (University of West Florida) on the G.I. Bill. "I wanted to do it and be debt-free when I got done. I was taking 24 units a quarter. I had one quarter left and ran out of money," he said.

Instead of applying for financial aid, he said, he went to New Orleans and "went to all the tall buildings there," knocking on doors looking for work. His efforts paid off when one of the doors in one of the tall buildings opened for him. The Bank of New Orleans offered him a job as a sales rep selling merchant credit card services. He had found his niche. Three months later, Damron said, his boss was fired and he was asked to replace him. He never looked back.

Not only did those days mark the beginning of his career, but they also were the beginning of the payment industry. "When I started, in 1982, you had to physically take your credit card receipts to the bank and turn them in to get credit," he said. "In 1984, the World's Fair was held in New Orleans. I sold electronic draft capture technology to them – it was a first. This opened the door to electronic settlement and to consolidating merchant accounts."

Over the years, Damron learned a lot about many jobs within the industry. "I was a salesperson on the street, then I managed salespeople. I also learned to do actual support, like operations and risk management. I saw many points of view. I learned by hook or by crook. I was a jack of all trades, a master of none," he joked.

In 1994, Damron joined Lynk Systems, which had been formed three years earlier and was beginning to grow. He started on Lynk's credit card side but said his range of experience within the business, combined with his passion for sales, definitely worked in his favor. "My wide knowledge base of the industry served Lynk well in those early days," he said.

Lynk Systems provides single-sourced electronic payment, cash dispensing and e-commerce solutions, including merchant account processing, ATM services and a

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**"We planned carefully and purposefully. From the beginning, many people said we were crazy to enter into a business ruled by giants. The others were focused on acquisitions. But we took a contrarian view. We were probably more single-sourced than any of our huge competitors."**

– Wayne Damron

range of stored-value card options.

"Our founder and CEO, Edward Uzialko, came from a technology background; that was a big plus," Damron said. "We planned carefully and purposefully. From the beginning, many people said we were crazy to enter into a business ruled by giants. The others were focused on acquisitions. But we took a contrarian view. We were probably more single-sourced than any of our huge competitors.

"To characterize Lynk informally, two things come to mind. The first is, 'Inch by inch, anything's a cinch.' The second is, 'Ready, fire, aim!'"

Damron said Lynk set out from the beginning to establish survivability for the long haul; the philosophy of "slow and steady wins the race" has served the company well. He said Lynk is now the 16th-largest acquirer in the coun-

try with 80,000-plus merchant sites and 15,000 off-premise ATMs. The company's corporate staff numbers more than 500.

"All our growth has been organic," he said. "We worked under the radar screen, developing our own solutions. For example, there were inherited legacy platforms that didn't offer contemporary solutions. So instead of buying back-end settlement applications, we spent two years developing our own. Also, there was call center software out there that didn't address the needs of the users. We developed a solution that supported our 24-hour help desk access."

Damron's own work schedule was practically 24 hours, too. He "lived and breathed it," he said.

"During those formative years with Lynk, I was a 'Lynkaholic,'" Damron said, describing the long hours



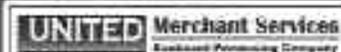
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that he – and everyone else there – was putting in. That was especially true for the sales department, where 99% of the credit card business was generated by the company's in-house sales force. Work weeks of 100 hours were not unusual.

"My first love is sales," he said. "Being in sales allows more creativity, more positive feedback and a sense of accomplishment. There's a sense of immediate gratification – you don't have to wait to see the results of your efforts. There's also a sense of fulfillment in aligning yourself with a good company."

"You end up with a 'win' in each column."

Damron knows well the highs and lows salespeople face and the challenges involved in staying focused and motivated. He said he tries to share his knowledge and experience with new sales staff members. These days, he finds real satisfaction in conducting training sessions.

"When I'm speaking in front of a group of salespeople, it's a real positive thing for me. I know the roller-coaster these folks are on. I try to be a motivator and a positive influence," he said.

Lynk has an in-house W-2 sales staff of more than 600, including 35 managers and 60-70 territory managers throughout the country. Damron is heading a new MSP program that will increase the company's presence nationwide. While Damron acknowledges that the primary training takes place on the street, Lynk has developed sales materials and online tools to assist its agents.

"We've reached a point of maturity," he said. "We feel the systems are in place and we need more points of distribution. The partner program is designed to form partnerships with financial institutions, VARs and associations. They will endorse us to their customer base and then share in the profits of the referred merchant. Our MSP program, for the first time, will allow indirect distributors to market Lynk's products and services under their own brands."

There's also the part of selling that involves dealing with other people – good interpersonal skills are essential. Successful salespeople know that not only do you have to have a good product to represent, people always do business with people they like.

Damron is a people person. Underneath his affable manner is a guy who knows the payments industry inside and out.

Damron's contributions as Senior Vice President of Sales at Lynk have helped the company expand in several ways – its products and services, its personnel, its physical space requirements. The point of selling is to make money for the company. When the company sells a lot, everyone's happy. It begins to grow, the number of customers or accounts increases, and then more staff people are needed.

And now, Damron said, the downside – if you can really call it that – of the ongoing success and growth of Lynk is the fact that he doesn't know everyone in the office by name anymore. It's not surprising and even understandable: Lynk is now the sole occupant of a 105,000-square-foot, four story office building, as well as an off-site 25,000-square-foot shipping and warehouse center. An area that size can hold a lot of people.

Damron said the days of the 100-hour work weeks are over, and it's allowing him to focus on other important areas. Damron's family, for instance, consists of kids and grandkids of all ages: He has a 9-year-old son, a 5-year-old daughter, a grown daughter and four grandchildren ages six months to 10 years; his grandchildren's uncle and aunt are younger than their niece and nephew.

"I've been able to add more balance to my life the last couple of years," he said. "I have more time now to give back to the industry."

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# iPayment Ends IPO Drought; Stock Jumps 31% in Debut

Nashville, Tenn.-based iPayment, Inc.'s (Nasdaq: IPMT) stock was well received by investors on May 12, 2003 for its initial public offering after a brief postponement because of a slip-up by Bear Stearns, iPayment's IPO underwriter. iPayment's public offering was the first after two straight months of no IPOs in the U.S, the slowest IPO market in this country in nearly 30 years.

The debut of iPayment shares closed at \$21.02 – a \$5, or 31.4%, jump over its \$16 offering price, with 6,532,700 shares trading hands.

In December 2002, iPayment filed S-1 documents with the Securities and

**6,532,700**

**Volume of iPayment shares traded in its debut. It closed at \$21.02.**

Exchange Commission for an initial public offering of stock to take place in early 2003. The IPO was scheduled for May 9, 2003, with Bear Stearns Cos. serving as the underwriter on the deal, valued at \$68 million.

However, Bear Stearns delayed the IPO by one day after one of its senior analysts, James Kissane, promoted it in an investor "road show" on the Web; the delay gave iPayment officials time to disclose the inci-

dent. On April 28, 10 Wall Street securities firms, including Bear Stearns, had agreed in a \$1.4 billion settlement to prohibit stock research analysts from partaking in IPO "Company- or Investment Banking-sponsored road shows." Bear Stearns is paying \$80 million of that settlement.

Since the IPO craze of the late 1990s, securities regulators have begun looking into any abuse of investors by investment companies, and

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many see the April 28 settlement as another step forward on Wall Street.

Although the new regulations will not take effect until a few more months, the "road show" blunder was an uncomfortable situation for Bear Stearns. The company has since apologized and agreed to implement the regulations immediately.

The Green Sheet featured iPayment in the top 25 of the 2002 Billion Dollar Bank Card Acquiring Report (GSQ Vol. 6, No. 1, January 2003). The company processes credit and debit card payments for small to medium-size merchants in the U.S., providing them with such services as card authorization, data capture, settlement, risk management, fraud detection and merchant assistance and support.

iPayment services approximately 56,000 merchants that generate \$250,000 or less of charge volume per year with average transactions

around \$75 (as of December 31, 2002). Many of iPayment's merchants accept credit card payments over the phone and the Internet.

On April 23, iPayment reported net income of \$900,000 for the first quarter of 2003 on revenue of \$46.7 million, compared to a loss of \$700,000 on revenue of \$16.5 million for the same period last year; operating expenses increased to \$42.1 million from \$15.8 million. Most of the increased revenue and operating expense came from acquisitions.

For its IPO, iPayment originally offered 4.5 million shares at \$16 per share (before underwriting discounts and commissions) but then increased the offering another 500,000 shares after a showing of strong demand, for a total offering of 5 million shares.

The company raised \$80 million and said it intends to use \$46 million of the net proceeds from the offering to

repay some of the \$78 million it owes in outstanding debts; it will use \$5 million for working capital and the remainder for general corporate purposes, including more potential acquisitions.

The company was founded in 1992. Since its incorporation in 2001 – following funding by venture capital firm Summit Partners of Palo Alto, Calif. – iPayment has acquired six merchant credit card servicing companies, four portfolios and several smaller portfolios of merchant accounts.

In August 2002, iPayment tried to buy Humboldt Bancorp's proprietary merchant processing operation for \$34 million in cash, but the deal did not go through.

iPayment is still in a quiet period because of the IPO, and company officials said they were unable to comment on the IPO for this story.



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## Where the Rubber Meets the Road

**W**elcome to the newest member of The Green Sheet family! As part of the "Education" section, this bimonthly column will be the voice of The Green Sheet's core readership. It is dedicated to the Merchant Level Salesperson (MLS) whose feet are firmly planted out on the street and whose opinions, observations, concerns and critiques need to be heard. It is appropriately titled "Street Smarts."

Its creation came about over dinner at the recent ETA annual meeting in Las Vegas. I had the privilege to sit

down that night with Paul Green, Editor-in-Chief of The Green Sheet, and Julie O'Ryan-Dempsey, its General Manager. We were discussing the recent 2002 Reader Survey and the extraordinary statistic that 74% of the readers work for an ISO/MSP organization.

I assumed, based on the tremendous response my company had received from articles and advertisements over the years, that The Green Sheet's audience was largely made up of Merchant Level Salespersons. The survey proved my assumption correct.

We talked about how the newly renamed MLS Forum (online at [www.greensheet.com](http://www.greensheet.com)) has become an invaluable site for sales professionals in the payment processing business to get together and discuss topics of interest in a constructive, inquisitive and/or educational atmosphere. Then we asked, "Wouldn't it be even more valuable to have a similar forum published in each issue of The Green Sheet?" Now there is ... and I will be hosting it for you.

I am sure your first question is, "Who is this guy and why should he be hosting it?" You're probably wondering if I even know what's relevant to the Merchant Level Salesperson.

Here's the answer: I am a guy who came from the streets and still can be found there. When I started my company, Total Merchant Services, I didn't immediately set up an agent program. I did not just quit my executive position at Cardservice International. I didn't just leave an easy job at a bank or credit card processing company.

I set up my company in a two-bedroom apartment in West Philadelphia. There were bars on the windows in that neighborhood, and I used to run to the car to keep safe. I spent the first two years selling the first thousand merchant accounts on my own. I learned a lot during that time. I learned how valuable and how difficult a job it is that you, as an MLS, are doing. The fact that I sold thousands of merchant accounts myself is certainly not the only reason why I am qualified to host "Street Smarts."

More important, I understand and appreciate what's happening out on the street today because I continue to manage and work with more than 400 different MLS sales

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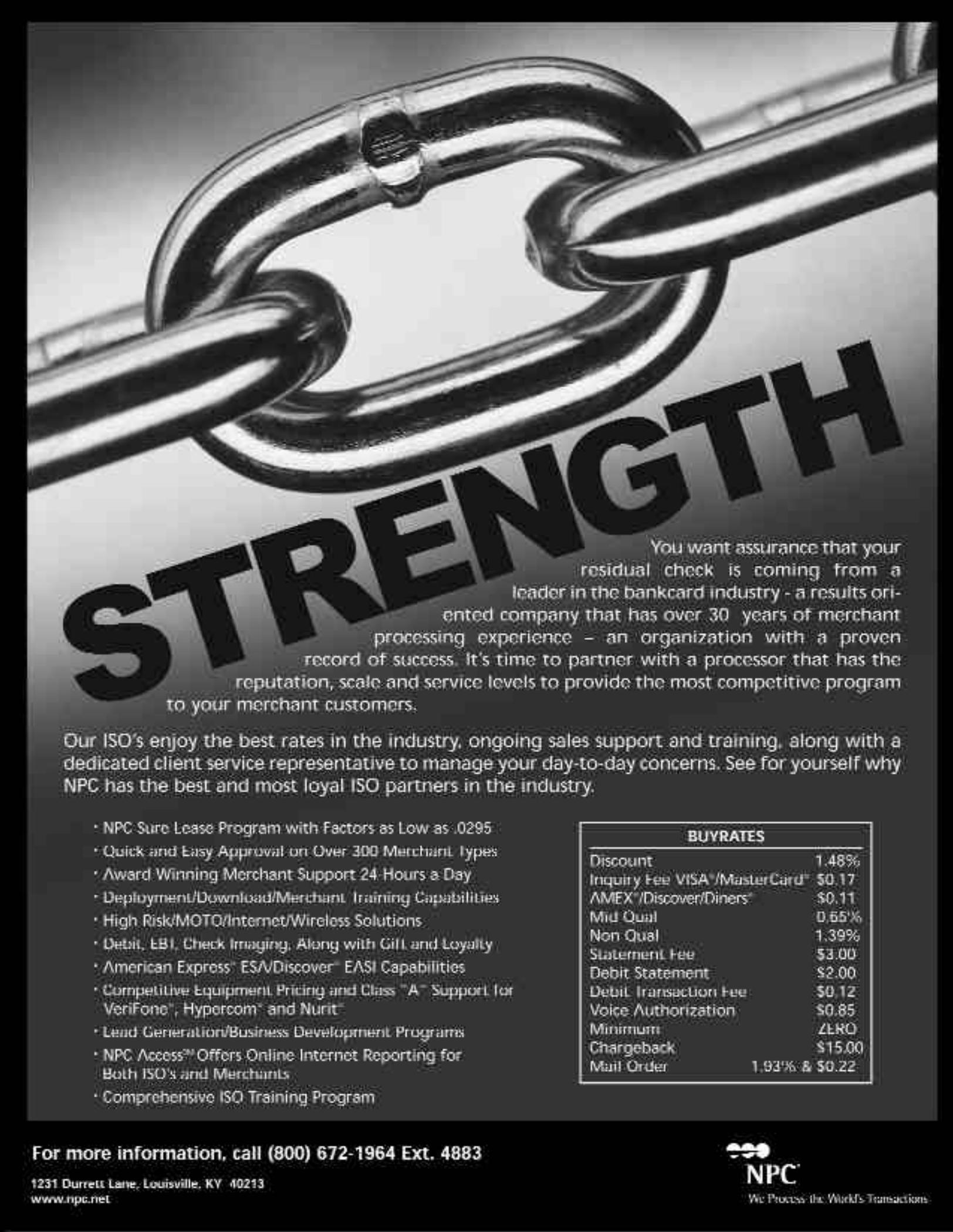
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offices all over the country.

I do not speak for myself. I speak for everyone I'm hearing from each week. My feet may not be hitting the street every day, but I am talking to every guy who's out there every day. I am entrenched with them and I know what they're going through. I listen to them and, in doing so, have found a lot of common threads, common issues. The basis for this column will be those issues.

I also want you to know that this is not my first time putting pen to paper. For a number of years I've been writing articles, giving presentations, even putting together educational sales conferences.

Why do I do it? In 1997, I first met Paul Green at a Green Sheet seminar in Princeton, N.J. I asked Paul why he was conducting this type of educational conference, why he cared so

much about the Merchant Level Salesperson.

He told me he wanted to give back something to an industry that has given so much to him. He was actually the first ISO ever to exist in the United States. Paul's example encouraged me to do more of the same and to give back to an industry that has given me so much.

Since then I have been committed to doing just that. I am a founding member of The Green Sheet Advisory Board. I am a teacher with the ETA University's Audio Conferences. I was a speaker at The Green Sheet 2000 National Tour. And I have been doing presentations at the ETA conferences on various topics over the last two years, in particular a well-received program titled "The Future of ISOs."

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Smarts," I'll be able to do even more for the core of our industry. I am very excited about it and hope you will be as well.

So there you have it. I plan to hold ongoing conversations with you. I promise these conversations will be relevant and up-to-date. I will continually solicit your input for issues you would like to see discussed. I will review topics that appear on the MLS Forum. And, in the process, I also will offer my own insights and opinions.

Some of the topics "Street Smarts" will address in the coming months include equipment, lead generation, compensation, new products/services, training and trade associations. In our industry, there are dozens of things a Merchant Level Salesperson needs to be successful. Some are critical, others are not.

Paramount to all strategies is one issue that is key. My next column will address that topic. It will discuss the key that not only will unlock your success but will ensure your survival in this phenomenal business of ours.

Since this column always will be dedicated to your issues, it needs your involvement and assistance to work. So roll up your sleeves with me and let's get started!

To share your opinions, to make sure we're discussing an issue you are passionate about, I need to hear from you. Please send your responses to: [Streetsmarts@totalmerchantservices.com](mailto:Streetsmarts@totalmerchantservices.com). Your voice will be heard.

**"A journey of 1,000 miles starts with one small step"**

-- Chinese Proverb

I'll see you next time where the rubber meets the road.

*Ed Freedman is founder and President/CEO of Total Merchant Services, one of the fastest-growing credit card merchant account acquirers in the nation. Ed is the driving force behind all business development activity as well as the execution of Total Merchant Services' marketing plan, including recruiting and training independent sales offices and establishing strategic alliance partnerships with leading vendors so that Total Merchant Services can provide its customers with the highest quality and most reliable services available.*

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# Congress Studying Financial Privacy Laws

**T**he U.S. Congress is debating whether to renew provisions of the federal Fair Credit Reporting Act (FCRA) that enable the sharing of consumer financial information. The provisions, which prohibit states from passing their own stronger consumer protection laws, are due to expire on January 1, 2004.

The laws as they are currently written set national standards for businesses that share their customers' financial information among themselves, including credit reporting agencies and credit issuers such as retailers or lenders. Only these provisions of the FCRA are being debated by the House Financial Services Panel.

Currently, states are barred from passing their own legislation to deal with issues involved in sharing of consumers' financial information. The FCRA was passed in 1970; the preemption provisions were added in 1996 to address the increasing number of incidents of identity theft and continuing problems with accurate credit reporting.

Proponents of the provisions as they now exist say that they let shoppers easily make purchases on credit. Business representatives and lawmakers who favor renewing the provisions say that a lack of uniform guidelines will raise costs and interest rates and decrease the availability of consumer credit.

Consumer advocates say that states should be free to adopt stricter credit reporting laws that go beyond the FCRA. Opponents of the laws include consumer groups who say the laws don't go far enough to protect individuals' privacy, financial information and Social Security numbers, which leads to identity theft, credit score errors and higher interest rates.

Lenders and businesses, though, believe the nationally uniform laws help prevent thieves from using other people's credit cards or personal information. "You want to have lots of people participating so you can improve the accuracy of credit decisions," Katherine Lugar of the National Retail Federation said in a news wire statement.

On the other hand, "Sloppy information practices lead to consumers paying too much for credit or even being denied car or homeowner's insurance, a job or the right to open a bank account," according to a position paper published by the U.S. Public Interest Research Group, a consumer advocate organization lobbying against the provisions.

The Bush administration has not yet officially endorsed renewing the laws. Wayne Abernathy, the U.S. Treasury's Assistant Secretary for Financial Institutions, spoke to the House Committee on Financial Services Subcommittee on Financial Institutions and Consumer Credit and urged thorough examination of the issues involved.

"There could hardly be a more important subject to consider than the information infrastructure of our financial system ... whether considered from the impact on each family in America or on the economy as a whole," he said.

Federal Reserve Chairman Alan Greenspan told Congress in April that he favors a national standard for sharing credit information, rather than allowing states to pass their own laws, in order to keep the flow of information open.

Michael Oxley (R-Ohio), Chairman of the House Financial Services Committee, said updating this law is his panel's top priority. "This is the most important piece of legislation this committee will deal with this legislative session," he said in a wire service story.

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## Card Associations Face New Actions

The effects of Visa and MasterCard's \$3 billion combined settlement with Wal-Mart and other major retailers are undulating throughout the financial services industry like ripples on a pond.

• **Minneapolis bank TFC Financial Corp.** objects to Visa's settlement with retailers and filed a "motion to intervene" with the presiding judge, U.S. District Court Judge John Gleeson in New York. The motion seeks a hearing with Gleeson before the settlement is finalized.

TFC's concern is that Visa's settlement will hinder banks (such as TFC) that issue a large quantity of debit cards and typically benefit from the fees Visa charges merchants. The bank alleges that Visa and merchants that accept debit cards have a "memorandum of

understanding" that sets short-term limits on rates merchants pay to Visa and member banks. In its complaint, TFC argues that debit card fees "should not be set by lawyers negotiating in a room" and that "new pricing should be set by the marketplace."

TFC also objects to the fact that the settlement is focused only on debit cards, not credit cards, arguing that Visa's debit card issuers (such as TFC) carry the burden for price changes, not the credit card issuers.

• **Paycom Billing Services, Inc.** filed a multimillion-dollar lawsuit against MasterCard International alleging antitrust violations, fraud and excessive fees. Paycom processes credit card and check transactions for Internet merchants, most of which are adult-themed and considered high risk in the industry. The

company is seeking at least \$23 million in damages.

In the lawsuit, Paycom also complains that it is unfair for online merchants to pay for losses from fraudulent transactions (where the customer is not physically present) when credit card issuers do not require merchants to pay for losses from fraudulent transactions (where the customer is present). Paycom did not include Visa in its lawsuit, saying Visa's fees and penalties for chargebacks are more reasonable than MasterCard's.

• **MasterCard and Visa** argued in a New York district appellate court to try to overturn a 2001 ruling in a lawsuit brought by the U.S. Department of Justice. The court ordered Visa and MasterCard to eliminate their policies that prevent banks issuing Visa- and MasterCard-branded credit cards from also issuing American Express branded cards.

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## PayPal Stops Accepting Payments for Adult Products

**P**ayPal, eBay's online payment service subsidiary, will stop handling payments for "adult" merchandise – anything from sex toys to magazines to DVDs – beginning June 12, 2003. The company already had stopped processing payments for downloads of pornographic material such as digital photos, streaming video and Web site subscriptions as of May 12.

PayPal said massive fraud is the driver for its change in policy – there is too much of it when dealing with adult-oriented purchases.

Like several other payment companies, PayPal has been cracking down on facilitating payments for "adult" goods. In November 2002, Visa classified any online seller of digital

images as a high-risk merchant, which means that these types of merchants must register directly with Visa instead of using third parties for billing. The association even requires some adult merchants to pay a \$500 initial registration fee and \$50 each year.

PayPal's competitor, Yahoo! PayDirect, also does not accept payments for adult content.

eBay said it still will list items in its "mature audiences" category, but buyers of this merchandise will have to send a check or money order or use a credit card instead of using PayPal's payment service although some online merchants may not accept these directly.

A spokesperson for eBay said the

company's decision includes items both "on and off" eBay. About half of PayPal's transactions are for payments beyond eBay.

PayPal will continue to handle payments for condoms, risqué (but not pornographic) works of art, and magazines with publication dates before 1980, which are considered collector's items.

In addition to adult themed merchandise, PayPal also does not accept payments for tobacco, lottery tickets, used air bags and human corpses; it also does not take payments for online casinos. Because of the uncertain legal implications, eBay ended PayPal's policy of accepting payments for online gambling when it acquired the company in October 2002.

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#### SMART CARDS from Page 1

been in excess of 130 million smart cards issued in the U.S. and Canada alone," said Paul Beverly, Chairman of the Board for the Smart Card Alliance and Vice President of Smart Cards at SchlumbergerSema in North

America. "You can basically say that one out of every three Americans somehow has a smart card." (This is largely because of the launch of smart card programs by card issuers such as American Express and Visa.)

The Smart Card Alliance is a not-for-profit organization whose membership spans multiple industries: banking, financial services, computers and technology, telecommunications, health care, retail, transportation, government and even entertainment.

Companies involved in the development of smart cards include chip manufacturers, card manufacturers, application developers, equipment manufacturers, middleware companies, systems integrators, project implementers, card issuers, card associations and banks, just to name a few.

"It's not a narrowly defined, single type of technology or industry, but smart cards carry a very broad spectrum," said Randy Vanderhoof, Executive Director of the Smart Card Alliance. "You need all these components in the development of end-to-end solutions, and there isn't a sole source that you can go to that supplies all of them; however, it's a very integrated industry where there are many different players developing the pieces to the overall solution. There's a tremendous amount of R&D and technical innovation that goes into this industry."

The Smart Card Alliance is the result of a merger in early 2001 between two smart card groups with similar goals, the Smart Card Industry Association and the Smart Card Forum. Any individual or company that is focused on the use of smart card technology can become a member of the Smart Card Alliance.

The organization's mission is to "stimulate the understanding, adoption, use and widespread acceptance of single- and multi-application smart card technology through specific projects such as educational programs, market research, advocacy, industry relations and by bringing together, in an open forum, leading users and technologists from both the public and private sectors."

More than 100 companies are members of the Smart Card Alliance; it recently added about 25 more organizations to its membership list, including BearingPoint, ViVOTech and RSA Security. Through active participation in the

organization, members can benefit by gaining more visibility as promoters of smart cards from educational meetings and work groups, numerous networking opportunities, information sharing and collaboration on research, implementation and innovation. Both members and non-members can attend the annual meeting, access white papers and participate in teleseminars, conferences and educational programs.

The Smart Card Alliance is truly a source for smart card education and support, and the numbers show it reaches members and non-members alike. The Alliance's Web site averages more than 500,000 hits per month. In February 2003 alone, it received more than 3,000 requests to download its white papers, and those requests came from all over the world.

"I believe our white papers have been the most well-received initiative of the Alliance so far because the materials that we generate in our task forces are done by collaborating with the work of some 20 organizations sharing their input, reviewing the information and coming to a consensus on the message," Vanderhoof said. "What is being delivered to the industry is a well-researched, extremely informative and non-vendor-biased view of what's happening in the marketplace."

The Alliance recently released two white papers relevant to the payment industry, including, "Smart Cards and the Retail Payments Infrastructure: Status, Drivers and Directions" and "Contactless Payment and the Retail Point-of-Sale: Applications, Technologies and Transaction Models."

### Smart Card Origins

Smart card technology was first used in payphones in France in the 1970s. Faced with high maintenance costs for its coin-operated phones, a telecommunications company developed a card technology to replace the use of coins in phones with the purpose of decreasing maintenance costs, decreasing vandalism and increasing pay-phone usage by providing users with more convenience. The cost of making a phone call had increased, so the amount of change required to make a call had increased, too.

This was the first instance of a read/write card that people could carry with them and use to make purchases. The use of smart cards in Europe grew from payphones to parking systems to general retail and financial institutions.

"Financial institutions saw [smart cards] as a way to improve the capabilities and security of their credit and debit card products," Vanderhoof said. "And the technology has continued to evolve in a number of vertical markets beyond that."



The U.S. has gradually adopted smart card technology for government identification and access purposes, state EBT programs, transit programs in metropolitan areas and loyalty card programs. "The U.S. doesn't have the same fraud problems as

Europe as a percentage of total transactions, so there's a different set of motivators and drivers that are moving smart card technology in U.S. financial markets," Vanderhoof said.

The Alliance understands moving the U.S. payment infrastructure to smart cards is neither a simple nor inexpensive process because it requires investments in new technologies (especially by merchants) and new processes.

However, the Alliance expects smart card espousal and acceptance to continue to grow in the U.S., with implementation driven by business cases for new multi-application smart cards with services that provide merchant- and consumer-specific benefits.

### Loyalty Programs and Contactless Payments

The main drivers of smart card technology in the U.S. right now are customer retention or loyalty programs,

which help reduce the amount of credit card turnover, and contactless payments, which increase consumer spending and convenience.

"All credit cards and debit cards are pretty much alike in terms of what they do and what they offer, so there's very little stickiness that issuing banks can create with their card product," Vanderhoof said.

"They see smart card technology as a way to differentiate themselves from the other products on the market by offering some of the advanced capabilities that the card delivers such as higher security, the ability to do online transactions more securely and the potential to have things like loyalty programs, frequent shopper points and electronic coupons that can be delivered directly to the cardholder and redeemed on the spot."

Retailers and card issuers choose to implement smart card technology to securely identify their loyal customers and reward them at the point-of-sale. Smart cards can be used to pay for purchases made at both physical and Internet retailers. Some loyalty programs in place include American Express' Blue card program, Visa's Smart Rewards program and the Target/Visa project, which is the largest deployment of smart cards in the U.S.

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The Smart Card Alliance also has been paying close attention to several contactless payment pilots that leverage smart card technology. One of these is MasterCard's PayPass program, which is being tested in Orlando, Fla., at numerous locations, such as McDonald's, Chevron, Eckerd

Drug Stores and Friendly's Restaurants ("Tap it or Wave it, Payments Add Up" The Green Sheet, January 13, 2003, issue 03:01:01).

The PayPass card contains a magnetic stripe, an embedded chip and an antenna. When card users tap or wave their card on any compatible payment terminal, account information is transmitted wirelessly, communicated directly to the terminal and then processed through MasterCard's network.

The solution is even faster than accepting cash, so consumers speed through the checkout process. The tests and focus groups have shown that average transaction amounts increase compared to cash transactions, and PayPass may help attract new customers and increase their loyalty to a store and the card companies. The Alliance believes the more versatile the card, the more

likely users will accept it. "I expect these pilots over the next 12 months to turn into full-scale roll-outs," Beverly said.

Vanderhoof said the Smart Card Alliance is especially interested in contactless payment programs at quick-service restaurants, which have been primarily cash-based businesses.

"One of the obstacles that has limited credit card transactions in fast food has been the slowing down of the transaction process," Vanderhoof said. "Contactless technology not only does *not* slow it down, but it can actually speed up the transaction process. It's even faster than accepting cash and making change."

He predicts the consumer will have a positive experience with contactless cards in a fast food environment because there is no wrong way to present the card. It's a simple "tap it" or "wave it" method that consumers can embrace easily. "You don't have the learning process you'd have to go through if you were moving away from swipe to something else," Vanderhoof said.

#### Biometrics vs. Smart Cards

Another emerging technology in the payment industry is biometrics. Many are asking, "Which technology will pre-

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vail, biometrics or smart cards?"

"Biometrics is a form of real-time identification, so the scope and the scalability of a biometrics-activated authentication solution is limited by how and where you store the reference biometric against what you are reading in terms of the real-time transaction," Vanderhoof said.

He described the example of consumers who provide a biometric data sample to use at the point-of-sale at a particular grocery store for validating their transactions; in return, they receive preferred shopper benefits. However, if these shoppers go to a different store, it is unlikely that their biometric information would be stored at that other store.

This is where smart cards come in. Consumers' biometric information, such as a fingerprint, voice sample or retina scan, can be stored on a smart card and get carried with the consumer, who can use it for payment at other retailers.

To answer the "Biometrics or Smart Cards?" question, Vanderhoof believes that it probably won't be one tech-

nology or the other that will be adopted – he expects it to be both. He considers them to be complementary, not competing, technologies.

### Smart Partnerships

The Smart Card Alliance has formed many partnerships with other companies promoting smart card technology, such as Global Platform (a smart card standards organization), the International Card Manufacturers Association (ICMA) and the International Smart Card Associations Network (ISCAN). In a sense, the Alliance's members can be considered partners, too.

"The Smart Card Alliance is not a standards organization, but many of our members and partners contribute their expertise to the development of those standards because that's what's going to drive the adoption around the world," Vanderhoof said.

In 2002, Vanderhoof helped found ISCAN, which unites a number of organizations in other countries that are similar to the Smart Card Alliance.

"We collectively agreed that we share a common mission in the adoption of smart card technology, so we work together to share our resources such as white papers, conference programs, teleconferences, new releases, etc.,"

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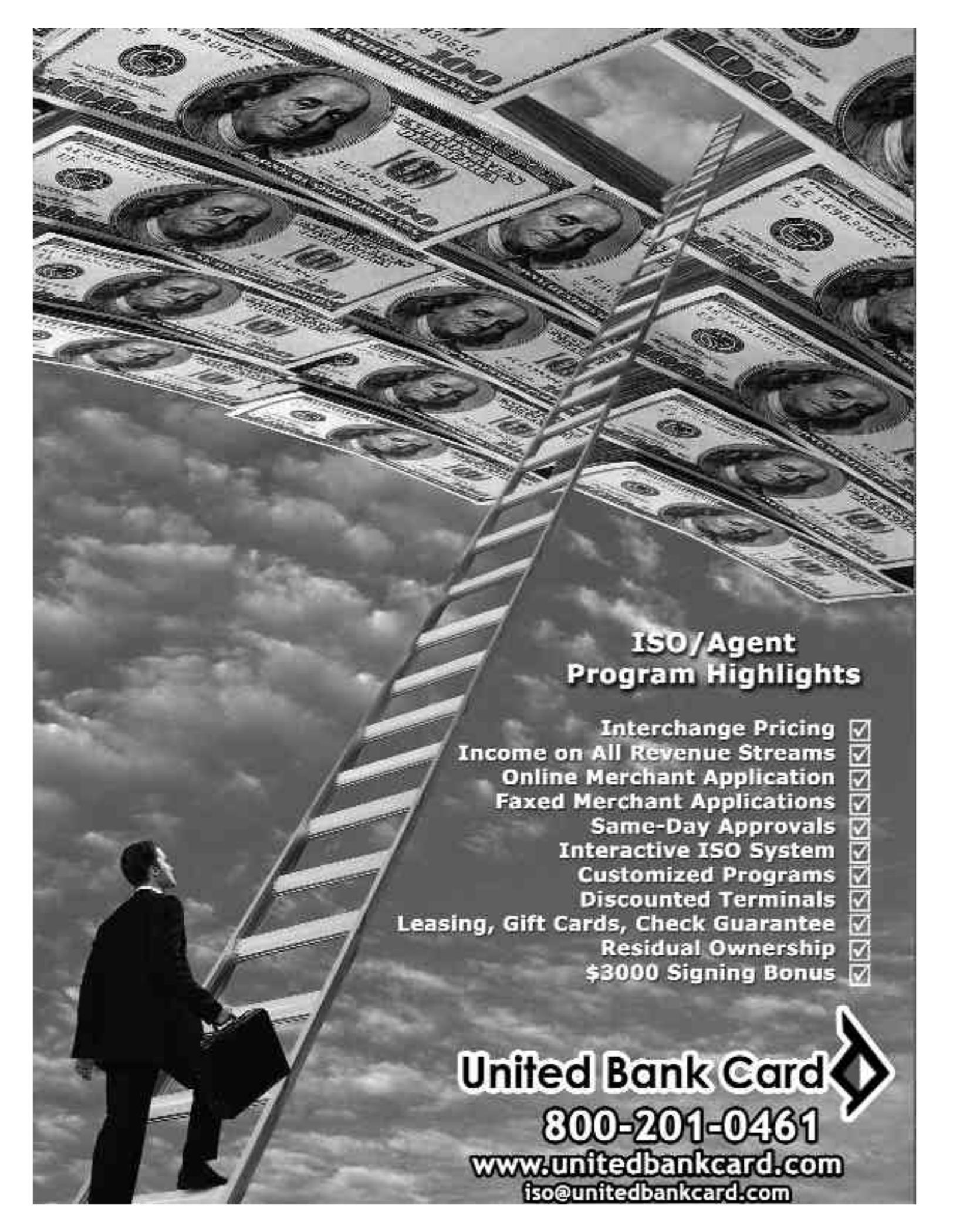
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Vanderhoof said. "It will help all of us be more aware that we operate in a global economy rather than in our own geographic region."

The Alliance also serves as an outreach into various vertical markets, such as the retail and payment industries, by forming alliances with organizations such as the Electronic Transactions Association (ETA), the Retail Trade Association, the National Association of Convenience Stores and the National Retail Federation.

"As smart cards become increasingly used and part of the evolution of payments, then we want to make sure we are providing the necessary information and connections between our organization and others," Vanderhoof said.

### Smart Cards Have Arrived

With a broad membership that spans multiple industries and a number of solid partnerships around the world, the Smart Card Alliance is focused on four simple priorities:

1. Influencing smart card standards.
2. Maintaining a voice in their adoption and implementation.

3. Serving as an educational resource to the industry.
4. Providing a forum for discussions surrounding smart card technology.

One myth the Smart Card Alliance is trying to overcome is that the smart card market is not growing in the U.S. "The market in the U.S. is absolutely growing, there is no question about that," SchlumbergerSema's Beverly said. "In the U.S. over the last couple of years, the market has experienced a 20-30% growth rate. But it's probably going to still be another three to five years until all of the bankcards have chips in them."

First National Bank of Omaha, First USA, FleetBoston, Provident and Target Financial Services are some of the financial institutions issuing credit cards with smart cards. But there still are many more to go. Imagine the possibilities for the payment industry.

"You know the old question, 'When is the smart card market going to come to the U.S.?' Well, that's really old news," Beverly said. "Today, the U.S. market is already in excess of \$100 million. It's a real business now." ■

For more information about the Smart Card Alliance, visit [www.smartcardalliance.org](http://www.smartcardalliance.org)

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## How Banks Can Make a Profitable Transition from Paper to Electronic Check Processing

**Authors:** Christopher Nehrbauer, Vice President, Bank One, and Brian Geisel, CEO, Alogent Corp.

**Date:** March 2003

**Size:** 10 pages

**Relevance Rating:** Medium-High

**Web Address:** [techlibrary.banktech.com/data/detail?id=1042646737\\_446&type=RES&x=522086140](http://techlibrary.banktech.com/data/detail?id=1042646737_446&type=RES&x=522086140)

checks to electronic payments. These are:

### 1. Reduce the number of check processing touch-points.

In other words, the authors advise banks to consolidate check-processing sites, to drive economies of scale during the transition from paper to electronics. This will require secure Internet pipelines, capable of transporting check images between banks and image archive centers.

Once banks start to build these pipelines, there will be tremendous pressure by retailers and major corporations to build interfaces that allow them to electronically deposit their check images.

### 2. Move the check payment stream from a serial process to concurrent process flow.

The message here is that banks need to move from daily batch processing of checks to a process that continuously accepts and processes check images. This will be welcomed by the largest retailers who want "real-time processing" of POS transactions.

Wal-Mart is driving this technology objective by providing its suppliers with continuous POS transaction data feeds that come with the obligation to automatically replenish merchandise at the store level. But real-time processing doesn't stop at inventory management; it extends to every aspect of retailing, including transaction posting. Cash-flow reporting is going to be in great demand.

### 3. Integrate the front-end retail network with the back-end processing center.

Check images should be captured as soon as possible once entered into the collection stream. For banks, this means at branch sites or image-enabled ATMs. Once the "pipes" have been laid for feeding images to high speed image processing centers, the cash flow improvements and costs savings available to merchants will drive retailers to install and upgrade check scanners. Integration isn't going to stop at the branch but will extend out to the local retailer, government agency or commercial client that collects payments.

Americans wrote 42.5 billion checks in 2001, according to a research paper<sup>1</sup> published by the Federal Reserve. Each of these checks typically passes through 15 or more handling steps as it clears through the banking system and is returned to the check writer in a monthly bank statement. Legislation now pending in Congress, the Check 21 Act<sup>2</sup>, promises to remove billions of paper checks from the banking system. The legislation, if enacted, would effectively render electronic check images the legal equivalent of the original paper checks.

If you're an executive at a big bank, such as Bank One, with billions of dollars invested in regional data centers and staffers dedicated to processing paper checks, managing the transition from paper- to image-based clearing can be a huge challenge. Banks that fail to meet this challenge will find that traditional check processing centers can be a drag on profitability.

This research report describes radical changes banks need to make to profitably manage the transition from paper to electronic clearing. The authors convey a strong sense of confidence in their recommendations, based upon recent experiences in Great Britain. If the authors are correct, there will be major implications for Merchant Level Salespersons and transaction acquirers.

### Executive Summary

The premise of this white paper is that three fundamental changes are necessary to profitably migrate from paper

<sup>1</sup> "U.S. Checks Are Only 50 Billion Annually ... Or Are They?", The Green Sheet, February 2, 2002, issue 02:02:01, [www.greensheet.com/PriorIssues-/020302-/default.htm](http://www.greensheet.com/PriorIssues-/020302-/default.htm)

<sup>2</sup> See relevant site links at the end of this column for current status of this act's passage.



There are many alternatives to writing checks (including the ACH) that are significantly cheaper. Federal Reserve charges for processing an ACH transaction to a depositor bank amount to about 0.9 cents. If a transaction-acquiring bank charges a retailer 6 cents to convert a check to an ACH transaction, the margins seem impressive, but, remember, the transaction replaces a traditional check deposit, for which the bank can charge processing fees of 10 to 15 cents. And there is no revenue source available to the check writer's bank when checks used at the point-of-sale or for consumer bill payments are converted to ACH transactions.

Compare this payment model with the Visa POS Check model. Under this Visa method of check truncation, transaction-acquiring banks can charge retailers whatever the market will bear and the check writers' banks earn fees for authorizing and guaranteeing transactions. It's just like the interchange structure that governs credit card transactions.

Visa's POS Check program also offers verification options, but in all cases Visa drives revenues back to the check writer's bank. This is not the case with ACH check conversion.

The authors expand on their three-part strategy for prof-

itable migration from paper checks to electronic payments by focusing attention on what they refer to as "three tactical mantras" – Truncation, Automation and Integration.

- **Truncation:** Remove paper from the processing stream whenever possible – not just checks, but deposit slips, ATM and batch header cards used in traditional check processing environments.

From an ISO or acquirer standpoint, I would suggest expanding the universe of checks that can be truncated to include third-party transactions such as payroll checks, welfare payments and money orders. There is no question in my mind that passage of the Check 21 Act will make it feasible for these types of checks to be truncated by retailers for in-lane purchases with the "cash back" being automatically applied to the retailer's loyalty card for that customer.

The cardholder then will be able to obtain cash from any ATM or effect transfers to pay bills or move money to other bank accounts. While the retailer is responsible for disposing of the original item, images of the original checks (scanned at the checkout) will be available when collecting funds from the issuer of the check or money order.

- **Automation:** Here the authors are broadly describing an opportunity to rethink the traditional check-processing stream and eliminate duplicate balancing, sort passes and continuous processing without consideration of deadlines.

- **Integration:** The authors counsel bankers to consider truncating checks as soon as possible and to move digital images across the branch network to the data center and on into the settlement networks. They predict extensive productivity gains for seamless integration. Staff savings, for example, can be redirected to better serving customers or selling services.

The authors believe their vision of the evolution of payment processing because it's the way things have worked out in the United Kingdom. What they don't mention is that there are only five large commercial banks in the U.K.; the U.S. has about 10,000 commercial banks and at least that many credit unions and savings banks.

Changing the direction of an industry of this size and diversity is going to be like turning around an aircraft carrier. It will take awhile before you start to recognize any change of course. If you check the Web sites listed below, you will find that the major banks and Federal Reserve aren't waiting for the passage of the Check 21 Act. They already have placed their bets that imaging will foster the migration from paper to electronic payments.

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## Excerpts from this White Paper

"These are exciting times for banking, and in payment processing in particular. It is said that there has been more change in the past three years than in the previous 30 combined."

"The conventional (paper check) cost model is clearly in competition with alternative payment channels, i.e., ACH conversion."

"Rapid advances in Internet and telecommunications technology ... are removing excuses for implementing improvements in the payment process infrastructure."

"Check MICR data, images and amounts are easily and quickly captured using small footprint capture devices. Transactions are then automatically proofed, balanced and cleared for posting with minimal effort by the teller or by offsite, 'online' processing staff."

"An integrated enterprise workflow will eliminate the cycle-time barriers between transaction points of entry and downstream central processing operations by leveraging the merger of paper payments with electronic data."

"In the United Kingdom, the trend from paper check processing to electronic payments and channels began earlier and accelerated faster than in the U.S. Solutions such as those described here, in fact, are currently used to process the majority of checks in the U.K." 

*Eric Thomson is Executive Vice President of Profit Source Advisors. He can be reached at [etprosc@attbi.com](mailto:etprosc@attbi.com).*

## Web Sites for More Information

[www.kc.frb.org/FRFS/NonBankPaper.pdf](http://www.kc.frb.org/FRFS/NonBankPaper.pdf)

"Nonbanks in the Payment System," by Terri Bradford, Matt Davies and Stuart E. Weiner, Federal Reserve Bank of Kansas City, March 2003.

[www.ny.frb.org/rmaghome/staff\\_rp/sr62.pdf](http://www.ny.frb.org/rmaghome/staff_rp/sr62.pdf)

"Bank Payments – Driven Revenues," by Lawrence J. Radecki, Research and Markets Analysis Group, Federal Reserve Bank of New York, February 1999.

[www.bitsinfo.org/checksafekeepingjan2003.pdf](http://www.bitsinfo.org/checksafekeepingjan2003.pdf)

"Safekeeping and Electrification in the Financial Services Industry," by Charles E. Siegmann, Executive Vice President and CTO, Merchantile Bankshares Corp. and Grant Cole, Senior Vice President, Bank of America Corp., January 2003.

[federalreserve.gov/paymentsystems/truncation/default.htm](http://federalreserve.gov/paymentsystems/truncation/default.htm)

"Proposed Check Truncation Act," Federal Reserve Board Chairman Alan Greenspan's testimony to Congress, section-by-section analysis, March 14, 2002.

[www.eccho.com/PDFs/Comparison\\_Chart%20\\_10-01-02.pdf](http://www.eccho.com/PDFs/Comparison_Chart%20_10-01-02.pdf)

"Comparison of the current House, Senate and FRB versions of the CTA" (which has come to be called the Check 21 Act).

[www.endpointe.com/](http://www.endpointe.com/)

One of the major check image exchange consortiums formed by large banks.

[www.viewpointarchive.com/flash/index.asp](http://www.viewpointarchive.com/flash/index.asp)

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## ETA's Best Practices Recommendations

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**I**n the last few years the transaction processing industry has faced troubling events that have threatened revenues and the ultimate viability and longevity of businesses. While the industry is technology driven, its roots and most common denominator exist in the highly regulated banking industry.

The unique challenge is maintaining the independence, creativity and flexibility of innovative and entrepreneurial service providers while instilling some of the process, audit, legal and regulatory requirements of the banking business. The balance of these disciplines can be achieved through a series of "best practices" recommendations for the acquiring market.

The areas that can most affect an acquiring company fall into the following categories: sales representative training, sales representative disclosure monitoring, process and audit control of new account setup, conforming documentation, customer service, and ethics and compliance monitoring. The ETA has appointed a Best Practices Committee to make recommendations on the "Best Practices" to offer a level guidance and accountability in acquiring relationships.

For purposes of this paper, the primary focus is on best practices of third party organizations, specifically processors and independent sales organizations. Third party organizations are not bankcard association members and thus are not subject to the more stringent rules enforced by such associations. Therefore, these best practices are directed toward third party organizations as a guideline for sound and ethical business policies.

Our definition of a "Third Party Organization" includes any company or person providing merchant processing sales and services directly or indirectly to an acquiring bank. These services include but are not limited to soliciting merchants, processing merchant applications, detecting fraud, providing merchant support and the selling/leasing/renting of processing equipment.

While no industry or business is so unique that common solutions cannot solve business problems, transaction processing has elements that do pose special risks. One such risk is a lack of control over non-employees. Many merchant services are sold and serviced by a wide variety of non-employee and loosely affiliated salespeople. Policing the non-employee sales representatives, while ensuring that such sales representatives maintain their independent contractor status, poses unique challenges for this industry.

With all of the above in mind, set forth below are some recommended best practices with respect to merchants and sales representatives:

### A. Best Practices with Respect to Your Merchants

1. Disclose fees, charges and assessments on the first page of every agreement CLEARLY AND CONSPICUOUSLY.
2. Do not engage in deceptive pricing practices by offering special deals or offers that are not different from your everyday pricing and practices.
3. Deliver what you (or your representatives or agents) promise. Caution representatives that the following violate the law: (1) misrepresentation by failing to say something (or covertly agreeing with a merchant) about products or services at the time of sale, and (2) oral representations that conflict with terms in the contract.
4. Do not misrepresent the cost or character of any equipment or service that you offer. Do not misrepresent a merchant's existing terminal as obsolete if that obsolescence is based on the ability to use your services or based on laws contemplated but not yet passed.
5. When leasing equipment, make sure that non-cancelable leases are clearly disclosed and that you honor "right of rescission" time periods required by state law.
6. Promptly document and respond to all merchant complaints. Understand and correct the problem. Be proactive if there are any trends (retraining a sales agent or revising a contract to make sure it accurately reflects what you sell).
7. Make sure your contract with the merchant clearly spells out all rights and responsibilities, including merchant fees, card sales process requirements, notification of change in ownership, compliance with card association



rules, and merchant liabilities.

8. Monitor state consumer protection agencies and the local Better Business Bureau to see if you have a file or any complaints.
9. Monitor your attrition rate and see if there are any trends; especially confirm that the merchants understand the agreements. If you see any trends regarding misrepresentations or other acts that can be corrected, take the necessary corrective actions.
10. Have a complaint mechanism in place to monitor merchants' complaints and monitor complaints by type, by representative and by product to identify trends.

## B. Best Practices with Respect to Your ISOs or Sales Staff

1. Have a clear agreement with your ISO that includes financial compensation, price changes, assignment of contract, specific obligations of the parties, confidentiality, record-keeping requirements, fraud and chargeback loss responsibility, merchant acceptance criteria, future use and solicitation of merchants, portability of merchants, indemnification and reserve requirements.
2. Define what are unacceptable merchants.
3. Have the ISO represent and warrant that it is not mixing merchants with low chargeback rates with other merchants.
4. Monitor your ISO's sales procedures with frequent reports and assessments of consumer complaints. Ensure that merchants are receiving full disclosure and that the sales process is full and complete.
5. Know the ISO's merchant acceptance procedures.
6. Make sure the ISO does not misrepresent any of your services or products and especially prices. Continuously screen for fraudulent acts.
7. Make sure the ISO is familiar with the products you are offering.
8. Review telemarketing scripts.
9. Review compensation structure to make sure that the ISO is not compensated solely on making a sale.
10. Consider recording telephone calls.
11. Review and prevent high-pressured sales tactics.
12. Examine the due diligence utilized by the ISO when evaluating a prospective merchant.
13. Have the ISO monitor and report whether the merchant's chargebacks are excessive and whether the merchant has ever been placed on Visa's active monitoring list.
14. The ISO's due diligence should also include a review of a merchant's history with its previous processor to make sure it matches up to the length of time that the merchant says it has been in business, as well as a Dun & Bradstreet or Better Business Bureau file.

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15. The ISO should continuously review the merchants' customer complaints.
16. Make sure that the ISO or you has a policy for approving new merchant accounts that includes the following issues:
  - a. Documentation requirements for merchant accounts.
  - b. Termination procedures.
  - c. What derogatory information is acceptable on credit reports.
  - d. Criteria for approving processing for additional locations.
  - e. Underwriting guidelines.

### C. Best Practices of Your Merchants

1. Make sure that you know what your merchant is selling and that customers are aware of what they are buying (to avoid chargebacks).
2. Make sure that the merchant delivers what it promises.
3. Make sure telemarketing and sales scripts/pitches do not misrepresent what the merchant sells.
4. Make sure that the merchant has appropriate fraud prevention policies in place.

### D. Best Practices Regarding Your Operations

1. Evaluate the adequacy of the chargeback system. Make sure the system can quantify outstanding chargebacks

and their age, prioritizes research into chargebacks, measures daily chargeback activity, provides exception reports, and measures the efficiency of the chargeback process.

2. Implement an ongoing review of merchant accounts, including annual review of large merchant financial statements.
3. Periodically audit operations, including compliance with operating procedures, compliance with card association rules, compliance with written contracts, review of all vendor disaster-recovery plans, and adequacy of merchant and ISO reserves.
4. Implement a fraud-detection system, including an early warning system, daily fraud reports, trained employees, exception reports that screen for significant variances from average ticket size and volume, multiple tickets in the same dollar amount, multiple use of same card number, keyed rather than swiped transactions, high chargeback rates, authorization declines and excessive returns.
5. Provide your sales representatives/ISOs/non-employee representatives with a copy of your own best practices paper and have them affirmatively agree to comply with such practices. Renew that commitment annually.

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# COMPANY PROFILE ◀ ◀ ◀



## Wildcard Wireless Solutions, Inc.

### MLS contact:

Frederick Coykendall  
Vice President of Business Development  
Phone: 780-608-7546  
E-mail: fredc@wildcardwireless.com

### Company address:

Suite 202  
1212 31st Avenue NE  
Calgary, Alberta, Canada T2E 7S8  
Phone: 403-290-1744  
Fax: 403-266-5732  
Web site: www.wildcardwireless.com

### MLS benefits:

- Aggressive sales campaign in U.S. and Canada will utilize hundreds of MLSs and ISOs to introduce TransAKT wireless POS devices
- W<sup>2</sup> Solutions manufactures two handheld wireless POS terminals that enable mobile merchants to accept and authorize payments made with credit, debit, checks
- System relies on the wide cellular coverage the CDMA and iDEN networks provide across North America
- W<sup>2</sup> Solutions has established key relationships with phone networks, payments processors and equipment manufacturers

## The Canadian Mobile Commerce Connection

**T**he Canadians are coming! They want your wireless transaction business! Prepare to expand what you define as the point-of-sale! In 2001, there were 92 million mobile workers – such as plumbers, landscapers, taxi and limousine drivers, outdoor market merchants – in the United States, and there were 100 million cellular phone subscribers.

Also in 2001, the volume of purchases made with debit and credit cards by Americans exceeded \$1.3 trillion.

At least a few Canadians are coming, anyway, and this particular group is bringing a technology for mobile payments that gives merchants and businesses a way to accept multiple methods of electronic payments over cellular networks. They say their system will greatly improve the quality – and especially the quantity – of interactions between merchants, customers, cellular providers and financial institutions for increased business opportunities and convenience.

Wildcard Wireless Solutions, Inc., or W<sup>2</sup> Solutions, is based in Calgary, Alberta. The company is publicly traded on the Canadian TSX Venture Exchange; a truly global enterprise, it has contracts with developers and manufacturers in South Africa and Asia to produce software, devices and peripherals.

In America, it has partnerships with payment processors and has lined up deals with restaurant franchises

for thousands of devices to be used by delivery drivers.

This invasion of sorts has been well planned and plotted out by the management team at W<sup>2</sup> Solutions. They saw a need and came up with a way to take advantage of advances in cell phone capabilities, increased reliance on mobile communications and the growing electronic payments market. Their flagship product line, devices called TransAKT, turns digital cell phones into electronic payments terminals and provides a wide range of portable handheld solutions for all types of applications, markets and budgets.

W<sup>2</sup> Solutions was founded in 1997. Frederick Coykendall, Vice President of Business Development, said the company has put considerable effort into research and development and has waited to make a move into the U.S. market, the first step of a broader marketing plan to move the company into global mobile commerce.

He said part of the company's strategy was formed based on the differences between the Canadian and American business environments. "Debit in the U.S. is in its infancy in the market, unlike Canada, where we only use debit – no cash and no checks. Canada is the debit capital of the world," he joked.

W<sup>2</sup> Solutions focused its efforts on the U.S. market from the beginning for several reasons.



The volume of commerce – and potential for growth in mobile electronic commerce – is lower in Canada than in the U.S.; the market for POS equipment in America is estimated to be 15 times larger than it is in Canada.

**"Our sales efforts in the U.S. depend on independent contractors. In Canada, five banks control the merchant services industry and froze out the ISO market. The American style was kept out – a lot of Americans came in hoping to sell to that huge debit market. That has changed somewhat since 1998, and the banks are slowly coming around."**

– Frederick Coykendall  
Vice President, Business Development  
Wildcard Wireless Solutions

American businesses, though, also need to be able to go wireless and need the solutions to make that possible. Because of the continued reliance on paper checks in the U.S., an electronic check reader can be added to the TransAKT device for use strictly in America.

Financial services also operate differently in Canada than in the U.S. "Our sales efforts in the U.S. depend on independent contractors," Coykendall said. "In Canada, five banks control the merchant services industry and froze out the ISO market. The American style was kept out – a lot of Americans came in hoping to sell to that huge debit market. That has changed somewhat since 1998, and the banks are slowly coming around."

Certification with an American processor for the TransAKT took a relatively short time to accomplish. W<sup>2</sup> Solutions has been certified with Vital Processing Services since the winter of 2002, and Coykendall said the company is in the process of completing certification with all major U.S. processors.

The first 1,000 devices have been delivered after W<sup>2</sup> Solutions recently contracted with Vancouver, B.C.-based Your Choice for Easy Payments Inc. to dis-

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tribute TransAKT to the nearly 5,000 Domino's Pizza outlets in North America. The TransAKT POS attachments will enable delivery drivers to accept electronic payments at customers' doorsteps, where they conduct most of their business.

The TransAKT POS terminal clips onto Motorola's StarTAC/Timeport PCS and iDEN family of mobile phones. Coykendall said transaction information is sent to payment processors on the CDMA and iDEN cellular networks, unlike other wireless solutions, which run on the CDPD platform.

"We chose the CDMA platform because it has the best coverage in North America," he said.

Coykendall said that many of the CDPD operators are either facing financial difficulties or are closing

shop. W<sup>2</sup> Solutions' system works separately from those issues, providing a cost-effective, dependable wireless answer for mobile commerce.

The device is PIN pad secured, can read both credit and debit transactions, has voice capability and is smart card capable.

Despite its small size – it weighs only 200 grams – Coykendall said, "With all the features it has, it's the Cadillac of wireless POS devices. Everyone who gets one and holds one wants one. It's a neat-looking little unit."

W<sup>2</sup> Solutions has thought the entire product and process of using it all the way through; check readers, remote printers, holsters and carrying cases increase the TransAKT's flexibility, portability and function-

ality. Transaction information can be stored and will batch out automatically.

With the wireless revolution well under way and its foray into the U.S. market a success, W<sup>2</sup> Solutions is looking forward, too. It has its sights set beyond the North American continent, to Europe, Asia and beyond.

The global mobile market is expected to reach \$200 billion generated by 130 million customers conducting 14 billion transactions by 2004.

W<sup>2</sup> Solutions' goal is to expand the boundaries of where transactions can take place beyond the traditional definition of the point-of-sale. For merchants and businesses, that means being able to create and capture new sales anywhere. ■

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# NEW PRODUCTS ◀◀◀

## Management Tool for Acquirers

**Product: TranSending System**

*Company: Infonox*

**I**nfonox is a software company that develops solutions targeting the banking, retail, gaming, unbanked and ISO/merchant acquiring market. Its latest release, TranSending System, is a flexible application designed to help acquirers better manage their merchants, agents and transaction activity.

TranSending System helps acquirers manage the full cycle of taking on merchants – everything from merchant signup and underwriting to payment gateway, risk, profitability and commission management and analysis and customer support; it also has detailed reporting and accounting functionality.

TranSending offers a unified picture of an acquirer's portfolio. Information is aggregated into three integrated components or views (and is available in real time): the Back Office, the ISO/Agent Center and the Merchant Center.

The Back Office receives merchant applications through an online automated process and leverages a rules-based underwriting module that incorporates automated credit reports and MATCH lookups. There is also a risk-management module that evaluates chargebacks and ACH rejects.

The ISO/Agent Center offers a view of detailed and customizable reports for tracking and managing merchants, and the Merchant Center supports payment processing for MOTO transactions for online and catalog retailers and Internet transactions and shopping carts for Web merchants. It also supports traditional payment solutions for terminals/PC-based/wireless systems.

Acquirers, ISOs and agents can fully brand the solution with their logos, colors and templates and have the application customized to meet their specific needs. Customers can run the software on their own servers or take advantage of Infonox's hosting solution.



Some of Infonox's customers include First Data Corp., Bank of America, Western Union and Global Cash Access.

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## When English is a Merchant's 2nd Language

### Product: Quick Reference Guides

Company: CardWare International

CardWare International supplies point-of-sale equipment and merchant support directly to its merchants and to merchants of ISOs and banks, so it knows a thing or two about the challenges merchants face in managing transactions.

In response to receiving calls from merchants looking for help with the transaction process and for whom English is a second language, the company has developed Quick Reference Guides (QRG) for point-of-sale operations, offered in multiple languages.

To translate and develop the Quick Reference Guides,

CardWare employed the help of multi-cultural students at local universities, local civic associations and churches.

When the company sends out a "welcome kit" to new merchants, it includes a QRG written in English, and when an ISO or bank informs CardWare that its merchant's primary language is one other than English, CardWare also will include a QRG in that language (if available).

The guides are provided on demand and can be mailed, faxed or even e-mailed.

CardWare currently has QRGs in Spanish, Thai and Cantonese. Others are in the works.

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— David Starr Jordan, 1851-1931



## Keys to the Kingdom

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You have tried everything to get around me. You have cajoled, lied and even threatened me. But you still get nowhere. Some of you won't even talk to me anymore. You just hang up. You have tried to figure out when I won't be at my post, hoping to slip through the gate unnoticed. I am amused by your antics. I have seen and heard it all.

Perhaps it is time I give you some important information: I am not a machine. I am a person just like you. I have good days and bad days and I really don't like to be yelled at. And, yes, I really like it when someone asks me how I am. So few seem to bother to take the time to get to know me. Yet, I am the key to your goal.

Remember, I know more about my company than you do. Typically, the most mild-mannered person (and yes, the lowest in the food chain) has the most information. You may not talk to me, but almost everyone in the company will talk to me.

I am screening all the calls and have more information than most give me credit for. I know who is taking a long

# INSPIRATION ◀ ◀ ◀

lunch, who is shopping for a new service for the company, etc. I can help you if I want to. It is your new goal to make me want to help you.

Try starting out by asking my name. It makes me feel a little more human, and I am more likely to help you if you know me a bit and I know you a bit. You don't have to be my best friend, but you do have to be honest, so don't try to trick me. I know most of the tricks, and if you do succeed in deceiving me, you can be sure it will be the only time.

Instead of just routinely asking to speak to the decision-maker, talk to me a bit. If you give me a little information, I will give you a little information. After you have my name, perhaps you would like to ask me for my help. Make me feel important. This lets me know that you



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**Highlights:** Vendors, acquirers, processors and small to midsize sales offices all will have a chance to meet face-to-face in a relaxed atmosphere. This regional meeting will give attendees an opportunity to exchange information and network at the exhibition, workshops, presentations and social events. Tentative seminar topics include building merchant acceptance, Internet banking, debit PIN vs. pen, Web site security and fraud prevention. The final day of the meeting will be devoted to a golf tournament and other outings.

**When:** June 10-12, 2003

**Where:** Tropicana Casino & Resort, Atlantic City, N.J.

**How to Sign Up:** Visit [www.northeastacquirers.com](http://www.northeastacquirers.com); phone 603-692-2408

## RESCHEDULED: ATMIA Toronto Workshop

**Highlights:** The event has been postponed until June because of the SARS threat and the recent travel ban to the Toronto area. ATM Industry Association (ATMIA) officials want both attendees and speakers to feel comfortable and safe during the workshop, which will focus on the issues of the Canadian ATM industry. The name of the event is, "Making Risk Management Work for ATMs: Identification & Solutions."

**When:** June 17-18, 2003

**Where:** The Metropolitan Hotel, Toronto

**How to Sign Up:** Visit [www.atmiaconferences.com/Events/Toronto/Index.cfm](http://www.atmiaconferences.com/Events/Toronto/Index.cfm) or phone Dana Fullerton, Marketing Director, at 605-528-7270.

## NACHA Electronic Child Support Payments Teleseminar

**Highlights:** Employers are turning to banks to help transmit child support payments to federally mandated State Disbursement Units (SDUs). The Federal Government is pushing electronic funds transfer (EFT) to expedite payments to custodial parents, and states are relying heavily on direct deposit. If you need to know more about electronic child support payments, take part in this informative teleseminar. Hear details of a case study from the state of Iowa that will give examples and statistics of the state's experiences in the implementation of a successful electronic payments program. Registration provides you with access to the teleseminar on a single telephone line; there is no limit to the number of people who may listen in and participate on that line. One site per fee paid. Each registered site will receive one set of handout materials supplied by the speakers via a special Web site. Presented by NACHA-The Electronic Payments Association and the Regional Payments Associations.

**When:** June 18, 2003, 1:30 p.m. to 3 p.m. EDT

**Where:** Your location via Internet/telephone connection

**How to Sign Up:** Visit [www.nacha.org](http://www.nacha.org). Phone 703-561-1100.

respect me and understand that I am an important part of the sales process. I like to feel empowered.

I have the ear of the person you want to talk to. That person respects me because I am so good at keeping you out. A new approach for you may be to try to sell me first. You stand a much better chance of getting through to the decision-maker if I know what you are trying to sell.

Keep in mind that I, too, may be ambitious, and I probably don't want to be a gatekeeper all my life. If you honestly have a product or service that will benefit my company, giving me the opportunity to present the idea will benefit me greatly and ensure that you now have an advantage over any competitors who may show up later.

Show respect for my time. Yes, you want to get me on your side, but understand that I am probably juggling many tasks. I still have to answer the phone while I am talking to you, so please don't be impatient.

Let me know that you understand and will either hold or arrange for a better time to speak to me. Keep the conversations brief. This is a process and probably will take more than one phone call, but if you can gain my trust it will be worth your time in the end.

And please don't just hang up on me when I don't let you through the first time. Most companies today have caller ID on the phone system. I will remember your number if you are rude and you will be even less likely to get through the next time. Also, since I can see your number, I will know if you are calling back every five minutes. This will probably only annoy me. Annoying me or making me angry is probably the worst thing you can do. Remember, you need me.

Discounting the amount of power I have and trying to go around me instead of attempting to work with me would be your biggest mistake. Instead of always trying to climb over the fence, try using the key to the gate. You may be surprised by how much easier it is to attain your goal.

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\**Inc Magazine*, October 15, 2002, ranking of top 500 privately-held companies.

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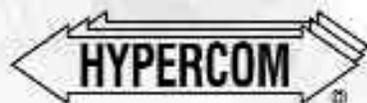
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