



The Green Sheet

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

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Demand for written retraction

In September 2005 The Green Sheet published an article by Patti Murphy of The Takoma Group titled "FTC Has ISOs in Its Sights" (Sept. 26, 2005, issue 05:09:02).

This article was based on information provided at the Western Payments Alliance (WesPay) Payments Symposium 2005 and in discussion with a conference presenter, Lauren France, a Federal Trade Commission (FTC) employee. At the WesPay conference Ms. France stated the allegations of a complaint against Universal Processing Inc., in the language of the complaint.

In addition, The Green Sheet published a second article written by David H. Press of Integrity Bankcard Consultants Inc., titled "Processing for Online Pharmacies: Going, Going ... Gone?" (Nov. 14, 2005, issue 05:11:01). This article was sourced to a Sept. 7, 2005 FTC settlement announcement.

In these two articles many references are made to the company Universal Processing, the subject of an FTC probe, with which the FTC reached a settlement that was published Sept. 7, 2005.

Although all who care to view this FTC action can read the settlement, it is important to point out that the settlement announcement includes the following note that may have been useful to have included in the second article:

"Note: A stipulated permanent injunction and final order is for settlement purposes only and does not constitute an admission by the defendant of a law violation."

Universal Processing believes that the two articles have many factual errors, and The Green Sheet has received a demand for a written retraction of these two articles.

After reviewing the demand and all the material concerning the complaint filed by the FTC against defendant Universal Processing, The Green Sheet feels that the concerns voiced by Universal Processing through its attorney are best expressed in its own language, which follows:

"After reviewing the substantive content of Ms. Murphy and Mr. Press' articles, I can only surmise that the articles' glaring factual misrepresentations and extensive deficiencies are the result of a malicious attempt by The Green Sheet to undermine my client's competitive advantage, substantial goodwill and well-earned reputation.

"A) Ms. Murphy's article

"Paragraph 2 states that Lauren France is an attorney for the FTC. She is not. Rather, Ms. France is employed by the FTC as one of its many investigators. Paragraph 4 provides readers with a description of the compromise reached between my clients and the FTC as a forfeiture of my clients' 'ill

See Retraction on Page 63

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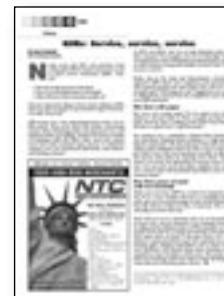


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Notable Quote

"Making small efforts ... with your merchants will prevent them from switching to a competitor, even if he offers a better price. The reason for their not switching will be the same as their deciding to work with you in the first place: service."

See Story on Page 96



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**GET
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STARTED!**



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Forum

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BIN and ICA: More than meets the eye

Editor's note: Ken Musante, President of Humboldt Merchant Services and a Contributing Writer for The Green Sheet, shared the following letter with us:

Ken:

I don't believe we've met, but thanks for writing about BIN / ICA ownership and portability in The Green Sheet ["How Important Are the BIN and ICA to ISOs?" by Ken Musante, The Green Sheet, Dec. 12, 2005, issue 05:12:01].

I have worked for "X" for 10 years, the last 3+ as an ISO Recruiter/Manager. I can't tell you how many times I have talked with potential ISOs that want a BIN and ICA and simply do not understand the details, economics and costs involved.

Too many ISOs writing 100 deals per month want a BIN and ICA and simply are not equipped for it and don't understand that "portability" and "ownership" are more often than not simply terms, not reality. I'll reference your article often and encourage all ISOs I speak with to read it.

– Name withheld on request

'We've gotta fight back'

I'm an MLS, and I just read the disturbing cover article entitled

"PayPal: Nickel and Diming Its Way to Dominance" in The Green Sheet (Dec. 12, 2005, issue 05:12:01). It absolutely made me sick! I've been keeping an eye on [PayPal], and I knew it was inevitable that its hungry and relentless appetite would start eating away at our business, before our very eyes.

I wish PayPal would die; Wal-Mart and Google, too, as they're threatening our industry and are not [as] scrutinized as we are. But honestly, I know they're going to be around for a long time. Anyway, taking that into consideration, here's my question:

Can you please give some powerful and compelling reasons to share with merchants as to why it's better to go with the traditional way of doing online processing instead of going through a non-bank payment vendor? Perhaps you can list the pros and cons of each solution, especially with e-wallet and other payment methods that [are] now rising on the scene, thus taking a piece of our pie. Please provide a list of strong selling points that [are] favorable to our way of processing as opposed to these other solutions.

Of course, merchants are certainly not limited to our solution, but what can we tell them that would make them want to at least include our way of processing with other solutions they might choose to go with as well? Especially, please focus on what we can say to overcome the fact that PayPal has acquired VeriSign's payment gateway, which will really give them growth and hurt our industry. What are Visa, MasterCard or "any" entity doing about this?

These companies are steadily encroaching on our market. We've gotta fight back hard (and should've started a long time ago).

Thanks,
– Nadine House

Nadine:

Thanks for your letter. In publishing The Green Sheet, because of a limited amount of space for each story, we are continually challenged with covering a topic to the extent that it needs to be covered for our readers.

Our goal has always been to provide the right information to the right people in the right way, and we are working hard to bring merchant level salespeople what they need to foster their sales careers. Look for a story that addresses your concerns in an upcoming issue.

Editor

What's better than a "Free Terminal?"

How about a terminal that's actually FREE!

Seems like everyone is offering Free terminals these days, but most of these offers aren't really Free. At North American Bancard we pride ourselves on being the best. After all that's what our agent partners deserve and have come to expect from NAB.

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QSGS

YOUR NEWS IN A HURRY

Short on time? This section of The Green Sheet provides a quick summary of nearly all the articles in this issue to help keep you up to date on the latest news and hot topics in the payments industry.

News

AmEx strikes three more U.S. card-issuing partnerships

At the close of the year and within only four days, American Express Co. (AmEx) announced new card-issuing partnerships with three major financial institutions, considerably strengthening its position in the market.

Page 24

View

Washington honing its focus on payments space

Get ready for more changes in the payments space, compliments of Uncle Sam. First up is the Federal Reserve, with new rules regarding consumer electronic payments. Next, as the mid-term Congressional elections near, it's a good bet Congress will weigh in on issues such as card interchange.

Page 27

Feature

The 'gray' areas of Triple DES

From ATMmarketplace.com . Triple DES.
Some wonder if it's more of a conundrum than a definitive mandate. Since 2001, when MasterCard International first introduced the idea of moving to a harder-to-crack code, the deadline for upgrades to existing ATMs (and POS terminals) has been a moving target.

Page 31

News

iPayment to become a privately held company

iPayment Inc., a publicly held payment processor, agreed to be acquired by an entity formed by iPayment's Chief Executive Officer Gregory Daily and President Carl Grimstad, who plan to make iPayment a private company again.

Page 36

Feature

2005 holiday shopping season tepid but not tragic

Consumer confidence took a beating earlier in 2005 as a result of the extended war in Iraq, Hurricane Katrina and billowing gas prices, but it bounced back in time to make the 2005 holiday shopping season at least a mildly merry one for retailers.

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News

Smart cards advance in Canada

Adoption of computer chip-based smart cards continues to advance internationally. This time, it's in Canada. MasterCard Canada announced in December 2005 plans to introduce chip-enabled MasterCard payment cards in that country by 2010.

Page 54

Education

StreetSmartsSM: A look at the free equipment trend

Let's begin a new year by taking a look back. By far the biggest change in the past year has been the advent of "free" POS terminal programs. Although no two programs are the same, and no company is right or wrong in its service offering, the programs certainly have caused a wave and huge splash in the industry.

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View

An urgency resolution

Making New Year's resolutions is not a bad idea, but there's an alternative. Have you ever become a bit intoxicated on New Year's Eve only to vow, "Next year I'll start off clean"? Have you ever let your desk pile up only to say, "Next year I'll start fresh"? Well, next year is now.

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Education

The termination gamble

Terminating an ISO agreement is like terminating a marriage. You never know whether it will be amicable or how hard the other party will fight for custody (i.e., of the merchants). This article provides some points to keep in mind when thinking about exercising your right of termination.

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Exceeding Expectations

- Competitive buy-rate programs
- Revenue Share Programs
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Education

Combine product offerings to maximize profit potential

It can take weeks or even months to gain quality face time with prospects, and this time may be limited. So, how do you increase the chances of making sales and becoming prospects' valuable resource? By offering more than one product and service and showing how your package works to increase their bottom line.

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Industry Leader

Sherry L. Friedrichsen: Born into the financial services industry

We tend to gravitate toward people and institutions that are capable of holding their value over time. One such person with staying power is Sherry L. Friedrichsen, a 32-year veteran of the payments industry. She began her career straight out of high school and hasn't looked back since.

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Education

New year, new computer

The new year is the perfect time to take stock of where you are in life and what you plan to accomplish. For some of us, this means evaluating the tools we rely on, such as our computer. Cleaning up the computer once or twice each year, or whenever it starts to slow down, is a good idea.

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View

QSRs: Service, service, service

Nearly every day ISOs and MLSs inquire about how to sell to quick service restaurants (QSRs). The most important thing to know about selling to QSRs (that you also can apply to any merchant type) is that service sells. Every day.

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NEWS

BofA shifts consumer processing in house

Bank of America Corp. (BofA) intends to shift the processing of its consumer card portfolio in house from TSYS. TSYS expects to continue providing commercial and small business card processing for BofA and MBNA, as well as merchant processing for BofA, according to the terms of the existing agreements for those services. BofA will pay a termination fee related to the deconversion of the consumer portfolio.

Financial institutions transforming ATMs, study finds

Financial institutions are transforming ATMs into more than simply a cash withdrawal machine by investing in advanced functionality to improve customer service, lower costs and strengthen their brand, according to a new report from Celent.

The report, "Advanced Functionality ATMs: Promise Meets Reality," found that banks are working to transform the ATM into an effective relationship device by integrating ATMs with other bank channels and implementing personalization capabilities.

Banks are also examining check imaging at the ATM. The report explores the efforts of retailers using ATM-like self-service technology to offer a menu of services that exceeds current bank efforts.

Kiosks offer soldiers financial access

NCR Corp.'s EasyPoint kiosks are part of the Treasury Department's "EagleCash" Stored Value Card Program. EagleCash is designed to reduce the amount of U.S. currency required to support the personal financial needs of U.S. soldiers deployed overseas.

Military and support personnel are issued EagleCash cards to use in lieu of cash for purchases at military-operated concessions. The kiosks are equipped with smart card readers that allow users to transfer personal funds between their U.S. financial institution and their EagleCash card.

The Treasury Department and the U.S. Army began deployment of the kiosks in August 2005. To date, installations have been completed in Afghanistan, Bosnia, Honduras, Kosovo, Qatar and Saudi Arabia.

New Visa logo debuts in United States

Visa U.S.A. launched a new look for the Visa logo. The new brand is designed to better reflect the range of electronic payment products provided by Visa's member financial institutions and the expanding environments in which they're accepted. The updated brand mark will appear on all new materials, including Visa payment cards, merchant decals, marketing materials and stadium signage.

The new Visa mark debuted in regions outside the United States in September 2005. In addition to enhanced



- **"The Wall Street Journal"** published an editorial on Jan. 12, 2006 addressing interchange. The paper opined "the argument retailers are making that this industry operates as a cartel is highly unpersuasive" and named many benefits of plastic including attracting more customers and eliminating theft by reducing the amounts of cash.
- The **"Los Angeles Times"** reported that there is a long tradition of store closings after the holidays. This year, **Federated Department Stores Inc.** will close 29 locations in Southern California by May 2006. **Sears Holdings Corp.** is also planning layoffs and store closings around the country.
- **OfficeMax** announced it would close 110 superstores throughout the United States and five stores in Canada. The move follows criticism from the retailer's largest investor over its financial and operating performance.



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security, the new brand provides members more space on the front of the card for customization. Visa has planned a gradual transition that will continue for the next several years.

ANNOUNCEMENTS

Acies reports continued account growth

Acies Corp. announced growth statistics for its merchant account portfolio. Total merchant accounts grew 138% in the 12-month period ending Nov. 30, 2005. For the first eight months of fiscal 2006, total merchant accounts grew 87%.

Scrip Advantage announces reorganization

Scrip Advantage Inc. will reorganize the company by filing with the U.S. Bankruptcy Court to become a "debtor in possession" under the U.S. Bankruptcy Code. The company is taking steps to merge the operating subsidiary into the parent company to reduce franchise tax obligations. John Coyle, the former President and Chief Executive Officer was terminated from those positions and was succeeded by his brother, Robert Coyle, whom it is intended will continue to run the company once in Chapter 11.

SWACHA relocates

SWACHA – The Electronic Payments Resource has moved. The new address is 1999 Bryan Street, Suite 3600, Dallas, TX 75201. The SWACHA Members Only Payments Answerline phone number will remain the same. New general office and personal contact phone numbers will be published on the SWACHA Web site when they are effective.

SwipeUSA celebrates anniversary

ATM management firm SwipeUSA is celebrating its sixth year of operation. SwipeUSA has increased revenue 20% annually since its launch in 1999.

Over the past year the company successfully lobbied the California legislature to collect ATM surcharges from foreign bank accounts and expanded its network beyond San Francisco to Southern California and Nevada.

VeriFone achieves Swiss certification

VeriFone received ep2 certification for two members of its V^x Solutions family, the V^x 510 and V^x 610, making VeriFone's next-generation payment platform available to customers across Switzerland. CCV-jeronimo (Switzerland) SA, VeriFone's international partner in Switzerland, began installing the countertop and wireless systems at major retail outlets nationwide in October and plans to roll out further this year.

Verus Card Services offers Touch Tone Processing

Verus Card Services now offers Touch Tone Processing. The in-house, telephone-based merchant processing system is designed for the low-volume/micro-merchant.

Vital receives certification

Vital Processing Services achieved Class-A certification for the Lipman 8000 terminal on the Synapse Payment Gateway General Packet Radio Service (GPRS) platform. This certification and move to GPRS technology on the Lipman 8000 terminal expands the wireless offerings that Vital can extend to its customers.

Western Union network exceeds 250,000 locations

Western Union's agent network, combined with its subsidiary Orlandi Valuta, now exceeds 250,000 locations. Western Union previously established a goal of reaching 250,000 agent locations. The Payments Services division of First Data Corp., which includes Western Union, contributes nearly 40% of the company's revenues.

Additionally, Western Union Financial Services Inc. signed an agreement with The Jean Coutu Group Inc., the fourth largest drugstore chain in North America, to

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PARTNERSHIPS

Axalto wins first Chinese EMV project

Axalto's multi-application smart card, Palmera, was selected by Industrial and Commercial Bank of China for the world's first Chinese EMV card-issuance project.

The project requires the chosen product to comply with the Chinese EMV debit/credit specification by People's Bank of China. The Axalto Palmera card is able to support both Visa and Chinese EMV requirements on a single card.

Euronet signs agreement with Indian Bank

Euronet Worldwide Inc. formed a multiyear ATM outsourcing and deployment agreement with ABN AMRO Bank, a multinational bank in India. Under the agreement, ABN AMRO Bank (India) will outsource its existing network of 90 ATMs to Euronet India.

The company has already taken over the operation of the bank's ATMs and will provide end-to-end ATM

outsourcing services from its operations center in Mumbai. Additionally, ABN AMRO Bank also plans to increase its ATM network in the country over an 18-month period.

AutoZone chooses TeleCheck

AutoZone Stores nationwide are now using the TeleCheck electronic check acceptance (ECA) service and the TeleCheck guarantee service. AutoZone is using the TeleCheck ECA service to settle check transactions electronically and is using the TeleCheck guarantee service to reduce its exposure to fraud and risk.

ACQUISITIONS

Capital Bank Corp. completes merger

Capital Bank Corp. completed the acquisition of 1st State Bancorp Inc.

Additionally, A. Christine Baker, who served as Chief Financial Officer of 1st State Bancorp, was named Executive Vice President and CFO for Capital Bank Corp. Fairfax C. Reynolds, Executive Vice President of 1st State Bank since 1989, was named Executive Vice President and Regional President of Capital Bank.

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The combined company, which will operate as Capital Bank Corp., will have approximately \$1.3 billion in assets and \$1 billion in deposits.

Certegy to acquire FastFunds financial assets

Certegy Inc. will acquire certain assets of FastFunds Financial Corp. and its wholly owned subsidiary Chex Services Inc. for approximately \$14 million in cash. Chex Services provides check cashing, ATM access, and credit and debit card cash advance services to approximately 50 casinos and gaming establishments in the United States, Canada and the Caribbean. The acquisition is expected to add in excess of \$15 million in annualized revenue.

Everlink completes acquisition

Everlink Payment Services Inc., a Canadian electronic transaction switching service provider, completed the acquisition of CGI Group Inc., an independent information technology and business process services firm. The transaction was completed for CDN \$28 million.

First Data to acquire German processor

First Data and GZS, Gesellschaft fur Zahlungssysteme

signed an agreement for the acquisition of GZS by First Data. GZS is Germany's leading processor of cashless, card-based payment transactions. The transaction is expected to be completed in the second quarter 2006.

APPOINTMENTS

BAI announces new board member

BAI recently named **Craig J. Kelly**, Corporate Executive Vice President and Chief Marketing Officer for SunTrust Banks Inc., to its board of directors. Kelly will serve a two-year term as a member of the board. Kelly has more than 35 years' experience in banking. Previously, he held executive marketing positions at BancOne Corp., Bank of Virginia (renamed Signet) and New Britain Bank & Trust Co.

First Data names Domestic Merchant Services head

Ed Labry, President of First Data's Prepaid Services, will assume additional responsibility for leading the company's Domestic Merchant Services business. Prior to his appointment as President of Prepaid Services in 2005, Labry had responsibility for large merchant initiatives and advising the organization on new

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POS opportunities. Previously, he was President of Concord EFS Inc.

PassMark appoints VP of Engineering

PassMark Security announced the expansion of its management team with the addition of **Kim MacPherson** as Vice President of Engineering. For the past five years, MacPherson was Vice President of Engineering at Securify. Prior to that MacPherson built secure financial services applications at Intuit.

First Data names Country Manager for India

First Data named **B. Amrish Rau** as Country Manager for its international operations in India. Prior to joining First Data, Rau was General Manager of the Teradata division of NCR Corp. India, where he led the CRM and Data Warehouse Solution Group.

Before NCR, he worked in the financial services division of Siemens Nixdorf Information Systems addressing the technology requirements of Indian banks.

Open Solutions names CFO


Open Solutions Inc. announced that **Kenneth J. Saunders**, former CFO of Peregrine Systems Inc., will join the company as its Executive Vice President and CFO. Prior to his tenure at Peregrine, Saunders was CFO of Fair Isaac Corp. He also served as CFO for HNC Software Inc.

Humboldt Merchant Services promotes two

Humboldt Merchant Services (HMS) promoted **Hilda Tuel** to Senior Vice President and **Xavier Ayala** to Vice President. Tuel began her work at a formative time at HMS, selling card-processing services directly to merchants in and around Humboldt County. Tuel has been a part of HMS for more than nine years.

For the past eight years Ayala helped define the position he now holds, creating many of the procedures and processes that are in place today. He is responsible for working directly with the business partners served by HMS.

ClickPay signs new VP Business Development

Check cashing service provider **ClickPay Solutions Inc.** appointed **Martin Williams** as Vice President, Business Development. Williams has more than 16 years' expertise in management and business development. He is the former President at C2B Direct Inc.; Vice President, Business Development for Client Shop Inc.; and a former Director of Business Development at Buy.com . 

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AmEx strikes three more U.S. card-issuing partnerships

At the close of the year and within only four days, American Express Co. (AmEx) announced new card-issuing partnerships with three major financial institutions, considerably strengthening its position in the market.

Between Dec. 20 and 23, 2005 AmEx signed deals with Citibank, Bank of America Corp. (BofA) and HSBC – North America Holdings Inc., respectively. Although specifics of each of the three deals differ, Citibank, BofA and HSBC all will issue AmEx cards with their respective brands.

The banks will handle card-issuing duties (until recently, AmEx only issued its own cards), customer service, marketing, billing and authorization. AmEx will process transactions through its merchant network, and the cards will be accepted at millions of locations worldwide. In addition, AmEx's card-issuing deal with MBNA Corp. will continue. (BofA recently completed its acquisition of MBNA.) In January 2004, MBNA became the first U.S. financial institution to partner with AmEx.

AmEx Chairman and Chief Executive Officer Ken Chenault praised the new partnership with BofA and the existing one with MBNA. "Our work with MBNA has delivered compelling new products for high-spending consumers," he said, adding, "it also helped to set the stage for [this] agreement and the terrific opportunity it represents."

An attractive brand

Although somewhat recent, card-issuers' interest in AmEx is largely due to the card brand's dominance of the high-end, wealthy consumer segments. This focus has brought AmEx continued financial growth. Third quarter 2005 net revenue for the card company reached \$1 billion, an increase of 17% over the same period in 2004.

AmEx cardholders are traditionally known for paying balances in full each month, but on the whole, these balances are much higher now and continuing to grow. The quarterly average basic AmEx card member spending increased 12% between third quarter 2004 and third quarter 2005, from about \$2,300 to \$2,600. The brand's individual consumer spending increased 17%, and small business spending grew 23%. (These numbers only reflect proprietary network cards and not those issued under partnership agreements.)

In the world of MasterCard International and Visa U.S.A., though there are many more active cards, the balances tend to be lower. At a Nov. 16, 2005 investor conference, Chenault said the average amount spent on each AmEx card was \$11,000, five times above MasterCard-branded cards and four times above those that are Visa-branded.

A May 2005 article in "The New York Times" reported that the average cardholder (independent of brand) spends about \$3,400 each year on a card; a far cry from AmEx's quarterly average.

Dismissed from the lawsuit

AmEx also announced its intention to dismiss BofA and HSBC from its antitrust

litigation against Visa, MasterCard and a number of major U.S. banks. In November 2004, AmEx filed a lawsuit seeking damages for business it claims it lost as a result of card Association rules.

(For more information about this lawsuit, see "Visa, MasterCard Face AmEx Lawsuit in U.S. and Scrutiny Around the World," The Green Sheet, Dec. 13, 2004, issue 04:12:01.)

The antitrust litigation can be traced back to October 2004 when the U.S. Supreme Court refused to hear Visa and MasterCard appeals in a six-year antitrust lawsuit brought by AmEx and Discover Financial Services.

Previous to the Supreme Court's decision, Visa and MasterCard had stipulated within their rulebooks that any financial institution issuing their brand was not permitted to issue any other card brand, such as AmEx and Discover.

Now that the three-party card is not subject to restrictions from its entirely independent, four-party competitors, Visa and MasterCard, AmEx is blazing ahead in its mission to increase its brand of card in consumer's hands.

Signing deals around the world

It should be noted that AmEx continues to sign deals with banks in other countries. Between the beginning of August and mid-December 2005 it inked alliances with Hong Kong's Standard Chartered Bank; South Korea's Shinhan Card; Argentina's Banco Patagonia; Romania's Bancpost; Russian Standard Bank; and Uruguay's Nuevo Banco Comercial. All hope to share in the wealth generated by AmEx's affluent cardholders.

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Insider's report on payments**Washington honing its focus on payments space****By Patti Murphy***The Takoma Group*

Get ready for more changes in the payments space, compliments of Uncle Sam. First up is the Federal Reserve, with new rules regarding consumer electronic payments. Next, as the mid-term Congressional elections near, it's a good bet Congress will weigh in on issues such as card interchange.

In the final days of 2005, the Fed announced changes to federal EFT rules that address the responsibilities of merchants doing automated clearing house (ACH) check conversions, and the extent to which Regulation E applies to payroll cards (bank-branded stored value cards that employers can load up and hand out to employees in lieu of traditional paychecks).

The rule change on check conversion, penned as an amendment to the Fed's Reg E, makes it clear that merchants and other businesses that accept checks from consumers and convert those payments to EFT payments (ACH check conversion transactions) must provide written notices to those consumers prior to completion of the transactions.

In the case of POS check conversion, the Fed ruled, these disclosure notices must be "posted in a prominent and conspicuous location," and copies must be provided as part of the check out process (e.g., on receipts).

The required notices should explain to consumers, among other things, that when a check is used to initiate an EFT (i.e., converted to an ACH transaction), funds may be withdrawn from their accounts that very day. Or, put another way, merchants need to remind customers it's not a good idea to play the float on the checks that they write.

Some merchants already post notices to this effect, but the Fed's rule change makes it clear that all merchants are required to post and distribute these disclosures; compliance is mandatory beginning January 2007.

Separately, the Fed also published an "interim" Reg E amendment that extends the regulation's consumer protections to payroll card accounts. This amendment, which doesn't take effect until July 2007, is subject to modifica-

tion. The Fed has given banks and other interested parties two months to submit written comment before it considers a final rule change. But it's a good bet the final rule will mirror the interim regulatory amendment.

Some background

The Fed, amongst its many responsibilities as the nation's central bank, oversees implementation of the federal EFT Act, as well as the rule processes for several federal consumer credit laws (e.g., Truth-in-Lending and Equal Credit Opportunity Acts). It addresses the EFT Act through Reg E.


In addition to crafting formal regulations, the Fed also maintains ongoing commentaries that provide insights from its legal staff on how regulatory requirements might apply to real-life situations. In tandem with its announced amendments to Reg E, the Fed updated its Reg E commentary to clarify issues related to banks' responsibilities

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when customers dispute EFT transactions, and ATM operators' disclosure obligations with respect to ATM fees.

While the U.S. President appoints members to the Federal Reserve Board, the Fed actually is a creature of Congress. In other words, it gets its marching orders from the U.S. House and Senate.

When Congress passed the EFT Act in the 1970s, it put the Fed in charge of working out the details and ensuring compliance with the new law. The result was Reg E. When, in 1987, Congress passed the Expedited Funds Availability Act (EFAA), the Fed's staff crafted Reg CC, which spelled out limits on how long banks could hold off on making funds available on deposited checks.

Now it's beginning to look like Congress may enact legislation that addresses interchange fees for credit and debit card transactions. That could mean the Fed will be directed to take action, but as it stands now, Congress is only interested in fact finding.

Presently, the Fed has no jurisdiction over the fees banks charge merchants for accessing the inter-bank card system. This sets the Fed apart from other countries' central banks that have taken to regulating interchange fees.

A few years ago, for example, the Fed's counterpart in Australia, the Reserve Bank of Australia, made headlines when it decided it had the authority to regulate bank cards, and forced Visa and MasterCard to slash interchange. More recently, the Aussie central bank has taken on POS debit card interchange pricing (see "Australia Examines Debit Fees, Network Rules," The Green Sheet, Jan. 9, 2006, issue 06:01:01).

Congressional scrutiny

Interchange has been a contentious issue in the United States for more than a decade. But the issue has only recently captured the attention of lawmakers who are now debating interchange in the context of rising oil prices and price gouging accusations.

Energy legislation approved by the U.S. House and now awaiting consideration in the Senate, among other things would commission a Federal Trade Commission (FTC) study of price gouging at the gas pump, including an "analysis of the role and overall cost of credit card interchange rates on gasoline and diesel fuel retail prices."

The request was inserted in legislation taken up in the wake of Hurricane Katrina and the problems that ensued with domestic oil supplies. It was brought to the attention of Congress by the National Association of Convenience Stores (NACS), a Washington-area association that lobbies on behalf of convenience stores and service stations.

NACS also is a party to current class-action litigation challenging Visa, MasterCard and several large banks on interchange pricing.

Congress, as a rule, doesn't meddle in things like bank pricing, unless, of course, there's a hue and cry from the public. Back in the early 1990s, with interest rates spiraling and bank credit card profits soaring, a debate occurred in Congress on legislation that addressed card fees, but no legislative mandates were issued.

That the current debate is being raised in the context of spiraling prices at the gas pump and allegations of price gouging by oil companies, however, and the fact that this is an election year, suggests that the pending request for an FTC study of credit card interchange might well be enacted.

It's only a preliminary step, of course, but the fact that the FTC might be called upon to look into credit card interchange suggests that the debate over card interchange won't be limited for much longer to the courts and convention panels. ☐

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

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The 'gray' areas of Triple DES

By Tracy Kitten, Editor
ATMmarketplace.com

This story was originally published on ATMmarketplace.com, Dec. 19, 2005; reprinted with permission. © 2006 NetWorld Alliance LLC. All rights reserved.

Triple DES. Some wonder if it's more of a conundrum than a definitive mandate. Since 2001, when MasterCard International first introduced the idea of moving to a harder-to-crack code, the deadline for upgrades to existing ATMs (and POS terminals) has been a moving target. A quick scroll through ATMmarketplace's archives proves that.

"The biggest problem has been the extension after extension."

- Wayne Vandekraak
Solvport LLC

Jerry Silva, a Senior Analyst with Boston-based consultancy TowerGroup, said a penalty for noncompliance is doubtful and between 20% and 30% of U.S. financial institutions don't have Triple DES compliance even on the radar.

"I can't imagine there would be a big penalty," he said. "I think it will be like EMV in Europe, where you're liable if there is a case of fraud, but beyond that, it's not a big deal."

The truth, however, is that no one really knows what will happen if the Triple DES mandate isn't met, although most suspect MasterCard and Visa International won't enforce a penalty. And that absent fear of retribution has led to a great deal of hesitation, especially in the ISO space.

Other contributing factors, including deadline ambiguity, the lack of a big-picture understanding of the standard, and the cost associated with upgrading and replacing ATMs also have stalled the conversion process.

A look back

Most of the industry, by now, is very familiar with Triple DES. It's that complex encryption standard that's harder than single DES for hackers to break into.

As of Jan. 1, 2003, all newly deployed ATMs were required to support Triple DES. But deadlines for bringing existing ATMs into compliance, at least in the United States, have been confusing.

Sam Ditzion, President and Chief Executive Officer of Boston-based Tremont Capital Group, an ATM industry advisory firm, said the Triple DES deadline has been more gray than black and white.

"I suspect that we'll see a somewhat ambiguous gray period during the first part of 2006," he said. "Many ATM operators lacking formal extensions are not 100% Triple DES compliant yet, but I suspect that the networks and processors will either temporarily look the other way or officially warn, but not fine."

MasterCard's April 1, 2005, deadline didn't get pushed, but a number of extensions were granted. And Visa has come up with a compliance pyramid on which different deadlines have been set for different regions of the world.

In the United States, the deadline won't be enforced until Dec. 31, 2007, according to information posted on Visa's Web site, to which Visa referred ATMmarketplace in lieu of comment. No one at MasterCard could be reached.

"I think the difficult part is determining, 'What is the ultimate compliance method?'" said Kevin Gregoire, Executive Vice President of Products and Networks for Brookfield, Wis.-based Fiserv Inc. "How strong will the compliance be enforced?"

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Feature

What's important:

- **MasterCard's April 1, 2005 and Visa's Dec. 31, 2005 deadlines haven't moved, although a number of extensions or grace periods have been granted. Visa won't enforce its deadline until Dec. 31, 2007.**
- **Neither MasterCard nor Visa has publicly said whether deployers that fail to comply with the Triple DES mandate will be fined, denied access to the network(s) or simply held liable if a security breach occurs.**
- **Deadline ambiguity, confusion about compliance and the upfront investment have led some FIs and ISOs to wait as long as possible.**

"On one end of the spectrum the date comes, and in the event the client is not compliant, the strongest position would be that the ATM is being removed from the payment system, and that causes some disruption," which makes it unlikely.

Wayne Vandekraak, President and CEO of Beaverton, Ore.-based Solvport LLC, an independent ATM service company, said ISOs have been going in circles to understand the deadlines, and that's been an issue.

"The biggest problem has been the extension after extension," he said. "I don't think smaller ISOs realize the risks they're running, but I think larger ones do, and that's why they're moving forward."

TowerGroup's Silva said only an estimated 35% of the United States' 180,000 to 190,000 FI ATMs have been upgraded and/or replaced. He added that some mid-sized and small FIs will just wait it out.

Dean Stewart, Director of Software Product Marketing and Management for North Canton, Ohio-based Diebold Inc., the No. 1 ATM manufacturer for U.S. FIs, said compliance for Diebold customers is closer to 75% in the U.S. FI space, but it's definitely not close to 100%.

"There were so many different dates," he said. "I would have thought that we'd be a little further along than we are now, but with the waivers, I'm not surprised."

Stewart said confusion surrounding the mandate led

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many deployers, especially FIs, to wait before moving forward. And Fiserv's Gregoire said not fully understanding the benefits of Triple DES led some FIs to hold off.

On the ISO side, cost has been the hold up, said Mike Cowart, Director of Operations for Atlanta-based RBS Lynk's ATM Services Division. "It's costly. You've got to convince a merchant that you sold an ATM to [him] five or six years ago that he needs to upgrade, and that's a tough sell."

Triple DES upgrades and replacements haven't brought in the big bucks everyone expected. Executives at both NCR and Diebold have admitted that their companies were expecting higher ATM sales during the first two to three quarters of 2005, as FIs worked to replace older ATMs to meet the compliance deadline.

Sabrina Andrews-Turner, President of Grand Prairie, Texas-based Pi Systems International, which provides upgrade kits to FIs, said kit sales are just beginning to pick up. "I'd say our customer base has doubled since this time last year," she said. "We had a lot of interest in early 2003, because they thought all of this would happen in early 2005, the original deadline. And then when they realized the deadlines would be pushed, things slowed down in

2004. But now, with Visa and MasterCard saying this is it, 2005 has been a real bang-up year."

Processors put pressure on deployers

What has changed since last year is that processors are taking a lead role in spearheading the Triple DES switch. Fiserv, which owns the Accel/Exchange EFT network, is pushing for a Dec. 31, 2005 deadline but will continue to process transactions on both single and Triple DES.

RBS Lynk has extended its compliance deadline to Dec. 31, 2006 and is actively working with ISOs to bring their portfolios into compliance.

Ron Herman, Executive Vice President of Nebraska Electronic Transfer System Inc. (NETS), said all but about six of the 325 Nebraska FIs NETS works with have made the conversion. Of the 1,700 ATMs NETS processes transactions for, only 200 needed an extension until April 2006. "We're confident that we'll have all except those 200 [ATMs] switched over by end of this year," he said, "well before what Visa is requiring."

Link to original article: www.atmmarketplace.com/news_story_24738.htm

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iPayment to become a privately held company

IPayment Inc., a publicly held payment processor, agreed to be acquired by an entity formed by iPayment's Chief Executive Officer Gregory Daily and President Carl Grimstad, who plan to make iPayment privately held again.

On Dec. 27, 2005, more than seven months after Daily's initial proposal to buy the company, iPayment's board of directors and its special committee unanimously approved a shareholder buyout of \$43.50 per share.

In May, Daily asked to acquire all the outstanding common stock of the company for \$38 a share, but iPayment's board rejected the offer, saying it was too low. In November, he made another offer, this time for \$43 a share.

Ten days later, he increased his bid to \$43.50 a share, which he said was "the best price available" and his "last and final offer" (see "iPayment CEO Increases Bid to Buy Company," The Green Sheet, Nov. 28, 2005, issue 05:11:02, and GSQ, Vol. 8, No. 4, "The Changing Face of Card Acquiring," December 2005).

The transaction price of \$43.50 per share represents an increase of \$5.50 per share, or 14.5%, over Daily's original proposal of \$38 per share and a premium of \$11.95 per share, or 37.9%, over the \$31.55 closing price of the stock on May 13.

The deal is expected to be completed in the first half of 2006, but there are still several contingencies including stockholder and regulatory approvals and receipt of the necessary financing to complete the transaction.

The merger will be financed through equity commitments of up to \$207 million from Daily, Grimstad and other unnamed parties. Bank of America, N.A. and certain of its related entities have also committed \$760 million.

In 2004, iPayment processed 157 million credit and offline debit transactions valued at \$12.8 billion. For 2005, the company estimated it would process more than 188 million transactions valued at \$15.4 billion.

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2005 holiday shopping season tepid but not tragic

Consumer confidence took a beating earlier in 2005 as a result of the extended war in Iraq, Hurricane Katrina and billowing gas prices, but it bounced back in time to make the 2005 holiday shopping season at least a mildly merry one for retailers. Confident consumers translate to enthusiastic shoppers, and in November several factors came into play to boost consumer confidence.

The Labor Department released a report citing a 215,000 gain in payroll employment during November, more than offsetting the downward revision in October jobs. The Commerce Department reported that the economy grew by 4.1% in the third quarter, its fastest pace since January 2004, and that the gross domestic product (the value of all goods and services produced in the United States) climbed to \$11.2 trillion.

The retail holiday season has been closely watched for years as a bellwether for the nation's economy, but fundamental changes in consumer behavior over the course of the season have made it more difficult to draw conclusions.

Skyrocketing gas prices dropped back down toward earth (though prices are still 22% higher than in 2004). And amid signs that the housing market is cooling off, the Department of Housing and Urban Development reported that new home sales jumped by 13% in October.

Apparently in response to this news, and in spite of rising energy costs, consumer confidence rose in November to its highest

level since August 2005. Although sales figures vary somewhat from source to source, retail holiday sales seemed to reflect this new-found confidence.

Visa U.S.A. reported that shoppers spent \$257 billion using its card brand in the 2005 holiday season (Oct. 31 – Jan. 1), 17.5% more than in 2004. The International Council of Shopping Centers (ICSC) reported that 2005 holiday sales rose 3.5% over 2004. December 2005 sales were \$93.2 billion, up 3.2% from 2004's \$90.3 billion.

The ShopperTrak RCT Corp.'s National Retail Sales Estimate (NRSE) reported the average weekly sales for December 2005, versus the same period the previous year, rose a more encouraging 7.4%, with average weekly traffic increasing 0.9%. According to a report from SpendingPulse, an affiliate of MasterCard International, U.S. consumers spent 8.7% more during the just-ended holiday shopping period than in the comparable period a year ago.

The report found that the biggest increases in spending were on home furnishings, up 15.2%, followed by consumer electronics and appliances, up 10.5%. Spending on jewelry was down 4.6%.

Online sales are the likely reason for ICSC's lower figures. ShopperTrak and SpendingPulse both track online sales as well as brick-and-mortar store sales, and online sales are up. ComScore Networks, a consumer research consultancy, said that online nontravel spending during the 2005 holiday season (Nov. 1 – Dec. 31) totaled \$19.6 billion, a 25% increase over the \$15.7 billion posted in 2004.

Still, retail sales weren't sufficient to warrant widespread celebration. "The results could best be described as being tepid," said Eugene Fram, a J. Warren McClure Research Professor of Marketing at the Rochester Institute of Technology.

According to the National Retail Federation (NRF), retailers enjoyed sales of \$27.8 billion during the kick-off weekend of the holiday shopping season (Nov. 25 – 27) the second best season-starting volume in six years, even though data from ShopperTrak put Black Friday sales at \$8.01 billion, down nearly 1% from the previous year.

Black Friday, the Friday after Thanksgiving, got its name because it was the day that retailers traditionally got out of the red and became profitable for the year.

According to ShopperTrak estimates, the rest of that weekend fared somewhat better, finishing relatively flat, rising just 0.4% over the same period in 2004. Bill Martin, co-founder of ShopperTrak, said across-the-board discounting may have held back the pace of sales early in the weekend; sales then strengthened as door-buster deals expired late Saturday and early Sunday.

But the 2005 shopping season ran longer than many have in the past, with Hanukkah starting late in the month (beginning at sunset on Dec. 25) and with Dec. 24 falling on a Saturday, creating one extra day for procrastinators to shop (there were 30 shopping days in 2005 versus 29 in 2004).

"The impact of the extra shopping day was realized by retailers as procrastinating shoppers completed their holiday spending very late in the season, helping it end with a bang and not a whimper," Martin said. "While this performance is very encouraging, the extra shopping day this season pushed the annually stagnant Christmas day to

Feature

the next week, allowing a stronger weekly comparison versus 2004.

"Nevertheless, the immense last-minute consumer outpouring should have retailers feeling very optimistic leading into the traditionally strong post-Christmas shopping period as consumers take advantage of another day off to redeem gift cards and participate in late-season sales throughout the country," he said.

Gift cards prolong the season

The rising popularity of gift cards may also stretch the traditional holiday shopping season. "About 60% of gift card redemptions occur between December 26 and the end of January," said Michael P. Niemira, ICSC's Chief Economist and Director of Research. "Increasingly, retailers view this period as 'phase two' of the season."

Gift card sales are only recorded when customers redeem them. According to a survey conducted by the consultancy Accenture, 45% of the consumers polled said they will spend more than the card's value.

Wal-Mart Stores Inc., which has announced that its gift card sales in 2005 exceeded expectations, was just one counter that rushed in new spring apparel immediately

after Christmas to fuel those gift card sales and boost its January performance.

What isn't known is how much of a long-term effect 2005's deep discounts and heavily promoted sales had on overall profits. Many retailers, worried by early and grim consumer confidence predictions, offered extensive discounting this year in order to hedge their bets.

"This will go down as one of the earliest and most promotional Black Fridays in history," said NRF President and Chief Executive Officer Tracy Mullin. "Many stores opened earlier than ever before, and retailers offered unbelievable sales and discounts to get people shopping."

According to Fram, these promotions could make sales a little better than expected, but profits will suffer. Aggressive pricing may have driven sales gains but eroded margins.

"After some disappointing sales in many areas of the retail industry, resulting from the ripple effects of Katrina and high fuel prices, many retailers tried hard to jump-start this critical season with early pre-Thanksgiving promotions," said Amanda Nicholson, Assistant Professor, Retail Management and Marketing at Syracuse University.

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"Wal-Mart kicked off its major marketing campaign at the beginning of November, two weeks earlier than last year."

In spite of Wal-Mart's early, and aggressive, discounting, the retailer's December same-store sales increase of a lackluster 2.2% (Wal-Mart's smallest December sales gain in five years) sent its stock prices, and those of other retailers, sliding.

The day following the announcement, Wal-Mart shares closed down \$0.57 and fell another \$0.13 in after-hours trading. Target Corp. shares (which had not yet announced December sales figures) slipped 1.56%, or \$0.86, to \$54.11. Kohl's Corp. shares fell 2.55%, or \$1.24, to \$47.36.

The results are in

In January 2006, Target, which started the holiday season slowly, announced a 4.7% gain in same-store sales in December, slightly better than its 4.6% estimate. Federated Department Stores Inc. announced a 3.4% sales gain. Barnes and Noble Inc. announced a 5.2% increase; Kohl's reported a 4.6% increase; and Best Buy Co. Inc. reported a 5.8% increase.

J.C. Penney Co. Inc. rose a mediocre 2.2%, but Costco

Wholesale Corp. posted a 7% gain, and Circuit City Stores Inc. announced record holiday sales: an increase of 12.1%.

High-end retailers did fairly well. Nordstrom Inc. said its sales jumped 7.7%, and Neiman Marcus Group Inc. rose 5.3%. American Eagle Outfitters Inc. reported a 15.5% increase, and Abercrombie & Fitch Co. produced a surprising 29% gain.

Other retailers didn't fare as well. Gap Inc., the largest U.S. clothing chain, said same-store sales last month dropped 9%, although it said fewer discounts led to higher margins. Zale Corp. reported only a 0.9% increase. Sharper Image Corp. reported a 15% decline.

Sears Holdings Corp. announced that same-store sales at Sears stores plummeted 11.9% (one of the worst year-end performances in its 120-year history), and rose only 1% at Kmart stores.

The retail holiday season has been closely watched for years as a bellwether for the nation's economy, but fundamental changes in consumer behavior over the course of the season have made it more difficult to draw conclusions.

Experts say consumers are more bargain conscious than ever before. And while Black Friday is traditionally the second largest shopping day of the season (second to the Saturday before Christmas), online shoppers tend to start their online holiday shopping when they return to work on "Cyber-Monday" (the Monday after Thanksgiving). This year, Black Friday outperformed the Saturday before Christmas (likely because it was Christmas Eve).

Consumers, in general, now are waiting until later in the holiday shopping season to purchase gifts and are increasingly purchasing gift cards. (Because gift cards can be purchased easily and mailed more quickly than packages, they are a procrastinator's delight.)

Those changes, and the postponed recording of gift card sales, have also made it more difficult to read the holiday retail sales for their economic prophecies.

"This is not a great showing, but not a poor showing. It is somewhere in between," Niemira said in an Associated Press interview on Jan. 6, 2006. "Consumers are not splurging everywhere. It is a little here and there. The consumer is very selective."

He also noted that retailers will face a tougher environment over the next few months as higher heating bills, a weakening housing market and rising interest rates are likely to affect consumer spending.

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An ISO financing ISOs

Every ISO, no matter its size or years of industry experience, could use more money. At one end of the spectrum are ISOs new to the industry. These companies haven't had the time to create a substantial portfolio, and they could certainly benefit from increased capital to build their businesses. But, securing funding for a young business can be difficult.

At the other end of the spectrum are ISOs with substantial experience that would like to exit the industry and enjoy the fruits of their labor while they are still young. Maybe their retirement dreams include world travel or tropical beaches with festive umbrella cocktails. But, they can't retire on the assumption that their residual checks will continue in the same frequency and volume as they have in the past. They need capital that they can count on.

Calpian has a solution for both types of ISOs and any that fall in between. The company provides financing for ISOs that are actively selling merchant accounts. It offers residual buyouts for cash and creative financing and other programs to help ISOs and merchant level salespeople (MLSs) maximize their immediate and long-term earnings.

ISOs are free to choose how to spend the capital, but many use it to fund growth, structure a retirement plan or fund personal needs. "Our mission is to help ISOs grow and reach their full potential in the merchant services business by providing cre-

ative financing packages for them," said Harold Montgomery, Calpian's Chief Executive Officer.

Calpian is a wholly owned subsidiary of ART Holdings Inc. ART Holdings' other subsidiaries include a debit card processor (Cash Lane); a check verification and guarantee company (Checktronic); and a merchant services provider (Summix). It is out of Summix that Calpian was born.

"We acquired Checktronic in 1993, Cash Lane in 1998 and started Calpian's ISO sales in 1999," Montgomery said. "The need for an ISO bank really came from our own needs for financing and the lack of alternatives out there for us and ISOs in general."

Calpian has approximately 25,000 merchants nationwide processing \$1.2 billion. For the last four years the company has grown at least 100% in terms of processing volume. From 2002 to 2003 it grew 210%, and the following year it processed more than \$1.2 billion for more than 23,000 merchants, an increase of 106% from the prior year.

What better than an ISO?

Montgomery's experiences running an ISO helped him recognize the need for a company such as Calpian. "It was a direct evolution," he said. "Calpian's financing activities grew faster than Summix, and became much larger. I started the [ISO] business in 1987 and grew it slowly from there, selling one customer at a time.

CompanyProfile

"Since Calpian does not move merchants it acquires away from the existing platform, processors will approve a Calpian purchase of a no-risk, nonportable portfolio. A Calpian deal is a win-win-win. The ISO wins by getting financing and growing fast without merchant risk, the processor wins by keeping existing merchants and increasing merchant count, and Calpian wins. It works for everyone."

- Harold Montgomery, CEO
Calpian

"We often struggled to make ends meet. We could never get financing."

Rather than passively accept the situation Montgomery decided to do something about it. "After years of that kind of struggle, we realized that other ISOs must have been having the same problems," he said. "So, instead of trying to change the banking world, we decided to start our own ISO finance business, and it's really taken off. ... Who better to finance an ISO than another ISO?"

Montgomery listed two issues that made the time right for Calpian: decreased profits on terminal sales and lack of portability of ISO portfolios.

Montgomery said that the days of making a healthy profit on a terminal sale are long gone. "We learned that the POS terminals were no longer profitable," he said. Merchants are beginning to expect the terminal for free, or at least figured into the cost of processing so that it seems free.

Although many businesses include the terminal cost in the processing and eventually recoup the money, it has to come out of someone's pocket initially, and it is usually the ISO's or MLS' pocket. While larger organizations can afford to outlay this money knowing that it will be recouped, smaller offices, or those just starting out have a more difficult time.

"We had to take the terminal out of the equation and still grow our business," he said. "[We] reasoned that if we had this problem then other players would as well, and that has turned out to be accurate. We meet many ISOs who have the exact problem where terminal profitability has collapsed. It has gone to zero, and sometimes negative. A free terminal is now a cost of the sale to the ISO."

Montgomery said today's ISO is not your father's ISO. Today, ISOs must make a decision: They can either choose to assume merchant risk and have "portable" merchants, i.e., accounts that they can move with them to different processors, or they can assume no risk but have no freedom to change processors.

"Since Calpian does not move merchants it acquires away from the existing platform, processors will approve a Calpian purchase of a no-risk, nonportable portfolio," he said. "A Calpian deal is a win-win-win. The ISO wins by getting financing and growing fast without merchant risk, the processor wins by keeping existing merchants and increasing merchant count, and Calpian wins. It works for everyone."

Calpian also realized that tightening payment industry margins have caused ISOs to have a new set of financing needs. Bank financing and venture capital funding are difficult and expensive to obtain and often come with strings attached or a loss of control.

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CompanyProfile

"ISOs who wish to remain in the industry and grow their businesses often face the dire choice of losing control by selling or merging with a larger acquirer," Montgomery said. "Calpian keeps them in control."

"Our philosophy is that no one knows the ISO business better than the ISO, and they should be in the driver's seat."

Growing up as an ISO

Since Calpian grew out of an ISO, it understands ISOs' needs. "We consider ourselves a resource for ISOs," Montgomery said. "We grew up as an ISO; we've been doing this for 19 years."

Calpian understands that ISOs need a program that is fast and can be customized to best meet each ISO's needs. That's why it provides financing for ISOs in any stage of development: start up, growth or exit.

Calpian also works to capitalize residual streams as soon as possible. "If we receive the necessary data on a Monday, we can have funding on a Friday," Montgomery said.

Calpian has completed more than 70 deals, but it has looked at many, many more. That is because it offers ISOs a free portfolio analysis. "Sometimes we find that a deal doesn't make sense for either party, and that is fine," Montgomery said. "At least they know where they stand and what the alternatives are. Every businessperson needs to understand his or her full range of options, and Calpian is one they should know about."

"Above all, you have to have financing which is reliable," he continued. "I know so many ISOs, myself included, who just want a workable financial resource without a lot of changes or conditions and a partner

who is reliable and does what they say they are going to do. In my own experience, I made so many bank presentations and went to so many meetings and never got the loan."

"That's not how we do it at Calpian. You want strong support from your financial partner, not a lot of problems or even lawsuits down the road."

Customized programs

Calpian offers innovative programs, such as Wealthbuilder and NorthStar. "We started by just buying residuals in 1999," Montgomery said. "That worked really well for us and the sellers. But it quickly became clear to us that many ISOs needed financing to grow. So we started doing more creative transactions to assist ISOs needing growth capital."

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growth phase and don't have any immediate plans for retirement. Instead, these ISOs have a long-term vision for the future.

WeathBuilder allows ISOs to sell a portion of their residual base for cash, and then, as they acquire new merchants, receive upfront payment for the residuals they would have earned over time.

This provides ISOs with monthly cash to use for investment capital or offset operating costs. Also, in many cases, ISOs receive a bonus balloon payment at the end of an agreed upon time period. This type of financing is unique in that business ownership and independence remain in the ISO's hands.


NorthStar was created for seasoned acquiring industry veterans with a three-, five-, seven- or 10-year window toward a financially secure retirement. ISOs set their own financial goal and timeframe, and Calpian helps them determine what they need to do for the next three to 10 years to make that goal a reality.

Calpian reports that most ISOs in this group are proven industry producers with a solid sales track record that know they can produce the specified amount of residuals each month, and therefore have a high degree of confidence in their plans.

With Wealthbuilder, ISOs can choose to keep some merchants and build residuals or sell some or all of them to Calpian. "We have some ISOs who sell us enough merchants to cover all their monthly costs," Montgomery said. "They keep the rest of their monthly merchant production, building their residual stream that way. Basically, they are getting their residual stream for free."

None of Calpian's programs require an obligation from the ISO. "With Calpian on their team, ISOs can go out and do what they are good at, which is sell, sell, sell, and still be taken care of at end of day," Montgomery said. "Calpian is there for them if they need it, but we don't require them to work for us or anything like that. ISOs work with Calpian because they want to, not because they're forced to.

"Today, more than ever, financial resources are key," he said. "If you don't have that, it is a risky path to tread. ISOs need to understand their options.

"There have been tremendous business changes in the past five years, and there will be more in the next two years. The economics of the industry are more difficult now. ISOs can look at Calpian as a flexible financial resource, to fund their business, or even as a life insurance policy." 

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Smart cards advance in Canada

Adoption of computer chip-based smart cards continues to advance internationally. This time, it's in Canada. MasterCard Canada announced in December 2005 plans to introduce chip-enabled MasterCard payment cards by 2010.

The project will cost an estimated \$1 billion. Twelve leading Canadian card issuers and five prominent acquirers, including First Data Loan Co., Global Payments Inc., Moneris Solutions Corp., Paymentech Canada and Unified Network Payment Solutions, will work with MasterCard on implementing the system.

"The shift to chip is one of the most important changes to the Canadian payments industry since its inception," said Kevin Stanton, MasterCard Canada President. He added that chip cards will bring unprecedented security, convenience and value to consumers and businesses.

Canada's actions are a major step toward widespread smart card use in North America, but the United States has yet to follow suit. The technology and means for infrastructure are there, however, said Randy Vanderhoof, Executive Director of the Smart Card Alliance, an industry trade group.

He pointed to MasterCard's OneSmart chip solution as being all-inclusive, but merchants and businesses need to be convinced. "It's an [exact] chicken-and-egg syndrome," he said.

"Merchants won't take the cards until enough people have them, but cardholders don't want them until they can be used at enough places."

Fraud prevention will serve as the catalyst for U.S. banks to issue smart cards, Vanderhoof said. The argument is that as other parts of the world move to chip cards, fraudsters will look elsewhere for easier targets, mainly here.

Bob Bucceri, General Partner at Chaddsford Planning Associates, said that the U.S. financial system, which differs vastly from those in other parts of the world, has prevented chip cards from catching on here.

Bucceri said increased instances in fraud have corresponded with increases in overall numbers of electronic transactions. "Is fraud really more prevalent proportionately now than five or six years ago?" he said. The answer is no, thus, not providing a real reason to switch to smart cards. ■



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View

An urgency resolution

By Ken Musante

Humboldt Merchant Services

Making New Year's resolutions is not a bad idea, but I have an alternative. Have you ever become a bit intoxicated on New Year's Eve only to vow, "Next year I'll start off clean"? Have you ever let your desk pile up only to say, "Next year I'll start fresh"?

Well, next year is now.

Here is a different approach. New Year's resolutions, business vision statements and retirement goals are hollow. They are well-intentioned slogans designed to appease the procrastinator in all of us by pointing to an end goal that we ultimately hope to achieve.

Unfortunately, because the end goal is so far off, and the path to achieve it is unclear, we often fall short. Instead, what we need are a series of short-term goals, whether personal, such as family or health related, or professional, such as sales related.

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New Year's resolutions, business vision statements and retirement goals are hollow. They are well-intentioned slogans designed to appease the procrastinator in all of us by pointing to an end goal that we ultimately hope to achieve.

For example:

- Today I will follow up on three outstanding sales leads.
- Today I will complete all my "to do's."
- Today I will swim 60 lengths in under 24 minutes.
- Today I will smoke only two cigarettes or less.
- Today I will organize my work area.
- Today I will do only the things my family wants me to do.
- Today I will not stop selling until I have sold two merchants.
- Today I will ...

Goals are a great motivator. We should all have near- and long-term goals. Urgency, however, is created by what is happening today.

Moreover, you will not always complete all your goals for the day. You may not sell two merchants today. That does not mean that you must visit every 24-hour diner to try to meet that goal, and if you don't meet it by the stroke of midnight, that you are a failure. If you fail, you need to work twice as hard tomorrow because you're not meeting the short-term goals that are necessary for achieving your long-term goals.

Why is it that we have a greater sense of urgency on Monday and Friday than we do on Tuesday? What if we were as effective every day as we are on our most effective day of the week?

We can achieve our long-term goals faster and more effectively by bringing a sense of urgency to each day and to our activities. This practice is not intended to create a sense of panic or an increased level of stress; rather, it is intended to ensure that every day is goal filled.

When times are slow, instead of working unhurriedly, work faster and get ahead for next week. Use down time to catch up on reading. If you know that your chances of getting a sale are slim after 2:00 p.m. on Friday, use that time to catch up on your correspondence. On Monday morning you will start out two hours ahead of your competition.

Don't procrastinate goal setting. Don't allocate one month out of 12 for your resolutions. Make New Year's resolutions every day, and fill each day with a sense of urgency.

Ken Musante is President of Humboldt Merchant Services. E-mail him at kmusante@hbms.com.

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Retraction From Page 1

gotten gains.' Aside from the statement's inflammatory nature and its obvious implication of fraud and devious conduct on the part of my clients, The Green Sheet chose to utilize such profoundly damaging language without benefit of quotes or verifiable sourcing.

"The sentence which follows states that my clients' compromise with the FTC was made without admission of guilt. Paragraph 5, again reporting a damaging statement allegedly made by a vague, unverifiable source without the benefit of quotations, is technically correct, thus it is not subject to my clients' legal right to a retraction.

"Paragraph 6 provides the clearest proof of the malice by which your article was skewed against my clients' interests. Citing no sources at all, but offering it to the readers as fact, is the statement, 'Making matters worse, no due diligence was performed when Universal signed on Pharmacards. No one at Universal ever met with the folks who operated the Web site or required that they complete a standard payment processing application.'

"This statement was printed by your publication with unequivocal and complete disregard for any semblance of truth whatsoever. The following, undisputed factual summary outlines the due diligence performed by my clients with respect [to] the Pharmacards account with a brief explanation of the application process. Please feel free to utilize the entirety of this summary when printing your retraction:

"The application

"The incomplete standard application referenced in the article is one obtained by Universal and submitted to the processing banks for underwriting and approval. With the Pharmacards account, the application, photocopied passport, prior processing statements, and supporting documentation were submitted to processing banks for underwriting and approval.

"Universal regularly submits applications to processing banks and it is entirely up to each bank, in its sole and absolute discretion, whether to accept and underwrite the account or return it to Universal with a request for additional information.

"With respect to Pharmacards, the processing banks accepted the application as complete for underwriting purposes and began processing its transactions. Once the application was approved, Pharmacards, in accord with Universal's regular business practices, was provided all of the direct banking information.

"Good faith and due diligence

"By no means could Universal have seen through the scheme perpetuated by Pharmacards. Universal was

provided a complete marketing package with a discount membership card which purported to be a sound, consumer-oriented product at a reasonable price point.

"Similar medical/prescription discount packages are legitimately sold by a wide army of organizations, some of which Universal had previously obtained processing for, and, until Pharmacards sought to capitalize on a legitimate consumer product for fraudulent purposes. Universal's experience with such clients was impeccable.

"Additionally, Pharmacards provided both Universal and the processing bank with its statements from two other processing institutions verifying that the Pharmacards package had been processing at high volume within reasonable chargeback and refund thresholds.

"As with all previous clients, Universal did everything in its power to verify Pharmacards legitimacy, including flying a legal representative to the U.K. to meet with Pharmacards CEO, David Turner personally and inquiring with industry colleagues to learn if any relevant information was available on Pharmacards product or principals.



Green Sheet Epiphany #7

Lucy discovers that her company can get a write up
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CoverStory

"History of Universal's relationship with Pharmacycards

"Once the processing bank approved and underwrote the account it began to process the orders submitted by Pharmacycards. Soon after processing began, Universal noticed a higher number of refunds and chargeback's that would be indicative of a similar type product.

"As this trend was inconsistent with the processing statements provided by Pharmacycards for underwriting, upon receipt of this information, Universal immediately conferenced the processing bank and David Turner for clarification and resolution of the issue.

"Mr. Turner emphatically denied any problems on his end which might have been the cause for the deviation and his position was further supported by the bank when it admitted it inadvertently utilized the billing descriptor 'Tel Order' rather than 'Pharmacycards.com' as had been requested by the client.

"Traditionally, consumers ordering a product expect to see the product or company name listed on their bank statements or upon inquiry with their banking institution. Seeing or hearing the name 'Tel Order' virtually screams out fraud to a consumer, who, after purchasing

a product and failing to recognize the billing descriptor to which the product correlates, will infer the worst and request a refund or chargeback from their banking institution.

"Universal recognized this misapplied descriptor as the obvious culprit in the refund/chargeback issue and requested the proper Pharmacycards descriptor to be utilized by the processing bank. This descriptor change took the bank over a week to implement, causing, in Universal's best business judgment, the unusually high refund and chargeback ratios.

"Virtually concurrent with the bank's modification to the proper billing descriptor, the processing bank scaled back its reporting functionality to eliminate agent reporting. Thus, Universal was completely in the dark with respect to refund and chargeback ratios and had no means by which to monitor them.

"Despite repeated, and often desperate, requests for reporting from the bank, Universal was provided no such relief. Universal had no way of knowing whether the descriptor change resolved the issue and, absent contrary information from the bank, assumed it had.

"With the bank's agent reporting feature eliminated, Universal sought a new bank as a replacement for the Pharmacycards processing. When the account was migrated to the new processor, with the proper billing descriptor and daily reporting accessible by Universal, the chargeback and refund ratios reported back were well above normal, thus it became immediately apparent that it was not a descriptor issue as Universal had previously believed, rather, the problem was clearly on the client's end.

"Upon receipt of this information from the new processor, Universal immediately contacted Mr. Turner and demanded that he overnight every consumer signature approving the Pharmacycards transactions he had previously submitted to the banks.

"The signatures were promised, and the next day when the overnight package was not received, Universal requested that the new processor immediately terminate processing on the account and additionally requested that both banks immediately issue refunds to every consumer billed. The degree of Universal's integrity throughout the Pharmacycards processing term is well supported by the facts and documentation.

"Paragraph 7 contains multiple false and/or misleading statements, which, although quoted and directly sourced to Ms. France, were done so under the false pretenses of her embellished credentials ... [Investigator not Attorney].

"Although paragraph 8 is technically correct, nowhere is

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CoverStory

your publication's malevolence for my clients made more clear.

"Paragraphs 9 through 12 of Ms. Murphy's article continues on with even more blatantly false statements, largely unsubstantiated and without reference to factual sources, purported to be a mere recapitulation of previously verified, or properly sourced, factual data. ... One thing is certain; no company, consumer or agency has been victimized more financially due to Pharmacycards' fraud than Universal; yet rather than innocent victim, your article paints the malicious picture that Universal was in collusion with Pharmacycards in its massive ring of fraud.

"B) Mr. Press' article

"Although the content, context and purpose of Mr. Press' [The] Green Sheet article is far less inflammatory and malicious than that of

Ms. Murphy's, just the same, the false, unverified nature of the facts on which Mr. Press relied have substantially damaged my clients' goodwill, competitive advantage and earnings, thus, demand is hereby made that in addition to the retractions demanded above, the following falsely reported facts are retracted in a separate, equally visible formal retraction by your publication:

"Universal ... knew or should have known that consumers did not authorize the debits."

"As the facts summarized above prove, Universal had no way of knowing, nor should it have known, that consumers did not authorize the debits, and, immediately upon obtaining knowledge of this fact, Universal directed each processor to terminate the Pharmacycards account.

"Universal made the unauthorized debits on behalf of a business known as Pharmacy cards.com."

"Universal did not make unauthorized debits. Pharmacycards initiated unauthorized debits which were then processed by the processing banks handling the account."

Readers of The Green Sheet may find the FTC settlement with Universal Processing at www.ftc.gov/opa/2005/09/universal.htm, and further may reach Nathan J. Sheridan, Attorney for Universal Processing Inc. and Reyhan Pasinli, at Goodman, Sheridan & Roff LLP at 949-274-8962.



Paul H. Green, President and CEO



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A look at the free equipment trend

By Michael Nardy

National Association of Payment Professionals (NAOPP)

Let's begin the new year by taking a look back. By far the biggest change in the past year has been the advent of "free" POS terminal programs and equipment giveaways from several major ISOs and processors.

These companies have all stepped up to the plate and improved the ability to sell their merchant programs through the use of innovative marketing, which allows merchant level salespeople (MLSs) to perceivably give away terminals to merchants (in addition to the normal course of action of selling, leasing or renting POS equipment).

This practice has sparked a furious debate on GS Online's MLS Forum, including pitting company against company and MLS against MLS.

Although no two free terminal programs are the same, and no company is right or wrong in its service offering, the programs have certainly caused a wave and huge splash in the industry, probably the largest I know of since the start of revenue share programs.

Without providing too many opinions on the various programs (and there are many), I will provide an overview of the topic.

Free terminals: A brief overview

Most MLSs surviving on residual incomes know where the free terminal concept really originated. It started when a merchant said, "If I give you this business will you upgrade my equipment for free?" In other words, quid pro quo; the MLS gives away a terminal and gets the bankcard business.

Whether this type of offer was first made in 2005, 1998, 1992 or 1964, banks, ISOs, processors and salespeople alike have been doing it for some time. It occurs in every facet of business: The soda distributor that gives away the soda fountain when you buy the syrup; the cell phone

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company that offers a 100% rebate on the cost of the phone when you sign a two-year agreement; or the liquor distributor that offers free neon signs to advertise the product you are selling.

A "this for that" relationship is almost omnipresent in the sales process, no matter what is being sold. With the free terminal programs, however, the major difference we must acknowledge now is the large-scale approach taking place.

No longer are we targeting bigger merchants and sacrificing a few hundred dollars for a large residual commission. Now, those offering free terminal programs are challenging the industry with a huge outlay in equipment for a boon in their monthly new account numbers.

The goals of these programs, depending on which company you talk to, are to bring on new merchants; entice converted merchants to do business with the company; secure a longer term from current merchants; and make sure the company's MLS partners are the most successful in the industry.

The ongoing debate: free or not?

On the MLS Forum, the debate runs deep as to whether free terminal programs are really free, i.e., whether the processor is making money or being charitable.

"I have seen some ISOs charge [a] merchant 1.75%, .25 cents with a .35 batch fee, a 99 annual with 1.99 mid and non fees, and then charge the merchant a 59.90 lease," wrote MLS Forum member MXS.

When you as an MLS charge annual, batch, monthly mini-



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mum or statement fees, and then advertise a free terminal, it may not actually appear to be free. But on the contrary, as many have pointed out, the fees existed before the free terminal programs began.

"Compared to any of the options that I have seen, selling or leasing the terminal at reasonable rates, and keeping the ongoing processing fees in line is the best way to make a friend and build a long-term relationship with the merchant," wrote bankcard101.

Really, the debate is not over which ISO program to use, but rather your own sales approach. If you did not charge annual, batch, minimum or statement fees before the advent of a free terminal program, and you are doing so now, then it seems that any free terminal program you offer won't really be free.

"There are ISOs with truly free placements out there; you just need to look," wrote makingmoney. "No batch fees, no termination fee, same Schedule A you use for a nonplacement account, etc. Usually come with a monthly minimum of about \$25, and that's it. They can come in handy from time to time."

Indeed, there may be programs that allow a free terminal placement without any changes from the normal Schedule A under which you normally operate. The following post by MLBratton sums up what most processors would allow: higher rates accommodating a free terminal and amortizing the cost of the terminal over two years:

"I cannot imagine a MSP out there that would not support free equipment placement [at a higher cost structure to the merchant]. I also believe a merchant will understand

that his processing costs are higher because he does not have to purchase equipment."

There is no doubt that the free equipment debate will continue; however, the approach that you take (truly free or not) will guide whether you believe that a free terminal program must be free of costs altogether, or may include an ROI for the processor investing in the terminals.

**Free terminals:
Financial burden on the ISO**

In a recent MLS Forum post, member newyorker wrote, "The massive amount of debt that some of these processors are taking on to finance these programs will undoubtedly lead to a shakeout. ... They will not all survive with that kind of debt servicing. There will be consolidation."

This brings up a point about the

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amount of debt companies are taking on while they compete in a free equipment world. Some have found a friend in the equipment manufacturing companies that allow them to finance the terminals on a rental or purchase program. A debt of hundreds of thousands of dollars, if not millions, may not be necessarily the case.

Creative financing is a key factor in growing a business without relying on large cash expenditures to keep a free terminal program going. Another side to this issue: Companies that are outlaying large amounts of money to buy terminals or pay bonuses have to be careful to manage their cash flow and attrition well. If they bring on 100 new applications a month with a free terminal program, and then lose 100 accounts a month as a result of attrition, the program is a losing proposition.

Similarly, offering one terminal and program as a free unit and then altering it to a different type of terminal might be the death of a program. It also can lead to ISO attrition, not only merchant attrition.

"It does make sense that some of the entities offering 'free terminals' would endure financial difficulties," Bankcard101 wrote. "Implementation of the program could turn into an administrative nightmare: Changing the criteria under which the deals are written; getting that information out to the MLS; making certain that deals submitted under the free terminal program meet established criteria; keeping the MLS onboard while removing one of his revenue sources; and attempting to recoup terminals when a merchant cancels or goes out of business.

"There are bound to be losses from terminals not recouped when a mer-

chant cancels or goes out of business. I also question the long-term retention capabilities once the merchant realizes that they did not receive a free terminal but are in fact paying dearly for that free terminal through additional fees."

Regardless, the free terminal programs' success, as told by the various ISOs and processors offering them, may provide some proof that the business model for this type of program to augment the current ISO program is not so bad, at least in the short term. What will be interesting to see are the posts on the MLS Forum in the year ahead as these programs, and the companies offering them, mature. ■

Michael Nardy is Chief Executive Officer of Electronic Payments Inc. (EPI), a private transaction and payment processing company. He is also a founding sponsor of NAOPP. For more information, e-mail him at mike@elecpayments.com.

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Where Forms Follow Function

Education (continued)

Legal ease

The termination gamble

By Adam Atlas

Attorney at Law

Terminating an ISO agreement is like terminating a marriage. You never know whether it will be amicable or how hard the other party will fight for custody (i.e., of the merchants).

Most ISO agreements have an initial term (such as two or three years), followed by automatic renewals for successive one-year terms. Most also permit ISOs to terminate the agreement within a certain window of time (e.g., 90 days prior to the end of the then-current term). Every time that window approaches, ISOs consider whether that year is the year to exercise the right of termination. As an ISO, keep the following points in mind when thinking about exercising your right of termination:

Right to terminate

Check to make sure you actually have a right to terminate the agreement. Although most agreements do provide this, some do not.

Timing

Make sure that you get your timing right. Usually, the time that you can terminate comes around only once a year. When calculating this time, read the "Term" clause in your agreement carefully to determine whether you should count from the agreement's date or the agreement's *execution* date. Sometimes these two dates differ by several months.

Residuals

Perhaps the single most important question you need answered before terminating an ISO agreement is whether the outgoing processor will continue to pay residuals following termination. Many agreements provide for payment of residuals following termination, but those payments are often subject to conditions, such as continued merchant support. Take a close look at the entire agreement to make sure that there really are post-termination residual rights and that they are not unreasonably weak or limited.

Nonsolicitation of merchants

Processors typically require ISOs to not solicit merchants on behalf of another processor, particularly concerning the merchants who the ISO brought to the processor. If you intend to solicit your merchants after your agreement with the processor is terminated, do not expect the outgoing processor to make any residual payments to you on those merchants.

Going one step deeper, consider whether you are allowed to solicit merchants who, of their own volition, decided to terminate their merchant agreements with the outgoing processor.

These merchants are a source of many disputes over terminated ISO agreements. ISOs usually leave processors because of poor service or poor scruples. Merchants eventually catch on to these practices and will likely want to follow the departing ISOs. Be very careful not to violate your old ISO agreement nonsolicitation provisions when helping these merchants.

Nonsolicitation of agents


When terminating your relationship with a processor, if thinking about taking some of the other agents or ISOs of that processor with you, take a close look at your ISO agreement to see if you are allowed to do this. Most ISO agreements are weak on this point; however, even if the agreement does not prevent you from that kind of solicitation, still be careful that you are not liable for "tortious interference in contract." This is a general common law prohibition against inducing individuals to terminate contracts into which they have entered.

Even when you are not expressly prohibited from soliciting someone else's agents, this does not mean that the court will permit you to pilfer a processor's entire agent roster. Always act with prudence and moderation when your actions will affect someone else's business.

Noncompete/exclusivity

It's always important to think about exclusivity when first entering into an ISO agreement. But exclusivity becomes relevant again when exiting an agreement. Some agreements require ISOs to refrain from working or soliciting for a competitor for a period of time after the agreement has been terminated.

Although clauses addressing this issue do appear in ISO agreements, they are not necessarily legally enforceable. In other words, the law imposes limits on noncompete clauses, taking into consideration factors such as: a) geography (are you prevented from competing in only a few states or the entire country?), b) product type (are you prevented from selling any merchant services or only a specific kind?) and c) duration (i.e., six months or three years). Question the validity (and fairness) of any clause that prevents you from earning a living in the field in which you are trained.



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Education

Residual portability

Upon termination, you may wish to be bought out. Whether or not your agreement provides for a specific buyout price, most processors are willing to buy out an ISO if the price is right. The market varies wildly between 12 and 30 times the monthly residual payment and could easily vary outside those parameters. Carefully negotiate and document a residual buyout to avoid surprises. Watch out for processors that promise to buy at a certain multiple but then pay 30 days after you sell, thereby permitting them to earn one month of your revenue for free.

Merchant portability

In a few ISO agreements, ISOs have the right to cause the member bank to assign its rights in the merchant agreement to a third party. This is a right that may be exercised upon termination or at some other time, such as following the end of the agreement's initial term. Sometimes an exit fee accompanies this right. Once again, carefully negotiate and document the movement of merchants upon termination, or otherwise.

New relationship


If thinking of entering into a new ISO relationship upon termination of your old one, stop to think about whether the two relationships will conflict. For example, if the old

relationship is exclusive, do not enter into a new one until the old one is officially over.

Many long-term, healthy relationships explode upon termination. Most of these explosions that I have seen occurred because the processor and ISO had wildly different expectations as to their respective rights and obligations upon termination. In order to avoid these explosions that can cost you years of work, keep a very open relationship with your processor. Also, have all promises made to you in writing, even by e-mail. Such documents will help you prove your understanding of each party's intent if a dispute ever arises.

Try to not make your ISO agreement termination anything like a divorce. Rather, it should be a proud moment when you finally get to exercise rights that have been laying in wait for years. Exercise these rights, however, with caution. ☒

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Education (continued)

Combine product offerings to maximize profit potential

By Tommy Glenn

NetBank Payment Systems Inc.

As salespeople you know that it can take weeks or even months to gain quality face time with prospects and that this time may be limited. So, how do you increase the chances of making a sale and becoming a valuable resource and partner for those prospects?

By offering them more than simply one product and service and showing them how your package works to simplify their business and increase their bottom line.

Salespeople who present prospects with only one piece of equipment or service do a disservice to prospects and to themselves.

These days, business owners' time is at a premium, and they are looking for the convenience of one-stop shopping. When you finally have their undivided attention,

take full advantage of this opportunity and offer them a service or product package that will meet most all their processing needs.

Sell a complete package

As I have stated in previous articles, always do your homework; know prospects and their needs. To do this, first determine how your services will benefit their business and what objections you might need to overcome. Then, offer a combination of products and services to meet their needs.

When customers purchase multiple products and services from you, you not only increase your income and future revenue potential, but you also strengthen your ties to these customers. This creates a partnership in which they are less likely to sever their ties with you.

Research has shown that businesses using multiple services from one company are more reluctant to select another vendor.

Combine ATMs with card processing

One such product package to consider is combining an ATM with credit card processing.

Today, credit/debit card acceptance is a must for all merchants; without this ability, it is likely that the business will not survive. Including an ATM as part of a credit card package gives merchants the opportunity to save money on their credit/debit card processing and increase revenue through ATM surcharges.

Creating an effective sales program to demonstrate the benefits of your offering and the advantages of doing business with your company is essential. Consider including the credit card equipment as part of the ATM deal in exchange for the credit card processing service.

Although price is important, it will not make a great offering. Supplying competitive solutions requires the combination of product, price, knowledge and support.

Present the benefits

Include in your proposals to prospects the specific benefits for adding an ATM to their business. Adding an ATM will not only increase walk-in traffic, but it also will increase revenue through surcharges and additional customer spending.





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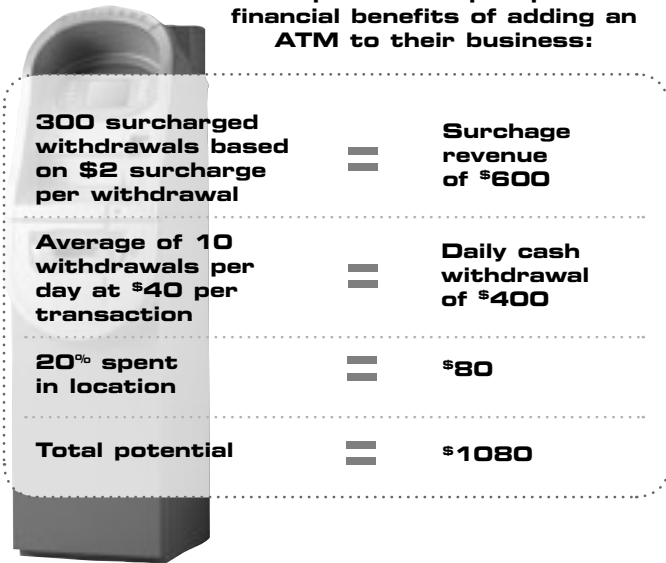
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Education

The following chart illustrates how to present to prospects the financial benefits of adding an ATM to their business:



Research has shown that ATM users spend about 20% of the funds in the store where they made the withdrawal. Even in average-traffic locations, business owners could potentially add more than \$1,000 a month to their bottom line.

Whatever your product lineup, a multifaceted approach is more likely to catch merchants' attention. Your competition also knows about these potential customers or has already placed an ATM or credit card processing with them. When given the opportunity be prepared to present the best package to benefit their business.

If you have any questions or comments about this article or suggestions for future articles, e-mail me at tommyg@netbank.com . I look forward to hearing from you.

Tommy Glenn is President of Fort Worth, Texas-based NetBank Payment Systems (NPS). Glenn serves on the Board of Directors for the ATM Industry Association. He is also on the Board of Deliver Me, a service group that provides food, shelter and clothing for the elderly. E-mail him at tommyg@netbank.com, or call him at 817-334-8871.

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Education (continued)

New year, new computer

By Joel Rydbeck

Nubrek Inc.

The new year is the perfect time to take stock of where you are in life and what you plan to accomplish in the next year. For some of us, this means evaluating the tools we rely on, such as our computer. For example, how well is the computer running? Is there anything to do to improve its performance?

Cleaning up your computer once or twice each year, or whenever it starts to slow down, is a good idea. Several steps are involved, but once you get the hang of it, the process is very simple.

The steps provided in this article focus on Windows XP (both Home and Pro). If you are using an older Windows computer (i.e., 95/98/ME/2000), some of the steps may differ or will not be as comprehensive; however, the same concepts apply.

Overall, I recommend doing the following:

1. Back up data.
2. Uninstall programs that you don't use.
3. Clean up the hard drive.
4. Defragment the hard drive.
5. Assess hardware.

1. Back up data

Backing up your data is important, especially before doing anything significant to the computer. This way, if the worst possible thing happens, at least you can re-install Windows, your programs, and most important, your data. Before cleaning up the computer, make sure all data are backed up. A burnable CD or DVD drive work well, so does an external USB drive.

To get started:

1. Select Start/Programs/Accessories/Windows Explorer.
2. Right click on your hard drive (most likely C:), and select Properties.
3. The window displayed is Local C: Properties (unless you're using drive D:, in which case replace C: with D:).

In future steps I will refer to this window as Local Drive Properties. You can do much of your cleanup from this window.

2. Uninstall programs that you don't use

To save space, remove extra programs that you don't use. To do this, select Start/Settings/Control Panel, and then select Add or Remove Programs. A list of all installed applications will appear, along with the date last used.

Windows will try to determine how often you've used each application. It will display "frequently" or "occasionally" or "rarely" next to the application's name in the list.

For applications that you no longer need, highlight the program names and select Remove. This will delete these programs from the hard drive.

A word of caution: Once you remove a program using these steps, it usually cannot be recovered.

3. Clean up the hard drive

The next step is to remove temporary data that you no longer need. This includes files such as cached programs you've downloaded, images from Web sites visited last month, items in the Recycle Bin and other nonessential

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data to which the computer is holding on. This step will speed up your computer's processing and increase drive space.

To clean up the hard drive:

1. Return to the Local Drive Properties window.
2. Below the pie chart, select Disk Cleanup. Windows will examine your hard drive for data and then display a list of items to clean up.
3. The key items that I usually remove are:
 - a) Downloaded Program Files
 - b) Temporary Internet Files
 - c) Recycle Bin Files
 - d) Temporary Files
 - e) WebClient/Publisher Temporary Files
 - f) Temporary Offline Files

I do not recommend removing Office Setup Files or selecting Compress Files.

4. Defragment the hard drive

Now that you have removed unnecessary files from the hard drive, it's time to consolidate the information stored there. Although you may have heard the

This is what a fragmented hard drive is: When a file is written to the hard drive it takes up a certain amount of space. The hard drive saves a little extra space in case you make any changes to the file.

word defragment before and are aware that you should do it, you might not be exactly clear on how to do it.

This is what a fragmented hard drive is: When a file is written to the hard drive it takes up a certain amount of space. The hard drive saves a little extra space in case you make any changes to the file.

If you make more changes than the hard drive saved space for, however, the file is fragmented into two or more parts.

This means that the file is now too large to fit in its original space. Some of file remains where it was first saved,

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and the rest is put into a second file and stored in a separate location.

As the hard drive becomes more and more fragmented, computer performance will rapidly decrease. A decrease in performance also increases wear and tear on the hard drive because it has to work harder to read a file.

To defragment the hard drive:

1. Open the Local Drive Properties window, and select the Tools tab.
2. Select Defragment Now. You should see a Disk Defragmenter screen.
3. Select the hard drive with which you're working (most likely C:), and then select Analyze. Any portion of the drive that you see in red includes fragmented files. (The computer will recommend whether you should defragment.)
4. To begin the process, select Defragment, and let the program run. The time it takes to defragment will depend on the drive's speed, size and amount of fragmentation. It can take anywhere from two minutes to a half hour. Lunch or a coffee break might be in order.

If you have a second hard drive, defragment that as well.

The defragmenter will only work on one drive at a time. I usually defragment my drives if I notice a lot of disk access when I open a simple file. This is a sign that the file is fragmented all over the hard drive.

5. Assess hardware

There are three main areas to evaluate when considering your computer's ability to perform optimally. Is the CPU fast enough? Does the computer have enough memory and drive space? You can ask the computer for these numbers.

CPU

To see what type of CPU you are using, right click on My Computer and select Properties. A screen should pop up with a General tab that lists key features. Look for the CPU type in the lower right hand area.

I recommend AMD Athlon, Intel Pentium 4, Intel Pentium M (found in laptops), or a newer Intel Celeron processor. Unless you're trying to calculate prime numbers or play video games, any of these should be more than sufficient. Otherwise, 2006 might be a good year to invest in a new computer. Dell and Hewlett-Packard both have excellent machines for under \$500.

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Memory

To find out how much memory is available, open the applications used most in an average day.

Run Windows Task Manager: Type Ctrl+Alt+Del (or, select Start/Run and then type "taskmgr"). Select the Performance tab and look at the Physical Memory/Available.

Physical memory should be at least 100,000 (100 MB). If you have less, you'll probably see and hear the hard drive spinning as Windows shifts the memory's contents to and from the hard drive (this is called virtual memory).

Memory is something that the computer can easily run out of. For contemporary applications, including QuickBooks, Excel, Word, Outlook and Firefox or Internet Explorer, I recommend at least 512 MB of memory.

Additional memory is inexpensive and easy to add. I recently purchased 1GB of memory for \$100. If you're not comfortable adding memory, most computer stores will install it for you.

Hard drive

To check on drive space usage, visit the Local Drive Properties window. A graph specifies how much drive space is used and how much is free. Divide the Used space by the Capacity to determine your usage percent. Mine is 57%.

Usage of 75% or less of the hard drive is fine; however, if you're more than 75% full, I recommend upgrading the hard drive. The overall performance of your computer will start to be affected as you exceed 75% usage. In general, as your drive becomes full, speed will rapidly decrease.

Congratulations! If you removed a lot of unnecessary programs and files, and defragmented your hard drive, you are on your way to a fresh start. From all of us at Nubrek, we wish you the best in the New Year. 📧

Joel Rydbeck, Chief Executive Officer of Nubrek Inc., brings his strong background in e-commerce and business process automation to the merchant services industry. Nubrek offers eISO, a Web application for ISOs that tracks leads and provides automated residual and commission reports. For more information on eISO or to view a free demo, visit www.nubrek.com/eiso.html . E-mail Rydbeck at joel@nubrek.com .



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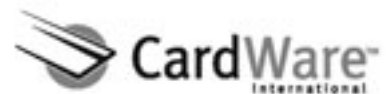
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To some extent, we live in a disposable society. Items that used to be worthy of significant investment, such as cameras and contact lenses, are now inexpensive and disposable. But the money savings comes at a price.

These items lack the durability, quality and longevity of their permanent counterparts. That's why we gravitate toward people and institutions that are capable of holding their value over time. The fact that they remain significant in an environment of constant evolution is a testament to their quality.

One such person with staying power is **Sherry L. Friedrichsen**, a 32-year veteran of the payments industry. Friedrichsen began her career straight out of high school and hasn't looked back since.

Working her way up ... and breaking ground

With the ink barely dry on her high school diploma, Friedrichsen was hired as a File Clerk at Bank of America Corp. (BofA), which was then BankAmericard. But she didn't last long in that position. Her potential was recognized immediately, and she was quickly promoted to Executive Secretary. Then, at the age of 19, she was hired as a Bankcard Service Representative for the bank.

"I visited merchants, adjusted imprinters, posted signage, etc.," Friedrichsen said. After a couple years she was promoted to Bankcard Sales Representative in 1978.

The landscape of the payments industry looked a lot different in the early 1970s than it does today. "When I started in the payments industry in 1971, Visa did not exist," Friedrichsen said. There was no duality. In other words, BankAmericard transactions could only be deposited at BofA banks, and MasterCard (then Master Charge) deposits could only be deposited at its five member banks.

"Just when you think you have it down and understand the latest and greatest, new products and new technologies evolve, and it is a new learning process starting all over again."

- Sherry L. Friedrichsen

"As a BankAmericard Representative for Bank of America, we would walk door to door signing up merchants to accept the BankAmericard," she said. "We used a one-page application and a one-page merchant agreement."

In 1976, when the banking regulations were changed and duality became a reality, again Friedrichsen would walk door to door, signing up merchants to deposit their MasterCard deposits with BofA.

"It was so much simpler back then," she said. She remained at BofA until 1985, moving up to hold the positions of Regional Bankcard Sales Manager, Technical Support Manager and National Accounts Sales Representative.

When she left the bank she became Senior Marketing Representative for Modular Data Inc. (MDI), one of the first electronic draft capture companies in the nation. "MDI supported a 'host' based program, and at that point in time, it was technology at its best," she said. "We've come a long way since then."

In 1989, after a two-year stint as Assistant Vice President, Sales Account Manager for Barclays Bank of California (now Wells Fargo), she went to work for General Credit Forms Inc. (GCF) where today she serves as Western Regional Sales Manager.

The real thing

After 32 years, what keeps Friedrichsen in the industry? It is constantly growing and evolving, and that appeals to her. "There's never a dull moment," she said. "Just when you think you have it down and understand the latest and greatest, new products and new technologies evolve, and it is a new learning process starting all over again."

To remain successful in an industry for more than three decades one must be authentic and Friedrichsen is. Her pride and honesty have helped make her a mainstay. She takes pride in the products and services that she sells and makes it a goal to provide each client with excellent customer service and honesty.

"Even with all my years' experience in this industry, I have never pretended to be a know it all, and my customers appreciate this," she said. "If I don't know an answer, I'm not afraid to say so. The key factor is to make sure you follow up and get back to your customer with an answer. Follow up is one factor that is so important and can easily be overlooked."

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Friedrichsen's loyalty and dedication also play a part in her longevity. She knows that people don't last long at anything unless they treat others well. She believes that if you treat someone well, they will do the same in return.

"General Credit Forms is an excellent company to work for and has a unique philosophy that is not found in a lot of companies," she said. "At GCF, you not only sell that acquirer your products and services, but you also retain the relationship with the acquirer.

"This helps build the relationship and allows you to cross sell other products and services as they become available. You gain trust, confidence and can readily solve any issues that may come up in the relationship."

Treating people well is also the reason she has remained at GCF for 16 years. "I have had other job offers, but I just couldn't go into a business that would compete with General Credit Forms; they've been too good to me," she said.

Secret to success

It's evident that individuals don't last in any industry for 32 years without being good at what they do. Over the years Friedrichsen has acquired a massive amount of industry knowledge, and she credits her success to

her on-the-job training and experience. This experience also helps her build relationships and keeps her customers happy.

"Because of my broad background in our industry, I get a lot of calls from existing customers asking for information on products/services that GCF does not support," she said. "Having these contacts and information in our industry enables me to point my customers in the right direction for the products and services to meet their requirements."

Leading by example

Friedrichsen's industry involvement doesn't stop at her paid positions. She is also an active volunteer with industry associations. She served as President of the Bankcard Association of Southern California (BASC) from 1998 to 2002. The membership was mainly small to medium-sized banks in the acquiring business.

The group met seven or eight times a year and focused on educating members about new products and services, and providing updates on chargebacks and presentations by Visa and MasterCard. In 2003 BASC's board voted to disband the group due to poor turnout at the meetings.

"With all the bank consolidations and outsourcing of the acquiring business to third-party processors, we just weren't getting the turnout for our meetings," Friedrichsen said. But soon after, several people approached her saying they would like to help start the Western States Acquirers' Association (WSAA). So, in January 2004, she and six others created WSAA, with Friedrichsen at the helm as President.

"We have had two meetings so far, and both of them have been a tremendous success," she said. "I am looking forward to a bigger and better meeting in 2006. We had just under 450 people at our second annual meeting in November."

While there are other industry associations, WSAA was created specifically for merchant level salespeople (MLSs). "The WSAA is more for the smaller ISOs and feet-on-street people, the MLSs," she said.

"The [Electronic Transactions Association] ETA is too expensive to attend and join for the smaller ISOs and MLSs. Our goal is to keep the individual sales agent informed of the industry and help them stay within the guidelines and represent their ISO or company so they are in compliance with regulations and laws."

WSAA aims to educate ISOs and MLSs on all existing products. That is why it does not allow presentations on

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emerging technologies. "We only allow presentations on products that are available today," she said. "MLSs can sit in on a presentation on a product and go out right then and sell it the same day."

Focusing on education

Being an active member of our industry through decades of change enables Friedrichsen to view events and trends with the benefit of years of experience. She has seen BankAmericard change to Visa, Master Charge morph into MasterCard, and the birth of Discover.

"Our industry is full of change as new technology becomes available, and that's what makes the acquiring industry so exciting," she said. As is evidenced by her active involvement, first in BASC and now WSAA, it is obvious Friedrichsen believes education is important.

"Education has such an important role in the acquiring industry, and you can never have too much," she said. In fact, she believes that ongoing education, keeping ISOs and MLSs educated on the products and technologies, is a major challenge facing our industry.

"We need constant training of sales agents to ensure that

they are within compliance for the products and services they are presenting to the merchants," she said.

Friedrichsen also identified sales agent retention as a challenge for the industry, and one that could be solved by treating agents well and with respect.

"You've got to take care of agents, or they will continually look for other avenues if the employer is not responding to their needs, or the agents feel their needs are not being met," she said.

No exit plans in sight

Friedrichsen truly loves what she does. "I have found that if you do not enjoy what you do, it shows in your personality, your interaction with others, and it has a negative impact on your life," she said. "Life's too short to be unhappy."

And she will just keep going; she has no plans to exit the industry yet. "My goals are to continue to be active in our industry, build relationships, which in turn create sales opportunities, and continue to change to meet new demands in the marketplace," she said. "It seems I was born into this industry and will be in it until I retire."



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QSRs: Service, service, service

By Aaron Slominski

Direct Technology Innovations

Nearly every day ISOs and merchant level salespeople (MLSs) inquire about how to sell to quick service restaurants (QSRs). They ask:

- How do you get your foot in the door?
- How do you price these types of merchants?
- What will most of their transactions qualify as?

The most important thing to know about selling to QSRs (that you also can apply to any merchant type) is that service sells. Every day.

QSR owners are a very demanding bunch with a lot on their minds. They worry about this month's advertising royalty check, shrinking profits and rising food costs, and employee theft and spillage. Despite the obvious benefit of accepting credit and debit cards, most have stayed away from these payment types because of additional concerns over cost, operational efficiencies, and arduous and binding contracts.

As ISOs and MLSs, how can you help eliminate many of their concerns? For example, how can you help them stop worrying about what will happen if someone spills a soda on their terminal during the middle of lunch rush? The answer is service.

Banks, feet on the street and telemarketers constantly approach QSRs about card acceptance and processing, and everyone pitches the same thing. How will you set yourself apart? Following are a few suggestions on ways to differentiate yourself from the competition and retain your QSR merchants:

Win them with paper

Buy your own receipt paper. Do not expect your merchants to call and order it. Have a supply on hand for them. From my days of selling on the street I have found that this is a good way to "get their pulse."

For instance, has a competitor solicited their business? Are merchants thinking about putting in a high-speed Internet connection? Are they having a hard time reconciling a daily settlement report? It's also a way to stop by, get a bite to eat with your merchants (usually on them!) and discuss their plans for opening more stores. Paper doesn't cost much, but delivering it in person shows you care. You can even work the paper supplies into your own "service" plan with merchants and make it your own revenue stream.

Give them peace of mind with two terminals

Make sure your busy QSR has at least two terminals on site. If it's a new location and new to accepting credit cards, give up your profit margin on the second terminal. Give the device to them for free, if necessary. This will only help you down the road.

What will you do if a merchant calls you in the middle of lunch rush, and his terminal is not working? Instead of selling all the different types of POS terminals on the market, stick with two or three and sell them consistently. Also, keep extras on hand. If one goes down, you can perform a quick download to get your merchant up and running again. Making small efforts such as these with your merchants will prevent them from switching to a competitor, even if he offers a better price. The reason for their not switching will be the same as their deciding to work with you in the first place: service.

Aaron Slominski is Director of Agent Services for Direct Technology Innovations. E-mail him at aaron@directtec.com or call him at 800-724-7000, ext. 464.

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Prepaid debit: One hot potato

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In the world of financial products, prepaid debit cards are the hottest thing since sliced bread. There is practically no consumer segment in which they do not fill a need, and the electronic transactions industry finds them to be a very useful tool in advancing the cashless society.

The largest niche that prepaid debit has carved is perhaps among the millions of individuals without a bank account, i.e., the unbanked. (At a recent Financial DNA conference, the unbanked population was estimated to be about 50 million.)

Prepaid debit cards enable people to use plastic at the POS and make cash withdrawals from ATMs.

Other benefits: The cards are useful in helping young people and students learn much-needed financial management skills. They also serve as an alternative to payroll checks and credit cards (one can't spend more than is on the card).

A new entry to the prepaid debit card space is the Visa-branded ethos Debit Card Account from Affinity Card Systems Inc.

This particular prepaid debit option is being marketed to unbanked individuals; it's also being marketed to companies for payroll services.

Cardholders save money by eliminating the possibility of overdrafts, which are estimated to occur as much as nine times per year at a typical cost of \$22.

Also, the monthly fee for using the product is about half that for the average checking account.

Using the ethos Debit Card Account as an alternative to payroll checks is beneficial for employers and employees.

It eliminates the costs of processing and cutting the checks, which can cost \$2 – \$4 per check. Employees receive their money instantly through direct deposit.

Employees also will stop wasting money on check cashing fees. The Office of the Comptroller of the Currency said these fees are about \$270 per person, per year.

By 2006 payroll cards will be in the hands of 3.8 million workers. Over half of these, said research firm Celent Communications, will be unbanked.

Each ethos Debit Card Account is individually FDIC-insured and provides accountholders convenient 24-hour-a-day access to money through ATM networks and more than 32 million retail locations worldwide that accept Visa.

The product is as secure as any other plastic payment product. Using all of Visa's fraud and security protections, the card can be activated or deactivated with a phone call. Cardholders can receive text messages alerting them to deposits, withdrawals and purchases.

Affinity Card Systems makes the product available through its national network of sales reps who offer the card to employers, unions, and staffing and government agencies.



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NewProducts

A versatile POS terminal for versatile merchants

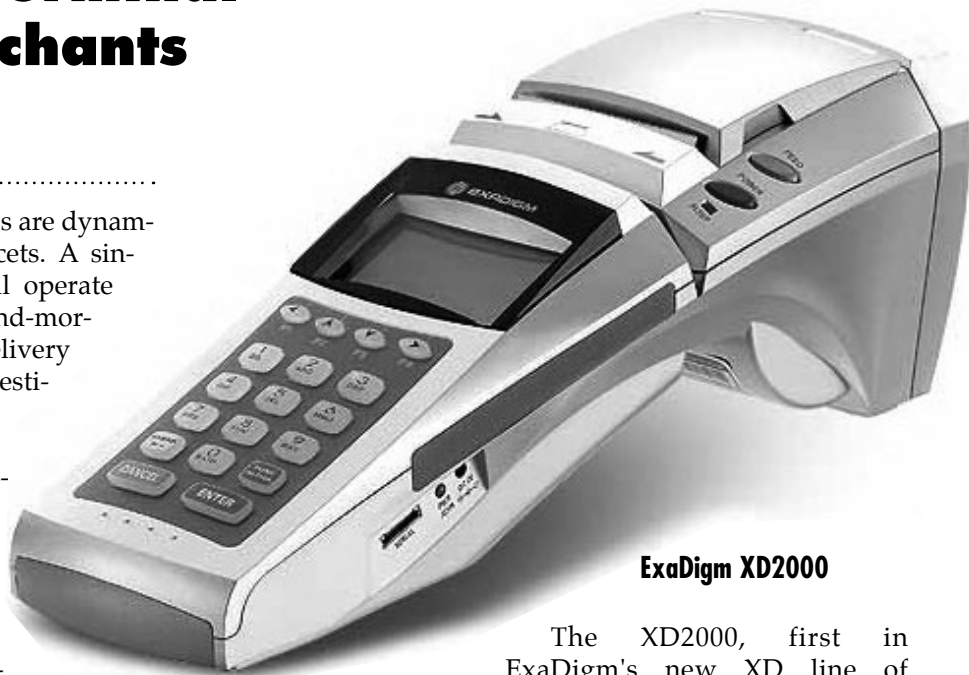
Product: XD2000

Company: ExaDigm Inc.

Many of today's retail businesses are dynamic enterprises with many facets. A single business could very well operate through one or more brick-and-mortar stores, a MO/TO service, a Web site, a delivery service, at industry trade shows, fairs and festivals, and, sometimes, all at once.

Accepting card payments is vital to customer satisfaction and financial success for these merchants.

POS terminal manufacturer ExaDigm Inc. has responded to these merchant demands. Specializing in both wired and wireless solutions, ExaDigm has brought both connection types together.



ExaDigm XD2000

The XD2000, first in ExaDigm's new XD line of POS terminals, continues where its mobile/desktop predecessor, the ExaDigm Mate Plus terminal, left off.


The XD2000 has a modular format that supports interchangeable modems with Internet protocol, Wi-Fi, cellular (General Packet Radio Service/GSM or Code Division Multiple Access), Bluetooth and dial-up connections.

The terminal's Linux operating system and PC design make configuring the device for any of the various connection options or software upgrades fairly simple and easy, according to ExaDigm.

In addition, its USB and serial ports make hardware changes and installations relatively quick and painless.

In terms of security, the XD2000 is also the only POS terminal with full Visa Cardholder Information Security Program validation. It engages 256-bit SSL encryption at the moment the card is swiped.

Integrated into the terminal is a 12-line-per-second thermal printer with a 57 mm large capacity paper roll and multiple language and font capability.

This is an ideal solution for merchants who are both mobile and stationary. 

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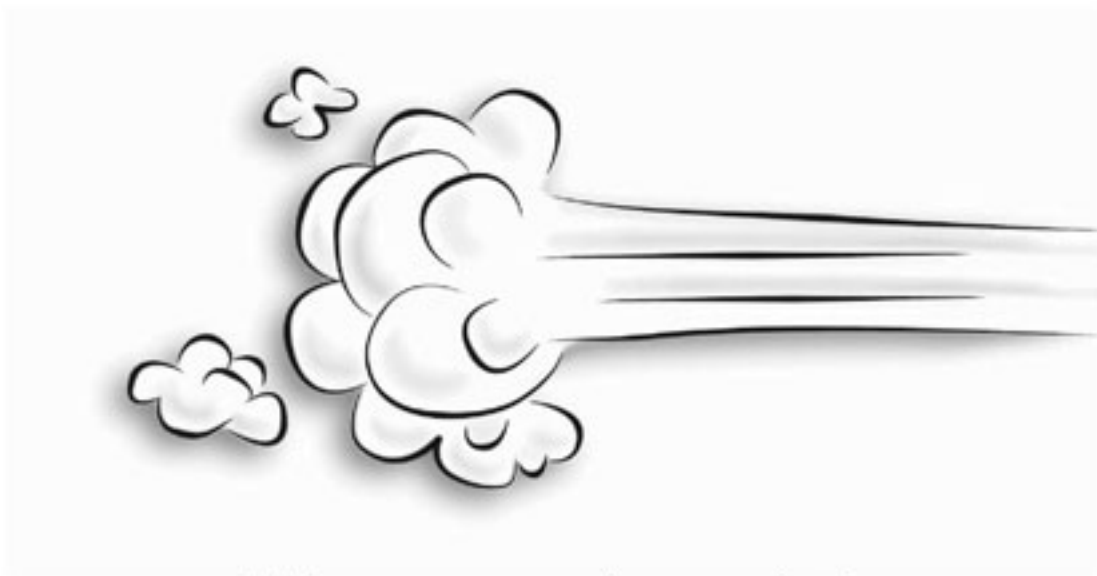
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**J. David Siembieda,
President and CEO,
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checks up to \$75 for a low monthly fee, thanks to our CrossCheck Small Business Service, also introduced this year.

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To live a creative life, we must lose our fear of being wrong.

- Joseph Chilton Pearce

Think outside the box

As a member of the financial services industry, you are no doubt working to differentiate yourself from the competition. You want to be the person who creates the "next big thing." You are searching for ways to attract the best sales force and the most sought after clients.

Coming up with new ideas is difficult. It requires hard work, determination, time and effort. But, what it requires the most is creativity, which is a problem for a lot of people. Creativity is not something that can be purchased or conjured up on demand.

Creative ideas and original strategies must grow on their own, and that can be very frustrating. For many people the minute they hear "Be creative" or "Think outside the box" their stress level rises and the chance of being truly creative diminishes.

Being creative on demand or on schedule simply doesn't happen for most individuals. If you're like most, some of the best ideas come to you when drifting off to sleep or while in the shower. Following are some tips to help you recognize and foster creative thoughts so they can be cultivated into innovative plans and strategies:

- **Be ready.** Keep a pad of paper and a pen available at all times. Keep them on the nightstand, next to the couch, in the car and in the medicine chest if necessary. You never know when the next great idea will hit you, and you don't want to risk forgetting it.
- **Embrace all ideas.** No idea is too small. You may come up with a kernel of an idea but hesitate to write it down because it seems too small to amount to anything. Write it down anyway. It is simply a nugget of information, and it might not amount to anything, but then again, it might amount to something big. You never know. Maybe in a week, maybe in a year, that idea will grow or partner with another and become an innovative program.
- **Look in unconventional places.** You may see something at a grocery store or at your child's school and

think that it is a good idea for the school or the store and then go about your day. Instead, take a couple minutes to consider whether you could adapt the idea for your workplace or office. Even if you don't see a correlation immediately, write it down. It may result in something important in the future.

- **Don't overanalyze.** When you have an idea, don't worry about the big picture. Trying to work out the details of implementing the idea while still forming it will interfere with the creative process.
- **Don't worry if it's "been done."** Most programs, innovations and "new" ideas are simply re-workings of existing ones. Don't worry if you think yours isn't revolutionary enough. Work to make it different by applying it to a new industry or for a different purpose.

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- **Let yourself go.** Don't worry about what others will say or think. Be free with your ideas. Sure, they won't all be winners, but the more ideas you have, the better the odds for having at least a few successes.

- **Give yourself a pep talk.** If you tell yourself, "I'm not creative," you certainly won't be. You can be creative, everyone can. In fact, you are probably already exercising your creativity in your home or work life and don't even recognize it.

- **Get active.** Reduce or eliminate passive experiences such as watching TV or listening to the radio. Instead engage in puzzles, word games and other activities that force your mind into action.

- **Don't try to please everyone.** The quickest way to squash creativity is to try to win everyone's approval. You can't please everyone, so don't try.

Being creative requires dedication, awareness and, most of all, patience. For creativity to flourish, be open to ideas and recognize them when they present themselves.

Soak in your surroundings; you never know when an idea will blossom. You will be "thinking outside the box" in no time.

Technology time wasters

As inhabitants of a high-tech world everywhere we go there is ringing, beeping and keypad punching. But, sometimes there can be too much technology. The tools that were supposed to make our lives easier and more productive actually make life more cumbersome and waste time.

Many high-tech tools allow us to be too available. This is especially true in the sales profession, in which we are taught to be available every minute of every day and to respond immediately.

Many times, we believe we are serving a client when really we are doing all our clients a disservice by not maximizing our time, talent and resources. We spend our time responding, rather than planning, thinking and executing.

Following are some ways that technology steals bits of our time. If you recognize yourself in any of the following habits, make efforts to remedy them:

- **Checking personal e-mail at work.** Sure, once or twice a day is OK, but every hour is just interrupting your work.

- **Giving your work number to friends.** If you give your work number to friends and family it invites them to call you at work. Will that really help you to get your tasks completed any faster?

- **Using instant messenger.** Do you use an IM? Do you keep it on all day? Do you get messages all day? If you answered yes to any of these questions, IM is probably stealing valuable minutes from your day.

- **Failing to ask for help.** Did you just get a new gizmo, perhaps a cell phone or PDA? Do its features baffle you? Chances are someone has used them before. Asking someone how to use them will save you time and frustration. Ask for help. People like to be needed; it makes them happy that they were able to help.

- **Using the wrong tool.** Only use a tool or device if it saves you time. If a pencil and paper will do, use that. Many times it's faster than the latest gadget.

- **Responding immediately.** If you can, respond to all your e-mails and voice mail messages in one period of time. Doing so will limit interruptions of your work and thought process. It will also allow you to give the callers and e-mailers your undivided attention, which reduces the chance of mistakes such as e-mailing the wrong person in your address book or forgetting an attachment.

- **Storing documents in multiple areas.** Do you have an organized system for storing digital files, or do they sometimes get saved on a hard drive, sometimes on a disk and sometimes in an e-mail program? Create a system and always store the same types of files in the same place. It will save you time searching for missing files.

- **Failing to use all the features of an e-mail program.** Did you know your e-mail program can automatically sort messages and reply to messages? Did you know you can be alerted to e-mails from specific people, and not others? Let the PC do the work for you.

High-tech tools can certainly help us to be more successful in our careers. The trick is to control them, rather than to let them control us.

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Western Payments Alliance

Basics of ACH Receiving Workshop

Highlights: This is a full-day course providing expert information not always available through on-the-job experience. The focus will be on receiving automated clearing house (ACH) transactions from the RDFI point of view. There will be an emphasis on ACH operating rules, Regulation E, OFAC and exception processes. The fundamentals of ACH receiving, including transaction processing flow, settlement flow and RDFI compliance, as well as plenty of insight on recognition and correction of mistakes will be offered.

When: March 7, 8, 14, 15, 21 and 22, 2006

Where: Location varies

Registration: Visit www.wespay.org or call 415-433-1230



Association for Financial Professionals (AFP)

The AFP Payments Forum

Highlights: AFP plays an important role in the promulgation of industry standards and serves more than 14,000 individual

members in corporate treasuries and financial management. Members include corporate practitioners, banking executives and other financial services providers.

The two-day Payments Forum focuses on the innovations and strategies necessary for corporate success in electronic payments, the primary present and future means of commerce. Panel speaker, case study and interactive discussion topics will include fraud prevention, electronic payment options, remittances and international commerce, Internet commerce and business-to-business credit card payments.

When: March 12 – 14, 2006

Where: The Scottsdale Resort and Conference Center, Scottsdale, Ariz.

Registration: Visit www.afponline.org or call 301-907-2862



Southeast Acquirers' Association

Fifth Annual Meeting

Highlights: This is the meeting rescheduled from October 2005 in New Orleans. SEAA has transferred all vendor registrations to the new date and location. Event attractions include a hospitality center, a cyber cafe and a massage center. On March 21, in the morning, there will be breakout training sessions with POS terminal vendors. The deadline for hotel registration is Feb. 17. The SEAA room rate is \$159 per night.

When: March 20 – 22, 2006

Where: Bonaventure Resort & Golden Door Spa, Fort Lauderdale, Fla.

Registration: Visit www.southeastacquirers.com or call 916-563-0111, ext. 204



Electronic Transactions Association (ETA)

2006 ETA Annual Meeting & Expo

Highlights: This is the biggest event of the year in the payments industry. Close to 3,000 people, from the newbie MLS to the 35-year-industry-veteran Chief Executive are expected. There will be classes from ETA University; dinner with ETA President Daniel J. Neistadt, President of Wow! Card Services; a massive exhibition hall (that includes a Green Sheet booth); additional educational and breakout sessions; plenty of networking opportunities; a golf tournament, and more, all designed to showcase current and future trends, technologies, companies, players and everything else associated with the electronic payments industry. Don't forget to stop by to say hi to The Green Sheet at booth # 334.

When: April 18 – 20, 2006

Where: Mandalay Bay Resort and Casino, Las Vegas

Registration: Visit www.electran.org or call 800-695-5509

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