GS The Green Sheet

DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS

www.greensheet.com

September 24, 2012 • Issue 12:09:02

Continued on page 3

Long live the check

By Patti Murphy
ProScribes Inc.

Despite decades of electronic innovations and numerous card-based alternatives, U.S. consumers and businesses still like to write checks. Sure, we are writing fewer checks, and most of them are converted to electronic (image) files somewhere along the collection stream. But checks and demand deposit accounts (DDAs) are so entrenched in the American consciousness and economy that eliminating them isn't a viable option.

The result is a hybrid approach to merchant payment services, with the ISO channel focusing primarily on credit and debit card acceptance and complementary offerings such as cash advances or gift and loyalty programs. Check services, on the other hand, are for banks to sell, because checks and the DDAs on which they are drawn are too critical to the overall banking relationship for banks to neglect – so the common wisdom goes.

That's why so many banks are offering mobile remote check deposit (RDC). "The banks haven't given up on this like they did with cards," said John Gainer, Executive Vice President at Digital Check Corp., a leading manufacturer of check scanners.

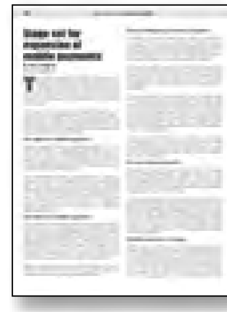
"Even though the number of checks being written is decreasing, they aren't going away," said Donna Embry, Senior Vice President at Payment Alliance International of Louisville, Ky. Even if the paper check at some point disappears, the DDA is here to stay, she added.

Indeed, the DDA relationship is far too important for banks to disregard, said John Leekley, founder and Chief Executive Officer of RemoteDepositCapture.com. It's the lifeblood of banking relationships. "Everything moves through the DDA," Leekley said. Check, debit card and automated clearing house (ACH) payments all post to DDAs. Even the net settlement amounts for card payments are posted (as ACH credits) to card-accepting businesses' DDAs.

See long live the check on page 55

NotableQuote

Merchants are unwilling to invest in these new technologies until sufficient consumer demand exists for mobile payments, while consumers tend to delay adoption until a clearly established merchant network exists for the technology. This creates an impasse that has delayed the implementation of mobile payment systems in the United States.



See Story on page 68

Inside this issue:
CONTINUED

Company Profile

New Products

Inspiration

Departments

Proud recipient of 45 Apex awards in 11 years

The Green Sheet Inc.

President and CEO:
Paul H. Green..paul@greensheet.com

General Manager and Chief Operating Officer:
Kate Gillespie ....kate@greensheet.com

CFO/Vice President Human Resources & Accounting:
Brandee Cummins......................................brandee@greensheet.com

Assistant VP, Editorial:
Laura McHale Holland .... laura@greensheet.com

Senior Editor:
Patti Murphy..patti@greensheet.com

Associate Editor:
Dan Watkins .... dan@greensheet.com

Staff Writers:
Jim McCaffrey ....jim@greensheet.com
Ann Train ....ann@greensheet.com

Production Manager:
Lewis Kimble..lewis@greensheet.com

Assistant VP, Advertising Sales:
Danielle Thorpe ....danielle@greensheet.com

National Advertising Sales Manager:
Rita Francis .... rita@greensheet.com

Office Manager:
Kat Doherty..kat@greensheet.com

Director of Information Technology:
Wolf Dean Stiles ....wolf@greensheet.com

Correspondence:
The Green Sheet, Inc.
800-757-4441 • Fax: 707-284-1968
1160 N. Dutton Ave., Suite 200, Santa Rosa, CA 95401
Send questions, comments and feedback to greensheet@greensheet.com
Send press releases to....................................press@greensheet.com
NOTE – Please do not send PDF versions of press releases.

Print Production:
Hudson Printing Company

Contributing Writers:
Rick Berry... rick@abcmobilepay.com
Nicholas P. Cucci .... ncucci@nmi.com
Jeff Fortney...jeff@clearent.com
Henry Helgeson ....mwhelgeson@merchantwarehouse.com
Dale S. Laszig....................................dale_laszig@castech.com.tw
Ron Tunick... coach@ntspays.com

The Green Sheet (ISSN 1549-9421) is published semi-monthly by The Green Sheet Inc., 1160 N. Dutton Ave., Suite 200, Santa Rosa CA 95401. Subscription is FREE to participants in the payment processing industry, an annual subscription includes 24 issues of The Green Sheet and 4 issues of GSQ. To subscribe, visit www.greensheet.com. POSTMASTER: send address changes to The Green Sheet Inc., 1160 N. Dutton Ave., Suite 200, Santa Rosa CA 95401. Any questions regarding information contained in The Green Sheet should be directed to the Editor in Chief at greensheet@greensheet.com. Editorial opinions and recommendations are solely those of the Editor in Chief.

The value of deposits for bank partners

I currently have one bank partner and I am working on a few more, but I am having a hard time finding statistics in relation to a credit card processing account and how much of the merchants deposits will be moved if the merchant account is moved to the bank. Deposit accounts are the bank's lifeblood, and I would like to show them how much more they can get if they get at least a deposit account associated with the merchant account. Also any other banking stats, such as stickiness, processing profitability, etc., for banks would also be helpful.

Kyle Morgan
Mercantile Processing Inc.

Kyle,

For an informed perspective on your questions, we consulted Ken Musante, President of Eureka Payments LLC. He also has extensive experience in the banking realm, having been a senior executive at Humboldt Bancorp for many years. Here's what Ken had to say:

> *You have a two-pronged issue. From a bank's perspective, what is the profitability of the deposit account, and how sticky are those same customers? Deposit accounts attached to the merchant's checking account are called core deposits and are among the most valued bank deposits. They are more valuable than other forms of deposits like CDs because banks pay lower (or zero) deposit rates for core deposits than they do for CDs and money market accounts.*
>
> *Additionally, customers have a greater attachment to their checking account bank than they do to their CD bank. A customer may bank with a cross-country bank to get the best CD rate and then shift banks when that CD matures – but they have a relationship with their checking account bank, which lessens attrition. As* New York Times *writer Ann Carrns pointed out in her Aug. 20, 2012, article, many customers have to be really hacked off before they will switch banks, "[I]nertia is a powerful force in the absence of an imperative to act. Those may not be compelling reasons to switch* to *Bank of America if you're in the market for a bank, but the bank has done a good enough job to keep me from bailing."*
>
> *And, with each new product a bank provides, attrition decreases at an increasing rate.*
>
> *Unfortunately, the relative profitability of bank deposits, in today's environment is low. Traditionally, banks made money by lending out money at a higher rate than they are paying their depositors for that same money. Now, when our long term rates are only marginally higher than our short term rates, we have a flattened yield curve. Consequently, the interest margin banks are earning (the difference between the loan rate and the deposit rate) is narrow. As interest rates and the perception of future inflation rise, the yield curve will steepen, and there will be a corresponding increase in the profitability of deposit accounts.*
>
> *Further compounding the issue is that banks are reluctant to lend at all. The Great Recession drained earnings from banks and brought a flood of new regulation and oversight. Bankers are being bashed by politicians on both sides of the aisle and are reluctant to accept new risk or make new loans. Before the recession, loan-to-deposit ratios exceeded 100 percent in many banks. Today, bankers are far more conservative and have much lower loan-to-deposit ratios due to lack of demand for loans and more conservative underwriting guidelines.*
>
> *Further lessening the desirability of deposits is the strain on capital. Bank capital is required in relation to a bank's assets. Having more deposits equates to greater capital requirements. Since the Great Recession, many banks have seen their capital harmed by catastrophic losses; hundreds of banks have gone under, and banks are continuing to fail, albeit at a lesser rate. Others still in business are impaired by low capital (investor money) and either need to raise capital or run off deposits to attain the ratio of deposits to capital required by law. The least profitable deposits are the first to go, but if a bank is only marginally above "well capitalized," it will not be aggressively pursuing deposits, regardless.*
>
> *Obviously, a growing bank desires core deposits. In normal times, they are very profitable because banks can lend out those stable, low-cost deposits at higher rates. In today's environment, with a flat yield curve, deposits are not as valued. Bank lending is way down, as are bank profits. With all this said, pursuing bank leads is still a sound strategy, but the incentive for banks to pursue the accounts for you in order to obtain the core deposit account has been lessened.*

Thank you, Ken, for giving us this insight into the banking realm. And thank you, Kyle, for sending in your question. It is helping readers like you that keeps us going.

Editor

Do you have a burning question about the payments business? Reach out to us via email at *greensheet@greensheet.com*, by phone at 800-747-4441, on Facebook at *www.facebook.com/thegreensheetinc* or on Twitter using *@the_green_sheet*.


CHANGE YOUR GAME
DECLARE VICTORY WITH THE BEST LIFETIME RESIDUAL PROGRAM IN THE BUSINESS
$3,000 SIGNING BONUS | $1,000 BONUSES ON EVERY MERCHANT


LOWEST PRICING | 1.5 ¢ IP | 2 ¢ DIAL-UP | 0 BIN
As an industry leader, North American Bancard offers the support and business tools you need to succeed. Combined with the ability to offer free equipment and the lowest pricing in the industry, our agents have an incredible opportunity to close more deals.
TAKE ADVANTAGE OF THE OPPORTUNITIES
CALL TODAY 855.649.2636 | gonab.com/gs
NorthAmerican BANCARD

QSGS

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

1
Cover story

Long live the check

Yes, the venerable paper check may be in decline. But checks are so ingrained in the American psyche that check payments remain a viable business. What's more, new types of check technology are reaching new markets. The unbanked can deposit checks to prepaid accounts via smart phones, and check guarantors now allow the credit challenged to pay for health care.

26
News

NRF will try to block settlement

Opposition to the proposed $7.25 billion settlement of the "Wal-Mart case" redux just got louder. Though not a party to the antitrust lawsuit brought by retailers against the card brands, the National Retail Federation is attempting to block the settlement in court. The NRF believes the settlement is the ultimate lose-lose-lose scenario.

23
News

Ruling a window to hot legal topic

The rise of online payments – and the proportional rise in online fraud – has exposed a limitation in written contracts between financial institutions and payment processors. At issue is which financial entity is responsible for fraud losses when individual contracts between parties undermine the intent of the federal Electronic Fund Transfer Act.

28
News

PCI SSC offers IT accreditation program

The introduction of a new accreditation program for information technology professionals consists of instruction and testing. It highlights the goal of the PCI Security Standards Council to help payment companies increase their knowledge and understanding of data security requirements from within.

25
News

NFC not paramount in expert testimony

The decision by Apple Inc. to exclude near field communication (NFC) technology from its latest iteration of the iPhone is supported by congressional testimony. An academic who testified on the state of mobile payments pointed out that the convenience of NFC payments is not enough to spur ubiquitous adoption of the technology by merchants and consumers.

33
Selling Prepaid

Is direct deposit the secret to prepaid's future?

Research conducted by the Payment Cards Center of the Federal Reserve Bank of Philadelphia and the Center for Financial Services uncovered an apparent link between prepaid card usage and direct deposit. It seems cardholders transact more with prepaid cards, which results in more revenue for providers, when funds can be direct deposited to the cards.

42
Views

Check fraud is the problem, RDC is a solution

Checks remain the payment instruments most vulnerable to fraud. But research suggests remote deposit capture (RDC) significantly reduces check fraud. The electronification of checks allows for quicker identification of fraudulent transactions by banks. RDC is thus a service worth selling.

62
Education

Street Smarts℠

Start with a strong foundation

ISOs and merchant level salespeople (MLSs) cannot prosper without solid business foundations. It starts with signing the right contracts with the right partners. It continues with proper attention and maintenance. It results in a strong, steady base from which to erect structures that house pantries loaded with residuals and dinner tables around which well-fed merchants dine.

68
Education

Stage set for expansion of mobile payments

Discussion about the possibilities of mobile payments has been percolating over the last decade. But only now does it seem that all the talk is about to be realized in global adoption of the technology. Soon, mobile payments will be commonplace in retail environments, quick service restaurants and toll booths. It's time for merchant service providers to get in on the action.

72
Education

The mobile app's role in marketing and sales

ISOs and MLSs have a new solution to sell merchants: mobile apps. It has been suggested it is the strongest value-added service to come along since electronic terminals. By providing merchants with customized, payment-enabled apps, sellers can offer merchants a branding and social media and marketing tool that keeps them "sticky" for years to come.

74
Education

New era, same old game for MLSs

The ultimate success of the payments industry is exemplified by large and prominent businesses outside the industry clamoring to get in. To stay viable amid all this new competition, payment vets need to focus on the core business essentials that made the industry successful in the first place. As much as the industry is about technology, it is more about relationships.

76
Education

Prepare for the mPOS wave

Savvy payment professionals immersed in mobile payment technology may not realize that many merchants are just waking up to the possibilities. Mobile apps and wallets, tablets and smart phones, loyalty and rewards – now's the time to figure out which solutions fit individual merchants and then get those merchants on board, before the big wave hits.

76
Education

Health-care fraud: Back with a vengeance

Fraud is becoming a raging infection in the health-care system. The lax data security practices of hospitals and their service providers is resulting in an explosion of fraud across the United States. ISOs and MLSs should be providers of the treatment that includes heavy doses of data security education and vigilance.

89
Inspiration

A lesson from the Greeks

Mentoring is as old as Greek philosophy. But the definition hasn't changed. Payment businesses that encourage mentorship can do for their employees what Mentor did for King Odysseus in Homer's *The Odyssey* – provide reason and guidance.

GS ADVISORY BOARD

Rick Slifka

President and CEO
Exec-Links

In the early 1990s, while he was serving as the sales and marketing point man for new golf courses operated by the Professional Golfers' Association of America, Rick Slifka worked closely with golf legend Jack Nicklaus at a Nicklaus-designed course being built in Dearborn, Mich. What most impressed Slifka about Nicklaus was his memory and attention to detail.

When Nicklaus visited the Dearborn course under construction one day, it had been five or six months since he had last seen the course. And yet, standing on the first green, Nicklaus noticed discrepancies. Slifka said, "He's looking around and says, 'Wait a second, I'm pretty sure that tree's not supposed to be there. And I know this bunker was supposed to be a lot larger.' I've never forgotten that."

Like Nicklaus, Slifka knows every "tree" and "bunker" in the payments landscape. As a headhunter for the better part of 30 years, he has developed relationships with executives and hiring managers at companies up and down the industry, so he is comfortable placing professionals at every link in that value chain. "I don't care if you're interviewing for a $500,000 President/CEO job or a $30,000 salesperson's job, you get my time, and you get information from me that you will be able to use the rest of your life," he said.

As President and Chief Executive Officer of Exec-Links, Slifka prepares clients with detailed correspondence and coaching, from polishing resumes to preparing for interviews. Experience has taught him to refrain from making assumptions about his clients' interviewing skills. "Never assume that a candidate is prepared, knows how to handle [himself] in an interview, knows how to answer certain questions," he said.

Compete with honesty

The payments job market is active compared with other sectors of the struggling economy, according to Slifka. However, he expects more turbulence ahead – no matter which presidential candidate wins the White House this November.

Thus, he feels merchant level salespeople (MLSs) should take care when thinking of moving on to new opportunities. If an MLS is intent on making a move, he advises, "you better do it sooner than later."

Employers are seeking competent, stable employees, but Slifka said he stresses honesty above all. "I have had candidates fired within weeks of starting their jobs because the background checks came in, and it showed they had worked for one or two companies that weren't on their resumes," he said.

Slifka noted that in all his years in this business, he has never known a company to pursue a former employee over a noncompete clause in an employment contract. "It's just not worth it," he said. "I'm sure that there are some out there that do, but it's very time consuming, and it's expensive, and who wins?"

He added that this is especially true in the current economic climate. "You're going to stand in front of a judge, with 15 percent real unemployment," he said. "The judge is going to look at you, [and say,] 'You're stopping this guy from getting a job? Get the hell out of my courtroom.'"

Slifka stated another fact about the payments game: "If you are a good salesman, or salesgal, and you have a network or you have a pipeline, and you can show somebody that you can make an impact on their bottom line, they're gonna hire you."

NEWS

ATM execs sentenced

Four ATM company executives were sentenced to prison by a Connecticut federal judge Sept. 4, 2012. The men pled guilty to conspiracy to commit bank fraud and admitted they used their business to steal over $4.8 million from Cranston, R.I.-based Domestic Bank (now Admirals Bank). The defendants were also ordered to repay the money.

According to court documents, Connecticut-based **New England Cash Dispensing Systems Inc.** contracted to supply ATM services to Domestic Bank in March 2000. NECDS placed the ATM machines with retailers and maintained them. All of the machines in the network were branded with the Domestic Bank logo, but Domestic Bank only supplied cash for some machines; NECDS and merchants supplied cash to other machines in the network.

The FBI said the scheme involved tricking Domestic Bank into supplying more cash for ATMs than was needed. The fraud, which took place over several years' time, was concealed by "floating" excess money appropriated from Domestic Bank (much like when checking account holders write checks before funds are actually in the accounts). When the companies underwent the "periodic replenishment process," it would appear to Domestic Bank that all of its cash was appropriately accounted for, according to the FBI.

NECDS Chief Executive Officer Joseph Sarlo was sentenced to 42 months in prison and four years of supervised release; General Manager John DeMilo received a sentence of 22 months in prison and four years supervised release; Mizra Baig was sentenced to 51 months in prison; and Gary Vestuti received a sentence of 27 months.

MasterCard extends EMV standard to ATMs

MasterCard Worldwide reported Sept. 10, 2012, it will expand its Europay/MasterCard/Visa (EMV) road map to include the ATM channel. The company said beginning in October 2016, a liability shift will occur for ATMs that have not integrated the EMV security standard into the transaction process. "The liability shift will apply to all MasterCard-branded products across all transactions initiated at U.S. ATMs," the company said.

The incorporation of EMV technology into ATMs is part of a global effort to stop fraud in channels not yet protected with the security protocol, according to Mike Weitzman, MasterCard Group Executive for U.S. Markets. "We're providing our issuers, acquirers and ISOs flexibility and sufficient time to manage their ATM technology decisions," he said.

Julie Conroy McNelley, Research Director with Aite Group LLC, said, "An upgrade of existing U.S. ATM systems is a necessary next step in the evolution of financial institutions' tactics to keep pace with fraudsters."

NACHA, Feds examine QR payments

Just as the Federal Reserve was warning consumers to

RETAIL BRIEFS

- The **U.S. Census Bureau** estimated U.S. retail e-commerce sales grew to $54.8 billion during the second quarter of 2012, an increase of 3.3 percent from the first quarter.
- **BIGinsight** reported consumers' big-ticket purchase intentions increased in August 2012 versus August 2011. The computer category rose from 14.4 to 19.2 percent of respondents; furniture, from 9.4 to 11.8 percent; and home appliances, from 6.5 to 9 percent.
- **Research and Markets'** *Clothing Stores* report projected the U.S. clothing stores industry of approximately 100,000 stores generates about $165 billion in annual revenue.

exercise caution when scanning quick response (QR) codes, NACHA's **Council for Electronic Billing and Payment** reached the Sept. 19 deadline for feedback on its proposed guidelines to facilitate QR code use in consumer bill payments by establishing a single QR code format.

With the growing popularity of QR codes across a range of media, including newspapers, billboards and websites, "the very fact of their ubiquity is creating a big challenge for those agencies and individuals concerned with consumer fraud protection," wrote Cynthia Merritt, Assistant Director of the Retail Payments Risk Forum at the Federal Reserve Bank of Atlanta, on the forum's website. "The real problem with this large number of QR code scans is that consumers have no way to detect the presence of malware in the code before it is too late," she said, adding that it is "perhaps wise" for consumers not to scan QR codes.

Merritt advocates education and threat awareness by security professionals to mitigate risk. She also believes standardization in code development may provide safeguards against malware and offer consumers some assurance that a given QR code comes from a trusted source.

Merritt noted the ease of use with QR codes has driven the payments industry to deploy them in electronic bill payments and recommends visiting NACHA's website to view the industry standards proposal. The proposed guidelines are available at *https://cebp.nacha.org/QRcodes*.

Cloud security collaboration

Companies heavily vested in cloud computing formed an alliance to develop best practices and standards for big data security and privacy. The **Cloud Security Alliance** and **Fujitsu Laboratories of America** are facilitating the CSA Big Data Working Group. It is being co-chaired by Sreeranga Rajan, Director of Software Systems Innovation at Fujitsu Laboratories of America, Neel Sundaresan, Senior Director & Head of Research Labs at eBay Inc., and Wilco Van Ginkel, Security Strategist for Verizon Enterprise Solutions.

Among the topics the committee will address are the impact of the velocity, volume, and variety of big data on security and privacy issues. Yasunori Kimura, President and Chief Executive Officer of Fujitsu Laboratories of America, called for more companies from around the world to join the research effort to identify scalable techniques for addressing big data security and privacy problems.

"Every day, 2.5 quintillion bytes of data are being created, resulting in a myriad number of data security and cloud-computing security concerns," Rajan stated. "By collaborating as a global community of thought leaders and researchers, we are not only looking to help the industry overcome these challenges, but also to leverage new opportunities for the monitoring and detection of security threats enabled by big data."

ANNOUNCEMENTS

CrossCheck expands to Phoenix

Check guarantee and electronic check processing service provider **CrossCheck Inc.** is opening a sales office in Scottsdale, Ariz., under the direction of Jason Lindell, CrossCheck Director of Sales, who will be responsible for recruitment and training in the new office.

NATSO rejects interchange settlement

The **National Association of Truck Stop Operators**, a trade association for the U.S. travel plaza and truck stop industry, said it will join Wal-Mart Stores Inc. and a prominent list of other national retailers and retail associations in rejecting the proposed settlement of the antitrust action brought against Visa Inc. and MasterCard over the card companies' interchange fees. (For more details on objections to the settlement, see "NRF will try to block settlement" on page 26 of this issue's News section.)

payvia processes for Obama campaign

Mobile and online payments provider **payvia Inc.** is the exclusive vendor for carrier billing political contributions for the Obama for America campaign. Donations made via short message service are then charged on users' mobile or online carrier bills.

SecurityMetrics' instant TIN check

Merchant data security and compliance provider **SecurityMetrics Inc.** released its On-the-Spot TIN Check tool for validating merchant Internal Revenue Service tax identification numbers to meet the agency's reporting requirements. SecurityMetrics said the tool is an affordable solution for its clients that don't have the resources to validate new merchants or changes in legacy accounts.

Alliance opens EMV forum

The **SmartCard Alliance**, a multi-industry association working for the adoption of smart card technology,

opened membership in its EMV Migration Forum with hopes of attracting organizations unfamiliar with smart card technology. The forum will help organizations make the transition from mag stripe technology to the EMV standard and technology.

Central Payment makes Inc. 5000

TSYS Merchant Solutions LLC joint venture partner **Central Payment Co.** was named one of the fastest growing companies in the United States by *Inc. Magazine*. It marks the third consecutive year Central Payment has made the list.

VeriFone unveils SAIL developer portal, serves Boy Scouts

POS terminal manufacturer **VeriFone Inc.** launched a developer portal to give software application developers access to tools and application programming interfaces to facilitate integration with Verifone's SAIL, an open mobile payment platform.

Verifone said initial integrations include accounting platforms, offers and marketing providers, inventory management services and front-end POS platforms.

In addition, the Dan Beard Council of the Boy Scouts of America is using VeriFone's SAIL for its annual popcorn sale fundraiser. According to VeriFone, troop leaders can instantly sign up for merchant accounts and assign multiple users to run card transactions on Apple Inc. iOS and Google Inc. Android devices using a free SAIL card reader.

WePay online payment buttons

Online payment platform provider **WePay** introduced a series of payment buttons that will allow merchants to accept payments online without having to write their own code or redirect customers to other web pages. Pricing for processing payments is 2.9 percent plus 30 cents for credit cards, and 1 percent plus 30 cents for bank payments. Merchants can also elect to include "Add to cart," "Donate" and "Register" buttons.

PARTNERSHIPS

CO-OP, CUSN expand partnership

Credit union services provider **CO-OP Financial Services** is expanding its partnership with **Credit Union Service Network LLC** to deliver additional products and services, which include offering electronic funds transfer processing.

EMVCO, NFC Forum team on testing

EMVCO LLC, a group managing EMV integrated circuit card specifications for payments, and the **NFC Forum**, a nonprofit association of companies involved in mobile technology, collaborated to optimize development and testing of near field communication- (NFC) enabled devices. The joint research is expected to reduce products' time to market and decrease certification costs.

MoneyPass now in Wal-Mart

MoneyPass, a network of Elan Financial Services., teamed with **Wal-Mart Stores Inc.** to offer surcharge-free ATM access in more than 2,000 Wal-Mart stores through Wal-Mart's MoneyCenter Express ATMs.

Regal Payment, ICG partner on POS

Payment processor **Regal Payment Systems LLC** formed a partnership with retail and hospitality software solutions provider **ICG Software** to deliver the HioPOS Plus All-In-One POS System in the United States. HioPOS is a self-installable POS system manufactured under the partnership agreement, the companies stated.

ACQUISITIONS

Acculynk acquires PayLeap

Acculynk, manufacturer of the PaySecure PIN pad for securing online and mobile debit transactions, purchased e-commerce gateway provider **PayLeap** to form Acculynk Direct, an Internet PIN debit service for small and midsize merchants. Terms of the deal were not disclosed.

Bottomline purchases Albany Software

Cloud-based payment solutions company **Bottomline Technologies Inc.** acquired U.K.-based payment processor **Albany Software Ltd.** Bottomline reportedly paid $32 million for Albany Software.

Burroughs buys Absolute ATM

Check scanning technology firm **Burroughs Inc.** bought ATM equipment supplier **Absolute ATM Services Inc.** Absolute ATM Services will be integrated into Burroughs. Terms of the deal were not revealed.

MasterCard acquires Truaxis

MasterCard purchased **Truaxis Inc.**, a credit/debit card-linked offers provider. MasterCard said the integration of the Truaxis platform with its network will deliver real-time offers and analytics to consumers and merchants. Terms of the deal were not released.

APPOINTMENTS

Barach joins Jumio

Payment technology developer Jumio Inc. hired **Marc Barach** as its Chief Marketing Officer. Barach was formerly CMO of Ingenio Inc., where he helped pioneer a multibillion-dollar advertising market with pay-per-call advertising technology, and he served as CEO of mobile apps developer Emotive Inc .

He brings over 20 years of marketing, leadership and operational experience in the technology and financial sectors to Jumio.

Bigcommerce appoints Boopathy

Bigcommerce Pty. Ltd. named **Asok Boopathy** to the position of Vice President of Product. Boopathy joins the e-commerce platform provider after serving as an executive at PayPal Inc., where he led the development of global multichannel, cross-channel and omni-channel retail strategies.

Clearent taps Hignight

Payment processor Clearent LLC appointed Jim Hignight to its ISO sales team as Vice President, Business Development, Independent Sales. Hignight will focus on developing partnerships with ISOs and agents across the country. Hignight comes to Clearent from TransFirst, where he served as Regional Vice President of Sales.

PayPal's Mahadevan to focus on Asia

PayPal appointed **Rohan Mahadevan** its new Vice President for Asia. Mahadevan was formerly PayPal's Vice President of Global Cross Border Trade and Vice President of Latin America. In his new role, he will be responsible for growing the company in Asian markets, especially in the e-commerce and m-commerce sectors.

Moss promoted by CCS

Merchant services provider Charge Card Systems Inc. promoted **Adam Moss** to Chief Operating Officer. He previously served as Vice President of Sales, National Sales Manager for CCS. In his new job Moss will manage sales and marketing, and oversee the growth of the company.

SCS signs Smith

ISO Signature Card Services hired **Halima Smith** to be its National Sales Coordinator. Smith was previously at Intuit Merchant Services. Smith will be responsible for leading post-sale maintenance and support for SCS partners. The company said it is also hiring additional sales directors and sales support personnel for its national sales team.

Ruling a window to hot legal topic

The United States Courts of the Western District of Missouri, Southern Division, ruled a bank cannot always rely on indemnity contracts to protect it from fraud loss. Payment attorney and *The Green Sheet* contributor Adam Atlas believes the decision illustrates a growing point of contention in payments: who is responsible for online fraud when thieves provide correct user authentication?

"The judgment puts us on notice there may be inconsistencies between contractual agreements in the payment space and statutory rules governing payments," Atlas said of the federal court decision in Choice Escrow and Land Title LLC v. BancorpSouth Bank.

Decision against the bank

In March 2009, Choice Escrow had $440,000 stolen from its trust account with BancorpSouth Bank when a wire transfer request for that amount was made by thieves using the correct Choice user identification and password. The fraudulent wire transaction request was fulfilled by the bank. The money was transferred to a bank in the Republic of Cypress and to an account held by an entity called Brolaw Services Ltd.

Choice sued BSB to reclaim the money. It argued that it had never heard of, done business with or held money for Brolaw, nor had it authorized any wire transfer to the Brolaw account. BSB countersued, claiming Choice signed contracts obligating Choice to indemnify BSB for any losses, costs, liabilities or expenses associated with the account. In its Aug. 20, 2012, ruling dismissing the BSB counterclaim, the federal court agreed with Choice that the bank's counterclaims were invalidated by the Electronic Fund Transfer Act of the Uniform Commercial Code.

"The issue here, then, is whether a written indemnity agreement between a bank and its customer whereby the customer agrees to indemnify the bank for any losses, costs, liabilities or expenses is inconsistent with the Fund Transfer Act," Federal Judge John Maughmer wrote in his decision. "Although a close call, the Court concludes that the Fund Transfer Act does displace the types of indemnity agreement being relied upon by BSB in support of its counterclaims. "The indemnity agreements at issue here … could effectively require Choice to pay back to BSB those amounts that BSB might owe to Choice under the Fund Transfer Act. Such a result seems at odds with the purpose of the act."

The legal landscape

"This shows the contract alone is not the whole story; a lot of our readers already know that," Atlas said. "I wonder if this decision applies to a wrongly initiated ACH [automated clearing house] transaction."

Atlas said the Choice case points to an unresolved issue in payments – who is liable for a loss of funds when customers lose control of their authentication credentials? Customers will argue bank security should detect the fraud. Banks will claim they shouldn't be held responsible for customers losing control of their security credentials. "This is a hot topic in the law," Atlas said. "What is the responsibility of a secure provider like a bank that provides access after an account is hacked? What is the responsibility for fraud when a hacker provides the correct identification information to the account provider?"

The impact on ISOs

Atlas said there is a more far reaching point for ISOs and processors. "ISOs spend a lot of energy negotiating ISO agreements, and 95 percent of those agreements do not adequately address who pays for unforeseen new costs to the detriment of both parties," he said, citing Visa Inc.'s Fixed Acquirer Network Fee, taxpayer identification number matching and evolving Payment Card Industry Data Security Standard requirements as examples of unanticipated costs.

"These new costs present a challenge in the relationship between the processors and ISOs," he said. "This [Choice] judgment is analogous to a case where a bank and a customer have a deal but can't rely on that deal to solve a dispute over unforeseen costs. The question is whether the bank is at fault for doing what it is contracted to do. It's a hot topic in academic legal circles. The case law is just now coming into existence." Atlas called the effort to impose requirements to limit fraud without losing the usefulness and convenience of the service "a delicate balance."

NFC not paramount in expert testimony

Predictions that near field communication (NFC) technology will soon reach ubiquity at the POS took a hit when Apple Inc. released its much anticipated iPhone 5 with no NFC component. It appears NFC providers will, for the moment, have to rely on market expansion via merchants incorporating NFC technology at the POS as they implement the global Europay/MasterCard/Visa technology standard.

Apple's decision not to include NFC on the iPhone 5 will come as little surprise to Michael Katz, a professor at the University of California Berkeley, who testified Sept. 10, 2012, before the U.S. Senate Committee on Banking, Housing and Urban Affairs that "the changes associated with NFC and so-called digital wallets will be evolutionary, not revolutionary."

At the hearing titled *Developing the Framework for Safe and Efficient Mobile Payments*, Katz noted a revolution is underway, spurred by smart phone and tablet computer adoption, that is being manifested "in the ways merchants manage their relationships with their customers."

Cool technology not enough

The NFC-less iPhone 5 does, however, include a loyalty card and ticket storage tool, Passbook, which some payment experts see as Apple's entrance into bar code-enabled mobile payments – another technology gaining popularity, but which has possible drawbacks.

Katz told the committee that this kind of "cool technology" will not be enough to overcome the easy-to-use, widely accepted and trusted payment options already available to U.S. consumers, nor will it disrupt consumers' relationships with merchants who have already made "significant investments in equipment, systems and employee training" to provide payment services.

"In order for new payment services based on smart phones and tablets to compete successfully, these services will have to offer merchants and consumers additional value in comparison with current options," Katz said, adding that mobile payments must either lower merchant transaction costs or attract additional customers to win merchants over.

Katz observed that an NFC-enabled digital wallet can be more convenient and possibly easier to use than a conventional wallet filled with multiple payment cards. However, most consumers will still use physical wallets, if for no other reason than to carry driver's licenses and other physical forms of identification. "In the short run, ease-of-use benefits appear to be too limited to be a significant driver of adoption," he said. Katz believes the capability of mobile phones to deliver targeted messages and offers to consumers will drive the adoption of mobile payments. He called this service "a very powerful marketing tool that will be worth tens of billions of dollars annually to merchants."

More views offered

The committee also heard testimony from Sarah Jane Hughes, a professor at the Maurer School of Law at Indiana University, who discussed the benefits and costs of mobile payments for merchants. According to Hughes, the benefits include:

- Offering quick and functional payments

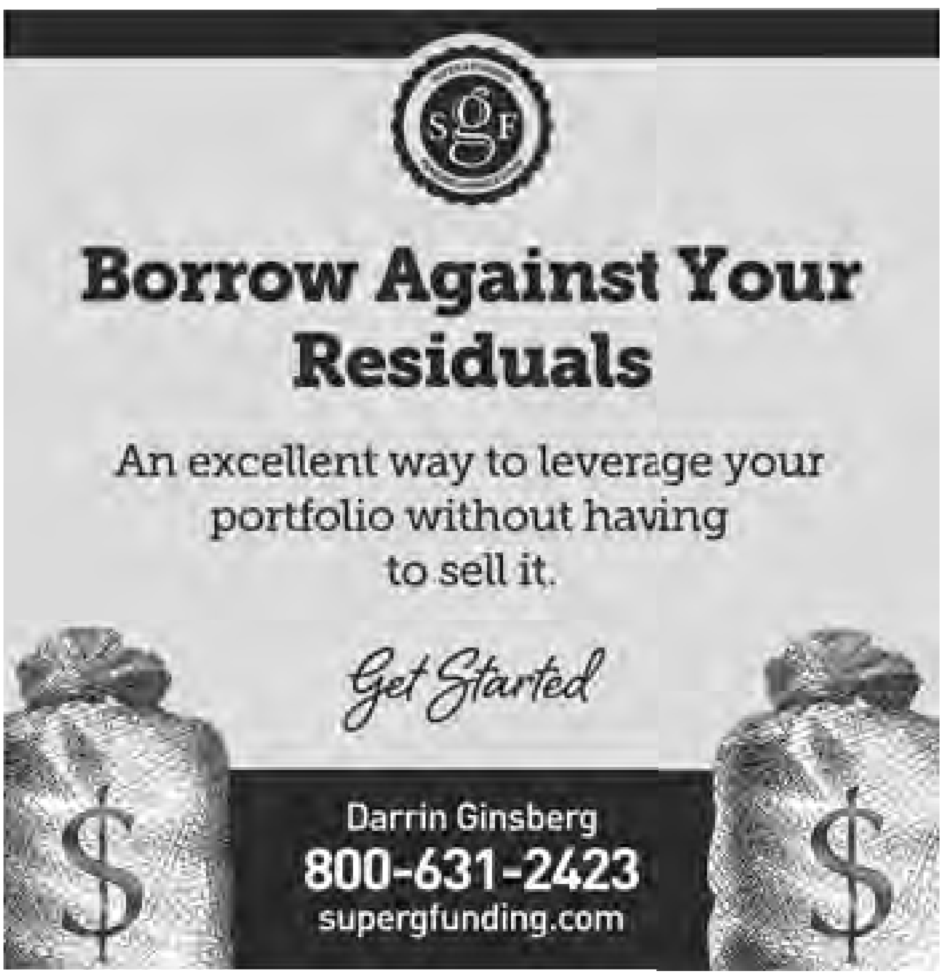
- Expanding the economy via small merchants collecting more payments
- Deterring fraud at the POS
- Building customer loyalty
- Reaching unbanked and underbanked customers

But with those benefits come concerns. Among Hughes' concerns are:

- Data interception and malware infection risks
- Imposition of new and often unfamiliar data protection responsibilities on merchants and other payment system participants
- Chargeback problems and other data security and fraud risks
- Increased need for consumer education
- Compliance with federal anti-money laundering requirements
- Influence of foreign nationals banned from doing business in the United States

Thomas Brown, an adjunct professor at the Berkeley Law School at the University of California and a partner at the law firm Paul, Hastings, Janofsky & Walker LLP, testified at the hearing and warned against more regulation of the payments industry, particularly in the areas of information security and privacy. "[N]ew layers of regulation could easily stifle innovation and benefit some providers at the expense of others," he said.

He noted that payments innovation is occurring "against the backdrop of a very complex regulatory regime" and that a reduction of regulation, particularly in state-by-state licensing requirements, would be beneficial to the emerging mobile payments space.



NRF will try to block settlement

The National Retail Federation was authorized by its Board of Directors Sept. 11, 2012, to go to court to block the proposed $7.25 billion settlement of the antitrust lawsuit brought over card company interchange fees by national retailers.

The NRF is not a party to said lawsuit brought against MasterCard Worldwide and Visa Inc. And U.S. District Court Judge John Gleeson has not outlined how outside groups will be allowed to intervene or if the case qualifies as a class action. Matthew Shay, NRF President and Chief Executive Officer, said the settlement not only doesn't curb the anti-competitive behavior of Visa and MasterCard, it also removes a legal remedy available to retailers now – and in the future – when they are faced with increases in interchange fees.

"The proposal is a lose-lose-lose for merchants, consumers and competition," Shay said. "We represent the nation's retailers, and that means not just today's retailers but tomorrow's as well. It is our duty to foster an environment that is supportive of young, new entrepreneurs who will create the Wal-Marts and Amazons and Main Street shops of the future. We can't stand by and allow their rights to be stripped away before they've even had a chance to start their businesses."

Shay pointed out that interchange fees are particularly burdensome for online retailers who are forced to pay higher card-not-present interchange rates.

Additional allegations the NRF voiced include:

- The proposed $7.25 billion settlement amounts to pennies on the dollar.
- It allows future interchange fee increases that would let card companies quickly recover the cost of the settlement from the same retailers who sued over the fees.
- The alleged antitrust behavior of MasterCard and Visa is not reformed by the settlement.
- The settlement doesn't require the card companies to disclose fees or increase transparency.
- The provision allowing merchants to surcharge customers who pay with credit cards is meaningless because merchants want to decrease costs for customers, not increase them, and for merchants who might want to surcharge, the restrictive nature of the provision makes it too difficult to do.
- The settlement does not require the card companies to negotiate interchange fees with merchants in good faith.

PCI SSC offers IT accreditation program

The Payment Card Industry Security Standards Council (PCI SSC) introduced an open accreditation program designed to certify information technology (IT) professionals on their knowledge and understanding of the Payment Card Industry (PCI) Data Security Standard (DSS). This news arrives as the council assesses feedback from its community of participating organizations on version 2.0 of the PCI DSS and the Payment Application (PA) DSS.

The new certification program, called the PCI Professional (PCIP) program, is geared toward individuals and does not require company sponsors. Thus the certificate is transferable from one employer to another. The program offers payments industry tutoring and, once the professional succeeds in passing the exam, a place on a searchable PCIP certificate list on the PCI SSC website.

The PCIP course is web-based and concentrates on the fundamental principles and procedures of the PCI DSS. Certification candidates have 30 days to complete the course. The first course begins Nov. 1, 2012, but testing is available now. Professionals may elect to forgo the instructional portion of the program and just take the test.

The tests may be taken at any of the more than 4,000 Pearson VUE Testing Centers around the world. Those who already hold Internal Assessor and Qualified Security Assessor certification can add the PCIP credential to their list of professional achievements by simply registering with the PCI SSC. Candidates need two years of IT experience to take the course and/or exam. PCIP-certified professionals must recertify every two years.

Like CISSP

PCI SSC General Manager Bob Russo compared the PCIP program to the Certified Information Systems Security Professional (CISSP) certificate offered by the non-profit IT security professional-focused International Information Systems Security Certification Consortium.

"When we introduced the PCI DSS, we created a huge market for Qualified Security Assessors and Internal Security Assessors," Russo said. "ISAs wanted to know what assessors were looking for coming in. They wanted to know how to get ready for the assessment. This program helps companies that want to do their own assessments but need background on the payment card industry." Russo said test questions were developed by the council internally. The certificate provides a competitive advantage to IT professionals because it validates expertise and opens doors to more opportunities and rewards, he noted.

Feedback on PCI standards

The PCIP certificate program was launched the same week the council released industry feedback on version 2.0 of the PCI DSS and PA DSS. Version 2.0 is scheduled for release in October 2012. The feedback was offered from organizations and individuals across the spectrum of the payments industry. The council said more than 90 percent of the feedback concerned the PCI DSS – the main standard comprised of 12 overarching requirements. The suggestions for improving the standard include:

- Prescribing use of specific tools, requiring approved scanning vendors perform internal scans and defining what constitutes a "significant change" (Requirement 11.2)
- Adding more guidance on scoping and segmentation
- Clarifying the terms "service provider" and "shared," and providing more prescriptive requirements regarding written agreements that apply to service providers (Requirement 12.8)
- Updating the self-assessment questionnaires
- Providing clarification and guidance on encryption and key management (Requirement 3.4)
- Updating password requirements, including expanding authentication beyond just passwords (Requirement 8.5)

Lifetime Residuals - Non Exclusive Agreement . No Internal Sales
Processor Direct Reporting . Debt Free - No Venture Capita

MLS Direct Network has been offering a true 80% residual payout on all revenue streams since 2004. Because we are a member owned cooperative buying network and through our national buying power strength, we're able to use our collective volumes to gain strategic pricing. With MLS Direct Network, you'll get peak residual payouts and put more money in your pocket.

Prepaid in brief

NEWS

Governments worldwide go prepaid

MasterCard Worldwide noted a global shift occurring in government benefit payments, with governments around the world moving to prepaid cards. Most recently, South Africa distributed over 2.5 million prepaid debit cards to its benefit recipients, with plans to release 10 million cards by March 2013, MasterCard reported.

The card brand cited other developments, including Italy and Romania issuing benefit cards to its citizens via their post office networks and the United Arab Emirates issuing payroll cards to government contract workers.

Travel card usage grows in Brazil

Brazilians who vacation in the United States, and especially in Florida, are apparently using travel cards in greater numbers. In the Aug. 13, 2012, edition of *Portals and Rails*, the blog of the **Federal Reserve Bank of Atlanta**, it was reported that Brazilians choose general purpose reloadable (GPR) cards for travel to avoid a new tax imposed by Brazil on foreign credit card purchases and to lock in favorable exchange rates for the duration of trips.

"In 2011, the Brazilian government imposed a new financial operations tax of 6.38 percent on foreign transactions made with Brazilian-issued credit cards," Paul Graham, Assistant Vice President and Branch Operations Officer at the Miami Branch of the Federal Reserve Bank of Atlanta, wrote on the blog.

Another benefit of travel cards for Brazilians is the cards offer favorable exchange rates and fixed rates that insulate tourists against rate fluctuations, he noted.

Fraudster sentenced in WorldPay hack

A U.S. district court judge sentenced a "money mule" to two years and six months in federal prison for her role in the 2008 fraud scheme against Atlanta-based processor **WorldPay US Inc.** (formerly RBS WorldPay Inc.) that netted fraudsters $9 million. Sonya Martin, a 45-year-old resident of Nigeria and Chicago, was convicted of conspiracy to commit wire fraud.

The court said Martin took part in a Chicago "cashing crew" that took account information stolen from WorldPay's systems to withdraw approximately $80,000 from various Chicago ATMs on one morning in November 2008. In February 2009, the processor reported the breach, where 1.5 million open-loop gift and payroll card numbers were compromised, but only 100 of the card numbers – all from payroll card accounts – were allegedly used in the scam.

ANNOUNCEMENTS

BitInstant reveals paycard ambition

Alternative commerce platform provider **BitInstant** said on its corporate blog that it intends to roll out a MasterCard-branded payroll card denominated in Bitcoins, the virtual currency backed by data mined on the web. "BitInstant's partners, who are issuing the card, have been working with MasterCard for many years, and the specific relationship will be between these partners and MasterCard (not directly between MasterCard and BitInstant)," wrote Erik Voorhees, Director of Marketing and Communications at BitInstant.

Edenred reports rise in prepaid issuance

Paris-based prepaid card provider **Edenred** said it issued 9.5 percent more cards in the first half of 2012 than it did in the first six months of 2011. Edenred attributed the growth to higher penetration rates in existing markets, the increase in face values on cards, expansion in Mexico and beginning operations in Finland.

Warburg Pincus invests in InComm

Prepaid card distributor **InComm** received funding from private equity firm Warburg Pincus LLC. Terms of the minority investment were not disclosed.

Omni Prepaid makes top 10 in 'Steel Town'

The *Pittsburgh Business Times* named **Omni Prepaid LLC**, the parent company of GiftCards.com, to the Pittsburgh Top 100 fastest growing companies list. Its eighth place ranking on the 2012 list marks the company's fifth consecutive placement on the list.

Pew finds GPR cards are 'risky'

The Pew Charitable Trusts, a nonprofit organization that operates a public policy think tank, issued a report that characterizes GPR cards as checking account alternatives that come with added risks. Also, in its review of a representative sample of 52 different prepaid cards, Pew found that variable fee structures and disclosures make comparison shopping between cards "very difficult."

Plastyc named to Inc. 500/5000 list

UPside Visa prepaid card provider **Plastyc Inc.** joined the ranks of the fastest growing U.S. companies with its inclusion on the 2012 Inc. 500/5000 list. Plastyc said that, according to Inc.'s calculations, the company had a three-year revenue growth of 655 percent.

Blackhawk to go public

Safeway Inc. is making plans to enter into an initial public offering for its subsidiary **Blackhawk Network**. Safeway intends to execute the IPO in the first half of 2013.

IdeaBank Challenge winner seeks satisfaction

The **U.S. Department of the Treasury**, the **Doorways to Dreams Fund** and the **Center for Financial Services Innovation** named the winners for the IdeaBank portion of the MyMoneyAppUp Challenge. The grand prize winner received $1,000 in cash for a mobile app idea that allows users to track the satisfaction quotient of purchases over time. Overall, $2,500 was awarded. The submitted ideas are posted at *http://ideabank.mymoneyappup.challenge.gov.*

PARTNERSHIPS

CorFire processes Dunkin' Donuts payments

CorFire, the mobile commerce processor of SK C&C USA, said it is providing virtual mobile payment capabilities for the **Dunkin' Donuts** mobile app, which includes a virtual gift card. The app was developed by CorFire and incorporates social media functions such as mobile gifting via emails and text messages.

ACQUISITIONS

Wright Express to add Fleet One

Fuel card processor **Wright Express Corp.** agreed to acquire its competitor **Fleet One** for $369 million in cash. The transaction, which is expected to close in the fourth quarter of 2012, will add 210,000 active card accounts to Wright Express' portfolio.

APPOINTMENTS

Luminaries join BillMyParents' board

Teen card company BillMyParents Inc. named **Jesse Itzler** and **Sol Barer**, Ph.D., to its board of directors. Itzler, the co-founder and former Vice Chairman of Marquis Jet Partners, operates his own charity, the 100 Mile Man Foundation. Barer is the founder and former Chairman of the Board of biopharmaceutical firm Celgene Corp.

Round joins Kaiku Finance

In conjunction with the launch of the Kaiku Visa Prepaid Card, Kaiku Finance LLC introduced **Jon Round** as Chief Executive Officer. Round, who brings over 20 years of payments experience to Kaiku, reportedly helped launch the first Visa prepaid card programs in Canada and the U.K.

Features

Is direct deposit the secret to prepaid's future?

One significant hurdle faced by prepaid card providers is how to get consumers to use prepaid cards for longer periods, use the cards more often and spend more with them. A report conducted by The Payment Cards Center of the Federal Reserve Bank of Philadelphia and the Center for Financial Services Innovation suggests the answer may be to offer direct deposit on the cards.

The report, *Consumers' Use of Prepaid Cards: A Transaction-Based Analysis*, said a linkage seems to exist between value load and longevity characteristics and direct deposit. Prepaid cards that did not allow users to direct deposit funds to the cards were used less often and for shorter periods. In contrast, cards that did offer direct deposit were used more often and for longer periods, the researchers found.

According to the research, over the life of the card the total median value loaded onto general purpose reloadable (GPR) cards purchased online, and that also come with direct deposit, is $9,460. But for GPR cards purchased online that do not come with direct deposit, the median load amount was $427.

The disparity was even greater for GPR cards purchased from financial institutions (FIs). The median value loaded over the life of the card onto those direct deposit-enabled GPR cards was $9,737, while the load value was only $353 for FI GPR cards without direct deposit.

The report said GPR cards that have such patterns of value load "remain active at least twice as long (or longer) and have 10 times or more purchase and other activity than other cards in the same program category," Additionally, such cards apparently generate at least four times more revenue for card issuers.

"Average monthly cardholder costs are about twice as high, because these cards are used more intensively; on a per transaction basis, cardholder costs are lower," the report noted.

Why?

The research was based on 280 million transactions made on over 3 million cards issued by Meta Payment Systems, a division of Meta Financial Group Inc. Robert M. Hunt, Vice President and Director at the Payment Cards Center and co-author of the report, said that, although the data set was sizeable, drawing conclusions about cardholder behavior based on the data is limited.

For example, there is no way of knowing the source of funds that cardholders loaded onto the cards. "You could be getting your pay check deposited on it," Hunt said. "You could be getting a retirement check. You could be transferring funds from another financial account that you have – they're just doing it at a certain frequency that we observed in the data. And we don't have a lens for figuring out which of those things is happening."

Another mystery is why cardholders who have bank accounts would need to purchase GPR cards from their banks.

"Most likely the people coming and getting that card are customers of that bank," Hunt said. "[They] probably have checking accounts at that bank. And yet for some reason they go in and get a prepaid card. And I can't tell you why."

Hunt offered several possible scenarios. Bank customers could be using GPR cards for "envelope budgeting" – putting aside money for a special purpose. Or perhaps bank account holders use GPR cards to segregate "hobby money" or entertainment funds from general expenses. A third possibility is that parents purchase GPR cards for college-age sons and daughters. "This is an easy way for them to provide a regular allowance to them for spending money in an account that is not going to get overdrawn and has relatively low costs," Hunt said.

A 'checkered' future?

It can be argued that by adding direct deposit to the cards causes prepaid card accounts to function more like traditional checking accounts. But the differences between basic checking and direct deposit-enabled GPR cards are striking.

While the median length of time that such GPR cards are active hovers around a year, primary checking accounts last between 10 and 14 years, according to studies cited by Hunt. "Even though the cards in many ways are being used in a way that would be similar to a debit card, the economics can't be the same because the lifespan of the product is so different," he said.

Another statistical category that bears further analysis is


mobilePAYMENT
D900
secure mobile
payment terminal
pinpadPAYMENT
SP30
secure handover
countertop terminal
mobilePAYMENT
S90
secure mobile
payment terminal
PAX
Innovative SECURE POS Solutions
countertopPAYMENT
S80
secure countertop
payment terminal
multilanePAYMENT
MT30
touchscreen secure
multilane terminal
pinpadPAYMENT
SP20
secure PINpad
contactlessPAYMENT
R50
secure RFID
acceptance
Certifications:
EMVCo
PCI Security Standards Council
RoHS
FC
UL
Contact Us:
www.pax.us
1-877-859-0099
inquiry@pax.us
© 2012 PAX usa All rights reserved.

the revenue earned over the life of various GPR cards with direct deposit. The report said GPR card providers can expect to earn anywhere from $93.75 (for cards available at FIs) to $152.80 (for cards available in retail stores) per card. In comparison, revenues on GPR cards without direct deposit was only about $11 for both types of cards mentioned above.

"These are not very large numbers," Hunt conceded. "And that's with direct deposit. The cards without direct deposit are very modest."

Hunt said the expenses of programs, such as distribution costs of getting the cards into consumers' hands, must be weighed against the revenues issuers earn over the lifetimes of the cards. For banks looking to get into prepaid – a growing trend – that metric is important to take into account.

"You cannot operate by analogy from a checking account into prepaid," Hunt said. "The economics are different. The distribution model is different.

You are going to attract a different kind of customer population. And your customer service is going to be somewhat different. You need to go into it deciding that you're going to be a provider of prepaid card services, rather than thinking about it [as an] extension to business you already know well."

Players profit from open currency

The latest twist from gift card exchange operator Plastic Jungle Inc. gives gamers the option of paying with gift cards for in-game enhancements in the virtual worlds of free-to-play online games. Not only does the new service further Plastic Jungle's goal of "freeing" the $40 billion trapped on unused gift cards every year, it is also evidence that gamers are increasingly primed to use prepaid cards to enhance games.

For the service, Plastic Jungle partnered with open currency platform provider Zeevex (acquired by prepaid card distributor InComm in 2010). When gamers click to pay for in-game enhancements from their online Zeevex accounts, they are given the choice of paying with the gift cards from any one of approximately 130 brand retailers in Plastic Jungle's network. Funds on the gift cards are converted into Zeevex virtual currency.

Almost one in five U.S. gamers (19.1 percent) spent $526 million on games with prepaid cards in the first six months of 2012, up from 17 percent of gamers who spent $238.5 million on games via prepaid in the first half of 2010.

"One of the reasons we were so excited to launch this product is that Zeevex also represents choice," said Bruce Bower, President of Plastic Jungle. "We present choice in being able to make use of gift cards that you have that you'd prefer to use for something else. Zeevex represents hundreds of online and mobile gaming experiences."

The solution provides incremental revenue in new ways for both online game publishers and retailers. Publishers receive revenue from unlocked gift card funds in the form of micro transactions that represent as little as 25 cents per in-game enhancement. But many gamers resist paying for such enhancements.

However, they are more likely to spend that little bit of money for a better sword or magic potion if the money comes from a gift card laying unused in a sock drawer, said David Etling, Vice President of Business Development at InComm.

"It provides an opportunity for that publisher to convert and monetize that consumer that may have been playing that game for free," he added.

For retailers, the incremental profits come from a lack of hesitation by consumers at the POS, according to Bower. When consumers purchase the closed-loop gift cards of national retailers, like Best Buy Inc. and Gap Inc.'s Old Navy, buyers no longer have to worry that recipients of the cards will not like the brands.

"Now it may not be the right fit," Bower said. "But it's certainly not going to cause them to hesitate and not buy that card. … So you actually can have a consumer that says I'll go ahead and buy a Target card, knowing [the recipient] can convert it into Zeevex points."

The play for Zeevex

Etling said InComm acquired Zeevex to expand its footprint with the two primary consumer groups for game cards: teenagers and young adults. The principal way InComm reaches those consumers is through the Zeevex Virtual Currency Card available in over 50,000 retail locations.

The Zeevex card allows InComm to consolidate hundreds of different online games onto one card. That is important for retailers, where shelf space is limited, but it is also advantageous for game publishers, Etling noted.

"There are literally hundreds, if not thousands, of different online games that consumers play," he said. "And they have a very finite audience. They may have half a million users or 200,000 users that are very engaged in playing that game."

Such publishers do not have enough players to justify their own game cards. An aggregate card thus allows smaller publishers to reach players and "turn the peg in retail," Etling said. Additionally, gamers routinely play more than one online game, Etling added, so the card provides them greater choice over what games they can spend money on.

A new way to play

In *Payment Preferences of Worldwide Online Gamers 2012*, free-to-play game market consultancy SuperData Research Inc. said the top three preferred payment methods for online gamers in the United States are e-wallets, credit cards and prepaid cards.

Almost one in five U.S. gamers (19.1 percent) spent $526 million on games with prepaid cards in the first six months of 2012, up from 17 percent of gamers who spent $238.5 million on games via prepaid in the first half of 2010.

Dr. Joost van Dreunen, Lead Analyst and Managing Director at SuperData, said the Plastic Jungle-Zeevex partnership highlights how important prepaid cards have become to game publishers in driving customer loyalty. "It's really a good way, I think, a very intuitive way of convincing and cultivating those customers," he said.

The business model can be especially beneficial for smaller publishers. According to van Dreunan, gamers are like general consumers in that they demonstrate loyalty to the brands they know and recognize.

"So you see a lot of these emerging brands and payment brands finding it hard to establish themselves as a brand because people are really showing some inertia in terms of jumping over to new brands," he said.

Game publishers can bridge that divide by partnering with name brands like Disney or The Home Depot U.S.A. Inc. via the Plastic Jungle-Zeevex open currency solution. "I think that's a great way to associate your beginning brand as a payment option with an established brand," van Dreunan said.

Quit playing the rate game!

Change the rules with free POS systems.

A Truly Unparalleled Opportunity to Revitalize Your Revenue Stream!

By leading with POS systems, you will get in front of more decision makers. Avoid the "rates and fees" sales pitch and begin offering something of real value to the merchant. Once the merchant realizes the advantages of a full-featured POS system over a standard credit card terminal, the sale becomes effortless. Instead of being just another credit card rep, this program quickly makes you the merchant's most important vendor. Harbortouch's free POS program has changed the rules of the game!

More than double your average monthly residual!

Double your average monthly processing volume!

Benefit from approximately 66% less merchant attrition!

Earn up to $500 up-front commission per POS system!

An average merchant needs 2-3 systems, which means $1,000 - $1,500 in your pocket

YOUR PATH TO A STABLE, MORE PROFITABLE RESIDUAL PORTFOLIO

Higher Margins!

Due to the high value offered by a free POS system, there is no need to decrease your margins by lowering the merchant's processing rate. The processing rates and fees become a secondary concern, allowing you to maintain a lucrative residual on these accounts.

Larger Accounts!

You are also able to reach the better quality, higher volume merchants who require the efficiency and reporting of a full featured POS system.

Lower Attrition!

Since a POS system is integral to the merchant's business operations, Harbortouch offers unmatched retention benefits. This lack of attrition provides you with a much more stable residual stream and a more valuable bank card portfolio overall.

Harbortouch Offers More Than Just POS

Free POS Systems | Free Electronic Cash Registers | Free Terminals | Free Gift Cards | Free POS Leads
Mobile Payments | Check Services | ATM Services | e-Commerce | Cash Advance

Visit www.isoprogram.com today

for more information on the free POS program
and how to become a "Certified Harbortouch Reseller"

For more information, contact:
Brian Jones, EVP Sales and Marketing: 800-201-0461 x 138
Jonathan Brandon, National Sales Manager East: 800-201-0461 x 145
Brian Fitzgerald, National Sales Manager Central: 800-201-0461 x 257
Max Sinovoi, National Sales Manager West: 800-201-0461 x 219

HARBORTOUCH

Harbortouch is a registered ISO/MSP of First National Bank of Omaha, 1620 Dodge St., Omaha, NE - Member FDIC

Insider's report on payments

Check fraud is the problem, RDC is a solution

By Patti Murphy
ProScribes Inc.

Check fraud is a serious problem that has plagued financial institutions and their customers for almost as long as checks have existed. But remote deposit capture (RDC) can help temper the problem.

According to the American Bankers Association, 73 percent of U.S. banks reported check fraud losses that, combined, totaled $893 million in 2010. Attempts at fraud, had they been successful, would have amounted to $11 billion in losses, stated the *2011 ABA Deposit Account Fraud Study*.

The *2012 AFP Payments Fraud and Control Survey*, published by the Association of Financial Professionals Inc., shows that checks remain the payment type used by corporations that is most vulnerable to fraud. Among companies surveyed,14 percent of victimized banks suffered financial losses as a consequence in 2011, according to the AFP.

But some of the most telling data came from an analysis using statistics from the Federal Reserve Payments Study undertaken by Rich Oliver, former Executive Vice President at the Federal Reserve Bank of Atlanta. Oliver's number crunching revealed the per-item cost of fraud doubled between 2004 and 2010, even as the aggregate number of checks written fell by 26 percent. The per-item cost of check fraud losses worked out to 18 cents in 2004; in 2010 the cost was 36 cents per item, without adjustments for inflation.

This got me to thinking about RDC and the Check Clearing for the 21st Century Act – the federal law that makes possible the exchange and processing of check images (or IRDs, for image replacement documents) in lieu of the paper. In theory, RDC should reduce opportunities for fraud since it shortens the clearing cycle, which makes it easier to identify fraudulent check deposits before fraudsters abscond with the funds. But the latest iteration of RDC relies on images captured by mobile devices, such as smart phones and tablets, and mobile financial services are a source of great consternation for many Americans.

According to *Consumers and Mobile Financial Services*, published in March 2012 by the Federal Reserve Board, the most common reason consumers give for shunning mobile payments is concerns they have about the security of mobile payments. Asked specifically about the security of personal financial information when using mobile banking applications, 36 percent said they believed it was either somewhat or very unsecure.

And these fears are not unfounded. Juniper Networks Inc., a Sunnyvale, Calif., firm that keeps tabs on mobile threats, reported a 155 percent increase in mobile malware incursions between 2010 and 2011. Google Inc.'s Android platforms are especially vulnerable: in the last seven months of 2011, malware targeting the Android platform jumped a whopping 3,325 percent, according to Juniper's 2011 Mobile Threats Report released in February.

The many faces of check fraud

Check fraud can come in many forms. Counterfeits and kiting are two of the most common. When RDC is added to the mix multiple presentments and money laundering are the attention grabbers. Kiting is less problematic in an RDC scenario because check clearing float is practically eliminated, and kiting is a fraud that takes advantage of float.

Multiple presentments aren't much of a problem for RDC either, said John Leekley, founder and Chief Executive Officer of RemoteDepositCapture.com, an online resource focused on RDC. Leekley posed a scenario in which an unscrupulous business owner enters into RDC relationships with multiple banks.

"Sure, they might take a check and run it through each bank's scanner," making multiple deposits of the same item, Leekley said. "But it would only happen once." As soon as the paying bank receives the second item they'll shut down the account, he added.

The truth is in the data. Bob Meara, a Senior Analyst at the consultancy Celent LLC who frequently surveys the RDC market, said recently that 90 percent of financial institutions that have implemented RDC report no fraud losses from remotely deposited checks. Meara said fraud can be discovered faster in an RDC environment than a branch, where checks can sit in piles for hours until they are sent for processing.

Even more telling, only 1 percent of the companies in the AFP's payments fraud survey reported that someone had used electronic check conversion services to defraud the company, and that percentage was unchanged from 2009.

Taking a bite out of check fraud

Bankers and vendors feel this is no coincidence. Federal regulators have put banks and credit unions on notice that they are looking closely at RDC programs during scheduled supervisory exams. The bank and credit union regulators also jointly issued detailed guidance on how best to manage RDC risks, including fraud risks.

"The most important consideration with RDC and with mobile, too, is having a comprehensive risk management

Check fraud, and especially money laundering, takes advantage of shortcomings in the way checks are written and processed.

plan," said Sam Golbach, Senior Vice President, Integrated Receivables Financials, at Wausau Financial Systems Inc. That includes keen attention to know-your-customer procedures. "Very few institutions are opening this up to everyone," he noted.

Additional steps include customer deposit limits, availability holds, velocity limits and ironclad hardware and user authentication. For example, check scanner manufacturers have developed techniques for identifying devices that have been surreptitiously moved. And software providers have added sophisticated risk analysis tools to their RDC offerings, including real-time, cross-channel monitoring of customer deposits.

But here's the big plus: because the checks and associated data that accompany remote deposits get digitized, stored in archives and can be shared in real time across multiple platforms, it's easier to identify suspect items and patterns of activity that point to money laundering.

Traveler's checks and money orders have always been favored instruments of money launderers and were an impetus for the earliest anti-money laundering laws. And according to a recent report by the U.S. Senate Permanent Subcommittee on Investigations, money launderers continue to use traveler's checks and money orders to skirt the law.

Check fraud, and especially money laundering, takes advantage of shortcomings in the way checks are written and processed. With millions of paper checks exchanging hands each day, identifying fraudulent items is like finding a needle in a haystack. With RDC, every item enters the clearing system as a digitized image and is analyzed in real time for fraud and other anomalies. That's why RDC is a winning strategy and just one more reason why checks are here to stay.

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

Are Level 4 merchants ready for mobile?

A survey conducted jointly by ControlScan and TransFirst LLC highlights mobile payment technology acceptance within the Level 4 merchant segment. Over 730 merchants responded to the inaugural *Mobile Payment Acceptance Survey* on technology preferences and merchant perceptions about consumer demand for mobile payment options.

"Consumer-based mobile technology solutions are exploding in the marketplace, promising to fundamentally change the merchant-consumer dynamic," said Dave Abouchar, ControlScan Senior Director of Product Management. "As small business experts, we want to understand how the Level 4 merchants we and our acquiring partners serve are adapting to this change."

Survey respondents answered a series of questions related to three significant mobile payment scenarios: consumer use of mobile devices to access and make purchases on merchant websites; merchant acceptance of card-present payments via smart phone or tablet devices; and consumer use of mobile phones at the POS to make payments.

Key merchant findings from the survey:

- 55 percent do not have optimized websites for mobile device users.
- 70 percent do not track online transactions executed on mobile devices.
- 10 percent currently use mobile devices to process card-present payments.
- 3 percent currently deploy technology for mobile wallet payments at the POS.

According to Abouchar, the survey will be repeated in the future to monitor Level 4 merchant progress toward adoption of mobile payment technologies. "Our goal is to understand merchants' technology-related concerns and needs so we can continue to provide products and services that promote business growth," said Craig Tieken, Director of Product at TransFirst. "The *Mobile Payment Acceptance Survey* has given us valuable insights to better engage and inform our customers."

For complete survey results please visit *www.controlscan.com/whitepapers/mobile_study_2012.php*.

Big data in retail

According to **RIS** Roadmap Series data, the ability to manage big data will become fundamental to retail operations in the near term. *Maximizing Big Data-Enabled Opportunities in Retail* outlines six mile-posts for capitalizing on big data opportunities and offers industry insights from leading experts on how to unlock critical tools during each stage of big data management implementation.

Compass on payment fraud

A **Compass Plus** white paper titled *The Rise and Fall of a Fraudulent Transaction* discusses the evolution of financial services over the past decade and the coinciding emergence of pervasive fraud in an always-connected world. The paper also addresses how the financial sector can rise to the challenge by continuing to deploy multiple layers of security protection.

Universality of smart devices

According to **First Data Corp.**, consumer expectations of an integrated buying experience driven by smart device technologies are blurring the lines between in-store commerce, e-commerce and mobile commerce. In *Universal Commerce: Adapting to the Power of Smart Devices*, First Data reveals how smart devices are changing traditional commerce and the potential implications for merchants and financial institutions alike.

Data security lessons from the experts

After investigating more than 300 security breaches worldwide, experts at Trustwave discovered 87 percent of breached businesses did not have security policies in place. Below are the top seven vulnerability points in data security Trustwave found.

Weakest links in organizational data security	Percentage
Smart phones: Employees with no password protection on their smart phones	70
Phishing emails: Percentage of messages that pass through spam filters	69
Social media: Enterprises reporting increased social media malware attacks	52
USB sticks: Employees who reported virus infections initiated through USBs	35
Computers/networks: Employees who regularly do not lock or log off computers	33
Public Wi-Fi: Employees who deploy virtual private networks for public access	18
Passwords: Employees with handwritten passwords posted in their workstations	15

Source: Trustwave, *Infographic: Uneducated Employees and Their Seven Deadly Sins*

BYOD risky business

A survey conducted by research firm **ITIC** and security awareness training firm **KnowBe4.com** found only 13 percent of the 550 businesses surveyed employ specific policies for dealing with bring your own device (BYOD) deployment. Seventy-one percent of respondents reportedly allow BYOD among employees, yet only 37 percent believe their businesses are ultimately responsible for taking device-related security measures.

Billers to push more plastic

A **Treasury Strategies** white paper suggests that converting consumer bill payments from paper and automated clearing house payments to card transactions could streamline the overall cost and risk associated with payment acceptance, especially from the underbanked. As a payment option, *Optimizing the Collection Portfolio* estimates the average cost to biller per debit or credit card transaction is $1.65, versus $2.72 for check transactions.

Digital wallet wars

A **Forrester Research** report titled *Why The Digital Wallet Wars Matter* forecasts which wallets could ultimately win in the marketplace. "The real promise of digital wallets lies within their ability to facilitate payment while simultaneously enabling smarter, more efficient commerce through delivery of value-added services – before, during and after the payment moment," stated Forrester Senior Analyst Denée Carrington.

Acquiring industry's annual checkup

The sixth annual Mercator Advisory Group report on U.S. merchant acquiring offers an in depth analysis and discussion of market performance by the nation's leading acquirers, the issues surrounding counterparty risk and indicators that suggest dramatic changes for acquirers at every level, whether merchant, processor or bank.

"The U.S. merchant acquiring market, while concentrated heavily in the top tier of players, is actually quite diverse when it comes to the opportunities for firms of various kinds to share in the overall industry," said David Fish, Senior Analyst for Mercator's Credit Advisory Service and the report's author.

According to Fish, the traditional view of acquirers as bank members of card networks that own or sponsor processing of card transactions via those networks, and thus hold the risk associated with those transactions, is changing. The paper explores the liability chain linking entities in the acquiring network and the potential risk to each party involved.

"In reality, the acquiring bank passes liability for merchant card transactions downstream to partner intermediaries and is only one of four types of entities that could potentially own merchant contracts and risk liability that those contracts will go bad," Fish said. New to this year's report is a market share analysis and market division by acquirers, processors and banks.

Report highlights include:

- Market share analysis for the U.S. merchant acquiring industry
- Discussion of counterparty risk in merchant acquiring
- Analysis of new card network processing fees
- Review of key issues, from regulation to data security

For more information about this report, please visit *www.mercatoradvisorygroup.com.*

ISOs tackle future head on

A survey conducted by Aite Group LLC and the Electronic Transactions Association of 25 merchant acquiring executives identifies key challenges and best approaches for managing migration to mobile and cloud-based payment technologies.

Top ISO/merchant acquirer challenges	Percentage
Rapid technological change	23
Card brand and regulatory change	21
Competitive pressures	13
Data security and fraud	7
Economic pressures	2
Industry image	1

Source: Aite and ETA Impact Note, *Merchant Acquiring: Full Speed Ahead Into the Mobile Payments Era*

Why advertise?

Is it always about getting customers? Big Business says no, according to *The Economist* in "Briefing Business and the Olympics," published July 21, 2012. The article stated, "Big sponsors tend to be firms with brands that are already well-known. Lesser-known firms buy ads to explain to customers who they are. The likes of Coke and IBM back athletes to make consumers feel warmer about their brands. There is evidence that such backing can work, at least on a team-by-team level."

So it has always been with advertising in the bankcard industry. The most money has always been spent by those that are already known and doing well, although everyone advertising hopes to get new business.

Making your mark

Perhaps uniquely in our business, there has always been steady growth in new sales representatives entering our market. This trend continues to strengthen, especially since the start of the current recession. Perhaps this is due to the difficulty in obtaining jobs, or perhaps it is because our industry remains a place to earn a good living. Word has gotten out that our industry has created many millionaires. For those who have started at the bottom and broken out to be megastars, being well known and bold have paid off handsomely.

Creating something unique and getting it to the right audience can build a business from scratch, just as it did for Heartland Payment Systems Inc. and CrossCheck Inc. (as two obvious examples). But there are many other reasons to advertise, as *The Economist* pointed out in its July 21 article: "Jorg Henseler of Radboud University has found that in the Netherlands sponsoring football teams make brands more valuable. And even if there is no such direct effect from sponsoring the games, there is an indirect benefit: you raise ever further the costs of entering the global market. It is spending like this that makes competing with Coke hard, even when making fizzy drinks is easy."

We hear all the time that it is just too easy to get into this business. Advertising is one of the ways that the cost of entry is increased to new players. Many seasoned professionals believe this is a far better defensive move than spending endless resources to retain existing customers, as opposed to finding new ones.

Building your brand

In addition, if there has ever been an industry in which it is as much about building the sell-ability of your business as it is about building the business itself, it is ours. Following the endless consolidation in our industry from 1983 on, it is clear that building a portfolio that will attract buyers is part of the process – and this has been amplified in the last four years.

Also, it is not just ISOs, Member Service Providers and merchant level salespeople who care about sell-ability. Many banks have sold their portfolios over the years and started all over again. So the idea of building brand value through making everyone in the industry know you are a player is a very real reason to advertise.

According to *The Economist*, "It is hard to argue the case for Olympic sponsorship from any effect it has on the share prices of advertisers, but the companies must believe they are getting a good deal; otherwise they wouldn't keep doing it, and indeed upping the ante."

Visa Inc. has jumped into the Olympic sphere since it became public. It ran Olympic themed promotions in 45 countries in 2008; this year it has 71 in its sights. It is also passing on the rights to use the Olympic brand to the banks that issue its charge cards; some 950 financial institutions will join its marketing push. Even agents are being added to the push between now and 2016.

Obviously, being associated with an organization like the Olympics enables a sponsor to reach an audience in a one-of-a-kind and respected way – just as *The Green Sheet* has done for its sponsors for nearly three decades.

2012 events calendar

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

Event	Date	Location	Website
WSAA 2012 Conference	Sept. 26 – 27	Huntington Beach, CA	www.westernstatesacquirers.com
W.net, LINC Northern California with WSAA	Sept. 26	Huntington Beach, CA	http://wnetonline.org/Default.asp
Emerging Payments Systems Conference	Sept. 27 – 28	Washingon	www.americanconference.com/emergingpayments
5th Mobile Contactless Payment Innovations Summit	Oct. 2 – 3	Chicago	www.paymentinnovations.net/Register
BAI Retail Delivery	Oct. 9 – 11	Washington	www.bai.org/retaildelivery/registration.aspx
W.net, LINC New York	Oct. 10	New York	http://wnetonline.org/PageDisplay.asp?p1=8042
The Prepaid Awards	Oct. 11	London	www.prepaidawards.com
American Conference Institute, Prepaid Card Compliance	Oct. 11 – 12	San Francisco	https://transactions.c5groupinc.com
AFP Annual Conference	Oct. 14 – 17	Miami	www.afpconference.org/2012
ETA, 2012 Strategic Leadership Forum	Oct. 16 – 18	Palm Beach, FL	www.electran.org/content/section/6/38
Prepaid Card Compliance West Coast Iteration	Oct. 18 – 19	San Francisco	www.prepaidevent.com
Terrapin Holdings Ltd., Cards & Payments USA	Oct. 18 – 19	Las Vegas	https://secure.terrapinn.com/V5/rCalc.aspx?E=5212
20th Annual ATM, Debit & Prepaid Forum	Oct. 22 – 25	Phoenix	www.paymentssource.com/conferences/atmdebit
MONEY 2020 Expo	Oct. 22 – 24	Las Vegas	http://money2020.com/#panel-register
Financial Services Collections & Credit Risk Conference	Oct. 24 – 26	Scottsdale, AZ	http://register.sourcemediaconferences.com
W.net, LINC Northern California	Oct. 30	San Jose, CA	http://wnetonline.org/Default.asp
Cartes 2012 Exhibition and Conference	Nov. 6 – 8	Paris	www.cartes.com
Gulf Bay Consulting LLC, Social Mobile Payments Americas	Nov. 6 – 8	Miami	www.socialmobilepayments.com/registration
5th Annual World Congress Healthcare Payment Expo	Nov. 7 – 8	Arlington, VA	https://www.conf-reg.com
European Prepaid Summit 2012	Nov. 19 – 20	London	http://european-prepaid.com
11th Annual Government Conference	Nov. 28 – 30	Washington	www.cvent.com
W.net, LINC New York	Nov. 29	New York	http://wnetonline.org/PageDisplay.asp?p1=8042

On the map and booming after acquisition

Central Payment Co. LLC

ISO/MLS contact:
Jason Chan
Director of Recruiting
Phone: 888-881-3818
Email: *jchan@cpay.com*

Company address:
2350 Kerner Blvd., Suite 300
San Rafael, CA 94901
Phone: 415-462-8335
Fax: 800-449-7620
Website: *www.cpay.com*

ISO/MLS benefits:
- Dynamic marketing with digital loyalty platform
- All-in-one touch-screen POS system
- 24/7 phone service with zero hold times
- Free merchant reporting
- Strong outlook from joint venture deal with TSYS

Having recently formed a joint venture with Total System Services Inc. (TSYS), Central Payment Co. LLC (CPAY) is poised for a major take-off. The founders of the Northern Calif.-based ISO said the company's capacity for devising creative, tech-savvy solutions will be bolstered by the financial and technological backing of one of the industry's largest, most reputable processors.

Brothers Matt and Zach Hyman, who co-founded CPAY in 2005, said the relationship with TSYS allows CPAY to retain its identity and creates a unique dichotomy: a company that combines the economy of scale of a payment giant with a smaller firm that has catered to the small and midsize merchant space and relied on innovation and flexibility to gain a leg up.

Providing value for agents

"I think our [agent] partners perform better with us than they do the competition, and the reason is that our company – all of our 130-plus employees – are focused on offering the utmost flexibility to meet the needs of every agent," Matt Hyman said. "We want our agents to feel like they're part of something bigger and better, we want them to feel our entrepreneurial spirit, and we do what we can to make sure they have the tools to make that happen."

According to Matt Hyman, those tools include efficient, thorough and individualized phone and technical support; flexible compensation schedules; and an array of value-added products to expand POS functionality. These include facilitating back-office functions such as tracking outlays and receivables and ramping up merchant marketing campaigns with promotions via email, text message and social media.

Zach Hyman noted that CPAY's approach to its agents is very individualized. "One area we've really put a lot of work into is building systems and support to be more flexible with each agent," he said. "We have 50 different compensation schedules. We talk to each agent separately, help them establish marketing guidelines and [sales] programs. We do not do our policies and procedures with a broad scope." He added that the company also provides 24/7 phone support with zero hold times, as well as ready field assistance for issues related to payroll, service, technology and proposals.

Differentiating with SpotOn

Matt Hyman said CPAY's signature value-add is the SpotOn digital loyalty and marketing platform – a product that employs texting, email and social media as both channels for multipronged loyalty campaigns and as vehicles for tracking customer purchasing data.

Zach Hyman said many of CPAY's value-added products are the same as those offered by other ISOs; however, SpotOn is the type of program that "99 percent of these merchants have never been pitched before." He added that the product is "one of those things every agent looks for, and that's something that gives them a distinct competitive advantage. Our check services and POS services are great products, but those aren't things that give our outside sales agent a real competitive advantage."

SpotOn is part of the larger evolution in gift and loyalty programs away from

> ***Merchants collect, at minimum, an email address for every customer who registers, which merchants can use to send ads or promotions.***

plastic cards, stamp cards and paper coupons and toward mobile phones and digitization. The program uses a Samsung Galaxy Tablet, placed on the merchant's counter top, to communicate with customer cell phones (using Quick Response Codes) to automatically redeem coupons, confer loyalty rewards and the like.

"Loyalty [programs] depend typically on sending out 100 or 200 loyalty cards, and that solution doesn't help your relationship with merchants," Matt Hyman said. "Number one, it's expensive: merchants need to re-order their cards every time they run out. And number two, it's not consumer friendly: consumers end up having to carry 10 different loyalty yogurt shop cards."

Capitalizing on mobile technology

A consumer signs up for SpotOn by either tapping a smart phone to a counter-top tablet and entering an email address or by downloading a smart-phone app.

Once registered, every time a consumer pays for merchandise or services at a store that uses SpotOn, the customer simply taps his or her phone on the merchant's reader for loyalty offers and promotions. The program also enables smart-phone users who download the app to look up the names and locations of merchants that use SpotOn in a given locale.

Merchants collect, at minimum, an email address for every customer who registers, which merchants can use to send ads or promotions. They can also track consumers' spending habits and craft individualized marketing campaigns.

Beyond that, the program allows consumers to opt into a mobile alert program that uses text messaging. Merchants can also post deals on Facebook and Twitter, where customers can redeem coupons anywhere they are posted, be it the merchant's Facebook page or where it pops up in the news feed on the customer's own page.

According to Zach Hyman, social media creates a more interactive element, too. Consumers can rate deals and post feedback, while merchants can use social media to target customers with selective ads and promotions, based on the customer's feedback and other online activity.

"Part of SpotOn is the merchant connects their business with social media and can respond to posts, as well as put one up," Zach Hyman said. "They might post on their Facebook page, 'Come in tomorrow between 5 and 6 p.m. for a free tequila shot.' And if the customer clicks to redeem something, we recognize that customer, who will then see the deal they redeemed on the tablet [at the merchant's POS].

"On the other hand, they can just send an email to 1,500 customers, maybe if a restaurant is changing locations, or is opening for lunch. Now you can tell everybody. It all makes it very easy for a business to track redemptions and see their [return on investment] on SMS, a mobile app, emails or social media outlets. ... Just that power to connect is worth a lot of money."

Breaking new ground with TSYS

According to Matt Hyman, the benefits of CPAY's new partnership with TSYS are financial, technological and reputational. "TSYS has a solid reputation, and this deal really puts CPAY on the map," he said. "I think TSYS is an ethical company, so our cultures align that way. ... And we don't have the bandwidth that they do, so we'll be able to do things with products and technology that we couldn't do before."

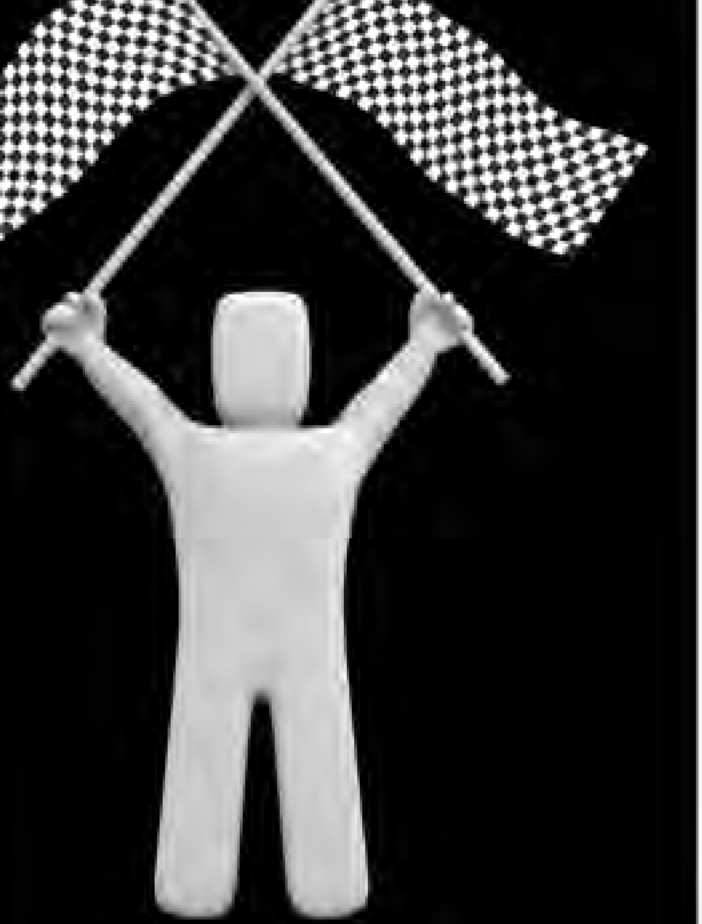
Zach Hyman added, "We plan to aggressively board outside agents and let them know who we are and about the venture. It's a huge value, and our phones have been ringing off the phone with interest."

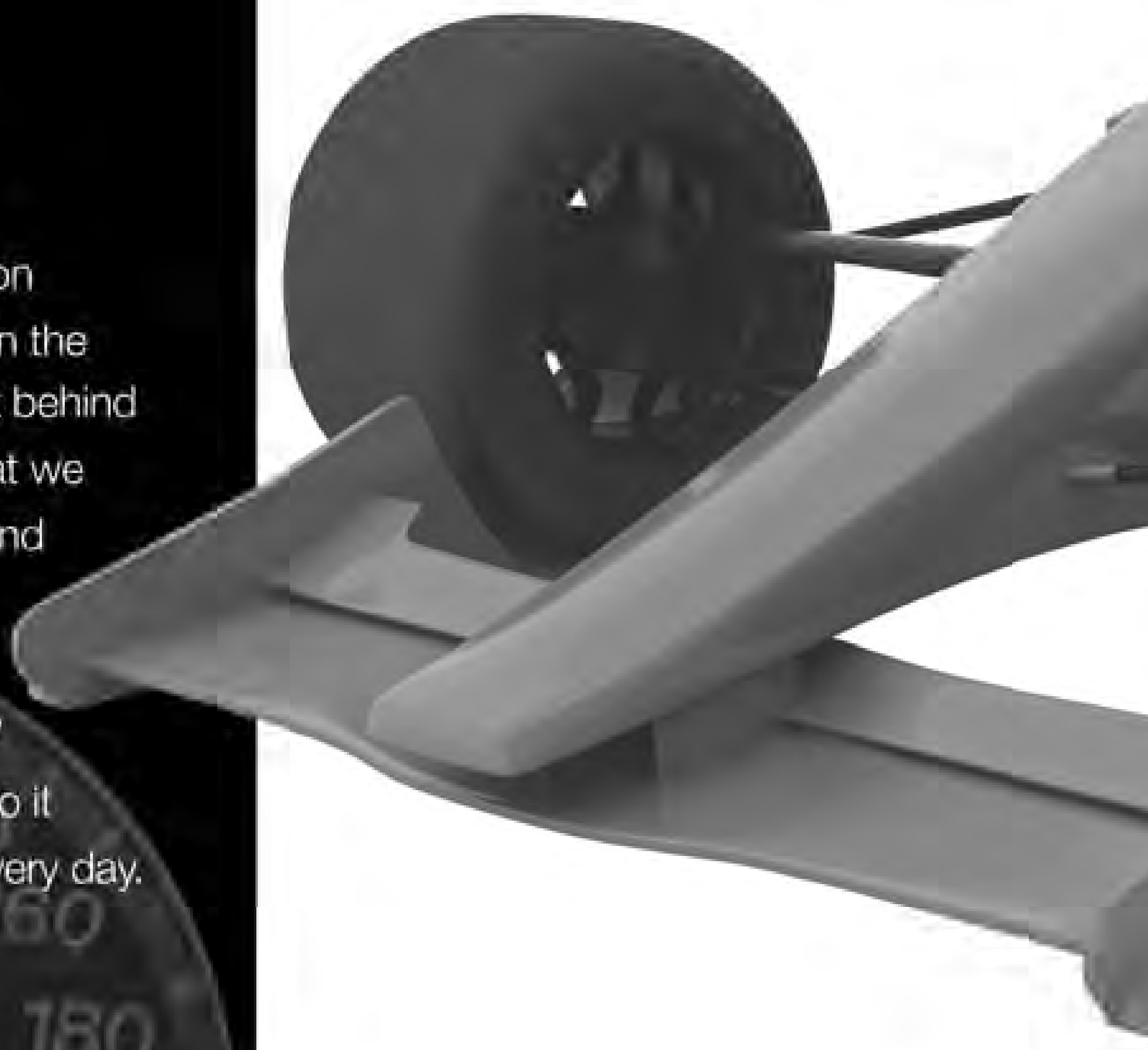
As for TSYS, the venture with CPAY represents its second major move into the acquiring space – but its first into the arena of independent sales, CPAY noted. In March 2010, TSYS established itself in the direct merchant acquiring space by purchasing a 51 percent controlling interest in the First National Bank of Omaha.

CPAY, on the other hand, does all of its merchant boarding through independent sales channels, thus giving TSYS a strong foothold in both the direct and indirect acquiring sectors, according to Susan Sheen, Senior Director of Marketing, Communications and Business Support for TSYS Merchant Services. "It gives us both sides of the equation," she said.

Sheen said the other selling points for CPAY include what she described as a "great cultural fit," as well as the fact that it was already a TSYS processing partner before the acquisition. "They don't have to learn the tools as they go to market," she pointed out, adding that TSYS has aims of becoming a top 10 global acquirer.

"We see ourselves growing through our existing business, through this joint venture, and we will also be looking at making other acquisitions in the future," she said.





Long live the check continued from page 1

Then there is the data checks provide, Leekley noted. Information such as names and addresses, bank accounts, business relationships, as well as information about spending patterns can be gleaned from checks, which is beneficial to banks and business customers, he said.

And numbers demonstrate the check's tenacity. When the Federal Reserve last surveyed the market, in 2009, there were about 23 billion checks written, or 7.1 percent fewer than in 2006. That same year, the Federal Reserve Bank of Boston surveyed consumers on preferred payment methods. It found the average consumer made 64.5 payments per month; 8.2 payments were by check.

According to a 2010 report from the Bank Administration Institute and Hitachi Consulting, consumers use checks to pay for 30 percent of occasional bills and 5 percent of in-store purchases. But these numbers pale compared with check usage among businesses. Aite Group LLC indicated 70 percent of business payments are made by check. Ron Shevlin, Senior Analyst at Aite and co-author of a recent report on corporate disbursements, said "a sizable chunk" of business checks are disbursements to consumers.

Enter the EPO

Further evidencing the value of checks and checking accounts, a group of public and private experts devised a model for an entirely digital check, or electronic payment order (EPO) that could someday replace the paper component of the DDA.

Digital Checks as Electronic Payment Orders, published by the Federal Reserve Bank of Chicago in 2009, describes a scenario in which checks are completely digital – no paper whatsoever involved. This could be achieved by leveraging the near ubiquity of smart mobile devices and the electronic check clearing infrastructure the Check Clearing for the 21st Century Act helped to bring about. It would "provide a convenient, low-cost payment option for both consumers and businesses, based on a payment method that they have found useful for many years," the authors wrote.

The potential savings to banks are significant. For example, EPOs would be indistinguishable from other imaged checks, and it costs less to produce an image using a mobile device than it does to use a full-scale scanner. Widespread adoption of EPOs also could temper strategies for growing deposits that depend on branches, the authors noted.

Mobile apps at your service

When the Chicago Fed began circulating its digital check tome, consumer adoption of mobile banking and payments was just beginning in earnest. That year, Tower Group Inc. was predicting the number of mobile banking users in the United States would reach 10 million.

In a 2012 report titled *Consumers and Mobile Financial Services*, the Fed noted results of a survey indicating 87 percent of Americans had mobile phones, 21 percent of respondents had used mobile banking applications in the previous 12 months, and 11 percent expected to be using mobile devices for banking within the next year.

Even the "underbanked" are taking to mobile financial services; among those polled by the Fed, 29 percent had used mobile banking applications, and 17 percent had made mobile

Riding checks into the future

Check services may not be an easy sell for ISOs and MLSs, but that hasn't stopped some from seeking ways to generate new revenues from this old-fashioned payment choice. After all, checks contain important information about check writers, not just payment amounts.

PAI, for example, offers a complete lineup of check automation products, and it has several new ones in the queue, including an all-in-one countertop card reader and check scanner that PAI's Donna Embry described as having a much smaller footprint than other POS devices. "We're also going to be offering a check cashing product," Embry said.

In the summer of 2012, PAI entered a partnership with a healthcare lender, American HealthCare Lending, on a new funding option that demonstrates the value of checks beyond the payment information they contain. PAI brings its newest product to the partnership, CheckPay, which uses an individual's check writing history to determine the likelihood of repayment.

CheckPay helps provide funding for health-care procedures in amounts between $500 and $5,000, with three-, six- and 12-month same-as-cash repayment plans (no interest is charged if the full amount is repaid within the designated time; interest is charged on the total amount if it isn't paid in full by the end of the period). CheckPay isn't just for the health-care market, either. "It can be used by any business with high-ticket items," Embry said.

Businesses access CheckPay to review an applicant's checking account information against a negative database. If there are no reports of bad checks, the applicant is approved on the spot; if there are bad check reports, the applicant's credit history is also checked. In either case, the funding decision takes just 10 minutes, according to PAI.

Once approved, applicants are asked to make a 20 percent down payment; the balance is repaid through automatic deductions from their checking accounts. Providers get paid upfront for their work, minus service fees.

payments. (Just 12 percent of "banked" Americans with mobile phones reported they had made mobile payments, the Fed said.)

Several banks and prepaid debit card companies that cater to underbanked and unbanked consumers have mobile apps that allow consumers to cash checks with a camera-equipped mobile device and have the funds deposited directly to prepaid cards. "This changes the world," said Drew Edwards, Founder and CEO of Chexar Networks Inc. "It levels the playing field with respect to availability and access to the entire banking system."

Checks to prepaid cards

Chexar built and operates Spyke, The Good Funds Network, specifically for cashing checks to prepaid cards. "With prepaid cards, consumers can do everything they would do with a checking account, except for the trip to the check casher," Edwards said. Spyke aims to provide an alternative to traditional check cashing for what Edwards described as 40 million U.S. workers whose employers do not provide direct deposit of payroll and people with other common types of checks. (For more information, see "When mobile meets RDC," *The Green Sheet*, July 23, 2012, issue 12:07:02.)

Chexar's data suggests checks written to consumers (by other consumers, businesses and government agencies) total $5.7 trillion a year and that in 2011, consumers paid more than $40 billion in fees to convert checks into good funds. "This is a bigger market opportunity than credit and debit," Edwards said.

Chexar uses RDC to support Spyke, as well as sophisticated data extraction and analysis tools for data mining and risk analysis. Spyke can interact with all manner of delivery channels (ATMs, bank branches, kiosks and mobile banking solutions). Chexar provides back-end support, such as analyzing, guaranteeing and clearing mobile check deposits.

Several other companies specializing in prepaid and RDC have homed in on this new business opportunity. Chexar appears to be unique in its use of image capture, storage and analysis tools to guarantee funds availability on mobile check deposits to consumers' prepaid cards. It is not unique, however, in leveraging the utility of check information. (See the sidebar accompanying this article, "Riding checks into the future.")

Leekley said service offerings like Spyke illustrate the value of check information beyond dollars and cents. "Automating check data and simplifying the application of data related to the payments is where the industry is headed," he said.

Merchants and RDC

Leekley said RDC – in particular mobile check deposit applications – is well suited to merchants. Jeffrey Mack agrees. Mack is President and CEO of Cachet Financial Solutions, a Minneapolis-based firm specializing in RDC solutions. In July 2012, Cachet rolled out the Select Business Tablet to enable merchants to manage their businesses from the road. It supports remote check deposits and sophisticated management tools, such as the ability to track and supervise employees' deposit activities.

But RDC hasn't garnered significant interest from ISOs. "It is very difficult to get [ISOs] excited about RDC," said Jerry Frederico, National Sales Product Manager at ProfitStars, a subsidiary of technology giant Jack Henry & Associates. "There just isn't enough revenue in it to match up to what they can make on a Visa or MasterCard" merchant.

There needs to be something more, such as additional business tools, to dress up RDC. Payroll services are one option. "A combination that makes enough of a difference to move the needle," Frederico said.

O.B. Rawls, Senior Vice President for TASQ Technology Inc., First Data Corp.'s equipment sales unit, concurred. "It's a different kind of product," Rawls said of RDC. "It's a three- or four-visit sale, and there's less money in it for them." Rawls said that after failing to ignite interest for mobile RDC with ISOs, TASQ began marketing to financial institutions, with great success.

"Banks do a better job of selling this because it's in their best interests to keep customers out of their branches," Rawls said. This is no small consideration. The consultancy Celent LLC recently surveyed small to midsize businesses and found that 90 percent accept check payments and that more than seven out of 10 frequent their banks between one and three times a week to deposit checks. Celent Senior Analyst Bob Meara said his analysis suggests 20 million small businesses in the United States accept about 3.6 billion check payments each year.

Digital Check Corp. tried to find ISO partners to resell its scanners, with little success, according to Gainer. Merchants, on the other hand, seem to like the concept of remote check deposits, he added.

"We're seeing retailers implementing remote deposit in the back office," Gainer said, for example, for items taken in at the POS or as bill payments. In many instances, these businesses are being identified by branch personnel. "The banks are zeroing in on this," Gainer said. "Merchants are being reached in part based on the frequency of trips they make to a branch."

And then there are the television ads that mega-banks like JPMorgan Chase & Co. and Citibank N.A. began running this year touting mobile check deposit. "It's cool now," Rawls said.

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

Consumer payment habits

Some of the following statistics on current consumer payment habits are well known. All merit attention, given the effect of evolving payment options on merchant acquiring.

- Typical U.S. consumers have nine payment instruments available to them, keep five of those in their wallets and use 3.8 payment instruments in a typical month, according to the Federal Reserve Bank of Boston.
- Just 59 percent of Americans had checking accounts in 2010, down from 96 percent in 2005, according to a survey by Hitachi Consulting and the Bank Administration Institute.
- Globally, 58 percent of consumer payments are made using cards, according to the World Payments Report 2010.
- The average consumer kept $291 in cash in his or her wallet or pocket in 2009 (Boston Fed).
- In 2010, 80 percent of U.S. consumers under age 35 had debit cards, compared with 64 percent of the over-65 crowd (Hitachi-BAI).
- Overall, 74 percent of U.S. consumers had debit cards in 2010 (Hitachi-BAI).
- A mere 11 percent of consumers had contactless payment devices in 2010 (Hitachi-BAI).
- The average consumer made 64.5 payments during a typical month in 2009 (Boston Fed).
- Americans spent $1.6 trillion with debit cards in 2010, according to the Federal Reserve Board.
- In 2010, 33 percent of consumers used reloadable prepaid debit cards (Hitachi-BAI).
- Spending with reloadable prepaid cards topped $80 billion in 2011 (FRB).
- The total dollars deposited to reloadable prepaid cards is growing at an annual rate of 42 percent, according to Mercator Advisory Group.
- Forty percent of U.S. households use prepaid cards, according to Synergistics Research Corp.
- Eighty-seven percent of U.S. residents had mobile phones in 2011 (FRB).
- More than one in three Americans have made payments using their mobile devices, according to IDC Financial Insights.
- As of year-end 2011, U.S. financial institutions had issued 1 million Visa Inc.-branded, chip-embedded Europay/MasterCard/Visa cards (Visa).

CrossCheck's next evolution in check processing services . . .

Open new opportunities!
Check processing services utilizing Remoe Deposit Capture (RDC) processing provide another way to reachout to merchants and acquire an additional source of monthly rsidual. Come find out about the new certification that indutry leaders, CrossCheck and Dejavoo Systems have teamed up on with the new line of Dejavoo terminals.

Dějavoo MAGIC
(Available soon on V Series)

Dejavoo was created by the original founder of Lipman USA who created the popular Nuit family of products. Dejavoo's new terminal allows nulti-mid programming, giving merchants a choicein how they process check payments.

Merchants are looking for services that save them time and money, positively impacting their bottom line. CrossCheck's services, including Remote Deposit Capture Plus and enhancements such as Future Deposit, set our offerings apart from all others. Inrovative features and functionalities deliver your exising and new merchants choices in streamlining their check and payment processing.

The Dejavoo terminal, in conjunction with Remote Deposit Capture Plus from CrossCheck, offers merchants these exclusive features:
- Multi-Mid Solution on a single terminal
- Streamlined Check Processing with Guaantee
- Enhancements such as Multiple Checks with Future Deposit
- Online Check Register at no additional charge

Contact CrossCheck today to see how check guarantee services, including Remote Deposit Capture Plus can help you tap into additional revenue and income opportunities with long-term residuals.

CROSSCHECK

(800) 654-2365
partners@cross-check.com
www.cross-check.com

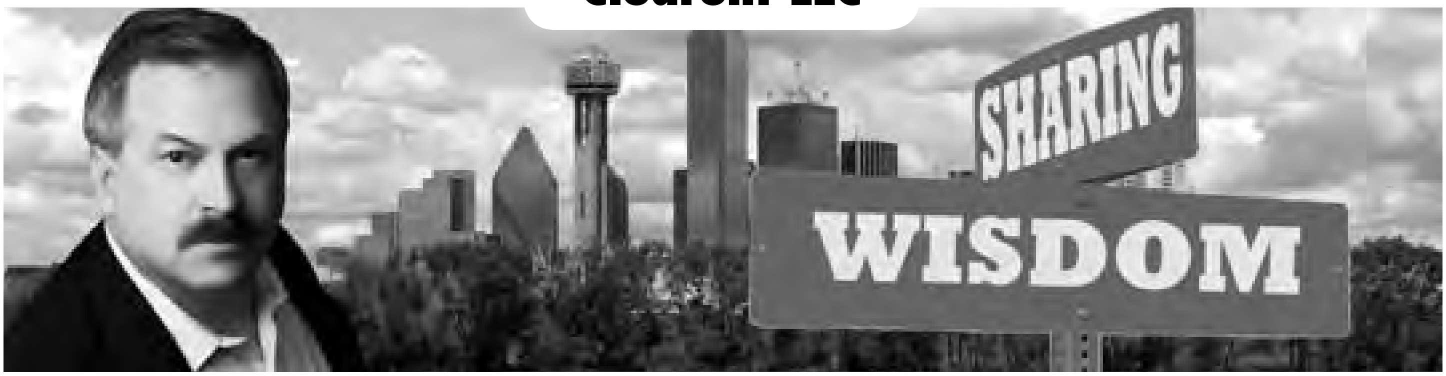
Innovative Payment Programs and Technology Since 1983

BBB ACCREDITED BUSINESS

StreetSmarts℠

Proudly presented by

Clearent LLC



Start with a strong foundation

By Jeff Fortney
Clearent LLC

Shortly after I moved to Texas, my fence needed three new posts. To simplify the process, I rented a post-hole digger. But after about two feet into the first hole, I hit what I thought was rock. After 45 minutes of the digger bouncing back, I moved to the next hole. I thought I could dig down the second hole and then reach the stone from the first and remove it.

However, again, at two feet, the digger bounced; it felt as if I'd hit rock. I soon learned that where I live, clay hard as rock begins two feet below the surface. The only way to dig a hole through it in the summer is to flood the hole with water to soften it.

Later that summer, I came home from work to find the glass in my French door had shattered. The door had been sticking, but I had no idea what had caused it to shatter. The glass repairman arrived and asked if I had been watering my foundation. I had never heard of such a thing. He explained that Texas soil shifts all the time. In summer it compacts; in winter it expands. This puts significant pressure on your foundation, and if you don't water it, shifting can cause sticking doors, broken windows and, ultimately, a damaged foundation.

A learning curve

Thereafter, I set up soaker hoses and started watering my foundation each spring. Even so, this year my foundation required major repairs due to the settling. My house had settled two inches at one spot, causing damage to the overall structure. To fix this, we had to dig under the edge of the foundation and install nine piers, each 12 feet deep. These experiences amplified what I'd known all along: no matter how strong your house is, if you don't have a solid foundation and maintain it, your whole house can be at risk. Thirteenth century monk and writer Thomas à Kempis put it succinctly: "The loftier the building, the deeper must the foundation be laid." This applies to any venture that involves building an asset, including payment processing. For ISOs or merchant level salespeople (MLSs), the asset is our merchant portfolios and the residuals they generate. The foundation we build upon is critical to the short-term success and long-term health of our portfolios.

It must be built with a proper depth, using the correct materials. It must be maintained, and action must be taken when serious issues arise. If not, external pressures, along with faulty construction, can lead to permanent – and potentially fatal – damage.

Soil conditions

Before building your foundation, you must know and understand the soil conditions. In payment processing, soil conditions are the contract and the partnership with your provider. GS Online MLS Forum member **1SLICK67** listed four elements necessary for a solid partnership:

1. Trust in the partnership. If one of the parties does not trust the other, everything suffers.

Education index

TOP ★★★★★
CREDIT CARD
PROCESSORS.COM

We identify and rank the best credit card processing and merchant services.

"Over 200 processors analyzed." Kiplinger "Rigorous evaluation process." WSJ "Independent authoritative source." Intl Times

View complete rankings at www.topcreditcardprocessors.com/rankings ▶

Hire The Best Credit Card Processors

Take advantage of our two years of research in ensuring that your credit card processing needs are met.
These processors consistently meet the needs of small businesses and enterprises.

Best

TOP 30 CREDIT CARD PROCESSING COMPANIES

RANK	COMPANY NAME	YEAR FOUNDED	REVENUE	FULLTIME EMPLOYEES	ACTIVE CLIENTS	CLIENT RETENTION RATE	AVG APPROVAL RATING	CLIENTS
1	Company Name	2001	Over $5 million	51 - 100	100,000+	98%	99%	Curves, Subway, Thrifty Car Rental, Days Inn, Hampton Inn
2	Company Name	2004	Over $5 million	Above 100	100,000+	97%	99%	Economy Inn, Subway, Taco Bell, Comfort Inn & Suites, Kentucky Fried Chicken
3	Company Name	2004	$3 million - $4,999,999	11 - 25	2300+	97%	98%	Nevada SPCA, Liquid Alaska Tours, Veterans Chamber of Commerce Nevada
4	Company Name	1995	Over $5 million	Above 100	10,000+	94%	98%	Meineke Dealers Association

Best

TOP 10 MOBILE CREDIT CARD PROCESSING COMPANIES

1. Company Name
2. Company Name
3. Company Name

Best

TOP 10 POINT OF SALE SYSTEMS

1. Company Name
2. Company Name
3. Company Name

Best

TOP 10 MERCHANT CASH ADVANCE COMPANIES

1. Company Name
2. Company Name
3. Company Name

View complete rankings at http://www.topcreditcardprocessors.com/rankings

2. Technical support (when you really need it).
3. Open communication, so if a problem arises you can talk to your ISO and work through the problem so that no one has hard feelings.
4. A little flexibility so that you can pull in deals that are not the norm.

Yet even the best partnerships can experience rocky situations. Before pouring the foundation, contractors remove the rocks. You should do the same. The easiest way is to clearly review, understand and address the "rocks" before you sign the contract.

If you have questions about a particular clause or any wording, ask for clarification before signing. It is also prudent to seek a legal review. No matter how promising the partnership, the only thing that will prevent your foundation from cracking is a solid agreement.

Pouring the foundation

The next step is to prepare and pour your foundation. The key to a strong foundation is in the ingredients. Without the right ingredients, no matter how deep you pour, the foundation will be prone to failure – even before you start building. These ingredients include knowledge, sales skills and interpersonal skills – in the right portions. Being knowledgeable doesn't mean you know everything. Indeed, too much knowledge can lead to paralysis by analysis. You just need to understand the basics, beginning with a grasp of math.

You don't need a degree in calculus, but a working knowledge of percentages and basis points is necessary. As Forum member **ADUNN** said, "If your mathematical skills are not fundamentally sound, succeeding in this business will be quite challenging."

You also must understand the underlying processing costs, which begin with interchange, dues and assessments. You don't need to master all the fine points of interchange. However, you do need to understand the basics – and have an interchange chart handy. If you are concerned about these basics, ask your mentor or ISO partner how to get up to speed.

You also need to comprehend your partner's costs and how they affect your merchant pricing. You need to know when a fee is assessed, and for what purpose. Failure to understand your costs results in inept merchant pricing and lost revenue, which makes building a sound portfolio even harder. Although knowledge is paramount, adding sales skills to the mixture strengthens the overall foundation, as long as a healthy balance between the two is maintained.

Sales skills need not be industry specific, but they do need to be centered around business-to-business and service-related sales. And three areas must be developed: the ability to listen and not just hear, the ability to recognize the need, and the ability to find a solution if one exists. **TPSS//TIGER** added one more, "You have to have a creative mind." The best resource for evaluating and honing your sales skills should be your mentor or ISO partner. This is another reason why your choice of partner is critical to your success.

Interpersonal skills are difficult to pinpoint. Some believe they are just personality; others feel they consist of confidence, wit, and charm. **MARINESTEBAN** defined them thus: "It is always good to have strong financial and technical knowledge.

"However, knowing how your customer's business works and truly understanding their world is an excellent way to relate to their pain and thus be able to match the options with his needs."

Central to interpersonal skills is being able to work with people. "The ability to negotiate, understand the negotiation process and learn from each negotiation is a great part of a solid foundation," **LADERA BUSINESS SOLUTIONS** said. "Realizing that in a negotiation the other party needs to win a little is very valuable."

When you're examining sales and interpersonal skills, the individual rep is the key component. Skills can be improved and will grow long after the foundation is poured. But without the basics, the foundation won't cure, and there will be nothing to build upon but sand.

Foundation maintenance

Even if your foundation is built soundly, external factors can cause it to shift. If they are not addressed early on, they may cause significant damage. So it's crucial to act quickly to preserve what you have and protect your foundation. Ask the following questions to pinpoint symptoms of potential damage:

- Has the support provided to you by your ISO partner waned?
- Has the level of merchant support dropped?
- Are you starting to get complaints about added fees or anything else you weren't aware of?

These can all be symptoms of problems with your partner. Act quickly to identify any issues and determine the best way to address them. Be sure to speak with your partner about your concerns. Ask direct questions and expect direct answers. Our industry is constantly changing, so staying informed of new developments is essential. When did you last familiarize yourself with industry changes? Are you comfortable answering merchant questions about recent changes?

Unless you stay on top of the industry's evolution, you might soon meet merchants who ask questions you can-

not answer intelligently. Seek information. Stay connected with others in the industry. Share what you know with them, and they will likely share with you.

Your processing partner should also keep you abreast of industry changes and be the first source of information on any adjustments to interchange, dues, assessments or even rules. Be wary of rumors; they are often wrong or only partially true. Know the source of all your information before taking action. Are there new products, solutions, or opportunities that could prevent your merchants from leaving? Are there changes in the rules that require more input from you? Seek opportunities to learn about new products and services. Remember, if you're not on top of current solutions in the marketplace, merchants will look elsewhere when they have specific needs you can't fill.

Along with staying aware of new products and opportunities, remain in contact with your merchants to ensure you are the first to know when a new need arises. Remember, you don't need to be the expert on all products and solutions. Know the basics, and if a need arises, research the subject further.

Foundation repair

Even with your best efforts at maintenance, something significant could happen that would make foundation repair necessary. One common cause is a change in your ISO partner. For example, what if the ISO or a portion of its portfolio is sold? Initially, the change may affect you indirectly, but later it could have a significant impact on your business. In these instances, you don't need to rebuild your foundation, but you do need to do everything possible to repair it, or you may see your structure collapse.

The repair process begins by identifying the cause of the damage. Has there been a change in the soil (that is, your partner) or a change in the ingredients that make up your foundation?

Once you have identified the cause, act quickly because time is your enemy. You may need to seek another partner or even slow down sales while you work on merchant retention. If the choice is between foundation repair and adding new merchants to your portfolio, adding merchants should come second to your efforts to save what you have today.

If the issue is partner-related, review your contract provisions relating to the issues that have arisen. Don't hesitate to address any issue that comes up and, once again, expect direct answers. Remember, once you complete the repair, you may find that your foundation is stronger than before. However, be prepared for some pain during the repaired process – it's inevitable.

Yes, a sound foundation is that important. **TSTREET** provided a unique perspective. "The foundation has to be your dream, your dream of a better life. Your dream allows you not to settle for a cubicle job. Your dream encourages you to do whatever it takes to reach your goal.

"If you are going to build something from nothing with no salary, no benefits and just a promise of straight commission, you have to have a dream and a vision of a better future to sustain yourself for the first six months to get you over the hump."

A proper foundation is critical to your success. If built well and maintained, you will find your sales efforts rewarded by large residuals and happy merchants.

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

Stage set for expansion of mobile payments

By Henry Helgeson
Merchant Warehouse

The global popularity of mobile devices such as smart phones and tablet computers has driven an increase in the demand for mobile payment methods that reduce the time needed for consumers and retail companies to transact business. Mobile payment systems are becoming more accepted and even expected by consumers.

As a result, more companies are implementing these systems in order to compete effectively for consumer dollars. And for many business owners and administrators, the opportunities presented by mobile payments far outweigh the challenges present in implementation and deployment of these advanced payment systems.

The appeal of mobile payments

Mobile payments offer an exceptional degree of convenience and access to commercial goods and services for end users. Consumers can charge transactions directly to a mobile phone bill or, more commonly, to an online wallet with stored financial information that authorizes and transfers the funds electronically.

In the United States, mobile payments are now most commonly used to pay for digital downloads, including ring tones and music. In the global marketplace, however, advanced technological systems allow mobile payments for a variety of goods and services, including transportation, groceries and fast food. It is likely this trend will continue to expand to even more areas of commerce, making mobile payments a vital part of any continuing marketing strategy.

The history of mobile payments

For at least the last decade, mobile payment platforms and strategies have been under discussion within the computing community. An article published in the December 2002 issue of *Computer* magazine outlined potential uses and challenges for mobile payments. Author Upkar Varshney concluded these convenient methods of payment would soon be used for movie tickets, vending machines and automated tollbooth systems – and they might provide new ways to pay at brick-and-mortar retailers as well.

This promise has been realized in the European and Asian markets, where mobile payments are a part of daily life and business in most major metropolitan areas.

Factors influencing consumer adoption

A number of research studies have been conducted on consumer acceptance and adoption of mobile payment technologies. One such study was published in *The Journal of Strategic Information Systems* in December 2007 and outlined a number of factors that influenced consumers in choosing whether to use mobile payment methods.

The study cited the urgency of a consumer's need for the product and a lack of other options as factors in favor of mobile payment choices; added costs, complicated payment methods, security concerns and lack of merchant participation were noted as reasons not to adopt this new technology.

A more recent study examined the role of consumer trust in online technologies as it translated to trust in the mobile payment platform. Results published in the October 2010 issue of C*ommunications of the Association for Information Systems* indicated that users who had a high degree of trust in Internet security for commercial transactions also demonstrated higher levels of trust in mobile payment platform technologies, making them likely first adopters of these new applications.

Overall, necessity and trust seem to be the most important determining factors for consumers in choosing mobile payment methods over other more familiar ways to pay, with younger consumers more open to these methods than older individuals.

The merchant perspective

Resistance to mobile payment methods has been equally present among merchants, especially those who also maintain a brick-and-mortar presence. While some forward-thinking companies offer their customers the option of mobile payments, many merchants find the technology cumbersome or the costs too high.

A study conducted jointly by Boston University and the Federal Reserve Bank of Boston indicated that the problem is self-sustaining. Merchants are unwilling to invest in these new technologies until sufficient consumer demand exists for mobile payments, while consumers tend to delay adoption until a clearly established merchant network exists for the technology. This creates an impasse that has delayed the implementation of mobile payment systems in the United States.

Mobile payments in Europe

While Japan and Korea are the undisputed leaders in mobile payments, the technology has been implemented with considerable success in the European market due to advanced near field communication (NFC) technologies that allow smart-phone users to pay automatically in venues such as McDonald's, Subway and EAT restaurants. One element in the success of mobile payments in Europe may be the prevalence of contactless payment card

transactions that use similar technologies to allow pass-and-wave payments in department and grocery stores. As consumers became familiar with these systems, they may have gained trust in the underlying technology, which allowed them to accept mobile payments more readily in other shopping and dining venues.

The U.S. mobile payment marketplace

As previously indicated, most mobile payment transactions in the United States are in the digital downloads sphere. However, this trend is likely to change with the increasing adoption of mobile payments in restaurants, coffee shops and other businesses that do a large number of small financial transactions each business day.

The convenience of mobile payment systems has already made them popular in several larger metropolitan areas. Additionally, the rise of location-based coupons that automatically download to smart phones based on proximity may help consumers become accustomed more quickly to NFC, quick-response codes and Europay / MasterCard / Visa technologies, prompting higher demand for mobile payments.

The case for mobile

Mobile payments offer significant benefits for consumers, including speed of processing, ease of use, advanced security methods, and the ability to link points and rewards programs directly to their mobile transactions. Businesses that implement these systems benefit as well from added traffic and faster processing times. This allows them to serve more customers in the same amount of time and provide greater customer satisfaction. Generally, the costs of mobile payment systems can be passed along to customers without a significant increase in the costs of products or services.

Mobile payment processing can also widen a company's potential customer base because it allows consumers to pay using online wallets or mobile payment accounts without supplying credit card or banking credentials. This is especially important in developing markets, where cell phones are far more common than credit cards. But the option can be just as important within the United States for customers who prefer to manage their financial transactions using online wallets.

The future of mobile payments

As smart phones and mobile payment systems become more prevalent, companies that lead the way are likely to be better positioned to manage the increasing demand for these advanced payment systems. The flexibility and ease of use that these systems provide for consumers and merchants alike will help to drive the demand for mobile payments throughout the retail industry, especially for smaller purchases at fast food restaurants, rapid payments at toll booths, and incidentals like parking meters and other venues where small transactions are required frequently.

Businesses that adopt mobile payment technology ahead of the curve are likely to reap significant benefits as younger consumers become more influential and advanced payment methods become common and expected in the modern marketplace.

Henry Helgeson is the CEO and co-founder of Merchant Warehouse. He is responsible for driving the future vision of the company and leading day-to-day operations. He is also the driving force behind the company's recently launched Genius Customer Engagement Platform. For more information, email him at mwhelgeson@merchantwarehouse.com.

The mobile app's role in marketing and sales

By 'Coach' Ron Tunick
Nations Transaction Services

These days, it is rare for someone to go anywhere without a cell phone. No, it is rare for anyone to be farther than an arm's reach from a cell phone at any time. It's also common for people to check their phones 150 times per day. 150 times!

The smart-phone industry is now on track to have 200 million users by the end of 2012. And the mobile app is the ultimate prospecting and business tool for helping companies and organizations communicate with their customers, patrons and community in the language most familiar to them. Being able to conduct business over mobile devices is the greatest new tool in our industry since the swipe machine.

This reality needs to be understood

Currently, there are about 175 million smart-phone users who are already communicating with their favorite brands via their smart phones, whether its through Facebook, Twitter or a company website. These smart-phone users have begun making business connections, doing marketing and sales through mobile apps because they see the weight the mobile channel holds with everyday customers like themselves.

Business owners now have the opportunity to get ahead and grow their businesses by creating mobile apps, because 95 percent of merchants do not yet have mobile phone apps for their businesses.

Smart phone capabilities should be on your radar

You've probably heard of the idea of "going mobile" but haven't really given it a second thought, let alone expended time or resources on it. You may think your company is well established and doing just fine, so why enter it into the edgy technological world of your children or grandchildren?

I should probably tell you now that some of today's Fortune 500 companies have mobile apps: Geico Inc., Starbucks Corp., Whole Foods Market Inc., eBay Inc., to name several. You can find them all in the palm of your hand.

These companies don't need apps to be successful today. They were clearly well established long before they had mobile apps. But one day, every company will need such apps. And those who started early, like Geico and Starbucks, will still be on top. Those who are late to the game will wish they had jumped in sooner.

There's much a company can do with an app

Mobile apps are all about enhancing customers' lives. Consider the Geico app. Let's say you get in a car accident. You're frazzled and upset, and on top of everything, you can't find your insurance card.

Well, stop fumbling through your papers because the Geico app can easily display your insurance card right on your smart phone's screen. The app will give you step-by-step instructions on handling your accident the right way, saving you time, money and energy.

Run out of gas? Locked your keys in the car? The app will take you to the nearest gas station or locksmith. (Just don't lock your smart phone in the car because then you'll have to thumb a ride. And even if there were an app for thumbing a ride, you'd be out of luck, because your phone would be locked in the car). Geico is known for excellent customer service, and with its mobile app, its solid reputation will continue to the next generation.

Now, imagine you're on the road again, and you need coffee. But just when you thought no locale could be without a Starbucks within two feet, you can't find one. That's OK, because the Starbucks app will direct you to the nearest Starbucks location. Once you get there, you can use the Drink Builder feature on the app to come up with a new creation, or just use it to help you order, as ordering at Starbucks can sometimes feel like speaking another language.

Mobile apps bring new capabilities to the workplace

Smart-phone apps enable meetings to take place anywhere, anytime. Individuals in your company can "meet" and connect spontaneously via smart-phone apps instead of just at designated meetings in swivel chairs around a big, glossy table at work.

This doesn't mean chaos, but rather more organization, more communication, and better utilization of your time and resources. Employees can better collaborate by interacting and sharing insight on current products, ideas, projects, etc., giving your company better output.

Further, your customers can better interact with you with a mobile app, too, dramatically increasing the chances they will continue to do business with you. You will become more available to hear feedback you can share with others or use to improve your offerings. Opening the doors of communication by having an app for your business will give current and prospective customers access to you in a way that they haven't had before, creating a

In this new climate, either someone will be your obstacle in the mobile evolution, or you will be someone else's obstacle. You are either going to have to learn to work around those who don't embrace social media, apps and mobile websites, or someone will have to learn to work around you – and then leave you behind.

positive experience and community centered around your product or service.

Thinking needs reshaping for the mobile world

The way people interact, learn, share information and just do life is changing – rapidly. To engage with a potential client via social media might seem foreign to you, but if you are under the age of 30, this mode of outreach is a no-brainer. It's the way that not just friends are interacting, but also businesses, large and small. You really can get more clients online.

In this new climate, either someone will be your obstacle in the mobile evolution, or you will be someone else's obstacle. You are either going to have to learn to work around those who don't embrace social media, apps and mobile websites, or someone will have to learn to work around you – and then leave you behind. Your choice. But know that doing nothing is still making a choice.

Following are questions to ask yourself when considering a mobile presence. Do your customers:

- Think of you as a leader in your field?
- Know they can easily reach you?
- Feel that you understand them?
- Believe you want to meet them where they are?
- View you as someone who understands them and the world they live in?

Chances are, if they don't see you as mobile-friendly or on social media, no matter how amazing your product or service is, someone else in your field is probably already savvy in this arena, and your audience will see your competitor as a more convenient and trusted party with which to do business.

Don't overlook the opportunity a smart-phone app can give you – not only in creating and joining communities surrounding your product or services, but in truly branding your business for years to come.

Mobile apps bring advantages to business

Following are six perks having a mobile app can bring to your business:

1. You can connect with customers as well as those just checking you out.

2. People can "test drive" your company, see the way you do things and see what it would be like to do business with you. When they have a positive experience on your app, they will be more likely to stick with you.

3. Social media is a must, and a mobile app is the next step in presenting yourself as relevant to your audience. Unless you have a niche market for those who are over 90 years old, your audience really is online. Well, even then, I've heard of some tech-savvy grandpas, so I wouldn't overlook them.

4. You can have a mobile payment processing feature built into your app so merchants can accept customers' money right on the spot.

5. You can cater to the distinct needs of niche markets. For example, restaurants and hotels can use an app's "push notifications" feature to notify customers about special deals, and doctors can remind patients about upcoming appointments.

6. When your current and prospective customers send you messages or ask you questions, you can immediately be notified, making your response time fast. Quick responses really do build relationships and trust. People may want to sign up for an event or give to your cause or purchase an item, but they typically want to ask you a question or two before completing the transaction. Your opportune time to win their business may be very short before they forget you amid their busy, crazy lives. You've got to be available to them when they need you.

Since the invention of the website back in the early 1990s, we have not seen another opportunity like this. Here it is: mobile apps.

"Coach" Ron Tunick is President and Chief Executive Officer of Nations Transaction Services in Newbury Park, Calif. Email him at coach@ntspays.com *or call 866-222-2112. For more information on mobile apps, please visit* www.roar.pro *and* www.uproar.pro.

New era, same old game for MLSs

By Dale S. Laszig
Castles Technology Co. Ltd.

Disruption is nothing new for payments industry professionals. We've been shaking things up for more than 20 years. We may be entering a new era of relationship marketing. But merchant level salespeople (MLSs) have been in the relationship business for a long time, and that gives us a definite edge on the consumer engagement playing field.

The fact that we have new players in our midst should be taken as a compliment. We've built a solid, profitable business that's attracting giants like Apple Inc., Amazon.com, PayPal Inc. and Google Inc. Even consumer product brands are getting into our game, jumping over merchants and forging direct relationships with consumers, to the tremendous consternation of merchants everywhere.

Customers sidestepping traditional merchants

What happens to merchants when consumers opt in to special brand offers and use their laptops, tablets and smart phones to order products directly from master distributors? Brick-and-mortar stores and even e-commerce retailers can be marginalized by this process, becoming Internet showrooms and neglected outposts in the new commerce chain.

When merchants question us about emerging trends in payment technology, what they're really asking is how they can remain relevant, retain existing customers and attract new ones.

We can help them win the day by focusing on four core essentials.

- **Show, don't tell:** Demos are back in vogue for a reason. We've reached another crossroads in payment processing where new technology can intimidate merchants. The emergence of payment solutions on tablets, smart phones, integrated POS systems, mobile, and contact and contactless smart card technologies is every bit as earth-shattering as our original exodus from paper to electronic transactions.

  Equipment demos have the dual advantage of making technology accessible while taking the focus off price. Physical interaction demonstrates how products work and how they complement a merchant's business. Showing also takes less time than explaining. We've always advised merchants to accept all forms of payments to avoid the risk of losing a sale. Demonstrate the ease of accepting contact and contactless smart card payments to help merchants stay top-of-mind with their customers, who are increasingly adopting these new payment methods.

- **Sell value, not price:** Sales professionals are trained to sell on value rather than price, but saying it and doing it can be two different things. Sales management trainer Kevin Davis recommends going beyond a one-size-fits-all value proposition and creating something that uniquely and specifically addresses the needs of each client.

  "The value of what you sell is determined by each customer and their business needs, not by your company's sales person. So, your value will change from one customer to the next – depending on the perceived significance of the need(s) by the customer," Davis posted on CustomerThink.com. "Value not understood by the customer is not paid for.

  "A salesperson's job, through effective questioning skills, is to identify and develop customer needs – so as to create greater value inside the customer's head." When customers do not appreciate the value your products or services provide, they logically default to price. "Or worse, they will just go away," Davis stated.

- **Sell multiple applications:** Remember the early versions of multi-application terminals? These counter-top models had multiple partitions to enable gift card, identity verification, insurance eligibility and a whole slew of programs that coexist with a payments application on a single device.

  When first introduced, not everyone understood the far-reaching benefits of this payment architecture. In today's environment, enabling multiple applications is a necessity, not a luxury. If you have any doubt about this, consider how many apps are being downloaded onto smart phones, tablets and game consoles. Also consider the mass exodus of consumers away from single-use devices. Credit card machines and major appliances of all kinds are becoming more sophisticated, connected and accessible from anywhere.

  "What else is your credit card system doing for you?" is a fair question to ask today's merchants. Integrated POS systems combine inventory and cash management with credit card processing. Counter-top terminals seamlessly toggle among loyalty, gift, electronic benefit transfer and credit transactions. Mobile devices accommodate voice and data, short message service marketing, and Internet access. Multitasking is not just for humans anymore.

- **Sell mobile payments:** T*he Mobile Payments and NFC Landscape: A U.S. Perspective*, a white paper published by the Smart Card Alliance in September 2011, explores predominant forms of mobile payment domestically and the convergence of e-commerce and mobile technologies, which has led to new hybrid forms of payment.

  "The communication and commerce industries and their supporting technologies have evolved over the past century, changing most dramatically in the last 40 years," the white paper stated.

  "Combining the most recent technologies from both industries – mobile phones and e-commerce – results in a product that provides new capabilities and the freedom to conduct commerce in ways that would otherwise not be possible. This product is known as *mobile payments*. Technology changes rapidly, and how it is ultimately applied is not always predictable."

  The white paper was intended to provide a holistic view of mobile payments and the ecosystem then supporting near field communication (NFC) mobile contactless payments. The SCA published the paper to help players in the industries directly involved, as well as observers and participants in secondary markets, to understand the mobile payments landscape, anticipate how mobile payments are likely to change and appreciate the opportunities mobile payments present.

Help your merchants navigate the transition

White papers, trade magazines and industry blogs are excellent resources for MLSs who recognize the need to stay current on payments industry trends so they can provide timely and accurate advice to merchants. The best part about this new wave of emerging technologies is the renaissance of creativity that's affecting all forms of payment. As new methodologies proliferate, the real winners will be those who own the merchant relationships.

It makes sense for merchants to continue to reach out to trusted MLS professionals for guidance on payment technology. Their questions are bona fide selling opportunities that can lead to upgrades, referrals and new services – or at minimum the chance to hold on to a customer.

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

Prepare for the mPOS wave

By Rick Berry
ABC Mobile Pay Inc.

I routinely encounter restaurant owners – particularly of quick-service eateries – who have begun thinking about moving to a mobile payment solution for their customers. Yet they still hesitate. The most common reason for their reluctance to adopt this new payment mode is the perception of additional cost.

And indeed, if things were like they used to be – when it used to cost thousands of dollars per station to set up – it really would be out of reach for most owners of one-store restaurants. Yet the equation has changed. Those of us who are immersed in this technology every day know it so well that we sometimes forget how many of our potential customers are just beginning to realize what is possible.

What is beginning to drive change is the widespread use of tablets. Devices like the iPad are starting to show up everywhere in restaurants and bars. And once the owners see their advantages and truly understand what they can do for their businesses, they are ready to make a change.

Many have found that mobile POS (mPOS) systems are efficient time-savers that can also add a "coolness" factor to restaurants that use them. How much is that worth in sales?

More than a device

A good system is not just a cash register and payment processor. It is also an integrated end-to-end system that efficiently manages the entire work flow between the front-end POS system feature set and the back-end web-based management site.

The system can integrate with enterprise resource planning (ERP) or accounting and bookkeeping software modules. Some examples include Intuit Inc.'s QuickBooks, Sage Group PLCs Sage 100 ERP (formerly known as MAS 90), and SAP America's ERP and accounting packages.

This may sound like a lot of techno-speak, but I want to emphasize that mobile payment systems do more than just ring up sales. They can integrate with your entire back-office work flow and information flow.

Are your merchants still wondering if mPOS is for them? Let's review the primary reasons merchants should consider adding these systems to their payment capabilities. Mobile POS can help merchants in six ways:

1. **By reducing traditional fees:** A traditional POS system can cost a merchant anywhere from $20,000 to $50,000. But groundbreaking software-as-a-service provisioning models enable a dramatically quick return on investment by way of affordable monthly fees. This completely rewrites the book on mobile payments by eliminating costly fees for upfront licensing, monthly service and support, and training.

2. **By providing unique customer experiences:** Mobile devices such as iPads can do what a typical POS system cannot. They can show what you've got with the touch of a finger. They can offer complete menus, which can include photos or video of the products, along with calorie content and more.

   Merchants can display their full catalogs of merchandise showing available styles, sizes and colors. Systems can also be programmed to suggest upsells: appetizers, desserts and side dishes. And studies show that upselling works.

3. **By capturing sales lost to long lines:** Having mobility with a POS device allows for salespeople and waitpersons to make sales on the spot. Rather than forcing patrons who are ready to pay to wait for a staffer, they can pay quickly with a pay-at-the-table device, or a self-serve kiosk or pay station, providing quicker table turns.

   Instead of directing shoppers to carry armloads of merchandise to checkout stands that are already busy with lines of impatient customers, retail clerks can immediately capture impulse-buying decisions. Mobile devices can increase sales that would otherwise be lost due to customers' impatience or their lack of time to brave long checkout lines.

4. **By improving customer service:** Merchants can keep their employees where they are needed most – in the dining room or on the sales floor. Shoppers now have resources at their fingertips, with mobile apps allowing them to compare products, prices and reviews.

   By having employees available to interact whenever needed rather than standing slump-shouldered behind the register or otherwise unavailable, merchants can more quickly assist their customers, keeping them from leaving the store dissatisfied.

   Customer service is the pivotal watchword in all customer-centric retail businesses. Merchants must provide service that differentiates their businesses from their competitors. They will provide their customers interesting and unique buying experiences by using state-of-the-art mobile technology that keeps them coming back.

5. **By simplifying and speeding training:** All employees need training before they are thrown into the sales ring with hungry lions. Devices such as iPads make this unusually easy due to the intuitive manner in which they operate.

   With a touch, a swipe and a tap, employees are prompted or directed to the next step, which simplifies and speeds training. Most employees already own cell phones or smart phones and know how to operate computers, so training is easy. A merchant's staffers are already operating the same or similar devices.

6. **By going green:** Merchants can save trees every time they email receipts to their customers instead of printing out paper receipts, many of which are discarded. Customers in the electronic age are eager to go green, which is tied to their preference for social media.

   They have also come to expect the option of emailed or texted receipts. By exemplifying a concern for the environment and operating in a paperless manner, mobile-savvy businesses gain respect and loyalty. By running cutting-edge businesses and providing unforgettable service while trying their best to go green, merchants will gain good word-of-mouth. Their customers will be spreading the word, especially on social media.

mPOS in action

A cutting edge example of mPOS in action is the new iPad app that Jakks Pacific Inc. developed for Target Corp. The solution is in the process of being tested at specific Target stores throughout the nation.

The app allows customers to make shopping lists, get product information and check pricing. And when they are at Target, the app directs them through the store using Target's mascot dog with the red target around its eye.

Shoppers can continue to add items to the list and compare products by scanning stock-keeping unit bar codes into the app with the iPad's camera. The app also includes games and coupon offers to make the shopping experience fun for the family.

The app can also be used by Target employees to track shelf space, manage and restock inventory, and design aisle layout plans quickly and easily. That's just one mPOS example. So many more are here and being developed.

The mobile commerce wave is building. If you get out in front with the right products and advice about how to implement mobile payments, you will help your merchants and restaurateurs catch the wave and get one exciting ride from it. I've discussed a portion of what the burgeoning mobile payments sphere has to offer; it's up to you to study the most promising options that are emerging and choose the most suitable ones for your clients.

Merchants who don't act in time will find themselves paddling hard to catch up to their competitors. Because the switch to mobile POS is coming. Indeed, it's almost here.

Rick Berry is the President of ABC Mobile Pay Inc., a Valencia, Calif.-based company specializing in providing affordable software-as-a-service POS solutions. Rick can be reached at rick@abcmobilepay.com.

Health-care fraud: Back with a vengeance

By Nicholas Cucci
Network Merchants Inc.

Some 25 incidents affecting over 215,000 individuals were added to the tally of health-care breaches in the past month. The total since 2009 is now at 489 such breaches affecting over 21 million individuals. The past month was the second in a row with a substantial number of breaches being added to the total.

Although no new breaches were reported for several weeks in the spring of 2012, 79 incidents have occurred so far this year, affecting nearly 2 million people. The loss or theft of unencrypted computing devices or storage media remains the No. 1 cause. Almost 53 percent of all breaches since 2009 have stemmed from this cause.

One bad apple can wreak havoc

Memorial Healthcare Systems in Hollywood, Fla., revealed the largest of this year's incidents in July. This breach involved unauthorized access to more than 102,000 electronic health-care records, which occurred from Jan. 1, 2011 to July 5, 2012.

MHS posted a statement indicating that, during a review that began April 27, 2012, it "discovered that an employee of an affiliated physician's office may have improperly accessed patient information through a web portal used by physicians who provide care and treatment at MHS." Patient names, dates of birth and Social Security numbers may have been accessed. Some other notable health-care breaches this year took place at:

- **Emory Healthcare in Atlanta, Ga.:** Revealed in February, the incident involved 10 missing computer disks affecting 315,000 patient records.
- **South Carolina Department of Health and Human Services:** Brought to light in April, the case affected 228,000 Medicaid recipients and involved an employee who allegedly transferred patient information to his personal email account.
- **Utah Department of Health:** Disclosed in March, the breach affected 780,000 individuals, exposing 280,000 Social Security numbers.

It's not your ancestor's spear fishing

A threat affecting health-care, among other industries, is spear phishing, in which fraudsters target specific individuals through messaging. This can be done via email, text messaging, short message service or any social media avenue.

Criminals are also using malware attacks to take advantage of security weaknesses in Microsoft Corp.'s Windows operating system. Such malware can be installed via a back-end attack or by getting an employee with administrative privileges to open a malicious link. The fraudster then acquires data by creating an auto-export capability through a file-transfer protocol included in the malware, emailing data, or using an insider to download data onto a separate drive.

Enemies are poised to strike

ISOs and merchants can create barriers to entry by monitoring incoming and outgoing traffic on their networks for anomalies, using third-party forensics companies to evaluate networks and systems, and performing regular risk assessments.

Detecting fraud patterns across multiple channels has been an ongoing challenge for most ISOs, banks and credit unions. After a health-care data intrusion is discovered, organizations are required to disclose the nature and scope of the breach to the Office of Civil Rights, to be added to what is known in the industry as the federal government's "Wall of Shame" (see *www.hhs.gov/ocr/privacy/hipaa/administrative/breachnotificationrule/breachtool.html*). According to the OCR, the health-care records of nearly 30 million people have been compromised since September 2009.

Time to trumpet the message

Most entities – private and public – are doing an abysmal job of protecting data. So this is a good time to broadcast more information about compliance with the Payment Card Industry (PCI) Data Security Standard (DSS) and related security standards, and the Health Insurance Portability and Accountability Act (HIPAA).

Control measures are an important aspect of maintaining secure business practices. The human element is the hardest part to control. The PCI DSS limits access to cardholder data to minimize the risk of theft; access should be strictly limited to people who have a business need for it. Additionally, each person with access must have a unique identifier, and organizations must ensure a full audit trail.

The PCI DSS covers anyone who processes and stores credit card information. PCI compliance requirements are tiered. The amount of data covered directly reflects on the level of PCI compliance an organization must meet. HIPAA covers all health-care providers who have access to and store sensitive medical data.

To obtain full PCI compliance, organizations must follow certain actions, whereas HIPAA sets a distinction between "required" and "addressable" actions. HIPAA contains general rules; the PCI DSS is direct and specific.

Stealing data pays

Following are some current black market values for stolen financial data, according to RSA, the Security Division of EMC Corp.:

- $1,000 for the name and password of an online bank account
- $80 for mag stripe data on a premium-level credit card
- $6 for mother's maiden name
- $3 for a Social Security number

So take measures now to keep your organization off the Wall of Shame. To paraphrase Sun Tzu (by way of *The Godfather*'s Michael Corleone): Keep your storage devices close, and your employees closer.

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

MBN INC

$300 Upfront Bonus
80% Residuals
only 96
80% agreements
left!!
lifetime residuals - electronic signature - insta

Views on Visa's FANF

In the Forum section of *The Green Sheet*, Sept. 10, 2012, issue 12:09:02, we published a series of questions from Bruce I. Reisman of Focus Financial Solutions LLC, along with answers provided by Harbortouch's Jared Isaacman. We received responses from a number of other Advisory Board members, as well, and we sincerely appreciate all who shared their perspectives with us. The questions, along with the additional answers, follow:

1. The new Fixed Acquirers Network Fee is really mind boggling. Why would a merchant who is face to face with the merchant doing $132,000 a year only get charged $2 and a merchant doing $6,000 a month be charged $9 a month?

   Obviously, this program was an answer to the Durbin Amendment. However, the problem is card-not-present businesses are being affected harder. Has Visa done it again – robbing Peter to pay Paul? It would give me great pleasure to hear your perspective on this issue.

2. Why does Visa not publish the new FANF table on their website?

3. It is my understanding that Visa invested in Square close to a $100 million. Does Square not use factoring as a way to get accounts? Did I miss a rule change by Visa, and now it's OK for merchant service providers to approve accounts that want to factor?

Joe Creegan

Credomatic

1. In my opinion, this is an indirect result of ongoing government regulation in our industry, and it does not appear to be changing anytime soon, unfortunately. When the government tries to regulate the interchange system for whatever reason, Visa is a public company and its response is to increase shareholder value, and many of its shareholders are the large issuing banks which were affected by government regulation: Durbin.

So in reality, it is robbing Peter to pay Paul, in my opinion, and Visa is simply recovering revenue lost from government regulations, and in the end, the merchants and the consumers will pay more. As ISOs and MLS agents, we end up being the messenger for all of this.

I have no idea how this formula works out, and it astonishes me why QSR and small-ticket merchants are absorbing a higher percentage of this new fee, when they had received the least benefit of the lower debit interchange costs. My perspective is this is just a response to ongoing government regulation of our industry.

2. The fact of the matter is that this fee is levied directly on the acquirers, who have the choice to absorb or not absorb the cost to the merchants. So they do not have to disclose this fee to the merchants, as it is outside of actual interchange rates and is billed directly to the acquirer, who has to figure out how to recover this additional levy.

3. In my opinion, this does look like "factoring" or aggregating, and it appears that the definition of merchant aggregation is changing, at least from what I have learned at recent ETA and regional conferences.

I do not really know the ground rules, but it appears registered ISOs can be registered as a TPP or third-party payment processor and get into this business with some limitations. So in the future, this could be a new market to explore for our own purposes. We would rather focus on merchants who want a direct merchant account, have actual business addresses and process at least $5,000 a month, at least for the foreseeable future.

Mark Dunn

Field Guide Enterprises LLC

The reader's questions ask us to speculate about the thinking behind Visa's policies. The questions are certainly fair, but I don't think I'm in a position to guess about FANF or Visa's position on aggregators, such as Square.

Curt Hensley

Impact Recruiting Group

1. I'm not a FANF expert yet, but the answer to this is pretty straightforward. The $132,000 merchant is basic retail with one location, and the $6,000 merchant falls into the customer not present, merchant aggregators and fast food restaurants categories.(For more information on that, see this link: *www.ratewatchdogs.com/customers/Visa-FANF-fee-0412.pdf*)

2. Not a clue. Maybe someone from Visa can chime in with an answer.

3. I don't believe that they use factoring. I have a Square account and a few others just to understand them. The bigger issue for me with Square is their underwriting process and how that compares to the restrictions many banks put upon their ISOs.

Allen P. Kopelman

Nationwide Payment Systems Inc.

1. Personally, I am not in favor of any new fees, but merchants sue or the government gets involved, and the card associations always fight back with new fees. Every

> **"While everyone was focused on what Visa was doing – all this is going on; no one has been watching – MasterCard has a new fee coming through as well. So more fees for the merchants."**
>
> Curt Hensley
> Impact Recruiting Group

merchant is going to pay a minimum of $2 for a single mid and then pay more if they key enter even one credit card. Here are some examples:

- Retail merchant single mid: $2 key enters a card for $50 – an additional $2 = total $4.
- A MO/TO merchant doing $10,000 a month: $2 + $15 = $17 fee.
- A pizza shop doing $100,000 a month: $2, but they key enter $40,000 out of that, add $45 for a total of $47.

Any ISO you work with can provide you with that chart that is being used.

2. I'm not sure why it is not posted on their site. I am sure Visa will have this on their site at some point since they have 100+ pages of interchange to confuse everyone as it is.

3. Square is not factoring. They are not paying out money in advance. They are aggregating merchants under one merchant ID: Square. There are more and more aggregators entering the market, and we will even see a few ISOs do the same thing as Square. There are already a few doing it, and there will be more in the next year or so.

While everyone was focused on what Visa was doing – all this is going on; no one has been watching – MasterCard has a new fee coming through as well. So more fees for the merchants.

And quietly under the radar, American Express made a few changes back on April 20, 2012. Now, if you key a card, 40 percent extra, and if the card is issued outside the United States, add .40 percent more to a swipe or keyed transaction. And a few levels that did not have transaction fees now have transaction fees. They did lower prepaid card interchange to 1.85 percent.

Biff Matthews

CardWare International

1. I do not believe the card associations want anyone to comprehend this or any other fees or fee structures. If you fully understand it, then you can fight it.

2. I suspect they will eventually publish the FANF. In the meantime, contact your bank. However, the banks to whom I've spoken about FANF are as confused as you.

3. Industry veterans accept that Visa more than other card associations is "do as a I say, not do as I do." Not only is Square factoring, the Square dongle does not encrypt the card data. Compared to other card associations, Visa is dysfunctional in communicating a common, unified message that crosses multiple departments.

I believe this is because it is highly siloed with managers that are even more highly territorial. In dealing with Visa, what you hear depends on which side of their mouth is speaking, that is, the department and the message they want conveyed, who is speaking, the intended audience, and with which ear you are listening. Putting questions 1 and 3 into context, Visa defies logic.

Justin Milmeister

Elite Merchant Solutions

1. When I was notified of the recently introduced FANF, I, like many of my peers, was both surprised and confused: surprised that Visa would implement such a fee coming off the recent passing of the Durbin Act and confused as to the fee itself and how it is actually calculated. In my opinion, the card associations are just asking for more government regulation by implementing fees like FANF. Merchants are going to flood their payment processors' customer service departments, demanding answers regarding FANF.

Large merchants and associations will be banging down the doors of government representatives with their powerful lobbyists demanding new legislation. The lobbyists will be pointing to this FANF and how it is a perfect example of how the card associations are free to impose new fees at will with nobody to stop them. They will further show that the consumer is ultimately hurt as merchants will have to pass along these costs in the form of higher prices.

The problem with the FANF is that it is not as clear-cut as your typical raise of a particular interchange category. FANF has several factors that must be considered when calculating the fee such as merchant category code, the mix of card-present versus card-not-present transactions and the number of locations a merchant has.

I am sure everyone has seen the FANF tables showing how the fee is calculated; however, it can get quite confusing when you have businesses with multiple locations and a mix of card-present and card-not-present transactions.

> **"Is Visa going to impose fines and/or sanctions that could seriously hurt their investment? Perhaps we will never know, but certainly it is an arrangement most would agree is a conflict of interest."**
>
> Justin Milmeister
> Elite Merchant Solutions

Card-present merchants pay fees based on their respective volume and number of locations, where card-not-present merchants pay based on their volume processed.

Investors have already awarded Visa for implementing the FANF, as the stock has risen from $112.25 June 1, 2012, to over $128 on Aug. 22. Visa is saying FANF will be a wash basically because they are removing/reducing other fees, but the big institutional investors know better and have already calculated the new revenue into future earnings and thus contributed to the big increase in the stock price.

Although this particular fee was a surprise to me, by no means are increases by the associations a surprise. Merchants were doomed the day the card associations went public. Wall Street does not tolerate flat earnings, so granted the only way for the card associations to increase revenue and please shareholders is to implement raises and implement new fees.

It will be interesting to see what the future holds with respect to new fees/raises by the card associations and if/when the government steps in.

2. I briefly looked at the Visa website and did not find any information on the FANF, nor was it listed on the interchange chart on their website.

However, the latest interchange chart I was able to pull was from June, so I am sure it will be on their updated schedule. Nevertheless, it is pretty surprising Visa does not have more info on the FANF and an up to date interchange chart with the FANF table included.

3. Square is what is referred to as a merchant aggregator. Square basically has a master deal with Chase Paymentech, and they in turn sign up all the merchants under their master account.

Chase Paymentech would bill Square, and Square bills their merchants on their agreed upon fees. Square uses the Chase Paymentech Salem platform, which allows for soft descriptors, which is how all of these merchants using Square can have their unique business name show up on the receipts and cardholder statements

Visa investing in Square is, in my opinion, like the fox watching the hen house. How can Visa, who is responsible for maintaining the integrity of electronic payment processing effectively and without prejudice, do this with companies in which it has significant investments.

What would happen if Square gets breached or commits serious violations of the association rules. Is Visa going to impose fines and/or sanctions that could seriously hurt their investment? Perhaps we will never know, but certainly it is an arrangement most would agree is a conflict of interest.

Cliff Teston

Signature Card Services

1. Fair or not, the reason is behind the algorithm of FANF calculation, which is based on a Merchant Category Code and credit card acceptance method. For card-present businesses, excluding fast food restaurants, the amount of FANF will be based on number of locations. Businesses with one location will be charged $2 to $2.90 a month, and up to $85 a month for businesses with 4,000 or more locations.

For card-not-present businesses plus fast food restaurants, the amount of the FANF will be based on gross Visa processing volume. Most likely, card-not-present businesses will see a greater impact from the FANF than card-present businesses due to the fee being determined by volume.

As a part of our ongoing educational series, Signature Card Services is providing in-depth training on FANF and its impact on both merchant processing and ISO sales and business development. For more information, readers can call us at 888-334-2284.

2. We can't speak on Visa's behalf, and our answer is a pure speculation. FANF is calculated based on multiple factors; therefore, constructing a table would be complicated. There are simple calculators available online, and Signature is putting together its very own and it will soon be available to our agents and merchants at *http://signaturecard.com*.

3. Square is an IPSP. An IPSP must maintain a registered merchant account and also register its sponsored merchants who accept credit cards under the IPSP master account. Merchants usually pay higher fees to accept credit cards through an IPSP than through a merchant account. One cannot use a merchant account of another business to accept credit cards without a proper IPSP registration. That would be "factoring."

HERE'S THE BIG QUESTION...

HAVE YOU EVER JUST WANTED TO WORK FOR....

- A ☐ A GREAT COMPANY?
- B ☐ GREAT REWARDS?
- C ☐ A GREAT CAUSE?
- D ☒ ALL OF THE ABOVE?

IF YOU ANSWERED "D" THEN YOU NEED TO CHECK OUT...

PROCESS PINK PAYMENTS

A portion of the MasterCard/Visa credit card processing fees goes to support the... NATIONAL BREAST CANCER FOUNDATION, INC.

WHAT IF ....

... your revenue share was based on true interchange levels?

... you had the lowest Authorization, Capture & settlement cost in the industry?

... you had online access for residuals and portfolio management?

... you had up front bonus money on every deal?

... you could spend your time selling and not have to worry about who takes care of your merchant training, terminal deployment and customer service?

... there were no application fees and no monthly quotas?

... you had several different programs and platforms to offer your clients that no one else had?

... you never had to ask these kinds of questions?

process pink PAYMENTS

Contact National Recruiter: Leslie Gallagher

(800) 742-0211 ext. 2433 | Leslie@ProcessPink.com | www.ProcessPink.com

A POS for Main Street merchants

Product: POSitivity

Company: CardWare International

CardWare International developed POSitivity with ISOs, merchant level salespeople (MLSs), acquiring banks and payment processors in mind. According to the company, the fully integrated POS system was designed to target Main Street merchants seeking higher-level functionality in their POS systems.

POSitivity's software includes three core modules: retail, hospitality/quick service restaurant (QSR) and fashion. Each module features customizable functions with advanced, real-time reporting capabilities. For example, in the retail module merchants can manage customer loyalty and reward programs, create sales promotions, scan and track inventory, receive alerts when stock items are low, manage employee attendance, and maintain monthly charge accounts.

The hospitality/QSR module allows users to oversee table and bar tab accounts, split checks, enter recipes and link to kitchen video systems. The fashion module, which targets boutique, jewelry, shoe, lingerie and sports stores, offers the added benefits of an eight-layer fashion matrix, along with product activation and deactivation scheduling. Each module reportedly handles employee time and attendance, bar code scanning and printing, and inventory tracking.

On the hardware side, the system includes a processor integrated with a configurable touch-screen, card reader, USB cash drawer and thermal printer. Multiple ports can support PIN debit, Europay/MasterCard/Visa, check imaging, bar code readers and other payment technologies, the company said.

CardWare offers four merchant support levels, priced accordingly. The top level delivers unlimited support, while the most basic level is priced per call. Reseller pricing begins with one of the core modules, with add-on modules available as merchants need them. CardWare noted that its core and add-on modules are available to resellers through a perpetual use license.

Resellers also have the option of selling, renting or leasing the system with or without hardware support. And POSitivity requires no long-term commitment for its hardware, software or data plans, the company said.

The POSitivity system can be white-labeled with marketing materials provided to ISOs and MLSs for private branding. "POSitivity will conduct free, neutral-brand merchant education webinars, where resellers invite current or prospective merchants," the company reported. "Also, POSitivity will form a reseller group to develop best practices, plus recommend development of value-add modules."

Features of POSitivity include:

- Fully integrated POS system with backup support
- PA DSS certified for optimum security
- Modules to fit a variety of merchant categories
- Gateway that links to existing payment processors
- White-label branding opportunity for ISOs, MLSs

CardWare International

740-522-2150 ext. 222
www.positivity.us.com

Bringing social order to business

Product: The Social Merchant

Company: The Social Merchant

Merchants often lack the tools and time necessary to engage customers through social media. With the rising popularity of social media, one negative review placed on a prominent social network can quickly damage the reputation of a business – if left unchecked.

To help empower merchants, a team of information technology professionals with extensive coding and user-interface experience in merchant- and consumer-centric processing collaborated to develop The Social Merchant, an online communications hub. The platform enables merchants to connect to major social media websites where they can create and monitor social activity, explore customer reviews and ratings, obtain competitive analyses and manage other social media functions.

The TSM dashboard allows merchants to control all social media and access multiple Internet profiles using a single login. When monitoring the major networks, users can view comments in real time and respond quickly to customer concerns, TSM said. The Competitor Watch feature monitors competitors' offers and promotions and reveals what consumers are saying about the competition.

Taking it a step further, TSM lets merchants view who is interacting with their businesses and how customers are sharing merchant social site content. According to TSM, merchants can categorize fans and uncover key influencers within the group, flag activity by keyword to highlight relevant events or brand-related terms, tag posts and comments, and assign and prioritize tasks for staff.

TSM's reporting and analytics functions allow users to export data from multiple networks with detailed charts for monitoring the progress of social campaigns and activity. And it integrates with online tools like Google Analytics as well.

Built-in templates for creating Facebook pages can be updated to reflect coupon offers, contests or special promotions that can be prescheduled for publishing at a later date. Merchants can define terms and conditions, such as placing limits on the number of items available, setting minimum purchase requirements or restricting dates. Merchants can also incorporate quick response and bar codes into their online social media campaigns, the company said.

Features of The Social Merchant include:

- Single platform for managing all social media
- Dashboard for social monitoring and analytics
- Enterprise-class system for scaling to SMBs
- Templates for building social media campaigns
- Search engine optimization for improved ranking

TSM offers three monthly plans, which are based on the number of store locations. The Storefront plan features standard reporting for one location; the Main Office plan delivers multilocation reporting for merchants with 2 to 4 locations; and the Enterprise plan provides custom reporting for merchants with 5 to 10 locations.

The Social Merchant

800-409-0804
www.thesocialmerchant.com

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

Bank Administration Institute

2012 BAI Retail Delivery

Highlights: For more than 30 years, BAI Retail Delivery has showcased innovations in banking and technology, as well as insights from global thought leaders.

This year's event will feature banking and financial services professionals in sessions covering multichannel strategies, sales effectiveness, technology for business, marketing and management, mobile services, compliance, and more. Over 200 exhibitors and thousands of senior-level decision makers are expected to attend.

Slated keynote speakers include Sir Richard Branson, founder of Virgin Group; Guy Kawasaki, former Chief Evangelist for Apple Inc.; and Aaron Dignan, Founding Partner and CEO of Undercurrent. New this year will be the prepaid, debit and card services hub, and a business and customer analytics showcase on harnessing big data.

When: Oct. 9 – 11, 2012
Where: Walter E. Washington Convention Center, Washington
Registration: *www.bai.org/events/registration/register.aspx?ec=3966&rt=conferences*

Electronic Transactions Association

2012 Strategic Leadership Forum

Highlights: This annual Electronic Transactions Association forum offers attendees an opportunity to interact with a range of select payments industry innovators, leaders of prominent and cutting-edge companies, business visionaries and other senior executives who are working to advance the industry overall.

Seasoned professionals at the nexus of technology, mobile commerce and e-commerce will share tested techniques as well as ideas on what the next generation of innovation will bring.

This event is ideal for payment executives seeking to exchange information and insights with their peers, learn about new aspects of the business, establish or solidify partnerships, and explore emerging business channels – all in a relaxed atmosphere.

When: Oct. 16 – 18, 2012
Where: Montelucia Resort & Spa, Scottsdale, Ariz.
Registration: www2.electran.org/slf12/

WaterCoolerWisdom:

The greatest good you can do for another is not just to share your riches but to reveal to him his own.
– Benjamin Disraeli

A lesson from the Greeks

In Homer's Trojan War epic, *The Odyssey*, King Odysseus' friend Mentor epitomized the loyal adviser. The king's trust in Mentor was so great that when he set off for battle, he asked Mentor to become a counselor, educator and protector for his son, Telemachus.

From this ancient beginning, the concept of mentoring evolved. In modern vernacular, a mentor is an individual who shares knowledge with a less experienced colleague, commonly referred to as a protégé, to facilitate proficiency in a chosen endeavor.

Today, our lives are sprinkled with mentors – family members, friends, teachers, coaches, clergy and bosses – guiding us at important junctures. Some relationships are more formal and last longer than others. But each mentoring experience has molded who we are today.

Foundation building

In business, more experienced colleagues often acquire a tremendous volume of information and personal experience. Properly channeled, these resources can benefit newer members joining an organization. Knowledge gleaned from dealing with merchants and vendors, understanding which skill sets and types of expertise are essential, and sharing core company values can go a long way toward building a strong organizational foundation.

In a study by the Center for Creative Leadership, 77 percent of respondents from U.S. companies that implemented formal coaching and mentoring programs said they experienced improved retention and performance.

Another CCL study revealed that 27 percent of high-potential employees believe their organization could increase personal engagement by "providing a clear path that identifies the next steps in terms of development, experience and movement."

Talent tapping

For ISOs and merchant level salespeople (MLSs), identifying mentor talent should be a priority. Consider the requisite time commitment for mentorship to be an investment in the future.

Mentor and protégé pairings can be based upon areas of expertise and requested growth determined by candidates' answers to questionnaires covering education, training, experience, growth needs and goals.

Within ISOs, mentor pairings don't necessarily have to come from within the same department. Working with someone outside the protégé's own department who shares similar goals can offer a valuable, neutral perspective. This is not to say that a veteran sales manager wouldn't make an excellent mentor to someone joining the team. Having an open dialog beyond initial training can be integral to building the next sales superstar.

MLSs might begin a mentor search with a call to an industry expert who has contributed articles to this publication or offered advice in GS Online's MLS Forum. In addition, regional acquirers conferences and local business organizations offer opportunities to form alliances with veteran professionals, many of whom are willing to share knowledge with promising individuals who could become their own business or referral partners down the road.

Whether you are searching for a mentor or wish to become one yourself, remember, many of the skills used to acquire and retain merchant accounts also apply to mentoring. These include being an active listener to build rapport, having the patience to build trust over time, helping to establish goals, and offering the encouragement needed to succeed. With continuous monitoring and evaluation, mentoring relationships can stay on track until they run their natural course.

Good Selling!SM

Paul H. Green, President and CEO

To add your company to our expanding listing, call 866-429-8080 today.

ACH - CHECK 21

Global eTelecom, Inc.
(877) 454-3835
www.checktraining.com

ACH - CHECK 21 BOC

Netcom Check Services
(800) 875-6680
www.netcompaysystem.com

Convergence Processing Merchant Services
ACH Check21 BOC ARC Age & ID
Recurring ACH Check Verify
All Major Credit and Debit Processing
LifePay Residual No Exit Fees

AGE VERIFICATION

Legal Age ID Systems Inc.
(800) 779-4945
www.legalagesotware.com

AGENTS / ISO PARTNERSHIPS

GROUP ISO
800.722.GISO (4476)
www.groupiso.com

ATM CHANNEL SUPPORT

KAHUNA
Kahuna ATM Solutions
(888) 357-8472
KahunaATM.com

ATM ISOs LOOKING FOR AGENTS

ATM ACCESS to MONEY
(888) 701-1004
www.accesstomoney.com

Looking for agents. 100% of surcharge plus 100% of interchange on all monetary and non monetary transactions Call Ralph @ x4241 or Jim @ x4243

United Cash Solutions
(800) 698-0026 x1430

ATTORNEYS

LAW OFFICES OF
MICHAEL A. BREWER, APC
(949) 679-6060
www.brewerlawyergroup.com /cclitigation

Premier payment processing attorneys specializing in creditcard processing, ISO, Acquiring bank and Merchant representation with offices in Orange County and Los Angeles.

Biggins Law
Experienced. Proven.
(877) 817-8700
(213) 223-2234
www.bigginslaw.com

Adam Atlas Attorney at Law
(514) 842-0886

BANKS LOOKING FOR AGENTS

Redwood Merchant Services
Division of Westamerica Bank
(707) 569-1127
www.redwoodmercantservice.com

BANKS LOOKING FOR ISOs / MSPs

A.V.P. Solutions
(800) 719-9198
www.avpsolutions.com

Integrity Payment Systems
(888) 477-4500
www.integritypays.com

CASH ADVANCE LOOKING FOR AGENTS

CHECK GUARANTEE / VERIFICATION

CrossCheck, Inc.
(800) 654-2365

EMPLOYMENT OPPORTUNITIES

Advance Restaurant Finance
(650) 341-2850 x20
www.arfcash.com

EQUIPMENT

ATT Services
(714) 999-9566
www.attpos.net

Discount Credit Card Supply
(877) 298-6939
www.discountcreditcardsupply.com

General Credit Forms, Inc.
(800) 325-1158
www.gcfinc.com

Ingenico
(800) 252-1140
www.ingenico.com

JRs POS Depot
(877) 999-7374
www.jrposdepot.com

POS Portal
(866) 940-4767
www.posportal.com

The Phoenix Group
(866) 559-7627

VeriFone
(800) VERIFONE

FINANCING FOR ISOS

Super G Funding
(800) 631-2423
www.supergfunding.com

GIFT / LOYALTY CARD PROGRAMS

Electronic Payments
(800) 966-5520 x234
www.egiftsolutions.com

FLEXGIFT/UMSI
(800) 260-3388

Global eTelecom, Inc.
(877) 454-3835
www.giftcardtraining.com

HIGH RISK

National Transaction Corp.
(888) 996-2273
www.nationaltransaction.com

EPPS
Electronic Payment Processing Solutions
(561) 655-3670
www.myepps.com

INTERNATIONAL PROCESSING

2CO 2CHECKOUT.COM
Referrals
(877) 294-0273 x147
referrals@2co.com

Stop the leak in your Sales Funnel

Partner with 2Checkout.com and turn discarded business into revenue today! We specialize in international online business. Contact us now!

ISO/POS DEALER LOOKING FOR AGENTS

MSI, Merchant Services Inc.
(800) 522-3661
www.1800bankcard.com

ISO RELATIONSHIPS AVAILABLE

CoCARD
(800) 882-1352
www.cocard.net

A streamlined network of uniquely skilled ISOs, CoCard creates value by sharing services, strategies, best practices and technology.

The Power of We. Collaborate. Cooperate.

Advanced merchant services
(888) 355-VISA (8472)
www.amspartner.com

Elavon
(678) 731-5000
www.elavon.com

Electronic Payments
(800) 966-5520 x234
www.bankcardprogram.com

EVO Merchant Services
(800) CARDSWIPE x7800
www.goevo.com

Harbortouch
(800) 201-0461

MSI, Merchant Services Inc.
(800) 537-8741
www.1800bankcard.com

North American Bancard
(800) BANCARD x1001

Total Merchant Services
(888) 848-6825 x9411
www.upfrontresiduals.com

ISOs / BANKS PURCHASING MERCHANT PORTFOLIOS

Nationwide
Payment Solutions
(877) 290-1975 x5210
www.getnationwide.com

Unique buyout opportunities with or without production. Let NPS service your merchant base. Call us today to discuss the options NPS has to offer.

Elavon
(678) 731-5000
www.elavon.com

North American Bancard
(800) BANCARD x1001

ISOs LOOKING FOR AGENTS

Digital financial group
1866-55SWIPE
(866) 557-9473
www.digitalfg.com

Electronic Payments
(800) 996-5520 x234
www.bankcardprogram.com

EVO Merchant Services
(800) CARDSWIPE x7800
www.goevo.com

Harbortouch
(800) 201-0461 x136

GROUP ISO
800.722.GISO (4476)
www.groupiso.com

Money Tree Merchant Services
(888) 211-2991 x9411
www.moneytreerewards.com

MSI, Merchant Services Inc.
(800) 351-2591
www.1800bankcard.com

Nationwide Payment Solutions
Experience The NPS Difference
(877) 290-1975 x5447
www.getnationwide.com

North American Bancard
(888) 229-5229

total merchant services
Total Merchant Services
(888) 848-6825 x9411
www.upfrontresiduals.com

United Merchant Services, Inc.
(800) 260-3388

ISOs SEEKING SALES EMPLOYEES

Total Merchant Services
(888) 848-6825 x9420
www.totalmerchantservices.com

LEASING

BARCLAY SQUARE LEASING
BARCLAY SQUARE LEASING
(866) 396-2754
www.barclayleasing.com
We fund & service all our leases
Same day funding – Fast scoring
Low factors – Written verifications
Online reporting – Faxable/PDF leases
48 month wireless – Split funding

1st AMERICAN LEASING
(888) 684-6111 x 3007
www.1stamleasing.com
We lease ATM, wireless and credit card terminals. Approvals in 2 hours with funding the next business day. Great Rates, underwriting guidelines, and 24 hour verification

EXECUTECH LEASE GROUP
(888) 574-9178
www.elgleasing.com
kylem@elgleasing.com
60 month leasing on CC terminals. ATMs and POS systems with $1.00 buyout available. Same Day Funding. 24/7 support from account manager.

Azura Leasing
(888) 424-7142
www.AzuraLeasing.com

First Data Global Leasing
(800) 897-7850

Ladco Global Leasing Solutions
(805) 267-7247
www.ladco.com

LogicaLease
(888) 206-4935
www.logicalease.com

Northern Leasing Systems, Inc.
(877) 325-6469
www.northernleasing.com


AMAZING
BONUS PROGRAM!
CardPayment
SOLUTIONS
UP TO $500
PER ACCOUNT BONUS! PAID SAME DAY!
$5,000 Signing Bonus!
Bonuses Paid Same Day!
Same Day Approvals!
Next Day Funding Available for Merchants!
Free Terminal Program!
Direct Leasing!
Interchange Splits!
Residual Buyout!
Growth Capital!
100% Commission on Equipment Sales!
Free Statement Analysis!
Online Tools to Track Your Merchants, Bonuses and Residuals!
Free Marketing and Training Materials, Including Business Cards!
Multiple Platforms!
Excellent Support Team!
CALL TODAY
LET US CUSTOMIZE A PROGRAM TO FIT YOUR NEEDS:
1-877-513-1339
info@csiprocessing.com
RESIDUAL SPLITS UP TO 100%

MARKETING

Call to find out about our new large custom box at

866-429-8080

www.greensheet.com

MARKETING AND ADVERTISING

Strategic Marketing

(480) 706-0816

www.smktg.com

- Advertising and Public Relations
- Branding and Corporate Identity
- Product Launches
- Sales and Marketing Materials
- Web Design, Strategy and more...

Acquired Marketing

Acquire Marketing from experienced payments professionals

(917) 743-5258

www.acquiredmarketing.com

Nancy Drexler, President

Advertising • Public Relations • Training
Social Media • Sales Collateral
Presentations • Direct responce

PAYMENT GATEWAY

NMI

Network Merchants Inc

"Building Payment Gateways One Partner at a Time"

(800) 617-4850

www.nmi.com

- PCI Compliant Customer Vault™
- Encrypted Retail Swiped Solutions
- Multi-MID Transaction Routing
- ISO / MLS Transparent Branding
- Non-Compete Guarantee

MAAS GLOBAL

(866) 666-2141

www.MaasGlobalSolutions.com

- Creators of Paymentsite Gateway
- PCI DSS Compliant payment gateway
- Robust mobile app for anytime access
- White Label and reseller opportunities
- Built for start-ups to enterprise

ezic

"Industry Leading Solutions Fueled By Market-Driven Features"

(847) 327-9870 x205

www.ezic.com

Innovative | Progressive | Robust

eProcessing Network

The *everywhere* Processing Network, *Anywhere* Merchants Do Business

800-296-4810

www.ePNReseller.com

ProCharge
(800) 966-5520 x221

USA ePay
(866) 490-0042
www.usaepay.com

PCI DSS COMPLIANCE

PCI Compliance

(866) 949-9777

www.gotpci.com

Trustwave

(312) 873-7500

www.trustwave.com

Are you open to new
OPPORTUNITIES?
LET US CUSTOMIZE A PROGRAM FOR YOU.
$10,000 signing bonus
(Call for details)
Lifetime Residuals
Competitive Revenue Share
Up-front Bonuses
Online Applications
Same Day Approval with Live TIDs
One of the Highest Approval Ratings
Next Day Funding Available
Agent Loan Program
Exit Strategies Available
Access to Multiple Platforms
Free Equipment to Place or Lease
Online Office Management Tools
Dedicated Relationship Managers
Free Training
Merchant & Technical Support in Multiple Languages
$30 Billion+ Processed Annually
A Company with Instant Credibility
GET STARTED TODAY
1-888-519-9466
iPayment®
Visit Us Online
www.ipaymentinc.com
ISO@ipaymentinc.com

PORTFOLIO PURCHASES AND LOANS

Purchasing Residual Streams and Portfolios with Strength, Speed, Trust
1-610-451-4096
www.cutterfinancial.com

POS CHECK CONVERSION

CrossCheck, Inc.
(800) 654-2365

POS CREDIT CARD EQUIPMENT REPAIR

ATT Services
(714) 999-9566
www.attpos.net

BITS
Bartlett Info Tech Services, LLC
(901) 384-6151
www.bits-pos.com

JRS POS DEPOT
Serving the Transaction Industry
(877) 999-7374
slaes@jrposdepot.com

New Image P.O.S.
(877) 581-6201
Info@NewImagePOS.com

POS SUPPLIES

General Credit Forms, Inc.
(800) 325-1158
www.gcfinc.com

PROCESSORS LOOKING FOR ISOs

Clearent
(866) 205-4721
www.clearent.com

Elavon
(678) 731-5000
www.elavon.com

Jetpay, LLC
(972) 503-8900 x158
www.jetpay.com

PUBLIC RELATIONS

PR ADVANCED SOLUTIONS
Advanced PR Solutions
(314) 222-9095
jasonwgranger@gmail.com

SERVERS / ISPs

Network Merchants, Inc. (NMI)
(800) 617-4850
www.nmi.com

SITE SURVEY

Spectrum Field Services
(800) 700-1701 x286
www.spectrumfsi.com

WIRELESS COMMUNICATIONS

AOS Wireless
AOS WIRELESS
(866) 288-0682
www.aoswireless.com
M2M Wireless for your ATM and P.O.S. We service the U.S., Canada, Latin America and Europe. Hercules, Systech and JBM.
Specials: JBM (Ethernet/Dialup) Modems $150.00, $12.95/month

WIRELESS RETAIL / KEYED PROCESSING

USAePay
(866) 490-0042
www.usaepay.com

Finally. A High-Performance Vehicle that Exceeds Your Expectations.

For ten years, Cynergy Data's VIMAS™ set a new pace in the industry. What we've done now will change the industry.

Flexibility. Price your merchants your way to maximize profit.

Pay Out. Takes the weight of calculating and paying residuals off your shoulders. Unlimited pricing configurations let you create, edit, save, assign and administer residuals for all downstream hierarchy levels.

Sign and Drive. Intelligent online application with digital signature gets merchants boarded quickly and easily.

Intuition. So fast, so simple, you won't ever need a user manual.

Navigation. User-selected and organized desktop content with single click functionality puts a roadmap of your business right at your fingertips.

Options. Drill down or get the long view with dynamic, customized reports that transform raw data into actionable business intelligence.

Brand. Support your brand by adding your logo, colors and a personalized home page.

VIMAS™: So much raw power, your business practically drives itself.

800.933.0064 West Coast: Call Tim Vint, ext. 1178; East Coast: Call Tom DellaBadia, ext. 5140

cynergydata

AdvertiserIndex

Inserts
Alpha Card Services
Charge Card Systems
North American Bancard
Total Merchant Services
Cover Wrap
Electronic Payments
Business Reply Card
North American Bancard

2:15 AM
Alpha Card Services
The Industry`s Largest
Bonus Program & Lowest Transaction Fees.
+
The Industry`s Most Comprehensive
One-Stop Source for Merchants.
+
The Industry`s Best Customer
Service and Technical Support Team.
=
Increased Income for You!
Ask us about our new
iPad Merchant Application


AMAZING
BONUS PROGRAM!
CardPayment
SOLUTIONS
UP TO $500
PER ACCOUNT BONUS! PAID SAME DAY!
$5,000 Signing Bonus!
Bonuses Paid Same Day!
Same Day Approvals!
Next Day Funding Available for Merchants!
Free Terminal Program!
Direct Leasing!
Interchange Splits!
Residual Buyout!
Growth Capital!
100% Commission on Equipment Sales!
Free Statement Analysis!
Online Tools to Track Your Merchants, Bonuses and Residuals!
Free Marketing and Training Materials, Including Business Cards!
Multiple Platforms!
Excellent Support Team!
RESIDUAL SPLITS UP TO 100%
CALL TODAY
LET US CUSTOMIZE A PROGRAM TO FIT YOUR NEEDS:
1-877-513-1339
info@csiprocessing.com

REGISTER NOW!

Join us for our Hospitality POS Certification Course in Allentown, PA on October 23-24, 2012

Let us teach you POS systems.
It's easier than you think!

Harbortouch is pleased to invite you to our complimentary training course which will provide in-depth, individualized training on POS systems, specifically focusing on the Harbortouch Hospitality POS solution. This course will cover everything from hardware to software, from features and functions to effective sales techniques.

Integrated POS solutions are becoming increasingly central to the payment processing industry and this is your chance to get on board. Invest in your future by taking advantage of this valuable opportunity!

Become a Certified Harbortouch POS Reseller and benefit from:
Larger accounts! Higher margins!
Lower merchant attrition! A stable, more profitable residual portfolio!

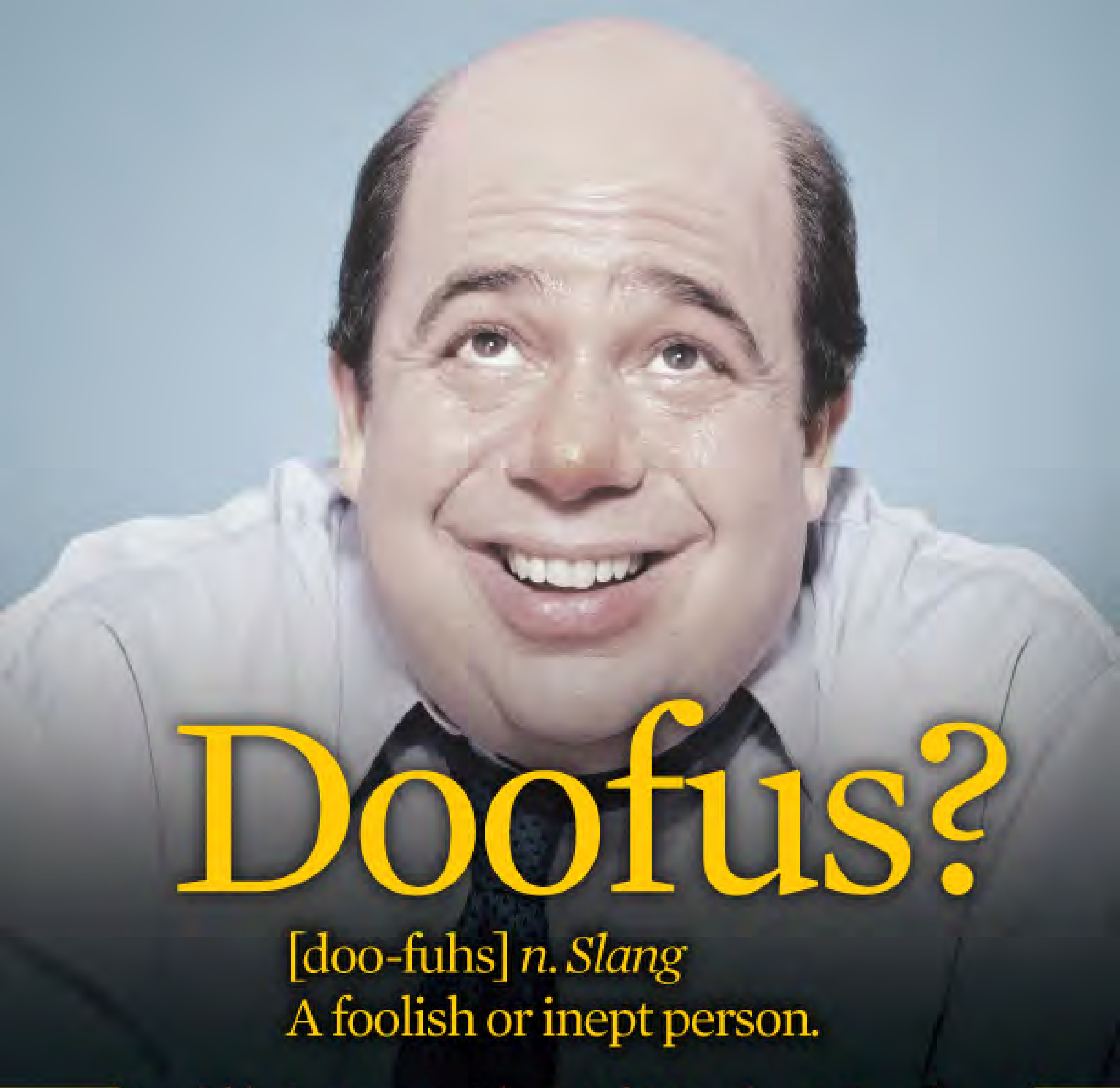
Visit www.harbortouchcertification.com
for more information and to register today

Questions? Please contact:
Brian Jones, EVP Sales and Marketing: 800-201-0461 x 136
Jonathan Brandon, National Sales Manager East: 800-201-0461 x 145
Brian Fitzgerald, National Sales Manager Central: 800-201-0461 x 257
Max Sinovoi, National Sales Manager West: 800-201-0461 x 219

HARBORTOUCH

HT1338_08022012


YOU CAN BOARD MORE MERCHANTS WITH
NO CANCELLATION FEES
All agents have the choice to offer new merchants a contract with no cancellation fees, while still placing free equipment and qualifying for a bonus. This new flexibility will allow you to grow your business and take your sales to the next level.
CALL TODAY 855.768.9759 | gonab.com/gs
North American BANCARD



Avoid being one with Total Merchant Services.

Who wants to get slapped with an undisclosed $79 - $99 Compliance Fee?	***Not your merchants!***
Who wants to get angry phone calls from merchants who feel they were tricked?	***Not You!***
Who is going to get a referral from those angry merchants?	***Not You!***

See the many ways Total Merchant Services **protects you and your merchants!**

Hidden Compliance Fees? Angry Merchants?

Don't take it anymore!

We've got some better ideas! Take a look:

You can have it all! You can still earn an 8x upfront bonus, 50%-65% revenue sharing splits, the best free terminal placement programs in the business, with an honest, transparent, reasonable Compliance Program.

Total Transparency

Total Merchant Services protects you and your merchants with total transparency. We take a reasonable approach in disclosing the financial details of our Compliance Program to every new merchant on our Schedule Of Fees in simple, clear language.

Easy To Sell

All our merchants receive the Compliance Program at no additional charge during the first year of their processing relationship with us and these services may be accessed immediately. On the 13th month of processing, and from that point forward, merchants will be assessed a fee of $4.95 per month. We even offer a $25,000 Compliance Reimbursement Program to make sure our merchants feel good as they are getting something in return.

Honesty is our Everyday Policy

At Total Merchant Services, you'll find no compliance fee trickery and zero surprises. We believe in being upfront, honest and ethical in all of our business dealings. We will not use bait and switch tricks or surprises to get over on merchants or sales partners. We know that doing anything less would be a recipe for disaster—not growth.

Still not sure? Want to be convinced?

If you'd like help comparing our program, including the true impact of the Compliance Program fees, please give us a call. We'll show you that chasing a deal that looks better is NOT going to make up for a Compliance Fee Program that destroys your reputation and your business.

Who's going to have happier customers?

You!

Who's going to earn more money?

You!

Who's going to get more referrals?

You!

Who's going to break through in '11?

You!

total merchant services

payment solutions for your business

Give us a call or visit our website for more details.

(888) 848.6825 x9411 upfrontandresiduals.com