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December 24, 2012 • Issue 12:12:02

Cooperation spurs progress in 2012

This year will likely be remembered for the disruptive influences that not only shaped perceptions about the economy, but also influenced how Americans interact with converging technologies to make decisions – whether they are responding to mobile coupon offers for instant gratification or collecting data from online and offline sources for planning purposes.

Many economists accurately predicted a period of economic uncertainty surrounding the 2012 elections. Post-election indicators suggest this trend may linger as evidenced by congressional gridlock in early December debates over actionable measures to avert tax increases and budgetary cuts stipulated by the Budget Control Act of 2011, set to go into effect at midnight on Dec. 31, 2012.

Beyond the political wrangling in Washington, natural forces deeply impacted business owners and residents along the eastern seaboard when Hurricane Sandy struck the coast one week before the elections. But unlike Congress, members of the payments industry proved that cooperation has the power to dissolve barriers to progress and rebuild entire communities.

Rising to the occasion

Many payments industry companies contributed to Hurricane Sandy relief efforts. U.S. Bancorp Inc. donated \$250,000 to the American Red Cross Disaster Responder Program. Merchant Cash and Capital extended disaster relief funding to businesses affected. The Northeast Acquirers Association plans to conduct a silent auction to raise funds for Hurricane Sandy relief during its Winter Seminar & Outing in January 2013.

These are but a few examples of how the payments industry stepped up to the plate this year. To encourage further outreach, *The Green Sheet* introduced a new feature, Gift of Giving, which highlights the charitable causes ISOs support throughout the year. In another development, the publication received special recognition, earning its fifth Grand Award and a Feature Writing award in the APEX 2012 Awards for Publication Excellence.

Advancing EMV initiatives

Last year at this time, the Visa Inc. Technology Innovation Program was on course to eliminate the Payment Card Industry (PCI) Data Security Standard (DSS) annual revalidation requirement for merchants processing 75 percent of their transactions on dual-interface Europay/MasterCard/Visa (EMV) chip-enabled terminals. This marked the first step along a planned road map for migrating U.S. cardholders and merchants to the EMV standard, which is widely used elsewhere across the globe.

Stephanie Ericksen, Head of Authentication Product Integration for Visa, stated, "Migrating the U.S. market to chip will help build an infrastructure for

Cooperation continued on page 51

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- » Theodore Svoronos–Merchant University
- » Cliff Teston–Signature Card Services
- » Cody Yanchak–First American Payment Systems

NotableQuote

More consumer education is needed, too - not just information about the technology and how it can be used for mobile payments, but also guidance on using mobile payment devices safely and securely.

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Payment companies on the 2012 Inc. 500/5000

Some of our readers have told us they would like to see a list of all the payment companies that made it onto the 2012 Inc. 500/500 list. We published highlights of interviews done with a cross section of the listed companies in "Secrets of the Inc honorees," *The Green Sheet*, Nov. 26, 2012, issue 12:11:02.

Given our tight deadlines and limited space, we did not attempt to conduct interviews with every company on the list. We reached out to a range of companies and worked with those that responded to our query. We do agree that publishing a full list is a good idea, though, so we're going to do it right here.

We wish to congratulate all that made the list. Following are the payment companies on the Inc. 500/5000 list, beginning with the top-ranked company:

Rank	Company	Rank	Company
1	Unified Payments LLC	2072	ATM Equipment.com
6	Bluefin Payment Systems (formerly Capital Payments LLC)	2190	Infinitech
18	Merchant Services Inc.	2299	ACH Direct Inc.
19	Complete Merchant Solutions LLC	2336	eGlobal
87	Century Payments Inc.	2340	AccountNow Inc.
105	Transcendent One Inc.	2352	Federated Payment Systems LLC
330	Repay-Realtime Electronic Payments	2397	SignaPay Ltd.
340	TMG Financial Services	2483	Billeo Inc.
369	Allied Wallet Ltd.	2578	Alpha Card Services Inc.
415	Braintree Payment Solutions LLC	2740	USA ePay
566	1st Merchant Funding LLC	3115	Element Payment Services
582	PayLease	3156	ECSI Corp.
583	Clearent LLC	3183	Datalink Bankcard Services
598	Merchant Services Direct	3261	The Merchant Equipment Store
650	Elite Merchant Solutions	3330	Omega Processing Solutions
804	Alpine Payment Systems	3350	Payment Alliance International
811	Valued Merchant Services	3427	PayPros
980	AffiniPay	3458	Velocity Merchant Services
1026	Miva Merchant	3804	United Merchant Services Inc.
1059	Entrust Bankcard	4419	Nationwide Payment Solutions LLC
1109	Payment Solutions Inc.	4444	Electronic Data Payment Systems
1219	Security Card Services LLC	4474	ATM Network
1340	Electronic Payments Inc.	4555	Electronic Payment Systems LLC
1538	Yapstone Inc.		
1562	Central Payment Co. LLC		
1611	Payscape Advisors		
1658	Gravity Payments		

If your payment company made the Inc. 500/500 list and it doesn't appear here, please get in touch at greensheet@greensheet.com, and we'll add your company's name and rank to the online version of this page.

The best is yet to come


We want to thank our readers and advertisers for relying on *The Green Sheet* to provide essential information to the payments community, as well as a means for communicating effectively with professional peers, potential partners and prospective clients. We look forward to serving you in the coming year and welcome your questions and suggestions. Reach out to us via email at greensheet@greensheet.com, by phone at 800-747-4441 or on Facebook at www.facebook.com/thegreensheetinc.



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

Cover Story

1

Cooperation spurs progress in 2012

2012 will likely be remembered as the year of disruption in the payments industry. New technologies threatened to upturn business models. And new regulations impacted how every payment company does business. But 2012 should also be remembered for the generosity shown by ISOs and others in the face of challenge and tragedy.

News

29

Retailers appeal preliminary approval of antitrust settlement

A coalition of retailers and retail associations said it will appeal the proposed \$7.2 billion settlement of the class action antitrust lawsuit brought by some 7 million retailers against Visa Inc. and MasterCard Worldwide over interchange fees. The dissenters object to the settlement because it would forbid them from suing the card brands over interchange issues in the future.

News

22

Experts doubt SAFE WEB Act slows cyber crime

In early December 2012, the U.S. Congress reauthorized the U.S. SAFE WEB Act, which gives the Federal Trade Commission broad cross-border fraud fighting powers. But security experts question whether the reauthorization will have an effect on the amount of fraud dealt the payments industry by international gangs of cyber thieves.

News

29

Technology spurs cashless adoption

The self-service payment sector is growing. USA Technologies Inc. is equipping vending machines to accept near field communication-based payments via Isis' mobile wallet. And VeriFone Inc. innovated with technology that allows motorists to buy lottery tickets when they pump gas from VeriFone PayMedia-equipped terminals in Minnesota.

News

27

CFPB seeks to refine money transfer rules

In its effort to refine the rules that govern the business practices of remittance transfer providers (RTPs), the Consumer Financial Protection Bureau seeks to lighten regulatory burdens on RTPs. Risk and compliance experts breathed a sigh of relief that the CFPB is easing up on the disclosure requirements for exchange rates and liabilities for customer errors.

Selling Prepaid

34

Blumenthal bill targets gift card fees, expiration dates

More federal gift card legislation was introduced. If enacted into law, the Gift Card Consumer Protection Act would modify the Electronic Fund Transfer Act to eliminate expiration dates and certain fees from all types of gift cards, including promotional and loyalty-driven cards. But is the bill yet another case of a solution looking for a problem?

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Selling Prepaid 36

First ATM-dispensed, multibrand gift card program in pilot

Better ATM Services Inc. entered a pilot program in Arizona for a solution that allows ATMs to dispense multi-retailer-branded gift cards. The myGIFT One Card Many Choices Discover Prepaid Card initiative is considered a first in the global ATM industry, as well as a potential boon for service providers seeking to extend the revenue generating potential of ATMs.

Education 58

**Street SmartsSM
Five predictions for 2013**

Predicting the future is a hit-and-miss proposition. But five payment predictions included in this article, along with responses to those predictions shared by members of the GS Online MLS Forum, reveal that even if the predictions don't necessarily come true, 2013 will be an exciting year for the payments industry.

Views 42

The confusing state of mobile

Recent reports call into question the ascendancy of mobile banking and payments. Research suggests that consumer adoption hasn't been robust. The reason may be that consumers – and payment providers – are confused by the proliferation of mobile wallets and other solutions. The problem may be solved by closer collaboration among solution providers.

Education 62

Making sense of 'sensemaking'

The antidote to the disruptions engulfing the payments industry may be found inward. By adhering to a practice called "sensemaking," payment professionals can create corporate environments that mirror their inward calm. Such a discipline may hold the key to enabling companies to thrive in the tumultuous payments world.

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Education

64

No reservations about mPOS at eateries

The flip side to a packed steakhouse is that sometimes customers leave before they are seated because of long lines. Mobile POS solutions promise bigger profits and quicker table-turns, which translates into more customers paying more – but served in less time. It is a wide-open market for ISOs and merchant level salespeople (MLSs) to tap.

Education

66

Crunch time for holiday shopping data

The 2012 holiday shopping season is over, but the preliminary numbers suggest it was a marked improvement over 2011. While fraud was a constant, data showed double-digit growth in online sales, especially on the big shopping days of Thanksgiving, Black Friday and Cyber Monday.

Education

68

Subtle but crucial factors in portfolio sales

Selling merchant portfolios is not just about overall sale price multiples, earn-outs, post-close payments and attrition. ISOs and MLSs should also consider less obvious factors, such as who receives residuals that might accrue in January but are paid in February, and what do post-close guarantees really cover.

Inspiration

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Change be with you in 2013

With 2013 only a few days away, many New Year's resolutions will be made, and many of them will be broken. The way to keep to our resolutions and make permanent (and positive) changes in our lives is to be determined and deliberate about fulfilling them – until the changes we make become the new normal.



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NEWS

ETA heralds 2013 board, opens registration for expo

The **Electronic Transactions Association** elected three new members and re-elected three current members to its board of directors.

The organization also made appointments to its Presidential Advisory Council and named more than 200 payment professionals to 13 standing ETA committees for 2013.

The three new directors elected to their first two-year term on the board are John Barrett, Senior Vice President of Sales at First Data Corp.; Henry Helgeson, Co-Chief Executive Officer for Merchant Warehouse; and Joan Herbig, CEO at ControlScan.

Three current directors who were re-elected to additional two-year terms are Robert Baldwin, Vice Chairman for Heartland Payment Systems Inc.; Gary Goodrich, CEO at ProPay Inc.; and Kurt Strawhecker, Managing Partner for The Strawhecker Group.

For a full list of the ETA's board of directors, officers, council and committee members, and volunteer leaders, please visit www.electran.org/content/view/862/536/.

In other ETA news, the association opened registration for the 2013 ETA Annual Meeting & Expo, to be held April 30 to May 2 at the Ernest N. Morial Convention Center in New Orleans.

The largest annual industry tradeshow will feature the New Mobile Pay Zone, the New Payments Next

Zone and the New Mobile Payment Innovations 2013. Payment professionals can register online at www.electran.org/am13.

Contactless payments take to the skies

Contactless payments are taking flight. **MasterCard Worldwide** said **US Airways** is the first airline to accept in-flight contactless payments.

Passengers can buy food, beverages and other services in-flight by tapping MasterCard PayPass-enabled cards or mobile devices on PayPass-accepting readers. The system uses the transaction processing platform of onboard store technology firm GuestLogix Inc.

Dave Meadon, who heads MasterCard's Global Chip Solutions and Engineering division, said the contactless payment system allows consumers to travel virtually cash free.

MasterCard is targeting PayPass for quick-service restaurants, retail stores, airports, vending machines, taxis and other businesses where payment speed and convenience are priorities.

Hector Adler, US Airways' Vice President of Inflight Services, noted that the solution allows crews to provide faster in-flight food and beverage service. The airline said it will also offer increased transaction limits for signature-less payments.

Brett Proud, GuestLogix President and CEO, is not surprised US Airways, a four-year customer of GuestLogix, became the first airline to adopt the contactless payment technology. "It has been an extremely forward-looking customer," he said.



- According to **The NPD Group Inc.**'s Consumer Tracking Service, cookware is expected to capture 40 percent of houseware gift spending dollars this year and multi-piece flatware sets will dominate serveware sales at 80 percent of anticipated spending in this category.
- Business analytics firm **comScore Inc.** revealed that during the first 30 days of the 2012 holiday shopping season, online sales surpassed \$20.4 billion, up 15 percent from the same period a year ago.
- According to **Research and Markets'** *Cosmetics, Beauty Supply & Perfume Stores* report, beauty sells. Collectively, the sale of products in these three categories through an estimated 13,000 U.S. stores generates about \$11 billion in revenue annually.

A large, abstract watercolor splash in shades of grey and black, partially obscuring the text.

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Visa Europe appeals EC decision

Visa Europe Ltd. is appealing the European Commission's decision to reject its request to modify its debit interchange rates, according to court documents published Dec. 10, 2012.

Visa Europe is asking the General Court, the European Union's second highest court, for the EC decision to be annulled. The EC is the EU body responsible for legislative actions and proposals.

In 2010, Visa Europe agreed to cap debit card multi-lateral interchange fees (MIFs) at 20 percent to settle an antitrust complaint brought by retail trade association EuroCommerce. In July 2012, the EC denied Visa Europe's request to change the cap.

That same month, the EC informed Visa Europe its consumer credit and debit card MIFs may violate EU antitrust rules by restricting competition among banks. The EC also notified Visa Europe its MIF rules may be in violation of European antitrust rules prohibiting cartels and restrictive business practices.

In appealing its cap request rejection, Visa Europe is alleging the EC violated the EU's Charter of Fundamental Rights "by not providing Visa Europe with the opportunity to effectively make known its views on the relevant facts and on the Commission's objections."

Europe not ready for SEPA direct debit

International strategy consulting firm **Edgar, Dunn & Co.** recently reported that most European businesses are not ready to transition to Single Euro Payments Area (SEPA) direct debits.

Direct debits are electronic money transfers commonly used to make recurring payments. All EU businesses using credit transfers or direct debits in euros are required to migrate to SEPA Direct Debit by February 2014.

EDC studied 300 businesses in France, Germany and the United Kingdom and found 30 percent of French and German businesses and 60 percent of businesses in the U.K. have not started to work on SEPA migration.

It said migrating to SEPA direct debit could be a mammoth task for unprepared organizations, given the short amount of time before the deadline.

UnionPay, Discover, Cardinal team for online shopping

China UnionPay, which reportedly has issued more than 3.2 billion bankcard worldwide, will now give Chinese shoppers with UnionPay cards the ability to make online purchases at the websites of participating

Discover Financial Services merchants. Integration will be achieved through the **CardinalCommerce** technology-neutral platform, the companies said.

UnionPay's UnionPay Online Payments (UPOP) e-commerce solution was developed in response to the need to offer UnionPay cardholders a safe, secure way to make purchases online around the world. Cardholders include numerous Chinese nationals studying in the United States.

UPOP is expected to be available to Discover's merchants early in 2013, using the Cardinal's Centinel Universal Merchant Platform. Discover merchants already using Centinel can simply place the UPOP payment button on their checkout pages to support the new payment option; no implementation is required, and no changes are necessary to existing settlement and reporting from Discover, the companies noted.

ANNOUNCEMENTS

Alaric expands in Central America

Global processor and data security firm **Alaric International** deployed its Authentic payment solution at about 500 Grupo Sanborns retail locations in Mexico and Central America. Alaric said Authentic is a high-performance, intelligent transaction services hub that empowers customers to customize payment options.

Apriva offers cashless vending discount

Mobile communication and payment services provider **Apriva LLC** said it will continue offering a discounted rate program to merchant acquirers and ISOs that resell its Apriva Vend cashless vending solution. Apriva predicts the discounted rate will continue to attract vending operators to the program.

CPP rewards employees for holiday generosity

On Thanksgiving week 2012, Dallas-based **Certified Payment Processing** began its annual holiday food drive to help local charity Metrocrest Social Services feed the poor and hungry.

CPP employees, including members of its two sales divisions, earned rewards for donating needed food items to the charity. CPP reported supplying the charity with nearly 700 pounds of food, along with over \$1,400, in 2011. The food drive ran through Dec. 14, 2012.

Clearent delivers real-time updates

Clearent LLC rolled out its new Application Status Report to give its sales partners real-time status updates on new merchant applications. Clearent said a problem that plagues ISOs is being kept "in the dark" on the status

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EPI ranks 120 on Fast 500

Fresh off its inclusion on the 2012 edition of the annual Inc. 500/5000 list, **Electronic Payments Inc.** was named to Deloitte's Technology Fast 500 for the third consecutive year. The Calverton, N.Y.-based ISO ranked 120th on the 2012 Fast 500 list.

Mega church converts to donation platform

Payment platform provider **Financial Transmission Network Inc.** said Seattle-based Mars Hill Church completed the conversion of its check donation processing to FTNI's ETran platform. The software-as-a-service platform allows for the remote deposit capture (RDC) of checks. FTNI said the mega church's membership growth was putting stress on its manual system of processing contributions.

HPS exec honored

Kris Herrin, Chief Technology Officer at HPS, one of the nation's largest payments processors, was named a 2013 Premier 100 IT Leader honoree by IDG Computerworld, a source of technology news and information for information technology (IT) influencers worldwide.

The Premier 100 spotlights 100 leaders from both the technology and business sides of companies for their technology leadership, effectively managed IT strategies, and innovative approach to business challenges.

Intuit launches pilot in U.K.

Business management software provider **Intuit Inc.** entered a mobile payment pilot in the U.K. for small businesses. The pilot for Intuit Pay is reportedly being tested by hundreds of small brick-and-mortar and on-the-go merchants. Intuit Pay involves a downloadable mobile app and a chip and PIN card reader.

LevelUp hits 1/2 million milestone

Boston-based **LevelUp Inc.** said Nov. 28, 2012, it had reached 500,000 users of its mobile payments platform. LevelUp does not charge merchants interchange; instead merchants pay the processor for marketing and loyalty campaigns that grow merchants' businesses.

LevelUp CEO Seth Priebatsch said the user milestone is the result of LevelUp's main effort: to motivate mainstream consumers to adopt mobile payments.

Health care payments via ACH approved

NACHA – The Electronic Payments Association adopted a new health-care payments rule as part of its automated clearing house (ACH) operating rules.

The new rule gives health plan and health-care providers access to the ACH network for electronic health-care claims payments. Providers benefit from faster deposits and access to funds, as well as cost savings from not having to deposit paper checks.

Payers also benefit by replacing the handling of paper checks with electronic payments via the ACH, said NACHA President and CEO Janet O. Estep.

Ciao, Panini

Poste Italiane tapped RDC hardware provider **Panini** to deploy scanners at postal locations throughout Italy.

The Panini Vision X scanners are being installed at over 21,600 postal locations to institute the post office's "payment slip dematerialization project." Panini said it worked with Poste Italiane for the past two years to create the electronic solution.

UPS Capital boosts merchant services

UPS Capital subsidiary **UPS Capital Trade Protection Services Inc.** said it enhanced its merchant services for small and midsize businesses. Services include speeding up the settlement process and expanding its retail, online and mobile payment channels.

UPS Capital, the financial services arm of United Parcel Service of America Inc., teamed with Frisco, Texas-based ISO Century Payments Inc. to launch UPS's merchant services business.

PARTNERSHIPS

Banno teams with ProfitStars

Mobile application, online and personalized payment card services developer **Banno LLC** partnered with **ProfitStars**, a division of Jack Henry & Associates Inc., to deliver the iPay Solutions integrated bill pay and Remote Deposit Anywhere mobile remote deposit solution through its financial support tool, Grip.

This will enable financial institutions to offer a branded mobile services app, the companies stated.

Optimal Payments powers Wahanda

In becoming a preferred partner of London-based **Wahanda**, Montreal-based online payment processor **Optimal Payments PLC** now supports payment processing for the Wahanda Connect online appointment booking system for spa, salon, beauty, health and fitness businesses.

PAI, Cash Connect open vault

Payment processor and independent ATM deployer **Payment Alliance International** formed a strategic

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alliance with ATM vault cash and cash forecasting services firm **Cash Connect** to deliver an exclusive vault cash and forecasting program being marketed as PAI Cash Alliance. The new service will be available through PAI's nationwide network of ATM market partners.

Payscape Advisors partners with NCR

Atlanta-based ISO **Payscape Advisors** became an **NCR Corp.** reseller partner and will begin offering the **NCR Silver**, an Apple Inc. iOS-based POS solution, as a software-as-a-service product.

"This partnership provides our clients the infrastructure and knowledge to make more data-driven decisions when running their business," stated Jeremy Wing, Payscape co-founder and President.

Veracity signs Michigan business association

Michigan-based ISO **Veracity Payment Solutions Inc.** signed an agreement to process payments for the nearly 17,000 members of the **Small Business Association of Michigan** through its affiliate Midwest Transaction Group. SBAM said it plans to offer credit and debit card processing through "MTG Powered by Veracity" as a benefit to its members.

ACQUISITIONS

Alpha Card, Comstat integrate

ISO **Alpha Card Services Inc.** acquired payroll services provider **Comstat Payroll**. ACS said it will now integrate Comstat into its Alpha Payroll Services division and begin offering more advanced software and payment platforms to Comstat's existing blue-chip payroll clients.

EVO to buy Deutsche Card Services

U.S.-based **EVO Payments International LLC** signed an agreement with **Deutsche Card Services GmbH**, a wholly owned subsidiary of Deutsche Bank, to acquire 100 percent ownership in the Germany-based merchant acquirer. DCS serves multinational businesses in 39 European markets. Terms of the sale are subject to regulatory approval.

FTS acquires two

Pittsburgh-based ISO **Financial Transaction Services LLC** purchased two affiliated payment processors, **Dependable Payment Processing** and **Discount Payment Processing**, which are also located in Pittsburgh.

The deal is designed to expand FTS' merchant portfolio within the state of Pennsylvania. According to FTS, both processors will retain their staffs; terms of the sales were not disclosed.

Greenwich to acquire Javelin

Greenwich Associates, a global financial services consulting firm, reached an agreement in principle to acquire **Javelin Strategy & Research**, a retail strategic insights and research firm that specializes in mobile banking, payments, security and fraud. The acquisition is expected to be completed by the end of 2012.

NCR purchases Retailix

NCR Corp. entered a definitive agreement to acquire **Retailix Ltd.**, a retail software developer for high-volume merchants. NCR said the acquisition will further enhance its hardware-enabled, software-driven business model. The cash purchase is valued at approximately \$650 million.

Vantiv completes Litle acquisition

Payment processor **Vantiv Inc.** completed the \$361 million cash purchase of e-commerce services provider **Litle & Co.** Under terms of the agreement, Litle will operate as a subsidiary of Vantiv, extending its e-commerce solutions to Vantiv merchant and financial institution clients.

APPOINTMENTS

HPS names Breakiron-Evans to Board

HPS named **Maureen Breakiron-Evans** to its board of directors and audit committee. Breakiron-Evans, a certified public accountant, is currently a director with Cognizant Technology Solutions Corp. and the Federal Home Loan Bank of Pittsburgh.

Brown joins Alaric

Andy Brown is the new Head of Global Marketing at London-based payment services provider **Alaric International**. Brown comes to Alaric from **ACI Worldwide Inc.** where he was Director of Product Marketing. In his new role, Brown is responsible for building brand and product positioning.

Virtual Piggy taps Dwyer

Virtual Piggy Inc., an e-commerce payment solution provider targeting the under-21 age group, installed **Joseph Dwyer** as its new Chief Financial Officer. Dwyer comes to Virtual Piggy from **OpenLink Financial LLC**, a support software solutions provider, where he was CFO.

Fiserv puts Flink on Board

Payment and financial technology provider **Fiserv Inc.** named **Chris Flink** to its board of directors. Flink is a Partner at the innovation and design firm **IDEO** and a Consulting Associate Professor at **Stanford University**. A Fiserv statement noted Flink has experience helping companies innovate and grow. ■

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Experts doubt SAFE WEB Act slows cyber crime

On Dec. 4, 2012, the U.S. Congress reauthorized the U.S. SAFE WEB Act, which confers on the Federal Trade Commission broad cross-border fraud fighting powers. But payment security experts don't expect the reauthorization to have much impact on fraud and theft inflicted on the payments industry by international gangs of cyber thieves.

The act, first passed in 2006 and now renewed to 2020, allows the FTC to share cross-border cyber fraud information with consumer protection agencies in other countries, receive confidential cyber crime information from foreign consumer protection agencies, sue for acts of cyber fraud involving foreign commerce or misconduct in the United States, sue on behalf of foreign victims swindled by U.S.-based cyber criminals, and make criminal referrals for cross-border cyber criminal activity.

Cyber crime still a growing business

Julie Conroy, Research Director at Aite Group LLC, stated, "While the reauthorization of the U.S. SAFE WEB Act certainly isn't a bad thing ... it has only succeeded in addressing the tip of the iceberg in the six years since its inception."

Conroy said the wave of attacks against the payments value chain has only grown worse since the legislation passed. She expects attacks to continue to increase because "there is so little in the way of adverse consequences" for international cyber criminal gangs. "Defensive strategies are currently the predominant approach to combating the crime, and at this point, the forces of good are losing," she added. "The bad guys don't need to make a business case to deploy new and innovative attacks whereas businesses usually do."

Conroy noted that fraudsters keep a step ahead of the law by exploiting the communication challenges between law enforcement bodies in each jurisdiction and spreading their illicit activities across multiple countries.

"[W]hat is needed is an international task force, solely focused on combating cyber crime, that is empowered to cut through the red tape and act quickly to stem the tide," Conroy said. "Until there is a deterrent in the form of a real risk of capture and prosecution, we will continue to see the rising tide of cyber crime attacking the



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The likelihood of a 'cyber-Pearl Harbor'

In a Dec. 6, 2012, opinion piece published in the *New York Times*, two U.S. senators criticized the Senate's failure to pass cyber security legislation in the current congressional session. Sen. Joseph Lieberman, I-Conn., and Sen. Susan Collins, R-Maine, said the United States is as ill-prepared for cyber attacks today as the country was for the attack on Pearl Harbor that initiated America's entry into World War II.

The senators said they borrowed the analogy from U.S. Defense Secretary Leon Panetta, who said in a recent speech that a "cyber-Pearl Harbor" would paralyze the nation. The senators illustrated the problem by noting the recent combined cyber attack against Bank of America Corp., JPMorgan Chase & Co., Wells Fargo & Co., PNC Bank, among other financial institutions. The attack is considered the largest sustained denial of service attack in history.

"We know that our digital networks are being tested, on a minute-by-minute basis, by would-be cyber terrorists, criminal gangs, rogue hackers and rival nations who look for unguarded digital back doors that would allow them to seize control of our most essential computers," the senators wrote, adding that it will be up to the next Congress to pass "comprehensive legislation to defend our nation against this gathering cyber threat."

financial services value chain, and the bad guys will continue to have the edge."

Criminal cyber activity abundant in payments

Brian Krebs, a former staff writer for *The Washington Post* who covers computer security and cyber crime, reported Nov. 29, 2012, on his security blog, *KrebsOnSecurity.com*, that one criminal enterprise is boldly advertising on Russian language cyber crime forums that it will assist in laundering money stolen in U.S. cyber crime schemes.

Krebs said the advertisement tells potential clients the enterprise has a network of agents in six major U.S. cities who will not only help clients steal and launder money but will also pick up high-value merchandise purchased through cyber fraud. In return, the network keeps 40 to 45 percent of the value of the theft. Krebs reported the service regularly launders \$30,000 to \$100,000 a day.

A white paper released the first week of December 2012 detailed the discovery of powerful malware used to infect bank systems and intercept text messages containing transaction authorization numbers.

In the report, security researchers Eran Kalige, Head of Security Operation Center at *versafe Inc.*, and Darrell Burkey, Director of IPS Products for *Check Point Software Technologies*, estimated the malware helped thieves steal over \$47 million from more than 30,000 bank customers in Italy, Germany, Spain and Holland.

The malware was not only able to get around banks' computer security, it was also able, once it breached banks' computers, to use banks' own systems to authenticate transfers.

More doubts and concerns

Montreal-based payment attorney Adam Atlas said he doesn't expect the act's reauthorization to have a serious impact on legitimate payment providers. "It may create more litigation for high-risk providers that service dubious merchants," he said. "The law raises more privacy issues than it does core-payment issues."

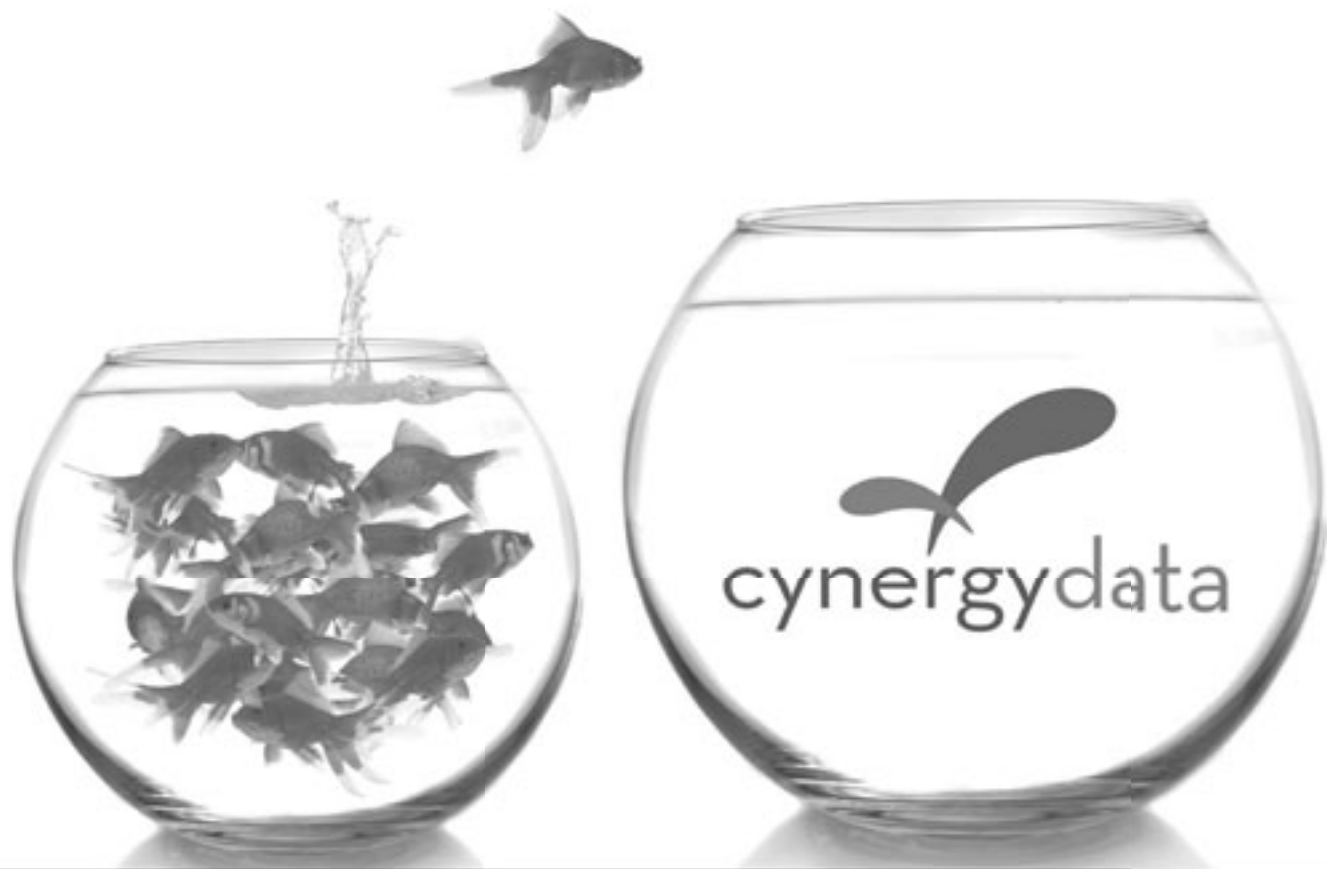
Jason Oxman, Chief Executive Officer at the Electronic Transactions Association, said the payments industry is in "the forefront of instituting self-regulatory measures" in the fight against cyber crime. He noted the payments industry was not included in several cyber security bills in the U.S. Senate this year that addressed the security needs of many other industries.



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Those industries "may not have the same level of preparedness as the payments industry," Oxman said, adding that criminal activity "should be addressed by targeting the criminals, not by imposing new regulatory obligations on payments companies that already have systems and procedures in place that protect consumers and insulate them from liability for fraudulent use of their cards." ❏

CFPB seeks to refine money transfer rules

The Consumer Financial Protection Bureau is refining the rules that govern the business practices of money transfer providers. The CFPB proposed in a Nov. 27, 2012, bulletin that refinements be made to the rules requiring remittance transfer providers (RTPs) to disclose exchange rates, fees and taxes to consumers; the bureau also wants to change the rule that covers RTPs' liability for customer errors.

The CFPB bulletin stated the proposed adjustments will help RTPs implement and comply with the rules without impacting consumer protections. The bureau said it will "proceed on a fast track" and issue a formal notice of proposed rulemaking in December 2012 to detail the changes and receive public comment.

The bulletin said the bureau will issue a final rule "as quickly as possible" after considering public comments. The final rule will be in effect 90 days after the proposal is finalized.

Remittance implementation

The Dodd-Frank Act of 2010 added a new section to the Electronic Fund Transfer Act (EFTA) that requires the CFPB, an agency created by Dodd-Frank, to develop disclosure and error resolution requirements for overseas RTPs.

CFPB's proposed Remittance Rule Implementation would add a new section to Regulation E of the EFTA requiring RTPs disclose all costs of remittance transfers to consumers prior to transactions being consummated. It also makes RTPs liable for remittance transfer errors even if customers provide inaccurate account numbers or routing information.

Public objections

Following publication of its proposed rule changes, the CFPB received public comment that pointed out it would be difficult for RTPs to comply with the rules requiring them to keep accurate databases of national and local taxes, as well as other fees charged by financial institutions in various countries around the world.

The proposed rule refinements would require RTPs to

track and disclose only published bank fee schedules. It also would require that RTPs report and disclose only national taxes that apply to money transfers.

Other comments received by the CFPB objected to holding RTPs liable for nondelivery or late delivery of remittance transfers when customers provide incorrect account numbers. The CFPB now proposes to release RTPs from liability if they can demonstrate that consumers provided wrong information. However, RTPs would still be required to make good faith efforts to recover the funds.

A sigh of relief

On Dec. 3, 2012, retail risk expert David Lott wrote on the Retail Payments Risk Forum of the Federal Reserve Bank of Atlanta, "While these modifications are termed 'limited' by the CFPB, remittance providers must be breathing a measured sigh of relief, especially regarding the shift in liability from consumer-created errors. It will be interesting to monitor the impact of these regulations to determine if there has been any constriction in the number of countries served due to the additional requirements."

The final rule governing foreign remittance transfers is set to take effect Feb. 7, 2013, but the CFPB said it now expects its proposed refinements to Reg E will push that date back to "sometime during the spring of 2013." ❏



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Retailers appeal preliminary approval of settlement

The Home Depot U.S.A. Inc. and a coalition of dissenting plaintiff retailers and retail associations served notice on Nov. 27, 2012, to the U.S. Eastern District of New York they will appeal the preliminary approval of a proposed \$7.2 billion settlement of their class action antitrust suit. The merchants allege Visa Inc. and MasterCard Worldwide interchange fees violate U.S. antitrust law.

In his preliminary approval order, U.S. District Court Judge John Gleeson scheduled the final approval hearing for Sept. 12, 2013. He also issued an injunction prohibiting any member of the class from challenging the settlement agreement pending its final approval.

Retailers claim due process violated

The settlement was negotiated with the card companies by attorneys appointed by the court to represent the more than 7 million merchants in the plaintiff class. Dissenting retailers object to the settlement because it forbids them from filing related claims of anticompetitive interchange practices against MasterCard and Visa in the future.

In a request for a stay of the preliminary approval order pending appeal to the Second Circuit Court of Appeals, the objecting merchants told the district court the future claims release deprives merchants of their due process rights. The retailers specifically objected to the order allowing them to opt out of the class so far as past damages are concerned but preventing them from bringing similar antitrust claims in the future.

"Given that merchants likely will be exercising their opt-out rights for claims concerning ongoing conduct – including, most importantly, the continued fixing of interchange – providing opt-out rights only for past damages, without the ability to enjoin and obtain damages for ongoing conduct, substantially impairs the value of opt-out rights for past damages," the objecting merchants stated in their stay request. "This exacerbates the already serious due process issues raised by this settlement."

Pro-settlement retailers, card companies respond

Attorneys for Visa and MasterCard, along with the attorneys who negotiated the settlement on behalf of the

merchants, stated that refusing the stay would not harm the objecting retailers, but granting a stay would irreparably hurt retailers who support the settlement because, among other things, the retailers stand to lose the benefit of the settlement's proposed eight-month interchange reduction, worth an estimated \$1.2 billion, which is to begin in July 2013.

Robert Vizas, an attorney representing the card companies, added, "Complex cases could not be settled if the parties and the settlement were at risk for collateral attacks and disruptive litigation during the approval process." ■

Technology spurs cashless adoption

Evidence that the self-service payment sector is growing can be found in two recent developments. USA Technologies Inc. is equipping its vending machines to accept near field communication- (NFC) based payments via the Isis mobile wallet. And VeriFone Inc. said gas station customers can now buy lottery tickets at VeriFone PayMedia-equipped pumps in Minnesota.



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Vend and conquer

On Dec. 3, 2012, USAT said up to 7,500 vending machines will be equipped with NFC to accept Isis Mobile Wallet payments. The vending machines accept Isis payments through USAT's NFC-enabled ePort technology and ePort Connect service platforms. Customers tap their Isis-enabled mobile devices on ePort terminals to initiate the NFC payments.

The Isis-enabled vending machines will initially be found in Austin, Texas, and Salt Lake City – the only cities where Isis is currently available. Isis Chief Sales Officer Jim Stapleton said vending payment expands the list of places where consumers can use the mobile wallet.

Stephen Herbert, USAT Chairman and Chief Executive Officer, said, "Our work with Isis sends a clear message to vending companies in these two cities – and to the broader market we serve – that there is tremendous opportunity in cashless adoption. Through the Isis Mobile Wallet, we believe these merchants will have unparalleled new opportunity to attract consumers, as well as participate in marketing programs with global brand names."

'Play' at the pump

In a Nov. 29 statement, VeriFone said its "play at the pump" implementation represents an untapped market segment for state lottery commissions. The Minnesota State Lottery agreed to a trial of the technology at nine Minneapolis-area locations. VeriFone's lottery-enabled pumps use the Linq3 payment platform, which allows lottery ticket sales at ATMs and other unattended POS devices. Consumers can buy Powerball and Mega Millions tickets using debit cards at the same time they buy gas. The first sale of a lottery ticket from a Minnesota gasoline pump occurred Nov. 13.

Ed Van Petten, Minnesota Lottery Executive Director, said play at the pump will increase the sale of lottery tickets and help lottery retailers grow their businesses. "This delivery method reaches a casual player who may want the convenience of making a lottery purchase while at these locations," he noted.


Lottery consumers are age-verified and enrolled at the pump, according to VeriFone. Winnings under \$600 are automatically deposited to customers' debit card-linked accounts. Consumers can check purchases online and sign up for mobile text notifications.

"Many consumers forget to play the lottery or just simply don't have the time to make an extra stop, so VeriFone's media solution makes it easy for them to play," said Jennifer Miles, Executive Vice President at VeriFone North America. ☐

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Prepaid in brief

NEWS

SVS claims victory in patent infringement case

Ceridian Stored Value Solutions (SVS) said a panel of the United States Court of Appeals for the Federal Circuit affirmed SVS's 2011 victory in a patent infringement lawsuit filed by Chicago-based processor **Card Activation Technologies Inc.** SVS said the ruling vindicates SVS's position that its gift card technology does not infringe on CAT's patent.

In 2009, CAT sued several national chain store businesses, claiming they were using CAT's patented technology for the activation and processing of gift and other stored-value cards. CAT sought royalties from the companies for their card practices. Additionally, CAT wanted an injunction against the companies issuing gift cards until the companies obtained licenses from CAT.

SVS, the gift card processor for businesses named in CAT's suit, sued CAT in return. The U.S. District Court for the Northern District of Illinois, Eastern Division, ruled in favor of SVS. CAT then appealed. The subsequent legal wrangling resulted in the December 2012 ruling by Judge Kent A. Jordan of the United States Court of Appeals for the Second Circuit.

Special Starbucks card goes fast

For many dedicated coffee lovers, the launch of the Starbucks Metal Card was bittersweet. On Friday, Dec. 7, 2012, the **Starbucks Coffee Co.** made the limited edition gift card available at online retailer Gilt.com. But, within moments of the launch, the 5,000 cards were reportedly sold out, leaving Starbucks devotees bitterly disappointed.

On the foodee website Eater National, blogger Amy McKeever reported that the stainless steel gift cards, each one loaded with \$400 and sold for \$450 apiece, sold out "instantaneously." She quoted Facebook and Twitter users lamenting the quick sell-out of the cards. On Dec. 8, reports surfaced that Starbucks Steel Cards were selling on eBay Inc.'s online auction site for more than double their value.

Square enters mobile gifting space

Square Inc. joined the mobile e-gift card world via Square Wallet. "Historically gift card programs have

been complicated, cumbersome and expensive for businesses," the San Francisco-based mobile startup said. "Square enables businesses to seamlessly accept gift cards at no additional cost with no additional tools."

Square's mobile app allows users to search for retailers local to the person receiving the gift card, choose a card amount and email the e-gift to the recipient. The card art and gift amount are then loaded into the recipient's Square Wallet.

ANNOUNCEMENTS

Open-loop fuels record Arroweye production

Prepaid card producer **Arroweye Solutions Inc.** reported record card production volumes in the second and third quarters of 2012. The company said demand for open-loop, network-branded cards accounted for the production levels. Arroweye's digital, on-demand card production technology allows consumers to customize prepaid cards online.

BillMyParents gets Bieberized

BillMyParents Inc., the teen payment solutions brand of Socialwise Inc., signed teen pop star Justin Bieber to promote the company's MasterCard Worldwide-branded teen card. Bieber will produce videos that expound on responsible teen spending and offer "unique cardholder experiences."

Giftango to provide e-gift employee benefits

U.K.-based Asperity Employee Benefits Ltd. selected e-gift card provider **Giftango Corp.** to manage Asperity's e-gift card program for its newly launched U.S. operation. Asperity said Giftango's platform will allow Asperity customers to benefit from a wider selection of retailers, as well as the instant delivery of rewards.

InComm eliminates fees up north

Prepaid card distributor **InComm** reported it implemented in July 2012 a no-fee model for its proprietary line of Vanilla prepaid products in Canada. Users of Vanilla MasterCard and Vanilla Visa cards in Canada pay no monthly maintenance and card replacement fees; the cards have no expiration dates as well.

MasterCard powers up in the U.K.

MasterCard expanded its rePower cash reload service to the United Kingdom. Users of the Kalixa prepaid card, managed by the CQR Payment Group, are the first cardholders that have access to the rePower network in the U.K. MasterCard intends to expand rePower to other European markets in the coming months.

Tax coalition taps NetSpend for refund cards

The National Community Tax Coalition, which offers free tax advice to low-income working families, selected **NetSpend Holdings Inc.** to provide prepaid card services to NCTC clients beginning in the 2013 tax season. The agreement follows a successful NetSpend pilot program conducted in Chicago during the 2012 tax season, said the coalition's executive director.

APS returns call center to the U.K.

U.K.-based **Advanced Payment Solutions Ltd.** said it will bring its call center home to help the U.K. economy. APS, which operates the Cashplus prepaid card program, did not specify where the call center had been located, but noted that the center would be relocated to Liverpool, England, where 300 new jobs would be created over the next three years.

Plastic Jungle launches in-store exchange

Online gift card exchange operator **Plastic Jungle Inc.** launched a quick response code-based exchange program in 7,400 CVS/pharmacy stores in the United States. The service allows customers to use smart phones in-store to swap unspent gift cards for CVS/pharmacy gift cards. The service is also available online.

M-Cash offers reload alternative

Mobile financial service provider **Security First International Holdings Inc.** entered the prepaid reload sector by rolling out M-Cash. The service allows American Express Co. prepaid card users to reload cards and have reload transactions billed to mobile phone bills. The "no cash" funding gateway is aimed at the 43 million underbanked consumers in the United States, the company said.

Direct Express cardholders to receive rewards

The **U.S. Department of the Treasury** said Social Security recipients who receive funds on MasterCard-branded Direct Express cards will soon be rewarded with "sweepstakes-based incentives." Direct Express users will receive rewards for engaging with PayPerks Inc.'s web- and mobile-based financial education platform. The service is in beta testing until early 2013.

PARTNERSHIPS

New e-gifting team in Trans-Tasman region

E-gift network operator **CashStar Inc.** will offer its services in Australia and New Zealand via the area's gift card processor **WEX Inc.**

CashStar said the partnership will allow Australians and

New Zealanders to purchase e-gift cards online and personalize them with custom messages, photos and videos.

Partners launch insurance card in South Africa

A collaboration between South Africa-based **Hollard Insurance**, **MasterCard**, claims processor **ValueCard (Pty) Ltd.**, program manager **Opengate** and prepaid technology provider **Tutuka** resulted in the launch of the Hollard ClaimsCard. The card allows claimants to shop at retailers to replace goods covered by specific insurance claims.

InComm provides e-gift redemptions for SkyMall

InComm inked a deal with **SMV**, the loyalty division of online catalog provider **SkyMall Ventures Inc.**, to become the e-gift card distributor for the loyalty and rewards programs managed by SkyMall.

Yalamanchili chosen for prepaid platform

India-based **Yalamanchili** became the prepaid platform provider for **EZ-Link Pte Ltd. Co.**'s AmEx-branded **Imagine Card** launched in Singapore in October 2012. The platform fulfills Know Your Customer requirements by allowing Imagine Card users to upload identification documents when registering cards online.

ACQUISITIONS

AccountNow completes nFinanSe purchase


AccountNow Inc. reported in early December 2012 it had completed its acquisition of **nFinanSe Inc.** AccountNow said the acquisition expands the prepaid card provider's retail distribution by 15,000 locations.

U.S. Bank adds FSV Payment Systems

U.S. Bank, the lead bank of U.S. Bancorp, said it is acquiring Florida-based prepaid card processor **FSV Payment Systems Inc.** to broaden the bank's range of prepaid programs for companies, governments and other financial institutions. The acquisition is expected to be completed in December 2012. Financial terms of the transaction were not disclosed.

APPOINTMENTS

BillMyParents hires Hernandez

BillMyParents board member **William Hernandez** was named President of the teen payments solution company. Hernandez brings over 30 years of experience in the global financial services sector to his new role of growing both current and future product categories and geographies. 



Features

Blumenthal bill targets gift card fees, expiration dates

On Nov. 23, 2012, U.S. Senator Richard Blumenthal, D-Conn., introduced the Gift Card Consumer Protection Act. If enacted into law, the legislation would modify the Electronic Fund Transfer Act to unilaterally eliminate expiration dates and certain fees from all types of gift cards, including promotional and loyalty-driven cards.

S. 3636, entitled *A bill to provide increased consumer protections for gift cards*, reads, "It shall be unlawful for any person to impose a dormancy fee, an inactivity charge or fee, or a service fee with respect to a gift certificate, store gift card, or general-use prepaid card."

Sen. Blumenthal said, "This bill bars absolutely draconian deadlines and abusive fees and charges that unfairly confiscate consumer gift card cash. Gift card companies fatten their profits and shrink consumer wallets with exploitative expiration dates and petty, underhanded junk fees. Gift cards should not be the gift that keeps on taking. This measure assures that consumers get their money's worth, no matter when they use the gift card."

Consumer protections overdue?

Zilvinas Bareisis, Senior Analyst at consultancy Celent LLC, believes the bill addresses gaps in consumer protections. "I think, in fairness, gift cards probably needed some additional consumer protection," he said. "And I think the fact that you would have these maintenance fees ... by the time you get around to using the card, half of it might be depleted – all of that probably sounds unfair to the customer."

The bill also prevents issuers or retailers from offering basically any kind of prepaid card if they had filed for bankruptcy protection; in addition, those entities must honor unredeemed cards even if the entities are in a state of bankruptcy. "This provision would prevent consumers from buying or being stuck with a worthless gift card after a company goes out of business," Blumenthal's office said.

Blumenthal referenced the 2008 bankruptcy of electronics retailer Sharper Image: the company's customers were forced to spend double the amount on their unredeemed

gift cards, and then the company stopped accepting gift cards altogether after it filed for bankruptcy. The office also noted two other companies, Circuit City Stores Inc. and Linen 'n Things, that filed for bankruptcy protection in 2008 but allowed customers to buy gift cards from their stores anyway.

"If the firm is bankrupt and can still sell you a gift card, that's probably not a good way of treating your customers," Bareisis said.

Consumers Union, the advocacy arm of Consumer Reports, endorses Blumenthal's bill, especially the bankruptcy prohibition, according to Consumers Union Senior Staff Attorney Michelle Jun. She said allowing bankrupt retailers to sell gift cards "simply doesn't make sense."

A solution looking for a problem?

S. 3636's expiration date prohibition would also extend to loyalty, promotion and reward cards. "These are cards consumers receive by redeeming credit card points or buying a certain product," the senator's office said. "Currently, most of these cards have very short expiration dates – sometimes as short as 30 days, which confuses customers who assume these cards have the same protections as gift cards. Under the Gift Card Consumer Protection Act, these cards would have the same protections as gift cards."

Banning expiration dates on such cards is one aspect of the bill that troubles Rebekka Rea, Executive Director at the Retail Gift Card Association. "Promotional gift cards are designed to enhance the enjoyment level of a product or service one has already received," she said. Promotional cards are issued to reward consumers for completing certain tasks, such as making purchases, filling out surveys or returning to store locations at future dates, she noted.

"A restaurant may promote a special offer of a free \$5 gift card when you buy a \$20 gift card," Rea said. "If it is a promotional gift card, then there would be a set timeframe that the \$5 promotional gift card may be used. If the recipient chooses to use it, great. However, if they choose not to use it, they have not lost anything, as it was a free gift to them. If a consumer chooses not to use a gift or participate in a special reward offer, what do they need protection from? They didn't buy the promotional gift card, it was a bonus.

"By lumping promotional gift cards into a nonexpiration category, the unintended consequence of the Blumenthal bill will be that the added perks and benefits that consumers have enjoyed from their favorite brands will no longer be offered."

But that is not all that Rea takes issue with concerning the Blumenthal bill. She said closed-loop, retailer-specific gift cards never have expiration dates and dormancy fees because the industry self-regulated those practices out of existence years ago. "While we certainly support



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consumer protection, we believe this is a solution looking for a problem," she added. 🐾

First ATM-dispensed, multibrand gift card program in pilot

In early 2012, Better ATM Services Inc. went public with new technology that turned ATMs into Visa Inc.-branded gift card dispensers. Now, the Mesa, Ariz.-based ATM technology developer is leveraging that technology for another innovation: a program allowing ATMs to dispense Discover Financial Services-branded gift cards that can be used at a network of select retailers.

Todd Nuttall, Better ATM Services' Chief Executive Officer, called the myGIFT One Card Many Choices Discover Prepaid Card initiative a global ATM industry first. "As far as we know, this has never been done anywhere else in the world," he said. "And even the whole idea of grouping merchants together is very rare."

In the prepaid card industry, restricted authorization networks (RANs) are understood as a collection of merchants pooled onto one network-branded, general purpose reloadable card, for example a movie theater, restaurant and café located in the same entertainment district of a city.

Nuttall said Better ATM Services' program leverages RAN technology, but in a new way; instead of distributing cards by mail, as typical RANs do, the myGIFT One Card is distributed via the more robust ATM channel.

One-stop ATMs

Better ATM Services partnered with program manager IntelliSpend Prepaid Solutions LLC on the initiative. Nuttall said IntelliSpend provides the connectivity to the national, brand-name retailers in the network. Macy's, Lowe's and Outback Steakhouse are among the nine retailers currently on the Discover gift card, with more reportedly to be added over time.

"It's hard to have 300 different gift cards available from the ATM, like you do in a grocery store," Nuttall said. "But what you can do is pick the top 10, 20 or 30, group them all on a card, and have that as one card."

Nuttall believes the solution only enhances the value of

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ATMs for consumers, boosting ATMs from check depositing and cash withdrawing mechanisms into "one-stop shops" for consumers' gift card needs as well.

Better ATM Services research shows that 81 percent of consumers who use ATMs are also gift card buyers, just not at ATMs. "People who use ATMs are the same people going down the street and buying prepaid products," Nuttall said. "And so it's funny. Here they are. They are at a bank, at an ATM, and they don't go into the bank to get those products."

Nuttall said the reason they don't enter banks to purchase gift cards is due to lack of convenience. "You're not going to get out of your car and go stand in line at a bank just to get a gift card," he said.

So even though it has been more convenient for shoppers to pick up gift cards from grocery store racks, ATMs that dispense gift cards can now change that dynamic. "This is the chance for the banks now to be more convenient even than a grocery store," Nuttall noted.

According to Nuttall, studies show consumers view drive-up ATMs as more convenient for the services they provide than quick service restaurant drive thrus for the services they provide. "[Banks] are already seen as incredibly con-

venient for cash because of their ATM drive-ups," he said. "By leveraging that convenience factor that they already own, we've now made it to where they can be perceived as the most convenient prepaid product source as well."

Donation engine ATMs

The myGIFT One Card program is in pilot mode at 11 Banner Federal Credit Union ATMs in Arizona. The pilot is scheduled to last into the first quarter of 2013. For every ATM-dispensed myGIFT card sold through March 2013, 50 cents will be donated to the credit union's charity, Banner Health Foundation.

Banner Federal was considered a natural fit for the type of program being offered, because of its ATMs located in hospitals throughout Arizona and with one of its core consumer constituencies being health professionals.

"If you study doctors and nurses, they have to work all the holidays," Nuttall said. "And so they are some of the most impacted with gifting. Gift cards are seen by them as a real option."

Nuttall thus reported the pilot has been well received, as hospital staff can purchase gift cards via in-hospital ATMs and realize their purchases are helping the charity they have a vested interest in seeing succeed. 📺



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Insider's report on payments

The confusing state of mobile

By Patti Murphy

ProScribes Inc.

Several new reports call into question the ascendancy of mobile banking and payments. Consumer concerns over security, as well as technology issues, have been a drag on momentum. In November 2012, the Federal Reserve Bank of Boston released a report – *Mobile Phone Technology: 'Smarter' Than We Thought* – that suggested consumer security concerns about mobile technologies are a huge barrier to broad adoption of mobile banking and payments.

"The unfamiliarity and complexity of the mobile device and associated technologies create security concerns for consumers who want to be confident that their personally identifiable information and actionable financial information (e.g., account numbers, PINs, security codes and passwords) are protected in storage and while being used to process mobile payment transactions," the Boston Fed report stated.

Meanwhile, a report by the Oliver Wyman Group noted that globally banks are "showing insufficient urgency" in responding to competitive threats from new entrants into areas like payments.

"Banks believe that merchants are reluctant to adopt the new technology because they fear customers will not use it, and vice versa," said the report's author James Sherwin-Smith, Senior Manager in the payments practice at Oliver Wyman Group. "The risk for banks is that new competitors will invest enough in both the technology and the marketing to overcome these barriers."

The report, *Advanced and mobile payments: what's stopping you?*, was a joint undertaking between Oliver Wyman and the European Financial Management Association. "Banks no longer have the payments field to themselves and have to fight against retailers, mobile phone providers, tech firms and new startups to position for a share of the market," said Patrick Desmares, Secretary General of the EFMA.

Ann Arbor, Mich.-based ForeSee, which specializes in customer experience analytics, just released its satisfaction index for financial services, which illustrates how mobile banking services are consistently out-performed by retailers. "Satisfaction matters just as much for mobile, and perhaps even more in some cases, as it does in any other channel because it represents the future of customer engagement," ForeSee stated.

It does, indeed. And I believe satisfaction with mobile technologies has a lot to do with generational divides. I'd venture to guess that few of us born before 1975 can maneuver smart phones with the speed and agility of someone younger.

I discovered this recently when my thirty-something niece asked me to use my mobile's web function to find a restaurant she wanted to eat at. Soon realizing I was inept at the assigned task, she pulled out her own mobile, found the restaurant's web page and called the restaurant all in the time it took me to google the name.

I suspect that's why mobile banking and payments have been slow to gain traction. Baby boomers are still calling the shots in the commercial world, and too many of us are dumbfounded by our smart phones. And it shows. Square Inc., a compelling disruptor to the status quo in merchant acquiring, for example, was created by thirty-something Jack Dorsey.

A similar dynamic was at play in the 1980s and 1990s, first with cards issued by banks for use at ATMs and later with cards issued for use at both ATMs and at the POS. Baby boomers pounced on the trend, but not our parents. I recall convincing my mother, eventually, to get a debit card. It was the late 1990s.

Technological hindrances

Today, 81 of the top 100 U.S. banks offer customers mobile financial services, such as account balance inquiries, payments and remote check deposits, according to First Annapolis Consulting. In addition, Javelin Strategy & Research reported that financial institutions added 10 million Americans to their mobile banking customer rolls in 2012.

Mobile banking adoption, which tracks closely to smart phone adoption, is greatest among customers of large regional banks that offer app-based and text messaging-based mobile banking in one package. Among these banks, the mobile adoption rate was 28 percent in 2012.

Mobile check deposit is the hottest new twist in mobile banking, and by most accounts, it could be a real game changer. Asked recently by the consultancy AlixPartners what types of products and services would cause them to switch banks, one-third of respondents said the ability to deposit checks using their smart phones.

So why do mobile banking and payment adoption numbers fail to meet expectations? The Boston Fed report suggested confusion is partly to blame. Not merely confusion among consumers, but confusion across the board, from solution providers to regulators.

For example, the report noted that although the underlying mobile technologies "may be relatively proven for other purposes, they are still considered nascent for mobile

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In the cloud

Recently, when a friend asked me to explain "cloud" computing, I likened it to a giant filing cabinet somewhere out on the web. It was an over-simplification, but it sounded more intelligent than my first thought, which was to describe it as a giant data center in the sky. Cloud technologies in support of payments have the potential to shake things up. But there's a downside.

With cloud-based payments, no actionable information – name or access codes, for example – is stored on the mobile device. Instead, the device accesses the web to exchange tokens and authorizations with a remote server to facilitate payment. And that's seen by some as a vulnerability.

Time and again, consumers have said that concerns about the privacy and security of personal financial information are top of mind.

Federal regulators also have reservations. In July 2012, the Federal Financial Institutions Examination Council, an interagency body that prescribes uniform standards and bank examination procedures, addressed these concerns and offered risk mitigation considerations examiners will be looking for when evaluating bank information technology departments.

payments ... in other words, not all mobile technologies are optimum for all payment-related purposes." Near field communication (NFC) is an example. It offers many potential benefits, but it presents challenges too. Two challenges looming are that not all smart phone manufacturers have adopted NFC

and no uniform standards exist. Also, merchants, as a whole, haven't committed to upgrading POS devices to enable two-way NFC.


More consumer education is needed, too – not just information about the technology and how it can be used for mobile payments, but also guidance on using mobile payment devices safely and securely, the Boston Fed wrote.

The report examined cloud technologies as an alternative to NFC. Merchants like cloud-based payment options because it requires no new or upgraded terminals. But the following negatives must be addressed:

- The need for customers to register with each individual merchant before making mobile payments
- Dependency on uninterrupted Internet connectivity
- Concerns about the safety and security of consumer financial data stored in the cloud

The report's conclusion urges all involved parties – banks, non-banks, telecom carriers, government agencies, networks and the card brands – to collaborate now to avoid future problems.

"Together they need to identify potential vulnerabilities, share applicable data, conduct security analysis of weak points in the mobile process, and determine who is responsible for fixing them," the report stated. "Then they will have the tools to develop reliable controls, education plans and standards that may be needed.

This is a complex task that will not be achieved in silos, or by just one entity, but only through collaborative efforts, which will be a win-win for all mobile stakeholders, especially the consumer." 

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.



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Fixed payment loans for small businesses

American Microloan LLC offers what it calls a more predictable and cheaper alternative to merchant cash advances: nonbank loans, sold through ISOs, that merchants can amortize in fixed installments. The company offers cash advances and loans; however, it has made loans its premier product and sells considerably more of them than cash advances, according to Jack Miller, the company's Director of Business Development.

"We do have nonfixed options, but most of our products are fixed" in terms of repayment, he said. He added that the company sells primarily to retail merchants, but it will also sell loans to other vertical markets when businesses meet specific credit history and cash-flow requirements.

Funds for small to midsize businesses

Loans generally begin at \$15,000, and the company has no upper limit on how much it will loan, Miller noted. "We don't have a cap," he said. "We don't want to do less than \$15,000; maybe we'll make an exception and do \$10,000, but our average deal is around maybe \$60,000 to 70,000."

Founded in 2001 by Craig Sheinker, who also owns Quantum Corporate Funding Ltd., American Microloan was established to provide small and midsize businesses a cheaper alternative to merchant cash advances, according to Miller.

"It was founded to offset the heavy costs from the cash advances," Miller said. "We offer a much more reasonable product for qualified merchants." He said merchants who don't qualify for bank loans often turn to merchant cash advance, and cash advance products tend to carry higher interest rates and fees than most bank loans.

American Microloan provides a loan that's cheaper and easier to qualify for than the average bank loan. It is harder to qualify for than most merchant cash advance products, but is in certain ways a superior alternative to either cash advance or a bank loan for those who do qualify, according to Miller.

Some merchants prefer cash advance because the repayment is made as a percentage of card receivables, meaning it ebbs and flows in line with a merchant's business. When business is good merchants pay higher installments; when it's bad, they pay lower ones. For example, if the "split" is 15 percent, a merchant who brings in \$1,000 one day pays \$150, but only \$15 on a day it brings in \$100. By contrast, loans are repaid in fixed amounts.

Multiple advantages to loans

However, for merchants with reliable cash flows, a loan offers several advantages over a cash advance, Miller said. For one, American Microloan's typical loan is 70 percent cheaper than a typical cash advance, according to Miller.

Cash advance providers also tend to charge higher rates of interest because they aren't subject to state laws that govern interest rates on loans, Miller noted.

Furthermore, he said that advances tend to be loaded with additional fees – sometimes "hidden" fees that aren't announced upfront – while his company's loans are relatively unloaded and transparent.

Loans with a six-month payback period carry a 12 percent interest rate; loans paid back over nine months an 18 percent rate; and loans over 12 months a 24 percent rate.

American Microloan's rate structures are simple and straightforward, Miller stated. Interested parties can visit American Microloan's website and use the "payment estimator" to calculate what type of loan they're likely to qualify for.

Loans with a six-month payback period carry a 12 percent interest rate; loans paid back over nine months an 18 percent rate; and loans over 12 months a 24 percent rate. There is a \$275 application fee to cover the costs of underwriting, but no other fees are imposed – no point or origination fees, according to Miller. There is also no basis points levy on the ISO, a fee that is contained in many cash advances. "There's no charge to the ISO," Miller said.

Because loans are repaid in fixed installments, borrowers know precisely how much they'll be paying over a given time, which is in contrast to the uncertainty of a percentage-based rate, where the repayment fluctuates depending on a merchant's daily intake, according to Miller.

Simplifying the process further is that the money is docked – Monday through Friday, via the automated clearing house (ACH) network – from merchant checking accounts, rather than pulled as a "split" from their incoming receivables. The latter process also requires the integration of new software into merchant POS systems and special arrangements with their processors, Miller pointed out.

Because some processors don't support cash advance, merchants who want the product commonly have to switch processors, Miller said. With an American Microloan loan, merchants never have to change processors, and the technical complications of a split-based cash advance repayment are obviated, he added.

Additionally, because American Microloan recoups its loan by taking ACH-based payments from merchant checking accounts, and not percentages of credit card receivables, merchants who don't accept credit cards or who otherwise make most of their money with cash and check payments can qualify for the program. The loan is based strictly on a business's total revenue, without consideration to methods of payment acceptance, Miller said.

Strict yet flexible criteria

While American Microloan prefers not to adjust the terms of any loan, there is sometimes a measure of flexibility for merchants who find themselves temporarily saddled with extra costs, lower revenue or otherwise in a position

where it's difficult to make the agreed payments, Miller pointed out.

"We're very flexible," he said. "If a client calls us and says it's been a really tough month, we may take that into consideration and cut the [payments] in half or something. It's a family run company and we're all easy to reach and talk to about these kinds of things. Obviously [adjusting a loan] is something we prefer not to do, but we have done it and will continue to do it where we feel it's appropriate. We have a partnership with the merchant, and our goal is to keep them healthy."

Miller said that, while the company's eligibility criteria are fairly strict, it can be more flexible in considering new clients because of its close-knit executive structure and personalized service. "We're all within arms length of each other," he said, referring to the company's officers.

Miller noted that the company recently approved a \$150,000 loan for an Arizona company that had only been operating for four months.

Typically, that wouldn't be a long enough history to qualify, but American Microloan's team was able to take a close look at the particulars of the deal and make an exception, Miller said. However, he stated that the company is "the most conservative cash provider" in the industry. "We do not lend to sole proprietors," he said. "We consider them individuals. We only lend to businesses, and they have to be credit-worthy and have a good cash flow."

Tony Palazzo, Managing Member of the ISO, Advance Smart LLC, said American Microloan's products are a good fit for his company's higher-end merchants. "Being that they're the cheapest money, they're the strictest around, too," Palazzo said. "So it's for the higher-end business with better credit and better volume, since the cheaper money comes with stricter policies."

Palazzo pointed out that at a time when bank loans are difficult to obtain, American Microloan's products have five- to seven-day turnarounds. "So it's a lot easier to get," he said. "Generally [my clients] use it for inventory and equipment, then after that facility upgrades, and aside from that, it's just working capital."

While approving merchants on a loan is sometimes difficult, finding merchants who are interested is not, Miller said. The value of the company's product comes from its attractiveness compared with other financing options, he said. ■



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2012



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November 12, 2012 • Issue 12:11-01

Jones predicts ISOs will remain at payments hub

It is not without good reason that ISOs will remain at the center of the payments hub area as the new surrounding hubs begin to include more players, says SignalPay CEO, President Kevin Jones. Jones predicts that the payments hub will continue to be the central focus of the payments industry for the next several years.

By Kevin Jones

The next 10 years, business owners have been getting off their payments work and it looks as though they will continue to do so. "Why should we continue to do it when we can get it done for us?" Jones asks. "Why should we continue to do it when we can get it done for us?" Jones asks. "Why should we continue to do it when we can get it done for us?" Jones asks.




SignalPay partners with First Data

Based on November 14, 2012

First Data, a leading provider of payment solutions, has announced a partnership with SignalPay to provide a comprehensive suite of payment solutions for its merchant clients.

The SignalPay platform is designed to facilitate faster and easier payment processing for its merchant clients. The partnership will allow SignalPay to offer a complete suite of payment solutions to its merchant clients.

SignalPay is proud to announce its partnership with First Data, a leading provider of payment solutions. This partnership will allow SignalPay to offer a complete suite of payment solutions to its merchant clients.



First Data signs with SignalPay

First Data is now based on ISO SignalPay's list of processing partners. SignalPay President Kevin Jones and First Data have a new partnership that includes Total System Services Inc. and Clear Payments Solutions LLC. Jones said the First Data addition expands SignalPay's "complete suite of payment partners with every option in any combination."



Texas ISO Crossing the Border to Canada

By Kevin Jones

Though it is the world's largest unregulated border, the border between the United States and Canada can seem formidable to business firms and agents.

From the border province in the United States, Canada's border is a major challenge for the ISO and agent. The ISO and agent have a difficult time crossing the border.

SignalPay is proud to announce its partnership with First Data, a leading provider of payment solutions. This partnership will allow SignalPay to offer a complete suite of payment solutions to its merchant clients.



Sun, surf and payments at WSAA

Location, location, location. It's the source of every real estate agent and real estate investor. Well, the Western States Association of Realtors (WSAA) is the source of every real estate agent and real estate investor. The WSAA is the source of every real estate agent and real estate investor.

The conference featured a keynote address by SignalPay CEO, President Kevin Jones. Jones spoke about the importance of payments in the real estate industry and how SignalPay can help real estate agents and investors.



ACQUISITIONS

SignalPay acquires Equity Commerce

SignalPay CEO, President Kevin Jones announced the acquisition of Equity Commerce, a leading provider of payment solutions. The acquisition will allow SignalPay to offer a complete suite of payment solutions to its merchant clients.

SignalPay enters Canadian market

SignalPay CEO, President Kevin Jones announced the entry of SignalPay into the Canadian market. The company will now offer its payment solutions to Canadian merchants.




Social Media Imperfect But Important for ISOs, Speaker Says

By Kevin Jones

SignalPay CEO, President Kevin Jones spoke at a conference about the importance of social media for ISOs and agents. Jones said that social media is an important tool for building relationships and generating leads.




SignalPay acquires Equity Commerce

SignalPay CEO, President Kevin Jones announced the acquisition of Equity Commerce, a leading provider of payment solutions. The acquisition will allow SignalPay to offer a complete suite of payment solutions to its merchant clients.

██████ 'Cooperation' continued from page 1

accepting NFC [near field communication] mobile payments, enhance international acceptance and reduce fraud." After initiating an aggressive campaign, Visa estimated that 1 million Visa-branded, EMV chip-enabled cards had been issued by the end of 2011, which had grown to 1.5 million by June 2012.

Randy Vanderhoof, Executive Director for the Smart Card Alliance, reported increased activity and interest in NFC and EMV this year. In July, the SCA formed the EMV Migration Forum to support the alignment of EMV implementation steps required by all parties involved in the U.S. transition from mag stripe technology to EMV contact and contactless technology. ISOs were welcomed in the ongoing forum discussions, and a new resource was created at www.emv-connection.com.

According to Vanderhoof, with EMV one size does not fit all. A lot depends on what level of payment capability merchants manage themselves and what they contract out to third parties. He recommends starting with an internal audit for each merchant to identify the partners involved in payment acceptance, a process that takes time and should begin immediately.

"Based on experience in other countries, we've learned that it's much more complicated and takes much more planning and testing and training of merchants to be ready to begin accepting EMV," Vanderhoof noted. "There's going to be a shortage of time for that level of testing and certification when it gets to crunch time around the deadline."

Crunch time for most merchants will be October 2015, after which fraud liability will shift to merchants for contact chip cards not processed through EMV terminals. October 2017 will be the deadline for petroleum merchants. Acquirers and processors must be enabled to handle full EMV chip data in transactions starting in April 2013, or they, too, will face increased liability.

Embracing new models

With no apparent winner on the mobile wallet front, jockeying for top position continues. In June, Google Inc. released upgrades to its software and cloud-based Google Wallet first launched in September 2011. In October 2012, JVL Ventures LLC's Isis rolled out its mobile wallet in two U.S. cities. By November, 53 banks and credit unions had signed onto Visa's V.me digital wallet.

Brandes Elitch, Director of Partner Acquisition for CrossCheck Inc. and a member of the Electronic Transactions Association's Speaker Committee, said a key question raised by analysts at the ETA meeting in April 2012 was, where is the wallet? Experts debated whether data in the future would be housed in the cloud or in the secure element of mobile handsets.

The implications of further erosion of the existing payments infrastructure also weighed heavily in ETA panel

discussions. "Now there are four players in each transaction and each works independently," Elitch noted. "They all have their own agreements. It's an inflexible technology model. But in the cloud, it's a different model," and information can be stored on a server rather than in the wallet.

"There is going to have to be a new connector created from the POS device to the cloud," Elitch added. "If you could do that, you could bypass the acquirer and the processor, which is a critical issue for the ISOs, because that's how they get paid."

Another trend gaining traction is the convergence of online and offline retail channels. "There has always been a Chinese wall between online and offline," Elitch noted, but that is not the case any more.

He said that for these channels to operate seamlessly, everything has to be integrated, which means industry stakeholders will need to align with the right partners and strategic players within the ecosystem to be successful.

Bruce Dragt, First Data Corp. Senior Vice President and Division Manager of Payment Acceptance, agreed, stating that the interaction between consumer and merchant is now occurring in ways previously not possible. Because

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converging technologies are literally transforming consumer expectations, First Data proclaimed 2012 the year of "universal commerce," a term coined to describe the convergence of brick-and-mortar, online and mobile commerce channels.

As a first responder to these advancing payment technologies, First Data formed the Innovation Exchange about a year ago, bringing together industry thought leaders to foster partnership in the universal commerce ecosystem.

The company also developed Rapid Connect, an open platform that allows partners to launch products more quickly, in addition to its OfferWise loyalty and redemption program for merchants. Others have developed similar platforms.

In August, a consortium of the nation's largest retailers joined together to create the Merchant Customer Exchange. The stated purpose of the group is to deliver a comprehensive mobile commerce experience that is consistent across retail environments. Joining MCX in the early stages were retail behemoths Wal-Mart Stores Inc., Target Corp., Sears Holdings, Best Buy Co. and 7-Eleven Inc., among others.

"We are seeing tremendous interest from merchants of all sizes," said Dodd Roberts, an MCX executive and payment consultant. "Merchants recognize mobile payment adoption will be limited until it can be used where consumers regularly shop. MCX offers unmatched scale, representing merchants with more than \$1 trillion in annual sales across nearly every merchant vertical."

Along with the emergence of the omni-channel retailer, big data surfaced as more than just a buzzword this year. The ongoing challenge for chief information officers will be to develop systems that are capable of managing the onslaught of information now available through data collection and to apply that knowledge in meaningful ways that enhance the customer experience and build brand loyalty.

Networking empowerment zones

Another trend that became more apparent as the year progressed was the return of record turnout at regional and national conferences. The allure of educational insights into value-added reseller opportunities during this era of revolutionary technological change and margin compression packed conference halls and filled industry forums where information exchange was the imperative.

The Northeast Acquirers Association, the oldest acquirers association formed nearly 15 years ago, hosted the industry's first event of 2012 with 500 gathering in Vermont in January. It hosted a second event in the summer and plans to do the same in 2013. In March,

more than 600 payment professionals attended the Southeast Acquirers Association conference in Dallas.

In July, the Midwest Acquirers Association celebrated its 10th anniversary conference and set a record with 600 descending upon Chicago. And the Western States Acquirers Association eclipsed 900 attendees for the first time at its fall conference in southern California. In October 2013, WSAA plans to celebrate its 10th anniversary in San Francisco.

The ETA 2012 Annual Meeting and Expo in Las Vegas also saw near record attendance with 168 exhibitors and 2,850 attendees. The ETA also launched the Mobile Payments Committee, with representatives from 45 top technology and payment companies joining in the initial teleconference.

The committee's goal is to develop and implement industrywide solutions to policy and business solutions related to mobile payments. The ETA added a Mobile Payments Innovations conference to the agenda for its upcoming 2013 annual meeting in New Orleans.

Facing fraud, legal, regulatory challenges

Despite the best protection, fraud remains a pernicious problem. Two major data breaches joined the growing ranks of fraudulent activity that has drawn public scrutiny in recent years. On March 31, 2012, Atlanta ISO and payment processor Global Payments Inc. reported a data breach thought to have compromised 1.5 million North American accounts.

Upon further investigation, Global revealed that a limited portion of its North American card processing system had been affected.

In August, Global Payments reported the first quarter data breach incident had cost the company \$84.4 million in remediation and card company penalties this fiscal year, and the company anticipates it could spend an additional \$55 million to \$65 million in remediation in 2013, depending on whether insurance offsets certain costs.

The second major data breach was reported on October 24, when Barnes & Noble revealed that criminals had planted bugs in PIN pad devices at 63 of its stores, forcing the company to temporarily disconnect PIN pad devices at all stores nationwide.

In this incident, the breach apparently allowed compromised devices to capture card and PIN numbers and only affected card-present transactions, the company stated at the time.

One year after debit interchange regulation took effect on Oct. 1, 2011, under the Durbin Amendment to the



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2010 Dodd-Frank Act, reactions were mixed about whether the savings realized had benefited merchants and consumers as intended. Electronic Payments Coalition spokeswoman Trish Wexler said, "One year after implementation, retailers have taken home \$8 billion, while many of their customers pay more at the register." The EPC said it validated this claim by making identical purchases at merchants both before and after the regulation took effect.

Heartland Payment Systems Inc. took a more proactive approach to debit interchange regulation, launching an online program dubbed Durbin Dollars to educate retailers about the new rate changes and potential cost savings to merchants. As of Oct. 1, 2012, Heartland estimated it had delivered more than \$262 million in signature debit savings to its U.S. merchant customers as a result of the interchange regulation.

On Nov. 9, 2012, a New York federal judge gave preliminary approval on a \$7.25 billion multidistrict litigation settlement against Visa and MasterCard Worldwide in a lawsuit brought by a class of U.S. retailers in 2005. The lawsuit alleges the card brands interchange fees violate U.S. antitrust law.

If the settlement agreement receives final approval, defendants will be protected against future litigation regarding interchange and other U.S. rules at issue in the case; defendants will also modify rules to permit retailers to impose a surcharge on credit transactions subject to interchange regulation.

Sizing up matters

According to data collected by The Strawhecker Group, the wholesale,

transportation, and health and medical service business categories continued to show the most consistent growth rates overall this year.

The dongle wars accelerated in 2012, with Square Inc. reportedly on track to process an annualized \$5 billion through its payment system. Terminal manufacturer Ingenico S.A. became parent company to ROAM Data Inc., whose secure ROAMpay mobile POS system competes with Square. PayAnywhere, North American Bancard's mobile POS solution, launched a national retail channel through Wal-Mart, Sam's Club, The Home Depot U.S.A. Inc., and others.

As in previous years, mergers and acquisitions continued at a brisk pace. In March, payment processor Vantiv Inc. launched an initial public offering on the New York Stock Exchange and later acquired Litle & Co., expanding its e-commerce footprint.

First Data added global electronic payment processor OmniPay Ltd. to its international network. Global Payments acquired Accelerated Payment Technologies, increasing its merchant base in a number of value-added reseller vertical markets.

Merchant Warehouse acquired Avatas Payment Solutions to jointly service utility companies. Total System Services Inc. acquired ProPay Inc., expanding its reach into the micro-merchant market.

TransFirst LLC acquired software developer CurveNorth Inc., bringing Merchant-Flo workflow automation to its merchants. ISO SignaPay Ltd. acquired Equity Commerce LP, further broadening its platforms and relationships with multiple sponsor banks.

The common thread at work in nearly every major development that occurred within the payments industry 2012 was the concept that through cooperation we can all build a better future. ■



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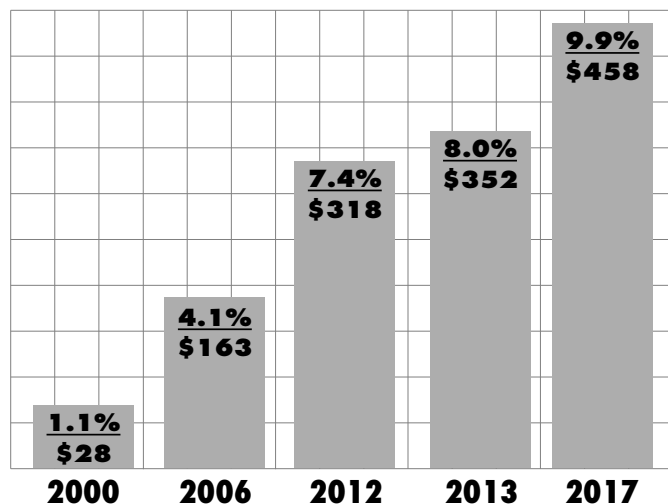
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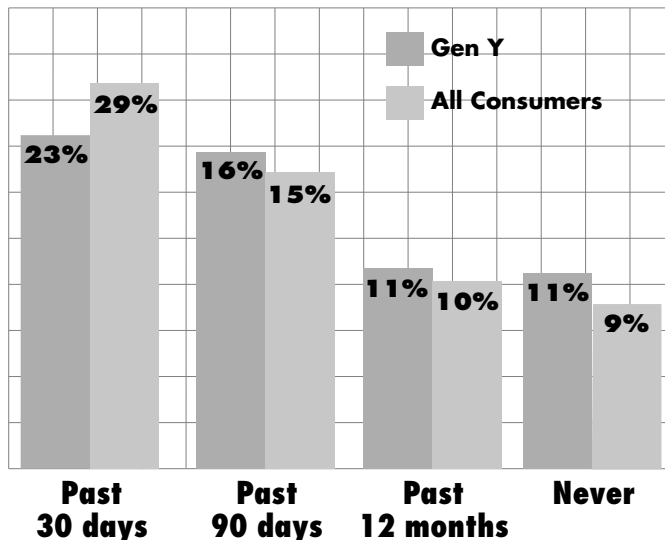
Judging by recent Javelin Strategy & Research studies, the 2013 payments landscape will reinforce the continuing rise in online and mobile payments. However, it appears fraud will continue to take a toll on the financial services industry. 

Estimated growth in U.S. e-commerce transactions, 2000 - 2017

Percent of total retail transactions and dollar volume in billions, per year

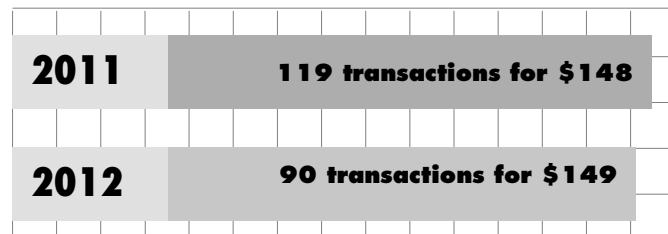


Percentage of consumers purchasing online, by generation

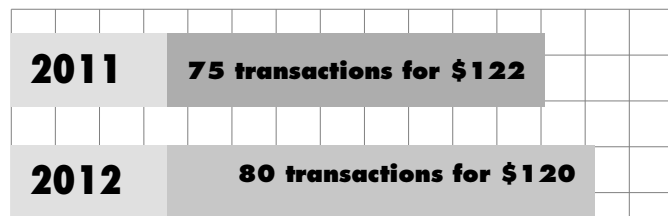


Prevented versus successful fraudulent transactions per month

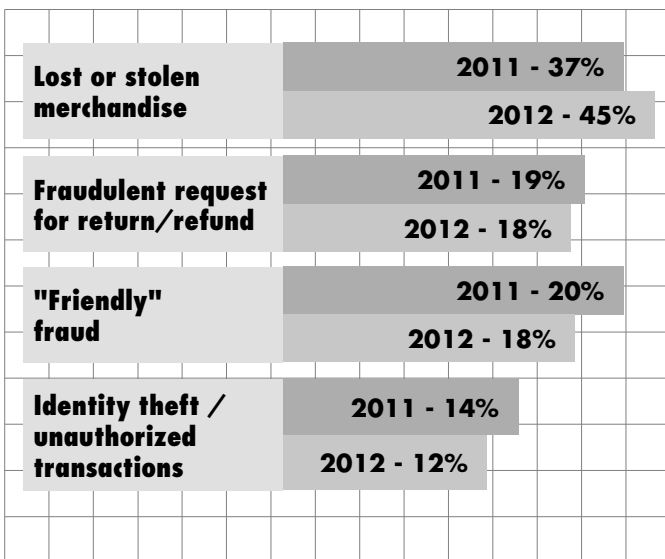
Fraudulent transactions prevented and average value of prevented fraudulent transactions



Fraudulent transactions completed and average value of completed fraudulent transactions



Percent of total merchant fraud loss by type of fraud



Sources: Javelin Strategy & Research's 5th Annual Online Retail Payments Forecast 2012–2017: Mobile and Alternative Payments Are Changing the Game and the fourth annual LexisNexis True Cost of Fraud Study, conducted by Javelin



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Five predictions for 2013

By Jeff Fortney

Clearent LLC

The end of the year always brings an interesting array of articles and news stories about emerging trends and predictions for the coming year. Many of these articles are based on facts and research, while others come from more colorful sources and legends. One such source is the well-known prognosticator Jeane Dixon.

During her lifetime, Dixon made thousands of predictions. Looking back, her followers would point to two that they believed predicted the assassination of U.S. President John F. Kennedy and the attempted assassination of Pope John Paul II.

Prognostications versus a Magic 8 Ball

When these and other predictions were examined, it could be seen that all of Dixon's predictions were extremely vague, which could allow events to appear to fit a given prophecy, but there was no conclusive demonstration that any of her prophecies predicted specific events that occurred. This vagueness allowed for ambiguity.

Given the speed at which the payments industry is changing, it may be easier to predict the future by reading the results from a Magic 8 Ball. Yet we all want to know what to expect to help us prepare for the future. So allow me to share predictions for 2013. Since many of my ideas may be like Ms. Dixon's prognostications, I will also share the results from my trusty Magic 8 Ball.

1. The 'cloud' will become more intelligent, not just a place to store data

Futurist Magazine recently unveiled its predictions for 2013 and beyond. Most were not truly applicable to our

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business, but there was one that stood out, as it pertains to the payments world.

To quote the article, "Cloud intelligence will evolve into becoming an active resource in our daily lives." Others have predicted that the cloud will increasingly be used as a kind of external brain. And the Internet will become more "intelligent" through its ongoing evolution and interplay with society.

In the payments world, we are seeing more and more references to "the cloud." There are actual products that have begun leveraging the cloud for data transfer and storage. Much has been written about security measures and the benefits provided by the cloud. Even so, is this prediction near term or long term? Is it something our industry should begin actively selling?

When discussing this question with others in the industry, I came to the conclusion that this prediction is too esoteric. Most asked a simple question, "What is the cloud?" Don't get me wrong, techies and early adopters are definitely interested, but there is confusion about the benefits to merchant level salespeople (MLSs).

Because the cloud is constantly developing and we are

seeing new uses for it emerge nearly every day, I have to say that this is a long-term prediction.

Magic 8 Ball Answer: Someday

2. Mobile payments will reach \$1 trillion by 2017

This prediction comes from a recent study performed by IDC Financial Insights. IDC also indicated that the driving force behind this prediction is near field communication (NFC). This projection is based on the company's belief that merchant acceptance of NFC will increase.

When asked to provide their predictions for 2013, many fellow members of GS Online's MLS Forum raised the specter of NFC.

JTMERCH feels that NFC will grow in the coming year. "One thing seems pretty certain: more mobile and more players entering mobile with a simplified pricing model."

On the other hand, **MBRUNO** sees serious issues with implementation. "The implementation of NFC will be a cluster. Both because of technology mishaps and 'flying monkey attacks' (that is, buy this terminal or your shop will implode)."

In conversations with others, I have found the consensus to be that both ideas may be correct. Some feel that the demand for NFC will result in more offerings, added solutions for terminals and POS systems, and increased opportunity. These same people feel that the actual need may not be that great throughout the year, and that actual usage will grow slowly.

One forum member used the recent – and arguably unsuccessful – pilot of Isis' mobile wallet in various communities as an example. **JGARZA** went so far as to predict the company's failure, stating, "Isis will not exist by the beginning of 2014."

As with the cloud, the ultimate driver of mobile payments will be merchant acceptance. Based on my con-

versations, it seems that merchant acceptance will be regional in nature. Some markets may see a demand; others of equal size may lag well behind. It just all depends on who chooses to use a smart phone or similar device for payment instead of a physical card. This is another case in which the rollout will be slow.

Magic 8 Ball Answer: Not this time

3. EMV will continue to be a hot topic, EMV acceptance will be nonexistent

Europay/MasterCard/Visa (EMV) resurfaced as a hot topic of conversation

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well over a year ago. Visa Inc. published dates by which it wants all merchant terminals to be able to accept payments made with EMV-equipped cards, often referred to as smart cards. Visa has even tasked authorization vendors to enable EMV acceptance as well, with dates as early as April 2013.

Because of that deadline, one would think that EMV would be a major player in 2013, but two key points must be considered. The first is a historical perspective.

In 1997, talk of smart cards dominated many conversations. New terminals were built and were smart-card enabled. Everyone was talking about how chip and PIN usage was coming later that year. In 1998 and 1999, smart-card acceptance was the main driver of almost every terminal manufacturer (and in those years there were as many as five or six major players in the terminal world).

However, within two years, the conversations waned. Terminals still appeared that had a slot for a smart card, but there was no reader inside. There was no reason to include it, as it only added cost to the terminal and served no real purpose.

If you examine the reasons why smart cards failed to penetrate the market in 1999, it would appear that it was directly tied to issuance. The cost of a smart card was as much as three or four times that of a traditional mag stripe card. This raises the second key issue related to EMV.

Issuers have until 2015 to issue EMV-enabled cards or face a change in liability

on very specific transactions. Even with this date looming, cost is causing most issuers to put off reissuing cards for as long as possible. Therefore, it seems natural to many that until issuers get EMV cards into the hands of consumers, the demand for EMV-enabled terminals and readers will be slow.

MLS Forum member **AGENT** disagrees with this line of thinking. "I believe 2013 will be the year EMV finally arrives on American shores," **AGENT** wrote. "Because EMV is hardware driven, we just might see equipment companies who couldn't get 'the cloud' right switch their focus to EMV add-ons."

On the other hand, **VZAGUY11** believes EMV still has to show value to the merchant, stating, "I respectfully disagree with **AGENT**. The economy plays a big role with merchants' interest. Maybe new merchants will be interested, but existing ones are a different story."

Magic 8 Ball Answer: In all likelihood

4. POS systems will continue to evolve, usage will increase

Depending on whom you ask, POS systems are either the only thing MLSs sell to merchants looking for a change in their POS equipment, or they are the one thing they avoid at all costs. Those who avoid them say that the cost of a POS system far outweighs the benefit to most small merchants. Those who think usage will grow in the near future feel the cost will be offset by new features and the changing needs of merchants as they grow.

MBRUNO feels strongly about the POS system question. He predicted that in 2013 "tablet devices will become more prevalent as the costs go down. More POS systems will start offering this technology either through a hybrid (traditional POS with a potential tablet add-on) or as a stand-alone (just a tablet). [Mobile] POS systems will continue to be more integrated into various pay-



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ment forms (online ordering, tablets and 'off-site sales' all integrated into one system)."

Others agreed with him. **JGARZA** stated, "VARs and software providers will make a stronger push into payments, and they will become the new 'ISOs.' They will begin to imbed payment talent into their organizations and execute direct ISO agreements with processors."

1SLICK67 spoke clearly about his experiences representing the opposite side of the coin. "I tried adding more value-added products to my book of business, and while, yes, I wrote many deals, my overall revenue was down when compared to each of the past seven years," **1SLICK67** stated. "I compared boarded accounts, retention, residuals, time in training, time with service, and several other factors and the ROI was down." His belief is that although more accounts were added, the actual value of those accounts was less than those using conventional terminals.

Both sides have valid positions. Sure, it's logical to say that as technology improves, we will see more advanced solutions. But will POS systems overtake terminal usage in 2013? In my opinion the answer is no, but POS systems will definitely see an increase in market share.

Magic 8 Ball Answer: Yes and no

5. Opportunity will abound in 2013

Some may call this wishful thinking, but hard facts substantiate this prediction. For example, a recent study in a large Northwestern city showed that 4,700 new businesses opened between January and August of 2012. That number appeared to represent a slower pace in new job growth when compared with corresponding numbers for 2011, except that there were only 500 closures, as opposed to over 3,700 closures in 2011. The net growth was much higher.

Other communities are reporting similar statistics. New businesses are opening, but just as importantly, fewer businesses are closing. The Small Business Administration's published statistics for the first two quarters of 2012 show similar trends nationwide. Statistically, the numbers bode well for 2013. But opportunity isn't always about the numbers. No matter how good they appear, the efforts of each MLS are what will ultimately define his or her success.

DEE MALIK predicted that merchant cash advances will make a significant comeback. "I think that MCAs [merchant cash advances] will continue to evolve and become an important part of the ISA/MLS toolbox," **DEE MALIK** wrote. "We hear all of these opinions about loyalty and POS, but really, any company that is not thinking about positive cash flow and working capital will not be in business long enough to worry about merchant services, loyalty or POS.

"Therefore, the future looks bright for those who offer

nontraditional capital. As it relates to retail, what entity has contact with merchants daily and can provide them with the working capital that they need? You've got it ... the ISA/MLS."

Others believe that nontraditional companies will see success and help drive opportunity. **JGARZA** predicted that "one or two other companies similar to LevelUp will emerge and use processing successfully as a loss leader." In all cases, those who see the opportunity in 2013 recognize that success will be driven by their efforts. As Thomas Edison said, "Opportunity is missed by most people because it comes dressed in overalls, and looks like work."

Magic 8 Ball Answer: Most definitely

2012 has been an exciting year, yet not all positive excitement. 2013 has the potential to be the best year in our industry in some time, especially if we recognize that success is driven from within each of us. No prognosticator can control or diminish our individual and collective success because our efforts will define it. Onward to 2013! 🎱

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.



Making sense of 'sensemaking'

By Dale S. Laszig

Castles Technology Co. Ltd.

The year 2012 has been tumultuous for the payments industry, a high-stakes drama of disruptive technology, changing regulations, and an evolving commercial landscape that offers more choice and more voice to consumers. Merchant level salespeople (MLSs) have done a commendable job of helping merchants adapt and capitalize on leading-edge mobile payment technology to keep existing customers happy and to attract new ones.

We can anticipate that merchants will continue to rely on our expertise as we enter the next big chapter in payments, which will include, but not be limited to, chip cards, mobile wallets, and various mobile and cloud-based technologies. But we can't rest on our laurels, especially when an increasing number of competitors are battling over a shrinking pool of merchants.

The first step in sensemaking is listening and observing. How would you describe the merchant's environment? Is it formal or informal?

Rediscover mindfulness

So how do we stay ahead of the game as new players enter our space and vie for our merchants, enticing them with a virtual buffet line of traditional and alternative payment systems? We can begin by being in the moment, observing the world around us without rushing to judgment.

The practice of "sensemaking," a Westernized version of mindfulness, was developed in 2009 by Karl Weick, an organizational theorist and professor at Michigan University's Ross School of Business.

"Sensemaking is dynamic and requires continuous updating and re-accomplishment," Weick wrote. "As a leader, don't let people languish in the feeling, 'Now we have it figured out.' They don't have it figured out. Why? It's not that kind of an issue.

Recovery is about workable, plausible stories of what we face and what we can do. But these are not final stories. They are stories that should be modified based on new inputs and new opportunities and new setbacks."

When we apply Weick's sensemaking metrics to a workplace environment, we create a conceptual framework for understanding how managers think and how employees interact, or what is commonly called a corporate culture. This culture shapes everything about a company's business, including how decisions are made.

Observe live action

The first step in sensemaking is listening and observing. How would you describe the merchant's environment? Is it formal or informal? When people need an answer, do they call, email or walk to a workstation? Are decisions made by committee vote or by a business owner?

Your observations will provide the basis for your presentation, its degree of formality or informality, and create the appropriate tone to use in addressing your decision-maker. To achieve the right perspective, take a few steps back and try to read the room.

"To have a distanced perspective of someone does not mean being cold, unfeeling or non-understanding," wrote Robert M. Branson, Ph.D., in his book, *Coping with Difficult People*. "My own experience is that the opposite is often true, particularly with those I care about, or need, the most. A truism that usually holds here, too, is: the more you can see others as truly separate from yourself, the more you are able to see them as they really are."

Understand the primary drivers of change

The second step in sensemaking is to identify what is working and not working at any merchant organization. We frequently ask merchants what they like about their current processing systems and what, if anything, they would like to change.

We should never stop asking these questions, even after we get the account. But let's not be satisfied by their explanations. If we take the time to observe the checkout process at work, we can usually identify ways to improve process flow and streamline efficiencies.

Direction is where strategy meets execution, a critical piece of the payment processing puzzle. Sometimes it may be easier for a merchant to replace all equipment and start over instead of trying to patch together analog and digital components. MLSs can help merchants make these important decisions and effectively incorporate new technologies into their standard way of doing things.

We frequently assume our customers are just like us. Branson suggested that this kind of thinking can hinder business development. "We all tend to believe that others are basically like ourselves, that they have similar values, assumptions and feelings," he wrote.

"Consequently, when they do not act as we expect or would like, it is 'logical' to assume that their unexpected and unwanted behavior must be due to hostile

intentions, a faulty personality or just plain personal 'difficultness.' As a result, we conclude that it is up to them to change."

In a majority of cases, the onus is on us, the MLSs, to take the time to reflect, do more research and rethink our approach.

Stay connected, pay attention, update

While staying in touch with one's customers has long been a guiding principle of effective account management, online tools have made it easier than ever to stay connected with our personal and professional networks.

Social media has been around since Plato introduced his bulletin board system, but today's "Web 2.0" tools are much more user-friendly and have helped to create an always-on, social learning environment, according to Tony Bingham and Marcia Conner in their book titled *The New Social Learning*.

"The new social learning leverages online communities, media sharing, microsharing, content collaboration and immersive environments to introduce people to ideas in quick bursts, when it suits their workflow, without being a big learning curve, and in a way that more closely mirrors how groups interact in person," they wrote.

Be candid and respectful in all communications

In today's always-on, always-connected environment, where it is possible to send images and live video around the world in seconds, people react immediately to situations and share views in a variety of media, including blogs, chat rooms, television, print and radio.

There has never been more coverage and more sharing of alternate points of view, which means we must carefully manage our communications and the personal information that we choose to share in social media. A

cute cat video can become a global sensation, but a simple mistake can also go viral, creating a storm of controversy.

In his book, *How to Start a Conversation and Make Friends*, Don Gabor emphasized the importance of tempering criticism with encouragement and positive feedback. "Even though there is always room for improvement, when you are giving feedback it's better to praise the positive attributes of someone's efforts first, even if you really have to search for something good to comment about," he wrote.

For best results, avoid using praise and criticism in the same sentence, which could turn off listeners and make them less receptive to suggestions for improvement.

Be in the moment

We're living in extraordinary times. Our industry is changing at the speed of innovation, and the best way to deal with it is to ride the wave: be in the moment, observe what's going on and continue to be fascinated by the endless possibilities ahead. Sensemaking isn't magical. It doesn't claim to demystify the unknown, but it can help us analyze a vibrant and changing culture. It can also help us stay alert and aware of industry trends, changing consumer behavior and the changing needs of our merchants. ■

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No reservations about mPOS at eateries

By Rick Berry

ABC Mobile Pay Inc.

The steakhouse restaurant Claim Jumpers in my backyard of Santa Clarita, Calif., is seemingly always busy at dinnertime. When the place is rocking, thirsty patrons pack the bar, and families milling about like hungry cattle fill the waiting area by the stone fireplace. And, yes, we are always very hungry.

Good food and excellent service are reasons enough to justify spending the time waiting to be seated. Claim Jumpers is so busy, in fact, that when I'm short on time and the line is long, I go elsewhere for faster service.

And I'm not the only one who does. Often, I've seen others turn around and leave, muttering their disappointment. When potential patrons leave unsatisfied, that means lost revenue. And some customers may never return.

Capturing the overflow crowd

Have ISOs and merchant level salespeople sufficiently tapped this market for mobile POS? Such restaurants are a golden opportunity to provide servers with mobile devices. Mobile POS equipment has the potential to speed up orders, speed checkouts, and increase orders and total revenue through up-selling and faster table turns.

A tremendous amount of time is wasted by servers' repeated trips to the POS station for every add-on, order or request. Cutting servers' wasted time is an ideal way for restaurants to boost revenue during peak demand times.

How many trips are required to the POS station in the payment process alone? Usually, five or six trips are required to complete a credit card payment. The server:

- Presents the check at the table
- Comes back for the payment card
- Goes to the POS station for authorization
- Returns to the table, presents bill and then leaves
- Keeps an eye on the table while the customer adds in tip, signs receipt, and separates copies, keeping one
- Returns to the table to pick up merchant copy of signed receipt
- Goes back to the POS station, enters the amount with tip and processes the transaction

How many steps do you count? How much time does such a repetitious process take when you add in the never-ending customer requests, interruptions and distractions?

Walk a mile in their shoes

When restaurants put mobile devices configured with mPOS in the hands of servers, all those trips to the POS are eliminated. This gives wait staff more time to focus on what really matters: serving their customers. Servers no longer have to wait their turn to place orders for drinks, appetizers, meals and desserts. And they no longer need to make countless trips to the POS to complete payment at the end of a meal.

Servers can also use wireless devices to access a wealth of information in real time, such as menu changes, calorie-count information and ingredient lists, to answer questions about the contents of dishes. Servers can help customers avoid foods that pose dietary problems for them, such as nuts, gluten or milk. These questions previously required time-consuming trips to the kitchen. The devices also can be programmed with prompts to help ensure that every order is complete.

Ensuring the last impression is a good one

How many times have you impatiently looked for your server after you've finished your meal and you were ready to pay, only to have the server take forever to settle up?

Customers may have enjoyed a wonderful meal with great service. But if they have to wait long for payment to be completed, their last impression will negatively impact the overall customer experience. Once I'm ready to pay and go, I find further delays are annoying. To me, this is as important a part of the dining experience as any other aspect.

With mobile POS technology (mPOS) in a restaurant's arsenal, making customers wait to pay becomes a thing of the past. Diners simply swipe their credit or gift cards at the self-serve payment station kiosk. Or they can present their cards to the server, who processes payment at the table via a mobile terminal or device such as an iPhone encased in a combination card reader and receipt printer.

Servers can even swipe loyalty cards to record purchases for discounts or points. With mobile devices' and kiosks' ability to accept PIN debit transactions, customers can securely type in their PIN codes. For credit card transactions, they may sign on the device after swiping their cards.

Improving the dining experience

Several advantages of mPOS enhance customers' dining experiences. Mobile technology eliminates patrons' fears related to payment cards leaving their possession, while providing a unique and differentiating dining experience.

Servers equipped with mobile devices can wirelessly send

different orders directly to the kitchen, bar and pizza oven all at the same time so that customers get their food and drinks without delay. Every important detail can be captured to ensure the best experience for guests, such as their side dish preferences and how a steak should be cooked. Real-time information from the kitchen also lets servers know when orders are ready for pick-up, so food is delivered within moments of preparation.

When it comes time for a guest to pay, servers can process payments at the table with a self-serve tabletop tablet. When credit and debit cards are processed on the spot, they are handled by servers in full view of customers at all times so that payment cards never leave customers' supervision.

Without all the trips to the POS, servers are more attentive to customers and are able to provide better service. Customers are more satisfied, servers get larger tips and the restaurant sees more repeat business.

Key benefits

Mobile POS technology provides three key advantages over traditional restaurant POS systems, plus several ancillary benefits I haven't yet mentioned:

- **Improved payment card security:** With mPOS technology at the table, diners have the peace of mind that comes from never losing sight or even possession of their credit cards. Credit card skimming becomes almost impossible. Also, the card can't be inadvertently charged twice. And a diner's payment card won't accidentally end up in the hands of the wrong guest.
- **Increased server productivity:** By eliminating trips to the POS, server productivity is increased. The same number of servers can now provide better service to more tables, helping contain staffing costs with-

When credit and debit cards are processed on the spot, they are handled by servers in full view of customers at all times so that payment cards never leave customers' supervision.

out impacting service quality. At the same time, servers can make more in tips and improve their job satisfaction, thereby reducing turnover.

- **Increased sales:** Since the overall time that it takes to provide the entire dining experience is reduced, service is faster, and the restaurant turns tables more frequently, providing higher revenue. As servers take orders on the mobile devices, they can up-sell related items, such as wines that complement the entrees that have been ordered. Restaurants can serve more customers in the same amount of time, and the average check size grows.

Mobile POS is a win-win for restaurants, servers and patrons. And maybe the next time I head to Claim Jumpers, I'll be able to breeze past the entrance to an unoccupied table. 🍷

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.

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Crunch time for holiday shopping data

By Nicholas Cucci

Network Merchants Inc.

The holiday shopping season has ended, meaning it's time to crunch the numbers. I'll close this article with some sales trends of note from this year. But we can already say that early sales figures for the 2012 holiday period showed improvement over 2011, with early online shopping rising 12 percent year over year. With Cyber Monday deals and Amazon Prime accounts, who needs to wait in line?

The advent of discounted shipping arrangements like Amazon Prime has hurt traditional retailers like Best Buy Co. Inc. For a yearly fee, Amazon Prime account holders get free two-day shipping or discounted overnight shipping on eligible products. Not surprisingly, Best Buy, once a high-flying consumer technology store, shut 50 stores in 2012 to cut costs.

'Tis the season of skimming

With more people using credit cards and online shopping growing exponentially, fraud is inevitable. When data becomes available, I expect to see a jump in the volume of credit card numbers reported stolen the day following the most recent Cyber Monday, or what I call "Cyber Theft Tuesday."

According to the Association of Certified Fraud Examiners, self-service machines at checkout stands will most likely be the culprit. These machines in retail stores incur the most fraud. And more of these self-checkout machines are being installed as stores reduce operating costs. We, in the payments industry, have a stake in helping our merchants make sure their e-commerce and retail store transactions are secure.

Here are a few tips to help your merchants any time of the year:

1. **Monitor transactions closely:** Make sure to capture signatures when required. Over specific dollar amounts or in case of a questionable purchase, ask for an ID and be sure to copy the ID with the transaction receipt. This will help a merchant prove in a chargeback case that the customer was present. Don't hesitate to deny transactions that do not feel secure. By monitoring these precautions, merchants will find trends regarding where cards can be breached and minimize the number of customers affected.

2. **Update systems:** Merchant systems should conform to the Payment Card Industry (PCI) Data Security Standard (DSS), as well as take further precautions to protect against fraud. Make sure your merchants understand that both you and they have a responsibility to protect customers' card information.

The PCI DSS focuses on protecting cardholder data. Business owners who choose to store cardholder information have an obligation to protect that data. They must restrict access to sensitive cardholder data based on business needs, making sure that absolutely no one can access it without appropriate safeguards. Businesses that store card details must use both encryption and masking, so anyone gaining access to card data will not be able to make use of it.

3. **Visually inspect PIN pads regularly for physical evidence of tampering:** Retailers should look for discolored or faded swipe attachments, as well as make sure mag stripe readers function properly and have not been tampered with. Most of all, merchants should not let anyone drop in for unscheduled servicing of their machines. ISOs should make clear to their merchants that updates and servicing will never be done without prior notice. This will solve most of ISOs' skimming issues.

Fun facts

Following are some sales trends for the 2012 holiday shopping season. According to surveys conducted by the National Retail Federation:

- 27 percent of consumers shopped online on Thanksgiving Day.
- 47.5 percent of consumers shopped online on Black Friday.
- 41.3 percent of consumers shopped online on Cyber Monday.

Also, the IBM Digital Analytics Benchmark reported:

- The percentage of consumers using mobile devices to visit retailer websites is 28 percent, a 10 percent increase over 2011.
- Online sales on Thanksgiving 2012 rose 17.4 percent over turkey day 2011.
- Black Friday's online sales were up 20.7 percent over the prior year. 📊

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

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Legal ease

Subtle but crucial factors in portfolio sales

By Adam Atlas

Attorney at Law

When selling a portfolio of merchant accounts, an ISO or merchant level salesperson (MLS) usually considers big-ticket items. These may be overall sale price; multiple, or the number of months of revenue to equal the purchase price; earn-outs, or the post-closing purchase price payments; and attrition.

However, before signing a sale deal, ISOs and MLSs should consider other issues that are more subtle but equally important. The purpose of this article is to highlight some of those issues. This is not an exhaustive list, and some of these may not be relevant to your situation. But they are all worth considering before inking your portfolio deal.

Who gets paid on the last month?

Let's say the deal closes Jan. 15, 2013. A critical issue to determine is who receives the residuals that accrue in January but are paid in February. This last month's trailing residuals are sometimes paid to the seller and sometimes to the buyer; at times, the money is split between buyer and seller.

This should be discussed prior to closing and specified in the transaction documents. If you are the seller and you continue to service merchants during a month for which the buyer is being paid the residuals, consider the value of the service you are providing, as well as the value of the risk you carry opposite the processor during that time.

How is attrition calculated?

Many people have a clear idea of what attrition means, but they sometimes forget that what is obvious to them is not obvious to others. Attrition, of course, is the loss of value or size over time of a given portfolio.

Every portfolio that is not adding new accounts will eventually diminish to zero in value through attrition. While detrimental to the value of a portfolio, attrition must simply be managed and addressed like other commercial issues in a portfolio sale.

Many methods are used to calculate attrition. The one that

suits you may not suit another party. Here are three different examples of a 10 percent attrition threshold. These are not full clauses and are written in legalese, but they will give you a sense of attrition measured by numbers of merchants, by revenue, and by numbers of merchants and revenue combined:

- **Merchants:** Over the course of each year of the first three years of the term hereof, the rate at which merchants, by number of merchants, decreases shall not exceed 10 percent per annum.
- **Revenue:** Over the course of each year of the first three years of the term hereof, the rate at which revenue in respect of merchants' decreases shall not exceed 10 percent per annum.
- **Merchants and revenue:** Over the course of each year of the first three years of the term hereof, neither the rate at which merchants, by number of merchants, nor the rate by which revenue in respect of such merchants, shall decrease by more than 10 percent per annum.

The fun with attrition does not end there. When we talk about attrition of revenue, the parties have to define the benchmark of revenue. Should it be the revenue last paid prior to the sale? Should it be an average of, say, three months of revenue before the sale? Should it include a pro rata share of annual fees, such as Payment Card Industry Data Security Standard compliance and other expenses? Should it include early termination fees and other merchant penalties?

The best way to address the task of defining attrition is to run your portfolio through a handful of scenarios and create realistic expectations for yourself regarding the outcomes of those scenarios. Attrition is relevant to portfolio sales, of course, because some portion of the sale price is often conditional on there being less than a defined amount of attrition.

Buyers also have issues as to how to calculate attrition in a portfolio that they are evaluating. Buyers have to find a way to create a realistic expectation for themselves of what will happen to the portfolio they are buying.

What about a personal guarantee?

Having a seller provide a personal guarantee in a portfolio sale is not uncommon, most importantly to protect the buyer from a dishonest seller who re-solicits the merchants the seller has just sold.

Sellers have to be wary of the extent of the personal guarantee. Is it unlimited? When does it start and end? To what extent does the personal guarantee cover post-closing transaction processing, which is normally the responsibility of the buyer? To what extent can the personal guarantee be negotiated to be somewhat limited – in time, quantum or application?



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1	Company Name Camarillo, California Contact Name: 888-888-8888 www.companywebsite.com	2000	Over \$5 million	\$1 - 100	100,000+	98%	99%	Curves, Subway, Thrifty Car Rental, Days Inn, Hampton Inn	100%	100	100	100	100	100
2	Company Name Melville, New York Contact Name: 888-888-8888 www.companywebsite.com	2004	Over \$5 million	Above 100	100,000+	97%	99%	Economy Inn, Subway, Taco Bell, Comfort Inn & Suites, Kentucky Fried Chicken	99%	98	100	99	98	100
3	Company Name Las Vegas, Nevada Contact Name: 888-888-8888 www.companywebsite.com	2004	\$3 million - \$4,999,999	11 - 25	2300+	97%	98%	Nevada SPCA, Liquid Alaska Tours, Veterans Chamber of Commerce Nevada,	98%	100	97	100	96	97
4	Company Name Dallas, Texas Contact Name: 888-888-8888 www.companywebsite.com	1985	Over \$5 million	Above 100	10,000+	94%	98%	Meineke Dealers Association	97.2%	96	98	97	99	96

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- 1 Company Name (Camarillo, California)
Contact Name: 888-888-8888, www.companywebsite.com
- 2 Company Name (Dallas, Texas)
Contact Name: 888-888-8888, www.companywebsite.com
- 3 Company Name (Smithtown, New York)
Contact Name: 888-888-8888, www.companywebsite.com

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- 2 Company Name (Fountain Valley, California)
Contact Name: 888-888-8888, www.companywebsite.com
- 3 Company Name (Denton, Texas)
Contact Name: 888-888-8888, www.companywebsite.com

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- 2 Company Name (NY, New York)
Contact Name: 888-888-8888, www.companywebsite.com
- 3 Company Name (Wilmington, Delaware)
Contact Name: 888-888-8888, www.companywebsite.com

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Many buyers and sellers agree that the seller will become an agent of the buyer after closing. This is not uncommon, and the decision to do so will usually put upward pressure on the purchase price.

What do new deal counts entail?

Many buyers and sellers agree that the seller will become an agent of the buyer after closing. This is not uncommon, and the decision to do so will usually put upward pressure on the purchase price. To increase that upward pressure, sellers sometimes make minimum new-merchant commitments under such new sales relationships, such as a certain number of new merchant accounts per month for some period of time.

The subtlety here is to ask what a new merchant account means. At one extreme, it could merely mean applications submitted to the buyer, whether or not the applications become real live merchant accounts.

A middle ground is that a merchant identification number (MID) is created as a condition to counting toward the minimum. In another scenario, the MID must process at

least one transaction. Some parties will agree that the MID must remain active for at least some period of months.

Naturally, the higher the bar is set, the more difficult it will be for the seller to achieve the desired minimums. No one answer for calculating the new deal count applies to all. The best answer is the one both parties find agreeable, which should then be reflected in the transaction documents.

In contract drafting, clarity is the mother of contentment. Taking a little extra time to flesh out ambiguities saves all parties a lot of heartburn. ☐

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Empower your email

By Brian Jones

Harbortouch

In my training sessions, I cover several strategies for launching a grassroots sales campaign. One key component is communicating with your prospects, that is, cold calling, following up, etc. A well placed email is very important in opening doors or moving the sales process forward. This article offers tips to employ when sending emails to prospects, especially for your initial contact.

Subject line

Think of your subject line as your headline. When done correctly, your subject should grab the attention of your prospect even before the email is opened. Most business owners are barraged with emails and consequently delete most of them without ever opening them.

Your subject line should be:

1. Short and memorably phrased
2. Intriguing
3. Easy to distinguish from a spam message subject

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Introduction

Your first line should compliment your prospect or state a very specific positive comment or observation. Here's an example: Congratulations on expanding into your new location! It seems like you are having great success with your new product lines.

Suggestions on where to find information for your opening statement include:

- **Google:** Search for the business on Google and see what comes up.
- **Company website:** The business's website is usually the best place to start.
- **Manta/Hoovers:** If it is a larger business, these are great resources for company information.
- **Review sites:** Local review sites (for example, Yelp and City Search) can provide good information on businesses.

Content and closing

Transition your focus from the recipient to your own offerings. For example, fill in the blanks in the following statement: We at _____ have also been making news. We've been recognized for _____. In fact, _____.

Now, incorporate the following:

- Create a message that's relevant, and express it uniquely. Remember, your message must stand out from everything else the recipient is hearing.
- Make it clear how your product, customer care policy and economic model are satisfying your current customer's needs, and explain how they can benefit the prospect as well.
- Mention your newsworthiness, press clippings, awards, etc., to increase credibility.
- Make it actionable. Invite your prospect to do something, or tell the prospect to expect an action from you.
- Be concise; frame your value statements succinctly. If you choose to include features, organize them with a short list of bullets.

Next, sum up your message with a strong closing. Think of it as your 30-second sound bite, or what sales veterans refer to as your elevator pitch. Email is an invaluable sales tool. It is more time effective than making phone calls and allows prospects to interact with you on their own schedules. By following these guidelines, you can help empower your email for maximum impact. 📧

Brian Jones is Executive Vice President of Sales and Marketing for Harbortouch, an established payment processing company and an emerging leader in the POS industry. Jones is responsible for managing the recruitment of sales agents for Harbortouch, as well as for overseeing the company's marketing initiatives. If you would like to know more about Harbortouch, contact Brian at bjones@harbortouch.com.

December 23, 2002 • Issue 02:12:02

A decade ago, *The Green Sheet* reported on the partnership between check guarantee provider CrossCheck Inc. and ISO National Processing Co., First Data's legal battles with Visa Inc., and the receivership of Certified Merchant Services Ltd. But those stories weren't the only news in December 2002. 📰



Fast food moves toward cashless payments

The quick-service restaurant sector was just implementing electronic payments, becoming one of the last major market segments to adopt the technology. McDonald's, Burger King, Wendy's, Kentucky Fried Chicken, Long John Silver and Subway planned on jumping on the plastic bandwagon beginning in 2003.

ATM fraud devices showcased

The inaugural ATM Industry Association Summit & Awards took place in San Diego. A highlight of the event was a slide presentation of "sophisticated" fraud devices, including the "Lebanese Loop" and ATM overlays that featured false fronts to cash traps and entry-door skimmers.

Bouncing for a burger and fries

A Kennewick, Wash., man bounced a \$4.43 check for a meal at Wendy's. Subsequently, the restaurant chain's collection agency sued the man for \$285.50 (the amount of the check plus collection, handling, attorney fees and interest). "This is crazy for a cheeseburger," the man said.



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HARBORTOUCH

POS with a higher purpose

Product: HioPOS Plus

Company: Regal Payment Systems LLC

Regal Payment Systems LLC recently formed a strategic partnership with multinational retail and hospitality software developer ICG Software to bring the HioPOS Plus system to U.S. markets.

In doing so, Regal set out to reach untapped markets with a cost-effective alternative to cash registers and lower-end POS systems that lack the programming options this solution apparently offers.

"We have selected the HioPOS Plus system due to its value, superior quality and advanced technology," stated Karen Whiteley, Vice President of Sales for RPS. "By combining the use of our payment gateway with exclusive products and services, we are able to bring a cost-effective payment solution to merchants that have not had the same opportunities as their competitors."

The HioPOS Plus system comes bundled with an adjustable-tilt, 15-inch touch-screen display, thermal printer with automatic cutter, customer-facing display unit, integrated Wi-Fi, Microsoft Corp. Windows OS, and POS software that is capable of running 21 business models.

Retail and hospitality enterprises supported include traditional restaurants, quick service restaurants, bars and pubs, coffee shops, bakeries, beauty salons and clothing stores, among others.

According to RPS, the HioPOS Plus system was ruggedly built, so that it can withstand the pressures of the variety of environments in which it must function. Standard with each system is aluminum housing, a fanless cooling system, and water- and dust-resistant features.

To operate the system, merchants simply select their business type, enter business data, then select product categories and enter pricing for individual items.


RPS noted that the software provides a visual display of selected product groupings, with user-defined sorting capabilities; total sales and sales on hold reporting functions; permissions-based user access and employee presence controls; inventory control; as well as cash closing and control systems.

According to RPS, the system is self-installable, which means very little training or support is necessary, if at all. For merchants who sell items by weight, the HioPOS Plus also connects with scale systems, and it can process sales



Features of HioPOS Plus include:

- Self-installable, all-in-one POS system
- Preloaded software supporting 21 business models
- Large 15-inch POS touch screen terminal
- Customer-facing display unit
- Integrated Wi-Fi, Microsoft Windows OS

based on bar codes, as well. Among the accessories that can be added as needed are a fingerprint reader and mag stripe reader, bar code reader, cash drawer, and a scale for selling items by weight. 

Regal Payment Systems LLC

866-939-9397

www.regalpaymentsystems.com

More leads in less time

Product: Press 1 Campaign

Company: Live Reps Call Center

For over a decade, Cincinnati-based Live Reps Call Center has operated a personalized call center for organizations seeking to outsource outbound and inbound telephone campaigns. The company believes that in that time, it has perfected the art of interactive voice response (IVR) for clients.

Now ISOs can take advantage of this service. The Press 1 Campaign created by Live Reps is designed to deliver a cost-effective strategy for generating leads that frees agents to focus on closing sales.

"It's the same technology that is used for the political campaigns," said Steve Wachs, Chief Executive Officer and Founding Partner of Live Reps. "It's basically a 30-second message that's sent to a targeted list of prospects daily.

"The message can pertain to credit card savings, lending or really anything." Live Reps noted that it offers voice talent for a nominal fee and provides guidance on message content to help optimize response.

Businesses receiving the messages that respond by pressing 1 on their phones can be routed directly to the ISO or its sales department for a quote, or they can be routed to a Live Reps professionally trained call center representative.


"We can qualify that inbound caller and ask them specific questions," Wachs said. "An ISO called us from Texas who was running an IVR, and he literally could not field all the calls. So many calls were coming in seven days a week that he called us to handle his inbound calls to qualify the leads." Live Reps can instruct merchants to email statements or provide information about their credit card processing patterns, he noted.

Qualified leads are submitted to ISOs via email, fax or through a customer relationship management system.

Features of Press 1 Campaign include:

- Personalized 30-second prospect message
- Professionally trained staff to pre-qualify leads
- Full reporting of leads, call activity
- Daily or weekly call volumes determined by ISO
- Negotiable rates based on call volume, support level

Unlike other companies with similar systems for contacting businesses, with Live Reps, if someone should press 2, the opt-out function, they're never contacted again, Wachs noted.

"In your industry, this is the best way I've found to reach customers, because if you do it manually, it burns out your people and takes forever," Wachs said. "We like helping businesses grow, and it's just a very cost-effective way of helping them grow." Live Reps generally prefers to work with lists provided by ISOs. Pricing, which is negotiable, is generally based on blocks of 10,000 calls. 

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Editor's Note: These articles were first published by InsideMicrofinance.com in November 2012. Reprinted with permission. All rights reserved; © 2012 by Patti Murphy.

Going postal with financial services

Postal banking isn't new. Post offices have been outlets for financial services in European countries for generations. Consumers there use "postal giros" in lieu of bank accounts for a range of financial transactions. In the United States, postal money orders are used by millions of consumers; the United States Postal Service also provides a remittance service that covers 10 Central and South American nations.

However, the USPS operates deeply in the red. (It was recently reported that it has a \$9 billion operating deficit.) Yet nonbank financial services are big business: underbanked Americans spent nearly \$9 billion last year in fees for prepaid cards, money orders, bill payments and other payment products.

AmEx, Wal-Mart, partner on prepaid debit card

I didn't see it coming. But then, I may have my head stuck on old stereotypes. I've always thought of American Express as a card for the well-healed, and I've often characterized Wal-Mart Stores Inc. as banker to the working poor.

So the notion of American Express Co. and Wal-Mart teaming on an alternative to traditional bank accounts was beyond my scope of understanding.

But that they did. Last month they took the wraps off Bluebird, a prepaid debit card available at rock-bottom prices and replete with bells and whistles (including the ability to deposit checks using smart phones).

Dan Schulman, Group President for Enterprise Growth at AmEx, described Bluebird as a card for consumers who have been disenfranchised by traditional financial institutions. This is what he said next: "In an era where it is increasingly 'expensive to be poor,' we have worked with Wal-Mart to create a financial services product that rights many of the wrongs that plague the market today."

By embracing this population, the USPS could provide needed financial services while increasing its revenues.

The notion of post offices facilitating financial inclusion is addressed in *Global Panorama on Postal Financial Inclusion: Business Models and Key Issues*, a new report by the United Nations Universal Postal Union (UPU). The report was released at the 25th Universal Postal Congress recently held in Doha, Qatar.

According to the report, over 1 billion people, worldwide, use financial services offered through postal offices, and they spend \$304 billion a year for those services. In some countries, financial services generate more than 50 percent of postal service revenues. "The postal network offers tremendous potential for fostering financial inclusion," Alexandre Berhaud, a co-author of the UPU report, said in a press release. In fact, the report noted that during the financial crisis, postal services in several countries that offer financial services saw increases in customer and account numbers.

The report also identifies five business models that are being used by postal operators to foster financial inclusion. These models range from being cash merchants for governments to full-blown banks. ■

This sounds a little disingenuous. After all, AmEx is a bank, or more specifically a bank holding company. (That's how the company qualified for a government bailout in 2008.) And Wal-Mart has been trying for years to own a bank, only to be thwarted by lawmakers. Now, together, they want to be banker to America's working poor.

What the card has going for it is virtually no fees: \$2.00 for loading cash from a debit card and \$2.00 for withdrawing cash from ATMs not in Wal-Mart's MoneyCard network. But I'm betting Bluebird won't stay cheap forever.

After all, back in the mid-1980s, when public consternation abounded over the loss of American jobs to low-wage countries, Wal-Mart made a big deal about selling only goods made in America.

Today the retailing giant's dependence on foreign-sourced products is legend. It was a matter of economics, so the company said, and I'm not convinced that the economics of prepaid debit cards can support the current pricing structure on Bluebird, over time. For now it seems Wal-Mart and AmEx will seek to profit from interchange – the discount merchants take for accepting card payments.

One potential problem: many merchants don't accept AmEx cards because they cost much more to accept than do MasterCard Worldwide and Visa Inc. cards. I also question whether the unbanked are so status conscious that they'll take an AmEx-branded reloadable prepaid card product over a Visa- or MasterCard-branded product. Time will tell. ■

2013

events calendar

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

Event	Date	Location	Website
NEAA, 2013 Winter Seminar & Outing	Jan. 29 - 31	Mount Snow, VT	www.northeastacquirers.com/event.htm
Prepaid Card Compliance	Jan. 29 - 30	Washington	https://transactions.c5groupinc.com
2013 Payments Summit: The 6th Annual Conference	Feb. 5 - 7	Salt Lake City	www.event.com
ATMIA US Conference 2013	Feb. 19 - 21	Scottsdale, AZ	www.atmia.com/conference-usa/welcome
Southeast Acquirers' Association Annual Seminar	March 4 - 6	Lake Buena Vista, FL	www.southeastacquirers.com/press/annual-conference
IKR Holdings, Prepaid Expo	March 4 - 6	Orlando, FL	www.irusa.com/prepaid/registration.xml#step=star
BAL, Payments Connect Conference & Expo	March 11 - 13	Phoenix	www.kai.org
Best Practices in Retail Financial Services Symposium	March 13 - 15	Carlsbad, CA	www.americanbanker.com/conferences/retail
17th Annual National Collections & Credit Risk Conference	March 25 - 27	New Orleans	www.collectionscreditrisk.com/conferences/nccr
25th Annual Card Forum & Expo	April 7 - 10	Boca Raton, FL	www.paymentsource.com/conferences/cfe
2013 ETA Annual Meeting & Expo	April 30 - May 2	New Orleans	www.electron.org/content/view/full/831/516/
Cards and Payments - Middle East	May 14 - 15	Dubai, UAE	www.btrapijn.com
7th Annual Mobile Banking and Commerce Summit	June 3 - 5	Miami	www.sourcemedia.com
8th Annual Underbanked Financial Services Symposium	June 5 - 7	Miami	www.sourcemedia.com
American Conference Institute, The Power of Prepaid	June 26 - 28	Washington	https://transactions.c5groupinc.com
MWAA 2013 11th Annual Conference	July 17 - 18	Oak Brook, IL	www.midwestacquirers.com
Prepaid Press, ppEXPO'13	Aug. 12 - 14	Las Vegas	www.prepaidpressexpo.com
Money2020, Money2020EXpo	October 6 - 9	Las Vegas	http://money2020.com



NORTHEAST ACQUIRERS

Jan. 29 - 31, 2013

SEAA
SOUTHEAST
ACQUIRERS
ASSOCIATION

March 4 - 6, 2013



April 30 - May 2, 2013

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



Northeast Acquirers Association

NEAA Winter Seminar & Outing

Highlights: The NEAA's winter show is the oldest regional acquirers tradeshow in the United States. The event, now in its 28th year, is returning to The Grand Summit venue near Mt. Snow, Vt. It is an outgrowth of the NEAA's mission to serve as an educational forum for financial institutions, ISOs, merchant service providers and merchant level salespeople in the acquiring industry.

The focus of this event will be to provide information and networking opportunities to help attendees and vendor partners prosper in the ever-changing payments industry.

Registration categories for the show are attendee, industry expert and vendor. This seminar is underwritten by its preregistered, exhibiting vendors and cannot accommodate "roaming vendors."

When: Jan. 29 – 31, 2013

Where: Grand Summit Resort, Mt. Snow, Vt.

Registration: http://www.northeastacquirers.com/events/2013_winter_attendee_reg.pdf



Smart Card Alliance

2013 Payments Summit

Highlights: In this sixth annual conference, the Smart Card Alliance will continue its coverage of all leading transaction platforms, including Europay/MasterCard/Visa (EMV), mobile and transit payments.

Taking place in a larger facility than previously, the event will bring together leading smart card practitioners, solutions developers, end users and suppliers.

On the agenda will be how to achieve the migration of the U.S. payments ecosystem (the largest in the world) to the EMV global transaction security standard; how to provide clarity for the financial institutions, card issuers, acquirers and merchants involved; near field communication and mobile wallet integration; and the role transit payments can play in expanding the use of open standards-based contactless bankcard and mobile payments.

When: Feb. 5 – 7, 2013

Where: Grand America Hotel, Salt Lake City

Registration: www.cvent.com/events/2013-payments-summit/event-summary-7c5bd01867cc4b64b85ea8bb33a97c16.aspx



ATM Industry Association

ATMIA US Conference 2013

Highlights: For its 14th annual U.S. conference, ATMIA will focus on innovation as the industry seeks to adapt during a time of significant transformation. Topics addressed will include the advent of multichannel payments, Europay/MasterCard/Visa migration, regulatory developments, differential surcharging and advances in ATM technologies.

The keynote speaker will be Stephen J. Dubner, co-author of *Freakonomics* and *SuperFreakonomics*, which have reportedly sold over 5 million copies in 35 languages.

Dubner promises a presentation that provides a wealth of insights on economic, business and social issues, with the aim of helping attendees gain new perspectives on the problems and challenges they face.

When: Feb. 19 – 21, 2013

Where: Kierland Westin Resort & Spa, Scottsdale, Ariz.

Registration:

www.atmia.com/conference-usa/registration-information



IIR Holdings Ltd.

8th Annual Prepaid Expo

Highlights: This annual event welcomes the entire stored-value payments industry, providing a platform where prepaid professionals can discuss regulatory issues, emerging and mobile payment technologies, distribution challenges, and consumer behaviors affecting the industry. This year, the expo will analyze the evolution of payments, including disruptive technologies such as mobile wallets, near field communication and the Europay/MasterCard/Visa global standard.

Event organizers promise ample networking opportunities with industry executives, exclusive analyses designed to help attendees uncover market potential, and information on the impact upcoming rules and regulations are likely to have on the prepaid sector.

Through programs, workshops, panels and case studies, the event aims to help attendees maximize opportunities for growth, both domestic and international.

When: March 4 – 6, 2013

Where: The Peabody Orlando, Orlando, Fla.

Registration: www.iirusa.com/prepaid/registration.xml?step=start#.UKOQou-2rlc

WaterCoolerWisdom:

He who resolves upon doing a thing, by that very resolution, often scales the barriers to it and secures its achievement.

- Samuel Smiles

Change be with you in 2013

That short period when one year is coming to a close and a new year is beginning is often a time set aside for reflection. It is a time when we take stock of our careers and lives. We make resolutions and promise ourselves we will keep them.

Often, what we are saying is that we want to change in some way. Perhaps we want to change how we spend money so we can save more, change our diets so we can lose weight, or change how we interact with others so our relationships can be more fulfilling.

The changes we seek are always positive. Our thoughts are focused on how we can be better people and professionals, however we choose to define "better." But then, of course, you know what tends to happen a few weeks into the new year: many of us have done nothing about what we'd passionately resolved to change on New Year's Eve.

That's the problem with an end-of-the-year mentality. It feels good to make promises to ourselves. We sometimes even convince ourselves that making these promises means we are taking action and making changes. However, too often, we stop there. The key is to put our resolutions into action.

Be aware

The difference between making the promise and making the change is doing the work. One way to jump start action is to write the resolution down on paper. Don't just type it into your computer and save it as a Word file. Make it tangible. Write it down with pen and paper and display it prominently, whether on your refrigerator door or the bathroom mirror. This will help you remember in March the promise you made to yourself in January.

The goal is to develop a deliberate, self aware approach to action, as opposed to acting impulsively. For example, leaning on your car horn when traffic is not going fast

enough for you is a reactive response to a frustrating situation. But blaring the horn never makes rush hour traffic bend to your will.

It is better to channel frustrations in a productive direction. A note attached to the refrigerator that says, "Relieve stress by exercise, not by overeating," provides a reminder to keep you on track.

Be steady

Take small steps. If you try to make a change in one fell swoop and be done with it, you are less likely to succeed. Making a change is a process, not an event. Change involves taking one step, then another and another until the change becomes your normal behavior.

For example, losing weight and keeping it off are two distinct outcomes. If you starve yourself, you are assured of losing weight. But you won't keep the weight off if you expect to stay alive.

However, if you reduce your intake of processed sugar, you will experience a boost in energy, which might spur you to take walks at lunchtime. Slowly, you will start to lose weight and feel better. That feedback loop builds on itself until you find yourself rarely craving sugar. The change is becoming permanent.

Be resilient

Never give up when you hit a roadblock. There will always be obstacles to achieving your goals. If you falter, don't get down on yourself. You will never be perfect. Just get back up and try again.

Although change is difficult, it is profoundly satisfying when you succeed at it. Achieving one goal is evidence that you have enough control to achieve another, and another. And this could spur you to embark on even grander makeovers that propel your life in new and exciting directions.

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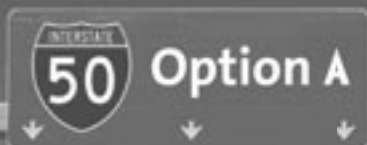
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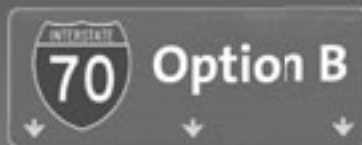
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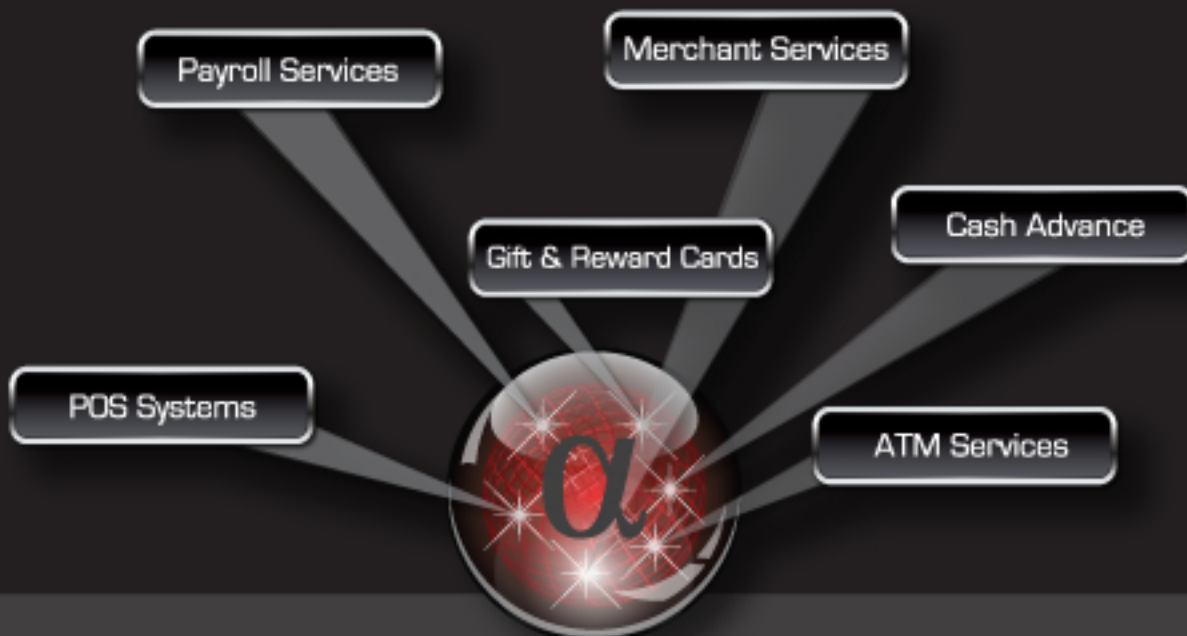
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