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THE STRAWHECKER GROUP
The Trusted Advisor To The Payments Industry



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Trending This Week...

M&A is heating up in the Payments Industry again as [Global Payments announced this morning that they will pay \\$420M to acquirer PayPros.](#)

Again, breaches continue to be all the rage this week, however Neiman Marcus took some of the heat off of Target as they revealed their breach was deeper than originally disclosed stating that the [hackers had invaded their system for several months and involved 1.1M credit/debit cards.](#)

Also this week, the [FBI warned U.S. retailers to prepare for more cyber-attacks](#) after discovering nearly 20 cases in 2013 that involved the same kind of malware used against Target.

Other highlights include:

- [The Story of How Target Had Chip and PIN Cards, But Failed to Keep Them](#)
- [Here is What Bitcoin Users are Buying on Overstock](#)
- [Breaches Underscore EMV Routing Divide as ATMIA Critiques MasterCard Stand](#)
- [T-Mobile Now Challenging Traditional Banking Services with Mobile Money](#)

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[Should Traditional Merchant Acquirers "Beware of Square"](#)

[What Benefits Me By Paying a Credit Card Swipe Fee?](#)

[Use a Smart Phone to Buy Things!](#)

This Day in History: 1935 First Canned Beer Goes on Sale

Canned beer makes its debut on this day in 1935. In partnership with the American Can Company, the Gottfried Krueger Brewing Company delivered 2,000 cans of Krueger's Finest Beer and Krueger's Cream Ale to faithful Krueger drinkers in Richmond, Virginia. Ninety-one percent of the drinkers approved of the canned beer, driving Krueger to give the green light to further production.

By the late 19th century, cans were instrumental in the mass distribution of foodstuffs, but it wasn't until 1909 that the

Featured

Global Payments to Acquire PayPros, a Leading Integrated Payments Technology Company

1/24/14 Global Payments

Global Payments Inc., one of the largest worldwide providers of payment solutions, announced an agreement to acquire Payment Processing, Inc. (PayPros). PayPros, based in California, is an innovative provider of fully-integrated payment solutions for 58,000 small-to-medium sized merchants in the United States. PayPros delivers its products and services through a network of over 1,000 technology-based enterprise software partners to vertical markets that are complementary to the markets served by Accelerated Payment Technologies, Inc., a Global Payments company since October 2012.

FBI Warns Retailers to Expect More Credit Card Breaches

1/23/14 Reuters

The FBI has warned U.S. retailers to prepare for more cyber attacks after discovering about 20 hacking cases in the past year that involved the same kind of malicious software used against Target Corp in the holiday shopping season. The U.S. Federal Bureau of Investigation distributed a confidential, three-page report to retail companies last week describing the risks posed by "memory-parsing" malware that infects point-of-sale (POS) systems, which include cash registers and credit-card swiping machines found in store checkout aisles.

Financial Companies in 'Street Fight' With Cybercriminals

1/24/14 DealBook

Financial companies are engaged in a escalating battle with increasingly sophisticated criminal organizations and some governments trying to hack into electronic payment systems, MasterCard's top executive said Friday. Speaking on a panel at the World Economic Forum, Ajay Banga, the president and chief executive of MasterCard, said the fight to keep financial transaction systems secure was a costly and time-consuming one that was potentially unsustainable over time without government help.

Neiman Marcus Data Breach Worse Than First Said

1/23/14 The New York Times

The theft of consumer data from Neiman Marcus appears far deeper than had been disclosed originally, with the luxury retailer now saying that hackers invaded its systems for several months in a breach that involved 1.1 million credit and debit cards. The malware installed on terminals in Neiman Marcus stores seems to be the same malware that infiltrated Target's systems and exposed information from as many as 110 million customers, according to a person briefed on the investigations who spoke on the condition of anonymity and is not authorized to speak publicly about the attacks.

The Story of How Target Had Chip and PIN Cards, But Failed to Keep Them

1/22/14 FierceRetailT

Target almost avoided being the victim -- along with more than 70 million of its customers -- of the largest data breach in U.S. retail history. It had a chip-based smart card program but failed to successfully roll it out. The security breach left between 70 million and 110 million shoppers' card numbers exposed to hackers, along with PIN numbers and personal information including email addresses. And it could have been averted had the U.S. retailer, and card services in general, been using chip and PIN technology instead of the magnetic stripe cards in use today.

American Can Company made its first attempt to can beer. This was unsuccessful, and the American Can Company would have to wait for the end of Prohibition in the United States before it tried again. Finally in 1933, after two years of research, American Can developed a can that was pressurized and had a special coating to prevent the fizzy beer from chemically reacting with the tin.

The concept of canned beer proved to be a hard sell, but Krueger's overcame its initial reservations and became the first brewer to sell canned beer in the United States. The response was overwhelming. Within three months, over 80 percent of distributors were handling Krueger's canned beer, and Krueger's was eating into the market share of the "big three" national brewers—Anheuser-Busch, Pabst and Schlitz. Competitors soon followed suit, and by the end of 1935, over 200 million cans had been produced and sold.

[Click here to read more.](#)

[On Heels of Security Breaches, ICBA Lashes Back at Retailer Group](#)

1/22/14 *BTN*

The fallout from the recent Target and Neiman Marcus security breaches has led to a war of words between bankers and retailers. With a scathing press release Wednesday, The Independent Community Bankers of America (ICBA) responded emphatically to an equally accusatory Jan. 21 letter published by the National Retail Federation (NRF) which heaved blame on the financial services industry for the breaches. "The NRF should focus its attention on responding to the harm that security breaches at several retailers have done to consumers and their financial institutions rather than hurling false allegations blaming the banking industry for these retail breaches."

[Super ISO Gets Boost From CPP Credential](#)

1/21/14 *ISO&Agent*

A super ISO is closing more deals, raising morale and convincing employees and contractors not to move on to other companies—all with the help of the Certified Payments Professional credential. "We think the CPP's a tremendous advantage," says Michael Gavin, senior vice president of sales for Boston-based Merchant Warehouse. The company requires its inside phone-sales staff to tout the CPP designation to merchants, and it "nudges" outside independent sales agents to emphasize the credential on sales calls, Gavin says.

[How an American Express Executive Drives Growth](#)

1/21/14 *Harvard Business Review*

As group president of enterprise growth at American Express, Dan Schulman is trying to expand the brand to serve non-affluent customers who he says are paying too much for existing financial services. Prior to joining American Express in 2010, Schulman was CEO of Virgin Mobile and Priceline.

[ETA Announces Acquirer Executive Roundtable at "TRANSACT 14: Powered by ETA"](#)

1/22/14 *PR Newswire*

Electronic Transactions Association (ETA), the global trade association representing the payments technology world, announced today the speakers for the first of two high-impact Executive Roundtables featured at "TRANSACT 14: Powered by ETA." Three top executives from the nation's largest acquirers, Debra Rossi, EVP of Wells Fargo and CEO of Wells Fargo Merchant Services, Donald Boeding, President of Vantiv, and Brian Mooney, CEO of Bank of America Merchant Services, LLC, will share their expertise with 4,000 payments technology and retail professionals.



[Mobile Payments](#)

[Branson on Bitcoin: Take that, Mr. Dimon](#)

1/24/14 *CNBC*

Sir Richard Branson says there will be a global currency—whether its bitcoin or something else—that will "take on Jamie Dimon and the other

banks."

The billionaire entrepreneur spoke Friday in a CNBC interview from the World Economic Forum a day after JPMorgan CEO Dimon and Treasury Secretary Jack Lew expressed skepticism about the digital currency. "The idea is very exciting. I think having a global currency where you don't have to spend all the money changing your currencies is admirable and whoever is behind bitcoin was brilliant."

[Here Is What Bitcoin Users Are Buying On Overstock.com](#)

1/22/14 Forbes

Yesterday I wondered what new insights would be revealed about Bitcoin users should Overstock.com OSTK -1.33% be inclined to divulge details about its shoppers that paid using the virtual currency. As it turned out the retailer was more than happy to oblige. It provided me with a list of the top 25 categories of products that shoppers paying with Bitcoins have purchased since Overstock.com began accepting the currency for payment on Jan. 9.

[TigerDirect Now Accepts Bitcoin](#)

1/23/14 TNW

TigerDirect today announced it has started accepting Bitcoin as a method of payment on over 200,000 products via both its desktop and mobile websites. The company claimed it is the first major US electronics retailer and the largest company to date to accept the digital currency. Overstock.com recently started accepting Bitcoin, and while it's unclear how big TigerDirect is in comparison, its parent company Systemax is certainly larger. In 2012, Overstock.com saw revenues of \$1.1 billion while Systemax generated \$3.54 billion.

[Bitcoin Triggers Buzz, Controversy ... and Now, Startups](#)

1/21/14 Digits

Bitcoin has triggered a wave of warnings from central bankers since the online currency started gaining, well, currency late last year. Now, it's also behind a wave of startups aimed at building a bitcoin infrastructure. Some 320 startups are now involved somehow in maintaining or tracking the bitcoin eco-system, according to a database maintained by Creandum AB, a Swedish venture capital firm.

[The Value of PayPal and eBay Together](#)

1/22/14 PayPal

No other payments competitor has achieved PayPal's success - because no other competitor has a commerce platform like eBay. PayPal is successful precisely because we are part of eBay Inc., not in spite of it. eBay Inc. has helped drive our success for more than a decade, and we continue to believe we're far more valuable together. There are three main reasons: first, eBay accelerates PayPal's success; second, eBay data makes PayPal smarter; and third, eBay funds PayPal's growth.

[Visa to Step Up Marketing of V.me](#)

1/20/14 MarketingWeek

The payment services firm has so far focussed on promoting the service to merchants but will expand its media use to consumer channels from the summer. Jonathan Vaux, V.me commercial director, says it will use "assets" such as its World Cup sponsorship to raise awareness of the service. Ads will push the convenience and security of V.me. Visa says the digital wallet removes the need for consumers to enter card details each time they make an online purchase. It is, according to the company, "designed to increase consumer confidence in online shopping and reduce the proportion of sales that are abandoned during the checkout process."

Mobile Payments Driving Global M-commerce Adoption

1/22/14 Cellular News

In 2013, 15 percent of mobile media users made some form of mobile payment to make a purchase, according to a survey by the MEF. The largest group of these users (7% of the total sample) did so via a mobile wallet, especially those based on NFC technology. The report, carried out in partnership with On Device Research, highlights the importance of mobile money users to the overall m-commerce market, as this group is 26 percent more likely to purchase via mobile.

Regulation & Security

Breaches Underscore EMV Routing Divide As ATMIA Critiques MasterCard Stand

1/21/14 Digital Transactions

The recently disclosed data breaches at Target Corp. and Neiman Marcus Group have breathed new life into an industry dispute over how to account for network choice in routing EMV debit transactions. The ATM Industry Association on Tuesday issued a statement critical of MasterCard Inc. for earlier this month declaring it is sticking to a key October 2015 EMV deadline, despite the absence of industry agreement on the routing question.

DOJ Hits First Bank Target in 'Operation Choke Point'

1/20/14 JD Supra

Last week, the U.S. Department of Justice (DOJ) filed a lengthy complaint and consent order in a lawsuit against Four Oaks Bank & Trust Company. The DOJ action is the first lawsuit (and settlement) under "Operation Choke Point," a coordinated multiagency enforcement initiative targeting banks serving online payday lenders and other companies that have raised regulatory concerns. Four Oaks Bank is a small North Carolina bank that had processed ACH transactions for payday lenders through an arrangement with an unidentified third-party payment processor.

3 Trends in EMV Adoption in the U.S.

1/21/14 Bank Systems & Technology

By 2015, the U.S. will no longer be a non-EMV market and will see widespread adoption of the chip-and-PIN cards used in much of the rest of the world. Here's three reasons why: In 2013, American Express joined the "Corporate Credit EMV Card club." American Express is now offering EMV for their premium corporate cardholders - Platinum and Centurion. From 2011 onwards we have had U.S. Bank, Chase, Wells Fargo and BofA offering EMV for their corporate clients. This shows that at the minimum, cardholders who travel extensively in corporate America now have a safe and secure payment vehicle.

Credit Card Details on 20 Million South Koreans Stolen

1/20/14 BBC

Credit card details from almost half of all South Koreans have been stolen and sold to marketing firms. The data was stolen by a computer contractor working for a company called the Korea Credit Bureau that produces credit scores. The names, social security numbers and credit card details of 20 million South Koreans were copied by the IT worker. The scale of the theft became apparent after the contractor at the center of the breach was arrested.

Economy

Leading Indicators Rose in December as U.S. Economy Improved

1/23/14 Bloomberg

The index of U.S. leading indicators rose in December, a sign the world's largest economy is poised to keep expanding in 2014. The Conference Board's gauge of the outlook for the next three to six months climbed 0.1 percent after a revised 1 percent gain the prior month that was larger than previously estimated, the New York-based group said today. The median forecast of 46 economists surveyed by Bloomberg called for a rise of 0.2 percent.

IMF Raises Outlook for Global and US Economies

1/21/14 ABC News

The International Monetary Fund is slightly more optimistic about the global and U.S. economies this year than it was three months ago. In an updated outlook released Tuesday, the global lending organization forecasts that the world economy will grow 3.7 percent in 2014 and that the U.S. economy will grow 2.8 percent. The global forecast is 0.1 percentage point higher and the U.S. forecast 0.2 point higher than the IMF's October forecast.

Payments Press

Priorities for the Future - Visa Europe

1/22/14 Visa

This week we're announcing Visa Europe's Annual Results for 2013 and I'm setting out my priorities for the future. The results demonstrate that I've joined a very successful business. We have huge scale - as many Visa cards as people in Europe (500m) and €1 in every €6.50 spent in Europe is now on a Visa card. We have proven reliability including 100% availability of our core systems. On 23 December 2013 we peaked at 1,580 transactions per second between midday and 13:00 GMT and even then we were operating at less than 20% capacity.

T-Mobile Now Challenging Traditional Banking Services With Mobile Money

1/22/14 ZDNet

Given the outspoken nature of T-Mobile CEO John Legere you have no doubt heard all about their Uncarrier initiatives. We now see T-Mobile extending beyond wireless service with their focus on the customer through their new Mobile Money prepaid debit card and associated banking services. That's right, you can setup your direct deposit, visit over 42,000 ATMs for free cash withdrawals, make fee free purchases, and even have your tax refund deposited onto your T-Mobile Visa prepaid card. T-Mobile is not becoming a bank, but they are offering a number of services that consumers traditionally use a bank for with none or very limited fees.

Heartland to Comply with CFPB's Request

1/21/14 The Green Sheet

In December 2013, the Consumer Financial Protection Bureau called on financial institutions (FIs) to publicly disclose the debit and prepaid card program agreements they have with colleges and universities. The CFPB expressed concern that the agreements are designed to manipulate college students into opting into such programs. "Students and their families should know if their school, whether well-intentioned or not, is being compensated to encourage students to use a specific account or card product."

eBay Inc. Reports Fourth Quarter and Full Year 2013 Results

1/22/14 eBay

Global commerce platform and payments leader eBay Inc. reported that revenue for the fourth quarter ended December 31, 2013, increased 13% to \$4.5 billion, compared to the same period of 2012. The company reported fourth quarter net income on a GAAP basis of \$850 million, or \$0.65 per diluted share, and non-GAAP net income of \$1.1 billion, or \$0.81 per diluted share. Fourth quarter non-GAAP and GAAP earnings per share increased 16% and 14%, respectively, driven primarily by strong top-line growth. For the full year 2013, revenue grew 14%, non-GAAP earnings per share grew 15%, and GAAP earnings per share grew 9%.

Eyeing International Growth, Stripe Raises \$80M From Founders Fund, Khosla And Sequoia At A \$1.75B Valuation

1/22/14 Tech Crunch

The payments industry has a new billion dollar company. Online payments company Stripe is announcing more than \$80 million in Series C funding, at a \$1.75 billion valuation. Peter Thiel's Founders Fund led the round with new investor Khosla (Keith Rabois) and existing investor Sequoia joining, with Allen & Co. also contributing. This brings Stripe's total funding up to over \$130 million.

ACI Recognized as Industry Leader in Ovum's Payment Switching Vendor Assessment

1/24/14 ACI

ACI Worldwide, a leading international provider of electronic payment and banking systems, announced that it has been recognized as an industry leader, in by Ovum, an independent research firm, in its new report, "Ovum Decision Matrix: Selecting an Electronic Retail Payment Switch Platform." The report examines software solutions for payment switching.

EVO Payments International and ReD Sign Strategic Partnership to Provide Fraud Solution

1/23/14 EVO

EVO Payments International (EVO), a leading payment service provider operating in the United States, Canada, and Europe, and ReD, a leading provider of fraud prevention services, today announced a global strategic partnership to deliver a powerful, fully integrated international payments fraud solution to existing and future EVO ecommerce merchants.

AnywhereCommerce Steps Up Capacity to Address Underserved Reseller Channel with End-to-End mPOS Solution

1/20/14 AnywhereCommerce

AnywhereCommerce reinforced its commitment to addressing the business objectives of the merchant services reseller market with a portfolio of end-to-end mobile point of service (mPOS) solutions ideal for enterprise-level merchants. The comprehensive solution simplifies the ability of Independent Service Organizations (ISOs) and resellers who

serve the needs of small, medium, and enterprise businesses to quickly deliver complete end-to-end mPOS solutions with fully integrated hardware, software and payment gateway components.

Paydiant Awarded Patent for Conducting Transactions at ATMs Using a Smartphone

1/23/14 MarketWatch

Paydiant, provider of a white-label mobile payments, offer redemption, loyalty and cardless cash access platform for banks and retailers, today announced the grant of a new patent from the U.S Patent and Trademark Office (USPTO). U.S. Patent No. 8,632,000, granted on January 21, 2014, describes approaches for using a mobile device to conduct transactions at automated teller machines (ATMs). The solution enables consumers to use their smartphones, instead of their debit or credit cards, to withdraw cash from ATMs, enhancing the consumer mobile banking experience while also supporting financial institution loyalty.

W.net Expands into Washington, DC Metro Area

1/23/14 The Green Sheet

The Women's Network in Electronic Transactions (W.net), the premier payments organization dedicated to women in payments, has announced its expansion into the Washington, DC metro area. W.net aspires to be the platform to drive parity for women in payments. Whether new to the field, experienced or considering a career transition, W.net members benefit from unparalleled access to networking, mentoring, career development and educational programming and resources.



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