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THE STRAWHECKER GROUP
The Trusted Advisor To The Payments Industry



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Trending This Week...

This week [CBA member banks announced that they have re-issued 17.2M cards following the Target breach](#) costing banks over \$172M. It also appears that investigators have identified the entry point the hackers used, [Target's computerized heating and cooling software](#).

In mobile news, [Starbucks goes for the gold](#) with recent estimates saying they had \$1B in sales from smartphone transaction in its stores in 2013, while [Chipotle aims for silver](#) by investing \$10M towards integrating mobile payments in its branded application.

Lastly, be sure to check out [TSG's roundtable](#) below on the Target Breach, EMV and the ramifications.

Other highlights include:

- [Apple Removes the Last Remaining Bitcoin Wallet App from the App Store](#)
- [Google Wallet Adds Geolocated Loyalty to iOS, Combats Passbook](#)
- [Majority of Business Owners Optimistic for 2014](#)
- [First Data Reports Q4 2013 Financial Results](#)

Featured

U.S. Banks Have Re-Issued 17.2M Cards Following Target Data Breach

2/07/14 Finextra

The Target data breach has so far cost US banks over \$172 million in re-issued plastic cards, according to figures from the Consumer Bankers' Association. The cost to replace each card comes to an average of \$10.00, with a total of 17.2 million cards substituted so far by CBA members. According to data collected from CBA member banks, the

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[Case Study: Driving Value Through Competitive Bidding](#)

[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: 1964 Beatles Arrive in New York

On February 7, 1964, Pan Am Yankee Clipper flight 101 from London Heathrow lands at New York's Kennedy Airport--and "Beatlemania" arrives. It was the first visit to the United States by the Beatles, a British rock-and-roll quartet that had just scored its first No. 1 U.S. hit six days before with "I Want to Hold Your Hand." At Kennedy, the "Fab Four"--dressed in mod suits and sporting their trademark pudding bowl haircuts--were greeted by 3,000 screaming fans who caused a near riot when the boys stepped off their plane and onto American

average cost to replace a credit or debit card includes: the card itself, informing consumers of a card reissuement, shipping and activating the card, and often supplemental communication via call centres and the internet.

Breach Hearings: How Did Security Fail?

2/06/14 Bank Info Security

Encryption gaps in retail payment card transactions were highlighted at a U.S. House hearing Feb. 5 called that examined security in the aftermath of malware attacks against point-of-sale systems at Target Corp. and Neiman Marcus. At the hearing of the Energy & Commerce Committee's Subcommittee for Commerce, Manufacturing and Trade, executives from Target and Neiman Marcus testified that their breaches occurred when data from the magnetic stripes on credit and debit cards was collected in the clear at the point of sale before being encrypted as payment transactions were processed.

A TSG Roundtable on the Target Breach, EMV and the Ramifications

2/05/14 TSG

Featuring The TSG Team, including Kurt Strawhecker, Jamie Savant, Gerritt Kerkstra, Linda Perry, Chuck Fillinger, Cliff Gray, and John Kirkpatrick

Given the growing number of very public and large merchant Data Breaches, is EMV the answer?

- It is logically true that card data will be safer with a full implementation of EMV at the point-of-sale, removing personal data from the decade old technology of the mag-stripe certainly makes sense.
- However this solution has shortcomings as well, such as Card Not Present (CNP) transactions which will be unaffected by this technology change, which today accounts for 8% of U.S. card payments. Potentially under EMV, fraud will be directed to CNP transactions - and consumers may feel misled by the inevitable continuing data breach stories.
- There are also major operational and technology related issues to solve - such as implementation in restaurants where the transaction still primarily takes place at the table (where's the PIN pad?).
- Mobile commerce may also become a target just as it is about to gain traction in the marketplace.

[Click here to read more.](#)

October 2015: The End of the Swipe-and-Sign Credit Card

2/06/14 The Wall Street Journal

It's a payment ritual as familiar as handing over a \$20 bill, and it's soon to go extinct: prepare to say farewell to the swipe-and-sign of a credit card transaction. Beginning later next year, you will stop signing those credit card receipts. Instead, you will insert your card into a slot and enter a PIN number, just like people do in much of the rest of the world. The U.S. is the last major market to still use the old-fashioned signature system, and it's a big reason why almost half the world's credit card fraud happens in America, despite the country being home to about a quarter of all credit card transactions.

Apple Removes the Last Remaining Bitcoin Wallet App Blockchain from the App Store

2/06/14 TNW

Bitcoin has been dealt another blow again, as Apple has pulled what is

soil.

Two days later, Paul McCartney, age 21, Ringo Starr, 23, John Lennon, 23, and George Harrison, 20, made their first appearance on the Ed Sullivan Show, a popular television variety show. Although it was difficult to hear the performance over the screams of teenage girls in the studio audience, an estimated 73 million U.S. television viewers, or about 40 percent of the U.S. population, tuned in to watch. Sullivan immediately booked the Beatles for two more appearances that month. The group made their first public concert appearance in the United States on February 11 at the Coliseum in Washington, D.C., and 20,000 fans attended. The next day, they gave two back-to-back performances at New York's Carnegie Hall, and police were forced to close off the streets around the venerable music hall because of fan hysteria. On February 22, the Beatles returned to England.

The Beatles' first American tour left a major imprint in the nation's cultural memory. With American youth poised to break away from the culturally rigid landscape of the 1950s, the Beatles, with their exuberant music and good-natured rebellion, were the perfect catalyst for the shift. Their singles and albums sold millions of records, and at one point in April 1964 all five best-selling U.S. singles were Beatles songs. By the time the Beatles first feature-film, *A Hard Day's Night*, was released in August, Beatlemania was epidemic the world over. Later that month, the four boys from Liverpool returned to the United States for their second tour and played to sold-

allegedly the last remaining Bitcoin wallet app on its App Store, Blockchain, the company behind the app reveals. This essentially means that access to the crypto-currency is now no longer available to users via iOS apps, as Apple has rejected or pulled most other Bitcoin-related apps as well. Though Blockchain also has a HTML5 Wallet and there's another open-source HTML5 Bitcoin wallet, Coinpunk.com, which users can access via Safari on the iPhone, access to these HTML5 apps may be limited as they aren't native to the iPhone.

[A Venture Capitalist Is Betting A Pair Of Socks \(And \\$50 Million\) On Bitcoin's Future](#)

2/05/14 NPR

Ben Horowitz is a big-time venture capitalist. His firm . More recently, his firm in startups related to , the virtual currency that works like online cash. Ben thinks bitcoin is going to change the way people buy and sell stuff on the Internet. Felix Salmon, a high-profile , is a prominent bitcoin skeptic. So when Felix recently calling bitcoin a bubble that was sure to burst, Ben challenging him to a bet over the future of bitcoin.

[Apple, Amazon, Walmart Among Retail's Winners and Losers in Data Security](#)

2/05/14 Fierce Retail

Recent security breaches lead the news and consumers are increasingly suspicious of possible credit card fraud. When it comes to data security, retailers run the gamut from perfect to poor. The keys that protect consumers' personal data are the passwords they use for retail sites, and weak passwords can prove disastrous for personal data security. Dashlane ranks the top 100 e-retailers' password policies and reveals some concerns in the first edition of its quarterly Personal Data Security Roundup.



[Mobile Payments](#)

[Starbucks Hits \\$1B in Mobile Payment Revenues in 2013, Analysis Says](#)

2/05/14 ComputerWorld

According to a recent estimate, Starbucks was able to generate a staggering \$1 billion in revenue from smartphone transactions used at sales terminals in its stores in 2013 largely due to the fanatical loyalty of its customers. Starbucks won't comment on the \$1 billion figure that was recently reported by Business Insider, based on a BI Intelligence estimate.

[Pay Your Check with OpenTable Mobile: Pilot Payment Program Launches in San Francisco](#)

2/06/14 OpenTable

First, OpenTable made it simple to book a restaurant reservation at any time of day or night with just a few clicks. Now, we're pleased to announce that it will soon be just as easy to pay for your meal. Rather than waiting for a check or, worse yet, being late for the theater, with the new OpenTable payments feature, you will be able to tap to pay - and be on your way. OpenTable mobile payments are currently being tested by

out arenas across the country.
[Click here to read more.](#)

diners at select restaurants in San Francisco.

Chipotle Invests Big in Mobile Payments

2/05/14 Mobile Commerce Daily

Chipotle has announced that it will be investing \$10 million towards integrating mobile payments in its branded application, showing how the quick-service restaurant sees a great value in entering the space. Chipotle's chief financial officer John Hartung announced these plans during an earnings call in late January. A rough version of the mobile payment solution is already being tested by select employees, but the QSR is still experimenting before rolling out a public app update.

As the Mobile Payments World Turns...

2/03/14 PYMNTS

Some big doings in the land of mobile payments occurred last week. Tim Cook caused an epidemic of heart attacks when he actually used the words "mobile payments" during his earnings briefing, calling it a "big opportunity on the platform" and describing it as something that Apple has been "intrigued with." Not exactly a surprise to hear, but it was the first time Apple had used the words "mobile payments" in a sentence so publicly.

Google Wallet Adds Geolocated Loyalty to iOS, Combats Passbook

2/04/14 Engadget

Last week, OCR-based loyalty card scanning was added to the Android version of Google Wallet, but today the iOS faithful can get in on the action. An update allows you to add all of those pesky rewards cards that clutter the ol' billfold and ditch the unsightly key ring tags. In addition to pulling info from scanned barcodes, the new version can simply read the text on your card and fill in the appropriate fields automatically – useful for cards that pack magnetic strips instead of barcodes.

Point Your iPhone at Something You Like, and Amazon's New App Buys It

2/05/14 Wired

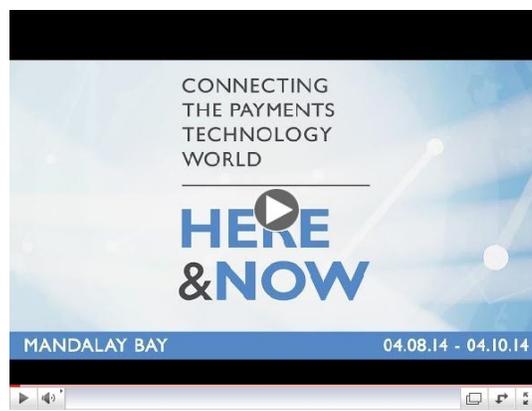
Amazon just keeps making it easier for you to buy everything on the web. If the company continues to have its way, you'll never need to go to the store again. Today, Amazon is announcing a new feature inside its mobile shopping app that lets you scan items in your home using your smartphone's camera and quickly order all of your packaged goods online. The new feature, called Flow, will be available inside Amazon's shopping app for iOS. It's iPhone-only for now, and the company isn't saying when it will arrive on other smartphone platforms, or on the Kindle Fire.

Can This Wristband Secure Your Data, Be Your Bitcoin Wallet, and Do Fitness Tracking All at Once?

2/04/14 Future Tense

As with other private data, you don't want your bitcoins spilling out all over the Internet. You have to keep them safe in your very own bitcoin wallet. And where should that wallet be? It might not make sense to put it in your pocket, but Bionym, a Canadian company that makes wearables, wants to put it on your wrist. Bionym's "Nymi" smart wristband uses an electrocardiogram (ECG) sensor to scan the unique qualities of your heartbeat and process them into a sort of fingerprint.

TRANSACT 14: Powered by ETA



Connecting the Payments Technology World Here and Now

Regulation & Security

Heat System Called Door to Target for Hackers

2/05/14 The New York Times

Investigators say they believe they have identified the entry point through which hackers got into Target's systems, zeroing in on the remote access granted through the retailer's computerized heating and cooling software, according to two people briefed on the inquiry. The latest revelation highlights the reality that a large company is actually a sprawling network of interconnected vendors, and that weak security at any one vendor can lead to a breach that costs hundreds of millions of dollars.

PCI Council Says Government Should Stay Out of Payment Card Standards

2/04/14 CSO Online

Despite several high-profile security breaches at major retailers, the government should let the private sector continue to set the rules for protecting credit- and debit-card data, a standards body says. Bob Russo, general manager for the Payment Card Industry (PCI) Security Standards Council, was scheduled to tell a congressional committee Wednesday that it's unlikely any government agency could duplicate "the expansive reach, expertise and decisiveness of PCI," referring to the standards set by the council.

Chip Standards Body Fast-Tracks New Token Standard in Wake of Target, Other Recent Breaches

2/05/14 Digital Transactions

EMVCo., the international standards body for chip cards based on the EMV specification, is fast-tracking a specification for card-number tokenization in the wake of recently disclosed data breaches at major retailers, including the theft of card and other information on 110 million customers of Target Corp. The chip card organization expects to have a so-called tokenization architecture document ready in four weeks and a first draft of the specification done by June.

New York Sees Bitcoin as a Catalyst for Modernizing Regulation

1/29/14 BTN

It's still unclear what New York's planned "BitLicense" actually is, but the New York Department of Financial Services says its license is meant to encourage Bitcoin businesses to operate and innovate in the state. Bitcoin businesses include companies that exchange the digital currency for government-issued currency, store it in wallets that facilitate its use or help merchants accept payments. However, since Bitcoin wasn't

created by a government, it has sometimes been seen as operating outside the law. Several state and national regulators have made moves to bring Bitcoin and other digital currencies under their oversight.

Report: ISOs and Acquirers Not Offering Security Risk-Reducing Technologies and Services Desired by Small Merchants

2/03/14 BusinessWire

Payment security and compliance service provider ControlScan today announced a newly-released survey report that highlights findings from its third annual survey of merchant acquirers. "Building Momentum: The Third Annual Survey of the Acquirer's Perspective on Level 4 Merchant PCI Compliance" was produced in partnership with Merchant Acquirers' Committee (MAC) and reveals important areas in which ISOs, acquirers and other merchant service providers (MSPs) are missing opportunities to help merchants close payment security gaps.

Economy

The U.S. Labor Market Cools, And It's Not Just the Weather

2/07/14 Bloomberg

Another disappointing employment report this morning. The economy added just 113,000 jobs in January. The average prediction by economists surveyed by Bloomberg was for a gain of 180,000. The weak report is better than the 74,000 jobs created last month, which was the worst month of job creation in three years, but it shows December's weakness was more than just an aberration. The hope was that historically bad weather in December led to a bizarrely low number that would soon get revised up. And it did get readjusted, just not by that much.

Majority Of Business Owners Optimistic For 2014

2/05/14 Newtek

Newtek Business Services, The Small Business Authority®, with a portfolio of over 100,000 business accounts, announced the findings of its SB Authority Market Sentiment Survey, a monthly window into the concerns of independent business owners. Based on a poll of over 1,500 respondents, one of the key findings from the January survey is that 62% of business owners have an optimistic outlook for 2014. Of the remaining, 12% have a pessimistic outlook and 26% feel neutral. Additionally, in regards to headcount, 62% of business owners plan to keep headcount the same, while 30% plan to hire more staff and 8% plan to decrease headcount.

Global B2C Ecommerce Sales to Hit \$1.5 Trillion This Year Driven by Growth in Emerging Markets

2/04/14 eMarketer

According to eMarketer's latest forecasts, worldwide business-to-consumer (B2C) ecommerce sales will increase by 20.1% this year to reach \$1.500 trillion. Growth will come primarily from the rapidly expanding online and mobile user bases in emerging markets, increases in mcommerce sales, advancing shipping and payment options, and the push into new international markets by major brands.



First Data Reports Fourth Quarter 2013 Financial Results

2/05/14 First Data

First Data Corporation reported its financial results for the fourth quarter ended Dec. 31, 2013. Consolidated revenue for the fourth quarter was \$2.8 billion, up \$40 million, or 1%, compared to a year ago, primarily driven by a \$47 million increase in reimbursable debit network fees, postage and other. Adjusted revenue, which excludes certain items including debit network fees, was flat, year-over-year at \$1.8 billion.

Heartland Payment Systems Reports 22% Increase in Fourth Quarter and Full Year Adjusted Earnings Per Share

2/05/14 Heartland Payment Systems

Heartland Payment Systems, Inc. announced Adjusted Net Income and Adjusted Earnings per share from continuing operations of \$20.5 million and \$0.55 per share, respectively, for the quarter ended December 31, 2013. Adjusted Net Income and Adjusted Earnings per share from continuing operations were \$17.7 million and \$0.45, respectively, for the quarter ended December 31, 2012. GAAP net income was \$17.4 million, or \$0.46 per share, for the three months ended December 31, 2013.

Consumer-Controlled Fraud Prevention: The Future

2/05/14 FIS Global

Imagine a world in which fraud prevention achieves new levels of effectiveness. Imagine that this effectiveness is driven by cardholding consumers empowered to take on a more active role in determining their own levels of fraud protection. Imagine that this empowering comes through apps and tools accessed with their credit or debit cards. Sounds like fiction, doesn't it? However, the truth is that when it comes to consumer-driven fraud prevention strategies, progress is being made.

Isis Looks to Tempt Wells Fargo Customers with Free Cash and Discount Deals

2/05/14 Finextra

Telco-backed mobile payments venture Isis is tempting Wells Fargo customers with a 20% discount on all purchases and a \$20 statement credit the first time they tap-to-pay with the Isis Mobile Wallet. Wells Fargo in December joined JPMorgan Chase and American Express in lending its support to the nationwide launch of Isis, the mobile commerce joint venture created by AT&T Mobility, T-Mobile USA, and Verizon Wireless.

Chase Paymentech Certifies FTNI's Payment Platform

2/04/14 FTNI

Financial Transmission Network Inc. ("FTNI"), a leading provider of payment solutions, announced today it has completed certification of its ETran Integrated Receivables Platform on Chase Paymentech's Orbital payment platform. While this certification was completed for an existing FTNI customer, it extends the list of payment channel options available to all current and future customers.

Shift4 Celebrates 20 Years of Payments Innovation

2/04/14 Shift4

Shift4 Corporation, provider of DOLLARS ON THE NET®, the world's largest independent payment gateway, celebrates 20 years of payments industry innovation and merchant advocacy. The Shift4 story begins back in the early 1990s when the Shift4 Founders, who were then running a successful accounting software business, accepted a challenge to help a

customer integrate her new credit card processing system with their accounting software.

Weve and MasterCard Join Forces in UK Contactless Mobile Payments

2/06/14 MasterCard

Weve, the joint venture between the UK's three largest mobile operators, is partnering with the global leader in innovation, MasterCard, to accelerate the development of the UK's most comprehensive contactless mobile payments system. The partnership announced today will provide consumers with a fast, safe and convenient way to pay via their mobile phones at point of purchase and receive the offers they love. The partnership will allow consumers to take the next step in the contactless journey by tapping their mobile phone to make a payment.

JetPay Card Services Adds Former U.S. Bancorp and MasterCard® Executive - Ralph A. Bianco to Launch Prepaid Card Services

2/06/14 Yahoo! Finance

JetPay® Card Services, a division of JetPay Corporation, is pleased to announce the addition of Ralph A. Bianco as Executive Vice President and General Manager. Mr. Bianco is leading the Company's pre-paid card division that will offer Visa branded reloadable cards plus Visa branded and private label gift cards. The prepaid card division will focus on delivering high value low cost products to consumers. The first products launched by this division, which will be announced later this month, will be aimed at consumers with or without a traditional bank account that need a safe and secure way to shop, save or budget for household expenses.

Mercury Launches Mercury Developer Network Program

2/04/14 Mercury

Mercury Payment Systems, LLC, an award-winning provider of payment technology and services for small to mid-sized businesses (SMBs), today introduced the Mercury Developer Network, a broad technical resource program for POS developers who want to connect with a community of peers in building commerce solutions into their systems.

USAePay Announces New Application Exclusive to Infinite Peripherals Mobile Peripheral Devices

2/05/14 PRWeb

USAePay, a premier payment gateway solution, has released a new mobile payment application serving Infinite Peripherals (IPC) mobile peripheral devices, now available in the iTunes® App Store. Dedicating a new integrated application for Linea Pro users, the USAePay Linea Pro (LP) app makes accepting credit cards through a handheld device simple and secure with the USAePay Point of Sale Credit Card Payment System. The easy-to-use app processes a quick sale or refund, scans barcodes, and securely swipes for payment.

BlueSnap Taps Sobo as CFO

2/04/14 The Green Sheet

Online payment solutions provider BlueSnap today announced the appointment of 25-year finance executive Bill Sobo as Chief Financial Officer. Sobo's background includes COO, CFO and VP positions at high-growth companies that have undergone acquisitions and IPOs under his guidance. The addition of Sobo to the BlueSnap team follows 18 months of rapid growth fueled by BlueSnap's industry-leading 180-country global payment processing capabilities.

PayNearMe® Triples Its Payment Volume in 2013

2/06/14 MarketWired

PayNearMe, the electronic cash transaction network, today announced that it has closed a \$20 million round of financing led by GSV Capital. August Capital, Khosla Ventures, Maveron and True Ventures also participated in the round. PayNearMe will use the funds to continue expansion into existing categories while launching into new vertical markets.



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