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THE STRAWHECKER GROUP  
The Trusted Advisor To The Payments Industry



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## Trending This Week...

[MasterCard and Visa gave a push to mobile payments this week, endorsing technology called HCE](#) in Google Android's newest software version, KitKat. HCE allows for payment card info to be stored in the cloud, allowing mobile apps access to it in a new way -instead of needing to access the 'secure element' for storing the card.

Back to Target news, many legal experts don't expect lawsuits to reap big rewards, but they are sending a message - [card issuers want retailers to pay for breach-related expenses.](#)

Other highlights include:

- [Perfect PCI Fee Remains Elusive](#)
- [Merchant & Financial Trade Associations Announce CyberSecurity Partnership](#)
- [After Fed Guidelines, Banks Still Skeptical About Servicing Pot Industry](#)
- [Most Businesses Are Not PCI Compliant](#)

## **The Essential Guide to Merchant Attrition & Growth**

The Strawhecker Group announces the availability of a new industry study: **TSG Attrition & Growth Report.**

This report contains attrition and growth metrics from [TSG's Merchant Portfolio Performance Study \(MPPS\)](#) database of 1.8 million merchants, which is prepared using merchant level data from multiple merchant portfolios representing both Bank and ISO participants, a variety of business models and sales and marketing strategies.

[Click here to see a preview of every page of this 118 page report.](#)

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

[Use a SmartPhone to Buy Things!](#)

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## This Day in History: 1965 Malcolm X Assassinated

In New York City, Malcolm X, an African American nationalist and religious leader, is assassinated by rival Black Muslims while addressing his Organization of Afro-American Unity at the Audubon Ballroom in Washington Heights.

Born Malcolm Little in Omaha, Nebraska, in 1925, Malcolm was the son of James Earl Little, a Baptist preacher who advocated the black nationalist ideals of Marcus Garvey. Threats from the Ku Klux Klan forced the family to move to Lansing, Michigan, where his father continued

Please [click here](#) if you are interested in ordering the report. The price is \$3,750. Please email [Info@TheStrawGroup.com](mailto:Info@TheStrawGroup.com) with questions.

Interested in other reports too? [Check out TSG Metrics Subscription.](#)

## Featured

### [Banks Fight Revised U.S. Plan to Monitor Checking Overdraft Fees](#)

*2/21/14 Bloomberg*

U.S. banks are seeking to shield from scrutiny the \$30 billion they collect annually in checking-account fees, saying a proposed requirement for periodic reports is unacceptable even if it exempts small institutions. The dispute is the latest installment in a multi-year fight between the industry and the Consumer Financial Protection Bureau over how to monitor the way banks assess charges on their depositors, particularly when people overdraw checking accounts.

### [How MasterCard and Visa Just Made Banks the Next Big Players in Mobile Payments](#)

*2/19/14 Re/code*

MasterCard and Visa announced on Wednesday a plan to endorse a new mobile payments technology that could bring the idea of using your phone to tap-to-pay for purchases back from the dead. The technology is built into the latest version of the Android mobile operating system, called KitKat, that was released in the fall. At the time, the payments industry was abuzz about the inclusion of support for something called host-card emulation.

### [EMV Smartcards Offer Security Benefits Even Without PIN, Visa Says](#)

*2/18/14 ComputerWorld*

A senior executive from Visa this week dismissed concerns over the manner in which the EMV chip card standard is being implemented in the U.S. and insisted the technology will yield significant security benefits for retailers, consumers and banks. In an interview with Computerworld, Ellen Richey, Visa's chief risk officer, said that EMV smartcards have all but eliminated cases of fraud involving counterfeit cards in the countries where the technology has been adopted.

### [Suits Against Target Make 'Statement'](#)

*2/19/14 Bank Info Security*

Lawsuits that banking institutions have filed against Target Corp. in the wake of the retailer's massive breach aren't likely to reap big rewards, two legal experts say. But the suits are sending a strong message: Card issuers want retailers to pay for breach-related expenses. In the suits filed so far, banking institutions claim Target should be responsible for card re-issuance and replacement expenses that have been incurred by card issuers as a result of the retailer's breach, which is estimated to have exposed some 40 million debit and credit cards.

### [Will Target Go Down as the Tylenol of Payments Security?](#)

*2/19/14 BankThink*

Retail giant Target Corp.'s headache-inducing data breach brings to mind the 1982 Tylenol poisoning crisis—an event that drug maker Johnson & Johnson handled with such aplomb that it restored public confidence in its medicine, altered the way retailers handle product safety and

to preach his controversial sermons despite continuing threats. In 1931, Malcolm's father was brutally murdered by the white supremacist Black Legion, and Michigan authorities refused to prosecute those responsible. In 1937, Malcolm was taken from his family by welfare caseworkers. By the time he reached high school age, he had dropped out of school and moved to Boston, where he became increasingly involved in criminal activities.

In 1946, at the age of 21, Malcolm was sent to prison on a burglary conviction. It was there he encountered the teachings of Elijah Muhammad, the leader of the Nation of Islam, whose members are popularly known as Black Muslims. The Nation of Islam advocated black nationalism and racial separatism and condemned Americans of European descent as immoral "devils." Muhammad's teachings had a strong effect on Malcolm, who entered into an intense program of self-education and took the last name "X" to symbolize his stolen African identity.

[Click here to read more.](#)

established itself as the gold standard for crisis management. Johnson & Johnson achieved all this with a relatively simple trick: introducing tamper-proof bottles. The question Target faces is whether it can pull off a similar feat by introducing tamper-proof cards.

### Perfect PCI Fee Remains Elusive

*2/18/14 ISO & Agent*

When it comes to covering those costs and creating incentives for compliance, no one fee structure is ideal. In theory, non-compliance fees encourage merchants to comply so they can save money, but the fees may not accomplish that, says **Cliff Gray, Senior Associate at The Strawhecker Group**, a payments consulting firm based in Omaha, Neb. "Unless you charge exorbitantly, it's not going to have the effect you want it to have, and by the time you charge that much, the merchant's just going to move to a different ISO," he says.

### Merchant & Financial Trade Associations Announce CyberSecurity Partnership

*2/19/14 ETA*

Leading trade associations representing the merchant and financial services industries announced a new cybersecurity partnership. The partnership will focus on exploring paths to increased information sharing, better card security technology, and maintaining the trust of customers. Discussion regarding the partnership was initiated by the Retail Industry Leaders Association (RILA) and the Financial Services Roundtable (FSR), joined by several others (noted in the full release).

## Mobile Payments

### clearXchange Adds Capital One to P2P Payments Network

*2/20/14 Bank Systems & Technology*

Bank-owned P2P payments network clearXchange still faces a major challenge in attracting new customers; that challenge being that many potential customers are not aware of clearXchange, says Mike Kennedy, clearXchange's CEO. The network may have helped address that challenge this week by adding Capital One, the seventh largest bank in the U.S., to its network.

### Payments Startup Loop Debuts A Mobile Wallet App That Lets You Pay With Your iPhone

*2/20/14 TechCrunch*

Loop, the mobile payments startup backed by \$10 million in Series A funding, and the makers of a series of hardware devices that allows smartphones to function like magstripe credit cards at point-of-sale, is today publicly launching its LoopWallet application in the U.S. Apple App Store. An Android version will be available in April. The company, for background, is headed up by payments industry vets, including co-founder and CEO Will Graylin, who previously founded WAY Systems (sold to VeriFone) and ROAM Data (sold to Ingenico), and co-founder and chief technologist, George Wallner, who previously founded Hypercom, also sold to VeriFone.

### Want to Buy Everyday Stuff With Bitcoin: A User's Guide

*2/19/14 The Wall Street Journal*

Deep in the unregulated underbelly of the Internet, bitcoin is the cryptocurrency of the realm, making as many headlines for its volatile price as it has for its popularity with criminals seeking anonymity. These are reasons enough to keep most people away. But bitcoin keeps popping up in more places as a way to pay for legal, everyday things. So I spent a week using the virtual currency and my experience surprised me: It was neither

anonymous nor shadowy.

## **To Create A Habit, First You Have To Break One**

*2/17/14 PYMNTS*

There are lots of interesting data points out there about how the modern consumer uses his or her mobile device. Surely you've all heard the stats about consumers checking their phones an average of 150 times a day, and how during the course of a 16-hour day they make or receive 22 calls and 23 texts. You've also probably heard that nearly 70 percent of people sleep with their phones next to their beds and look at them within seconds of opening their eyes each morning. Some even check them in the middle of the night, present company included.

## **Bitcoin ATMs Landing in the US**

*2/18/14 CNET*

Robocoin's bitcoin ATMs are hitting the United States later this month, Reuters reported Tuesday. Robocoin is installing these automated teller machines in Seattle, Wash., and Austin, Texas. The kiosks will enable a person to buy and sell the digital currency after scanning the user's government-issued identification, like a driver's license or a passport. People will be able to sell bitcoins for cash, buy more bitcoins, or transfer funds through a digital wallet.



## **Regulation & Security**

### **Most Businesses Are Not PCI Compliant**

*2/19/14 FierceRetailIT*

A new Verizon report has found that many businesses, following their annual assessment for meeting the Payment Card Industry Data Security Standard, fail to maintain ongoing compliance – putting the businesses at an increased risk for data breaches and the subsequent financial repercussions and damages to reputations. According to the report, in most cases, payment card data breaches are not a failure of security technology or of the PCI compliance standard, but rather a failure to implement appropriate compliance and security measures as intended.

### **When Should Shoppers Hear About Hacks? It's Complicated.**

*2/17/14 The Washington Post*

It took Target a week to tell customers about a massive data breach that had compromised the privacy of millions of shoppers during the holiday season. Neiman Marcus waited 10 days to tell customers after confirming last month that it had been victim to a similar attack. The delays angered consumer advocates, but were not unusual. When companies must notify consumers of breaches, how they notify them and how much they disclose is governed by a dizzying mosaic of state laws.

### **After Fed Guidelines, Banks Still Skeptical About Servicing Pot Industry**

*2/17/14 KQED*

The Justice and Treasury Departments on Friday issued banks a road map for doing business with marijuana firms. The security-wary pot

industry, including recreational shops in Colorado and medical marijuana operators elsewhere, welcomed the long-awaited news, but banking industry groups made clear that the administration's tone didn't make them feel much easier about taking pot money. And in California, where there is no statewide licensing system for the medical marijuana trade, it's expected that many large financial institutions will continue to steer clear of the state's pot industry.

### **Target's CyberSecurity Team Raised Concerns Months Before Hack**

*2/17/14 The Verge*

Target's security staff may have been aware of vulnerabilities in the retailer's systems months before a massive breach compromised data on millions of shoppers. The Wall Street Journal reports that at least one internal analyst had called for a thorough review of the defenses around Target's payment terminals, which were later infiltrated during the sophisticated attack. That request was initially "brushed off" according to the Journal.

### **Omaha Front & Center in High-Tech Fight to Safeguard Credit Info**

*2/14/14 Omaha World Herald*

The technology that is touted as a credit card thief's worst enemy is here and is already in use, with Omaha at the epicenter of what is forecast to be the biggest shift in point-of-sale payments since the demise of the sliding manual card imprinter. It is called chip technology, so named for the microchip processors embedded in the surface of new credit and debit cards - electronic wonders that carry all of the customer information now contained on the magnetic stripes on card posteriors.

## **Economy**

### **Consumer Prices Rise Marginally**

*2/20/14 Reuters*

Consumer prices rose in January as unseasonably cold weather boosted demand for electricity and heating fuel, but inflation pressures remained muted. The Labor Department said on Thursday its Consumer Price Index edged up 0.1 percent, with increases in the cost of household energy accounting for most of the increase. The CPI had risen 0.2 percent in December and last month's gain was in line with economists' expectations.

### **U.S. Jobless Claims Fall 3,000 to 336,000**

*2/20/14 MarketWatch*

Initial jobless claims dropped by 3,000 to a seasonally adjusted 336,000 in the seven days ended Feb. 15, the Labor Department said Thursday.

Economists polled by MarketWatch had expected claims to total 335,000. The number of people seeking benefits each week is seen as a good gauge of how many layoffs are taking place in the economy.

### **U.S. 2013 Credit and Debit Card Purchases Increased 8% Over 2012**

*2/18/14 BusinessWire*

American Express, Discover, MasterCard, and Visa consumer and commercial credit, debit, and prepaid cards issued in the U.S. combined to generate \$4.077 trillion in spending at merchants in 2013, up 7.9% from 2012, according to the annual report on U.S. General Purpose Credit Cards. Debit cards carrying the Visa brands generated \$1.187 trillion in purchase volume last year. This was up 7.3% from 2012, and comprised more spending at merchants than any other debit or credit product

available from other brands.



## **Payments Press**

### **Mobile Payments Growth Fuels Apriva's \$9.55 Billion in 2013 Transaction Volume**

*2/18/14 Digital Transactions*

Mobile point-of-sale payment provider Apriva marked \$9.55 billion in transactions through its payment gateway in 2013, a 17.3% increase from \$8.14 billion in 2012, fueled by growth in mobile payment acceptance, cashless vending, and its gateway service. Mobile POS payments, in particular, saw exceptional growth in 2013 versus 2012. Apriva would not provide specific figures for its mobile POS payments volume, but says the total increased 300% last year over the prior year.

### **TSYS Increases Investment in Central Payment Co. Joint Venture**

*2/20/14 TSYS*

TSYS announced today that it has increased its stake in its Central Payment Joint Venture from 60 percent to 75 percent. Central Payment founders Matt and Zach Hyman have committed to lead the company as Co-Managing Directors for an additional three years. "Under the leadership of Matt and Zach, the value of Central Payment has more than doubled to \$250 million in the 18 months we have owned it," said Mark Pyke, president of TSYS' Merchant Services segment.

### **Portland Startup Simple Acquired by Spanish Bank for \$117M**

*2/20/14 Portland Business Journal*

Spanish financial services company BBVA on Thursday said it is acquiring Portland online banking startup Simple Finance Technology Corp. for \$117 million. Simple will remain an independent operation under its new ownership and will remain in Portland, the company said. In an interview Thursday morning, CEO Josh Reich said Simple is continuing to hire locally and is looking for larger office space in the city to accommodate its growth.

### **ACI Strengthens Support for UnionPay Payments**

*2/20/14 ACI*

ACI Worldwide, a leading international provider of electronic payment and banking systems, today announced strengthened support for UnionPay, the largest card network in the world. ACI's clearing solution, ACI Interchange, opens up new markets for financial institutions and processors by enabling support for UnionPay transactions while extending infrastructure options to include IBM System p™ AIX.

### **Blackhawk 2013 Prepaid Load Value Nearly \$10B**

*2/19/14 The Green Sheet*

"We are pleased with the progress we made during our first year as a public company. Load value grew to nearly \$10 billion in 2013 and consumer demand for prepaid products remained strong despite soft fourth quarter sales at many U.S. retailers," said Bill Tauscher, CEO. "Our adjusted operating revenues grew 21% in 2013 driven by strong

performance of our open loop business and increased marketing revenues, and we grew adjusted net income 14%, in line with the guidance we provided during our 3rd quarter earnings call.

### **American Express Names Brian Saluzzo, Nik Sathe in Key Technology Roles**

*2/19/14 American Express*

American Express Company announces two key appointments in its global Technology organization: Brian Saluzzo, as Senior Vice President, Global Infrastructure; and Nik Sathe, as Senior Vice President and Chief Technology Officer (CTO), both reporting to Marc D. Gordon, Executive Vice President and Chief Information Officer. The appointments were effective in late 2013.

### **WorldPay named Best Payment Service Provider at Merchant Payment Ecosystem Awards 2014**

*2/19/14 WorldPay*

WorldPay, the global leader in payment processing, risk and alternative payments, has been named winner of the 'Best Payment Service Provider' category at the Merchant Payment Ecosystem Awards 2014. WorldPay is the only PSP to offer the full range of payment services in a single integration, including gateway, acquiring, alternative payments, risk management and treasury and foreign exchange services.

### **JetPay Payment Services and LifeMed ID Sign Processing Contract for Medical Services Kiosks**

*2/20/14 Yahoo! Finance*

JetPay® Payment Services, a division of JetPay Corporation ("JetPay" or the "Company") (JTPY) and LifeMed ID are pleased to announce an agreement to process financial and data transactions for LifeMed's patient kiosks. JetPay is a nationally recognized transaction processor, pre-paid debit card issuer and payroll and tax filing specialist.

### **FTNI and Docupace announce Strategic Integrated Online Account Processing Partnership**

*2/18/14 FTNI*

Financial Transmission Network Inc. ("FTNI"), a leading provider of integrated receivables management, today announced that it partnered with Docupace to offer integrated payment processing with Docupace's electronic on-boarding software. Companies will be able to provide their customers with a truly integrated straight through processing of check and application on-boarding documents. All this can be managed on a secure, single platform, regardless of whether the receivable was mailed in, walked in, called in or self-originated through a web portal.

### **Orbitall Forms Strategic Partnership with First Data**

*2/20/14 First Data*

Orbitall, a Stefanini Group company, a leader in card processing for more than 30 years, has announced a partnership with First Data, the global leader in payments processing and electronic commerce solutions, where First Data will provide its VisionPLUS Flex payment processing solution to Orbitall. The agreement will result in the update of the Orbitall payment processing platform, to integrate with VisionPLUS Flex.

### **AnywhereCommerce Strengthens International Reach with Three Executive Appointments**

*2/18/14 AnywhereCommerce*

AnywhereCommerce, a global payments technology provider, announced that it has added three recognized payments executives to bolster its

international business activities. William Nichols, Nigel Bidmead, and Jimmy Quake have joined the company to drive sales initiatives and develop business across its growing global footprint. AnywhereCommerce has an established market presence in the North America, LAC, EMEA and APAC with its award-winning aCommerce series of mPOS solutions.



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