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Editor: Mike Strawhecker, VP & Director of TSG Metrics  
Co-Editor: Andrew Nuss, Marketing Associate



THE STRAWHECKER GROUP

The Trusted Advisor To The Payments Industry



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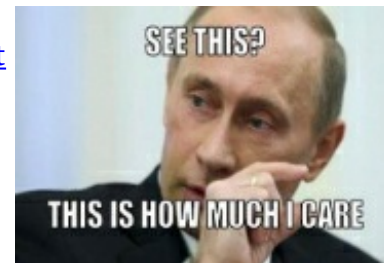
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## Trending This Week...

This week [Putin said Russia would develop its own credit card system](#) in response to

restrictions placed on Russian banks last week by Visa and MasterCard. Russia has entertained the idea for years

although few steps have ever been taken until now - they are no longer 'Stalin' and apparently they are not 'Putin' up with this.



[Wal-Mart has again sued Visa this week](#) for allegedly conspiring with banks to fix transaction fees seeking at least \$5B in damages.

[Bitcoin receives another blow this week](#) as the IRS has decided to treat it as property, making tax consequences part of every transaction involving the virtual currency.

Other highlights include:

- [Best Buy, 7-Eleven Disable NFC](#)
- [Target CFO Grilled in Senate Hearing](#)
- [U.S. Consumer Confidence Hits Six-Year High in March](#)
- [Merchant Warehouse Acquires Opticard, Plans to Launch Mobile Gift Cards](#)

## Want to Meet with TSG at Transact 14?

See how The Strawhecker Group can help your company achieve its goals.

TSG, a Silver Sponsor of Transact 14, will have a wide presence during the upcoming Expo and would be happy to sit down with

[Transaction Advisory](#)

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[ETA/TSG Economic Indicators Report](#)

[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 SmartPhone to Buy Things!](#)

## **This Day in History: 1979 Nuclear accident at Three Mile Island**

At 4 a.m. on March 28, 1979, the worst accident in the history of the U.S. nuclear power industry begins when a pressure valve in the Unit-2 reactor at Three Mile Island fails to close. Cooling water, contaminated with radiation, drained from the open valve into adjoining buildings, and the core began to dangerously overheat.

The Three Mile Island nuclear power plant was built in 1974 on a sandbar on Pennsylvania's Susquehanna River, just 10 miles downstream from the state capitol in

your company and discuss potential opportunities.

### **Associates attending include:**

- **Kurt Strawhecker**, Managing Partner, Co-Founder
- **Jamie Savant**, Partner, Co-Founder
- **Ray Sobczyk**, Director of Strategic Acquisitions
- **Mike Strawhecker**, VP & Director of TSG Metrics
- **Rich Eyberg**, Senior Associate - Merchant Acquiring Strategy
- **Barry Davis**, Senior Management Consultant
- **Steve Elefant**, Senior Management Consultant
- **Chuck Fillinger**, Senior Associate - Product & eCommerce Strategy
- **Gerritt Kerckstra**, Senior Management Consultant
- **John Kirkpatrick**, Senior Associate - IT, Data Security & Business Intelligence

**[Email to set-up a meeting today!](#)**

*The Difference is Experience*

### **Featured**

#### **Putin Tells West Russia Will Develop Own Card Payment System**

*3/27/14 Reuters*

President Vladimir Putin said on Thursday that Russia would develop its own credit card system to reduce reliance on Western-based companies and soften the potential blow from U.S. and EU sanctions. Putin voiced his support for plans described by senior officials to create a domestic-based system in response to restrictions placed on Russian banks last week by Visa and MasterCard, which are widely used by Russians.

#### **Wal-Mart Sues Visa...Again - Claiming Card Transaction Fee Fixing**

*3/27/14 Bloomberg*

Wal-Mart Stores Inc. sued Visa (V) Inc. for allegedly conspiring with banks to fix transaction fees, the latest salvo of a multi-year legal fight between retailers and card issuers. The world's biggest retailer seeks at least \$5 billion in damages for what it claims are violations of federal antitrust laws that could triple that sum. Wal-Mart, one of dozens of large merchants that dropped out of a nationwide, multi-billion dollar antitrust settlement with Visa and MasterCard Inc. (MA) to pursue their own lawsuits, filed its complaint in federal court in Fayetteville, Arkansas, on March 25.

#### **Bitcoin Currency Use Impeded by IRS Property Treatment**

*3/26/14 Businessweek*

The Internal Revenue Service's decision to treat Bitcoin as property will make tax consequences part of every transaction involving the virtual currency. So much so that Bitcoin users and analysts say the IRS guidance announced yesterday complicates people's ability to use it as a currency. "This greater clarity creates greater wrinkles," said Mark Williams, who teaches finance at Boston University. "This reinforces that strategy of holding it as a commodity, which then undermines its value as a transactional currency."

#### **Court Ruling: A Fraud Prevention Boost?**

Harrisburg. In 1978, a second state-of-the-art reactor began operating on Three Mile Island, which was lauded for generating affordable and reliable energy in a time of energy crises.

After the cooling water began to drain out of the broken pressure valve on the morning of March 28, 1979, emergency cooling pumps automatically went into operation. Left alone, these safety devices would have prevented the development of a larger crisis. However, human operators in the control room misread confusing and contradictory readings and shut off the emergency water system. The reactor was also shut down, but residual heat from the fission process was still being released. By early morning, the core had heated to over 4,000 degrees, just 1,000 degrees short of meltdown. In the meltdown scenario, the core melts, and deadly radiation drifts across the countryside, fatally sickening a potentially great number of people.

As the plant operators struggled to understand what had happened, the contaminated water was releasing radioactive gases throughout the plant. The radiation levels, though not immediately life-threatening, were dangerous, and the core cooked further as the contaminated water was contained and precautions were taken to protect the operators. Shortly after 8 a.m., word of the accident leaked to the outside world. The plant's parent company, Metropolitan Edison, downplayed the crisis and claimed that no radiation had been detected off plant grounds, but the same day inspectors detected slightly increased levels of radiation nearby as a result of the contaminated

### [3/27/14 Bank Info Security](#)

A federal appellate court's ruling last week that reaffirmed the Federal Reserve's structure for debit interchange fees merchants pay banks could lead some institutions to make bigger investments in fraud prevention, such as the use of chip cards. That's because the ruling may end ambiguity about the future of the interchange-fee structure, which includes a 1-cent fee to help fund anti-fraud efforts. But representatives of two of the organizations who brought the lawsuit protesting the fees say they're still pondering whether to appeal last week's decision.

### [Marc Andreessen on Warren Buffett: Old White Guy Who Doesn't Get Tech](#)

[3/26/14 CNET](#)

Marc Andreessen on Tuesday lumped in Warren Buffett with other "old white men crapping on new technology they don't understand." Yes, that was the headline gift from Andreessen, who was speaking during a Bitcoin conference in San Francisco. But Andreessen, whose venture capital company, Andreessen Horowitz, intends to invest hundreds of millions more dollars in Bitcoin-related businesses – that's in addition to its existing \$50 million in Bitcoin-related startups – was there to press the point that he often makes on Twitter and in myriad public appearances: Bitcoin is to the early 2000s what the Internet was to the late 1990s.

### [New Law Enforcement Tactic Could Snare ISOs and Acquirers in Quest To Catch Bad Merchants](#)

[3/27/14 Digital Transactions](#)

A historical shift in how some federal financial law-enforcement agencies view the payments industry is under way, and it's not one that bodes well for the industry, Jason Oxman, chief executive of the Electronic Transactions Association, told attendees at the Southeast Acquirers Association conference this week in Atlanta. Dubbed Operation Choke Point, the effort is designed to hold banks and payment processors responsible for any illegal acts by a merchant or independent sales organization, Oxman said.



The advertisement features a photograph of a man in a suit speaking at a podium. To the right of the photo is the text "NOMIS FORUM 2014" with a logo. Below this is a red button that says "LEARN MORE / REGISTER". At the bottom, it says "Join us to consider how to combat the challenges of a Price War. May 28 - 29, 2014".

## Mobile Payments

### [The Fierce Battle for the Soul of Bitcoin](#)

[3/26/14 Wired](#)

Before most people had ever heard of the digital currency bitcoin, Brian Armstrong, a 27-year-old engineer at the home-sharing website Airbnb, thought it could make him a lot of money. At the time-spring 2012-Airbnb was moving a reported \$500 million in payments annually in 192 countries through a patchwork of financial networks, and each one claimed a transaction fee. An anonymous, encrypted, government-free online version of money would simplify all that. It would be faster, more secure, and vastly cheaper.

### [Best Buy, 7-Eleven Disable NFC](#)

[3/26/14 FierceRetailIT](#)

NFC took another hit this week as Best Buy and 7-Eleven began removing the capability to accept payments at POS terminals throughout their

water leak. Pennsylvania Governor Dick Thornburgh considered calling an evacuation.

[Click here to read more.](#)

store network. "NFC was enabled at some 7-Eleven locations several years ago," said Margaret Chabris, director of corporate communications at 7-Eleven. "As these older PIN pads have been replaced/upgraded, we have chosen not to invest to enable NFC.

## Stripe Merchants Will Soon Be Able to Accept Bitcoin Payments

*3/27/14 Re/code*

Online payments company Stripe will soon allow its customers, who use its payments tools to accept credit card purchases online, to accept bitcoin payments as well, its CEO told Re/code on Wednesday evening. Stripe believes it is the first major online payments platform to support purchases made in bitcoin. Up to now, Stripe merchants that wanted to accept bitcoin as a payment method would have to integrate with bitcoin-specific processors such as Coinbase or Bitpay.

## PayPal's Secret Weapon: A Silicon Valley Success Story You've Never Heard Of

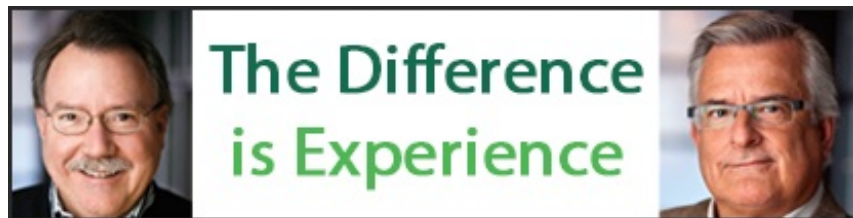
*3/25/14 VentureBeat*

Stan Chudnovsky might have a classic Silicon Valley story, but he's anything but a typical tech exec. Chudnovsky landed at San Francisco International from his home in Moscow in 1994 with \$20 in his pocket. Twenty years later, the affable and intensely intelligent Russian emigre finds himself PayPal's vice president of growth, corporate strategy and special ops, after selling his enterprise software play IronPearl to eBay (PayPal's parent company) for an undisclosed sum last May.

## Move Over Phone, Make Way for Smart-Watch Banking

*3/26/14 American Banker*

Ready or not, wearable banking - think transferring funds by tapping a wristwatch or checking balances with a couple blinks of the eye - is close to becoming a reality. Google introduced its Android Wear operating system for smart watches last week, and some banks, including U.S. Bank, Wells Fargo and ING Direct Canada, are already looking into developing apps for it. These apps would allow bank customers to check their balances, receive fraud alerts and perform other banking tasks simply by tapping the face on their watches.



## Regulation & Security

### Target CFO Grilled in Senate Hearing

*3/27/14 Bank Info Security*

Following the release of a new Senate report that analyzed how Target Corp. possibly missed several opportunities to prevent a massive data breach last year, Sen. John Rockefeller, D-W.Va., grilled the company's CFO at a March 26 hearing about the retailer's actions. During the Senate Commerce, Science and Transportation Committee hearing, Rockefeller questioned Target's John Mulligan about the steps the company could have taken to prevent the breach that compromised 40 million credit and debit card details and personal information about 70 million customers.

### CA DMV Investigates Possible Data Breach

*3/24/14 Fox San Diego*

The California Department of Motor Vehicles reported a possible data security breach in its credit card processing services and opened an investigation. The state agency said it has not found evidence that its computer system had been hacked, but it has opened an investigation "out of abundance of caution."

### **Chicago's Trustwave Sued Over Target Data Breach**

*3/25/14 Crain's*

Trustwave Holdings Inc., a Chicago-based credit card security company, was sued alongside Target Corp. by banks who say they suffered financial damages when the retailer was hacked during the holiday shopping season.

Although the most serious allegations are leveled at Target, the suit alleges that Trustwave failed to identify deficiencies in the retailer's IT systems. Trustwave's software audits companies' IT systems to make sure they comply with credit card security regulations.

### **ZIP Codes Show Extent of Sally Beauty Breach**

*3/25/14 KrebsSecurity*

Earlier this month, beauty products chain Sally Beauty acknowledged that a hacker break-in compromised fewer than 25,000 customer credit and debit cards. My previous reporting indicated that the true size of the breach was at least ten times larger. The analysis published in this post suggests that the Sally Beauty breach may have impacted virtually all 2,600+ Sally Beauty locations nationwide.

## **Economy**

### **U.S. Consumer Confidence Hits Six-Year High in March**

*3/26/14 Reuters*

U.S. consumer confidence rose in March to its highest in more than six years as expectations brightened, according to a private sector report released on Tuesday. The Conference Board, an industry group, said its index of consumer attitudes rose to 82.3, the highest since January 2008, from a upwardly revised 78.3 in February. Economists had expected a reading of 78.6, according to a Reuters poll. February's figure was originally reported as 78.1.

### **Growth in the Fourth Quarter Is Revised Up a Shade, to 2.6%**

*3/27/14 The New York Times*

The American economy grew by 2.6 percent in the final months of 2013, the Commerce Department said on Thursday, a slight uptick from its previous estimate but still well below the pace of growth recorded in the third quarter. The revised data for last quarter, in what was the government's third and final estimate of economic growth for the period, reflected slightly healthier consumer spending than first thought. The previous estimate for the months of October, November and December, reported in late February, was 2.4 percent.



## **Merchant Warehouse Acquires Opticard, Plans to Launch Mobile Gift Cards**

*3/25/14 Boston Business Journal*

Payment technology provider Merchant Warehouse, based in Boston, announced Tuesday it acquired Opticard, a provider of gift and loyalty cards for organizations across the world. The acquisition will allow Merchant Warehouse to work on offering mobile-based gift cards and loyalty cards and other digital opportunities for small and mid-sized retailers, according to a release. Terms of the acquisition were not disclosed.

## **First Data Brings on First Developer Licensee for its VisionPLUS and AccessPLUS Suite of Products**

*3/25/14 First Data*

First Data Corporation, the global leader in payment technology and services solutions, has added Attra Infotech, a leading cards and payments services specialist, as its first Developer License Program member for the VisionPLUS and AccessPLUS suite of software products licensed by First Data globally. VisionPLUS, is a payment processing solution for financial institutions that enables the issuance and processing of credit, debit, commercial and prepaid cards, as well consumer loans, loyalty and merchant accounts on a single platform.

## **Pulse, Visa to Share Common AID**

*3/27/14 ATM Marketplace*

Visa Inc. and Pulse, a Discover Financial Services company, have signed an agreement that will allow FIs to issue EMV debit cards on both the Visa and Pulse networks using Visa's common debit solution. Visa's common application identifier supports Durbin Amendment regulations that require the ability to route transactions over multiple unaffiliated networks.

## **TSYS Signs Payments Agreement with Virgin Money**

*3/27/14 TSYS*

TSYS announced that it has reached a long-term agreement to provide consumer credit processing services along with value-added capabilities for Virgin Money customers within the United Kingdom. Virgin Money selected TSYS' market leading TS2® platform to support its UK cards portfolio. Virgin Money is a UK-based retail bank, providing savings, mortgages, credit cards, pensions, as well as investment and protection products to three million customers. The company is launching its own credit card business following the purchase of £1 billion in assets from MBNA.

## **Global Payments to Offer MasterCard MasterPass**

*3/27/14 Finextra*

Global Payments Inc., one of the largest worldwide providers of payment solutions, announced that it will implement MasterPass™, a digital payments service that allows consumers to use any payment card or enabled device for an enhanced shopping experience. The new service will provide Global Payments North American merchants the ability to offer their shoppers a convenient and flexible way to pay via the web or on a mobile device.

## **CardConnect and Ingenico to Bring EMV Payment and P2PE Solutions to 50,000 Merchants**

*3/24/14 CardConnect*

CardConnect is leveraging the entire value chain of Ingenico's payment offerings from EMV- and NFC-ready payment devices to highly trusted On-

Guard data encryption solution. The all-integrated payment processing solutions will enable merchants to secure cardholder data and conveniently accept all payment means across multiple channels, including in-store, mobile, and unattended transactions.

### **Pivotal Payments Announces Major Enhancements to its Canadian Processing Platform**

*3/25/14 Pivotal Payments*

Pivotal Payments, a leading provider of merchant services and global payment processing solutions, today announced significant enhancements to its Canadian acquiring platform. Improvements to authorization, clearing and settlement, access to greater hardware, software and integrated payment options all mark the company's continuous efforts to drive value and meet the current and future processing needs of Canadian business owners.

### **BlueSnap Enhances its Security and Fraud Prevention Capabilities to Defend Merchants Against Cybercrime**

*3/27/14 Yahoo! Finance*

Following on the heels of recent large scale cyber-attacks, BlueSnap, a global payment gateway, has increased its commitment to provide the best security and fraud solutions available to their merchants after an extensive internal review. The focus of the review ensures their offerings not only defend against cybercrime but provide solutions that offer easy, secure and flexible implementations that ease the scope of PCI compliance.

### **Revel Systems iPad POS Launches Another Vertical for Wineries With Customer HALL Wines in Napa Valley**

*3/26/14 San Francisco Business Times*

Revel Systems, the leader in iPad Point of Sale Solutions today announced its iPad POS platform customized specifically for the needs of wineries around the globe. This new product offering will allow wineries to take advantage of Revel's powerful POS platform and analytics without sacrificing any of the necessities vital to businesses in the wine industry.

### **Optimal Payments Integrates MasterPass into its NETBANX Merchant Platform**

*3/27/14 Optimal Payments*

Optimal Payments Plc, a leading global online payments and risk management provider, is pleased to announce that it has integrated MasterPass™, MasterCard®'s digital wallet, into its NETBANX® merchant platform. MasterPass allows consumers to use any payment card or enabled device to discover enhanced and secure shopping experiences with just a click, tap or touch - online, in-store or anywhere

### **Boku Partners With sunhill technologies to Provide Global Carrier Billing Solutions for Parking and Mobile Ticketing Services**

*3/25/14 EON*

Boku, Inc., the global leader in carrier billing-based mobile payments, and sunhill technologies, a leader in European parking and mobile ticketing services, today announced a partnership to make direct carrier billing available worldwide for sunhill's services. sunhill technologies provides mobile solutions to customers seeking cashless alternatives for parking. In partnership with Boku, customers looking for a simple, secure mechanism to pay for parking will enjoy a seamless mobile transaction.

### **Excel Forms 420 Solutions Medical Marijuana Payments**

## Subsidiary

3/26/14 *The Green Sheet*

Excel Corporation a leading innovator and provider of merchant payment processing and merchant cash advance services that delivers credit/debit/prepaid card processing, mobile commerce, and related business solutions, announced that it has created a new wholly-owned subsidiary called 420 Solutions, Corp. The primary focus of the new company is to develop and deploy advanced ways of providing payment processing services and ancillary products and services to the growing medical marijuana dispensary industry.



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