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THE STRAWHECKER GROUP  
The Trusted Advisor To The Payments Industry



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## Trending This Week...

This week, retail giant [Amazon, undercut Square and PayPal Here with the launch of Local Register](#). Local Register provides users a free app and a \$10 card reader and charges merchants and anyone selling services 1.75% per swipe on credit/debit as long as they sign up by October 31.

A day after Amazon's swipe at Square, Square published a defensive blog post about the [top 10 negative myths](#) about its service.

Supermarket chain, [Supervalu, said today that it may have suffered a data breach](#) in June and July at stores in as many as five states.

Other highlights include:

- [U.S. Migration to EMV Gathers Momentum](#)
- [Target and PF Chang's Breaches 'The Tip of the Iceberg'](#)
- [Heartland Payment Systems Acquires Leaf](#)
- [First Data Releases July 2014 SpendTrend Analysis](#)

## **NEW Report:** Merchant Aggregation

What is this report?

This 70-page report compares and contrasts the rules and policies of the four major card brands regarding merchant aggregation. Particular attention is paid to how ISOs may participate in relation to the brands, their processor and the sponsoring acquirer institution.

How was it completed?

TSG's Senior Management Consultant, Gerritt Kerkstra, has extensive knowledge of aggregation allowing him to author this report, in addition to his deep dive into the rules and regulations the four major card brands have produced for the aggregation model.

Why is this useful?

This report is a guide to understanding aggregation, the

[Transaction Advisory](#)

[Acquisition Multiples & Attrition Summary](#)

[Merchant Aggregation](#)

[Acquirer Strategic Assessment](#)

[TSG MPPS Benefits](#)

[MPPS Example Report](#)

[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!](#)

[The Top Ten Ways Acquirers Can Block the Breach](#)

[Analysis: Vantiv's Acquisition of Mercury](#)

## **This Day in History: 1969** The Woodstock Festival Opens in Bethel, NY

On this day in 1969, the Woodstock Music Festival opens on a patch of farmland in White Lake, a hamlet in the upstate New York town of Bethel.

Promoters John Roberts, Joel Rosenman, Artie Kornfield and Michael Lang originally envisioned

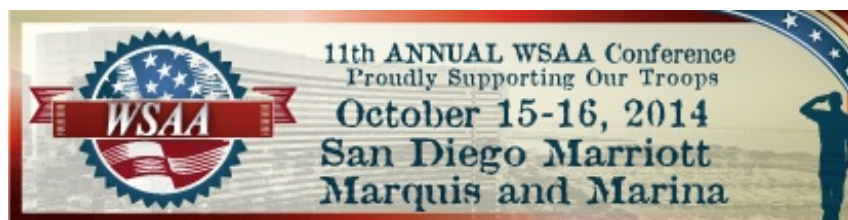
opportunity available, and how ISOs may participate.

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### **Featured**

#### **Amazon Launches Local Register, A Square Competitor With Lower Transaction Rates**

*8/14/14 TechCrunch*

Amazon has launched a Square and PayPal Here competitor called Local Register, which provides users with a free app and a \$10 card reader, and charges merchants and anyone selling services who use it just 1.75 percent per swipe on both credit and debit transactions, so long as users sign up before October 31. That's a special rate, and is a full percentage point lower than Square's 2.75 percent per swiped transaction (3.5 percent plus 15 cents for manual entry), and will last until January 1, 2016, at which point it will return to the standard 2.5 percent per transaction Amazon is charging (or 2.75 percent for manually entered transactions).

#### **Square Gets Defensive About 'Totally Bogus' Myths**

*8/14/14 BusinessInsider*

Square just published a defensive blog post about the top 10 negative myths about its service. The post comes only a few days after Amazon launched a new product that puts it in direct competition with Square and after a recent Fast Company article that depicts the start-up as scrambling to define its strategy.

#### **Supermarket Chain Reveals New Breach**

*8/15/14 US News*

The grocery chain Supervalu said Friday that it may have suffered a data breach at stores in as many as five states. Hackers accessed a network that processes store transactions. Account numbers, expiration dates, cardholders' names and other information may have been stolen, the company said. Grocery stores - as well as some stand-alone liquor shops - in Minnesota, Virginia, Illinois, Maryland and Missouri may have been affected between June 22 and July 17.

#### **U.S. Migration to EMV Gathers Momentum**

*8/13/14 Finextra*

More than 575 million US payments cards will feature EMV chip security by the end of next year, according to a trade body set up to push the migration from magstripe plastic. Visa and MasterCard set out a

the festival as a way to raise funds to build a recording studio and rock-and-roll retreat near the town of Woodstock, New York. The longtime artists' colony was already a home base for Bob Dylan and other musicians. Despite their relative inexperience, the young promoters managed to sign a roster of top acts, including the Jefferson Airplane, the Who, the Grateful Dead, Sly and the Family Stone, Janis Joplin, Jimi Hendrix, Creedence Clearwater Revival and many more. Plans for the festival were on the verge of foundering, however, after both Woodstock and the nearby town of Wallkill denied permission to hold the event. Dairy farmer Max Yasgur came to the rescue at the last minute, giving the promoters access to his 600 acres of land in Bethel, some 50 miles from Woodstock.

Early estimates of attendance increased from 50,000 to around 200,000, but by the time the gates opened on Friday, August 15, more than 400,000 people were damoring to get in. Those without tickets simply walked through gaps in the fences, and the organizers were eventually forced to make the event free of charge. Folk singer and guitarist Richie Havens kicked off the event with a long set, and Joan Baez and Arlo Guthrie also performed on Friday night. [Click here to read more.](#)

roadmap for the introduction of chip cards back in 2011, with liability for fraud-related loses switching to retailers that have not upgraded their hardware in October 2015.

## **EBay Payment Unit Reportedly Weighing Acceptance of Bitcoin**

*8/15/14 Fortune*

EBay is reportedly mulling the integration of bitcoin into a payments subsidiary, but the virtual currency's enthusiasts won't yet be able to make purchases on the online marketplace, or through PayPal. While that could change over time, The Wall Street Journal reported that EBay is quietly looking into the integration of bitcoin into its Braintree payments subsidiary, citing people familiar with the matter.

## **Banks Are Slowly Welcoming Legal Marijuana Dealers**

*8/12/14 The Washington Post*

A top federal official on Tuesday said that 105 banks and credit unions are doing business with legal marijuana sellers, suggesting that federal rules giving financial institutions the go-ahead to provide services to dealers are starting to work. The Obama administration in February gave the banking industry the green light to offer financing and accounts to pot distributors who can legally conduct business in 20 states and the District.

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## **Mobile Payments & Bitcoin**

### **Overstock CEO Says Bitcoin Sales to Add 4 cents to 2014 EPS**

*8/13/14 Reuters*

Overstock.com Inc's sales through bitcoin are expected to add 4 cents per share to its earnings this year, the online retailer's chief executive, Patrick Byrne, told Reuters. Bitcoin sales at Overstock (OSTK.O), which started accepting this type of currency as payment for items on its website in January this year, have exceeded \$2 million so far, or about one-quarter of 1 percent of total sales. Byrne expects bitcoin sales of \$6 million to \$8 million in 2014, most of it from new customers.

### **Mobile-Payments Firms Order Up New Strategy: Restaurants**

*8/11/14 The Wall Street Journal*

Shoppers in stores have so far shown little interest in smartphone apps to pay for purchases. So some technology companies now are focusing on restaurants. Here's the logic: Swiping a credit card in a store is as easy, or easier, than opening a "mobile-wallet" app. Paying by credit card in a restaurant, however, often requires two trips - one for the server to bring the check, a second to return the card and receipt.

### **Spring, Not Instagram, Unveils an Instagram With a Buy Button**

*8/14/14 Recode*

A host of startups are determined to bring the serendipity of mall shopping to your phone. One, called Spring, thinks an app designed with a similar layout to Instagram will be a winning plan. Spring, which is launching today in Apple's App Store, gives mobile shoppers a way to discover and browse products from dozens - and eventually hundreds - of fashion, accessory and beauty brands in one app. The belief is that while purchasing goods via mobile phones will become more popular, shoppers won't want to download apps for every retailer or fashion brand they like.

## **The CFPB Warns About the 'Wild West' of Virtual Currencies**

*8/11/14 Digital Transactions*

Already eyed with suspicion by various arms of the federal government and states, virtual currencies now are the subject of a warning issued Monday by the federal Consumer Financial Protection Bureau. The CFPB released a six-page advisory about the risks consumers face when using new forms of electronic money. "Virtual currencies may have potential benefits, but consumers need to be cautious and they need to be asking the right questions," CFPB Director Richard Cordray said. "Virtual currencies are not backed by any government or central bank, and at this point consumers are stepping into the Wild West when they engage in the market."

## **Global Payments Accepts Bitpay Transactions**

*8/14/14 ISO & Agent*

Global Payments Inc., which provides transaction services more than one million merchants, has agreed to enable its clients to accept digital currency in a move that may attract more international shoppers to brick-and-mortar merchants. The processor's deal with Bitpay, a Bitcoin service provider, enables merchants to accept payments from mobile Bitcoin wallets as an alternative to requiring travelers to obtain local currency or pay a fee to convert their funds when swiping a card.



## **Regulation & Security**

### **Target and P.F. Chang's Breaches 'The Tip of the Iceberg'**

*8/13/14 FierceRetailIT*

As if retailers needed any reminders that their businesses are vulnerable to security breaches, experts at a recent conference warned that Target and P.F. Chang's are just the tip of the iceberg when it comes to credit card fraud. Each year there are thousands of breaches, some of which have forced the closure of many small businesses, according to FierceRetailIT's sister publication, FierceITSecurity. And thanks to the reliance on POS systems, security concerns will only grow.

### **Experts: New Analytics Service Shows Fraud-Detection Promise**

*8/13/14 Bank Info Security*

Visa's new intelligent analytics service aims to help gas stations and convenience stores reduce pay-at-the-pump card fraud. But fraud experts say the service, known as Visa Transaction Advisor, also could help

reduce fraud associated with other types of card transactions. And it may help bridge the security gap until the migration from magnetic-stripe cards to chip-based technology.

### **Court to Notify Schnucks Customers in Post-Breach Class Action Settlement**

*8/11/14 The GreenSheet*

A notification program is underway, as approved by the Circuit Court of the City of St. Louis, State of Missouri, to alert customers of Schnuck Markets, Inc. ("Schnucks") that a Settlement has been reached in a class action lawsuit about a security breach that occurred between December 9, 2012 and March 30, 2013. On March 30, 2013, Schnucks announced that its computer systems had been compromised by an individual or group of individuals who had planted a malicious computer code on its systems (the "Security Incident").

### **Tenn. Firm Sues Bank Over \$327K Cyberheist**

*8/13/14 KrebsonSecurity*

An industrial maintenance and construction firm in Tennessee that was hit by a \$327,000 cyberheist is suing its financial institution to recover the stolen funds, charging the bank with negligence and breach of contract. Court-watchers say the lawsuit - if it proceeds to trial - could make it easier and cheaper for cyberheist victims to recover losses.

## **Economy**

### **First Data Releases July 2014 SpendTrend® Analysis**

*8/12/14 First Data*

Retail spending growth was at an 11-month high in July and consumers turned to planes, trains and automobiles as summer vacation travel led strong spending during the month, according to data reported today by First Data Corporation, the global leader in payment technology and services solutions. The First Data SpendTrend® analysis looked at the period July 1 through 31, 2014, compared to July 2 through August 1, 2013. SpendTrend tracks same-store point-of-sale data by credit, signature debit, PIN debit, EBT, closed-loop prepaid cards and checks from nearly four million merchant locations serviced by First Data in the U.S.

### **More Jobs Are Open, but Employers Are Slow in Filling Them**

*8/15/14 The New York Times*

There are now more jobs available - but unfilled - in the United States than there were before the Great Recession began at the end of 2007. And employers are firing fewer workers than they did when times were good. But they are also hiring fewer people. In a report this week, the Bureau of Labor Statistics said that employers reported in June that they had 4.5 million available jobs that they were unable to fill.

### **Worst Retail Sales Showing in Six Months in Slow Start to Third Quarter**

*8/13/14 Bloomberg*

U.S. retail sales stalled in July as discounting by merchants such as Macy's Inc. (M) failed to counter the effects of feeble wage growth. Purchases (RSTAMOM) were little changed, the weakest performance in six months, after a 0.2 percent advance in June, the Commerce Department said today in Washington. Gains in sales of clothing, groceries and personal-care goods were offset by declines at department, electronics and furniture stores.



## Payments Press

### Heartland Payment Systems Acquires Leaf

*8/14/14 Heartland Payment Systems*

Heartland Payment Systems announced that it acquired Leaf, creator of a mobile Point of Sale (POS) tablet specifically designed for commerce. Leaf's cost-effective product helps retail stores, restaurants, and other local merchants improve the speed and ease of checkout and offers easy-to-use business management, analytics, and customer engagement.

### PayRange's New Investors Include Google, PayPal alumni - and Oscar Winner Jared Leto

*8/13/14 The Oregonian*

Portland startup PayRange confirmed \$2.75 million in new investment Tuesday from a series of high-profile backers with connections to Google and PayPal - and from actor Jared Leto, who's begun dabbling in startups. PayRange's hardware enables vending machines to sell their potato chips, sodas, candy bars and other wares via smartphone instead of with coins and bills. It installs a small Bluetooth wireless device in a vending machine; consumers connect with a smartphone app, which they fund in advance.

### Green Dot And Serve Competition Heats Up, With Walmart Right In The Middle

*8/14/14 PYMNTS*

For prepaid issuers, distribution is key. But brand can also play a role in determining a product's success, as can reputation and existing longevity in the market. Cost, however, may be a secondary factor, or at least one of the leading prepaid players in the U.S. market contends that's the case.

### TSYS Enables Secure Commerce with Tokenization

*8/12/14 TSYS*

TSYS® announced its Enterprise Tokenization solution to secure payment card information for purchases made online, through mobile devices and "digital wallet" applications. The solution is a key component of the company's Connected Mobility agenda which includes API interfaces and consumer-facing applications to support payments, communications and commerce.

### Gilbarco and VeriFone Join Forces to Offer Payment Solutions and Services and Digital Media to Convenience and Fuel Retailers

*8/13/14 Gilbarco/VeriFone*

Gilbarco Veeder-Root, the worldwide leader in retail petroleum technology, and VeriFone Systems, Inc., the global leader in secure electronic payment solutions, today announced that they are partnering to offer next generation forecourt payment solutions and to create the largest at-pump interactive digital media network worldwide. The two

companies will collaborate on future fuel dispenser payment platforms to be developed and supplied by VeriFone.

### **Mercury® Wins RSPA Gold for Best Processor**

*8/12/14 Mercury*

Mercury Payment Systems was awarded the Gold Vendor of Excellence award as an Outstanding Provider of Electronic Payments / Financing at the Retail Solutions Provider Association's (RSPA) RetailNOW 2014 convention and expo in Orlando. This is the sixth consecutive year Mercury has won this award.

### **YUM! Brands Uses NCR Restaurant Technology to Open First KFC in Brazil**

*8/11/14 MarketWatch*

NCR Corporation , the global leader in consumer transaction technologies, today announced that Yum! Brands, Inc . YUM , one of the largest fast-food restaurant chains in the world, opened its first corporate-owned KFC store in Brazil using a complete NCR restaurant technology solution. NCR will help KFC sites across Brazil engage consumers more effectively and operate with greater efficiency.

### **FleetCor to Buy Comdata for About \$3.45 Billion**

*8/12/14 Nasdaq*

FleetCor Technologies Inc., which provides fuel cards and workforce payment products, has agreed to buy payments business Comdata Inc. from Ceridian LLC for about \$3.45 billion. Ceridian is owned by Thomas H. Lee Partners and Fidelity National Financial Inc. Brentwood, Tenn.-based Comdata processes purchases, payroll and accounts payable for companies in a range of industries.

### **Allied Expands Mobile Photo Bill Pay Capabilities**

*8/12/14 Mobile Payments Today*

Allied Payment Network, a provider of online and mobile bill payment services to the financial industry, announced this week that FlexPay, Allied's Internet bill pay solution, now offers banks and credit unions full integration with Allied's PicturePay mobile photo bill pay solution, as well as flexible, per-transaction pricing rather than the traditional per-user pricing model, according to a press release.

### **BitPay Brings in Visa, PayPal and Jumio Talent**

*8/14/14 Finextra*

BitPay has begun putting the proceeds of its recent \$30 million funding round to use, embarking on a hiring spree that sees talent from Visa, PayPal and Jumio join the digital currency startup. In May BitPay raised \$30 million in a series a funding round led by Index Ventures, valuing the company at \$160 million.

### **The Federal Circuit Court Has Ruled Denying SmartMetric's Motions in Its Patent Infringement Case Against V/MC**

*8/13/14 MarketWired*

SmartMetric, Inc. SmartMetric, while disappointed with the ruling of the Federal Circuit Court in denying its motions in a ruling handed down today, is focused on moving forward into production of its world's first fingerprint activated EMV credit and debit cards targeted at the current 1.65 billion issued chip payments card market.

### **PaymentVision Offers Integrated Electronic Payments for**

## Allied Business Systems

8/14/14 InsideARM

PaymentVision, a provider of electronic payment processing technology for the consumer finance industry, announced today the release and successful use of its integrated offering for Allied Business Systems, LLC, a provider of consumer lending software and services.



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