

# NewsFilter

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



THE STRAWHECKER GROUP  
The Trusted Advisor To The Payments Industry



Oct. 31, 2014  
Happy  
Halloween!

Edition #428

New to NewsFilter?



Want to Advertise  
in NF?

[Click here to learn  
more.](#)

## Categories

[Featured](#)

[Mobile Payments &  
Bitcoin](#)

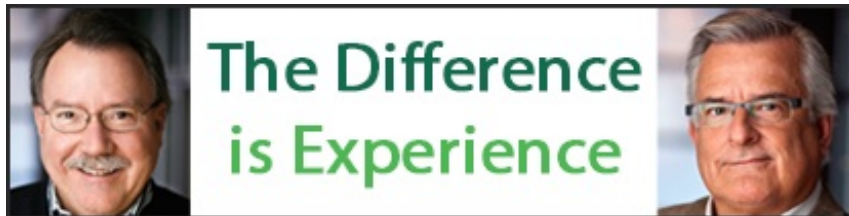
[Regulation & Security](#)

[Economy](#)

[Payments Press](#)

## TSG Resources

[TheStrawGroup.com](http://TheStrawGroup.com)



The Strawhecker Group, a media sponsor, will be present at the upcoming **Money 2020** conference! [Email us](#) to set up a meeting to see how TSG can help you succeed!

## Trending This Week...

Happy Halloween to our readers! This week was frightening indeed as MCX (CurrentC) [spooked their members](#), CVS & Rite Aid, into disabling NFC and Apple Pay with it. Nevertheless, Apple was happy to announce that [1M cards were activated on Apple Pay within the first 72 hours](#). (In the grand scheme of things this is not that many - see below - but it is a start.)



Shortly after, [MCX was breached](#) in a ghastly ordeal that involved the theft of email addresses, though the CurrentC app was not affected. Following the debacle, MCX held a press conference to recover from the week's eerie events, [however it ended up posing even more questions](#), about the future of the platform.

Other spine-tingling highlights include:

- [The Scariest Things in Payments](#)
- [Small Businesses Assess Their Apple Pay Options](#)
- [U.S. Economy grew at 3.5% Annual Pace in Third Quarter](#)
- [Poynt Introduces World's First Smart Payment Terminal](#)

In sports news, congratulations to the Giants for their World Series win! TSG Partner Jamie Savant is REAL excited.

[TSG Resource Center](#)

[PaymentsPulse.com](#)

[TSG Overview](#)

[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: 1517

### Martin Luther Posts 95 Theses

On this day in 1517, the priest and scholar Martin Luther approaches the door of the Castle Church in Wittenberg, Germany, and nails a piece of paper to it containing the 95

## NEW TSG REPORT: *Directory of U.S. Merchant Acquirers* *The Greatest Reference Tool for Industry Players!*

### What is this report?

TSG's Directory provides profiles on **210 ISO/Acquirers** that include the country's top tier acquirers, along with large and small ISOs (and all others in between) as well as technology-centered acquirers.

[Click for a preview](#)

### Why is this useful?

This information, built upon primary and secondary research, provides a look at the makeup of the players in the merchant acquiring marketplace. The report is an excellent tool for competitive awareness and general reference purposes.

[Add to Cart](#)

*Click here to purchase, report price is \$2,900*

If you have any questions, or would like to purchase over the phone, please call 402.964.2617.

## Featured

### [Apple CEO Tim Cook Happy With New Apple Pay Service](#)

10/28/14 WSJ

Apple Inc. Chief Executive Tim Cook said more than one million credit cards were activated on the company's new Apple Pay service within 72 hours of its debut last week. Speaking at the WSJD Live Global Technology Conference, Mr. Cook said the number of activations makes Apple Pay the largest mobile-payment offering.

**For context:**

- 1 million on Apple Pay looks like a big number (in first 72 hours)
- There are 1,895,834,000 total credit cards in use in the U.S. ([source](#))
- As such a half of a tenth of a percent (0.05%) of total credit cards in the U.S. are now on Apple Pay

### [Apple Pay Goes Offline at CVS, Rite Aid](#)

10/26/14 Ars Technica

Last week's rollout of iOS 8.1 on new iPhone models ushered in the long-awaited debut of Apple Pay. And for now, Apple is relying on major retailers-and their upgraded, compatible sales registers-to convince more people to pay the Apple way. However, in the days since Apple Pay's public debut, two major pharmacy chains have switched course and declared, "Apple Nay."

### [ETA Statement Regarding the Recent Decision by CVS and Rite Aid to Block Mobile Payments Services](#)

10/27/14 ETA

revolutionary opinions that would begin the Protestant Reformation.

In his theses, Luther condemned the excesses and corruption of the Roman Catholic Church, especially the papal practice of asking payment-called "indulgences"-for the forgiveness of sins. At the time, a Dominican priest named Johann Tetzel, commissioned by the Archbishop of Mainz and Pope Leo X, was in the midst of a major fundraising campaign in Germany to finance the renovation of St. Peter's Basilica in Rome. Though Prince Frederick III the Wise had banned the sale of indulgences in Wittenberg, many church members traveled to purchase them. When they returned, they showed the pardons they had bought to Luther, claiming they no longer had to repent for their sins. [Click here to read more.](#)

The decision by CVS and Rite Aid to block mobile payments services like Apple Pay, Google Wallet, and Softcard is anti-consumer and anti-competitive. This decision has nothing to do with convenience, reliability, or security. Rather, published reports indicate this is a deliberate boycott in favor of CurrentC, a mobile payments system supported by large retailers and slated for launch next year. Reports indicate that MCX, the organization behind CurrentC, requires all its participating merchants to block any mobile payments services that compete against CurrentC.

## **Retailer-Backed Apple Pay Rival CurrentC Has Been Hacked, Testers' Email Addresses Stolen**

*10/30/14 TechCrunch*

MCX, has been hacked. The data breach involves the theft of email addresses, but the CurrentC mobile application was not affected, the company confirms to TechCrunch. Within the last 36 hours, MCX says it learned that unauthorized third parties obtained the email addresses of some of its CurrentC pilot program participants and other individuals who had expressed interest in the app.

## **Execs From Apple Pay Competitor Finally Speak, but Big Questions Remain**

*10/30/14 Recode*

MCX, the consortium of retailers that recently blocked the use of Apple Pay in their stores, finally spoke to the press Wednesday about a recent hack on its system, as well as to address the lingering brouhaha over the Apple payment ban. Following a bizarre press conference in which reporters had to submit questions in an online chat room, MCX COO Scott Rankin spoke with Re/code in an interview, and while he provided some answers, questions still remain. Here's what we know and what we don't.

## **The Scariest Things In Payments**

*10/27/14 PYMNTS*

In this, the season of scary, I couldn't help but think about all of the scary things in payments that could walk up to the doorsteps of those in the payments ecosystem this year and scare innovators and incumbents half to death. Here are a few of the things that come to my mind. The kerfuffle over Rite Aid and CVS ditching Apple Pay got them first place on my list.

## **Eye on Earnings: MasterCard's Volumes Grow; Mercury Boosts Vantiv's Merchant Segment**

*10/30/14 Digital Transactions*

Financial analysts gave MasterCard Inc. and Visa Inc. credit for leading a New York Stock Exchange rally Thursday as higher consumer spending on payment cards boosted the networks' revenues. And processor Vantiv Inc. reported a 42% increase in merchant-processing revenues in the wake of its June acquisition of Mercury Payment Systems Inc.

## **Clients Clamor For Cash Advances**

*10/29/14 ISO & Agent*

The power of an email blast offering merchant cash advances came as a shock to Kevin Frisch owner of Banquest Payment Systems, a Lakewood, N.J.-based ISO. He was immediately inundated with more calls and email messages than he could handle. With fewer banks lending to small merchants these days, alternative business lending is more in demand than ever. It's even attracting investments from Wall Street hedge funds and venture capitalists.

# **Mobile Payments & Bitcoin**

## **Small Businesses Assess Their Apple Pay Options**

*10/31/14 The New York Times*

With the introduction of Apple Pay, many small-business owners are weighing whether they should take the necessary steps to accept the new form of payment. For most small businesses, though, adopting Apple Pay should be pretty straightforward. There is no added fee from Apple on top of the credit card fees merchants already pay, but businesses will need to buy N.F.C. payment terminals. Donald Boeding, president of merchant services for Vantiv, a payment-processing firm in Cincinnati, said smaller businesses could buy the machines for \$300 to \$500.

## **Handicapping Apple Pay, Google Wallet, Competitors' Mobile Wallet Chances**

*10/30/14 The Street*

Apple's Apple Pay has won headlines since its debut on Oct. 20, but the mobile wallet wars have just begun. "We are in year one of the mobile wallet wars," said Jason Oxman, CEO of the Electronic Transactions Association. It won't be a quick fight, he suggested. But there are some early winners and losers.

## **Grocery Chain Meijer Breaks with Other CurrentC Retailers to Accept Apple Pay**

*10/30/14 The Verge*

At least one member of the Merchant Customer Exchange - a coalition of retailers that are blocking Apple Pay and other mobile payment systems in order to promote their own option - seems to have broken from the group. Michigan Live reports that regional grocery chain Meijer has decided to keep accepting mobile payments besides MCX's app "CurrentC," letting customers tap their NFC-enabled phones to pay for things like groceries and gas.

## **FinCEN Rules Bitcoin Payment Processors, Exchanges are Money Transmitters**

*10/27/14 CoinDesk*

The Financial Crimes Enforcement Network (FinCEN) has released new guidance for custodial bitcoin exchanges and payment processors, ruling that such companies may be considered money services businesses under US law. In a response to twin letters submitted in late 2013, the chief US money laundering and terrorist financing regulator explained that bitcoin exchanges may be money transmitters, even if they only match buyers and sellers on their platform.

**Money**  
20/20

**REGISTER USING DISCOUNT  
CODE STRAWH20  
AND GET 20% OFF!**

## **Regulation & Security**

### **'Replay' Attacks Spoof Chip Card Charges**

*10/27/14 Krebs on Security*

An odd new pattern of credit card fraud emanating from Brazil and targeting U.S. financial institutions could spell costly trouble for banks

that are just beginning to issue customers more secure chip-based credit and debit cards. Over the past week, at least three U.S. financial institutions reported receiving tens of thousands of dollars in fraudulent credit and debit card transactions coming from Brazil and hitting card accounts stolen in recent retail heists, principally cards compromised as part of the breach at Home Depot.

### [Visa, MasterCard in Talks to Lower Processing Fees Paid by Canadian Merchants](#)

10/30/14 WSJ

May require subscription to read. Visa Inc. and MasterCard Inc. are on the verge of lowering the processing fees paid by Canadian merchants, a move that reflects the traction merchants have gained with the government, according to people familiar with the matter. People familiar with the negotiations, which were continuing Thursday, said it was unclear whether the two credit-card companies would reduce the fees voluntarily, or whether they would be forced into the reduction by the government, which has sought to boost small businesses ahead of a 2015 federal election.

### [Wells Fargo Ordered to Pay Restitution for Practices that Boosted Fees](#)

10/29/14 LA Times

Wells Fargo & Co. must pay customers \$203 million for manipulating debit-card transactions to boost overdraft fees, a federal appeals court in San Francisco ruled. The case is replete with examples of Wells Fargo's false and misleading statements about posting debit transactions and overdraft charges, justifying a federal judge's decision last year to reinstate the restitution he awarded in 2010, a three-judge panel said Wednesday.

### [China to End UnionPay Card Clearing Monopoly](#)

10/30/14 Finextra

China is finally preparing to put an end to China UnionPay's monopoly on clearing bank card transactions in a move that could open up a huge market to Visa and MasterCard. The country's State Council made an announcement on the change in policy after a meeting today, according to Reuters, but failed to give details.



## [Economy](#)

### [U.S. Economy Grew at 3.5% Annual Pace in Third Quarter](#)

10/30/14 The New York Times

The government reported on Thursday that the nation's economic output rose at a 3.5 percent annual rate in the third quarter, offering a strong sign that the economy's plodding growth may be picking up speed. The higher-than-expected bump in gross domestic product - a measure of all the goods and services produced - was driven in part by an unusual spurt of federal spending, concentrated in defense, combined with robust exports and investment in business equipment.

### [Unemployment Claims Hold Near 14-Year Low](#)

10/30/14 USA Today

First-time claims for unemployment benefits rose to a seasonally adjusted 287,000 last week, remaining near levels last seen in 2000. Claims rose 3,000 from the previous week's revised level of 284,000, the Labor Department said Thursday. Economists had expected 281,000, according to the median forecast in Action Economics' survey. The four-week moving average, which smooths out volatility in the weekly numbers, fell by 250 from the previous week to 281,000.

### **FDIC: Percentage of US Unbanked Households Decreasing**

10/29/14 BankTech

The percentage of unbanked households in the US is on the decline, with employment and income levels rising and with the economy rebounding from the Great Recession, according to a new survey from the FDIC and the US Census Bureau. The survey found that 7.7% of US households are unbanked, down from 8.2% in 2011, the last year the survey was conducted. The study directly attributed the decline to an increase in employment and income levels among those surveyed compared to 2011.

## **Payments Press**

### **Ca-Ching! Visa, MasterCard Surge Again**

10/30/14 CNNMoney

Consumers continue to ramp up spending – and that's very good news for both Visa and MasterCard. Shares of the card giants popped Thursday after both logged strong quarterly profits and China announced it will open up its credit card and payment market. Visa, the largest credit and debit card company in the world, said consumers made \$1.2 trillion of payments to merchants during its fiscal fourth quarter.

### **Vantiv Reports Third Quarter 2014 Results**

10/30/14 Vantiv

Vantiv, Inc. announced financial results for the third quarter ended September 30, 2014. Given Vantiv's strong position in the payments market and assembly of key strategic assets, revenue increased 31% to \$697.1 million in the third quarter as compared to \$532.3 million in the prior year period, and net revenue increased 29% to \$380.5 million in the third quarter as compared to \$294.2 million in the prior year period as transactions increased by 26% over the prior year period.

### **First Data Reports Third Quarter 2014 Financial Results**

10/29/14 First Data

First Data Corporation reported financial results for the third quarter ended September 30, 2014. Consolidated revenue for the third quarter was \$2.8 billion, up 3% versus the prior year period. Adjusted revenue, modified for various items such as the exclusion of pass-through debit network fees and postage, was up 3% versus the prior year period to \$1.8 billion, driven by 7% growth in Financial Services and 4% growth in International.

### **TSYS Reports Third Quarter 2014 Total Revenues Increased 8.1%**

10/28/14 TSYS

TSYS reported results for the third quarter of 2014. "We had an outstanding third quarter as we saw our organic revenue grow 8.5%, consolidated adjusted operating margin increase to 28.9% and all four

segments improve their adjusted operating margins on a sequential basis for the second quarter in a row," said M. Troy Woods, president and chief executive officer of TSYS.

### **North American Bancard Acquires Electronic Payment Exchange (EPX)**

*10/27/14 BusinessWire*

North American Bancard (NAB), preeminent among the nation's top payment services companies and the leading provider of the PayAnywhere suite of mobile point of sale solutions, announced the acquisition of Electronic Payment Exchange (EPX), a global, full-service credit card, debit card, stored value, and electronic check (ACH) payment transaction processor. EPX operates its own fully integrated card authorization, clearing, and settlement platforms.

### **Poynt Introduces World's First Smart Payment Terminal**

*10/29/14 MarketWired*

Poynt Co. unveiled the world's first "smart" payment terminal, doing for businesses what smartphones did for consumers. It brings the unlimited versatility of a mobile device to a future-proof payment terminal at a price that any merchant can afford. Designed to meet the highest PCI and EMV requirements as well as connect to any merchant bank, the Poynt Smart Terminal is available as millions of merchants are forced to replace their existing devices by October of 2015 due to the EMV mandate.

### **BBVA Compass Moves Closer to Real-Time Banking Goal in Dwolla Pact**

*10/30/14 American Banker*

While the financial industry debates the pros and cons of making transactions happen in real time throughout the system, BBVA Compass has taken a significant step in this direction. On Thursday, the Birmingham, Ala., unit of Spain's BBVA announced a partnership with Dwolla, which runs a real-time money movement network. The \$76 billion-asset BBVA Compass is the largest bank to partner with Dwolla, a startup based in Des Moines.

### **Feedzai Unveils State of Payment Fraud and Surpasses \$750 Billion in Payment Transactions Globally**

*10/30/14 PR Newswire*

Feedzai, a data science company that uses real-time, machine-based learning to analyze big data to make commerce safe, announced it has surpassed analysis of data representing \$750 billion in payment volume, and has found that the top date for card present fraud in 2013 was Black Friday.

### **Tom Bell Named Chief Executive Officer at Merchant e-Solutions**

*10/27/14 PR Newswire*

Merchant e-Solutions (MeS), a U.S.-based provider of end-to-end global payment solutions, and a company from the Cielo group, today announced the appointment of payments industry veteran Tom Bell as Chief Executive Officer. Bell will be responsible for accelerating MeS's continued growth through platform and infrastructure development, new innovative product delivery, and strong sales and partnerships, backed by responsive customer care and financial rigor.

### **EVO Launches mPOS Solution Supporting Apple Pay and EMV Globally**

10/27/14 EVO

EVO Payments International a leading card payment acquirer and payment service provider operating in the United States, Canada and Europe, announced today that EVO Snap\* has launched EVO Snap\* Mobile, a MPOS hardware and software solution for global card-present payment acceptance and customer loyalty management.

### **Apriva Reaches New Milestone with Solution Eligibility for Classified Government Data Projects**

10/28/14 Apriva

Apriva, the leading provider of secure end-to-end wireless transaction and information solutions, announced a new milestone for the company with its Apriva MESA VPN Gateway being added to the National Security Agency/Central Security Service's (NSA/CSS) Commercial Solutions for Classified (CSfC) Approved Products List.

### **CardConnect Secures Two Patents on Tokenization From U.S. Patent and Trademark Office**

10/29/14 CardConnect

CardConnect, a fast-growing provider of payment processing and technology services, today announced that it has been awarded two patents on tokenization technology from the United States Patent and Trademark Office. The two patents - U.S. Patent 8584251 and U.S. Patent 8763142 - were awarded to CardConnect in November 2013 and June 2014, respectively.

### **Harbortouch Reduces Contract Term for Free POS Program**

10/27/14 The Green Sheet

Harbortouch, a leading national point of sale (POS) system and merchant services provider, has announced that they have reduced the length of the service agreement term for their flagship free POS program from five years to three years. The monthly cost will stay at \$69/month as it was priced on the five-year term. There are no up-front costs for the hardware, software, installation or training.

### **Popmoney for Disbursements Streamlines Payments from Businesses to Consumers**

10/30/14 Fiserv

Fiserv, Inc. , announced the launch of Popmoney® for Disbursements\*, a new service that streamlines and speeds the currently check-dominated process used by businesses to send payments to consumers. The new service is part of a suite of products anchored by the Popmoney personal payment service that facilitates electronic payments between people and other people, people and businesses, and businesses and other businesses.

### **ShopKeep Introduces the ShopKeep Gift Card**

10/29/14 BusinessWire

ShopKeep, the cloud-based small business technology provider trusted by more than 10,000 small business owners to manage retail shops and restaurants with iPads, today announced that it is expanding its product offering to include the ShopKeep gift card. Not only will this card provide a new payment option for customers as the holiday season approaches, but it is also fully customizable and merchants can leverage this offering to increase overall revenue, build brand awareness and establish



customer loyalty.

## **New Software to Improve Management of Global Payments Industry**

*10/30/14 CNBC*

The Formula, LLC announced today that it has executed an agreement with Gross Capital Advisers, LLC, an Atlanta, Georgia-based investment and advisory firm. They have been engaged to provide growth and expansion planning services, as well as to identify and introduce appropriate resource partners to scale up for the implementation needs of present and future clients.

## **CARDFREE Partners with Taco Bell® For New Mobile Commerce Application**

*10/28/14 Yahoo! Finance*

CARDFREE, the leading mobile commerce provider to large merchants, announced that it is the mobile application platform provider enabling Taco Bell's® new mobile offering launched nationwide today. The company was selected by Taco Bell to provide the new mobile ordering application solution, as well as to provide cross-channel CRM solutions. "We are excited to bring our ground breaking mobile application to life," explained Greg Fancher, Taco Bell's Chief Information Officer.

## **FTNI Launches ETran Mobile Application Supporting Mobile RDC, ACH and Credit Card Payment Processing**

*10/30/14 FTNI*

Financial Transmission Network Inc. (FTNI), a leading provider of payment processing solutions, announced today that ETran Mobile, the newest component of FTNI's award-winning integrated receivables processing solution suite, ETran, has been released for general availability. ETran Mobile, built upon the ETran receivables platform, enables companies to unlock the power of mobile payments and work toward the strategic goal of simplifying receivables to process and post from a single platform.

## **Digital Check Corp. Introduces Clear to Eliminate Time, Costs of Non-Conforming Images**

*10/28/14 Digital Check*

Digital Check Corp., a leading innovator in check scanning technology, is introducing a new software solution to address the skyrocketing costs to banks of exceptions in check image quality. Clear by Digital Check™ offers banks a simple, cost-effective tool that quickly repairs poor quality items.



THE STRAWHECKER GROUP  
The Trusted Advisor To The Payments Industry



Copyright © 2014 The Strawhecker Group. All Rights Reserved. Unless noted, TSG does not take responsibility for content or opinions. Articles are sourced as appropriate throughout.

'**SafeUnsubscribe**' below will remove you from all TSG communications, this includes email blasts as well as NewsFilter. Please be aware of this before you choose to unsubscribe. Thank you, we appreciate your continued readership.