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### This Week's NewsFilter...

This week we have put together an [analysis on NetSpend's acquisition by TSYS](#) using GreenDot as a comparison.

Hot topics include [Illinois citing of Square/NetSpend for not having money transmitter licenses](#) and the Fed announcement that it will keep the [interchange cap at 21 cents per transaction](#).

In other news, [unemployment hits a 4-year low](#) as 236,000 jobs were added in February while [retailers reported modest sales gains](#).

Spring Forward! (Don't forget to change your clocks)

### Featured

#### TSG Analysis: TSYS Acquisition of NetSpend

3/08/13 TSG Metrics

Following the recent acquisition announcement of NetSpend by TSYS, TSG has put together an analysis. For our comparison, we used GreenDot - NetSpend's closest public competitor.



- TSYS paid an approximate 30% premium to NetSpend's share price just prior to the acquisition announcement
- NetSpend management expanded guidance in Q2 2012 and again in Q4 2012 amid continued execution and confidence in retail distribution expansion
- Concerns on increased competition led GreenDot management to substantially cut guidance, by 50% for revenue, in Q2 2012 leading to a 60% drop in share price

[Acquisition Multiples & Attrition Summary](#)

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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?](#)

**This Day in History: 1917**

**February Revolution Begins**

In Russia, the February Revolution (known as such because of Russia's use of the Julian calendar) begins when riots and strikes over the scarcity of food erupt in Petrograd. One week later, centuries of czarist rule in Russia ended with the abdication of Nicholas II, and Russia took a dramatic step closer toward communist revolution.

By 1917, most Russians had lost faith in the leadership ability of the czarist regime. Government corruption was rampant, the Russian economy remained backward, and Nicholas repeatedly dissolved the Duma, the Russian parliament established after the Revolution of 1905, when it opposed his will. However, the immediate

**[Click here to see the full analysis.](#)**

**ETA's New President Embraces The Great Unknown**

*3/07/13 ISO & Agent*

Besides serving as one of the industry's first female CEOs, Kim Fitzsimmons is wielding the gavel as president of the Electronic Transactions Association and just finished a stint as president of Women Networking in Electronic Transactions, or W.net. She 's also earned the Midwest Acquirers Association Lifetime Achievement Award. Along the way, she's seen 25 years of change in the payments processing industry. Her journey through those changes began straight out of the University of Mississippi, when she took her first job in the industry at Concord EFS.

**Illinois Cites Square and NetSpend for Not Having Money-Transmitter Licenses**

*3/04/13 Digital Transactions*

A spate of cease-and-desist orders by the state of Illinois against unlicensed money transmitters has ensnared eight payments companies, including such prominent ones as Square Inc. and NetSpend Holdings Inc. An agency quietly issued orders against both firms in January that seemingly would prevent them from doing business in the state. Both companies, however, tell Digital Transactions news that they continue to operate in Illinois.

**Fed Leaves Swipe Fee Cap Unchanged**

*3/05/13 American Banker*

The Federal Reserve Board said Tuesday it would not adjust its cap on interchange fees, leaving it at 21-cents per transaction. The decision came attached to a biannual survey that found that 33% of debit card issuers averaged transaction fees above the cap. Surprisingly, that figure was even higher than the 20% of issuers that averaged fees higher than 21 cents before the Fed's cap was in place.

**[Click here for the Fed's press release.](#)**

**Is 'Hotlanta' the Next Fintech Startup Mecca?**

*3/04/13 BTN*

Atlanta, or "Hotlanta" as its advocates call it, is attracting the attention of fintech entrepreneurs. Kabbage, Cardlytics and ControlScan are among the financial technology startups that have set up shop in the city. Larger, established fintech players in the city include CheckFree (owned by Fiserv), Global Payments, Equifax, First Data, Intercontinental Exchange (which just bought the New York Stock Exchange), NCR, and TransCentra. NCR and First Data were ranked fifth and seventh, respectively, in the last FinTech 100 ranking. (NCR moved its corporate headquarters from Dayton, Ohio in 2009.) There are 70 fintech companies in Atlanta all told.

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cause of the February Revolution--the first phase of the Russian Revolution of 1917--was Russia's disastrous involvement in World War I. Militarily, imperial Russia was no match for industrialized Germany, and Russian casualties were greater than those sustained by any nation in any previous war. Meanwhile, the economy was hopelessly disrupted by the costly war effort, and moderates joined Russian radical elements in calling for the overthrow of the czar. [Click here to read more.](#)

## **Mobile Payments**

### **PayPal to Developers: Our New Mobile Payment Dev Tools Don't Stink, We Promise!**

*3/08/13 VentureBeat*

For PayPal's grand plan of world payment domination to succeed, it needs developers. And to attract devs, it needs tools that don't send them running to competitors. Today, PayPal is launching a new set of developer tools for mobile payments, which will hopefully encourage more devs to integrate PayPal's technology in their apps. The company was actually the first financial company to offer APIs back in 2009, but it's not shying away from the fact that those early tools aren't exactly modern.

### **Dutch Retailers Get Cashless 'Thank You'**

*3/08/13 Finextra*

In a bid to co-opt retailers to their mission to kill cash, a group of Dutch banks and MasterCard recently held a special musical, cashless 'thank you' event for the country's shop workers. The Amsterdam 'Debit Card Champions' evening in January saw local artists perform for hundreds of retail workers and, says MasterCard, "even more exciting was that it was a cashless event".

### **Isis Revamps Its Mobile Wallet And It's Actually Fixing What's Broken**

*3/05/13 StorefrontBacktalk*

The news that Isis is working on a new and improved app for its mobile-payments system is a good sign, though maybe not for the reasons Isis wants it to be. According to NFC Times, the new version of the app will be created by a hot Austin startup, Mutual Mobile, to replace the original version developed by mobile-wallet specialist C-SAM.

### **PayPal Here Expands in Japan to Enable More Small Businesses to Succeed**

*3/05/13 PayPal*

When we joined forces with SoftBank in Japan last year, we said that we wanted to transform commerce in Japan and we were going to start first with PayPal Here. We have had a lot of progress since then to bring PayPal Here to the Japanese market and the response from local businesses has been fantastic. We've been selling PayPal Here through SoftBank stores since the fall of 2012 and have gathered valuable feedback from thousands of merchants using PayPal Here to steadily improve the customer experience and provide the highest quality product for the market.

## **Regulation & Security**

### **Visa and MasterCard \$7.25 Billion Interchange Fee Settlement Analysis**

*3/01/13 Proformative*

Visa, MasterCard, and the country's largest banks have agreed to pay \$7.3 billion to about six million merchants in the U.S. to end a seven-year dispute over credit card interchange fees. The proposed settlement was reached to avoid a September trial date. This litigation in the Brooklyn

U.S. District court consolidated more than 50 lawsuits that went back to June 2005. In these suits, merchants argued that Visa, MasterCard, and the issuing banks illegally conspired to set high interchange fees, thus violating the antitrust provisions of the Sherman Act.

### **ThreatMetrix Study Finds 1 in 4 Retail and Financial Service Employees Participate in BYOD**

*3/07/13 ThreatMetrix*

ThreatMetrix™, the fastest-growing provider of integrated cyber crime prevention solutions, announced results of the ThreatMetrix 2012 State of Cyber crime study, conducted by Info-Tech Research Group. The study surveyed U.S. business managers and IT executives within retail and financial services organizations on their level of cyber security planning and fraud prevention solutions.

### **Interac Debit Card Fraud Skimming Losses Plummet to Lowest Level on Record Due to EMV**

*3/05/13 CNW*

Interac Association reported that Interac debit card fraud losses, as a result of skimming, are the lowest on record since 2003 - decreasing to \$38.5 million in 2012 from a high of \$142 million in 2009. This represents 0.012 per cent of domestic Interac debit card volume and the lowest volume of fraud losses since data were recorded in 2003. Further, the number of cardholders reimbursed fell to 93,800 in 2012 from 238,000 in 2009.

## **Economy.**

### **Unemployment at 4-Year-Low as US Adds 236,000 Jobs in Feb.**

*3/08/13 USA Today*

Employers added a much-better-than-expected 236,000 jobs in February as the labor market continued to shrug off a recent payroll tax hike and the prospect of big federal spending cuts. The unemployment rate fell to 7.7% from 7.9%. The consensus forecast of economists had estimated the economy added about 160,000 jobs in February.

### **Retailers Report Modest Sales Gains**

*3/07/13 LA times*

Americans hit the stores in February - but with only the barest of enthusiasm as they worried about bad weather, delayed tax refunds and the federal mix of tax increases and spending cuts known as sequestration. Three separate measures of sales at stores open at least a year showed revenue dampened by economic factors such as higher gas prices, stubbornly high unemployment and a payroll tax boost.

### **Consumer Comfort in U.S. Improves to Highest Level This Year**

*3/07/13 Bloomberg*

Confidence among U.S. consumers rose for a fifth week, reaching the highest level this year as improving stock and home prices gave households a lift. The Bloomberg Consumer Comfort Index improved to minus 32.4 in the week ended March 3 from minus 32.8 in the prior period. The share of Americans with a positive view of the U.S. economy held at

its highest level since early 2008 and more people said it was a good time to buy needed goods and services.

## **Payments Press**

### **WorldPay Acquires Global Card Payments Service Provider YESpay**

*3/06/13 WorldPay*

Leading financial technology company, WorldPay, has today announced the acquisition of the YESpay group of companies, a leading payments services provider, for an undisclosed amount. Leveraging YesPay's technology, WorldPay will offer its customers a complete payment service, including merchant acquiring, card processing and payment terminals integrated with point of sale systems - allowing customers to take payments, in any form, online, face to face or mobile.

### **Deal With Caution As VeriFone Has An Uphill Battle To Climb**

*3/06/13 iStockAnalyst*

VeriFone Systems, Inc. has an uphill battle to climb despite investor optimism over its ability to fix execution issues and accounting concerns. The key headwinds weighing on the company include market share losses, weak organic growth and free cash flow. San Jose, California-based VeriFone is one of two major global point of sale (POS) terminal makers and provides a wide array of hardware, service, and data security offerings that enable electronic payments processing for the payments industry.

### **Pivotal Payments Reports Strong Results for Fiscal Year 2012**

*3/07/13 Pivotal Payments*

Pivotal Payments is proud to announce yet another year of notable improvements in the company's key financial indicators, specifically overall revenue and earnings before interest, taxes, depreciation and amortization (EBITDA). The company's innovation strategy and sales development initiatives have yielded sustained growth in Canadian and U.S. markets for 2012.

### **Elavon Establishes Global Professional Services Business**

*3/05/13 Elavon*

Elavon, a wholly owned subsidiary of U.S. Bancorp and a leading global payment solutions provider, announced that it has formed a division to work with enterprise clients in the pursuit of uncovering opportunities to help them lower costs centered around the "three big things" impacting the costs of accepting payments: rates, fraud, and data security.

### **Cardtronics Acquires i-design**

*3/07/13 CardTronics*

Cardtronics, Inc. announced that its indirectly wholly-owned subsidiary, Cardtronics Creative UK Ltd., has acquired i-design group plc. Based in Scotland, i-design provides the technology and services that transform ATM screens (and receipts) into delivery devices for interactive customer communications by financial institutions, as well as advertising space for retailers, third-party advertisers and independent ATM owners.

### **TSYS Named to Ethisphere's 2013 World's Most Ethical**

## **Companies**

*3/06/13 TSYS*

TSYS, one of the world's largest global payments companies, has been recognized by the Ethisphere Institute as one of the 2013 World's Most Ethical Companies. TSYS has received this prestigious honor for the second year in a row. It is a tremendous honor for TSYS to be named, once again, to such a distinguished list," said Philip W. Tomlinson, chairman and chief executive officer, TSYS.

## **Mercury Expands Management Team with New Information Security and Marketing Executives**

*3/06/13 Mercury*

Mercury, a leading provider of payment processing and revenue generation solutions for businesses nationwide, has announced the addition of two new members to its leadership team: Jim Maloney, chief information security officer and Randy Clark, senior vice president of marketing. Both executives bring extensive business and domain expertise to Mercury and will help lead the company into its next phase of growth alongside CEO Matt Taylor and the rest of his management team.

## **Capital One Expands Deals Program To Mobile Shopping; Now Offers Real-time, Personalized Deals Via ShopSavvy**

*3/04/13 Retail Solutions Online*

Capital One Financial Corporation today announced that it has teamed up with ShopSavvy to deliver personalized deals from the Capital One deals program to ShopSavvy app users while they shop and search for deals. By incorporating Capital One's deals into ShopSavvy's leading mobile shopping community, customers can receive targeted merchant offers when they matter most - while they shop.

## **Fiserv Multiplies Consumer Mobile Payment Options by Combining Person-to-Person Payments and Mobile Banking**

*3/06/13 Fiserv*

Fiserv, Inc. announced that it has integrated its Popmoney® person-to-person payments service with its widely used Mobiliti™ mobile banking and payments platform. Person-to-person (P2P) payments can now be initiated directly from a user's mobile banking account, enhancing the functionality of mobile banking by enabling consumers to pay people they know or owe using their email address or mobile phone number.

## **First American Payment Systems to Enable PayPal In-Store Checkout**

*3/04/13 PRWeb*

First American Payment Systems, announced that it will enable First American's participating merchants to accept PayPal™ at its brick-and-mortar locations. In doing so, FAPS is expanding its relationship with Discover Financial Services, a direct banking and payment services company with one of the most recognized brands in U.S financial services, which is collaborating with PayPal™ to enable customers to pay at millions of retail locations across the U.S.

## **US Acquirers Offered Solution for April EMV Compliance Deadline with Acquirer Systems Terminal Emulator**

*3/06/13 Acquirer Systems*

Acquirer Systems, a global leader in the provision of test and validation solutions to the payments industry, announces the launch of its EMV terminal emulator to help the US payments industry's migration to EMV. The Payment Schemes have mandated that acquirers must be capable of accepting EMV transactions by April this year.

### Clearent Signs Record Number of ISO Partners

*3/05/13 Clearent*

Clearent announced record-breaking growth rates for its ISO sales channel. Growth is a theme that is used quite often in the world of payment processing, however what sets Clearent apart from others in the industry is that it has been able to maintain an incredible growth rate year after year. Fueled by the success of its ISO and agent partners, Clearent processed nearly \$3 billion worth of payment transactions in 2012.



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