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Winter 2018

TRANSACTION trends

THE OFFICIAL PUBLICATION OF THE ELECTRONIC TRANSACTIONS ASSOCIATION

eta HALL of FAME

Meet the industry icons who paved the way for electronic payments

contents

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Electronic Transactions Association
1620 L Street NW, Suite 1020
Washington, DC 20036
202/828.2635
www.electran.org

ETA CEO Jason Oxman
Vice President, Strategic Partnerships Del Baker Robertson
Director, Communications Laura Hubbard
SVP, Government Relations Scott Talbott
Vice President, Industry Affairs Amy Zirkle
Director, Regulatory Affairs Philip (PJ) Hoffman

Publishing office:
Content Communicators LLC
PO Box 938
Purcellville, VA 20134
703/662.5828

Subscriptions: 202/677.7411

Editor
Josephine Rossi

Editorial/Production Associate
Christine Umbrell

Art Director Janelle Welch

Contributing Writers
Pirooz Abir, Michael Coleman, Josephine Rossi, Scott Talbott, Christine Umbrell, Kimberly Wheeler, and Amy Zirkle

Advertising Sales
Alison Bashian
Advertising Sales Manager
Phone: 703/964.1240 ext. 280
Fax: 703/964.1246
abashian@conferencemanagers.com

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The magazine acts as a moderator without approving, disapproving, or guaranteeing the validity or accuracy of any data, claim, or opinion appearing under a byline or obtained or quoted from an acknowledged source. The opinions expressed do not necessarily reflect the official view of the Electronic Transactions Association. Also, appearance of advertisements and new product or service information does not constitute an endorsement of products or services featured by the Association. This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided and disseminated with the understanding that the publisher is not engaged in rendering legal or other professional services. If legal advice and other expert assistance are required, the services of a competent professional should be sought.

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Electronic Payments Connect Consumers and Merchants Globally

As the global trade association of the payments industry, ETA's membership includes dozens of companies headquartered outside of the United States, including international titans like Moneris, Ingenico, Paysafe, Alipay, Adyen, and Barclays. Many more of our members operate their payments businesses on an international level. All told, the payments industry processes $21 trillion in transactions that span the globe.

As the voice for payments industry innovation, ETA expanded our work internationally in several ways in 2018 to better serve the needs of the industry.

In 2018, we saw the increasing need for a unified industry voice in Canada. The Canadian regulatory environment for financial technology is changing as policymakers reevaluate the framework of laws and policies that govern it. Supported by member companies, including Moneris, First Data, Worldpay, Intuit, Western Union, Pivotal Payments, Paysafe, Square, and Blake, Cassels, & Graydon, ETA formally expanded our advocacy work in the country. To strengthen those advocacy efforts, we hosted a policy day in Toronto that focused on fintech policies in Canada and a fly-in in Ottawa for ETA members to interface with Canadian policymakers. Looking to 2019, we'll continue to connect policymakers with industry leaders through fly-ins, policy days, and advocacy engagements that support policies encouraging a collaborative, positive regulatory environment.

Last October, I traveled to Singapore with the U.S. Department of State to meet with policymakers and discuss policies that encourage payments innovation. Representing ETA members and the United States' payments ecosystem, I had the incredible opportunity to meet with policymakers from burgeoning payments markets in Asia. Over the course of three days, we explored how regulators in developing countries with fast-growing payments marketplaces can support innovation by opening markets to international investment and collaboration.

ETA's other recent international efforts included partnering with the U.S. Department of Commerce to participate in fintech events in Central and South America. In addition, ETA Senior Vice President Scott Talbott traveled to Mexico City on behalf of our members during the summer of 2018 to discuss ways developing markets can create collaborative policy environments for international fintech development.

This year, our international work necessitated action domestically, too. ETA members power global commerce, and a trade system that promotes global free trade is important to digital payments prosperity abroad and in the United States. I testified in hearings before the U.S. Trade Representative (USTR) twice in 2018 to oppose tariffs that placed a strain on U.S. merchants and payments companies. We filed comments with USTR and partnered with other organizations across the United States and the world to advocate for a trade system that supports payments companies and the fast, secure, and affordable products they provide to merchants and consumers.

More and more, ETA members benefit from a strong voice for payments worldwide. As the use of electronic payments continues to increase globally, erasing borders and connecting consumers and merchants, ETA will continue to strengthen our efforts around the world.

Jason Oxman
CEO
Electronic Transactions Association

2018 Thanksgiving Holiday Shoppers Turn to Multichannel Purchasing

More than 165 million Americans shopped either in stores or online during the five-day shopping period between Thanksgiving Day and Cyber Monday this year. More than half of shoppers completed their purchases via multichannel avenues (54 percent), an increase of nearly 40 percent over multichannel shopping last year, according to the National Retail Federation's (NRF's) Annual Thanksgiving Holiday Trends Consumer Survey, conducted by Proper Insights & Analytics and published Nov. 27, 2018. The survey found that 25 percent shopped online only, and 21 percent shopped in-store only during this time period.

The average shopper spent approximately $313 on gifts and other holiday items over the course of five days, according to NRF. Multichannel shoppers outspent single-channel shoppers by approximately $93.

NRF found that online sales peaked on Cyber Monday, with 67.4 million consumers shopping online, while in-store sales were highest on Black Friday, with more than 67 million shoppers going to brick-and-mortar stores.


hoozone/Getty Images

Mobile shopping also increased during the 2018 Thanksgiving shopping period, with 66 percent of smartphone owners using their devices to make holiday purchasing decisions, up from 63 percent in 2017. Young adults were most likely to make holiday purchasing decisions via mobile device, with 88 percent of 18- to 24-year-olds and 87 percent of 25- to 34-year-olds relying on their smartphones for shopping-related activities.

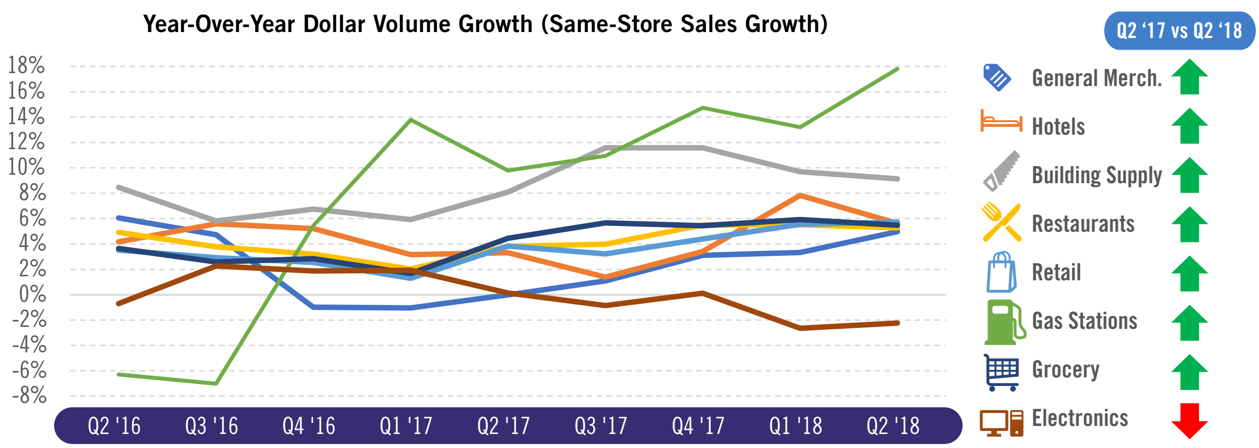
Consumers plan to spend approximately $1,007 each for items such as decorations, candy, and gifts, as well as gifts for their families, friends, and themselves, during the entire 2018 winter holiday season, according to NRF predictions.

Fast Fact

"Account takeovers," where fraudsters gain access to customers' account information using hacks or bots for fraudulent purchasing, are one of the most common types of holiday retail fraud. Account takeovers rose by 31 percent in the past year, and they account for up to $7 billion in annual losses across all sectors.

Source: "Prepping for the Holidays," Forter, December 2018

Infographic | Spending Growth Snapshot at Key Merchant Categories



Source: "ETA/TSG U.S. Spending Snapshot, Q3"

Software Security Making Progress, Report Finds

monsit/Getty Images

In the recently published "2018 State of Software Security," Veracode reported that, although software security across all industries, including retail and financial services, is gradually getting better, there is still plenty of room for improvement.

The report provides analysis of application testing data from more than 700,000 application scans and highlights trends in vulnerability prevalence, remediation, industry performance, and, for the first time, flaw persistence.

Veracode reported that adopting a DevSecOps (development, security, and operations) framework facilitates significant security improvements, noting that organizations with established DevSecOps programs outperformed their peers in how quickly they addressed flaws.

"The DevSecOps mentality tends to incorporate more frequent security scans, incremental fixes, and faster rates of flaw closures into the software development lifecycle," said Veracode Vice President of Research Chris Eng. "These incremental improvements amount over time to a significant advantage in competitiveness in the market and a huge drop in risk associated with vulnerabilities. This year's analysis shows a very strong correlation between high rates of security scanning and lower long-term application risks, which we believe present a significant piece of evidence for the efficacy of DevSecOps."

In addition, although organizations continue to contend with a massive volume of open flaws, they are getting better at closing newly discovered vulnerabilities, Veracode reported. Organizations closed 69 percent of flaws discovered, an increase of nearly 12 percent since the previous report.

Despite this progress, the number of vulnerable applications remains high, and businesses continue to face significant threats from open source components. Organization scan results indicated one in three applications were vulnerable to attack through high or very high severity flaws, more than 85 percent of applications contained at least one vulnerability following the first scan, and more than 13 percent of applications contained at least one very high severity flaw.

In addition, Veracode examined fix rates across 2 trillion lines of code and reported that companies continued to experience extended application risk exposure due to persistent flaws. Despite improvements in the numbers of flaws closed, more than 70 percent of all flaws remained one month after discovery and nearly 55 percent remained three months after discovery. More concerning, 25 percent of high and very high severity flaws were not addressed within 290 days of discovery.

"In many ways, our deeper look into the data confirmed what many industry veterans recognize intuitively—it takes time to fix security flaws," Eng said. "Contrary to what some security staffers might believe, developers simply can't wave a magic wand over the portfolio to fix the majority of flaws in an instant, or even in a week. On top of that, there are other factors at play, including quality assessment, product release cycles, and other exigencies of delivering software to the real world."

Visa and Mastercard Focus on Tokenization, Other Security Tools

In an effort to improve security in the digital channel and drive mobile payments adoption, Visa and Mastercard are focusing on technologies like tokenization and biometrics to protect customer data and improve the digital shopping experience.

Visa announced in October 2018 the commercial expansion of its token service for credential-on-file token requestors. Tokenization replaces sensitive cardholder information, such as account numbers and expiration dates, with a token—a unique digital identifier. Tokens can be used for payment without exposing cardholder data or storing it on the merchant's system, effectively enhancing security for the customer and shielding merchants from data breaches.

Through Visa's token expansion, a number of acquirer gateways and technology partners can now, or will soon be able to, tokenize credential-on-file digital payments for their merchant and payment clients.

Visa's announcement followed news from Mastercard that its card network will expand its suite of services for tokenization, streamlining checkouts, and biometric authentication. Mastercard has announced its cards will be token-ready by 2020.

In addition, by mid-2019 all Mastercard products will reportedly feature Secure Remote Commerce, a protocol that enables customers to enter their purchase information one time and apply it anywhere they shop online, reducing the multiple steps required to fill out the same information at each different site. The requirements ensure consumers are aware they are paying with a Mastercard credential during the checkout process, whether it's in-app, via browser, contactless, via voice-enabled devices, or a QR application.

The company also expects to implement Mastercard Identity Check in early 2019 following a pilot with 130 merchants worldwide. Based on EMV 3-D Secure technology, the biometric authentication service will allow customers to confirm their identities when making card-not-present purchases, adding another layer of security for both the customer and the merchant.

Moves & Mergers

ControlScan announced it has acquired Maryland-based network security provider **Dunbar Cybersecurity** and its cybersecurity platform, Cyphon.

ControlScan also has appointed payment and health-care security expert **Brand Barney** as its senior security consultant. Barney previously provided security and technical support with SecurityMetrics and Henry Schein.

ETA has announced the election of its 2019 Board of Directors. Executive Committee members include **Kevin Jones**, CEO, Celero Commerce (president); **Chris Lee** (president-elect); **Guy Harris**, president, North America, Elavon (treasurer); **Philip McHugh**, EVP and president of merchant solutions, TSYS (secretary); and **Tim Tynan**, CEO, Bank of America Merchant Services (past president).

Evolve Bank & Trust, a provider of banking, mortgage banking, and payment processing services, announced the addition of **Donna L. Embry** as senior vice president of global payment strategies in its Payment Processing Division. Embry previously held leadership positions with Embry Consulting and Payment Alliance International.

FreedomPay, a secure commerce technology provider for hospitality merchants, announced the appointment of **Liesl Smith** to its executive team as senior vice president of marketing and communications. Prior to joining FreedomPay, Smith held leadership roles with Verifone, Western Union, and the Federation of Small Businesses in the United Kingdom.

National Merchants Association (NMA) has named **Barry Prentice, ETA CPP**, as vice president of risk and underwriting. Prentice brings more than 15 years of payments experience to his role at NMA and has extensive card-not-present expertise.

NCR Corporation, a banking and commerce solutions provider, has acquired **JetPay**, a provider of end-to-end payment processing and human capital management solutions.

North American Bancard Holdings LLC has announced the appointment of **David Greenberg** as chief administrative officer. Greenberg brings more than 25 years of experience in merchant bank card law, and he will oversee the collections, compliance, credit, legal, risk and underwriting business units.

Nuvei has named **Scott Calliham** as senior vice president, M&A and strategy. Calliham has more than 20 years of experience in the payments industry related to mergers and advisory services, product and project management, and corporate strategy and consulting engagements. He joins Nuvei from First Annapolis Consulting, now part of Accenture.

Paya, a payment solutions provider, has acquired **Stewardship Technology Inc.**, a payments facilitator for nonprofits, faith-based organizations, and educational institutions.

Paysafe Group, a provider of end-to-end payment solutions, announced several additions to its team. **Peter Smith**, formerly of Evertec Inc., was named chief financial officer. **Todd Linden**, formerly of Merchants' Choice Payment Solutions, was appointed chief executive officer of payment processing for North America. **O.B. Rawls IV**, formerly of iPayment, became the chief commercial officer of payment processing. **Denise Tahali**, formerly of iPayment, is the new senior vice president of agent and petroleum sales. **Steve Koller**, formerly of First Data Corp., has been appointed vice president of ISO sales and implementation. **Dave Cunningham**, formerly of iPayment, was named vice president of strategic partner management.

Womply has announced the appointment of **Brad Paterson** as the company's first chief operating officer. He will oversee all customer-facing business operations, including sales, marketing, growth, customer success, brand, and external communications.

Fewer Companies Achieving Full PCI Compliance

After six years of steady increase, merchant compliance with industry payment security standards is suddenly declining among global businesses, according to Verizon's "2018 Payment Security Report."

The report, which includes results from payment card industry assessments for Fortune 500 and large multinational firms in more than 30 countries, details a downward trend of companies failing to maintain full compliance with PCI Data Security Standard (PCI DSS).

Verizon's report revealed that only 52.4 percent of the organizations that were assessed maintained full PCI compliance in 2017, falling 3 percent from 55.4 percent in 2016. Compliance varied by region and business sector. Companies in the Asia-Pacific region reported the highest level of full compliance at 77.8 percent, compared to businesses based in Europe (46.4 percent) and the Americas (39.7 percent). Meanwhile, IT services was the most compliant business sector worldwide, with 77.8 percent of IT services organizations achieving full compliance, compared to retail (56.3 percent), financial services (47.9 percent), and hospitality organizations (38.5 percent).

Among other "concerning" statistics on financial services organizations, 71.8 percent achieved compliance for the secure storage of cardholder data and sensitive authentication data, and 73.2 percent were compliant with developing and maintaining secure systems and applications.

"PCI compliance standards are slipping across global businesses, and this simply can't continue," said Rodolphe Simonetti, Verizon's global managing director for security consulting. "Consumers and suppliers alike trust brands to secure their payment data, so we must act now to remedy this state of affairs."

Global Report Highlights Boom in Digital Payments

Digital transactions are taking over the globe, fueled by developing markets striving for financial inclusion and the increasing adoption of mobile payments. This upward trend will continue, according to the recently released "World Payments Report 2018" ("WPR") from Capgemini and BNP Paribas.

The annual report, which draws primarily from executive interviews and online surveys distributed to industry participants across banks and nonbank financial institutions, explores payment trends around the world. It found that global noncash transaction volumes reached $482.6 billion in 2016, a 10.1 percent growth driven by emerging markets in Asia (25.2 percent) and the Central Europe, Middle East, and Africa region (17.1 percent). The growth trend also was reflected in developing markets, where growth rates reached 16.5 percent, boosted by governments' efforts to improve the accessibility and affordability of financial services and the rising use of mobile payments in India (33.2 percent), China (25.8 percent), and South Africa (15.1 percent). Mature markets, like those in the Asian Pacific, North America, and Europe, also experienced a steady growth rate of 7.1 percent.

This rise is expected to continue according to the "WPR," which predicts that emerging markets will drive the acceleration of noncash transactions to a compound annual growth rate of 12.7 percent globally. Although these emerging markets currently account for only about one third of noncash transaction volume around the world, the report anticipates that they will grow at nearly three times the rate of mature markets and will provide nearly half of the global volume in 2021.

Of the booming number of noncash transactions in 2016, global e-wallet transactions accounted for nearly 8.6 percent, according to the "WPR," with large tech companies (like Google, Amazon, and Facebook) comprising about 71 percent of the global e-wallet market. The "WPR" attributes these companies' market dominance to their ability to leverage their large-platform user base and provide seamless user experience, value-added features, and network effects.

cnythzl/Getty Images

First Data

Congratulations to Debra Rossi and Ed Labry

for being inducted into the ETA Hall of Fame.

Debra and Ed are two of nine payments icons selected to be inducted into the ETA Hall of Fame class of 2018.

Here’s to the future of payments

thanks to your hard work and dedication.

FirstData.com

Innovation in the payments technology industry took center stage at the **ETA Strategic Leadership Forum** (SLF) held October 2-4 in Dana Point, California. SLF brought together the industry's top executives, thought leaders, and entrepreneurs for thought-provoking sessions and networking opportunities. The main stage featured C-suite executives from firms including Worldpay, Moneris, WePay, JPMorgan Chase, Samsung Pay, Kount, BlueSnap, ParkMobile, BlueSnap, and Fiserv.

In November, payments technology leaders gathered at **TRANSACT Tech San Francisco** to explore the intersection of technological innovation and payments products and services. Hosted at the Wells Fargo Connections Center, the event focused on how integrated software solutions are influencing changes in the payments industry. Networking breaks punctuated the busy agenda, and an extended networking lunch afforded attendees from across the payments ecosystem—startups, venture capitalists, software companies, PayFacs, and acquirers—to make connections.

Promoting Payments Innovation

ETA executives also participated in **conferences around the world**, including the Restaurant Innovation Summit, Third Party Payment Processors Association's annual meeting, Trustech, Risk Connect, and the National Council of State Legislatures Capitol Forum. ETA CEO Jason Oxman also traveled to Southeast Asia in October as part of a State Department envoy that met with fintech leaders and policymakers from the region.

In early December, ETA hosted its **annual holiday reception for the Congressional Payments Technology Caucus and Senate Payments Innovation Caucus**, which brought together policymakers, congressional staff, ETA members, and those focused on payments policy. ETA also hosted a fly-in in New York City for New York state policymakers to discuss the benefits of fintech and payments innovation, followed by a reception hosted at the offices of ETA member law firm White & Case.

TRANSACT

Registration to **TRANSACT** is now open. TRANSACT brings together all parts of the payments technology industry—technology and fintech companies, payment networks, financial institutions and acquirers, and those that sell payment solutions. It is the place for the merchant acquiring industry to meet, see what's new, and learn what it takes to grow. Visit www.etatransact.com to register.

1. Kim Crawford Goodman, president of card services at Fiserv, discusses new digital opportunities for payments companies at ETA SLF. 2. A networking lunch on the VueLawn, sponsored by Visa, gives ETA SLF attendees an opportunity to build connections and partnerships. 3. Worldpay CEO and Executive Chairman Charles Drucker gives a morning keynote on his strategic vision for Worldpay. 4. Payments tech executives connect between sessions. 5. ETA CEO Jason Oxman (left) welcomes attendees to TRANSACT Tech San Francisco. 6. Mika Nishiya (center), data science and analytics manager at Adyen, explains how data improves payments products for business owners. John Waldman (left), CEO and founder of Homebase, and Brad Hawley (right), executive director at JPMorgan Chase, also participated in the panel.

ETA ANNOUNCES 2019 YOUNG PAYMENTS PROFESSIONALS SCHOLARS

Carly Brentini, Retail Council of New York State

Diane Driscoll, National Merchants Association

Jason Fritz, BillingTree

Chris Harris, Silicon Valley Bank

Ashley Lamb-Martin, REPAY

Mike Magennis, Wirecard

Anna Mueller, Discover

Alison Simonton, Paysafe

Jordan Stewart, Signature Card Services

Marisa Sweet, MINDBODY

Ten exemplary payments leaders have been named to the 2019 ETA Young Payments Professionals (YPP) Scholars Program. The ETA YPP Scholars Program, sponsored by Discover, provides scholars with mentorships from leading payments companies, networking opportunities at ETA events throughout the year, and the chance to contribute to conference programming and webinars targeted to the needs of young payments professionals.

Now entering its third year, the 12-month program is designed to identify and cultivate the next generation of payments leaders. The ETA YPP Scholars receive complimentary registration, lodging, and travel assistance to ETA's annual trade show, TRANSACT, as well as complimentary registrations to ETA's Strategic Leadership Forum, TRANSACT Tech events, and the ETA CPP Certification exam. Additionally, ETA YPP Scholars are matched with top industry leaders as mentors throughout the duration of the program.

Program sponsored by:

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Partisanship and 2019

When dealing with a divided government, bipartisanship is the only way forward

By Scott Talbott

The proverbial wheels of American government will turn once more in January, when the 116th United States Congress will consist of a House of Representatives controlled by Democrats and a Senate majority led by Republicans. As we enter another period of divided government, it's important to reiterate that if a bill has any hope to make it into the federal law books, it must be bipartisan.

In state capitals across the country, policymakers will come back into session, in some cases under new leadership or with a different party in the majority.

With these new governments comes a new set of opportunities and challenges for the payments industry.

Federal Level

The requirement of bipartisanship might seem like a tall order in a time of intense political division, but there are opportunities for real progress to be made on key industry issues as congressional dockets begin to be set.

For example, the consensus in Washington on data breach notification standards provides an opportunity for ETA to advocate for pro-payments policies. Both sides care about the issue, and ETA is working across the aisle as committees in both the House and Senate set their agendas to advocate for a uniform national standard law.

For a payments industry professional operating in more than one state, the need for change is clear. Compliance with a patchwork quilt of unique state notification standards when a payments company is the victim of a data breach is daunting, logistically difficult, costly, and potentially harmful to business owners and consumers. A uniform national data breach standard that codifies the standard of notification while recognizing and accounting for circumstance is the solution.

For the most part, lawmakers across both parties are in agreement on data breach. Creating a uniform national notification standard in the event of a data breach isn't a Republican idea, or a Democratic idea—it's just a good idea. We expect to see a solid basis of consensus across party lines on key tenets of the solution. Establishing definitions—what constitutes a breach, what constitutes a notification, which parties are responsible to the end user—will likely be the easiest task and bring needed clarity to the current complex web of state laws. For payments professionals, a uniform national data breach notification standard is a realistic, bipartisan goal in a partisan world.

Another cross-industry issue that will likely see bipartisan action is privacy laws. We live in an era of innovation powered by data, and, increasingly, governments are moving to create more defined restrictions and rules surrounding use of consumer data in our economy. We expect that a Democratic House Financial Services Committee will put a priority on consumer protection and financial industry oversight, an outlook that will likely be reflected as privacy laws are considered. While privacy laws are an issue that extends beyond the scope and interest of ETA member companies, ETA advocates for privacy laws that recognize the important role of data in our efforts to fight fraud.

Fraud is the common enemy of consumers, policymakers, and payments companies. These measures must be careful not to constrict the payments' industry's ability to keep fraud protections cutting-edge. We've already seen positive results in the states as privacy laws are passed on that level, and, in 2019, ETA will advocate for more positive results as measures advance at every level of government.

While a divided government might cause a preponderance of flashy headlines, the clockwork of government will stay the same. We'll continue to see a regulatory environment working to encourage innovation, and, with luck, score some bipartisan wins for payments technology.

State of the States

Where federal dockets slow, states pick up the slack. This was true in 2018 and will certainly continue in 2019. ETA expanded its state advocacy activities significantly over the course of the last year, and we've been a leading source for educating state policymakers on the payments ecosystem.

Next year, we'll focus on engaging state policymakers as they look to update their laws around the modern economy. The reality is that the payments industry, like many industries, has innovated beyond many state laws and regulations. One example is the U.S. Supreme Court case *South Dakota v. Wayfair Inc.*, in which the nation's highest court struck down an outdated law that required a physical presence in a state to collect sales taxes on purchases—laws for an era of exclusively brick-and-mortar retail, but not for an age of e-commerce. In short, this case gives state governments the tools to levy sales tax in a manner more congruent to the way our economy works. As states move forward with implementation, ETA will advocate for pro-payments policies and an educational resource for policymakers as they examine our complex ecosystem.

But the most important tool in ETA's advocacy toolkit is simple: It's you. Your experience, expertise, and economic impact is more powerful than any lobbyist who is in front of your local, state, and federal representatives and policymakers. In 2019, ETA will host fly-ins, policy days, spotlight calls, lunch and learns, and meetings with policymakers. The participation of our members—by attending our annual Payments Fly-In on Capitol Hill and FinTech Policy Forum in DC, joining the ETA Government Affairs Committee, speaking on a panel, learning more about the ETAPAC, or just introducing yourself to your elected officials—is critical to our mission as we head into 2019. ***TT***

Scott Talbott is senior vice president of government affairs at ETA. For more information, please contact Talbott at stalbott@electran.org or Grant Hannah, government affairs coordinator, at ghannah@electran.org.

Fighting Fraud and Securing the Payments Landscape

A look at ETA's new Self-Regulation Program

By Amy Zirkle

While technology, disruption, and innovation create tremendous opportunities for the development of new products and services for the payments industry, at the end of the day, ensuring the deployment of sound risk management policies remains critical.

As the global trade association for the payments technology industry, ETA takes seriously our charge to lead and encourage members to grow the industry responsibly and work continuously to improve security and reduce risk in the payments ecosystem.

ETA provides a roadmap for risk compliance when working within the payments industry in the form of guidelines and best practices built for, and informed by, payments companies working in the acquiring space and the sales channel. ETA's "Guidelines on Merchant and ISO Underwriting and Risk Monitoring" and "Payment Facilitator Guidelines," both updated in 2018, are the tools payments companies can use to ensure sound risk management for activities like onboarding merchants and third-party organizations. The guidelines were developed by voluntary working groups of ETA members who provided input on policies and procedures that prevent and avoid illegal or fraudulent acts that harm consumers and the payments industry. The guidelines, fundamentally grounded in existing governmental regulations, card network rules, and industry best practices, take a holistic view of modern underwriting structures that account for innovation.

Earlier this year, the association introduced the ETA Self-Regulation Program (SRP), which was born out of our mission to create a secure payments ecosystem. ETA SRP harnesses ETA's guidelines in a new and innovative way by creating a means for those who underwrite ISOs to self-attest that they are following the guidelines.

ETA SRP is an opportunity for ISOs, payment facilitators, and acquirers who engage in underwriting merchants and ISOs to earn a seal of attestation that demonstrates to the entire ecosystem an adherence to ETA's "Guidelines on Merchant and ISO Underwriting and Risk Monitoring" or "Payment Facilitator Guidelines." The program is designed to be the leading indicator of industry integrity.

The process of attestation is customizable, collaborative, and powerful: Companies seeking an ETA SRP designation apply, provide basic due diligence materials, and attest to ETA that they have adopted and are utilizing ETA's applicable guidelines. Experts will vet the participants, verifying their standing as responsible, adherent participants in our industry. The names of companies that successfully attest to the guidelines will be published and presented to federal regulators as trusted participants in the program. Companies will also earn an exclusive ETA SRP seal, the mark of responsible risk management and adherence, to display on their websites and materials.

The effect of the ETA SRP seal is even more powerful: a single, unifying mark of due diligence and sound risk management, recognized across the ecosystem. As our industry grows, undergoes change, and broadens the products and services it offers to consumers and merchants, ensuring absolute attention to detail is taken in risk management and keeping a high standard of industry practices are essential to fight fraud and bad actors. The attestation highlights positive, diligent leaders in the ecosystem and encourages partnerships built on the mutual trust of ETA SRP.

Companies who earn ETA SRP attestation can demonstrably show their partners, customers, and competitors that they adhere to a rigorous, respected, and responsible set of guidelines. ETA SRP is a powerful tool for building trust and promoting industry self-regulation in a growing ecosystem

The industry has responded with enthusiasm to this program. In September, Global Payment Inc. CEO Jeff Sloan said the ETA SRP "represents a tangible step taken by the payments industry to ensure stakeholders are committed to utilizing best practices." At ETA's Strategic Leadership Forum in October, Worldpay CEO Charles Drucker similarly praised ETA SRP during his keynote address for its new and important role in facilitating and promoting the industry's role in self-regulation.

Risk management is not something the industry can take lightly. It is essential to maintaining industry integrity, implementing protection from fraudsters, and encouraging innovation. ETA SRP is a critical step toward a better, safer ecosystem. ***TT***

Visit electran.org/SRP for more information and to begin attestation. Participating companies are eligible for invitations to special presentations at ETA events, discounts on ETA educational programs focused on risk management and security, and discounts on services from selected ETA member legal firms. The opportunity is available to any third party in the payments ecosystem that underwrites either merchants or ISOs.

Amy Zirkle is vice president of industry affairs at ETA. Reach her at azirkle@electran.org.

eta HALL of FAME

Celebrating the advocates and innovators of the electronic payments profession

By Josephine Rossi and Christine Umbrell

EIGHT visionaries within the

electronic payments industry were honored as the inaugural class of ETA's Hall of Fame in October. ETA established its Hall of Fame to recognize the achievements of professionals from all corners of the industry who have made significant and lasting contributions to the payments world. The inductees were honored at the ETA Hall of Fame Breakfast, presented by Visa, during ETA's Strategic Leadership Forum in Dana Point, California.

These individuals—early pioneers of electronic payments and practicing professionals recognized as game changers—have all made important contributions to the industry and have helped drive positive change to the economy.

CHUCK BURTZLOFF

"Streamlined merchant boarding" and "omnichannel commerce" are common concepts for today's payments professional, but for Chuck Burtzloff, these notions were top of mind more than 30 years ago when he launched what would become a legacy business and famous career in the industry.

Burtzloff started Cardservice International (CSI) in 1988 in his living room alongside his wife, Lisa, with the idea that an easier account-approval process, sales support, and quality risk management would bring more sales agents into the fold. That idea paid off. Within 10 years, Burtzloff had grown the company into one of the largest privately owned businesses in the industry, processing every type of electronic payment method at that time—including credit, debit, electronic benefits transfer, and electronic checks—for tens of thousands of merchants. By 2001, an industry trade publication reported CSI as servicing 200,000 merchants and 125 million transactions annually with the help of 800 employees and 2,500 sales agents nationwide.

With a reputation as having "one of the most sophisticated, state-of-the-art exception processing and loss prevention systems in the industry" and "best practices in meeting the needs of its non-face-to-face, internet, and traditional merchant clients," CSI captured the interest of First Data, which acquired 50 percent ownership interest in CSI in 1997 and full ownership interest at the end of 2001, according to a First Data press release at that time.

"The combined strength of First Data and Cardservice will enable us to deliver specialized payment-processing solutions to a broader base of merchants," said Pam Patsley, then president of First Data Merchant Services and senior executive vice president of First Data in the same release. "This acquisition augments First Data's core strengths with Cardservice's unique business model and specialty services such as sales support and risk management. That includes capitalizing on the highly successful Cardservice network of sales agents."

"He was ahead of his time," said John Barrett, president of NXGEN Payment Services, who served on the Hall of Fame Nominating Committee and who introduced Burtzloff during the breakfast event. Calling Burtzloff "a visionary who took advantage of a new technology [the internet]," Barrett credited him with the development of an online application process in the early 2000s that "basically opened up the e-commerce world to payments" and "clearly paved the way for the industry going forward.

"There are a lot of people in this room and in this industry who are alumni of Cardservice International, and a lot of people in this room would not be here, or not be as successful, in this industry if it were not for Chuck and for Cardservice International," Barrett told the audience. "That program that he developed as a model—even today a lot of companies try to emulate and try to copy, to be as successful as Chuck."

DIANE FARO

With more than 40 years in the financial services industry, Diane Faro, CEO of JetPay, has made a career out of strategically growing companies and compassionately leading people, and her work has touched nearly every aspect of the payments industry.

Like other inductees, Faro has witnessed great change over the years. She started her career in the 1970s at First Chicago Bank, where she was offered a position in the payments division. At that time, the business was "paper intensive," she says. But over the years and with the electronification of payments and the advent of e-commerce came opportunities. Faro made early inroads with large Fortune 500 companies, such as Walmart and Starbucks, and she used her payments acumen to collaborate with them and implement electronic payments acceptance for their customers.

Those relationships became a pivotal part of Faro's thriving career, which has spanned a number of organizations. For five years, Faro was CEO of Chase Merchant Services. Later, in 2002, she moved to First Data, where she was president of the Alliance Group for First Data Merchant Services and was responsible for annualized revenues in excess of $600 million on processing volumes of $350 billion. In 2005, she advanced to the role of president of Global Merchant Services when she oversaw more than $1 billion in annualized revenues at First Data. Prior to joining JetPay, Faro was president and partner of National Benefit Programs, which provides brand loyalty and discount programs for small- and medium-sized businesses. She also served on advisory boards for Visa and Mastercard and held board positions with Merchant Link and Front Stream Payments.

Beyond providing strategic direction for payments companies, Faro's influence has affected industry nonprofits. She served as a board member for ETA for nine years, including her tenure as president in 2004-2005, when her decisions during that time are credited with setting the foundation for the organization's growth.

Faro also is passionate about leadership development, with a special focus on mentoring and advising professional women, and she is a cofounder of Women Networking in Electronic Transactions.

"It's a hard balance—life and work," she says. "I was aggressive and wanted to grow my career, not just be working a 'job' … I always tell young women to prioritize what's important to you. You need to be aggressive, yes, if you want to grow in your career, but especially today, you can balance both a lot better than you could decades ago."

Faro also is profoundly grateful to the colleagues and mentors she's had along the way. "I always believe we're a team. We're not an 'I.' I've had some great leaders in my career who helped me get to where I'm at today, and I'm thankful for them," she explains.

"No one accomplishes everything that Diane has attained without significant business and interpersonal talent," said Holli Targan, partner at Jaffe Raitt Heuer & Weiss and a member of the Hall of Fame Nominating Committee, when introducing Faro at the breakfast event. "But it's really her personal touch that sets Diane apart from others. She has that unique ability to bring out the best in everyone around her, allowing them to shine and reach their full potential. Her influence on the many organizations she has worked with creates an enduring legacy on the payments industry."

PAUL GARCIA

Among Paul Garcia's greatest contributions to the payments industry was his leadership during a time of unprecedented international growth. During his 12-year tenure at Global Payments Inc., Garcia spearheaded expansion that grew the company from a $300 million spinoff of National Data Corp. to a $2.5 billion global payments processing giant, with 3,700 employees in 26 countries.

The fast pace of growth at Global Payments stemmed from a recognition of "dramatic opportunities" outside of U.S. borders and an understanding that many financial institutions were not yet maximizing their potential. So, Garcia and his team focused on banks and expanded into Canada, Europe, the Asia-Pacific region, and beyond—ultimately building the company into a high-profile provider of electronic transaction processing services for merchants, ISOs, financial institutions, government agencies, and corporations.

In addition to seizing opportunities, Garcia has been able to see "the bigger picture" and become proactive when faced with change. When expanding overseas, for example, Garcia studied the cultural differences, adapted to language and time zone challenges, and hired local managers for Global's international businesses. "The important thing is to hire good people" and give them objectives, he says.

Under Garcia's leadership, Global Payments became a preeminent payments processing force. He presided over the company's IPO and led a mergers-and-acquisitions foray into software markets that substantially changed the payments landscape. In 2017, an investment analyst called Garcia's acquisition of APT in 2012 a "milestone event" in payments technology, embedding payments processors and merchant acquirers into their clients' workflow through value-added resellers (VARs) and independent software providers (ISVs). He was named one of the "Best CEOs in America" five times by *Institutional Investor* magazine.

Before driving international growth at Global Payments, Garcia contributed to the success of several other payments companies. He says he "grew up with" payments as a teenager, hearing about the business from his father—one of the early innovators at American Express and Diner's Club. After college, Garcia took a job at Citi and eventually held positions as CEO of NDC eCommerce, a division of National Data Corp.; president and CEO of Productivity Point International; group president of First Data Card Services; and CEO of National Bancard Corp.

Garcia believes the payments space is a "great business to be in," citing several factors as reasons why this "fantastic" industry will continue to be successful: "There's inherent growth and great cash flows, you get your money right away, and it's almost all recurring revenue," he says. Garcia acknowledges that growth through acquisition has become more challenging recently. "It used to be that prices were so good, you could expand easily. It's gotten tougher now—so you really need to have a good plan in place to execute," he says.

Adaptation will continue to be important in the payments business, predicts Garcia, who retired from Global Payments five years ago, leaving the company "in excellent hands with Jeff Sloan at the helm." Garcia continues to have a "passive involvement" in the industry, while dedicating more time to his family.

Looking to the future, he believes that "we'll be paying for things differently" as new technologies propel the industry forward, and disruptors—for example, digital currencies—make their mark. "I'm not sure how people will be paying for things in the future," he says, "but I know they will be paying for things," so payments professionals who evolve will be best positioned to succeed.

ETA HALL of FAME

DEE HOCK

As the creative mind behind the development of Visa, Dee Hock is a perfect candidate for an inaugural inductee into the ETA Hall of Fame. The founder and former CEO of Visa International, Hock is credited with creating the business that, since its founding 48 years ago, has grown into the largest system for the exchange of value in the world.

In the late 1960s, Hock was working as vice president at a licensee bank of Bank of America in Seattle. At that time, the credit card industry was in an early phase of disarray. Bank of America had just started licensing BankAmericard, and groups of banks had formed to issue MasterCharge. Other banks had started issuing their own cards with proprietary logos. With so many cards being issued under different names, the systems in place to exchange and verify transactions were chaotic.

Executives at Bank of America called a meeting to determine how to improve transaction systems and improve its brand. Hock—a frequent critic of hierarchical organizational structures—attended the meeting and suggested studying the issues in a more systematic manner; he was tapped to chair a committee to do just that.

The committee spent a week rethinking the system, ultimately agreeing to create an entirely different type of organization: a nonstock, for-profit membership corporation with ownership in the form of nontransferable rights of participation. In 1970, the BankAmericard system passed to a new entity, National Bankamericard Inc. (NBI), with Hock installed as president and CEO. He is credited as the architect of the modern payments infrastructure, having played a central role in organizing banking leaders around a common effort at facilitating global transactions. Under NBI, which changed its name to the simpler "Visa" in 1976, banks participated in a common clearinghouse operation and were encouraged to compete and innovate.

While the card brand grew quickly under his leadership, Hock resigned from Visa in 1984 at age 55. He has spent time since then developing new models of social and business organizations; he also founded the Chaordic Alliance, a group that develops and implements new concepts of organization. He was inducted into the Business Hall of Fame in 1991 and the *Money* magazine Hall of Fame in 1992. He has said he still spends time thinking about how to create a global governing force and a truly global currency.

During a recent interview with Visa CEO Al Kelly, published in *Visa at 60: A Digital Odyssey*, Hock recalled that his business decisions while working at Bank of America and Visa stemmed from his desire to get at the core meaning of all things—including money and credit. "I would ask myself questions like: Why do we call it a credit card? What exactly is a bank? What is money? What does the consumer really need?" he told Kelly. "It occurred to me that money was nothing but alphanumeric data. Well, that, and trust. And that one day currency would be held not in paper form, but in the form of arranged electrons and photons, and they would move around the world at the speed of light." Hock's early musings show what a true visionary he was—foreseeing the rapid transformation of the electronic payments industry.

JOE KAPLAN

"Trailblazer" is the word most commonly used to describe Joe Kaplan. A trendsetter in building sales channels, Kaplan was serving as CEO at Paya when he passed away unexpectedly in July. He was the first to create the agent or "merchant-level salesperson independent agent channel," according to Greg Cohen, president of Paya. Kaplan was "a serial innovator in the payments business" and among the first to recognize the value of integrated payments and connected services bringing payment processing to software solutions, says Cohen. He saw endless opportunities to be different and create products and services that allowed companies to sell value instead of price.

Kaplan's career in payments began a few years after graduating from the University of California–Los Angeles, when he took a sales job at Cardservice International while enrolled in law school. He found his true calling in payments, quit law school, and soon left Cardservice to co-found Superior Bankcard Services (SBS) with Tim Jochner in 1994. Kaplan embraced technology and grew SBS to become the 12th largest nonbank acquirer in the United States within a year. Kaplan and Jochner sold SBS in 1998, then launched a new payments company—Innovative Merchant Solutions, which was successful in its own right before being purchased by Intuit in 2003. Kaplan remained in a leadership position with Intuit for five years. In 2012, Kaplan was hired as CEO of Total Merchant Services, overseeing tremendous growth until the sale of the company to North American Bancard in 2017. In September 2017, Kaplan was brought in as CEO of Sage Payment Solutions by private equity firm GTCR. He led the company's rebrand to Paya and was serving in that position at the time of his death.

Kaplan was "larger than life," according to Cohen. He was "transparent, with no hidden agenda," was generous in offering free advice, and created a culture of community at his companies. "He built teams through connections and implemented his famous 'Meet 3's,' where each week employees were encouraged to meet three new people within the organization to build deeper relationships," says Cohen. Kaplan was known to "blur the lines between work and family," by bringing his family members to company and industry events—and bringing many of his work team into the fold he considered "family."

A passionate volunteer, Kaplan gave back to the payments industry and mentored many of today's payments leaders. He served on the ETA Board of Directors from 2000 to 2008 and as president from 2006 to 2007. He rejoined the ETA Board as an advisor in 2014. Kaplan also was an active member of several card network forums, including the Discover Acquirer's Council. He was recognized with several awards during his career, including the ETA Distinguished Payments Professional and the 1998 Ernst and Young Entrepreneur of the Year awards.

Kaplan was well-known for fostering relationships throughout the payments industry, with colleagues and competitors alike. "A guy who could build relationships like Joe, in a business that is so high-touch," was a "perfect fit" for the payments industry, says Cohen. "If the payments industry could have a rock star in it, Joey would be it."

Editor's Note: To memorialize and honor his legacy, three payments companies—Paya, Global Payments, and North American Bancard—have joined forces in creating the Joe Kaplan Scholarship. The award will provide one exemplary leader from ETA's membership registration to all ETA events, along with a comprehensive suite of education and mentorship opportunities in the payments industry.

ED LABRY

A champion of innovation and visionary leader, Ed Labry is a well-respected, life-long payments professional who has been part of the industry since the age of 16.

Those who know him best professionally describe him as an "unwavering leader," a "generous colleague," and a "lover of life," whose 34-year career has been propelled by a strategic focus on success.

"Never, ever has the man ever heard 'no,'" said Kim Fitzsimmons, president of Merchant Services Corporate and Investment Bank at JPMorgan Chase & Co., during her introduction of him at the Hall of Fame breakfast event. "He was always going to find a way, above, around, or through, to accomplish. He always led with integrity and dignity."

Labry joined Concord EFS Inc., a high-growth processing company, in 1984 and is probably best known for his role as president of Concord when it was acquired by First Data in 2004. During his tenure at Concord, Labry was integral in the acceptance of credit and debit cards in the supermarket and quick-service restaurant industries. "You could not use your credit card in a supermarket in 1985. Now, over 80 percent of the payments in supermarkets are electronic," he remarked during his acceptance speech.

Labry also led the movement for pay at the pump technology in 1993 and guided Concord through a series of strategic purchases, culminating with the acquisition of ETF operator Star Systems Inc. in 2000. At that time, Concord already owned the MAC network, which was processing 1.9 billion transactions, according to the *LA Times*. The move consolidated the PIN-based networks under the STAR Network brand name and accelerated ATM placement and acceptance of PIN-based debit at the point of sale. The transactions bridged the gap between retailers and banks, creating a lower cost of payment at the point of sale and generating new revenue for financial institutions. Under Labry's leadership, STAR quickly became the largest PIN-based network in the United States. It remains the second largest ATM network in the country today.

After First Data's acquisition of Concord, Labry took a number of leadership positions with the company. In 2006, he took the helm as president of First Data's Retail and Alliance Services division. In 2011, he became president of its North American branch. In 2013, he served as interim CEO and was vice chairman when he left the company in 2014.

Labry attended the University of Alabama and graduated from Cumberland University. In 2002, Cumberland honored him with the Award of the Phoenix, the school's highest honor. One year later, he was presented with an honorary doctorate for his role in helping develop and advance Cumberland's business school and master's degree program.

Labry has received various awards and honors in the payments industry, including the first-ever Distinguished Payments Professional of the Year Award by ETA in 2007.

Looking to the future, Labry sees industry growth potential in a number of technologies, including cryptocurrencies, international transfer systems, and B2B payments. "If you think about the industry and the antiquated payments with big companies and especially old companies, there's this great opportunity to affiliate yourself with a bank and actually even give them rebates associated with B2B as it automates going forward," he said.

FRANK MCNAMARA

Considered by many to be the original credit card payments innovator, Frank McNamara conceived and executed an idea—Diners Club—that established the first credit card as a fixture of American consumer life. According to the well-known "First Supper" legend, McNamara, a New York businessman, was dining with clients in 1949 when he reached for cash to pay the check and realized that he had left his wallet in his other suit. "It was then that Frank imagined a simple, yet entirely new, idea—one charge card to be used to pay the bill at many restaurants," explains Sheryl Yasger, vice president of brand marketing for Diners Club International.

In 1950, McNamara officially launched the first multipurpose charge card when he and his attorney, Ralph Schneider, founded Diners Club International with $1.5 million in initial capital, according to Paying With Plastic: The Digital Revolution in Buying and Borrowing. Soon after, Alfred Bloomingdale joined the venture. The company's name came from serving a "club of diners," with membership allowing patrons to settle their bills monthly.

Early on, McNamara convinced many restaurants in lower Manhattan to sign on to allow cardholders to use the Diners Club card at their establishments. As the first independent credit card company, McNamara's organization brought everyday Americans access to credit in the form of a charge card that could be used at a network of merchants. Club members could charge for food and services at designated establishments and delay payment until the end of the month. Members initially paid $3 per year for the card's service, along with a 7 percent interest rate for every charge, according to the blog "Frank McNamara and the Credit Card." Within the first year, Diners Club grew to include 44,000 cardholders and was accepted at 400 restaurants, 200 rental car agencies, five florists, and 30 hotels, says Yasger.

While the idea behind Diners Club caught on quickly, with several companies launching similar cards, McNamara left the company in 1953 when he sold his part of the business to Schneider and Bloomingdale. He passed away four years later.

Diners Club continued to grow at a quick pace and was committed to many of the same principles first put forth by McNamara. By 1958, the organization had enlisted 19,000 businesses across 76 countries. The first plastic Diners Club card was introduced in 1960.

Today, the company continues to honor McNamara's "spirit of pioneering thought and innovation," says Yasger, by focusing on meeting the individual needs of both the cardholder and the merchant. Diners Club International was acquired by Citigroup in 1981 and by Discover Financial Services in April 2008, and it continues to offer personalized member services.

"Through his industriousness and business acumen, Frank took a pain point and created a meaningful solution," says Yasger. "Frank's insight became the genesis of modern purchasing power, and he forged an entirely new financial industry, while propelling many other industries along with it."

DEBRA ROSSI

Hailed as an innovator of e-commerce and payments leadership, Debra Rossi has forged a career in payments that almost wasn't. A radio and television communications major in college, Rossi took a "temporary" job in a bank early in her career, and the rest, as they say, is history.

"I think what kept me with it is that [the profession] was constantly changing. And if you had the courage and fortitude, you could be part of that change," she says.

That persevering attitude propelled Rossi into strategic leadership positions at Wells Fargo Merchant Services. During her tenure, she was among the first to recognize the convenience of electronic payments and was instrumental in launching the first U.S. POS debit and credit solution for a grocery store in 1988 and for Carl's Jr. quick-service restaurant in 1989.

Several years later, Rossi again was at the forefront of the industry—this time helping entrepreneurs accept online payments. In 1995, she led Wells Fargo in becoming the first bank to process a secure credit card transaction on the internet for the California-based wine seller Virtual Vineyards. In 1998, she collaborated with eBay to create a joint venture called Billpoint, the original payments machine for eBay. Although eBay eventually bought out Wells Fargo's stake in the company in 2002 and replaced it with PayPal, Rossi says the experience was just "one of many innovative opportunities" she was afforded over the years.

Rossi eventually left her post at Wells Fargo to become vice chair at First Data, but she continues to be inspired by the dynamic pace of the payments business. These days, she's helping evolve First Data into a better payments solution/technology company. "We are working on a lot of innovation around security and payment ease, efficiency, and enabling businesses, ISVs, and aggregators to grow their businesses," she explains.

Given the rapid change in today's payments world, Rossi says becoming a subject matter expert, particularly in risk mitigation, is an imperative. "You have to know your stuff. … This business is not for the faint-hearted. It is complicated. It is tough," she says.

She also advises young professionals to acquire the leadership skills necessary to build not only strong teams but also individual talent. "If you have the leadership qualities, and you develop those over time—nobody teaches you those—you can lead people to greater things."

And she should know. Rossi has been the recipient of many leadership and outstanding service honors, both inside and outside of the payments profession. Among them is ETA's highest honor, the Distinguished Payments Professional Award. From 2011 to 2013, she was included in a group of Wells Fargo executives named as a "Top Team" by American Banker. She also has served on ETA's Board of Directors and was its president in 2015. In 2016, Rossi received the Women in Payments Distinguished Payments Professional achievement award.

Yet, it isn't the accolades that Rossi finds the most gratifying aspect of her successful career; it's the personal connections that she's made along the way. "Putting my hand behind me and pulling the people—mostly women—ahead, and giving them an opportunity—that's what I'm most proud of," she says. Rossi looks forward to the future and watching her own daughter's career in payments progress as she works to change the business "beyond that we both could have imagined." ***TT***

Josephine Rossi is editor and Christine Umbrell is a contributing writer to Transaction Trends.

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GOING GLOBAL at Home

How U.S. merchants are attracting foreign consumers with payments tools and services

By Michael Coleman

As an ambitious restaurateur in San Francisco's bustling Pier 39 tourism mecca, Bob Patrite was eager to tap into the ever-expanding pipeline of Chinese visitors who pour into the cosmopolitan city each year.

In July, Patrite found a way to do just that—and he barely had to lift a finger. That's because global corporate giant Alipay, a digital payment platform operated by China's Ant Financial Services Group, announced a partnership to create a seamless payment experience for Chinese travelers visiting Pier 39.

Now, Patrite's restaurant, Fog Harbor Fish House, is one of 40 businesses ensconced in the iconic retail, dining, and entertainment destination that offers its Chinese patrons the opportunity to pay with Alipay. The mobile app also offers Chinese travelers the ability to hail an Uber car and book Air BnB's accommodations, while also receiving promotional discounts and suggestions about the best places nearby to shop, eat, and play.

"It's more than just a payment tool," Patrite explains. "It can also be used as a search and discover tool to find and look at businesses. I saw that as a marketing tool to put our store in front of potential guests prior to them even coming to the country. It allowed me to do some marketing in an environment that is sort of foreign to me, so to speak."

New Preferences

Alipay's growing presence in the U.S. marketplace reflects a larger trend of American merchants aiming to capitalize on ex-

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"I DON'T BELIEVE IN THE LUXURY ANYMORE TO JUST SELL DOMESTICALLY. I THINK **IT'S A REQUIREMENT TO UNDERSTAND THE GLOBAL MARKET** AND BE ABLE TO SELL TO GLOBAL CONSUMERS."

—CLEVELAND BROWN, PAYSCOUT

panding retail and travel markets from China, South America, Europe, Australia, and beyond. Founded just three years ago, Citcon is a rapidly growing cross-border mobile payment and marketing platform that connects brands with Chinese consumers. Citcon integrates different payment forms, including Alipay, WeChat Pay, and China UnionPay, for U.S. merchants.

Evelyn Yang, marketing director for the Santa Clara, California-based acquirer, says international travel trends are dictating a new payment reality for merchants hoping to capture Chinese shopping dollars. Meanwhile data from eMarketer indicates that more than 525 million people—roughly 45 percent of the Chinese population—will use mobile payments in 2018. That number will increase to more than 577 million consumers in 2019.

"There is a push from the consumer side," Yang says, noting that U.S.-based merchants—both online and brick-and-mortar—are starting to see Chinese shoppers leave the point of sale when they're told they can't use a familiar payment platform displayed in their native language such as Alipay, WeChat, or UnionPay.

Chenni Xu, a spokeswoman for Alipay, says her firm's research shows that 4 million Chinese tourists visit North America annually and spend \$4,000 to \$5,000 each, excluding airfare and hotels. The spending sprees total about \$16 billion per year, with much of it concentrated in New York, Los Angeles, San Francisco, Boston, Vancouver, and Toronto.

U.S. merchants that aren't adapting to offer cashless or cardless payment alternatives for their shoppers could be missing out on potential business, especially as the trend accelerates, according to Xu. "Chinese are huge on cashless payment. They aren't used to carrying cash or even credit cards anymore."

Of course, Chinese citizens aren't the only people with deep pockets who like to travel the world on shopping sprees and spend money online. Just ask Cleveland Brown, CEO of Payscout, a U.S.-based merchant services provider specializing in card-not-present transactions that allow merchants to accept credit cards and electronic check payments through their websites and mobile devices.

Brown says that Payscout is actively involved in helping U.S. merchants cater to Brazilian shoppers online. But it hasn't been easy. Brazil's closed-loop network policy, which restricts Brazilian cardholders to only using their credit/debit card within the country, creates a major impediment for retailers outside the country hoping to capitalize on Brazil's immense spending power.

Payscout Brazil, a Payscout Inc. subsidiary, acts as a pipeline between merchants and the regulatory red tape. Through its payment network, online retailers can receive direct payments from cardholders in Brazil—a workaround of sorts.

E-commerce sales in Latin America as a whole are expected to grow more than 5 percent this year, reaching nearly \$2 trillion, making it the fourth largest retail market, according to eMarketer. Brazil alone will account for almost one third of those sales.

Brown says more and more U.S. companies are clamoring for help in tapping the vast potential of such foreign markets, and payment companies are jockeying hard for a piece of the action. "It's very competitive, and it is getting more intense from different companies really wanting to provide this value-added solution to merchants that are now requiring it," he says. "I don't believe in the luxury anymore to just sell domestically. I think it's a requirement to understand the global market and be able to sell to global consumers, because the competition from a merchant perspective is moving out of the domestic realm, especially with the access you have from an e-commerce perspective."

But Brown and other payments experts interviewed say merchants can't expect to simply jump into foreign retail waters unprepared. "We begin by educating the merchant on cultural alignment," Brown says. "As a payment ingenuity company what we're really concerned with is cultural alignment to make sure we eliminate payment friction. It is making sure you enable local payments types to occur.

"We want to give the merchant that education from a payment perspective and make sure the (currency) conversion is there, so they can focus on their products and services," Brown adds. "Fundamentally, what a merchant should think about is, 'How are my products and services aligned with this international clientele? Do I have the right pricing, do I have the right feature sets in certain markets and even understand how people purchase in certain markets?'"

Cultural alignment also can mean adapting to retail norms of foreign shoppers. For example, in Brazil installment payments are common, but they're almost nonexistent in the United States. By understanding local payment types and how they work and offering them, merchants can establish a higher level of trust with the foreign consumer, says Brown.

More Than Mobile

In 2017, Payscout added a cutting-edge payment tool to attract global shoppers: virtual reality (VR). Consumers can now don a VR headset to shop in 3-D and make purchases from U.S. merchants without leaving their country. The Payscout VR Commerce app is integrated with Visa Checkout and allows users to make payment within the service. Once a consumer accesses a participating store, he or she can explore products interactively by rotating items, enlarging, and viewing in greater detail.

The app also includes a menu-driven checkout experience, which securely confirms the user's purchase and incorporates the payment credentials and shipping details from Visa Checkout. After the payment is processed, the system triggers an interface to the merchant's fulfillment center with all the order details.

"The Chinese are the biggest consumers of virtual reality content," says Brown. "The fact at we are one of a handful of companies who are principal members of UnionPay allows us to transition our U.S. merchants to offer services to Chinese consumers in VR in their local payment types and currency."

At press time, Mastercard announced the launch of a similar 3-D shopping experience in partnership with tech firm Next Retail Concepts. The first use of the virtual shopping service was with premium retail brand Fred Segal at 29Rooms in Los Angeles in December, with further expansion on the horizon.

Another tool for making the shopping experience easier for foreign consumers is dynamic currency conversion, in which the transaction amount is converted by a merchant or ATM to the currency of the payment card's country of issue at the point of sale. DCC, as it is commonly called in industry parlance, is a necessary tool in luring foreign shoppers, according to Brian Frey, vice president of global currency solutions at First Data Corporation, which offers the service.

"As the global expansion in e-commerce continues to evolve and take shape, shoppers want the ability to understand what they are purchasing in a currency that makes perfect sense to them," Frey says. "They want to have full transparency, and they want to understand what is going to hit their credit card statement. Whether you are talking about high-end retail or even discount, it's really a viable product for both."

A study of cross-border shopping habits by PayPal seems to indicate this. The survey of 34,000 consumers in 31 global markets showed that three in four would prefer to have an option to pay in local currency, and six in 10 check conversion rates before paying.

"When you offer pricing in a currency that is not the native currency of the cardholder, it's like speaking a different language—it really is," Frey adds. "If you're not speaking the language of that cardholder in an e-commerce environment, it could mean they decide not to make a purchase, or maybe they're interested but they bail out."

Frey contends that DCC is indispensable for U.S. merchants setting their sights abroad, but the service also has been criticized for lack of transparency and high consumer fees.

DCC is only available as a service when a merchant signs up for a service with an acquirer, according to Frey. The acquirer is mandated by card association rules to register each merchant offering DCC and to have the solution certified by the card brand. Each acquirer offering DCC may operate its solution/offering in its own way; however, each must meet very stringent rules specific to disclosure, choice, transparency, and more, Frey explains.

Market Potential

Canada, the United Kingdom, and Australia currently offer the biggest U.S. cross-border growth potential for e-commerce, according to market research by shipping and e-commerce firm Pitney Bowes. But the research also shows significant opportunity in Brazil, Germany, China, and Australia. Southeast Asia also shows strong promise, especially Indonesia as the government is loosening restrictions on foreign investments, and its massive population is gaining spending power and increasing internet access. Meanwhile, Mexico is a U.S. retailer's best bet for expansion in Latin America, due to its stable economy and rising middle class, the report found.

Looking toward the future, Brown says he expects Asian countries generally to provide U.S. merchants with robust revenue opportunities both through e-commerce and tourism. "If you're looking at global consumption you can't ignore Asia," he says. "You can't ignore 6.6 billion cardholders."

He also says the European Union and Canada, while more competitive for U.S. merchants, offer attractive opportunities. "It's very similar in terms of consumer expectations, and it's an easy transition for U.S. merchants to sell to Canada," Brown says. "It's an easier transition to sell into Europe than it is into Brazil or China."

Tedd Huff, vice president of product for Nuvei, a provider of technology-driven global payment processing solutions, advises payment companies hoping to help merchants sell products abroad or attract foreign shoppers in the U.S. to specialize.

"If you want to lure the foreign shopper, choose a region," Huff says. "Pick a region and become extremely proficient in that region. If Central and South America is where you're going to kick butt, then focus there and be sure you have the best product offering in that market. If you want to do what everyone else has done and follow the English-speaking international countries then you can do that too, but it's a lot more difficult because there is more competition.

"If you think you're going to pick up the Chinese market, I suggest a lot of research because although it sounds great, the expenses and the way you have to set up and configure everything to really hit that market in that country is difficult," Huff adds.

With e-commerce exploding globally and more and more American merchants and payments companies hoping to capture the lucrative international market in their domestic brick-and-mortar stores, experts advise doing a lot of homework first. More practically, it means adapting technology used by consumers in the country you hope to target, adopting a mobile-first strategy in targeting these consumers, allowing flexibility in payment types, and offering deals they can't find anywhere else. ***TT***

Michael Coleman is a contributing writer to Transaction Trends.

The Check's Not in the Mail

Why ACH is best for optimizing the B2B payment experience

By Pirooz Abir

Jirsak/Getty Images

Professionals in the payments industry spend a lot of time thinking about how to improve the payment experience for merchants that serve end consumers. Those efforts have led to rapid and transformative innovation for consumers. But, there is tremendous opportunity in the realm of business-to-business (B2B) payments—and one that remains largely untapped. Consider this: In 2016, consumer payment volume (the money consumers paid to businesses through electronic means) in the United States totaled about $5 trillion; B2B payment volume was $18.5 trillion, over three times more, according to research conducted by Business Insider Intelligence. This article is the third in a series of articles created by the ETA Technology Committee on the widening range of options for merchant service providers that serve—or seek to serve—businesses that predominantly pay other businesses.

Automated Clearing House (ACH) payments are one such tool that can help modernize and streamline business payment processes, and they are especially well-suited for companies that rely primarily on checks. Data from the Association of Financial Professionals (AFP) shows that half (51 percent) of B2B payments in the United States are made by check, a 1 percent increase over 2013 rates. More worryingly, checks are the most commonly targeted payment method or rail when it comes to fraud (wire transfers came in second), with 71 percent of companies surveyed by AFP reporting that they experienced actual or attempted check fraud. There is a strong incentive to transition businesses away from using checks and toward a safer payment method. ACH payments can help bridge that gap.

An ACH payment is initiated when the customer authorizes an originating institution or business to debit directly from the customer's bank account. As a consumer, you may recognize ACH payments from your electronic bill statements. Businesses that use ACH payments tend to have more flexibility and control over their payment terms. LiquidInvoice, for instance, allows its ACH clients to offer incentives for early payment. By charging a flat fee per ACH transaction—rather than a percentage of the total transaction value—LiquidInvoice creates an incentive for companies to use its services for larger payments and transfers.

Two verticals in particular are a good fit for ACH payments and the benefits they offer: manufacturing and nonprofits. Data from Deloitte shows that manufacturing is responsible for nearly 30 percent of B2B payments. Smaller manufacturers—with revenues between roughly $8 and $50 million—tend to deal with cumbersome legacy accounting systems that prevent them from getting invoices out on time and staying on top of their outstanding payments. With ACH payments, they can set the net terms and provide incentives for early payment. Because ACH payments create an electronic record, it is much easier for such businesses to track their payments and send automatic reminders when payments are due. Businesses also can elect to pass the ACH processing costs onto their clients by including them as a fee on their invoices.

Nonprofit organizations, too, benefit from the increased automation, control, and peace of mind that ACH payments offer. They can integrate their payments systems directly with their CRM (Salesforce, for example), instead of having to manually enter and track check numbers. LiquidInvoice's system uses artificial intelligence to calculate tax rates for different types of donations and nonprofit services, even on the same invoice. And of course, the flat fee per transaction encourages higher donation amounts.

Most acquirers offer financial incentives to companies that switch to their B2B payments platform—in some cases, for instance, business customers are eligible for a bonus when any of their clients adopt the new system. In other cases, they may receive a small percentage of those transactions. This can be a lucrative option for many businesses, especially because a survey by the National Automated Clearing House Association (NACHA) and the Credit Research Foundation (CRF) found that about 50 percent of accounts receivable (AR) professionals have some customers that do not have ACH capability. Business customers tend to be the best possible advertisement for B2B payment platforms and services; by streamlining the process their clients use to pay them, business customers can showcase the benefits of the platform in action.

ACH isn't the ideal solution for all businesses, but it is well-suited for several specific verticals. Like so many other sectors of the payments industry, B2B acquiring isn't about finding the perfect, one-size-fits-all solution to every single customer issue. Rather, thanks in part to the rapid pace of evolution in payments, B2B acquirers must act more like consultants and help their clients identify and customize a solution to their specifications—and the right solution will almost certainly vary from case to case. The main alternative is to compete primarily on price and lower your prices when a cheaper competitor emerges. That approach leaves most of your business's success in the hands of somebody else.

The energy in this space will only increase as more ecosystem players pivot to offering B2B payments solutions. AR professionals surveyed by CRF and NACHA predict that, by 2020, ACH payments will make up 45 percent (nearly half) of the payments they receive, while checks will only make up 34 percent (down from 50 percent today and 63 percent in 2014). According to Bloomberg, P2P payments platform Zelle is expanding its risk solutions to make it safer for people to pay small businesses. And American Banker notes that Microsoft is partnering with Mastercard to create a payments platform that aims to reduce inefficiencies in global business transactions. Businesses of all sizes have a growing range of options to streamline their payments capabilities and add value for their customers. The acquirers that seize this opportunity now are likely to see dividends in the future. ***TT***

Pirooz Abir is the CEO of LiquidInvoice LLC and a member of the ETA Technology Committee.

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Zach Aron

Zach Aron is Deloitte Consulting's U.S. banking and capital markets payments leader and a co-leader of the firm's global practice. With more than 23 years of consulting experience, Aron has unique insights into the skills and qualifications that help financial services professionals thrive and prosper in this demanding and dynamic industry.

Here he talks about how technology is changing the industry and the skills needed to thrive in it. The interview was edited for brevity and clarity.

What do tomorrow's financial services leaders need to be thinking about in terms of developing well-rounded skills?

Being agile when it comes to technology. It's going to be less about are you a master of a certain type of technology versus do you understand how everything integrates and what is the seamless connection of these systems, and how does that enable and drive the business?

Automation is changing the industry in big ways with technology now doing tasks that were previously delegated to humans. Is there opportunity there, or does that shut down opportunity?

With automation, I don't think it will be making less for people to do. I actually think there will be a whole bunch of tasks—analysis—that banks or any financial services player would actually want executed beyond the technology. They'll say, "I really wish our folks could do more of this type of analysis and provide an enhanced service for our clients." The agility to think through that is going to be key.

What should ambitious strivers be thinking about in terms of specific technologies?

It's about trying to break down the walls between business and technology. In financial services, you're going to see a blurring of the lines. It's going to be really important to know how to understand the business you're working with and rapidly prototype and put together technology solutions in real time. The form and functions of [technology] products will change in financial services. You'll see a blurring of the lines and it's going to be very important to understand capabilities.

As a payments person, it will be more important that people understand, say, how do you do authorization regardless of products? How do you do transactional risks regardless of the products? The products may change or combine so it's actually more important now to understand the capabilities of products and be able to go across products and be able to understand the impacts.

What about for those professionals who may not be as adept at tech?

You still have to understand the technology and the impact. The expectation is that everyone will be able to be conversant. You may know how to move an environment from on premises to cloud, but you also have to understand the point of having a cloud-based environment and cloud-based service and what does it mean, for instance, to process a transaction or on-board a customer. The expectation will be that you'll have to understand that, why it happens, and what is the impact. Those will be important skills to have, if not required.

What can those seeking to boost their technological awareness do?

You need to be able to update your own infrastructure. Not just sitting in a classroom learning artificial intelligence, but how can [you] download a 20-minute video or listen to a podcast or things that are taught by people within your organization that provide on-demand learning and allow people to learn the way we want?

How can those looking to make their mark in the industry position themselves as leaders within their organizations?

Leadership is not just where you sit in the organization but also how and where work gets done within the organization. We identify knowledge hubs within an organization, and we can see where works gets done and where knowledge resides, which is not represented perfectly on a work chart. Those people are often the leaders within the organization. How you coalesce and form successful teams is another key area that will demonstrate leadership. One of the things we've noted in our future-of-work [project] is you've got this kind of merging together of the baby boomers and the millennials, and their level of tech-savvy may be different. How do you form those teams and bridges? Figuring out how to build collaboration, sharing, and empathy across different generations and skill-sets, and how you become inclusive, as well, all demonstrate leadership. ***TT***

—Michael Coleman