

**Meeting between Federal Reserve Staff  
and the Electronic Transactions Association  
August 18, 2010**

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Louise Roseman, David Mills, Geoff Gerdes, Elizabeth Kiser, Mark Manuszak, Vivian Wong, Stephanie Martin, and Dena Milligan (Federal Reserve Board)

**Summary:** Staff from the Federal Reserve met with representatives of the Electronic Transactions Association (ETA) to discuss the interchange fee provisions of the Dodd-Frank Act (the “Act”). The ETA is a trade association that primarily represents companies involved in the distribution and sale of electronic payments products and services to merchants and businesses.

Representatives of ETA outlined the different contractual relationships that exist among merchants, merchant acquirers, merchant processors, and payment networks, including different merchant/merchant-processor pricing models, and discussed the distribution of fraud losses by types of fraudulent transactions. Representatives of ETA also discussed transaction routing for cards that are associated with multiple networks and described the business and operational changes that may be necessary to implement merchant-choice routing and the small-issuer exemption under the Act.

Attachment



## **WHO IS ETA?**

Members of the Electronic Transactions Association include:

- Independent Sales Organizations, or ISOs, registered with card networks. ISOs are more than just sales organizations; ISOs can also be financial institutions, gateways, and payment processors. [Elavon, First Data, Moneris, NPC, North American Bancard, Merchant Warehouse, RBS WorldPay]
- Merchant level service or sales (MLS) organizations and independent contractors
- Payment processors for credit, debit, gift, private label, and ACH [Elavon, First Data, Moneris, Global Payments, Heartland Payment Systems, Fifth Third Processing Solutions, First American Payment Systems]
- Fraud prevention, data security, and PCI specialists [Trustwave, Voltage Security, Security Metrics, National Merchants Inc.]
- IP payment gateway providers [Authorize.net, Intuit, Apriva, Elavon]
- Payment software innovators [NCR Corporation, Payment Processing Inc.]
- Payment hardware and terminal manufacturers [Hypercom, VeriFone, Ingenico, POS Portal]

ETA also counts financial institutions for global merchant acquiring [Wells Fargo, First National Bank of Omaha, Moneris] and card payment networks [Visa, MasterCard, American Express, and Discover] as members in support of the merchant acquiring industry.

## **WHAT DO ETA MEMBERS DO?**

The merchant acquiring industry is fractured, specialized, and highly competitive. ETA members:

- Underwrite risk on the merchant side of the card payment system. An acquirer's primary risks are: merchants going out of business, merchant fraud, fraud perpetrated on merchants, charge offs (uncollectable sales), and data security breaches.
- Extend credit to merchants on electronic payment receivables so that merchants can enjoy immediate access to funds.
- Serve merchants and enable them to accept electronic payments by offering: point of sale terminals, data security solutions, cash flow management, and negotiated discount rate (including interchange) pricing contracts for payment authorization, clearing, statements, billing and other services.
- Supply merchant accounts to acquiring banks.



- Authorize, clear, and capture data for settlement of credit and debit transactions.
- Prepare statements and bill merchants.
- Provide hardware and software solutions for payment processing and data security.

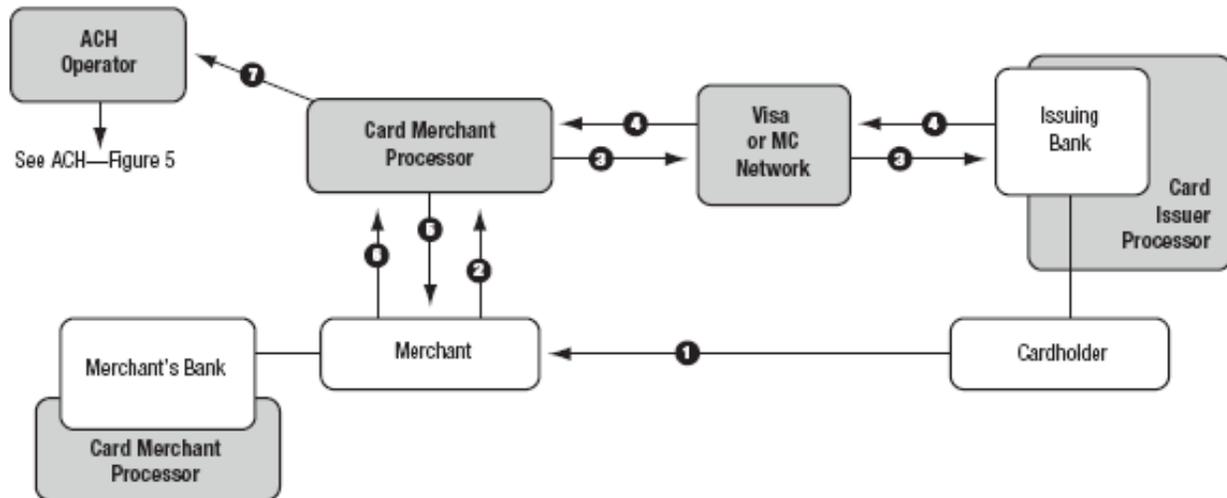
## **MERCHANT ACQUIRING**

Basic credit card processing participants include the cardholder, cardholder's issuing bank, merchant, merchant's acquiring [55] bank, and the credit card association (e.g., Visa, MasterCard, Discover, AMEX, Diners Club).

Merchants wanting to accept card association-branded credit card sales payments must be sponsored by an acquiring bank that is a member of the credit card association. Merchants may maintain a settlement account with their acquiring bank, or settle via ACH transactions between the acquiring bank and the merchant's bank. Acquiring banks typically do not process their merchants' transactions directly so this function may be outsourced to a third-party service provider (merchant acquirer) that performs the data processing functions of authorization and clearing and settlement. Some merchant banks may also engage the services of an ISO or Member Service Provider (MSP) to solicit and sign up merchants and merchant transaction processing services. Regardless of the presence of such third parties, the credit card networks expect the acquiring bank to be the risk-controlling entity throughout the credit card process. This section will address risks from the acquiring bank's perspective.

The credit card transaction process is initiated when the consumer or merchant swipes the customer's credit card through a POS terminal. The credit approval and payment transaction processing is the same for card-not-present (mail order, telephone order, Internet sales) as they are for card-present transactions. Card-not-present retailers have additional authentication requirements. The terminal reads and electronically transmits the card number, purchase amount, and merchant ID via the appropriate credit card association network. The credit card association forwards the electronic transaction to the issuing bank or its designated processor to verify that the account is valid and that the customer has adequate credit to cover the purchase. The issuing bank responds back through the network with either an authorization or rejection. Once the merchant receives acknowledgement through the POS terminal, the sale is completed or rejected. Generally, at the end of each business day, a merchant sends his or her daily charge activity in batch form to his or her acquiring bank or its designated processor who forwards the transaction information to respective credit card associations for clearing. Individual transactions are sent to the issuing banks for customer account processing and debiting of the cardholder's account. Settlement occurs through the card association with the transfer of funds from the issuing banks to the respective merchant's bank. The merchant's acquiring bank posts a credit of the net sales proceeds less interchange and charge-backs to the individual merchant account.

<sup>55</sup> Some industry publications include service providers, ISOs, and other agents in their definition of a merchant acquirer. Regardless of the term used, all participants require sponsorship by a member financial institution also known as the acquiring bank.



### Authorization

1. A consumer uses a credit card to pay a merchant.
2. The merchant sends the encrypted transaction data to a card merchant processor (e.g., First Data Merchant Services) for authorization.
3. The card merchant processor sends the transaction data to the consumer's (issuing) bank over the Visa or MasterCard network. The issuing bank is a licensed member of Visa or MasterCard and holds agreements with, and issues cards to, consumers.
4. The issuing bank authorizes the amount and issues an authorization code or declines the transaction.
5. The card merchant processor notifies the merchant that the transaction either has been authorized or declined. The merchant requests the consumer's signature as authorization for the transaction or notifies the consumer that the transaction has been declined.

### Processing

6. Once authorized, the transaction must be "captured" by the merchant. The capture uses information from the successful authorization to charge the authorized amount of money to the consumer's credit card. The merchant accumulates captures and credits into a batch, which then will be settled as a group. The merchant submits the batch to the card merchant processor to finalize the transactions. (If the consumer returns goods after a transaction has been captured, a "credit" is generated.)

### Settlement

7. The card merchant processor receives the information and settles the batch, then sends ACH items through the ACH operator to the issuing and merchant banks. (See Figure 5; the merchant bank is the ODFI, with the card merchant processor serving as authorized sending point.) The operator settles transactions between the issuing and merchant banks. The merchant bank credits the merchant's account.

Note: Many merchant banks hire a third party (acquiring processor) for bankcard processing. The processor provides credit card processing, billing, reporting and settlement, and operational services to the merchant bank.

## Figure 12: Diagram of typical credit card transaction [56]

As Figure 12 shows, the credit card process is a technology-driven payments process. The payment process relies almost exclusively on the effective application and monitoring of strong technology standards and practices to protect transactional data integrity and to mitigate operational risks across the entire payments network. Operational and data integrity risks can arise from improper processing of bankcard transactions, inadequate internal controls, employee error or malfeasance, and other operational challenges inherent when processing within a multi-participant environment.

To ensure these risks are mitigated, numerous technological and operational safeguards must be considered when assessing the acquiring banks' abilities to manage and control risks posed by merchants and contracted third-party payment processors.

A key mitigating factor to data integrity risk is the acquiring bank's responsibility to ensure that magnetic-strip data is not retained by merchants and third-party service providers. Many of the publicized data breaches have occurred because merchants and third-party service providers have retained customer sensitive data. Generally it is not acceptable for any participant to retain magnetic-stripe data on a post-transaction basis. Bankcard company rules prohibit-post transaction storage of full-track data (Track 1 and Track 2), CVV2/CVC2/CID/CAV, and, if applicable, the PIN block. CVV2/CVC2/CID/CAV are terms used by the various bankcard companies to refer to a unique check value that is printed on the back of the card and/or encoded in the magnetic strip. Track 1 and Track 2 data is encoded on the magnetic strip and contain information such as account number, cardholder's name, card expiration date, and service codes. Merchants and third-party service providers are allowed to store the cardholder's name, account number, and expiration date on a post-transaction basis as long as the information is encrypted, hashed, or truncated. Merchants and third-party service providers should have transaction data access protected using strong passwords and should have all data-access activity logged and available for independent review. Servers holding cardholder data should be hardened to minimize the risk of unauthorized access. Cardholder data should never be stored on a server connected to the Internet.

Historically, merchant responsibility for reporting a data breach has not been governed universally by any one entity, law, or set of guidelines other than bankcard company rules. In recent years, many states have passed legislation with various requirements for merchants reporting data breaches and various forms of financial liability. Merchants relying on Web-based applications to conduct business should ensure that the applications are developed using IT industry secured-coding guidelines. All sensitive data transmitted via public networks must be encrypted using IT industry-standard encryption or higher. This also applies to all wireless transmissions, especially at the merchant retail level. Retail card payments containing sensitive customer information and processed using an unencrypted wireless transmission have been captured by fraudsters simply by sitting in the retailer's parking lot with a laptop computer. Acquiring banks are ultimately responsible for any risks posed to the payment system by their sponsored merchants and third-party service providers. Management and the board of directors of all participants, including the acquiring banks, must have a clear understanding of the risk associated with acquiring activities and must understand their obligations under credit card association rules.

The credit card associations require acquiring banks to ensure that their merchants and third-party service providers comply with the Payment Card Industry Data Security Standards (PCI DSS). For third-party service providers and large merchants, PCI DSS compliance validation must be performed annually by a Qualified Security Assessor that has been approved by the PCI Security Standards Council. Smaller merchants must validate compliance annually through completion of a self-assessment questionnaire. It is not uncommon within the industry for a

large number of merchants, and even some third party service providers, to be in noncompliance with PCI DSS, potentially exposing their acquiring bank to reputation risk and financial loss from fraud, lawsuits, and fines. Additionally, issuing banks that use third-party service providers for transaction processing are required by the card associations to ensure that their providers are in compliance with PCI DSS.

There are six categories of PCI compliance security standards. [57]

*Build and Maintain a Secure Network*

*Requirement 1:* Install and maintain a firewall configuration to protect cardholder data.

*Requirement 2:* Do not use vendor-supplied defaults for system passwords and other security parameters.

*Protect Cardholder Data*

*Requirement 3:* Protect stored cardholder data.

*Requirement 4:* Encrypt transmission of cardholder data across open, public networks.

*Maintain a Vulnerability Management Program*

*Requirement 5:* Use and update regularly anti-virus software.

*Requirement 6:* Develop and maintain secure systems and applications.

*Implement Strong Access Control Measures*

*Requirement 7:* Restrict access to cardholder data by business need-to-know.

*Requirement 8:* Assign a unique ID to each person with computer access.

*Requirement 9:* Restrict physical access to cardholder data.

*Regularly Monitor and Test Networks*

*Requirement 10:* Track and monitor all access to network resources and cardholder data.

*Requirement 11:* Test security systems and processes regularly.

*Maintain an Information Security Policy*

*Requirement 12:* Maintain a policy that addresses information security.

In addition to protecting cardholder information, the credit card payment process requires acquiring banks to maintain strong credit practices over their commercial customers (merchants). The credit risk incurred by acquiring banks is similar to that of ACH ODFIs in that the acquiring bank bears the financial obligation if the merchant fails to pay.

As with any line of credit, acquiring banks are responsible for ensuring credit screening of current and prospective merchants. The acquisition of new merchants is called “merchant boarding” and may be done by the acquiring bank or, more frequently, by a third party such as an ISO. The acquiring bank is responsible for due diligence of new merchants regardless of whether the bank or a third party performs the merchant boarding. The screening process should include physical inspection of premises; a credit history review; background check; and a review of business plans and operations, including projected sales volumes, chargeback activity, and type of sales (card-present or card-not-present). For online merchants, the

screening process should include a review of Web site content and functionality. Additionally, phone, mail and Web-based merchants should be monitored closely to ensure no illegal or high-risk business activity is being conducted. Of particular concern are Web sites that present higher levels of repudiation rates which could result in higher levels of credit losses.

The main source of credit risk to acquiring banks are chargebacks resulting from cardholder disputes that merchants cannot honor. When the merchant is unable to pay its chargebacks due to bankruptcy or fraud, the acquiring bank must cover the chargeback and pay the issuing bank. Acquiring banks should manage carefully the merchant portfolio and employ appropriate underwriting, chargeback processing, and fraud monitoring.

The acquiring bank is also ultimately responsible for credit and fraud risks presented by merchant accounts acquired through ISOs or MSPs. The ISO or MSP cannot be a member of a credit card association but can represent an acquiring bank in a merchant relationship. Acquiring banks must register their ISOs or MSPs with the credit card associations, and a written merchant agreement must be in place outlining the relationship, roles, responsibilities, and liability of each of the parties — ISO or MSP, merchant, and merchant acquirer.

Acquiring banks have a number of options to monitor and control credit risks in order to minimize fraud losses at the merchant level. Acquiring banks should have reports providing information such as: average sale-ticket size for the business being conducted, chargeback level and frequency, inactive merchants, percentage of manually keyed transactions to total transactions, same dollar amounts in submitted batch, large number of even dollar-amount transactions, increasing percentage of declined or referred authorizations to total sales, and continuous or frequent zero balance in DDA accounts. These reports may also be useful for identifying potential money laundering red flags. If an acquiring bank has concerns regarding a merchant, it has the ability to delay funding, install a front-end fraud monitoring system, acquire bank statements and credit reports, and visit the merchant's place of business. Acquiring banks can also require a reserve balance be held, generally as a percentage of credit card receipts, and it can require the merchant to purchase chargeback insurance.

Examiners should assess the actions the acquiring bank has taken to ensure third-party service providers, ISOs or MSPs, and merchants are protecting the bank's interest.

# TSG BIN Sponsorship Study

June 29, 2010

# Introduction

## **TSG recently conducted a BIN Sponsorship Pricing Study**

- TSG developed a BIN Sponsorship pricing survey and requested participation from fifteen (15) major BIN sponsoring institutions.
- TSG's questions focused on BIN sponsorship pricing for bankcard, PIN-debit, and ATM sponsorship.
- Six sponsors agreed to participate and all of them sponsor some of the industry's leading bankcard, PIN-debit, and ATM acquirers and ISOs.
- The survey was conducted between May 17, 2010 through May 28, 2010.
- The survey questions are illustrated on the following page.
- This document presents the survey results.

# TSG BIN Sponsorship Survey

*TSG's BIN Pricing Survey was conducted by email and contained the following questions.*

1. For which payment types do you provide BIN sponsorship?
  - Bankcard
  - PIN-Debit
  - ATM

## ***Bankcard BIN Sponsorship***

2. How do you typically structure the fee to the ISO?
  - Fixed fee per transaction
  - Basis points per transaction
  - Fixed annual fee
  - Other structure
3. Do you charge separately for ACH items?
4. Do you offer risk-based pricing? (i.e., price differently for higher-risk merchants) If so, please describe.
5. Do you offer differentiated pricing based on merchant size (i.e., annual purchase volume) If so, please describe.
6. Can you provide a range or average price that you charge your ISOs for bankcard BIN sponsorship?

## ***PIN-Debit BIN Sponsorship***

6. How do you typically structure the fee to the ISO?
  - Fixed fee per transaction
  - Basis points per transaction
  - Fixed annual fee
  - Other structure
7. Do you charge separately for ACH items?
8. Do you offer risk-based pricing? (i.e., price differently for higher-risk merchants) If so, please describe.
9. Do you offer differentiated pricing based on merchant size (i.e., annual purchase volume) If so, please describe.
10. Can you provide a range or average price that you charge your ISOs for PIN-debit BIN sponsorship?

## ***ATM BIN Sponsorship***

11. How do you typically structure the fee to the ISO?
  - Fixed fee per transaction
  - Basis points per transaction
  - Fixed annual fee
  - Other structure
12. Do you charge separately for ACH items?
13. Do you offer risk-based pricing? (i.e., price differently for higher-risk merchants) If so, please describe.
14. Do you offer differentiated pricing based on merchant size (i.e., annual purchase volume) If so, please describe.
15. Can you provide a range or average price that you charge your ISOs for ATM BIN sponsorship?

# Survey Result Summary

Question	Yes	No
<b>Payment Sponsorship Provided</b>		
Respondents providing Bankcard BIN sponsorship	• 100%	• 0%
Respondents providing PIN-Debit sponsorship	• 67%	• 33%
Respondents providing ATM sponsorship	• 17%	• 83%
<b>Bankcard Sponsorship Pricing</b>		
Respondents charging fixed fee per transaction for bankcard sponsorship	• 83%	• 17%
Respondents charging basis points per transaction for bankcard sponsorship	• 33%	• 67%
Respondents charging fixed annual fee for bankcard sponsorship	• 0%	• 100%
Respondents charging separately for ACH items	• 50%	• 50%
Respondents offering risk based pricing	• 25%	• 75%
Respondents offering pricing based on merchant size	• 25%	• 75%

# Survey Result Summary

Question	Yes	No
<b>PIN-Debit Sponsorship Questions</b> (percentages based only on # providing PIN-Debit sponsorship)		
Respondents charging fixed fee per transaction for PIN-Debit sponsorship	• 75%	• 25%
Respondents charging basis points per transaction for PIN-Debit sponsorship	• 25%	• 75%
Respondents charging fixed annual fee for PIN-Debit sponsorship	• 25%	• 75%
Respondents charging separately for ACH items	• 25%	• 75%
Respondents offering risk based pricing	• 0%	• 100%
Respondents offering pricing based on merchant size	• 0%	• 100%
<b>ATM BIN Sponsorship Questions</b>		
One respondent offers ATM sponsorship. No additional details given.		

# Survey Result Summary

## **Bankcard BIN Sponsorship is structured differently across Sponsors.**

- TSG found that pricing was typically structured in the following ways:
  - Fixed amount per transaction (i.e., \$0.005 per transaction)
  - Fixed basis point amount per transaction (i.e., 1 bps of transaction dollar volume)
  - Transaction and basis point pricing may have two subsets:
    - Tiered pricing (tied to volume)
    - Risk-based pricing (tied to MCC of merchants)
- Bankcard BIN sponsorship contracts often include PIN-Debit sponsorship.
- TSG concluded that very few banks offer 3<sup>rd</sup> party ATM BIN sponsorship.

# Survey Result Summary

## BIN Credit Pricing

Portfolio Size	Average Cost	Lowest Cost	Highest Cost
Less than 1 mm trans/month	\$0.022	\$0.015	\$0.03
1mm – 3mm trans/month	\$0.013	\$0.01	\$0.015
More than 3mm trans/month	\$0.006	\$0.0003	\$0.01

## BIN Debit Pricing

Portfolio Size	Average Cost	Lowest Cost	Highest Cost
Less than 1 mm trans/month	\$0.017	\$0.0125	\$0.02
1mm – 3mm trans/month	\$0.015	\$0.0125	\$0.019
More than 3mm trans/month	\$0.0019	\$0.0003	\$.0038

•BPS based pricing converted to fee/transaction using most recent average ticket sizes for Visa and MasterCard credit and debit transactions for comparability purposes

# About TSG



The Strawhecker Group (TSG) is a management consulting company focused on the merchant acquiring sector of the payments industry. The company specializes in providing financial institutions, merchant acquirers, card associations, ISOs, processing companies, large merchants, and the investment community with advisory services to maximize their growth and profitability. TSG is also a resource of merchant acquiring industry research, benchmark studies and developing trends.

Over the past three years, TSG has completed 300 projects for 175 clients, including providing services to 30 of the top 40 US Acquirers and has prepared more than 50 valuation assessments of merchant portfolio properties. Additionally, TSG has performed Due Diligence Services for financial institutions including, Arsenal Capital Partners, Caritas Capital, Comerica Bank, The ComVest Group, First National Merchant Solutions, Goldman Sachs, and Merrick Bank. The Strawhecker Group is composed of seasoned veterans of the payments industry. Both Partners and Associates of the firm have held key senior management positions at leading industry companies including First Data Corporation, VISA USA, Humboldt Merchant Services, RBS World Pay, Cardservice International, iPayment, Alliance Data, RapidAdvance, Accenture Consulting, Redwood Merchant Services, and Chase Paymentech.

Please visit [www.thestrawgroup.com](http://www.thestrawgroup.com) for more information.

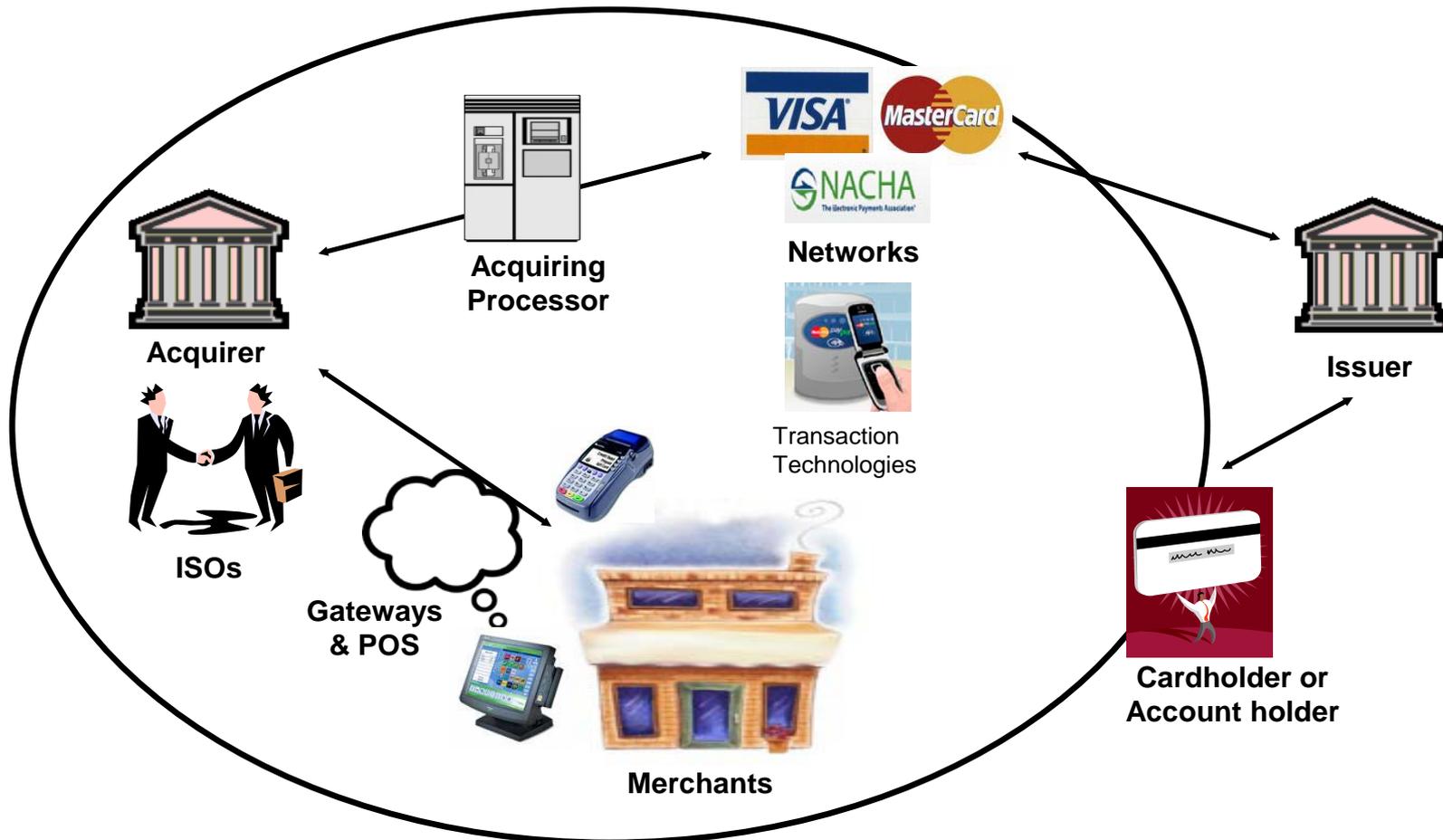
## Additional TSG Research

*Other TSG Industry studies include:*

- **Industry Enterprise and Merchant Portfolio Net Revenue Multiples** – a collection and distribution of recent M&A transactions
- **Payments Industry Snapshot** – Public payment company quarterly strategy, tactic, and financial performance review
- **Pricing Benchmark Study** – Processor pricing by portfolio size
- **ETA/TSG Economic Indicators Report** – Quarterly economic analysis and what it means to for payments
- **Electronic Payments Encyclopedia** – A guide to the ins and outs of the payments industry including recent and historical trends
- **Top 120 U.S. Acquirer Analysis** – Analysis of the current top 120 players in the U.S. acquiring market
- **Closed-Loop Gift Card Provider Analysis** – A review of various closed loop gift card providers with a historical review and future outlook

Please visit [www.thestrawgroup.com/services/strategic-research-analysis/](http://www.thestrawgroup.com/services/strategic-research-analysis/) for more information.

# The Merchant Business



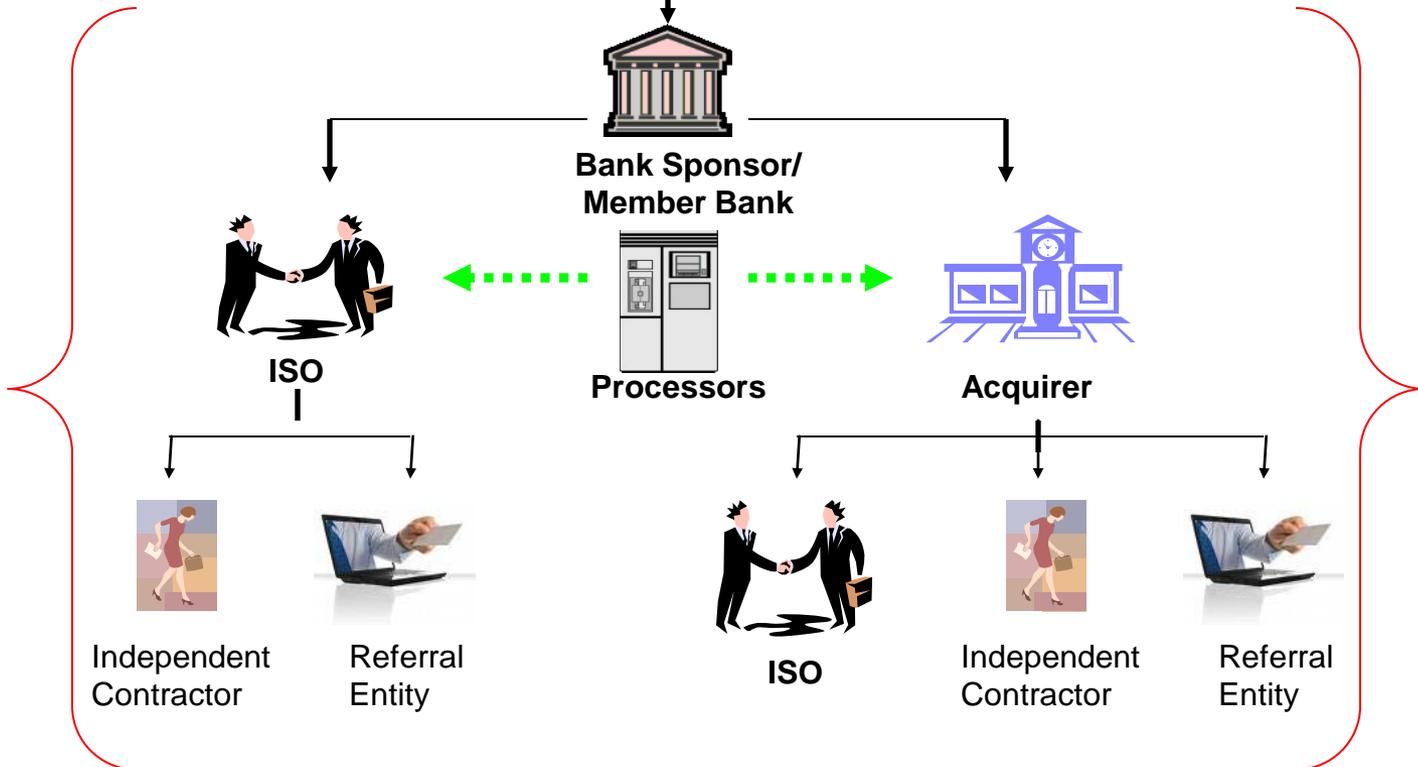
# THE PLAYERS

<b>Networks/ Brands</b>		<input checked="" type="checkbox"/>
<b>Acquirer / ODFI Member Banks</b>		<input checked="" type="checkbox"/>
<b>Processors</b>		<input checked="" type="checkbox"/>
<b>Independent Sales Organization (ISO)</b>		<input checked="" type="checkbox"/>
<b>Gateways &amp; POS</b>		<input checked="" type="checkbox"/>
<b>Other Technology</b>		<input checked="" type="checkbox"/>

# Acquirer Hierarchy



**Not Mutually Exclusive**





THE STRAWHECKER GROUP  
Management Consultants To The Payments Industry

# Top 120 US Acquirer Analysis

August 2009

THIS REPORT, AND ALL INFORMATION, ANALYSIS AND CONCLUSIONS HEREUNDER, IS IN ALL RESPECTS SUBJECT TO AND GOVERNED BY THE TERMS AND PROVISIONS OF THE ENGAGEMENT AGREEMENT BETWEEN THE STRAWHECKER GROUP AND THE CLIENT.

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# Competitive Dynamics – An Analysis of the Top 120 US Acquirers

The following pages analyze the current Top 120 players in the US Merchant Acquiring industry. As a source of comparison, we have used the Nilson Report and TSG industry surveys and research as our basis for the identification of the largest Acquirers in the industry.

We have detailed the specifics of each organization. The relationships between processors, financial institutions, and their processors are often intertwined. We have attempted to highlight the key differences of each by detailing the Ownership Structure as well as noting Recent Press. In addition, we have highlighted any other significant aspects in the Overview section.

<b>COMPANY LOGO</b>				<b># Ranked</b>					
<b>CONTACT</b>				<b>RANK</b>					
				2007		2008			
				<b>WEBSITE:</b>					
<b>OVERVIEW:</b>									
<b>BANKCARD VOLUME (millions)</b>		<b>CHANGE %</b>		<b>BANKCARD TRANSACTIONS (millions)</b>		<b>MERCHANT CLIENTS</b>			
2006	2007	2006	2007	2006	2007	2006	2007		
\$	\$	+%	+%						
<b>KEY MANAGEMENT:</b>				<b>STRUCTURE:</b>					
				<b>PROCESSING SOLUTIONS USED</b>					
				<b>FRONT-END</b>		<b>BACK-END</b>			
<b>IN THE PRESS:</b>									

The following two pages details the Top 10 US merchant acquirers and the top 50 acquirers total market share over the four years 1988, 1997, 2005, and 2008. The data from 1988 to 2005 shows market consolidation amongst the largest acquirers in the industry. From 2005 to 2008, the drop in Top 10 market share results from smaller acquirers gaining market share as these companies have been more successful in establishing a foothold in the industry, particularly through utilizing the vehicle of technology driven payments solutions.

1988			1997		
Company	Volume (\$M's)	Share %	Company	Volume (\$M's)	Share %
National Processing Co.	21,093	8.5	Chase Manhattan*	94,943	15.5
NaBanco (NB)	14,936	6.0	National Processing Co.	74,809	12.2
Citibank	14,805	6.0	First Data Corp (NB)	64,711	10.6
Bank of America	9,433	3.8	Paymentech (NB)	46,223	7.6
Nat'l Data Corp. (NB)	7,861	3.2	BA Merchant Services	29,080	4.8
Citizens Fidelity	7,730	3.1	National Data Corp. (NB)	22,915	3.8
Security Pacific Nat'l	6,289	2.5	Fifth Third Bank	21,417	3.5
First Interstate Bancard	5,765	2.3	U.S. Bancorp	20,104	3.3
Wells Fargo	5,241	2.1	First of Omaha	16,902	2.8
Banc One	3,878	1.6	Banc One*	16,520	2.7
<b>Top 10 acquirers</b>	<b>97,029</b>	<b>39.0</b>	<b>Top 10 acquirers</b>	<b>407,624</b>	<b>66.7</b>
<b>Top 50 acquirers</b>	<b>161,134</b>	<b>64.8</b>	<b>Top 50 acquirers</b>	<b>594,662</b>	<b>97.3</b>
<b>All Bankcards</b>	<b>248,796</b>	<b>100.0</b>	<b>All Bankcards</b>	<b>611,039</b>	<b>100.0</b>

2005			2008		
Company	Volume (\$M's)	Share %	Company	Volume (\$M's)	Share %
Chase Paymentech Sol.	476,775	28.1	Chase Paymentech Sol.	566,899	23.8
BA Merchant Services	273,413	16.4	First Data	293,175	12.3
First Data	237,900	14.79	BA Merchant Services	283,086	11.82
NOVA Information Sys.	130,157	7.6	Elavon (previously NOVA)	181,065	7.56
Fifth Third	115,039	6.5	Fifth Third	164,912	6.9
Wells Fargo	68,397	4.0	Citi Merchant Services	102,818	4.3
Global Payments	56,266	3.3	Global Payments	92,679	3.89
Heartland Payments	33,722	2.0	Wells Fargo	90,841	3.81
First National Merch. Sol.	33,640	2.0	Heartland Payments	74,684	3.13
iPayment	25,725	1.5	First National Merch. Sol.	51,384	2.15
<b>Top 10 acquirers</b>	<b>1,451,394</b>	<b>84.5</b>	<b>Top 10 Acquirers</b>	<b>1,902,547</b>	<b>79.66%</b>
<b>Top 50 acquirers</b>	<b>1,705,563</b>	<b>99.3</b>	<b>Top 50 Acquirers</b>	<b>2,323,874</b>	<b>97.65%</b>
<b>All Bankcards</b>	<b>1,717,429</b>	<b>100.0</b>	<b>All Bankcards</b>	<b>2,379,846</b>	<b>100.0</b>



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**CHASE PAYMENTECH SOLUTIONS**

1601 Elm St., Suite 700  
 Dallas, TX 75201  
 800-708-3740

**RANK**

**2007**

**2008**

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**WEBSITE:** www.paymentech.com

**OVERVIEW:**

Chase Paymentech Solutions, LLC is a leading global payments firm and the world's largest merchant acquirer. Chase Paymentech powers payment services for point-of-sale systems accepting electronic forms of payment, including credit/debit cards, gift cards, electronic checks, card-not-present systems and alternative payments.

BANKCARD VOLUME (millions)		CHANGE %		BANKCARD TRANSACTIONS (millions)		MERCHANT CLIENTS	
2007	2008	2007	2008	2007	2008	2007	2008
\$599,375.70	\$566,899	6%	-5%	8,820.3	8,235.4	844,043	236,882

**KEY MANAGEMENT:**

- Michael P. Duffy**, *President and CEO*
- Dan Charron**, *Executive VP, Client Services*
- Diane Donoghue**, *Executive VP, General Manager, Retail Network Services*
- Shane Fitzpatrick**, *Managing Director, European Union*
- Roger C. Hart**, *Executive VP, General Counsel*
- Sam Jawad**, *President, Chase Paymentech Solutions, Canada*
- Keith L. Kennedy**, *Executive VP, Strategy; General Manager, Multi-Channel Platform*
- Greg Schaub**, *Executive VP, Business Development*
- Mia Shernoff**, *Executive VP, Marketing*
- Kathryn Smith**, *Executive VP, Finance*

**STRUCTURE:**

Chase Paymentech is a privately-owned company. It was a joint venture between JPMorgan Chase & Co. (51% Ownership) and First Data Corp. (49% Ownership).

It is now a wholly owned unit of JPMorgan Chase as of 11/03/08 with both companies bringing their operations in-house JPMorgan Chase and First Data now operate separate payment businesses. JPMorgan Chase retained 51 percent of the joint venture's assets, including most of its employees and the joint venture's Canadian and European operations.

**PROCESSING SOLUTIONS USED**

**FRONT-END**

**BACK-END**

FDMS and Paymentech

FDMS and Paymentech

**IN THE PRESS:**

- 06/11/2009 Chase Paymentech Receives Visa Service Quality Performance Award Sustaining operational excellence for the 2008 calendar year, Chase Paymentech ranked at the top for "Highest Copy Request Fulfillment Rate."
- 03/30/2009 Chase Paymentech and Revolution Money Expand RevolutionCard Merchant Acceptance; Chase Paymentech Makes New Payment Method Available to Merchants
- 03/09/2009 Web.com and Chase Paymentech form an Alliance to Benefit Small And Medium-Sized Businesses
- 11/03/2008 JPMorgan Chase Completes Ownership Transition of Chase Paymentech; Chase Paymentech Completes Move to Single-Owned, Payments-Agnostic Payment Processing Business
- 09/18/2008 Chase Paymentech Partners with NBS Payment Solutions to offer a Suite of Chip-and-PIN Terminals; New short and long-range wireless terminals satisfy the needs of restaurants and mobile merchants moving to chip card acceptance