DIGITAL TRANSACTIONS
Trends in the Electronic Exchange of Value

How Apple is Juicing Payments

The iPhone is proving to be central to its strategy in more ways than one.

Volume Twenty-one, Number Three • DigitalTransactions.net • March 2024

ALSO IN THIS ISSUE:

PayPal Remaps Checkout
Reckoning With Click to Cancel
FedNow: Where Are the Big Banks?
Lessons from the Chip Shortage

EMPOWERING BUSINESSES AND COMMUNITIES

Helping others is our most valuable offering.

Our mission is to help small and medium businesses achieve and sustain growth. We fuel our team to make a difference in our customer's day-to-day success, but beyond payment processing, we are proud to make an impact in the communities we live in.

Celero Cares about giving back to our community.

GCF
GENERAL CREDIT FORMS, INC.

CUSTOM KITTING, DISTRIBUTION & SHIPPING • FORMS, ROLLS & LABELS • POS DEPLOYMENT, DEPOT & CONFIGURATION • CUSTOM PRINTING • PURCHASING & INVENTORY MANAGEMENT • REVENUE GENERATING SUPPLY RESALE PROGRAMS •

Let Our Family of Companies Meet All Your Point-of-Sale Needs

www.gcfinc.com • (888) GCF-NEWS

Visit us at NEAA 2024
April 3-4 • Albany

Visit us at ETA Transact
April 17-19 • Las Vegas

contents

MARCH 2024 • VOLUME 21, NUMBER 3

How Apple Is Juicing Payments 16

The iPhone maker is known for its impeccable technology.
What is less obvious is its nuanced but multipronged assault on the payments business.

THE GIMLET EYE What's in Apple's Wallet? 4

TRENDS & TACTICS 6

PayPal Maps a Fastlane for Checkout

New CEO Alex Chriss isn't wasting time. Get set, he says, for faster, smoother checkouts.

Ranking the Card Processors

As rising costs and fraud risk bedevil the industry, do processors have the answer?

Don't Forget About Same-Day ACH

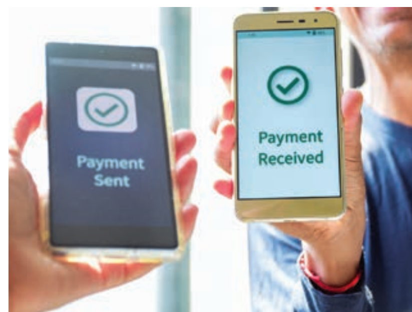
The spotlight may be on real-time processing, but Nacha wants you to know same-day volume rose by double digits last year.

Plus, Security Notes explains why payments can be a national security issue; and Payments 3.0 shows how merchants can temper interchange costs with closed-loop cards.

ACQUIRING 13

Taking the Measure of Click to Cancel

Faced with a proposal to make it easier to stop a subscription, payments companies and subscription specialists have much to ponder.



OPINION & ANALYSIS 24

Real Time Payments: Where Are the Big Banks?

After the hoopla surrounding FedNow's launch last year, reality is starting to set in.

COMPONENTS 30

Lessons Learned From the Chip Shortage

Wide-ranging disruptions in microchip supply slammed the payments industry hard from 2020 to 2022. Now, are terminal makers better prepared?

ENDPOINT 35

What to Look for in the Coming Months

Challenges abound for card managers. Here's how to manage them more efficiently.

Cover Illustration: Elizabeth Novak, 123rf.com, Shutterstock

Digital Transactions (USPS 024-247) is published monthly by Boland Hill Media LLC, 800 Roosevelt Road, Building B, Suite 212, Glen Ellyn, IL, 60137. Periodicals Postage Paid at Glen Ellyn, IL, and at additional mailing offices. POSTMASTER: Send address changes to Digital Transactions, P.O. Box 493, Northbrook, IL 60065-3553.

MAGTEK®
SECURITY FROM THE INSIDE

TRANSFORMING PATIENT EXPERIENCES

Enhance Patient Experiences and Drive Operational Efficiency.

SEAMLESS IN-APP/IN-WEB PAYMENTS

Learn More About Magensa MPPG Services

JOIN US!

APRIL 3-4 | ALBANY, NY

Showcasing solutions at NEAA 2024

MagTek, Inc.
1710 Apollo Court
Seal Beach, CA 90740

Healthcare ISVs know that a streamlined process in-app and in-web is essential to a software platform's success. Whether used in urgent care, clinic visits, or emergencies, imagine how much easier it would be to use contactless technology to check-in at a doctor's office using your smartphone with a quick QR Code scan. With integrated in-app and in-web Apple Pay/Google Pay payments, patients can effortlessly handle co-pays and other costs while ensuring data security using MagTek's Magensa MPPG and TokenExchange Service to facilitate secure payments and protect patient information.

- **Fast check-ins -** Simplified with smartphone QR Code scans.
- **Securing patient data -** Made easier with Magensa Services.
- **Streamline processes -** Improved patient experiences.

Apple Pay®, iPhone®, iPod®, Mac®, and OS X® are registered trademarks of Apple Inc., registered in the U.S. and other countries. iPad™ is a trademark of Apple. Inc. App StoreSM is a service mark of Apple Inc., registered in the U.S. and other countries. IOS is a trademark or registered trademark of Cisco in the U.S. and other countries and is used by Apple Inc. under license. Google Play™ store, Google Wallet™ payment service, and Android™ platform are trademarks of Google LLC.

FIND OUT MORE

562.546.6400
sales@magtek.com
www.magtek.com

the gimlet eye

WHAT'S IN APPLE'S WALLET?

THE ANSWER TO that question depends on a number of factors, some of them a bit complicated. In this issue's cover story (see page 18), we come at the question guided by the thought that the Cupertino Colossus has certainly had some interesting approaches to the theory and practice of payments.

And outside parties, including law courts and government regulators, have kept a watchful eye on Apple's various forays into the payments business. One recurring theme is its tight control over the ability of apps to refer payments processing to outside platforms. That bypass, which Apple litigated several years ago with Epic Games, is triggered at least in part by the company's transaction fee, which can range as high as 30%.

Now comes the European Commission, which planned this month to announce a fine of about 539 million euros ($500 million) on Apple after investigating a complaint from Sweden-based music app maker Spotify Technology SA. The complaint was familiar: Apple's policy of restricting apps from linking out to their own sites for services such as payments.

The regulator's action, if it turns out to be as reported last month by *The Financial Times*, represents a substantial reduction from penalties the regulator sought in a notice it posted a year ago as it pursued its investigation.

The Commission, which operates as Europe's antitrust regulator, had already won an agreement from Apple to allow outside entities, including payments processors like PayPal, to access technology in the iPhone such as the near-field communication chip, an element over which Apple has exercised tight control. The Commission's new rules in that case were expected to emerge this month.

Now the penalty levied on Apple in the Spotify case comes as the tech company and its so-called walled-garden approach to the way it manages apps have become increasingly intertwined with payments. Significant revenue in app transactions can be at stake, given that standard fee for processing payments. In the wake of the Epic Games decision, Apple in the U.S. has reportedly levied a 27% fee on apps that stick with Apple for processing.

At least some observers of Apple and its payments policies argue disputes between developers and Apple would be best resolved out of regulators' hands. "I certainly do not sympathize with the EU, it's almost a malign force," Eric Grover, a payments consultant, told us in referring to the Commission's earlier case against Apple. "But the heroes and villains aren't clear here." At bottom, he argues, developers simply "are interested in selling more apps."

So is Apple a payments company? Regulators and law courts certainly seem to think so.

John Stewart, Editor | john@digitaltransactions.net

MARCH 2024 • VOL. 21, NO. 3

DIGITAL TRANSACTIONS
Trends in the Electronic Exchange of Value

PUBLISHER Robert A. Jenisch

EDITOR-IN-CHIEF John Stewart

SENIOR EDITOR, DIGITAL
Kevin Woodward

CORRESPONDENTS
Jim Daly, Peter Lucas

ART DIRECTOR/PRODUCTION EDITOR
Elizabeth Novak

EDITORIAL ADVISORY BOARD
Eula L. Adams
John Elliott
Alex W. "Pete" Hart
Former Chief Executive Officer, Mastercard International
William F. Keenan
President, De Novo Corp.
Dr. Gideon Samid
Chief Technology Officer, AGS Encryptions Ltd.

DIRECTOR OF ADVERTISING
Robert A. Jenisch, 630-547-2887
bob@digitaltransactions.net

ADVERTISING SALES REPRESENTATIVES
Robert Mitchell, 630-547-2887, x7
bmitchell@digitaltransactions.net
Rob Akert, 630-547-2887, x6
rakert@digitaltransactions.net

Digital Transactions, Digital Transactions News, and DigitalTransactions.net are publications of Boland Hill Media LLC, 800 Roosevelt Road, Suite B212, Glen Ellyn, IL 60137

John Stewart, Managing Director
Robert A. Jenisch, Managing Director

For advertising information, call 630-547-2887. To subscribe or give us a change of address, go to www.digitaltransactions.net and click on "Subscriber Care" or call 630-547-2887.

The views expressed in this publication are not necessarily those of the editors or of the members of the Editorial Advisory Board. The publisher makes reasonable efforts to ensure the timeliness and accuracy of its content, but is not engaged in any way in offering professional services related to financial, legal, accounting, tax, or other matters. Readers should seek professional counsel regarding such matters. All content herein is copyright © 2024 Boland Hill Media LLC. No part may be reproduced without the express written permission of the publisher. Subscription prices: $59/year for subscribers in the United States; $69/year for Canadian subscribers. All other subscribers, $119/year, payable in U.S. currency.

BPA WORLDWIDE

Payments **simplified.**

Partner opportunities **amplified.**

True full-service processor

Card & ACH

Free terminal placement

Zero buy rate & bonus programs

Aggressive & transparent buy rates & revenue sharing

Next & same-day funding

Cash discount

Increase your profits by accepting more verticals!

Tobacco & Vape

CBD

Health Supplements

Gaming

Dating

Travel

...and more!

White label agent CRM & merchant dashboard!

Proprietary technology: digital onboarding, unlimited sub users, residual management, payment gateway & developer API.

800.464.9777

maverickpayments.com

PAYPAL MAPS A FASTLANE FOR CHECKOUT

A new way of shopping using the PayPal app and related services is in the offing.

Announced late in January, the update includes a one-click guest checkout experience, digital receipts PayPal calls Smart Receipts, a revised offers platform, and improvements to business profiles for Venmo, its social peer-to-peer payments service.

The moves come as PayPal Holdings Inc. new chief executive, Alex Chriss, works on his goal of "future-proofing" PayPal. Its stock price slumped $20 per share by mid-February from a year-ago high of $79.10.

First up is Fastlane, a new guest-checkout process that enables consumers to one-click checkout without setting up a separate account with a merchant. Much like the upcoming Paze peer-to-peer payments service from Early Warning Services LLC, Fastlane will store a consumer's information, such as payment choices and shipping and billing addresses.

Fastlane is in testing now. Some merchants using the BigCommerce e-commerce platform have reported that Fastlane can recognize 70% of guest and checkout speeds up to 40% quicker than without Fastlane, PayPal says.

Fastlane could, indeed, boost PayPal's e-commerce presence, observers say. "Checkout is at the core of PayPal's identity, and if Fastlane is able to create a quick and frictionless experience that consumers like, it will help PayPal fend off the numerous competing digital wallets that have their own speedy checkout products," says Daniel Keyes, senior analyst, merchant services, at Javelin Strategy & Research.

"Otherwise," Keyes adds, "PayPal risks losing consumers to other digital wallets, and, over time, merchants will grow less interested in PayPal if it their customers would prefer other wallets."

PayPal, with 426 million active consumer and merchant accounts as of the end of 2023, is wise to tap into the available purchase data.

"It makes sense for a customer to be able to use the information that PayPal has on file to minimize or eliminate the hassle of data entry for a purchase at a new merchant site," says Thad Peterson, strategic advisor at Datos Insights. "For merchants, it should create opportunities to make sales that they otherwise would not have gotten because of the friction involved in a guest transaction."

PayPal also is launching Smart Receipts, which enables consumers shopping with PayPal to track their purchases and receive personalized recommendations, with the assistance of artificial intelligence. They also get a cashback reward offer. PayPal says that, globally, 45% of its customers open their email receipts daily.

"What's especially cool about these AI-powered suggestions is that we're doing something new at incredible scale," says Chriss, an Intuit Inc. veteran who took over as CEO in September, says in a presentation released on YouTube.

"For businesses," he adds in the video presentation, "our suggestions are based on what we know about your shoppers and their broader shopping habits. Not just at your store, but through the scale of PayPal we can also see across the Web."

An updated offers platform also is part of PayPal's revamp, which launches in steps this year in the United States and then globally, the company says. This platform will provide merchants the ability to create offers based on a variety of factors, including stock-keeping units and individual products, PayPal says.

The new platform also can use artificial intelligence to organize and analyze data from PayPal transactions made globally. Merchants will only pay for performance, not impressions or clicks, PayPal says.

The PayPal app, meanwhile, is receiving an update with CashPass, a way for consumers to receive cashback offers. "A user will simply need to tap on the offer, shop at that

business, and check out with PayPal," the company says.

"CashPass uses AI to organize personalized offers for customers based on shopping behaviors, and customers will regularly discover new cash back offers giving them more reasons to visit the app." The new feature is expected to launch in March with Best Buy, eBay, McDonald's, Priceline, Ticketmaster, Uber, and Walmart as initial merchants.

PayPal also is trying to spur more commercial activity with its Venmo peer-to-peer payments app. Having introduced Venmo business profiles in 2021, PayPal is tweaking them now with the addition of subscribe buttons, profile rankings, and the ability to offer promotions.

The new moves shouldn't come as a surprise. When Chriss came from Intuit last fall to take over as chief executive of PayPal Holdings Inc., he made it plain there would be big changes in strategy very soon.

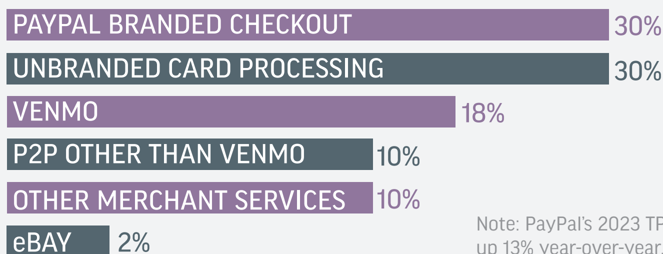
On an earnings call last month, he began delivering on that promise, asserting the payments company is going to promote so-called branded checkout forcefully as PayPal proceeds through 2024, which he called a "transition year" for the company.

"Branded checkout is a critical part of PayPal's value proposition," he told equity analysts on the call, held to discuss the company's December-quarter results. This is especially the case for large enterprise merchants, Chriss said, according to a transcript of the call.

"Branded checkout" refers to instances where merchants explicitly offer PayPal as a payment option on their site rather than relying on the company to process the transaction in the background. Less than a year ago, former CEO Dan Schulman had pronounced unbranded checkout a "strategic imperative" for PayPal, a move that didn't sit well with investors. These checkouts are processed by PayPal's Braintree platform. Schulman retired in September.

REINFORCING THE BRAND

(PayPal's total payment volume by type, 2023)



Note: PayPal's 2023 TPV totaled $1.53 trillion, up 13% year-over-year. Source: The company

Branded checkout is especially important for PayPal's enterprise-size clients, Chriss argued during the February earnings call. "We've redesigned our branded checkout experience, creating more simplicity and consistency with the goal of optimizing presentment, increasing speed, and minimizing friction across all major checkout flows," he said.

Chriss argued the speed and convenience of checkout will please customers and win their loyalty to both PayPal and the merchant. "Regardless of the customer we're serving, we want to make the PayPal offerings so user-friendly, so rewarding, and so integrated into a customer's life that PayPal is the obvious choice," he said.

Laying further stress on checkout, Chriss underscored the importance of Fastlane. "With it [Fastlane], we can recognize up to 70% of guests visiting a merchant, reduce checkout time by up to 40%, and grow the top of our branded checkout funnel," he told the analysts.

Chriss added he is also acting to tie together disparate elements of PayPal that have come to the company via acquisition. The effort, he said, is critical for cohesive growth.

"The company has gone through significant growth over the last few years and a lot of acquisitions," he noted. "We have not invested enough in creating a single platform. That again slows us down when it comes to innovation, and it slows us down when it comes to being able to leverage the data across the ecosystem."

If Chriss is reformatting PayPal to act faster on opportunity, he's also eyeing strategies pursued by other technology companies, including Apple Inc., which has grown more active in payments in recent years (page 16).

Asked by an analyst about the opportunity facing PayPal from a regulatory change in Europe that forces Apple to open its iOS and near-field communication chip for point-of-sale transactions, Chriss did not go into detail but added PayPal is "tracking this closely. Apple is a great partner of ours."

But Chriss added he has also acted to cut costs at PayPal, including putting through layoffs. He added that he had warned in the company's November earnings call that the move was coming, alleging on the call that "our size was slowing us down."

—Kevin Woodward and John Stewart

HIGH COSTS AND FRAUD RISK BEDEVIL CARD PROCESSING, J.D. POWER FINDS

Small businesses tend to be less satisfied with their credit and debit card processing than they are with processing for alternative payments, according to a study by J.D. Power.

Based on a 1,000-point scale, with 1,000 being the highest score, merchant-satisfaction scores for credit card processing averaged 692, while scores for debit card processing averaged 694. By contrast, the merchant scores for buy now, pay later transactions averaged 744. That score rose to 793 among the 4% of small businesses that accept at least six different payment types.

J.D. Power surveyed 5,383 small-business customers of merchant-service providers, measuring satisfaction across six categories: advice and guidance on running their business; cost of processing payments; data security and protection; managing their account; payment processing; and quality of technology. These factors were then translated into scores for each company (chart, page tk).The study was conducted from September through November.

Key reasons why satisfaction scores for credit and debit card processing are lower than those for alternative payments include higher acceptance costs and higher fraud risk, according to the study.

"The merchants having debit and credit payment types processed have the largest point gaps in satisfaction in the areas of cost of processing payments and advice and guidance [from their processor] on running the business," John Cabell, managing director of payments intelligence for J.D. Power, says by email.

"These are the largest point gaps among all the customer-experience dimensions, which are all lower for debit/credit," Cabell adds. "In effect, the entire experience appears to be less satisfying, but is led by gaps in cost and advice."

Acceptance costs and fraud risk were also key factors among merchants who were unwilling to accept credit and debit cards, according to the report.

On the other hand, small-merchant satisfaction is higher for alternative-payments processing because of lower acceptance costs and better advice from processors on ways to run a business, the report indicates. Many of the merchants giving higher satisfaction scores for the processing of alternative payments tend to be younger and newer business owners who are likelier to accept alternative payments, J.D .Power says.

"[Alternative] payment types tend to garner higher satisfaction in all areas, led by cost and advice," Cabell says. "It is also notable that these payment types tend to be more prevalent among innovator merchants, whose engagement and satisfaction with their provider is high with the increased variety of payment types they accept."

While J.D. Power does not have year-over-year satisfaction scores when it comes to payment processing—due in part to a redesign of the study for 2024—the company does say that satisfaction has risen since the pandemic, as merchant satisfaction increased significantly through 2023.

"The 2024 Net Promoter scores

MONTHLY MERCHANT METRIC

Total Gross Processing Revenue %

This is sourced from The Strawhecker Group's merchant datawarehouse of over 4M merchants in the U.S. market. The ability to understand this data is important as SMB merchants and the payments providers that serve them are key drivers of the economy.

All data is for SMB Households defined as households with **less than $5M in annual card volume.**

Metric Definitions: (Only use definitions related to an individual month's release)
Household - Standalone Merchants are considered as a Household with one store and Chained outlets under a common ChainID are combined together and considered as one single Household

Total Gross Processing Revenue % - Sum of total discount, total transaction fee revenue and total other fee revenue divided by total volume

Quarter	Total Gross Processing Revenue %
Q3'22	2.754%
Q4'22	2.764%
Q1'23	2.817%
Q2'23	2.841%
Q3'23	2.873%
Q4'23	2.863%

Note: Previous metric included all active merchants, those with positive revenue, whereas the new metric shown only includes merchants with postive revenue **and volume**

This report is based upon information we consider reliable, but its accuracy and completeness cannot be guaranteed. Information provided is not all inclusive. All information listed is as available. For internal use only. Reproducing or allowing reproduction or dissemination of any portion of this report externally for any purpose is strictly prohibited and may violate the intellectual property rights of The Strawhecker Group.

(likelihood to refer) are trend-able, however, and show a plateau over the past three years," Cabell says in his email response. "Although NPS differs slightly from satisfaction, this plateau likely means that merchant satisfaction is also relatively stable from 2023 to 2024.

Among processors, e-commerce giant Shopify Inc. ranked highest with a score of 728, followed by Paysafe Ltd. (725). The average satisfaction score for individual processors was 688.

—Peter Lucas

NINE ABOVE AVERAGE

(Highest-scoring companies for merchant-services satisfaction)

Company	Score
SHOPIFY	728
PAYSAFE	725
BANK OF AMERICA	713
FIS	710
WELLS FARGO	708
STRIPE	705
ELAVON	703
PNC	700
PAYPAL	691
STUDY AVERAGE	688

Source: J.D. Power

BOOMING SAME-DAY ACH VOLUME IS UP 22%

Volume for automated clearing house transactions cleared and settled on the same day they're initiated increased 22.3% in 2023, signaling the embrace of same-day ACH by the payments industry, says Herndon, Va.-based Nacha, the network's rulemaking body.

Same-day processing was launched nearly eight years ago and saw a landmark in 2023 as same-day dollar volume passed $2 trillion in a single year for the first time, Nacha adds

Nacha says overall ACH volume landed at $80.1 trillion on 32.5 billion payments in 2023. This is the 11th consecutive year that the value of ACH transactions increased by more than $1 trillion, Nacha says. The ACH network averages more than 126 million payments each day, according to Nacha. In 2023, the total volume of ACH payments averaged approximately 94 payments per American.

Business-to-business ACH payments were a strong contributor to the results, with 6.6 billion payments, a 10.8% increase over 2022, as Nacha notes check use among businesses continues to decrease. Indeed, the latest Federal Reserve Triennial Payments Study released in 2023 showed the number of checks written fell by 3.5 billion from 2018 to 2021.

Diving deeper into same-day ACH, the 22.3% increase—to 853.4 million transactions—was accompanied by a 41.2% increase in value, to $2.4 trillion. Since its 2016 launch, same-day ACH volume has surpassed 3 billion payments valued at $6 trillion. Same-day ACH, which comes under the faster-payments umbrella, vies for traction along with real-time payment programs from The Clearing House Payments Co. LLC's RTP network and FedNow from the Federal Reserve.

Consumer-initiated payments increased 5.7% to 9.9 billion in 2023 over 2022, primarily for bill payment and account transfers. Direct deposit, an ACH stalwart, experienced a 3.3% increase in volume on 8.3 billion payments to consumers. Internet ACH volume was up 5.7% to 9.9 billion payments, while peer-to-peer ACH payments totaled 330 million, up 11.9%. Healthcare ACH volume, at 488 million transactions, increased 7.7%.

In the fourth quarter, 8.1 billion ACH payments were made with a value of $20.5 trillion, increases of 5.8% and 5.6%, respectively. Same-day ACH volume in the quarter totaled 255.8 million on $662 billion in value, up 41% and 31.5%, respectively.

"I often say that the modern ACH network is thriving. The 2023 figures reinforce that," Jane Larimer, Nacha president and chief executive, says in a statement. "In 2024, the ACH Network's focus will include ways to continue growing [same-day ACH]."

—Kevin Woodward

PAYMENTS AS A NATIONAL SECURITY VULNERABILITY

BY GIDEON SAMID
gideon@bitmint.com

CHRISTOPHER WRAY, THE director of the FBI, recently testified in Congress that China has cyber-penetrated the United States and that its embedded cyber weapons can be unleashed on the day hostilities break out.

This is a sobering thought. Our entire life is cyber-managed: the way we distribute power, water, gas; the way we run our trains and our fleets of trucks; the way goods are pushed to consumers. It's all cyber, and it is all in the crosshairs of the enemies of the United States.

Money and payments are included in this web, and with it an extra twist. Most of the critical systems mentioned above are centralized, and managed in a top-down way. Payments are inherently free-flowing, highly distributed, and absolutely necessary to keep goods and services available as a life-supporting element.

Both classic money and crypto money are cryptographically bound. Modern cryptography is vulnerable to advanced mathematics as well as to faster computers. The integrity of wired money, as well as that of crypto exchange, is based on the assumption that the attacker will not be smarter than expected. This math advantage, for example, is the basis of the ongoing superiority of the National Security Agency. Alas, one super-smart mathematician on the other side can void this advantage.

It's time to pivot to a new concept, where ciphers are designed to hold off attackers who are smarter than the people who build the ciphers This new cryptography is costly and less convenient. But it will serve as the building blocks for any recovery plan. These well-planned recovery procedures are not yet a high priority. It is different in China.

A hostile cyber action can inflict either full-force paralysis, or, alternatively, a limited action with a propagating effect. In a limited fashion, errors are introduced into certain bank wires, or placed as a small number of compromised crypto payments. The whole system is intact, but confusion spreads. A lot of attention is diverted to figure out what is happening. And most likely, as I have witnessed it myself, it takes time to realize that one is under a malicious attack, and not under a spell of bad luck. Such attrition-aimed attacks may be quite durable.

What is common to all the vulnerabilities mentioned by Mr. Wray is the need to realize that the borderline between confidence and overconfidence is unmarked, and we most likely crossed it both in classic payments and in crypto exchange. In both frameworks, we need to seriously think about recovery. Catastrophic scenarios need to be specified, and what to do about them needs to be planned in advance because panic is a bad counsel.

I for one advocate for both payment frameworks to think bottom-up. I am part of the thinking that global networks should be constructed from main components, which in turn are constructed from sub-components, down to the individual payor and payee. Such a Neighborhood Based Network (NBN) has built-in resilience to recover from big blows because it has a built-in disengagement capability. A cascaded network is based on the idea of a quarantine—isolating the infected parts. By contrast, a non-structured, flat, infected network does not have a similar capability to keep the clean parts isolated and functional.

The world is experiencing high-intensity, durable wars in various locations. A counter-West alliance is building itself with a hostile mindset. Our cyber dependence is our weak point, with payments in America a prime target. And yet we all like to think that a few cheats and some isolated fraudsters are our only challenge. We had better wake up! DT

Merchant Acquiring Made Easy with

Personalized Services

Your business is unique and deserves a dedicated team. With Merrick Bank, you'll have a team of experts available to create a specialized program and help you along the way.

- **Top Merchant Acquirer in the U.S.**
- **20+ Years in the Industry**
- **Trusted & Reliable Partnership**

We're ready to make acquiring easy for you!

Contact us today or connect with us at
NEAA in Albany, New York.

MerrickBankAcquiring.com/Contact

Merrick Bank®
Merchant Acquiring

THE DELICATE BALANCE OF CLOSED-LOOP CARDS

BY BEN JACKSON
bjackson@pa.org

AS BANKS AND merchants fight over interchange regulation in Washington, the real struggle is in shoppers' wallets, phones, and Web browsers.

Last month, I wrote about how merchants use discounts, surcharges, and direct bank payments to influence consumer behavior. This month, we'll look at another tool that merchants can use to manage payments costs: gift cards and other closed-loop cards.

The most-cited case of a successful closed-loop or gift card program is that of Starbucks, which had more than $1.5 billion loaded onto its cards in fiscal year 2023, according to its annual report. Because of this, analysts sometimes describe Starbucks as a bank, but that is a misunderstanding of the program.

The reality is companies like Starbucks, Walmart, and Apple are not looking to become banks. They want to bring customer dollars into their ecosystems without being a bank. This helps them manage payments costs, and understanding the cost of a transaction reveals how.

In a post on its Web site, the payments processor Fiserv describes the transaction fees that merchants might pay, including processing and authorization fees, network fees, and interchange to issuing banks—made up of a flat fee plus a percentage of the transaction— among other charges.

JPMorgan Chase lists out prices: to accept a transaction at the point of sale, a merchant will pay 2.6% of the transaction plus 10 cents, and 2.9% plus 25 cents per online transaction. So let's use the Chase numbers to do a back-of-the-envelope analysis. I do not know whom Starbucks works with for payments processing, so this is just for illustration.

If a person stops at Starbucks each workday of the month and pays with a credit card every time, the company pays a percentage of each transaction plus a flat fee for each of those roughly 20 transactions.

But if they convince a customer to load a Starbucks card, they can reduce the interchange to the cost of a closed-loop transaction and eliminate the fixed fees. Even if that card is loaded with a credit card, the savings could be substantial.

Using the Chase numbers to illustrate this, let's assume a 25-cent online fee to load a closed-loop card versus a 10-cent-per-transaction point-of-sale fee for credit cards. The savings from moving to the Starbucks card from a credit card would start at $1.75 per customer per month. At Starbucks' volume, that starts to add up quickly.

Two things help Starbucks succeed. The first is that their customers have a high volume of purchases. Second, they offer rewards. The frequent visits are not something every merchant can duplicate. People buy only so many televisions, for example. Rewards are open to all merchants, but carry risks.

A generous rewards program tied to gift card loads can lead to shoppers trying to double dip by loading up gift cards with credit cards that pay high rewards. This can become costly if the cards are bought through resellers where the merchant needs to offer a discount to get their cards into a card mall or rewards program, for example.

The math around gift cards is further complicated by unredeemed cards, which often escheat to state governments looking for an extra source of revenue disguised as consumer protection.

This may seem like a zero-sum game, but new payments bundles could open opportunities for new partnerships among merchants, card networks, and banks. Super apps that integrate closed-loop wallets, rewards programs that offer closed-loop options, and direct bank loads into closed-loop wallets are a few of the possibilities.

Success will come to innovations that balance the interests of merchants, payments providers, and, most important, shoppers. DT

TAKING THE MEASURE OF CLICK TO CANCEL

Faced with a proposal to make it easier to stop a subscription, payments companies and subscription specialists have much to ponder.

BY KEVIN WOODWARD

EVERYONE DREADS THE inevitable sales pitch that comes when trying to cancel some subscriptions. There's multiple pages to read online and the search to find the diminutive cancel button. Or there's the phone call that requires you to decline multiple pitches so you can stay on the line to confirm a subscription cancellation.

While not every company offering a subscription-payment service makes it difficult to end a recurring payment, enough do that the industry may be faced with a mandated easy-to-use option to cancel a subscription.

It's the Federal Trade Commission's so-called click-to-cancel button.

Announced a year ago, the proposal, which is part of the commission's review of its 1973 Negative Option Rule, would require companies to make it as easy to cancel a subscription as it is to enroll in one.

"The proposal would save consumers time and money, and businesses that continued to use subscription tricks and traps would be subject to stiff penalties," Lina M. Khan, FTC chair, said when announcing the proposal.

Observers suggest the measure is likely to be enacted. When and in what manner is uncertain. The proposal is still in review, and there's no formal timing or schedule for the rulemaking process. While acknowledging there could be additional informal hearings, an FTC spokesperson says the agency's staff will need to review and evaluate all comments before a draft rule can be issued.

The United States is not alone in reviewing subscription-cancellation protocols. In Europe, the EU Digital Services Act went into effect in mid-February. It requires online platform providers to make the procedures for terminating a service no more difficult than subscribing to it.

"It's a general push to make it easy for consumers to cancel," says Jonas Flodh, chief product officer at

Recurly Inc., a San Francisco-based subscription-management specialist. “To be honest, it’s in line with what subscribers want as well.”

Indeed, the FTC’s version of an easier-to-use subscription-cancellation protocol is a good bet to be approved, suggests Tom Zauli, senior vice president and general manager of Softrax Inc., a Canton, Mass.-based revenue-management services provider.

“We believe it is likely to get passed, given that the FTC already has a rule—the Negative Option rule—to protect consumers and allow them to cancel recurring charges easily,” Zauli says.

“The click-to-cancel rule reflects how prevalent digital subscriptions have become in our society, but how these services can be difficult to cancel,” he continues. “At issue are companies that make it easy to sign up for a service, but that require a phone call—with waiting times and a representative’s sales pitch to stay on as customers—before [customers] can cancel.”

DEALING WITH CHURN

A click-to-cancel button would make it easier for consumers to end subscriptions, potentially affecting the transactions, and this might increase the volume of consumers unsubscribing, Zauli says.

“This equals churn and the providing company would have to have the infrastructure in place to record the cancellation and adjust revenue-recognition reporting according to the ASC 606 requirements,” he adds. These requirements are part of an accounting standard that details how revenue is recognized.

Churn—which refers to when a consumer discontinues a subscription either voluntary or involuntarily—is a critical indicator for subscription services. The rate, according to Recurly’s data in its “2024 State of Subscriptions” report, hasn’t varied much over the past few years. It stood at 4.1% in 2023 and 2022, 4% in 2021, and 4.3% in 2020.

The way to deal with churn, Flodh says, is to acknowledge it is part of the business, especially if the click-to-cancel proposal advances. “We are recommending our merchants embrace that,” he says of the potential new reality. “It’s better to be open with them but also give them other options, such as a pause or a downgrade-subscription option.”

It could be challenging for a subscription provider if it does not have something like that in place should the proposal become a regulation, he says. If mitigation measures are in place should the FTC rule be finalized and implemented, companies will be in a better position to curtail some of the churn, Flodh says.

For example, when the Covid pandemic forced physical locations to shutter, e-commerce, including subscription products and services, boomed. But subscriptions were also affected by out-of-work individuals, such as those in hospitality positions, who had to reduce their costs. Some Recurly clients had a pause feature that enabled many of their customers to maintain their accounts while they were not in use. They were able to keep those customers on their books, Flodh says.

He cites a movie-theater chain that sustained a decrease in revenue during the pandemic, but extended offers to its subscription customers to pause and reactivate once it was safe to attend an in-person event. “As soon as everything opened up, they came back stronger,” Flodh says.

REINFORCING RETENTION

If click-to-cancel becomes the norm, merchants must be ready, Zauli says. “Assuming that more customers will cancel, providing it is easier to do so, companies must be ready to replace those customers with marketing efforts,” he says.

“However,” he adds, “companies should also look to retain the cancelling customer, such as by offering a discounted rate to continue the service for a set amount of time. The challenge companies will face is replacing the lost subscription revenue.”

While voluntary churn is more difficult to manage, Recurly is able to help with involuntary churn, which occurs when a customer’s subscription is canceled because of payment failure. In 2023, the median involuntary churn rate was 1%.

Such efforts might involve a tactic called dunning, which is notifying

Flodh

Flodh: “You have to have the tools to provide value to different types of subscribers.”

customers by email that a recurring payment failed. In 2023, Recurly says, the median dunning-recovery rate was 49%, and the company was able to recover $254 million in revenue for its clients.

All of these measures are essential now for subscription businesses, and will only become more important should the FTC measure be enacted. For now, there's no definite timeline for the updated Negative Option Rule proposal.

The most recent action in the matter was an informal hearing in January that saw opponents counter the FTC's estimated $100 million impact of the proposal. One participant in the hearing, Lartease Tiffith, executive vice president of public policy at the Interactive Advertising Bureau, an association for the digital advertising and marketing industry, questioned the estimate.

Zauli

> Zauli: "The click-to-cancel rule reflects how prevalent digital subscriptions have become in our society."

"…Just for us as stakeholders, we have no information from the commission about what went into its decision that the costs were less than $100 million … at all," Tiffith said, according to a transcript of the hearing. "But yet, we've put together three experts who have said that it far exceeds $100 million."

The costs may be contested, but there's no question there will be some costs associated with a revision to the subscription cancellation process.

"Companies should expect some variation of an easier cancellation procedure to be enacted, and take measures now to improve their customer retention," Zauli says.

As Flodh says, "It's important that you are strategic about it, what you have to offer, and the kinds of plan. You have to have a flexible experience. Then you have to have the tools to provide value to different types of subscribers." DT

Get the latest news impacting the payments market

Do not be left behind.

Follow Digital Transactions on X, formerly known as Twitter @DTPaymentNews

How Apple is Juicing Payments

The iPhone maker is known for its impeccable technology. What is less obvious is its nuanced but multipronged assault on the payments business.

By John Stewart

Ask anyone on the street what Apple Inc. does, and such is the company's fame that even the least technology-inclined will respond immediately with examples like the Mac computer, the iPhone, or, lately, the VisionPro virtual-reality headset. Some may cite Apple Pay or even tap-to-pay on iPhone. But few will think of the consumer-tech Goliath as a payments company.

Until now. "Definitely, they're a fintech company at this point," says Sheridan Trent, director of market intelligence at TSG, an Omaha, Neb.-based payments research firm. "Are they a payments company? They're definitely trending in that direction."

Surprised? Long-time Apple watchers aren't. The company has for years made forays into payments-related ventures, with the advent of the iPhone in 2007 setting the stage.

Here was a device that was sold as a mobile phone but that could, ultimately, serve as a wallet with the power to make online and contactless payments—all with the notoriously strict oversight commonly exercised by the notoriously fussy management in Cupertino. Sure enough, seven years later came Apple Pay, with Apple Wallet tucked along for the ride.

At the center of just about all of this activity is the iPhone, a now iconic device that commands an estimated 24% share of all new smartphone sales. Name the payment service, it's available on the phone—a device tightly controlled by Apple.

So tightly controlled, indeed, that the company has attracted the notice of skeptical courts, snappish regulators, and disgruntled app developers, as well as much speculation about its intentions not only in payments but in that crucial gateway to financial transactions—personal identity.

"It's strategy is not obvious to the casual observer," notes Richard Crone, who has observed Apple's moves for years as proprietor at Crone Consulting LLC, a San Carlos, Calif.-based firm. "Paymentization is where the golden nugget is."

Record Revenue

Apple is characteristically tightlipped about the numbers behind its products and services, but it's especially quiet when it comes to its ventures in payments. A spokesperson for the company did not respond to repeated messages regarding an interview for this story.

So quiet is Apple's approach to payments, in fact, that it surprised veteran observers late in January when it uncharacteristically announced that its Apple Card, a Mastercard credit card it launched in 2019 with Goldman Sachs as the issuer, had attracted 12 million cardholders. (Goldman, unfamiliar with consumer credit, last summer began negotiating with Apple to exit its role as the card's issuer).

The product includes a physical card—said to be made of titanium—along with a digital version chiefly intended for use with the iPhone and its Apple Pay digital wallet. The release included other numbers about the card, including the fact that users last year earned more than $1 billion in "Daily Cash" when using the card (users earn 1%, 2%, or 3% on purchases, depending on the merchant and such factors as whether Apple Pay is used).

In a key move, Apple equipped its phone with a near-field communication chip that works with Apple Pay. That enables owners to make contactless payments in stores—allowing the phone to reap a share of the growing trade in in-person digital-wallet traffic.

But while revelations from Cupertino are rare, observers can profit from paying close attention to Apple's earnings calls. The size of the company's payments business has become a matter of concern for investors not only because of its increasing importance on the balance sheet but also because of litigation in the U.S. market and action by the European Commission overseas.

Apple doesn't disclose what it earns on payments, but it dropped a hint on an earnings call Feb. 1 held to discuss its December-quarter results. On the call, the company celebrated what it called a record for quarterly revenue in its Services business, some $23.1 billion worldwide. To put that number in perspective, in the same quarter Apple took in $69.7 billion just on iPhone sales.

But the company also noted that its payments revenue, which is a component of that Services number, also hit a record high. Apple earns money from Apple Pay transaction fees charged to merchants and on interest on funds held in Apple Pay Cash.

Gene Munster, a managing partner at Deepwater Asset Management, estimates revenue from Apple Pay alone accounts for, conservatively, 3% of that Services number, or about $700 million in the December quarter—some $2.8 billion if we simply annualize the number without seasonal factors. That number includes various fees, but principally, of course, Apple's share of Goldman's interchange.

The advantage to Apple is that payments creates value—and, hence, relevance—for Apple Pay, Munster says. With payments, he says, a digital wallet "becomes more important" to Apple as the company collects "a fraction of transaction value."

On the flipside, though, the digital wallet becomes more than just another feature. "You have to have a wallet or your phone is going to become irrelevant," Munster warns.

Crone

Crone: "Whoever is the system of record for ID will shift value creation from processors to someone like Apple."

SAIL WITH PAYLO & CAPTAIN COMPLIANCE

Daniel McNatt, Real-Life Captain Compliance

IN A SEA OF DUAL PRICING PROGRAMS, SAIL WITH PAYLO TO AVOID SINKING INTO THE SEA!

SIGNAPAY'S ISO PROGRAM HAS EVERYTHING YOU NEED AND WANT.

- 90% RESIDUAL SPLITS
- $1,000 ACTIVATION BONUS
- BUSINESS LOANS
- RESIDUAL PURCHASES
- CHOOSE YOUR OWN BUY-RATES
- MARKETING TOOLS & SUPPORT
- FREE TERMINALS

PayLo Dual Pricing is the premier card-brand backed Dual Pricing program that is here to help your merchants and avoid the compliance hassle!

Our dedicated Card Brand Compliance Team, helmed by Captain Compliance himself, navigates the seven seas with your merchants, working arm and arm with you and them to make sure they are up-to-date on any rules and regulations.

PAYLO
DUAL PRICING

Call and join today.

877-231-6609 | partners@signapay.com | signapay.com

Regulatory Rumbles

But if Apple has pursued a clear strategy in payments and has pushed that strategy with help from the company's hardware, it has lately faced pushback from courts and regulators.

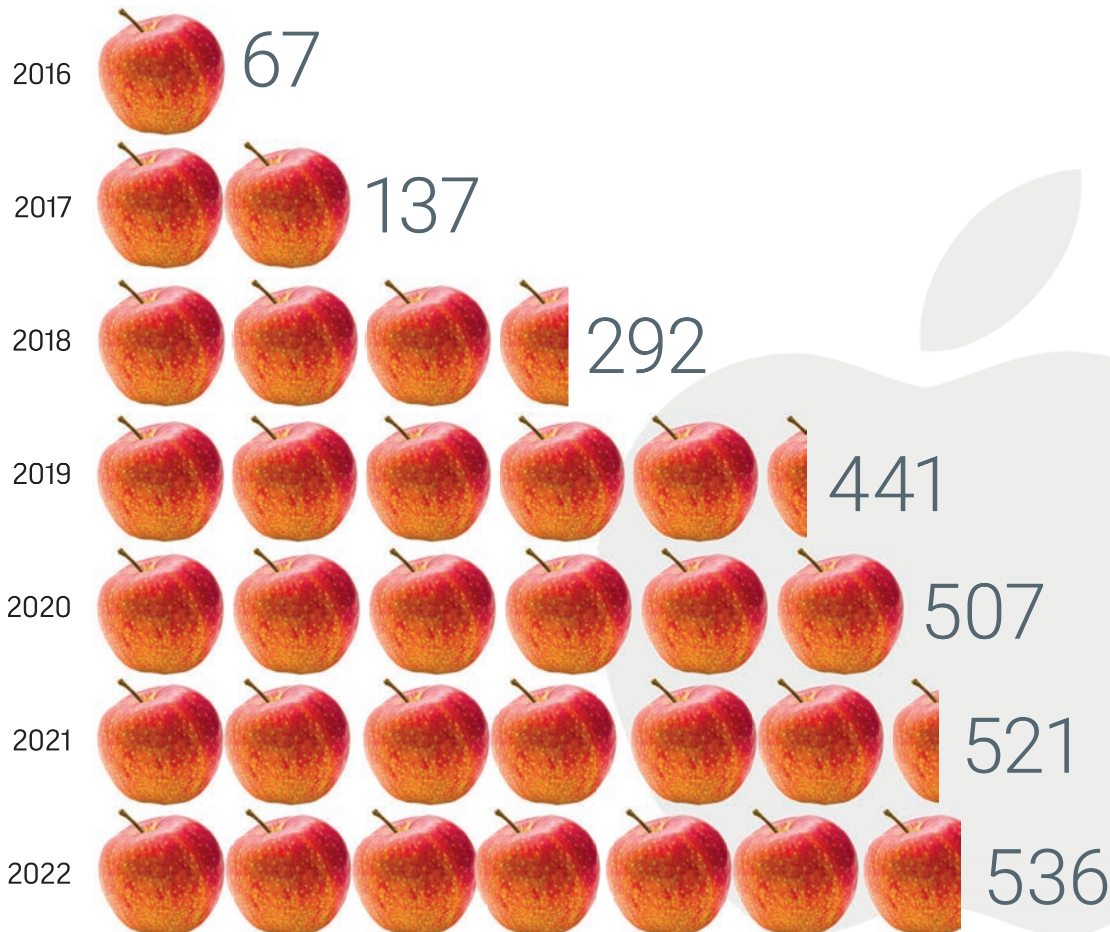
In a case that could have far-reaching implications for Apple, the company has had to bend the knee to the European Commission, which in 2022 concluded the company restricts competition by monopolizing access to the iPhone's NFC chip, a violation, the commission said, of Europe's Digital Marketing Act.

To appease the regulator, Apple said it would allow third parties to access the chip; offer new features for users, including access to payments apps they may prefer; and refrain from discriminating against competing developers. It was a clear breach of the company's longstanding walled garden. The Commission in January began seeking reaction to Apple's proposal.

The EU action came on top of a 2021 verdict in a U.S. antitrust lawsuit against Apple in which Epic Games, a major digital-game developer, lost on nine of 10 counts. But the one count on which it prevailed calls on Apple to allow app developers to process payments through pipes outside of Apple's walls if they so choose.

APPLE PAY'S RISE

(Worldwide users in millions)



Source: Statista

NEAA 2024

APRIL 3-4
ALBANY, NY

The Northeast Acquirers Association (NEAA) serves as an Educational Forum for Financial Institutions and ISO's / MSP's / MLS's in the acquiring industry. NEAA is a non-profit, non-membership regional association chartered to serve the needs for all merchant acquiring payment professionals.

Join us April 3-4 for NEAA 2024 in Albany, New York!

EDUCATION

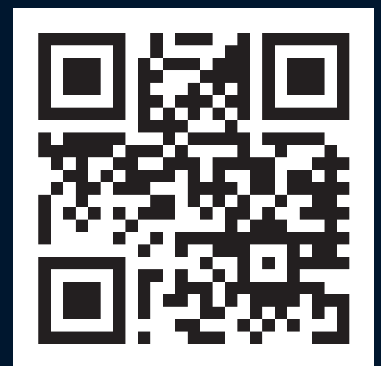
From industry trends and product features to lessons learned both here and abroad. We provide you with all the late breaking news, including legislative information impacting you and your customers.

NETWORKING

Looking for complementary products and services to offer your clients? We bring together the newest and best vendors with innovation as the primary focus.

PARTNERSHIP

You're not on a island by yourself. Together with peers, learn how others expand their client base, what new products are available and how to best leverage them to bring your business to the next level.



Scan code and register now! Early Bird Pricing is available until March 5

www.northeastacquirers.com

As a result, Apple slapped a 27% fee on app sales, which comes on top of the approximately 3% the developer would have incurred anyway for marked-up interchange on credit card transactions. That gave Apple "ridiculously high margins on in-app payments," notes Stewart Watterson, a strategic advisor for retail banking and payments at Datos Insights.

The move had at least one other effect. "It wipes out any saving you would have had by not using Apple's payment system," says Eric Grover, a Minden, Nev.-based payments consultant. Other observers argue developers will stick with Apple in any case. "It eliminates some liability for app creators. I would imagine a lot of developers would continue to rely on Apple's payment system," argues TSG's Trent.

Against the backdrop of the EU case, the Consumer Financial Protection Bureau has also taken note of what it calls "big tech firms in mobile payments," noting in reports it issued in September and November that Apple's restrictions on its NFC capability could hurt consumer choice and dampen competition.

With Apple's example clearly in view, the CFPB in November proposed that it should have supervisory authority over "larger" technology companies "that offer digital wallets and payment apps."

That puts Alphabet Inc.'s Google platform in the regulator's sights in addition to Apple, though in contrast to Apple, the NFC chip on Android phones is owned and controlled by the network operator.

The Bureau has become notably more activist in payments since the 2021 appointment of Rohit Chopra, a former McKinsey & Co. executive and Treasury Department student loan ombudsman, as its director. Notes Grover: "You have Rohit Chopra trying to figure out how to go after Apple and Google. This story isn't over in the United States."

Still, payments firms appear to be ready to take advantage of any opening the EU case might create for them at Apple. In an earnings call in early February, PayPal Holdings Inc. chief executive Alex Chriss said the company was "tracking this very closely," according to a transcript of the event. Customers, he said, "are demanding being able to have an omnichannel and offline solution as well. So, we'll be working closely on this."

Grover

Grover: "You have Rohit Chopra trying to figure out how to go after Apple and Google. This story isn't over in the United States."

The Identity Gambit

But some observers aren't convinced Apple is into payments simply to provide a lucrative convenience or added service for iPhone users. The real purpose, they argue, lies deeper. "Identity, the identification, validation, authorization of payment hasn't changed. It's about to change dramatically," argues consultant Crone.

By controlling payments on its devices—the iPhone installed base alone has reached an all-time high, Apple said in its February earnings call, without citing a number—Apple will ultimately control a system of record that could authenticate user ID and authorize transactions with unheard-of accuracy and on an unheard-of mass scale.

That, Crone says, is the Holy Grail that lies behind the company's drive for device installations with biometric user verification, such as facial recognition on the iPhone. Iris scans, he predicts, will be next. "Being the system of record for the

federated ID is the long-term gain for Apple," he says.

The jackpot in all this, Crone argues, will lie the addition of government IDs, such as driver's licenses, passports, or visas. "There's no bank that can do this, because they don't have the token, the iPhone," he points out. Payments, he argues, is a means to an end. "The endgame is identity. What government entity won't play?" he asks.

Depending on various factors, Crone says, the revenue from ID services spread across an estimated 2.2 billion active devices—the number Apple cited in its earnings report—could amount to anywhere from $84 billion to $516 billion in revenue annually. "Whoever is the system of record for ID will shift value creation from processors to someone like Apple," Crone argues.

The real value, though, lies in Apple's mastery of biometrics, he says, though he adds a close rival in this game could be Amazon.com Inc., with its Amazon One technology.

What about the card networks? After all, they're the platforms that made digital payments possible in the first place. Here, Crone is dismissive. "Visa and Mastercard are a dumb pipe," he says. "They left ID to Apple and Google."

Not all Apple observers are quite as enthusiastic about this play. "It sounds good but there are too many hurdles in the way, privacy, for example" argues Brian Riley, director of the credit advisory service at Javelin Strategy & Research. "I don't know how it would ever be executed."

Even if it were "executed," it would "represent monopolistic control," Riley says. "And that doesn't play well."

The question now confronting the payments business is how well that business can contend with a resourceful tech company that clearly has designs on a much bigger slice of a payments pie it has spent years sinking its teeth into. Maybe everyone will just have to think different. DT

The payments market is large and fragmented.
DigitalTransactions.net gathers the most important news in one place, and shows you how it all fits together to impact your business.

Concise, clean interface is easy to navigate

Breaking news from the payments market, posted daily

Calendar of industry events

Complete current and past issues of *Digital Transactions* magazine

Detailed listings of payments market suppliers

13 years of payments news and analysis

DIGITAL TRANSACTIONS
Trends in the Electronic Exchange of Value

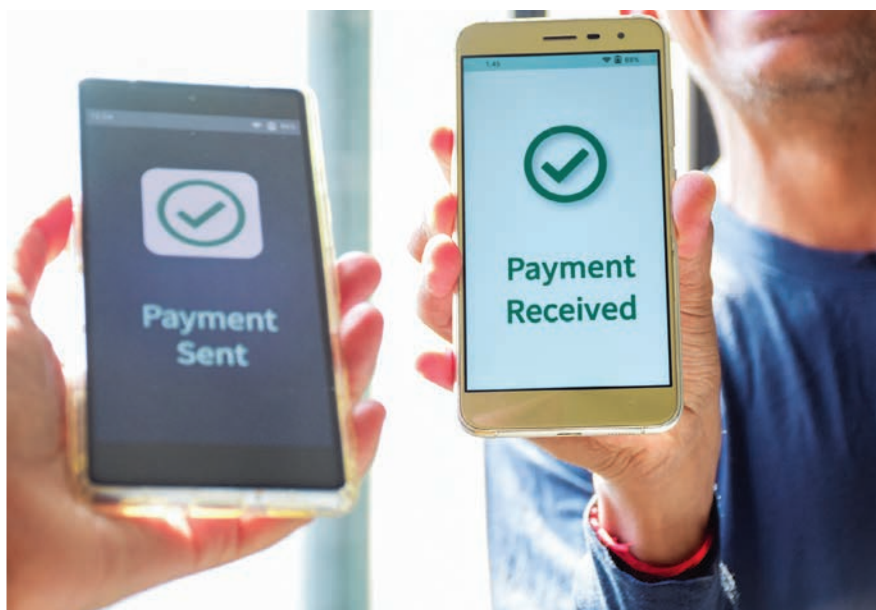
REAL TIME PAYMENTS: WHERE ARE THE BIG BANKS?

After the hoopla surrounding FedNow's launch last year, reality is starting to set in.

BY STEVE MOTT

PAYMENTS PROFESSIONALS have been basking in a warm glow as a steady stream of media coverage lauds the long-awaited arrival of faster payments and the uplifting role played by those professionals in bringing the long-dormant, slow-innovation paradigm of physical payments to a rightful close.

But some troubling signs have surfaced that suggest the enthusiasm might be premature. They point to a fundamental misreading of whether the big banks that are necessary to effect critical-mass adoption of real-time payments are going to join the real-time party this year—or even years from now.



The latest sign that something might be amiss arose quietly before the December holidays, though few took any notice. At least four of the big banks—mainstay owners of The Clearing House, its Payments Company and its RTP network (TCH/PayCo/RTP)—quietly made changes to their payments policies. The changes imposed on consumer-facing real-time payments the same transaction-amount and number limits the big banks have in place for consumer payments on the Zelle network.

For example, Bank of America's online-banking service agreement, updated the first week of December, now includes new rules for using TCH's Real Time Payments Service (RTP) for the new, high-demand Request for Payment (RfP) mode that enables many new payments modernization use-cases (see illustration A on page tk).

These are the same limits BofA imposes for Zelle consumers sending certain transfers (see illustration B on page tk).

The following week, on Dec. 15, Chase announced in its online "Transfers Agreement" its own RTP/RfP limits. These are somewhat higher than BofA's, but

are commensurate with what it imposes on Zelle users (see illustration C on page tk).

Two other Big Five banks were reported to be limiting their consumer-facing account payments to $5,000 and $10,000. Compare that with TCH's current overall limit: $1 million per transaction (rumored to soon rise to $10 million), or the per transaction limit at the Federal Reserve's rival service, FedNow, currently at $500,000 (but expected to rise soon to $1 million).

The rationale of the four big banks sounds plausible. RfP is a new service, and brand-new use cases offer little in the way of track records on which to base risk management. Besides, real-time payments were—at least in the TCH lens—supposed to be targeted at business-to-business transactions, limiting if not replacing ACH use, and constituting a new revenue opportunity because faster payments are better for many applications, and should warrant "value-based" pricing.

Rushing into consumer applications, on the other hand, is not obviously a priority, and point-of-sale applications remain anathema to most the big banks. And nobody at TCH wants a replay of the problems the big banks have had with Zelle. So why not take some time with new use-cases and limit the risk until experience warrants?

NAY TO A2A

Coupled with other perplexing signs recently, these consumer application-targeted limits could weigh against substantive innovation in digital payments any time soon. And they further underscore the need for the Federal Reserve, and FedNow, to provide another means of deploying real-time payments with more latitude on the flexible (RfP) mode ("How to Tap Real Time's Potential," September 2023) for all those users—consumers, merchants, and corporates—who are demanding digital payments innovations.

The complexities of meeting this marketplace need can be seen with real examples of recent attempts to field unconventional RfP use cases. Here, what some of the big banks are doing with and through TCH as their network instrument is creating head-scratching moments for the industry.

The first example involves a mid-size regional bank with a strong

ILLUSTRATION A

5. REAL TIME PAYMENT NETWORK SERVICE

A. Description of Service

You can use the Real Time Payments Service ("RTP") to receive a Request for Payment ("RFP") from other individuals or businesses with a bank account at a financial institution participating in RTP ("hereinafter Payee") and to pay such RFPs from an eligible checking account to that Payee using RTP.

F. Limits

The following limits will apply to payments sent using RTP*:

	Every 24 hours	Every 7 days	Every Month
Consumer checking	$3500/10 transactions	$10,000/30 transactions	$20,000/60 transactions

*Private Bank and Merrill Lynch Wealth Management clients may be subject to higher dollar limits and total transfers. Please contact your advisor for more information on your limits.

ILLUSTRATION B

K. Limits

The following limits apply to Zelle transfers.[1]

	Every 24 hours	Every 7 days	Every Month
Consumer	$3500/10 transactions	$10,000/30 transactions	$20,000/60 transactions
Small Business[2]	$15,000/20 transactions	$45,000/60 transactions	$60,000/120 transactions

1/Private Bank and Merrill Lynch Wealth Management clients may be subject to higher dollar limits and total transfers. Please contact your advisor for more information on your limits.

2/ Zelle send limits are set at the customer profile (User ID) and apply to all accounts visible in the "From" dropdown when initiating a Zelle payment. If you are a small business customer and are not receiving the small business limits, make sure you are logged in with your small business User ID.

There are no receiving limits for Zelle transfers.

ILLUSTRATION C

The Real-Time Payments Service is typically available 24 hours a day, 7 days a week, including weekends and state and federal holidays. However, the Real-Time Payments Service may be unavailable from time to time, including due to scheduled or unscheduled maintenance.

You may not send through the Real-Time Payments Service more than: (i) $5,000.00 in a single transaction, $10,000.00 in one day, or $50,000.00 in one month from a **Consumer Account**; (ii) $25,000.00 in a single transaction or your currently applicable daily transfers limit (with no monthly limit) from a **Business Account**; or (iii) $10,000.00 in a single transaction or $20,000.00 in one day (with no monthly limit) from a **Private Banking Account**. We may establish lower transaction limits for you and may block any attempted Service Transfer that exceeds the limit(s). We may adjust the limits at any time in our sole discretion. We will notify you of such adjustments.

portfolio of cash-management customers offering sports betting, gaming, and gambling services. Seeking higher security (vs. cash), cost savings (vs. ATM fees and wires), and convenience (compared to check and ACH delays) for its customers, the payment-platform support provider for these corporate clients entertained a direct-to-bank payment option, using mobile phones, that took just five clicks to execute and was real-time over RTP.

The bank had already built an award-winning application for a similar payments-platform provider to dispense payouts to customers of the client's merchants, generating millions of payments over RTP in 2022 and 2023.

In this new RfP application, consumers could load the digital accounts they already had from these merchants (a "pay-in" function), comply with all relevant regulations on gaming-account use (such as frequency of account loadings), and make their bets without further impediments. What's not to like?

The bank, which had worked on the application for a year, had been led to believe that this use-case application had been "grandfathered" by TCH governance committees. It was preparing to go to market with the expectation of monitoring usage to share the results with other TCH members.

That's because some banks have a moral aversion to supporting betting and gaming activities and didn't want to open a new market sector without proper controls in-place—if they opened it at all—though they supported these merchants for card and ACH payments.

On July 20, FedNow launched—right on time. FedNow offered an alternative to TCH's 6-year-old RTP network, with contrasting, very low network fees, a purported willingness to support just about any digital payments use case banks wanted to try, and a commitment to open up the RfP mode to an open, blank slate of innovations that consumer, merchant, and corporate users craved. These included point-of-sale applications and legitimate applications for legitimate users—such as gaming.

But two weeks later, following a year of TCH member banks experimenting with a host of potential applications—and after six months of laboring over what risks and liabilities should be addressed—TCH published a mere handful of RfP applications it was willing to support.

These permissible use cases included pretty much vanilla extensions of conventional bank payments services, typically already provided by the ACH network, though a bit faster (see illustration D on page tk).

This made payrolls work better, appealed to gig workers needing to get paid daily, and enabled a variety of cash-out disbursements to happen quickly—from unloading Venmo and PayPal accounts to winnings from online gaming and betting (which apparently did manage to pass the moral test).

What was more interesting was what use cases the TCH governance committees did not allow. First, grandfathering of the gaming pay-in application by that mid-size bank was revoked after all (both for a correspondent banking configuration TCH doesn't allow, and as a digital wallet loading application)—reportedly at the behest of a couple of the very biggest TCH banks.

Meanwhile, widely desired moves to accommodate digital-wallet loads via RTP—which some big banks view as competitive and perhaps unworthy in terms of security, while other banks were eager to accommodate—were also forbidden (especially, one big bank told me, for Apple).

In fact, the only account-to-account use-case contemplated was for consumers who might load their investment accounts from funding accounts within the same institution. Many dozens of other A2A applications, under development or in testing, were nixed until further notice.

Co-Branded E-Mail Marketing

Get the Results You Need

Here's how it works

You select the part of *Digital Transactions*' subscribers you want to reach, sorted how you need it, by function, location, or title. Just ISOs? No problem. Just executives on the East Coast? No sweat. Just CEOs? No worries. Or choose our entire circulation base. It's up to you! You give us your HTML creative. We create both a text version and a Web version of the e-mail deployment. After the deployment, we track deliveries, opens and clicks, and give you all the stats.

It's really that easy!

To get started, contact Bob Jenisch today.
630-547-2887
bob@digitaltransactions.com

CLARITY, PLEASE

But all the big banks have investment-brokerage customers whose clients are frustrated with the vagaries of settlement timing for account loads using ACH. Even slight delays in funding availability can cause missed investments—a great use-case for real-time payments. But what if you want to load your brokerage account from accounts held at multiple banks? Or set up multiple investment accounts, one for each bank? Outside the TCH community, the rules just aren't clear.

Another one of the many obvious use cases clamoring for real-time payments—one that seemingly every big bank gravitates to and appeared to be approved as a B2B use case by TCH—is moving payments among parties to a real-estate purchase via the title-and-escrow industry. When TCH's starter-gun shot off Aug. 2, several banks and many providers scurried along to relieve 5,800 title-and-escrow companies of their 40-year dependency on paper checks and wires.

Most concluded that the Aug. 2 TCH rules would accommodate this use case as a permitted application. After all, delays for turning paper checks into good funds could go away, making earnest-money deposits much more timely and effective for both buyers and mortgage brokers. And the costs and hassles of hundreds of thousands of last-minute wires to balance out mortgage proceeds to the penny—as most states require—could soon be a thing of the past. Cheaper, faster, and safer payments would float all title and escrow boats—what a use case!

But then the transaction limits that creeped in at the end of the year, which minimally accommodate nearly all of the nation's earnest-money payments, raised concerns about whether much larger transfers for down payments, closing payouts, and mortgage proceeds would be precluded. So some banks, and many corporate customers, have been insisting on clarity from TCH as to what might actually be allowed.

And no wonder! A lead manager for the RTP service at one of the big banks recently told a corporate customer that these limits really are just a way "to limit the move to use cases involving consumers on the front-end" and that corporate customers "could still get the sizes of transactions they needed as they always have."

Another corporate customer of a large bank was told any complications in rolling out use cases for RTP "wouldn't matter that much as we're in a position to guarantee your ACH transactions if you need to for good funds." Causes for head-scratching, to be sure.

BUYING TIME

Then, early last month, a TCH governance committee reportedly recommended funding of digital-wallet loads via RTP after all—so long as the funds remained in-use in the wallets and not immediately transited out. Conceivably, this accommodation could even resurrect the possibility of RTP loads for gaming wallets, if TCH's PayCo board proceeded, as many expected it would, to approve the recommendation in their mid-month meeting. If so, that's another (but widely welcome) head-scratcher.

TCH (and FedNow) also need to expand their security premises. Some of the big banks are asking for the equivalent of Merchant Category Codes (MCCs) that they have for card acceptors, but applied to originators of Requestors for Payments like digital wallets. However, there are no acquirers in real-time payments to make that lift, so originating banks will have to do it—or simply accept all the liabilities they have for bad actors as they do today.

ILLUSTRATION D

Consumer Bill Pay: Companies that provide recurring consumer services, such as utilities, can use RfP to request payment for their services;

- **Business to Business Payments:**
  - Businesses can pay suppliers, business partners, contractors, freelancers or other third parties using RfP;
  - Payroll providers can send RfPs to its corporate customers so they can fund payroll on the same day that employees are paid, rather than 2-4 days prior to payday;
- **Account to Account (A2A)**: RfPs can be used by individuals to request transfers between bank or brokerage accounts that are owned by the same person. For example, brokers can send an RfP to customers so they can transfer money from their bank account to their brokerage account instantly to enable immediate trading;

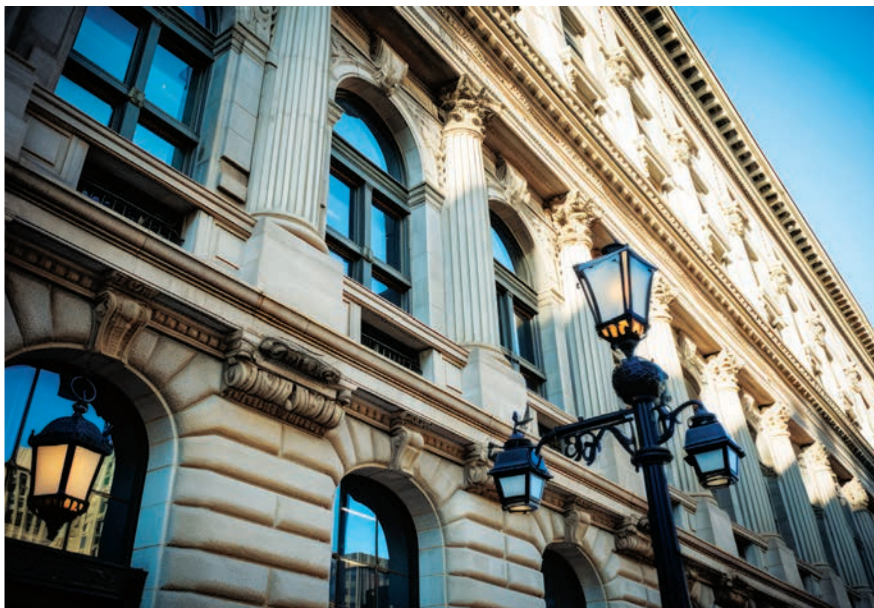
Ditto any real-time fraud checks. In the card world, Visa and Mastercard can touch more than half a dozen data points in less than a second. Banks looking to add real-time security checks to real-time payments to avoid real-time fraud will have to figure out how to do that and still keep the transaction under the desired three-to-five second duration—something neither real-time payment network appears designed to do.

These and other security challenges, as volume scales, are likely to be the next big hurdles to adoption once the big banks settle on what they are willing to allow over these networks.

No doubt TCH itself is genuinely focused on the efficacy of payments. It processes $2 trillion a day, and half the country's ACH and wire payments. But its member banks—and especially the very biggest ones—can only be viewed as moving slowly and tentatively on new use cases, perhaps buying time to figure out which way the winds of marketplace competition might be blowing.

After all, they have at stake the lion's share of merchant and corporate customers. The top 10 banks control 60%-90% of the revenue in just about any payments segment.

And they face substantial losses of revenue this year from a wide variety of challenges to their legacy payments: more antitrust cases; loss of overdraft fees; dictates from the Consumer Financial Protection Bureau on consumer privacy and junk fees; extension of Durbin dual-routing to online debit; reduction of debit card interchange; and maybe even inception of the Credit Card Competition Act ("Who Will Route Transactions?" September 2023).



'THE BIG HOPE'

Still, despite the availability of the most interesting new payments networks in decades, enlisting banks to participate in developing interesting new payment use cases is likely to remain a discouraging proposition, at least for the rest of this year.

The Clearing House, in business with RTP for six years, has integrated about 450 banks that represent about 70% of the nation's demand-deposit accounts. If they all were live and supporting a wide variety of use cases, the real-time payments marketplace would be cooking.

FedNow, in business for eight months, has about 400 banks integrated or in pilot with third parties, representing about half TCH's level of DDA penetration (35%). Interestingly, if you added the FedNow banks to the TCH banks, you only get an increment of 2% to 3% more DDAs. So FedNow is more likely to move the chains from 72%-73% to 100%, but that movement will be coming mostly from smaller FIs. And many of those remain wary of their ultimate fate with the TCH banks.

It's still early, but what's clearly missing, and needed, is real big-bank participation on FedNow, beyond their perfunctory bromides about supporting it, integrating it into their APIs, and fostering customer choice. FedNow has demonstrated the capacity, capability, and readiness to let marketplace competition emerge and take root, for the benefit of all.

So the big hope now of the rest of the payments ecosystem is that some of the big banks will decide it's time to reach for more than just what's "allocated" to them by their even bigger brethren, and push for more innovation faster—if not on one real-time network, then on another. After all, there's a choice now. DT

LESSONS LEARNED FROM THE CHIP SHORTAGE

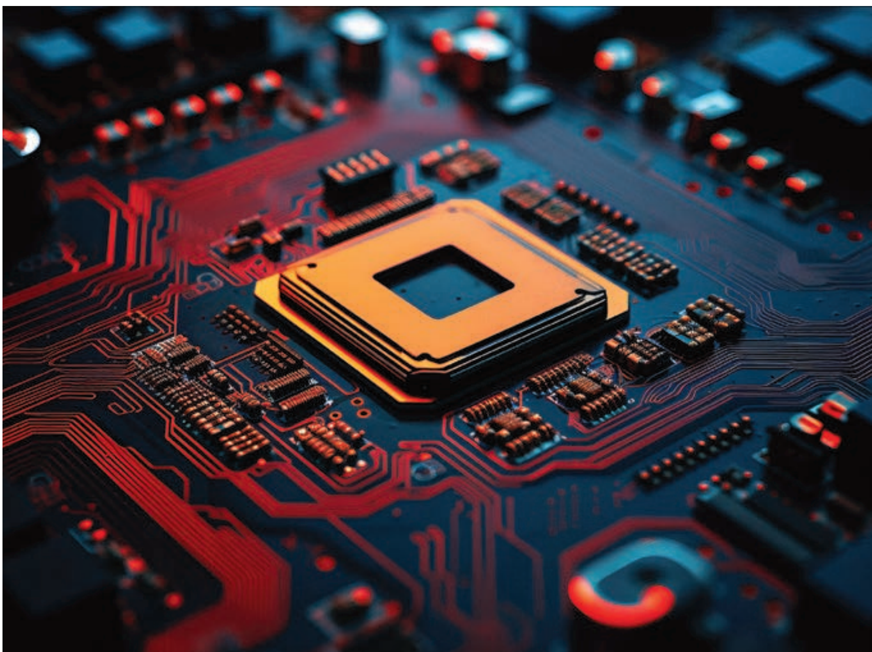
Wide-ranging disruptions in microchip supply slammed the payments industry hard from 2020 to 2022. Now, are terminal makers better prepared?

BY **PETER LUCAS**

BACK IN 2020 and 2021, terminal makers were scrambling to get their hands on the microchips they needed to power their devices. Lead times on orders had stretched to 18 months or longer, and some chipmakers were placing caps on order sizes.

Demand from other others industries that also relied heavily on the tiny pieces of silicon, such as auto, smart-phone, and electronic-device makers, continued to strain chip manufacturers' ability to maintain inventory.

Further compounding the problem was the fallout from the Covid-19 pandemic. China, the largest chip-producing country in the world, had only begun to emerge in 2021 from a society-wide shutdown spurred by the pandemic that not only stopped chip production for months, but also prevented the necessary raw materials from moving between provinces.



The chip shortage was so dire, no one felt comfortable predicting when it would ease.

Now, we know. Chip inventories are more predictable, and lead times on orders are running about 12 weeks on average, shorter if product is urgently needed.

Despite the improving outlook for chip availability, though, terminal makers have still not ironed out all of their wrinkles in managing chip inventories. Lead times on orders, while significantly shorter than in 2021, are still not consistently at pre-pandemic levels. Plus, chip shortages continue around the world on a country-by-country basis, according to payments experts.

If nothing else, weathering the worst of the storm has taught terminals makers the need to pivot away from strictly making hardware reliant on chips. Instead, they're developing more non-device-dependent payment solutions, such as mobile apps and QR codes with embedded

payment capabilities, to be prepared for future chip shortages.

In addition, terminal makers have learned they need to be able to adapt off-the-shelf devices, such as smart phones and tablet computers, to act as POS terminals.

"The POS industry is undergoing an incredible transformation, largely due to the chip shortage, by moving away from terminal- dependent transactions to transactions that are not as device- dependent," says Emmanuel Daniel, founder of TAB Global, a research and advisory firm.

"The industry was moving in this direction prior to the chip shortage," he adds," but the shortage forced terminal makers to reconfigure their business."

SOFTPOS TO THE RESCUE?

The push toward more software-driven payment acceptance has been largely driven by independent software vendors (ISVs), which saw the growth in online and mobile payments as an opportunity to become full-service payment facilitators, also known as payfacs. In this role, they provide white-label payment-processing services and help sub-merchants process transactions through their master-merchant account.

"Software integrations give payment providers more options when it comes to acceptance," says Jean Boling, director for ISV business development at Clearent by Xplor Technologies. "When the chip shortage hit, a lot of ISVs panicked and began looking at how to integrate their application to other terminal options, such as virtual terminals."

Clearent was one such company. In addition to providing credit and debit processing, Clearent offers such options as virtual terminals and gateways for e-commerce, as well as electronic check and ACH processing. The company is also developing a payfac-as-a-service option that would eliminate the need for a physical terminal to accept payments.

"The goal is to be in front of payment technology, not behind it," says Boling, "so that you are not limited to a specific device to accept payment should a major disruption like the recent chip shortage happen again."

The move toward more software-driven payment acceptance has also sped up the acceptance of so-called softPOS, an application that allows contactless payment cards or digital wallets to be tapped on or waved at a smart phone to pay for a purchase.

SoftPOS technology is enabling independent sales organizations to equip small merchants, such as in-home fitness trainers and home-services providers, to accept payment on the spot using an off-the-shelf device.

Retailers are also turning to softPOS as a line buster, while restaurants are adopting the technology to enable payment at the table. Other merchants adopting the technology include food-truck operators, sellers at festivals or farmer's markets, pop-up stores, and taxi drivers.

"The chip shortage definitely helped accelerate the adoption of softPOS," says Sam Shawki, chief executive at softPOS technology provider MagicCube Inc. "There is a still a backlog of chips, and we see this as a big year for softPOS, especially in the United States."

In January, Magic Cube signed a deal with Shift 4 Payments Inc. to make its iAccept softPOS application available to Shift4 merchants. The agreement is expected to give MagicCube access to new merchant categories in the U.S., such as restaurants, where Shift4 specializes.

MagicCube's i-Accept app turns Android smart phones and tablets into PCI-compliant payment devices that can accept contactless payments using tap-to-pay with or without a PIN.

Shawki

Shawki: "There is a still a backlog of chips, and we see this as a big year for softPOS, especially in the United States."

One reason Shawki is bullish on softPOS is that he has seen adoption alongside traditional POS terminals among merchants in Europe.

"The payments industry is slowly learning that dedicated terminals are not always necessary to enable payments," Shawki says. "We can deploy our technology across existing devices such as phones and tablets more efficiently and cheaply than a dedicated POS terminal."

NEW DEVICES, NEW CHIPS

Besides developing more software-driven POS devices, terminal makers also began moving away from older chip designs that were in high demand, especially among automakers. Instead, they leaned toward newer designs that could be produced plentifully as chip manufacturers in 2022 began to increase production.

That shift, however, meant redesigning terminals to accommodate the new chips.

"The chip shortage greatly impacted terminals that relied on older chip designs, which the auto industry also relies heavily on," says Eric DuForest, chief operating officer for Ingenico, a longstanding terminal maker. "Newer chip designs are being driven more by mobile phones, so we are designing terminals around those chips. The more we move to terminals that use newer chip designs, the easier chip procurement becomes."

Adapting its product line to newer chip designs that can be more readily procured wasn't the only lesson Ingenico learned. Transparency and communication with customers played a key role in helping keep customers in the fold and is a strategy the terminal maker says it continues to practice.

"Being as transparent as we could be with customers about product availability and matching allocation of product to customer needs helped us maintain customer trust," DuForest says.

"The players that survived the worst were the ones that told the truth to their customers and helped them find alternative solutions to weather the storm," he adds.

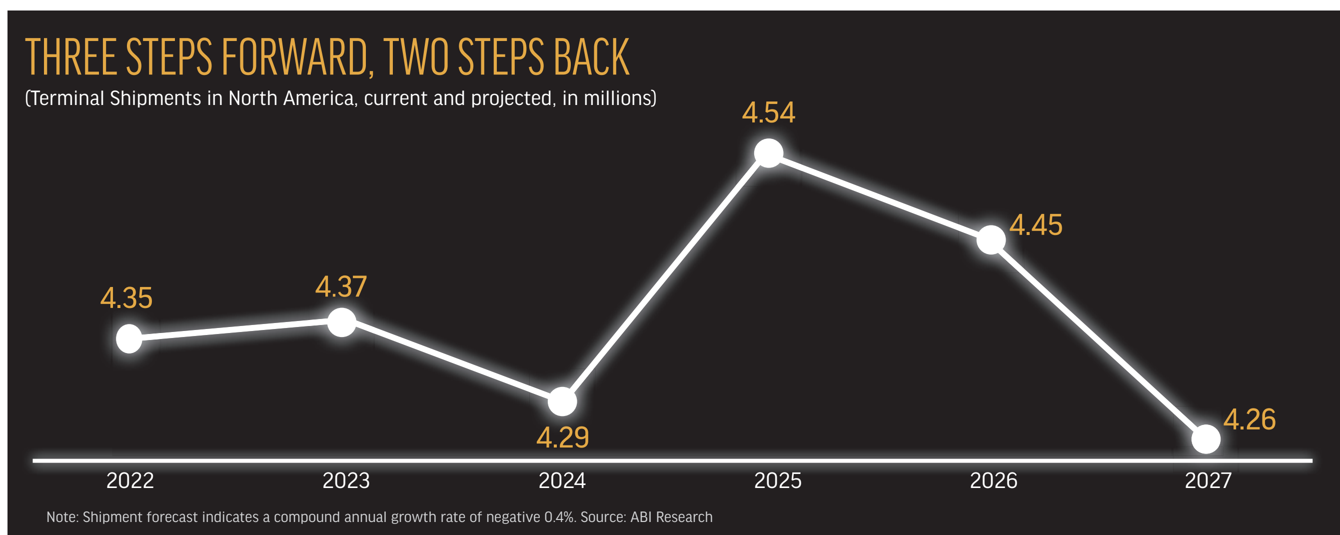
Another lesson from the chip shortage is the need to place orders further in advance. "Being proactive in placing orders and commitments as far in advance as possible was key," says Derek Webster chief executive and founder of payments-software provider CardFlight Inc. "When suppliers face a crunch, they will typically prioritize the orders on file for the longest."

Proposing what-if scenarios, such as what if a supplier has no chips in stock, also helped payment providers and terminal makers weather the chip shortage, as it helped them plan for the worst.

"Being able to anticipate challenges further in advance makes it easier for all sides to plan accordingly and minimize any adverse impacts from delivery delays or other out-of-stock situations," says Webster. "We were fortunate that we were able to avoid leaving any of our customers in an out-of-stock situation, but it took a lot of communication, partnership, and creativity to help meet everyone's needs."

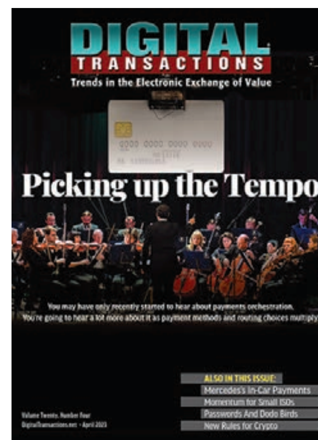
BOOSTING PRODUCTION

One big step to prevent future chip shortages was the passage of the



THE ONLY MAGAZINE COVERING THE TOTAL PAYMENTS MARKET

In 2022, there were 170.3 billion digital transactions in North America. *Digital Transactions* magazine covered them all. It is the only publication addressing the total market.



Financial institutions, independent sales organizations (credit and debit ISOs, ATM deployers and value added resellers), processors, along with the top tier retailers all turn to *Digital Transactions* for the trends affecting the payments market and, more importantly, their livelihoods.

Covering the payments business for 20 years, *Digital Transactions* magazine is your independent source for changes affecting the payments market. *Digital Transactions* is also available in a digital edition on our web site, DigitalTransactions.net

Subscribe today!

Visit Bolandhillmedia.com/dtr
to start tackling the ever-changing payments market.

Webster

Webster: " When suppliers face a crunch, they will typically prioritize the orders on file for the longest."

Chips For America Act by Congress in 2022. The legislation requires the federal government to invest about $53 billion in semiconductor manufacturers and chip research and development, and in growing the workforce for the semiconductor industry within the U.S.

The aim of the legislation is to reduce the U.S.'s reliance on chip manufacturers in other countries should an unforeseen disruption to the supply chain occur.

"From a macro level, where the chips are produced makes a big difference," says Jason Bohrer, executive director of the U.S. Payments Forum. "There needs to be a balance in where chips are produced."

While the Chips Act will help boost domestic production of chips, it will take years for the additional capacity to be felt in a meaningful way, according to payments experts.

"New plants will have to be built," says DuForest. "Nevertheless, investing in more chip production in the U.S. is a move in the right direction for the future as nobody knows what events will disrupt the supply chain down the road."

Even with increased manufacturing capacity, payments experts agree that offering more non-terminal-based payment solutions will help soften the blow of future chip shortages. It could even expand payment acceptance among merchants by offering them more choices.

"Non-terminal-based solutions and contactless cards have helped free the industry from the problems caused by the shortage and add capacity to the payment system," says Dan Coates, leader of strategic products at ACI Worldwide. "Merchants are recognizing that payments are critical to their business and that consumers are becoming more comfortable with non-terminal-based payment options."

With the worst of the chip shortage over, payment experts agree there will still be lingering effects that cause temporary disruptions. As a result, payment-technology providers and terminal makers can't afford to forget the lessons learned during the shortage, as no one can foretell when the next shortage or crisis will hit.

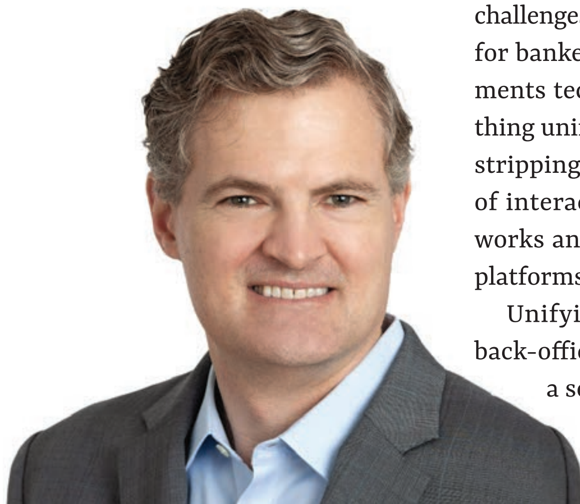
Says DuForest: "The goal is to be ready for the unforeseeable." DT

WHAT TO LOOK FOR IN THE COMING MONTHS

Challenges abound for card managers. Here's how to manage them more efficiently.

BY CHRIS COMO

Chris Como is head of cards and money movement at FIS.



THE PAYMENTS SPACE is one arena in the financial services industry that is uniquely ripe for change and disruption. The growth of embedded finance, cross-border payments, blockchain technology, real-time transactions and more are all combining to create a landscape that would have been unrecognizable just 10 years ago.

With regulatory developments on the horizon and what seems to be a peak in global central bank rates, it's easy to argue that the pace of change is set to continue. We see several key themes that bankers and other payments-related fintechs need to keep front of mind.

SIMPLIFICATION

As an increasingly digitized economy continues to bring new solutions and challenges, a key strategic imperative for bankers will be to simplify payments technology and make everything uniform and easy. That means stripping away all the complexities of interacting with payments networks and simplifying the way our platforms work.

Unifying the user interface for back-office employees and creating a set of real-time monitoring tools that work across different back-end platforms will be growing trends, as will standard API suites. Developments of this nature make technology markedly easier for financial institutions to use, and we hear our clientele increasingly asking for it.

Of course, banks are also keen to embrace new payment methods and technologies. Credit solutions, for instance, are especially interested in buy now, pay later (BNPL), which has been a hot topic and will likely continue to receive focus.

More broadly, organizations are constantly seeking ways to strike a balance between retaining their older customers and attracting a new generation of account holders and cardholders. For continued growth, it's increasingly critical for banks to meet the expectations of Generation Z by offering more innovative ways to pay.

FRAUD SOLUTIONS

In the payments space, fraud is one of the top five issues that banks and other financial-services players are always thinking about. And the more motivated and creative the fraudsters become, the more challenges there are to combat.

In the card space, the industry did a phenomenal job by shifting

to the EMV standard, which really secured card-present transactions. But as fraud rates drop drastically in the physical world, the rise of card-not-present e-commerce has led fraudsters to get more advanced and sophisticated in the digital world.

The key now is to look at every digital transaction and decide if it looks odd or peculiar. If it does, you block that transaction, or give the customer the chance to. Financial institutions therefore need to be much more advanced in their ability to take in broader swaths of data and make the best decisions to protect cardholders and account holders. That's not easy, as it implies that, you need deep expertise as well as access to data.

Using neural-network models for decisioning can be particularly effective, as artificial intelligence (AI) starts to play a major role in fraud prevention. Many firms are testing opportunities to use AI in their solutions. Fraud adversaries are already using it aggressively.

However, fraud prevention also necessitates flexibility, as a bank will often require a range of fraud-management capabilities and options, as well as the choice to either handle themselves or in cooperation with a third party. It all depends on the user's sophistication.

EMBEDDED FINANCE

For fintechs, most use cases in embedded finance rely on using a card. Customers want to embed the ability to open accounts, make transactions, and so forth. Debit and credit cards are pretty core to that.

For those that want to play in the embedded-finance space, it's super critical to partner with a provider that can enable the underlying technology. If, however, they don't want to play in that space, they still need technology that can help create the best experiences for their customers. Essentially, you should choose a technology partner that either enables embedded finance or empowers you to compete effectively with it.

PRESSURES TO INNOVATE AND STREAMLINE

Typically, banks first think about switching to a new solution because they want to improve efficiency and reduce costs. They feel the price of their current product is too high or its design makes it really challenging for their back office. But there's also a hunger for innovation and new development, and many continue to ask what key innovative solutions are on the horizon.

However, another motivation is the need to modernize, especially for debit business, which is usually tightly integrated with core banking. Core modernization is a major trend in the market—both to improve efficiency and access a more sophisticated set of features—and this is another area where simplification and unified access are of paramount importance.

If, for example, a third-party service provider runs multiple credit platforms, it has to split spend across them all to stay current. Should a client then want to offer BNPL on a platform, it may find it could only be possible on one of the others.

A TIGHTENING CREDIT CYCLE

Thanks to continually high interest rates, we may see a change in the credit cycle. And that could make credit losses a much bigger issue for card providers.

Together, increased losses and higher funding costs will see clients focus more than ever on how to become as efficient and effective as possible.

When you think about the credit cycle and where we are from a macroeconomic standpoint, it's going to be really important for financial institutions to make sure they are in tight control and are monitoring their credit losses. DT

ADVERTISER INDEX

Digital Transactions Pages IBC, 15, 23, 27, 33
630-547-2887 www.digitaltransactions.net

Celero Core Inside Front Cover
864-672-1570 www.celerocommerce.com

Electronic Merchant Systems Back Cover
866-525-7403 www.emsagent.com

General Credit Forms Page 1
888-GCF-news www.gcfinc.com

Magtek Page 3
562-546-6400 www.magtek.com

Maverick Page 5
800-464-9777 www.maverickpayments.com

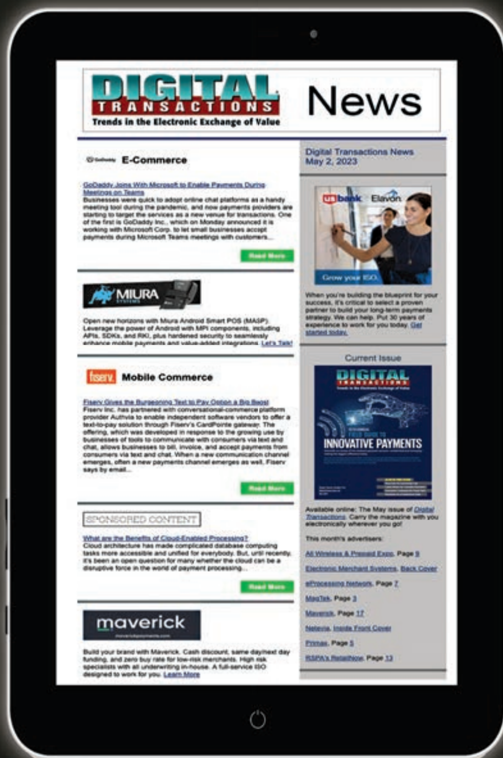
Merrick Bank Page 11
844-320-7100 www.merrickbankacquiring.com

NEAA Page 21
www.northeastacquirers.com

SignaPay Page 19
877-231-6609 www.signapay.com

Digital Transactions News

We deliver the **payments industry news** to your email inbox daily!



- We have been delivering the payments industry news to your email inbox every day for 20 years
- Digital Transactions News is packed with news and information from the 164.3 billion transactions industry
- Two original stories every issue
- Trending stories, so you know what the industry is reading
- Links to Digital Transactions monthly magazine
- Calendar of events
- Plus "In other News" The most complete listing of announcements from the payment community

Subscribe today at **bolandhill.omeda.com/dtr/**
or email **Bob Jenisch** at **Bob@digitaltransactions.net**

SAY GOODBYE TO AUTO-DECLINES

A merchant's credit score is only one piece of the puzzle. At EMS, we don't decline accounts until we've seen the whole picture.

MORE APPROVALS

With 5 sponsor banks at hand, EMS secures more approvals for more business types than anyone in the industry. Increased opportunity means increased profitability.

BETTER SUPPORT

Paired with the transparency of our agent portal and dependable residual payouts, our unrivaled response times ensure that you're set up for success.

HAPPIER MERCHANTS

Painless processing and unique, flexible payment solutions keep your merchants processing longer.

EMPOWERED AGENTS — POWERFUL PROFITS

We empower our agents by providing a full credit card processing product suite while maintaining transparency and providing impeccable support. When you partner with us, you'll be offering true solutions that don't just sell — they stick.

GET STARTED TODAY!

emsagent.com

866-525-7405