DIGITAL TRANSACTIONS®

Trends in the Electronic Exchange of Value

Stablecoins' Steady Rise

In an astonishingly brief time, crypto backed by fiat currency has been thrust from the margins to the main stage of the payments industry.

Volume Twenty-two, Number Seven • DigitalTransactions.net • July 2025

ALSO IN THIS ISSUE:

celero

FUSION

DON'T JUST KEEP UP - STAY AHEAD.

Celero Fusion's cutting-edge payment integration empowers ISVs to deliver a seamless, secure experience for users.

CHOOSE THE PAYMENTS PARTNER
THAT MAKES THE DIFFERENCE.

contents

JULY 2025 • VOLUME 22, NUMBER 7

Cover Photo: Adobe Stockphotos

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.

the gimlet eye

A NEW CURRENCY IN THE MAKING

THIS MONTH'S COVER STORY, as you'll see if you turn to page 23, is all about stablecoins. If you've been paying the least attention to news about payments, you may have noticed this species of cryptocurrency has been getting plenty of attention lately.

That's because the companies that run these transactions have been active—very active. And they're ambitions extend to everyday payments. With what amounts to digital money.

For example, Circle Internet Group Inc. is working with Matera Inc., a developer of banking technology, in a move aimed at speeding adoption of stablecoins by individuals and companies, as the two firms announced last month.

In the collaboration, Matera will integrate its Digital Twin real-time ledger with Circle's platform to support routine payments using Circle's USDC coin, the companies say. The move is aimed at advancing stablecoins beyond their utility as a store of value.

The stated reason for this collaboration should interest everyone reading this column: It's to establish stablecoins as a routine medium of exchange.

The link from Circle to the Digital Twin ledger will support instant transactions without the need for banks to build out "complex infrastructure," the companies say in their announcement, adding that the integration embraces links to local payment networks in parts of the world, such as the PIX system in Brazil.

Now, Circle went public last month in a frenzied move that saw its shares soar on the New York Stock Exchange from an opening value of $69 to $103.75. By June 19, the stock was trading just shy of $200. Philadelphia-based Matera operates in both Brazil and the United States, while also maintaining an office in Canada.

PayPal Holdings Inc., that stalwart of fiat money, said it plans to enable its PayPal USD stablecoin on the Stellar network. Heard of Stellar? It's a blockchain said to be suited for everyday payments. PayPal's plan requires approval from the New York State Department of Financial Services, but the move would expand PYUSD beyond its current availability on the Ethereum and Solana blockchains and enhance its availability for cross-border payments, PayPal says.

"As we see cross-border payments being a key area where digital currencies can provide real-world value, working with Stellar will help advance the use of this technology and provide benefits for all users," said May Zabaneh, vice president of the Blockchain, Cryptocurrency, and Digital Currency Group at PayPal, in a statement at the time of the announcement.

PayPal is no stranger to cryptocurrency. It first became involved in digital money in 2020, and introduced PYUSD in 2023.

Stablecoins are on the cusp of a major breakthrough. Get used to it. Get ready for it.

John Stewart, Editor | john@digitaltransactions.net

JULY 2025 • VOL. 22, NO. 7

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

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.

TAP-TO-PAY: WHAT COMES NEXT

Ever since the card industry launched technology that lets merchants process transactions through an off-the-shelf mobile device, companies have worked to refine the idea further. Now, consumers can look forward to making remote purchases with a tap on their phone's screen when they see something they want, according to payments executives.

"Tap-on-mobile is branching out to other use cases," said Zakir Hossain, principal product manager at Discover Financial Services Inc. "There would be a small app on your phone. You just tap your card on your own phone, and that's a card-present transaction, even though you're tapping your own card on your own phone."

The benefit to the merchant is that the transaction, as a card-present purchase, would be less expensive, said Hossain, who spoke in June at the Southeast Acquirers annual conference in Orlando, Fla., in a session focused on the latest developments in tap-and-pay technology.

Security fears should not hold back the deployment of such technology, panelists said during the session. "There's nothing faster and safer than tap-to-pay," noted Albert Comas, chief executive of Yazara Payment Solutions Inc., a New York City-based technology company acquired in September by Global Payments Inc. Comas appeared on the panel with Hossain.

The move to remote consumer-directed payments with the tap of a card on the consumer's own phone when an item appears that the consumer wants may not become commonplace for some time.

But Yazara and Hossain both place the technology in a clear line of development from the earlier emergence of contactless-payment technology, which consumers adopted in a big way during the Covid pandemic. "The trend hasn't gone down," since then, said Hossain. "It's going up."

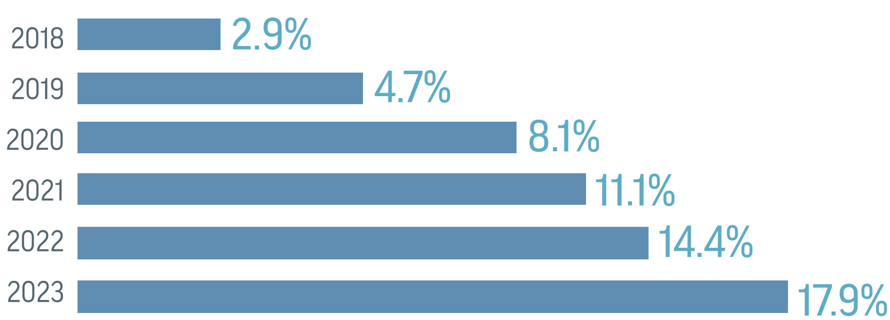
The basic technology, known as softPOS, is becoming more and more familiar to consumers and merchants as it evolves from dongles linked to a merchant's mobile device to taps directly on that device.

The latest standard, MPOC, was introduced in November 2022 by the PCI Security Standards Council. It defines card transactions using a tap on a "commercial off-the-shelf" device, hence Mobile Payments on COTs. The standard permits PIN entry. "We're actively promoting MPOC with our merchants," said Hossain.

Now, the technology is veering toward commonplace deployment. "In some markets, softPOS repre-

CONTACTLESS SOARS

(Number of U.S. transactions, in billions)



Source: Clearly Payments

sents 70% of [our] new merchants," said Comas, though he cautioned that the technology is not an automatic sell. "It's not a given. There's a lot of work to do to educate merchants and consumers that this is just as safe [as a fixed terminal]." Still, in some markets, he said, Yazara is seeing "hundreds of thousands of new applications" for the technology.

The next stage is the introduction of artificial intelligence agents, the speakers said. "With agentic AI, an agent can do a checkout for you, automating the tasks," said Hossain. "AI is coming, but it's very early stage."

— *John Stewart*

CONGRESS MULLS A TAX ON CROSS BORDER REMITTANCES

Several organizations representing the payments industry sent a letter to Congress this spring urging lawmakers not to pass legislation that will tax cross-border remittances originated in the United States and will require money transmitters to gather identity and citizenship verification data from the sender.

The bill advanced to the Senate after being passed in the House of Representatives.

The letter, drafted by seven organizations including the Electronic Transactions Association, was addressed to Senators Mike Crapo of Idaho, chairman of the Senate Committee on Finance and Ron Wyden of Oregon, ranking member of the same committee.

The bill calls for a 3.5% tax on the amount of the cross-border remittances, to be paid by the sender at the time of the transaction. The tax would be levied on top of any consumer fees charged by financial institutions, licensed money transmitters, and digital-asset and virtual-currency platforms. Money transmitters would be responsible for collecting the tax and sending the revenues to the Treasury Department.

In addition, the bill requires money transmitters to verify the sender's identity and status as a U.S. citizen. This would require money transmitters to gather such personal information as the sender's name, address, and Social Security Number, report that information to the Treasury Secretary, and keep that data secure. Senders would be required to verify their identity and citizenship for each cross-border remittance.

The provision to require proof of citizenship is reportedly being driven by the Trump administration's effort to crack down on illegal immigrants by making it more expensive and complicated to originate cross-border transactions in the U.S., according to payments experts. Similar legislation was introduced by the Trump administration in 2019 to help fund the administration's call for a border wall with Mexico.

If the legislation passes, the requirement to verify a sender's identity and citizenship will require money transmitters, which include small businesses, to put procedures and security in place that will increase their cost of doing business. Those cost increases will most likely be passed along to senders, the letter argues.

Further complicating matters is that the bill "does not establish a framework" for how a money transmitter "would verify the status of a sender," the letter says. The collection of personal information to verify a sender's identity and citizenship creates "a very serious privacy concern," the letter says.

"The bill creates challenges for businesses of all sizes for data collection, compliance, and getting the taxes collected to the Internal Revenue Service," says Scott Talbott, executive vice president at the Electronic Transactions Association. "There will be some businesses that struggle with the data gathering aspects of this legislation."

For U.S. citizens sending cross-border payments, the legislation includes a provision that allows them to file for a credit on their federal tax return for cross-border remittance taxes paid. Signatories of the letter caution, however, that many U.S. citizens may forget to take advantage of the provision or may not apply for the credit because of the extra work involved.

The letter also raises concerns that, if passed, the bill will force many users of cross-border money remittance services to turn to non-licensed money transmitters to avoid paying the tax.

"Taxing remittances will drive consumers towards unregulated, underground channels to avoid added costs, posing direct risks to national security and financial integrity," the letter says. "U.S.

financial-services providers will face significant new compliance and reporting requirements without corresponding benefits to system safety or soundness."

Higher service fees levied by money transmitters to compensate for increased operating costs could be another disincentive to send cross-border payments through legitimate channels, the letter says.

"On paper, this bill is attractive because it addresses immigration and raises tax revenue for the government, but there will be implementation costs that get passed along to the sender and data gathering challenges [for money transmitters]," Talbott says.

Besides the ETA, other signatories are the Financial Technology Association, The Money Services Business Association, The American Fintech Council, The Money Services Roundtable, The Innovative Payments Association, and INFiN, a financial-services alliance.

— Peter Lucas

MORE STATES PRESS INTERCHANGE REGULATION

More states are introducing legislation exempting merchants from paying interchange on sales tax and tips. Bills are pending in Alaska, Massachusetts, and New York.

In Alaska, the proposed bill, which was attached at the 11th hour to a bill authorizing businesses to pay employees using reloadable cards, has been put on hold until January, when the legislature reconvenes to finish its two-year session. Attaching one piece of legislation to another prior to adjournment is a common political tactic intended to improve the odds of passage, payments experts say.

The bill, sponsored by representative Bill Elam, is positioned as an "effort to reduce unnecessary costs for Alaska's small businesses" by addressing interchange fees. In a written statement accompanying the bill, Elam argues that subjecting sales tax and tips to interchange places a cost burden on merchants by charging them acceptance fees on revenues that pass through their business, but are not retained, as sales tax goes to the state and tips are paid to employees.

"This legislation helps ensure that small businesses aren't penalized for handling money they never keep," Elam says in the statement.

The bill is currently in committee and waiting to be introduced in Alaska's house, where passage by a simple majority would send it to the governor to be signed into law or vetoed.

"A lot of procedural boxes have been checked, and the bill is on the precipice of coming to a vote and going to the governor's desk," says Scott Talbott, executive vice president of the Electronic Transactions Association.

It is the farthest any state bill to regulate interchange has gotten since the Illinois Interchange Fee Prohibition Act, Talbott adds.

Similar bills have been introduced in Massachusetts and New York. The Massachusetts legislature is scheduled to adjourn Nov. 19. The New York legislature was set to adjourn June 12.

The momentum behind state efforts to regulate interchange on sales tax and tips comes from the passage of Illinois's IFPA, payments experts say. That law is scheduled to go into effect July 1, The IFPA has been challenged in the courts, and a temporary injunction has been granted to exempt federally chartered financial

institutions, including credit unions, from compliance. Plaintiffs have filed a motion to extend the injunction to out-of-state financial entities doing business in Illinois, such as the card networks and processors. A hearing on the motion is scheduled for June.

"Illinois's Interchange Fee Prohibition Act encouraged politicians, merchant lobbyists, and activists seeking to reduce payment-acceptance cost by legislation and fueled efforts at the state level from sea to shining sea," says Eric Grover, principal of Intrepid Ventures.

Since the passage of the IFPA, bills to regulate the payment networks' interchange fees have been introduced "in a raft of states and in the District of Columbia," Grover adds.

If individual states begin regulating interchange, it would "create a patchwork of moving price caps on interchange that will not be good for consumers, merchants, or banks," Grover says.

Such legislation would impose additional compliance costs on merchants and the payments industry and pull resources away from innovation, Grover argues. "If that were to happen, it would reduce the payment system consumers take for granted," he says.

As implementation of the IFPA, which was attached to a budget bill at the 11th hour and passed without debate, draws near, momentum for a vote in the state legislature to extend the implementation date by 18 months is reportedly gaining support.

"In Illinois, recognition is growing that the lawsuit and the complexity of implementing the law necessitate an extension or a repeal," Talbott says.

In addition, the failure of similar legislation in other states is an indication the IFPA was an "anomaly, and that other states recognize the danger in enacting similar legislation," says Ashley Sharp, senior vice president, state advocacy and legislative counsel, for the Illinois Credit Union League says via email

— Peter Lucas

A CANNY BANK MAKES ITS MARK IN CANNABIS PAYMENTS

Cannabis remains a federally illegal drug in the United States, but various states have acted over the past decade to legalize it and sales continue to grow fast enough that the market remains potentially lucrative for processors and banks.

An example of how a major financial institution has entered this market is Raleigh, N.C.-based First Citizens Bank, which in 2021 began serving the transaction needs of growers and retail sellers. In 2023, the bank acquired the assets of Silicon Valley Bank, which had provided some banking services to businesses that support the cannabis industry. It collapsed, however, for other reasons, in particular its heavy exposure in cryptocurrency.

Though First Citizens had already entered the cannabis business, "SVB was a big one for us," said Jason Mills, executive director of merchant services at the bank. Mills, along with two colleagues, spoke in June at the Southeast Acquirers Association conference in Orlando, Fla.

Another opening for the bank occurred with passage of the Agriculture Improvement Act of 2018, also known as the Farm Bill. The act legalized the production of hemp, or cannabis sativa, at a THC concentration of no more than 0.3%. First Citizens "made significant investments to be compliant" with both the Farm Bill and rules from the card networks, noted Ben Kornegay, enterprise merchant risk manager for the bank.

Much depends on execution and adherence to relevant law, the bank's executives stressed. "We can be a leader in this space. If we do it the right way, there's significant upside," said Mills. U.S. cannabis sales reached $38.5 billion last year and will double by 2030, according to Grand View Research.

But that growth entails strict scrutiny at the bank, the officials said. "We are quick to act if we see something nefarious. We want to stay on the up-and-up with the card brands," said Kornegay. Vigilance is essential, the executives said. Added Dana Lomas, director of merchant sales, "We know our clients inside and out. Especially with our cannabis clients, we can see across the board."

For underwriting merchants and growers, the more information the better, they said. "Data is key on the front end," said Mills. "It makes for an easier conversation." Here, the bank keeps a watchful eye on the business, the executives stressed. "We have a dedicated team that does nothing but cannabis deals," said Kornegay.

— John Stewart

TOMORROW'S MONEY

BY
GIDEON SAMID
gideon@bitmint.com

MOST OF THE digital coins today should be slapped with a federal warning label, akin to the federally mandated warning on cigarettes: *"This coin (e.g. Bitcoin) is at risk of sudden death"* should its mathematical foundation crumble—which it will, but nobody knows when.

However, the next generation of digital coins will be immunized against mathematical collapse, will be well-grounded into the economy, and will offer a yet unimaginable range of tools and means for society to run itself much better than it does today.

We can already imagine a few of these benefits: pay-as-you-go-everywhere, money for sale, loanchain, automatic taxation, and mortal cash.

Subscription as a method of payment is very common and very unjust, as light users subsidize heavy users. Pay-as-you-go ushers in fairness. The new technology of digital money allows pay-as-you-go to be implemented everywhere, even on short-lived services. When an app gives you the weather outlook, it is formally free, you just face a bunch of ads. Ads go to popular apps, making it impossible for new, creative apps to compete.

If, instead, you paid a penny or even a fraction of a penny every time you watch for a storm in your area, newcomer weather apps will compete for your money by offering a better service. Most of us subscribe to a cable-TV service and buy a bunch of channels we never watch, paying for what is available even if we rarely watch anything. Pay-as-you go is a very productive alternative.

Digital money can be used to make nano payments in fractions of a second, automatically and fairly. With that in mind, here are some promising trends in payments:

- Money for sale. Instead of giving the needy food stamps, why not offer discounted digital money, which may be limited to certain used. The idea behind a discounted price of money is similar to the idea of the co-payment in the insurance industry: it keeps the buyer in the picture. Money soon would sell at a price higher than its nominal value, because the purchased coins will offer their owner anonymity or another advantage. Money for sale as a concept is a bit hard to digest, but it, too, is on its way.
- Taxation. Today, taxes are derived from an income stream, allowing creative accounting to play the system. Digital-money taxation will be randomized, so that every coin will share the same chance to be passed to the government. No 1040 filing, no accounting acrobatics. All traders will pay very close to the same rate. That's the power of randomness.
- Mortal cash. Today, people receive money to handle a dire need, but siphon the money to other purposes. This abuse can be handled through the mechanism of tethered money. The benefit of tethered money is much more pronounced if it's used over "mortal money," which expires at a set date, so it must be redeemed beforehand. Otherwise, it's lost.

Trillions of dollars lay inactive because they can't be given an interest-bearing status fast enough for a short enough time. Digital money handles this challenge, allowing money to be interest-bearing for long or very short times.

These are but a few examples of what can happen when identity-bearing digital money is in full swing. Money is not a feature of nature. It is 100% a human invention. Some argue it is the greatest invention because it enabled the division of labor, which in turn enabled all the other inventions. Digital money, when it comes of age, will relate to 20th-century money as the latter relates to barter. Let's enjoy the ride! DT

FOR BANKS, NEW THREATS, NEW OPPORTUNITIES

BY BEN JACKSON
bjackson@pa.org

BANKS' POSITION AT the center of the U.S. payments system is under siege.

New business arrangements, new regulations, and even new legislation seem to be looking to push financial institutions to the sidelines. Before now, banks and credit unions seemed to have a comfortable spot where they were needed to make payments operate smoothly. However, the rise of fintechs and cryptocurrency has challenged that position.

Banks were challenged on the regulatory front by the Consumer Financial Protection Bureau's open-banking rule, which was required under section 1033 of the Dodd Frank Act and positioned as a consumer-rights measure. The rule essentially required banks to pay for giving data on their customers to competitors.

The rule, finalized in October, required banks to build the infrastructure to provide their customer data to fintechs and any other company that asked. The rule required banks to foot the bill for these new systems and prohibited them from charging the companies that wanted to use the system. The rule also left open a number of questions about who would be liable if there were problems.

Under the new administration, the Bureau decided to pull the rule. But the Financial Technology Association has won the right to defend it in court. Where it goes from here is uncertain.

Also challenging banks is the rise of new kinds of charters. Industrial Loan Company charters have been used in the past by companies that wanted a banking-type charter, and last year payments processor Fiserv got a merchant-acquiring charter.

Now, fintechs are making a renewed effort to get their own charter. Companies like Plaid, Shopify, and Stripe, along with the Financial Technology Association, have come together under the umbrella of a new Alliance for Secure and Accessible Payments, to ask Congress to create a new charter that would give fintechs access to the federal payments systems. This would give them the ability to offer more payments services without the need to partner with a bank or to get a charter of their own.

A third vector of pressure comes from the federal government's interest in stablecoins. Two bills working their way through Congress would define digital assets for payments and settlements and create rules by which both banks and nonbanks could issue stablecoins. The Office of the Comptroller of the Currency would regulate larger issuers.

While many banking rules, such as the Bank Secrecy Act, would apply to stablecoin issuers, these bills have the potential to create competing payments for both transactions and settlements.

The largest banks will no doubt be able to manage these threats. Community and regional banks will need to develop strategies to compete in the new payments environment.

Financial institutions will need to identify where their core skills and product offerings can work effectively in a new environment. They will be faced with the traditional question of build, buy, or partner to compete with these new types of financial services.

Setting a new strategy will require a balancing act to recognize where institutions need to improve on their current offerings and avoid getting caught up in the hype. For example, stablecoins might look like the future, but a bank might be able to compete with a real-time payments offering.

With open banking, institutions were viewed as data providers, but there was nothing in the rule, or in the fundamental concept of open banking, preventing banks from requesting data from third parties to help their customers improve their financial health.

The first step for financial institutions in their new landscape will be to broaden their thinking to match core strengths and new opportunities. DT

Weatherized to Perform. Secure by Design.

DynaProx provides rugged, reliable, and secure contactless solutions.

MAGTEK®
SECURITY FROM THE INSIDE

Trusted by leaders in the car wash and unattended service industries, we simplify contactless payments, access, and barcode transactions with dependable performance.

DynaProx Features
EMV/NFC Contactless
Mobile Wallet Support
MIFARE® & NTAG®
Barcodes & QR Codes
NFC Card Emulation
USB, USB iAP2, RS-232
IK08 and IP66 Rated
PCI PTS 6.x, SCR

Take Advantage of Magensa Cloud Services
Advanced Tokenization
Secure Gateway Services
AES-256 and TDEA
Reader Management
Seamless Integration

Learn More About
MagTek & Magensa's
Transportation Solutions

DynaProx
Ready for the Outdoors

VISA
DISCOVER
UnionPay
MAGTEK®
JCB
Interac
Pay
G Pay
Pay

DynaProx is part of the MMS Dyna Device family with shared EMV Common Kernel technology for faster L3 certifications.

Image is a simulation of what is possible. Please contact a representative to see how we can help bring your ideas into reality.

562-546-6400 | sales@magtek.com | www.magtek.com

SPLITTING THE DIFFERENCE

From leasing to revenue splits, how sales agents get compensated is affected by multiple factors.

BY **KEVIN WOODWARD**

REVENUE SHARING FOR sales agents has a long history in the acquiring industry, evolving as more and more merchants installed point-of-sale terminals and recurring revenue snowballed for independent sales organizations.

Though many agents receive 90% deals now—they receive 90% of the residual from each payment transaction at merchants they've signed—that wasn't always the case. In the early days, many sales agents made their money from equipment leasing. As credit and debit card acceptance proliferated among merchants, that revenue model morphed into revenue sharing, pushing residuals to the forefront of compensation.

Today, the revenue-share model continues to dominate and while the share an agent receives may be swinging in the other direction in some instances, the model is not disappearing.

"Revenue-share models are here for the long-term, but some larger companies will continue to move away from revenue-share models with other smaller/mid-sized companies doubling down on revenue share programs (like PayBright)," says Dustin Magaziner, chief executive and founder of PayBright, a Raleigh, N.C.-based independent sales organization.

As Magaziner says, this means sales agents must consider the future of the ISO he or she will work with.

"As an agent, right now, you need to take a long hard look at what the future of the ISO you work with is," he says. "Are they continuing to double down on their agent models, or are they slowly becoming less competitive and focusing on internal sales, W2, low residual plans, acquisitions, or ISVs? Behavior is very telling."

As a recruiter in the acquiring industry for the past 19 years, Sara Egan, director of partnerships and relationship management at CWA Merchant Services, a Syosset, N.Y.-based payments company, says

the relationship between the sales agent and the ISO should not be based on a single element.

"ISOs and agents should remember that their processor is holding (usually all of) the risk and liability. They're underwriting the accounts, taking on all of the overhead involved with monitoring and servicing the accounts. It's a partnership, and that is why the revenue is shared," Egan says.

"That being said, the relationship should never solely be based on the revenue share alone. What interesting products and services does the processor offer? What is the quality of their customer service? How responsive are they to you? Are low-risk approvals quick and electronic? Can they offer special perks, such as same-day funding?"

These factors have gained importance as payments commoditization sets in.

As attorney Paul Rianda, principal at the Law Offices of Paul A. Rianda, Costa, Mesa, Calif., notes in a blog post from a few years ago: "There was not much variation in the financial relationship between the ISO and a sales agent, except some less knowledgeable agents agreed to accept only 50% of the profits derived from the credit card processing attributed to merchants," he writes.

'READ THE AGREEMENT'

Because there was little to distinguish between different ISOs from a purely cost-basis standpoint to determine which was the best to choose as a long-term partner, stagnation set in, and more ISOs began offering additional value to sales agents, Rianda says, such as upfront bonuses, improved customer service, or even ownership stakes in the ISO.

Today, that may be changing in the other direction, at least when it comes to revenue splits. "Of late, the pendulum has swung in the opposite direction with the larger processors reducing the compensation they are willing to pay and also requiring minimums to get the best deal," Rianda tells *Digital Transactions*. "The 100% deals have pretty much disappeared."

Today, the norm is closer to an 80/20 split, Rianda says, and production volumes are more likely to be an element in agent-compensation packages.

What sales agents want in a revenue share can vary considerably, Magaziner says. "This can be all over the place," he says. The value the ISO provides can be a key element.

"Some agents are looking for free POS programs and hands-on support, others are looking to provide all front-line support to their customers in return for higher commissions," Magaziner says.

"It really comes down to what an agent needs. In today's market, there are plans for nearly all agents that match their level of experience and needs," he continues. "But as always, make sure to be working with a reputable provider and read the agreement!"

Value-added services, like surcharging and dual-pricing programs, have a role in agent-compensation models, too.

As Magaziner says, "Dual pricing specifically has made revenue shares far more profitable. We have seen, in some cases, upwards of 10X increases in profitability among agent portfolios on dual pricing vs non-dual-pricing models. Surcharging has not had nearly the same margins as many dual-pricing models, but still can be a healthy and profitable portfolio." A J.D. Power survey in January estimated that 34% of retailers surcharge on credit card transactions.

These programs could be helpful revenue sources for agents, Magaziner suggests. "Ultimately, more and more businesses are recognizing that they can offset their payment-processing costs through differential pricing (surcharging, dual pricing, cash discounting)," he says. As this trend


Magaziner

Magaziner: "Revenue-share models are here for the long-term, but some larger companies will continue to move away from revenue-share models with other smaller/mid-sized companies doubling down on revenue-share programs."

Egan

Egan: “Groups or individuals with the most experience should be enjoying high revenue shares, as they don’t drain your customer-service team’s time, they don’t need hand-holding.”

becomes more common, more and more merchants will adopt it.”

Egan notes that embedded payments, a high-growth sector for processors and acquirers, also can benefit sales agents.

“The biggest change has been integrating and embedding payments into software that is instrumental to the success of the merchant’s business,” Egan says. “This provides so much value that merchants are less likely to switch providers for simply ‘saving’ them some money. It is usually far more valuable to save the merchant’s time, automating manual processes and making it simple for them to receive payment in multiple ways.”

‘TWO CAMPS’

A core element of the relationship between sales agent and ISO is that each provides value for the other, not only in generating revenue, but in fulfilling other obligations to each other.

Magaziner says sales agents should be mindful that some larger payments players have learned they can grow through acquisitions, which could effectively cut the agent out of the mix, he says, and let them retain all or nearly all of the residuals. “I don’t believe this is making the revenue-share model obsolete, but is separating companies into two different camps,” he says.

Egan also says to keep in mind that revenue shares should be based on the quality and quantity of the accounts being boarded.

“Groups or individuals with the most experience should be enjoying high revenue shares, as they don’t drain your customer-service team’s time, they don’t need hand-holding. Revenue shares in the high-risk space are understandably lower,” Egan says.

These questions are especially important as embedded payments, surcharging, cash discounting, and other new payments adaptations emerge. It’s more complicated now, Egan says.

As the payments industry evolves, there are different ways to make money from different revenue streams, she says, and how people are paid is going to change as well. DT

THE STATES' BATTLE TO REGULATE INTERCHANGE

Bills are popping up in statehouses all over the country. So far, the payments industry has kept all but one from passing. Can it keep the winning streak going?

BY **PETER LUCAS**

LEGISLATION TO REGULATE card interchange has been bouncing around statehouses for nearly two decades. Until recently, those efforts have been unsuccessful and sporadic, with only a few bills emerging annually.

No longer. Since Illinois in 2024 became the first state to pass an interchange law, a trend among other states to regulate interchange has shifted into overdrive. In the past year, such bills have been introduced or previewed before lawmakers in 22 states, according to the Electronic Transactions Association.

Of those state legislatures, 13 remain in session. Illinois voted to delay implementation of its Interchange Fee Prohibition Act for a year, to July 1, 2026.

While the bills in other states are modeled after the Illinois act—which exempts sales tax and tips from interchange—some go further. Colorado, for example, introduced a bill that not only exempts merchants from paying interchange on sales tax and tips, but also prevents the card networks from fixing interchange fees. It would also cap interchange on charitable contributions and allow legal action if the card networks commit a violation. The bill passed in Colorado's house of representatives, but has stalled in the senate.

Among states introducing interchange regulation in the past year, Alaska has gone farthest. Its bill, attached at the 11th hour to a bill authorizing businesses to pay employees using reloadable cards, is in committee before Alaska's house.

If the bill makes it to a vote on the house floor, it would require only a simple majority to approve and send it to the governor's desk to be signed or vetoed. The Alaskan legislature will take up the bill when it reconvenes in January.

Not surprisingly, the payments industry is keeping close tabs on the

events in Alaska. A "lot of procedural boxes have been checked" that place the bill on the "precipice" of going to the governor's desk, says Scott Talbott, executive vice president of the Electronic Transactions Association.

Similar bills have been introduced in Massachusetts and New York. The Massachusetts legislature is scheduled to adjourn Nov. 19, while New York's lawmakers were scheduled to adjourn in mid-June.

'PLAYING THE VIOLIN'

The trend to regulate interchange at the state level is being driven by myriad factors. Merchant groups feel emboldened by the success in Illinois. Also, merchants argue sales tax and tips should be exempt from interchange because it is money they do not keep. And, in the face of inflationary pressures, state lawmakers generally desire to help merchants, especially small businesses such as restaurants, increase their margins.

Also, the issue of state caps on interchange has become highly politicized. "Interchange regulation has become an avenue for state legislators to say they have the little guy's back," says Brandi Gregory, managing director, payments practice for Cornerstone Advisors. "In some ways, the legislation is an opportunity for state legislators to play the hero for their small-business constituents."

Merchants' efforts at the state level often hold up small businesses, typically restaurants, as the main beneficiaries of interchange relief. The reason, payments experts say, is that restaurants and small merchants tend to be viewed by the public in a more sympathetic light than so-called mega-merchants like -Walmart Inc. and Amazon.com.

"Architects of these bills are putting small businesses out there and playing the violin, because the public tends to love the underdog, which in this case is the small merchant," says Eric Grover, principal at the consultancy Intrepid Ventures. "The reality is that small merchants will have a tougher time complying with these proposed laws because they lack the resources for implementation, while the big merchants don't."

The battle between merchants and banks at the state level is a natural evolution of a long-running fight between merchants and the payments industry over the cost of card acceptance. It's a battle that's been fought in the courts, including antitrust courts, and has filtered down to state lawmakers as efforts to regulate interchange at the federal level have foundered.

"For state lawmakers, the narrative is that these bills provide small businesses [interchange] relief and are seen as a way to plug a fairness gap that has not been addressed at the federal level," says Matt Marino, president of Wink Pay, an open-payments platform that uses biometric authentication. "It's a strong narrative for state politicians."

'A MEASURE OF DESPERATION'

Despite efforts to make small merchants the face of interchange regulation, large merchants tend to be the ones lobbying state lawmakers the hardest.

The Electronic Payments Coalition released an infographic that says lobbying disclosures from Colorado, Connecticut, Rhode Island, Texas, and the District of Columbia reveal Walmart, Target Corp., and The Home Depot Inc. "simultaneously deployed lobbyists to advocate for nearly identical versions" of interchange legislation.

The disclosures "make it clear the nation's largest corporate megastores are really the ones behind this coordinated legislative effort" to regulate interchange at the state level, the infographic says.

"Efforts at the state level to regulate interchange are clearly being driven by the largest merchants, as they are the ones meeting with state lawmakers," an EPC spokesperson says. The spokesperson adds that working the states is helpful to merchant interests "because momentum for this can't be built at the federal level."

The merchant community counters that state lawmakers are motivated to help businesses. "The rise in swipe fees since 2020 has been astronomical, and those are out-the-door dollars for merchants," says Doug Kantor, a Merchants Payment Coalition executive committee member and general counsel for the National Association of Convenience Stores.

"There is a measure of desperation among merchants over how high and fast fees are rising," Kantor says.

The average card swipe fee is 2.35% for Mastercard and Visa-branded credit cards, according to the Merchants Payments Coalition. Credit card processing fees for merchants equal 1.10% to 3.15% of each credit card transaction, according to *The Motley Fool Money*, a daily business and investment podcast.

Swipe fees include interchange, which the EPC argues has remained stable in recent years and in the

HEADLINING IN VEGAS

this Summer!

ALL WIRELESS & PREPAID EXPO

Where Wireless & Prepaid Meet

AUGUST 19-20, 2025 · CAESARS PALACE, LAS VEGAS

Meet providers from all facets of the industry, including payments, accessories, repair, technology, insurance, financing, software and more.

Sponsor & Exhibit

Thousands of attendees need to know what you have to offer.

BOOTHS START AT $4,399

Focused Training Tracks

Intimate training tracks will teach you how to expand your scope, and your revenue.

TRAINING TRACKS $75

VIP Retailer Program

If you are a retailer offering wireless products & services, you can attend for FREE.

APPLY FOR YOUR VIP PASS TODAY

Conference Pass

Learn from top industry experts.

CONFERENCE PASS $150

allwirelessexpo.com | expo@allwirelessexpo.com |

range cited by the MPC. In addition, interchange itself has remained flat at 1.8%, on average, for about seven years, the EPC says.

"Processing fees aren't the only cost merchants face. There are a lot of other fees associated with doing business, including Internet and electricity-delivery fees," says the EPC spokesperson. "If a merchant's card-acceptance costs are going up, it is because they are generating more card transactions."

Interchange fees, however, vary by card and transaction type, as well as such factors as transaction risk and the whether the transaction is made in-person or online.

'SNAP YOUR FINGERS'

Given the complexities of card pricing and of the payments ecosystem in general, educating lawmakers about these nuances is a key weapon in merchants' and banks' arsenal in lobbying state lawmakers, payments experts say.

"State lawmakers lack an understanding of the complexity of the payments ecosystem, which is that interchange settlement does not take place at the state or local level, it is done nationally," says Cornerstone's Gregory.

As a result, interchange regulation is an issue that can't be addressed in a simplistic manner, as some state lawmakers are attempting to do, because it gives them an opening to support the legislation without "knowing the ins and outs" of the card system and interchange, says Zach Milne, a senior economist and research analyst for the Common Sense Institute.

Educating state lawmakers about the complexities of the card payment ecosystem is a way to keep such bills from advancing. "There are a lot of data around card transactions, and to exclude sales tax and tips requires significant modification to separate out that data from the transaction, which would be a heavy lift," Milne says. "You can't just pass a law, snap your fingers, and say merchants don't pay interchange on sales tax and tips."

> State lawmakers lack an understanding of the complexity of the payments system.

The Common Sense Institute has published a report on the economic impact of interchange regulation at the state level.

The merchant community also sees a case for educating lawmakers about interchange and card acceptance, in their instance as a way to garner support for interchange regulation.

"The more legislators understand the impact of acceptance fees on merchants, the more likely they are to support changing the system," adds Kantor, who has addressed several state legislatures considering interchange regulation. "The card industry has tried just about everything to repeal the IFPA and has failed, that says something."

With implementation of the IFPA delayed by a year, all eyes in the payments industry are on what will happen next in Illinois.

Legal challenges to the law remain. As of late June, plaintiffs in the legal battle were awaiting a ruling on a motion to exempt all parties within the payments ecosystem involved with a credit or debit card transaction from the IFPA. The exemption would include the card networks and processors. Plaintiffs argue all parties should be exempt from the law due to the "interconnectivity" of the electronic payments system.

The court had previously granted a preliminary injunction exempting financial institutions chartered outside Illinois but doing business in the state from complying with the law. Card issuers with Illinois state banking charters, the Visa and Mastercard networks, and other entities within the payments ecosystem were not included in the injunction.

Regardless of how the court ultimately rules, opponents of the IFPA say they expect the law to be repealed once the Illinois legislation reconvenes in the fall. Even if the courts don't grant the injunction to exempt more players, the odds are favorable for repeal, says the ETA's Talbott.

"In that situation, it's difficult to see legislators allowing a law to stand that impacts a key portion of their local constituents, but exempts federally charted banks," he says.

If nothing else, the Illinois legislature's decision delaying implementation of the IFPA is likely to give other states pause until the uncertainty around the law's future abates. Lawmakers tend to shy away from legislation that could be overturned in the courts or repealed, or that requires a substantial rewrite, payment experts say.

Stablecoins' Steady Rise

In an astonishingly brief time, crypto backed by fiat currency has been thrust from the margins to the main stage of the payments industry.

BY JOHN STEWART

It was easy to miss because it wasn't widely reported outside of the business press, but it carried massive meaning for the payments industry. The Wall Street Journal carried a story late in May that said payments companies controlled by the nation's biggest banks were considering a venture to issue a joint stablecoin.

Citing "people familiar with the matter," the story said companies jointly owned by JPMorgan Chase, Bank of America, Citigroup, Wells Fargo, and "other large commercial banks" were involved in these conversations. It wasn't clear how far the talks have gone, though they are in "early, conceptual stages," the paper said.

The alleged talks, the story said, had come about as a result of worries at the big banks that stablecoins could ultimately divert transactions and deposits the banking goliaths have traditionally controlled.

Whether real or not, this fear is widely recognized among the companies that enable stablecoin transactions. "Banks are losing deposits today. If they don't offer [stablecoins], they're going to keep leaking deposits," says Carlos Netto, co-founder and chief executive of Matera Inc., a provider of software for core banking and instant payments. Matera is working with Circle Internet Group Inc., a stablecoin issuer.

Clearly, stablecoins have shifted rapidly from the sidelines of the payments industry to the center of the action, and in an astonishlngly brief time. "It's the new bandwagon everybody wants to jump on," says Enrico Camerinelli, a strategic advisor with the consultancy Datos Insights.

'We Love That'

The move by big U.S. banks to consider a joint stablecoin isn't the only sign that the digital currency—once considered to be among the exotica of cryptocurrencies—is now being taken seriously at the highest levels of banks, payment companies, and governments.

Last month, the U.S. Senate voted 68 to 30 to pass a bill that would establish a legal framework for stablecoin issuance and use. That vote sent the legislation, known as the Genius Act, to the House of Representatives and marked a key milestone for stablecoin acceptance and use—and probably for digital currency in general.

Now, even the biggest payments processors are sitting up and taking notice—and seeing opportunity. "We are hearing from financial institutions—what happens if [the Genius Act] passes, how do we stand it up?" noted Fiserv Inc.'s new chief executive, Michael Lyons last month, referring to creating a stablecoin business. He spoke at the Baird 2025 Global Consumer Technology and Service Conference. Fiserv processes for banks and merchants.

With respect to "standing up" a stablecoin for a bank or a merchant, the potential business isn't lost on the Fiserv CEO. "Somebody needs to help," said Lyons, who cited the opportunity for his company. "We love that," he said. "We want to give our clients some basic infrastructure, that's what's super interesting to us. We've got 13,000 super-smart engineers." Lyons this spring succeeded long-time CEO Frank Bisignano, who left to take charge of the Social Security Administration.

The Genius Act would establish a number of provisions for stablecoin regulation, but key ones include a federal route for licensing to avoid state-by-state strictures; restriction of issuance to units of insured depository institutions or entities approved by the Office of the Comptroller of the Currency; choice of federal or state oversight; a one-to-one reserve ratio based on U.S. currency or other liquid assets; and a ban on claiming stablecoins are backed by the U.S. government or the Federal Deposit Insurance Corp.

Merchant groups support the legislation, hoping it will inspire innovation that could lead to lower transaction costs. "Our view is we should have more innovation in payments," says Doug Kantor, general counsel for the National Association of Convenience Stores and an executive committee member of the Merchants Payments Coalition.

But Kantor sees a dark side, as well. "Visa and Mastercard are also engaged in looking at stablecoins," he notes. "If it's just a replication of their dominance [in payments], that's not helpful."

Why Walmart And Amazon Are Eyeing Stablecoins

Stablecoins are starting to move beyond niche status. Both Walmart Inc. and Amazon.com Inc. are investigating whether to issue the digital currency in the U.S. market, *The Wall Street Journal* reported early last month.

Details are sketchy. Neither megamerchant responded to queries about the matter from Digital Transactions. It also remains unclear whether the purpose of the stablecoins, should they become a reality, would be for supplier payments or for use by consumers. But both companies operate stores and e-commerce sites in the U.S. and internationally, creating a strong incentive to adopt a currency for payments that transcends geographic boundaries, observers say.

Stablecoin technology could also offer a tempting alternative to credit cards at a time when merchants are increasingly sensitive to transaction costs. Experts point to the potential for savings on merchant acceptance if stablecoins can ultimately displace a significant share of credit card volume.

"Retailers of all sizes are looking for a go-around to branded interchange," notes Cliff Gray, principal at Gray Consulting, in commenting on the news regarding Walmart and Amazon.

Besides savings on interchange, merchants are eyeing the coins for their ability to offer a constant value. That not only offers a potential alternative to standard bank accounts, experts say, but also an advantage for supplier payments.

Another factor merchants are weighing is a bill in Congress that would set out and clarify rules for stablecoin acceptance and use. Called the Genius Act, the potential law could ignite more moves by merchants and blockchains to cooperate on stablecoins, observers say. The bill has passed the Senate, so the action now moves to the House of Representatives.

In the case of the interest allegedly coming from Walmart and Amazon, the benefits of stablecoins could extend well beyond savings on transaction costs if offered or accepted by merchants. "Whether for suppliers or consumer purchases, stablecoins make lots of sense for retailers. No more funds volatility, and interchange costs are virtually eliminated, leaving the retailer only to negotiate fiat-to-stablecoin exchange rates," notes Gray.

The advantages for merchants could grow as they issue more stablecoins, according to Gray. "At scale, they empower themselves as a financial network," he says.

But while stablecoins may offer major advantages for wholesale payments, there could be drawbacks for merchants if they move to stablecoins at the point of sale, particularly in the incentives needed to move consumers en masse to a new form of payment, some observers say.

"If they issued their own stablecoins, with sufficient incentives, they could probably persuade some consumers to use them. But the incentives (yield on stablecoin deposits which might be in the form of credits to spend at Amazon and Walmart), likely would be greater than any reduction in interchange and network fees," cautions Eric Grover, proprietor of the consultancy Intrepid Ventures, in an email message.

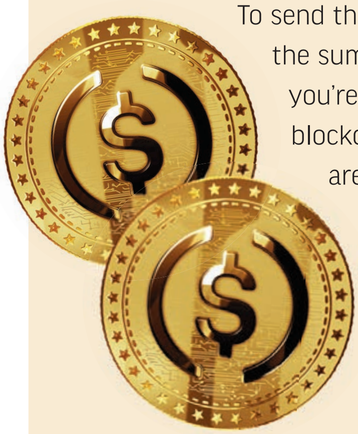
'A Fun Ride'

For many in the stablecoin universe, the importance of such regulation can't be understated. "There are relatively few jurisdictions that have put a clear legal framework around stablecoins," leaving banks and processors uncertain about moving ahead, says Nabil Manji, a senior vice president at the big processor Worldpay. With rules in place, "financial institutions can go explore [stablecoins] without concern whether it's legal or not."

Stablecoins for Payments: A Quick Primer

For those unfamiliar with the process, here's a quick summary of how various sources describe a basic payment using stablecoins:

First, get a digital wallet from an app store. Next, buy stablecoins from an online exchange dealing in cryptocurrency. To send a payment, use the recipient's wallet address, which is alphanumeric and unique to that user.



To send the payment, enter the sum of stablecoins you're sending. Since blockchain transactions are irreversible, you'll be asked to confirm the transaction. Confirm using your password, and hit send. At this point, the blockchain takes over, sending the payment to the recipient with nearly immediate effect.

Now, processors are eyeing opportunity in major markets like cross-border payments, where the ease and speed of stablecoins can help reduce transaction costs. "Stablecoins are real-time Internet money," says Ruben Galindo Steckel, chief executive of Airtm Inc., a 10-year-old payments platform supporting digital wallets in 190 countries.

Based in Mexico City and with an office in Delaware, Airtm recently paired with Bridge, a stablecoin-infrastructure startup acquired in February by Stripe Inc. for $1.1 billion.

With stablecoins, Airtm can convert fiat money to the digital currency, send the stablecoins to the designated wallet, and convert to local currency for the recipient. "We're basically PayPal built on stablecoins and cross-border technology," Steckel says.

Another company seeing similar advantages is OpenFX, an 18-month-old startup based in San Francisco that relies on stablecoins for cross-border transfers. "Effectively, what we're replacing here is SWIFT," says Prabhakar Reddy, the company's founder and chief executive, though, as he adds, "that's 1970s infrastructure."

Indeed, to come anywhere that kind of speed without stablecoins, "we'd have to keep money in every country," Reddy says. For his company and those like it, "that's no longer the case." Now, volume is building fast. Reddy says he thought OpenFX would process $1 billion in its first year; instead, it processed $10 billion. "It's been a fun ride," he says.

'Real Value'

While regulations like the Genius Act are expected to set rules that will boost stablecoins by standardizing how they must be used, there are other factors working in favor of the digital money.

One of the keys to success for stablecoins, experts point out, is their programmability—the ability to designate how the money they represent can be paid. This technology is not only key in cross-border payments but also for payments generally, observers say. "The value is in the so-called smart contracts," says Camerinell. "That's why stablecoins are getting so much traction."

3 EASY WAYS
TO MAKE MORE MONEY

Simple changes to earn a better residual with SignaPay

Let's face it, as salespeople, our goal is to sell more to make more. That's why SignaPay makes it easy to earn a better residual in 3 easy ways. Beyond that, we as your full-service ISO, we provide all the tools you need to sell your merchants a better product.

SELL PAYLO

The leading compliant Dual Pricing program not only earns you up to 3 times more in residuals, but gives your merchants the confidence and trust in a program backed by the major card brands.

GET PAID YOUR WAY

When you become a SignaPay Partner, you unlock access to build your residual payout how you want it to be. Earn more through bonuses or a higher revenue split. The choice is yours!

SELL MORE VERTICALS

From Online Retail, to CBD Shops and more, we accepts merchants of all kinds, big and small, old and new.

Plus many more ways to earn more...

$1,000 ACTIVATION BONUS • BUSINESS LOANS • RESIDUAL PURCHASES • MARKETING TOOLS & SUPPORT
FREE TERMINALS • 90% RESIDUAL SPLITS • ONLINE E-APP • ONE-CLICK APPROVALS • 24/7 SUPPORT

SIGNAPAY | PAYLO

Sign up today.

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

The key is that the smart contracts ensure a given transaction is tied to the underlying assets. "This is the value of executing a transaction without intermediaries, and once the transaction happens, you can be sure the money is there immediately," Camerinelli adds.

But, for all their sophistication, in the end stablecoins must be backed by real, old-fashioined value, such as cash in the bank. "It's a digital representation of something that sits somewhere else," says Camerinelli. "You have to have real value that sits behind the stablecoin."

As with credit and debit cards, accessing that real value carries a cost for merchants. All estimates are that cost is much less than with cards. Still, a precise figure is hard to come by. "You can reduce 60% of the cost" merchants pay for credit card transactions by accepting stablecoin, Camerinelli estimates, though he adds, "that's my guess."

His estimate, though, applies mainly to high-value, low-volume business-to-business cases, such as those cross-border transfers. By comparison to debit cards, stablecoin-acceptance costs may be roughly similar, say some, particularly after the transaction-pricing strictures set some years ago for debit pricing by the Durbin Amendment.

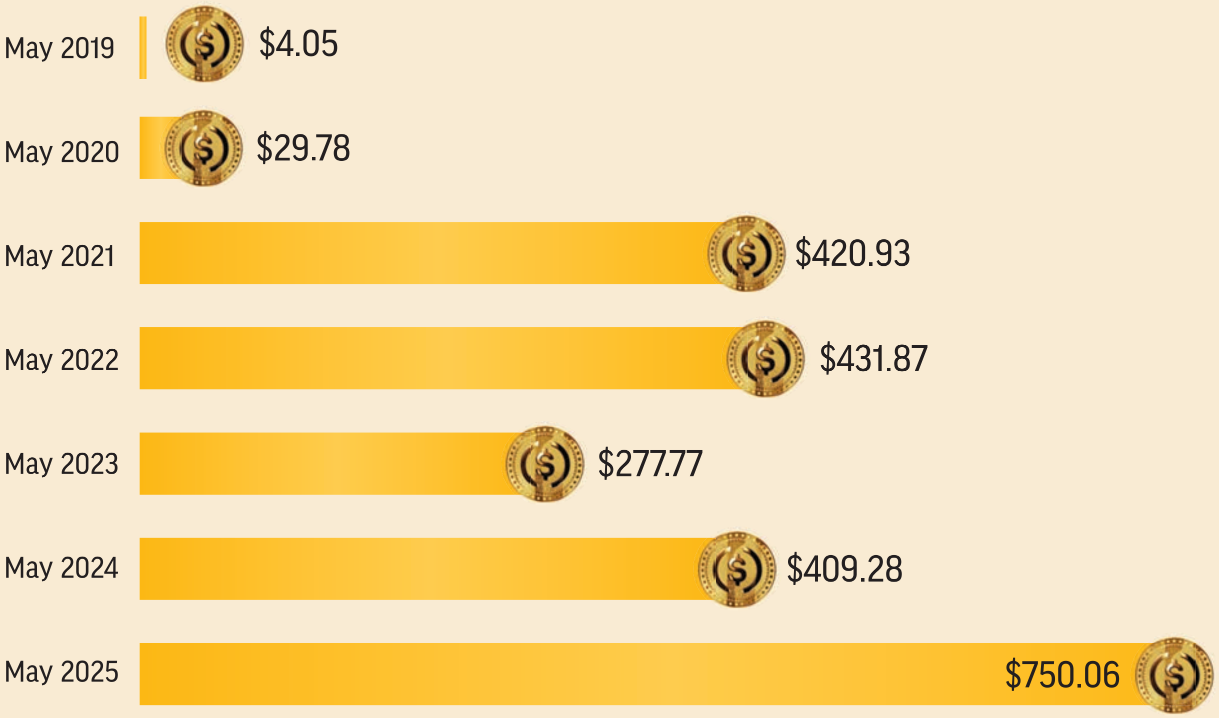
"Compared to Durbin, it's going to be close," estimates Cliff Gray, proprietor of the payments consultancy Gray Consulting, particularly after factoring in the merchant's cost to convert the digital money to fiat.

"But the guy to beat is credit," Gray says, not debit. And that means most merchants are likely to be at least open to accepting stablecoins, particularly given that crypto transactions are inherently suited to e-commerce, where merchants' credit card costs are much higher than they are for in-person transactions.

"For debit, [merchants] don't care because the cost is so low," says Gray. DT

Stablecoins' Rocky Rise

(Transaction volume in billions of U.S. dollars, month of May each year)



Source: Visa Chainalytics

How banks can battle fraud

endpoint

FIGHTING FIRE WITH FIRE

Bad actors are using AI to commit financial fraud. Financial institutions need to leverage AI tools to fight back.

BY JEFF SCOTT

Jeff Scott is vice president, fraudtech solutions, at Q2 Holdings.

BANK FRAUD IS at an all-time high. Roughly one in three adults in the U.S. were victims of financial fraud or a scam in 2024, with nearly 37% of them losing money. Even more troubling is that nine out of 10 victims report that a fraudster accessed or attempted to access their personal financial information, and, in nearly half of those cases, fraudsters were successful in stealing the information.

Part of their success is the result of the use of AI to find personal financial data. The data are used to launch phishing attacks and account takeovers, as well as to create new fake identities and deep fakes used in social-engineering scams. Once fraudsters are in the digital channel of a financial institution (FI), they can change personally identifiable information (PII) or generate a transaction within 30 seconds.

But FIs are using AI, too. In a recent report, fraud detection was the leading choice (33%) of respondents when asked to rank the five most important ways their organization is currently using AI.

For the last decade, the industry has focused on catching and stopping fraud at the time of a transaction, relying on a risk score determined at a point in time by a few basic behavioral signals. And managing anomaly detection and batch transactions was done manually and produced next-day reports. But with fraudsters leveraging AI, it's become impossible to combat the scale of fraud out there at the speed of human effort alone.

THE CHANGING FACE OF DETECTION

As a result, banks and credit unions are turning to AI to identify threat patterns based on the ingestion of many behavioral signals about the person logging in: how they hold their phone, whether it's in their dominant hand, whether they're walking normally and whether the correct face is presented for face recognition. There is a multitude of behavioral signals that need to be evaluated in real time to produce a risk score.

FIs use that score to either stop a transaction or ask for additional levels of authentication from the user, which must be done concurrently. This is only possible using analytics and machine learning (ML) models. The next iteration will use more advanced AI tools, such as large language models (LLMs)

SPONSORED CONTENT

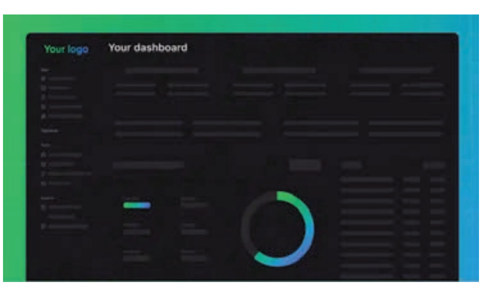
POWERING THE NEXT GENERATION OF PAYMENT MONETIZATION: MAVERICK PAYMENTS EMPOWERS ISVS WITH A WHITE-LABELED PAYMENT STACK

The payments landscape is rapidly evolving, moving beyond simple transaction processing to a holistic ecosystem of financial services. Maverick Payments is championing a new era for Independent Software Vendors (ISVs), providing them with a robust, white labeled payment stack designed to unlock significant monetization opportunities and enhance customer stickiness.

"We're seeing a shift where businesses are now looking for a payment processor that offers more than just transactions, so a one-stop shop for everything," says Justin Downey, Vice President of Product at Maverick Payments. Maverick empowers ISOs and ISVs to strategically develop a cohesive payments ecosystem.

For ISVs, this shift presents a golden opportunity. They can embed a complete payment experience directly into their software, under their own brand. Maverick's core message to ISVs is clear: monetize payments by reselling our white-labeled payments stack, build your brand, and leverage our infrastructure to go to market faster with less operational burden.

"Ultimately, Maverick Payments' own position is that we've built a technology platform that our ISO, ISV and FI partners can leverage," Downey emphasizes. "It allows them to retain control over the payment experience while leveraging our technology and infrastructure to go to market faster, with less burden. It ensures they get what they need from their payment processor."



The payment stack offered by Maverick Payments is more than just a gateway. It encompasses a comprehensive suite of features designed to empower ISVs to offer a truly integrated payment solution:

- Proprietary gateway: A robust foundation for processing credit card and ACH payments.
- Merchant processing services: Core infrastructure for handling transactions.
- Fraud & chargeback tools: Essential tools to mitigate risk and protect revenue.
- Advanced analytics & reporting: Real-time data and insights to track performance.
- Risk and compliance: Maverick manages risk and compliance as an FSP that holds liability.
- Digital onboarding & portfolio management: Streamlined processes for activating merchants and managing portfolios under the ISV's brand.
- API-first approach: A developer-friendly API for easy integration.

For ISVs grappling with the "build vs. buy" dilemma, Maverick's white label solution offers a compelling option. Building a payment system from scratch is a significant undertaking, requiring substantial time, cost, and ongoing investment. Maverick's white label model allows ISVs to brand the entire payment experience, fostering customer loyalty and brand recognition, without the overhead and risk of building or maintaining a complex payment infrastructure.

"When seeking out partners, you'll need to look for full-service payment providers that are partner-driven, meaning they are focused on your success," Downey advises. Maverick Payments embodies this philosophy, providing ISVs with the technology, support, and flexibility to confidently excel in the dynamic world of payment monetization. Offering a comprehensive, branded payment stack can be the key differentiator for ISVs looking to drive new revenue streams and cement their position as indispensable partners for their clients.

maverick

For more information about Maverick Payments, visit their website: www.maverickpayments.com and agentic AI to continue to add sophistication and speed to detection.

Taking it one step further, AI models can also look for pathways and patterns of user behavior across a consortium of data and instantly report whether the person logging in is exhibiting the same behavior seen in other sessions that ultimately resulted in fraud. For example, the finding could be that 80% of the time, this observed pattern of behavior resulted in account takeover.

Currently, a sophisticated risk model built on machine learning can be programmed to hold certain cases for human review, at which point the human can give the ML model a new policy or procedure to implement.

In the future, ML models will be able to make policy changes or security recommendations to the FI. Eventually, as the tools get better and faster, agentic AI will help the FI make faster decisions and train the model based on the information pulled that day.

AI TOOLS ARE CRITICAL

Given the time, effort, and imminent risks fraud presents, these solutions

> "It's important to remember that, in fighting bank fraud, there is no silver bullet.."

are becoming a critical piece of infrastructure for any financial institution. However, it's not feasible for FIs to build these solutions themselves. They need to partner with a specialized vendor that deeply understands financial institution fraud and has a sophisticated risk model that enables real-time interception in the workflows.

The solution should allow FIs to observe and interact with it, and it must have APIs that can integrate with all other payment channels inside and outside the digital environment.

It's also critical to make sure the solution can ingest many different signals, not just one, with the ability to ingest more over time. Some vendors will push their own proprietary signals, but that's not enough. Financial institutions should also ensure that the solution is fully integrated to their digital channel. This allows for the solution to interdict workflows in real time—a capability only possible with full integration.

Before signing a contract, ensure the solution can truly interdict in the ways described. The solution should also have a UI that allows an FI to create policies and rules in a very simple way, along with a case-management tool to manage events on the signals.

While working to find and integrate the right solution, FIs can begin to fight fraud through customer communication — specifically, pop-ups in the digital channel. So, when an account holder logs in, there's a pop-up that reminds that the bank or credit union will never ask for the user's passcode. Pop-ups should continue, advising the accountholder how scams work.

Once the user goes to do a transaction, another pop-up should ask if the user is sure about whom they're sending money to, or the amount they're transferring to an account. The pop-ups should be educational and active throughout the journey.

It's important to remember that when it comes to fighting bank fraud, there is no silver bullet. Fraudsters have a host of AI tools in their arsenal and financial institutions need an equally dynamic and powerful arsenal to fight back. DT

ADVERTISER INDEX

Weatherized to Perform.
Secure by Design.

DynaProx provides rugged, reliable, and secure contactless solutions.

MAGTEK®
SECURITY FROM THE INSIDE

Trusted by leaders in the car wash and unattended service industries, we simplify contactless payments, access, and barcode transactions with dependable performance.

DynaProx Features
EMV/NFC Contactless
Mobile Wallet Support
MIFARE® & NTAG®
Barcodes & QR Codes
NFC Card Emulation
USB, USB iAP2, RS-232
IK08 and IP66 Rated
PCI PTS 6.x, SCR

Take Advantage of Magensa Cloud Services
Advanced Tokenization
Secure Gateway Services
AES-256 and TDEA
Reader Management
Seamless Integration

Learn More About
MagTek & Magensa's
Transportation Solutions

DynaProx
Ready for the Outdoors

VISA
DISCOVER
UnionPay
MAGTEK
SECURITY FROM THE INSIDE
JCB
Interac
Pay
G Pay
Pay

DynaProx is part of the MMS Dyna Device family with shared EMV Common Kernel technology for faster L3 certifications.

Image is a simulation of what is possible. Please contact a representative to see how we can help bring your ideas into reality.

562-546-6400 | sales@magtek.com | www.magtek.com