

Electronic Payments Week

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Bank Groups Back New Canadian Online Debit Choice

Canadian consumers soon will be able to debit their bank accounts directly for online purchases without giving the merchant any of their financial information, and the idea may be coming to the United States — although it faces serious problems here. But if it does, online merchants may have a solution to the problem of soothing consumers worried about identity theft.

Three different groups are now jockeying for pole position to offer the service Canada-wide, which go over Canada's ATM network. One, **Interac Online**, is backed by the **Interac Association**, Canada's ATM and point-of-sale credit-card network, and Interac's owners — all of Canada's banks. It launched its service last week, and Interac says its owners all plan to support the program.

Another, **UseMyBank.com**, has been in business since 2003, and it has plans to begin rolling out its business in the United States beginning this summer, claiming it has deals with unnamed "major American payments providers." However, it offers no details; it claims to have about 12 million Canadian customers making payments online with its system today, but it concedes it has no institutional financing.

A third, **Othentik Inc.**, has an international patent and a U.S. partner, **U.S. Dataworks Inc.** (which had no comment on the matter) but apparently little else (including money) aside from a potential patent-infringement lawsuit.

The payments mechanisms themselves are all similar, and they are all less elegant than plugging a credit-card number into a Web site. But they all have the virtue of maintaining a payor's privacy.

As the Interac Online Web site describes it, the buyer at the Web site of a participating merchant chooses the Interac Online option and is automatically re-directed by the site to an Interac Web page, where the buyer selects his or her financial institution — an easy thing to do in a country with a handful of banks. Having made a purchase selection, the buyer's browser is re-directed to the institution's Web site, where he or she logs in, selects the account from which they want their purchases debited, and they confirm the payment. The buyer is then sent back to the merchant's site, confirms the payment was made and finishes up the transaction.

As a result, the merchant never gets any financial

See Bank Groups ► p.3

► Clearinghouse: NACHA Members Nix Return Fees	p.4
► Business Outlook: CIOs Must Plan For Slowdowns	p.6
► New To Market: The Latest Products and Services	p.7
► The Checklist: The Last Word On The Last Page	p.8

table of contents

Glory Days May Be Over For Monoline Banks

Once, monoline banks—those dedicated to issuing credit cards—were the brilliant idea of the age. Ringing up double-digit growth year after year and becoming major financial corporations, companies like **Capital One Bank**, **MBNA Corp.** and **Providian Financial Corp.** were the darlings of Wall Street and the envy of other banks, many of which had gotten out of the credit-card business to focus on what they thought at the time were their core competencies.

But those days are probably over. Capital One recently bought **Hibernia Bancorp** that, properly speaking, isn't a monoline bank anymore. Providian was just purchased by **Washington Mutual** for \$6.45 billion, slightly less than Providian's \$6.68 billion in net loan receivables. **Juniper Bank**, a newcomer created by the founders of **FirstUSA**, was bought by **Barclay's Group** earlier this year for an undisclosed price. About the only monoline banks left are **Metris** that, like Providian, overcame a near collapse, and **MBNA**, the target of rumors it may be acquired by **Wachovia Corp.**

Despite the major credit-card deals made earlier this year, says John Gould, **TowerGroup's** senior credit card analyst, the big M&A move is over, especially for the monoline banks, which people wrote off 18 months ago.

"There's nothing left to buy, and no other major banks around to buy things," says Gould. "This is the endgame; if Wachovia buys MBNA, what other major banks are left that don't have credit cards? And ditto for credit card portfolios worth buying."

The "ifs" surrounding MBNA are pretty big. While Wachovia Chairman Ken Thomson did recently say he'd like to get his bank back into the credit-card business — Wachovia is the only major American bank without a cards operation — MBNA's market capitalization is about \$27 billion, and it had

See Monoline ► p.2



Electronic Payments Week

Editor: Andrew Reinbach, 607/965-1061

areinbach@accessintel.com

Managing Editor: Matt Aukofer

maukofer@accessintel.com

Assoc. Dir., Newsletter Production:

Tracey Lilly

VP of Information Technology:

Robert Paciorek

VP of Production: Michael Kraus

AVP & Associate Publisher:

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Vice President & Publisher:

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Monoline

Continued from Page 1

\$31.8 billion in loan receivables as of March 31.

Because its portfolio probably would command a premium over its receivables, acquiring MBNA would mean paying a price north of \$32 billion. That's a mouthful for any company and, while Wachovia is a large bank — it reported \$508.6 billion in assets and net income of \$1.62 billion on revenues of \$6.47 billion for the first quarter of 2005 — a MBNA-sized acquisition would still call — bare minimum — for some deliberation.

Rumor Du Jour

The same goes for the other rumor surrounding who's going to buy MBNA, assuming anybody does — **American Express**. Amex is bigger than MBNA — it reported assets of \$189.5 billion and net income of \$946 million on revenues of \$7.5 billion for the first quarter, compared with MBNA's \$61.4 billion and net income of \$31.7 million on revenues of \$1.78 billion — but the Amex numbers include those of American Express Financial, which it plans to spin off later this year.

And the idea of Amex buying MBNA is far-fetched, in any event; if it did, it would have to sell off most of the MBNA portfolio, unless the boards of **Visa** and **MasterCard** experienced a sudden conversion. The result: MBNA may remain independent for the foreseeable future, whatever the rumor mill says.

In any event, the idea of banks buying what big credit-card portfolios still are available may not be such a great idea, thinks Bryan Derman, a partner at **Glenbrook Partners**.

"I don't think the credit card business is in a temporary downturn," he says. "I think this is a secular move — it had a secular move up for a long time, and I think this is the downside of the curve. Growth is going to be very, very hard to come by."

And if that's the case, does it make sense for a bank to be buying into the

credit-card business? "There may be higher returns available by investing in other businesses," he says.

Who's Prepared For The Risk?

Buying into the credit-card business today means taking on some huge risks. The growth rate in receivables is actually falling for the first time in many years. And interchange, one of the industry's main revenue streams, is under extreme pressure, both globally and in the United States, where even most of the industry's cheerleaders concede it eventually will fall (see *EPW*, May 24, May 17).

"Banks hoping to rely on interchange as a significant portion of their non-interest income had better re-think that, because it's going to go away or at least diminish. They need to de-emphasize that now as an income item," says Daniel Fisher, president of **Copper River Group**, a payments consultancy. "And today, the only way you can grow your card base is by lowering your credit standards, and there's not a proportional risk in lowering those standards — it's exponential."

And while the absolute amount of credit-card volume isn't declining, the most recent statistics from the **Federal Reserve Board** show that volume to be relatively flat, while debit-card use is showing double-digit growth (see *EPW*, Dec. 14, 2004). Credit cards, in fact, while they may have once conferred some prestige on holders and issuers alike, have become a commodity, which means only very large organizations with large IT platforms can hope to make money in the business.

For most banks, in fact, says Fisher, buying into the credit-card business right now is unwise at best. "They do not have the experience nor the capital nor the technology to venture into that territory," he contends. (*Contact John Gould, TowerGroup, 603/673-6739; Bryan Derman, Glenbrook Partners, 203/227-3687; Daniel Fisher, Copper River Group, 701/293-6222*)

Bank Groups

Continued from Page 1

information about the buyer — just the money. That's a plus in today's paranoid online world, seemingly filled with phishers, pharmerms and other lurking ne'er-do-wells.

Not everyone thinks this is an idea whose time has come — especially in a country like the United States, with about 9,000 depository institutions. "The system is a little clunky and, unless there's strong risk aversion on the part of the consumer — and today they don't bear full risk for credit-card fraud — they don't have the motivation," says Alenka Grealish, group manager of **Celent Communications'** banking group. "There may be some for whom this sort of system is attractive, but the majority of people are pretty comfortable using cards online. So really, it has to be driven by the merchants who want to lower their payments fees."

A spokesman for **Moneris Solutions Corp.**, says the interchange fees for its transactions will be "a little higher than debit [cards], but lower than credit cards" for similar transactions. Moneris has handled an Interac online payment for Canadian on line retailer **DVDsoon.com**, it signed up **Circuit City's TheSourceCC.com** and Canadian computer retailer **Compusmart**, and it says it's actively marketing the idea.

That slightly-higher-than-debit fee, considering the established alternatives, may not favor the spread of the idea in this country, where online debit-card transactions are commonplace. But it won't be a bar, either, for merchants trying to save some money by offering customers a broad variety of payments options; at a minimum, such fees would be lower than credit-card fees.

NACHA's Plan Went Nowhere

NACHA tried to create a similar system three years ago, but it went nowhere. "It was called Project Action," says Steve Schutze, president of **Forward Financial Consulting**. "It was exactly what Interac's describ-

ing. NACHA had a lot of people involved, and they tried to get funding for a pilot, but it never got funded."

A NACHA spokesman says the project got commitments for only half the funds necessary to create the system, and other sources claim that objections from large credit-card companies, whose main products would have suffered if the scheme escaped from the committee, burned the NACHA project at the stake. The NACHA spokesman says NACHA hasn't given up on the idea, though, and it may yet see the light of day in the United States.

As far as Canada goes, Interac will be the likely winner in Canada after the dust settles. It's a nationwide pay-

A spokesman for Moneris Solutions Corp., says the interchange fees for its transactions will be "a little higher than debit [cards], but lower than credit cards" for similar transactions.

ments network, and it has the entire Canadian banking system behind it. Interac says that, following Moneris' lead, its member banks are preparing to roll out their own gateways to its system, beginning with the **Bank of Montreal** later this summer.

And an Interac spokeswoman says her company would have no objection if someone in the States took up the idea. "It's a very simple idea; anyone could do it," she says.

But there seems to be little appetite for promoting similar schemes in this country—so far. The main ATM networks, including **Discover Financial's PULSE**, and **First Data's STAR**, all say they aren't speaking to any of the Canadian providers. This includes **Metavante's NYCE** network, which has a deal with Interac's sister group **Acysys Corp.** to provide Canadian travelers in the United States access to their bank accounts via NYCE's ATM network.

As a result, and because all the

Canadian systems are ATM-based, **PayPal** would seem to still have much of the online, non-credit-card payments business pretty much to itself, although a recent competitor, **GreenZap**, recently entered the fray. PayPal's success suggests there's money to be made here.

Canadian Competition Hangs Tough

Meanwhile, the competition isn't folding in Canada. Already, **UseMyBank** is suing the **Bank of Nova Scotia**, and making a formal complaint to Canada's **Competition Board**, for suddenly closing **UseMyBank's** biller account in the days leading up to the Interac Online debut. **Toronto Dominion Bank** and **CIBC** allegedly did the same thing last year, and **UseMyBank's** Vice President Brian Crozier says, "Many of Canada's largest and well-known companies would have offered their customers **UseMyBank** years ago had it not been for the Canadian banks tactics and threats."

Crozier had little else to say about the lawsuit, preferring to talk at length about the many benefits of his company's product. According to press reports, acknowledged by Crozier, the banks' actions will force **UseMyBank** to switch its customers off the ATM system and on to e-mail money transfers.

In the process, **UseMyBank** customers run up a \$1.19 fee when they make a payment, and **UseMyBank** will have to pay \$2.50 per payment. Under **UseMyBank's** plans, a consumer's transaction costs are free or, at most, 50 cents a transaction; the new cost will be about \$3.17, assuming the consumer shoulders the whole transaction cost—a 800-percent increase. (Contact *Interac Association*, 416/362-8550; *UseMyBank.com*, 416/822-3633; *Moneris Solutions Corp.*, 416/734-1135 ; *Othentik Inc.*, 514/333-0550; *Alenka Grealish, Celent Communications*, *agrealish@celent.com*; *Steve Schutze, Forward Financial Consulting*, 804/330-0787; *NACHA*, 703/561-1100)

NACHA Members Vote Down Return Fees

NACHA's membership voted down the proposed \$17-per-transaction fee the organization had proposed to cover the cost of so-called "return fees," normally levied when a payment that wasn't authorized by the payor is sent through by an originating bank. The fee was intended to compensate receiving banks — the payor's bank — for the costs incurred by the return. According to a notice sent to the NACHA membership, some 57 percent of voters approved the proposal — short of the 67 percent necessary to approve.

The fees, properly called "network return entry fees," would have been automatically levied and tied to the receiving banks' actual costs for customer service and handling — typically between \$12 and \$17 per transaction. Under the proposal, the fees would have been set by a panel, based on its best estimate of the costs incurred.

In part, the fees were designed as a disincentive to banks that sent unauthorized ACH debits; NACHA's rules require warranties that all payments are authorized, but some still slip through. Unauthorized debits are falling as a percentage of traffic, but the absolute number is rising because of the growth in ACH traffic. Last fall, NACHA said unauthorized debits grew 68.5 percent during three years, even though their percentage volume had dropped to 0.07 percent.

Informed observers say the proposal failed in part not only because it would have introduced a new fee at a time when ACH use is growing dramatically, but also because some large banks, which originate high ACH payment volumes, would have wound up paying most of the fees. (Contact NACHA, 703/561-1100)

China UnionPay Expands

China UnionPay card system signed a reciprocal debit-card deal two weeks ago with Japan's **Sumitomo**

Mitsui Card company that allows each company's debit cards to be honored in the other's country. That deal sounds suspiciously like the deal announced with great fanfare by **Discover/Novus** a week earlier, which likewise was a mutual honoring of the other company's card in each other's countries.

China UnionPay is an interbank settlement network, started by the **People's Bank of China** in 2002, that's issued 800 million cash cards — credit cards being much less common in China — and, in recent months, it's been cutting similar deals all over the world, beginning last year in Hong Kong and Macao and spreading earlier this year to South Korea, Thailand, and Singapore. In May, it signed a deal with **EUFISERV** (European Savings Banks Financial Services) that will give UnionPay cardholders access to EUFISERV members' 60,000 ATMs in 12 countries by the end of the year. And this country's **Hypercom Corp.** has standardized its ICE point-of-sale card terminals to work with UnionPay cards.

Against that, the Discover deal suddenly becomes a China UnionPay deal, despite the flurry of news stories in the mainstream press about Discover's deal. Not to diminish it: Discover's agreement with China UnionPay will mean more traffic over its **PULSE ATM** network and expanding the brand to China, which is nobody's idea of an insignificant market.

But Discover will be a latecomer to the Chinese market: The **Industrial and Commercial Bank of China** and **American Express Co.** this week announced a co-branding agreement under which the bank will issue its own cards carrying the Amex logo later this year, matching similar deals the bank already has with MasterCard and Visa. (Contact Discover Financial Inc., 224/405-2347)

Fed Reports Improving Household Debt Picture

Although it comes as no good news to lenders, and especially credit-card

companies, U.S. households apparently are reducing their debt levels — in some cases to dramatic lows.

Overall consumer debt was up about \$88 billion at the end of the first quarter of 2005, compared with the first quarter of 2004, but the proportion of cardholder balances that were more than 30 days late fell to a level not seen in 10 years, according to **Moody's Investor's Service** — to 4.07% in April, down from 4.52% a year ago. Moody's said that on a year-over-year basis, the delinquency rate has improved for each of the last 21 months.

At the same time, overall revolving credit-card debt declined in April by 0.6 percent, following a 0.9-percent decline in March, according to the **Federal Reserve Board**. By comparison, revolving credit-card debt grew 3.6 percent in the first quarter of 2004 and 9.1 percent in the third quarter of that year. And the amount of outstanding revolving debt fell, too — from \$796.9 billion in February to \$795.9 billion in April.

Many economists say the drop mainly is an indicator of drooping consumer confidence, but the numbers probably also reflect a growing consumer taste for home-equity lines of credit over credit cards. Home-equity debt is much cheaper than credit-card debt, and it comes without the many little surprises credit-card companies use to raise the consumer's annual percentage rate. Thus, the drop in revolving credit reflects, in part, a rational, market-driven choice.

Whether those credit lines are good deals for lenders remains to be seen. If, as many fear, the dramatic rise in home values is a financial bubble being caused by artificially low long-term interest rates, then home values will plunge when the bubble is pricked, and homeowners may be tempted to walk away from homes carrying debt loads based on appraised values well above the market value at the time.

This was seen in the early 1990s, when the value of all real estate fell to horrible lows, resulting in equally horrible default rates on both the residential and commercial sides of the

business. On the commercial side, for instance, lenders' equity in the overall \$2 trillion portfolio was wiped out, and debt was available for \$0.50 on the dollar — about a \$1 trillion actuarial loss, which wasn't made up for about 5 years. And on the residential side, the losses in the \$4 trillion mortgage portfolio were close to \$2 trillion. Those defaults almost sank the economy, and they probably indirectly helped elect Bill Clinton as president.

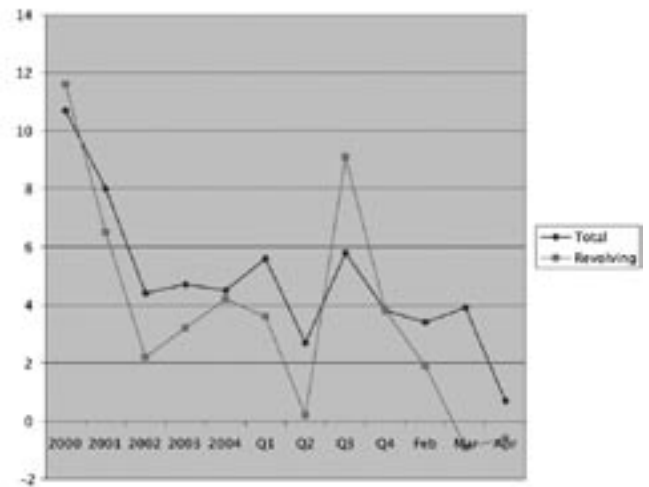
What could forestall a sudden abandonment by homeowners? The new bankruptcy laws, for one thing, which could leave them on the hook for most of the debt, even if they handed the house keys to the first mortgagee. That wouldn't apply in states with homestead laws, like Texas and Florida, where a debtor's home can't be included among assets in a bankruptcy filing.

Another? Arithmetic. During the early Nineties, when home values plunged in previously hot markets like California, many homeowners did the math and figured that it would cost them more to rent than to continue to pay the mortgage on an obsolete appraisal. That could happen again. Unless, that is, regulators begin forcing lenders to re-value their loan portfolios to reflect current prices — something that didn't happen in the 1990s, because it would have triggered real problems for an already weak banking sector. But don't count that possibility out in the Sarbanes-Oxley era.

What's the payments angle on all this? Consumers without money don't spend — and they certainly don't incur debt. That would mean even more cardholders paying down their outstanding revolving credit and using their cards only as a money-management tool by keeping their spending down and paying off their outstanding monthly balances.

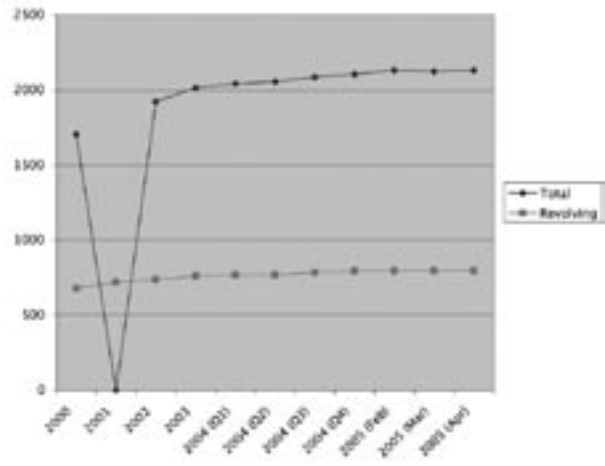
More debit-card volume also is a real possibility. That would suppress the earnings of credit-card portfolios, even if card use continued to grow. So even in a best-case scenario, don't expect revolving credit-card balances to be showing the sort of growth they were seeing at the beginning of this decade. (Contacts the Federal Reserve Board, 202/452-3000; Moody's Investors' Services, 212/553-0300)

Percentage of Consumer Debt Growth, 2000—April 2005



Source: Federal Reserve Board, G.19 Release

Absolute Consumer Debt Growth, 2000—April 2005 (in \$billions)



Source: Federal Reserve Board, G.19 Release

Who's Who

► **CPA Thomas G. Bevivino** was named CFO of **Severn Bancorp, Inc.**, replacing **Cecelia Lowman**, who has stepped down but who remains as controller. (Contact *Severn Bancorp*, 410/268-4554)

► **Deborah L. Bianucci** was elected the **BAI's** president and CEO, succeeding **Thomas P. Johnson Jr.**, who is retiring. She also joins the BAI board. Bianucci has been BAI's executive director of marketing and sales. The BAI board also named **James M. McNeil** to the newly created position of COO. (Contact *BAI*, 312/493-3260)

► **Denise D. Brown** resigned as controller of **AirNet**

Systems Inc. effective June 17. **AirNet** named **Gary W. Qualmann** interim controller until it finds a replacement; he currently serves as **AirNet's** CFO, treasurer and secretary. (Contact *AirNet Inc.*, 614/238-1912)

► **Diane Kelleher** was made executive vice president and CFO, and **Greg Hansen** was named executive vice president and director of commercial lending for **AmericanWest Bancorp.** and its **AmericanWest Bank** unit. Kelleher previously worked for **Washington Mutual**; Hansen previously worked for **US Bank**. (Contact *AmericanWest Bancorp.*, 509/467-6993)

Analysis: Time For CIOs To Plan For A Slowdown

Life in the IT department is good right now, and chief information officers [CIOs] report strong business conditions. According to a **Forrester Research Inc.** report, *The CIO Confidence Poll*, most CIOs — 77 percent — report increased spending compared with 2004. But, says Senior Analyst Andrew Bartels, who wrote the paper with his team, CIOs — especially those who are not in the top corporate tier — are uneasy, even bearish, about the future business climate. And that, he thinks, means a slowdown in general business — and in payments volume.

“What drives payments is what happens on the non-financial side — trade and business,” he says. Real GDP is expected to slow slightly this year, he adds, which should affect payments volumes as business slows generally. This, he adds, is affecting CIOs’ view of what the future holds for their departments. Among those leading indicators, Bartels cites higher energy prices, a weakening dollar, a rising trade deficit and general unease on Wall Street about corporate earnings.

“With uncertainty about the future prevailing, IT spending expectations for 2006 are in retreat, with many CIOs simply trying to hold IT spending levels steady,” he writes.

CEOs are beginning to feel the same way, thinks Bartels. **The Conference Board**, for instance, issued its *CEO Outlook*, which said that chief executives are beginning to get concerned about 2006. “Most still think 2006 is going to be pretty good, but a growing proportion of CEOs are concerned — the same thing we’re seeing among CIOs,” he says.

The likelihood of expanding the IT budget is tied almost directly to business confidence, so what the growing unease among CEOs about the 2006 business climate means is that CIOs can’t expect an appetite in the boardroom, especially in the financial sector, for expensive upgrades.

“That sector has seen its best times, in terms of growth; IT spending clearly is slowing down, and it’s been happening for awhile,” says Bartels. “Financial services just hasn’t been the engine for growth in IT spending that it was in 2001-03 period, when other sectors were weak [after the bursting of the Internet bubble]. Back then, the financial IT sectors were still spending like gangbusters.”

But as usual, in any expansion, making money gets harder the longer the expansion continues. Thus, in a perfectly natural way, staff growth slows along with annual budgetary growth to less than 3 percent, instead of the 6-percent-to-7-percent of boom times. The good news here: Staff cuts haven’t happened...yet.

Still, because the stock market — the clearest indication of market sentiment about future business prospects — is going sideways, there’s little in the air to encourage the idea that trade and, therefore, payments volume, will be growing anytime soon. There’s little justification for increasing the IT establishment, especially in what American business today considers medium-to-small businesses — less than \$1 billion a year in sales. That means the best IT departments — and CIOs — can hope for the next few years is a flat outlook, as far as budgets go.

No Sudden Shocks

What would change that scenario, of course, would be what economists call “sudden exogenous shocks,” such as a collapse of the Euro. But this is nothing to be wishing for, says Bartels, because it would mean falling U.S. exports as the dollar strengthened, driving up the export prices of U.S. goods. That would lead to manufacturing layoffs, in turn driving down consumer spending — and payments — as the economy slowed.

That slowdown is unlikely to be avoided, whether such a sudden event appears or not, thinks Bartels — it’s just the nature of things. “Just

looking at history, there’s a likelihood we’ll see a slowdown in 2007”, he says, because the economy has been growing out of recession since 2001, and recoveries don’t last forever. “The pattern has been that economic recoveries have been lasting about six or seven years, followed by downturns.” The likelihood of that happening is only worsened by the various strains afflicting the U.S. economy, including the twin budget and trade deficits.

What can CIOs do in this environment? More than a pessimist would think, says Bartels: “The key thing is to assume that conditions in payments are, at best, going to stay where they are, and that the most likely alternative is that they’re going to get worse. There’s no need for panic or cutting things left and right, but it clearly is time to be cautious and not going on spending limbs,” he says.

Part of this concerns preparing for the future, especially by looking into cost-cutting technology like so-called blade servers, which can be used to grow or shrink the server farm as traffic fluctuates and are easier to upgrade, replace, and manage than so-called “big iron” servers. An attractive side-benefit to these blades? Lower energy costs. This approach, says Bartels, will lower operating costs for the data center and will make the CIO look like a hero as the board begins the inevitable rounds of cost cutting.

“Nothing we’ve [seen] to here means we have to head for the hills; for 2005 things are still looking pretty good, and for 2006 there are some clouds, but no big downturn, so there’s no need to overreact,” he says. “But it’s also a good idea to be prudent.” CIOs, he says, might use the calm before the storm to begin planning for new technologies — expected to begin arriving in 2007. (*Contact Andrew Bartels, Forrester Research Inc., 203/845-6915*)

► **Aquaracy Corp.**, which produces turnkey transaction processing sprockets for check, remittance and lockbox processors, says it has two new financial partners, **CFB Investment Company** and **Clark Capital LLC**, both based in Birmingham, Ala. (Contact *Aquaracy Corp.*, 205/425-1881)

► **Bank of America** and **Mexicana Airlines** issued a **Platinum Visa** card that gives Mexicana customers a coupon for a free companion ticket after their first purchase, and they receive a \$99 companion ticket coupon annually after that. The partners say this is the first airline card to offer this type of reward. (Contact *Bank of America*, 415/622-6397; *Mexicana Airlines*, 310/464-2895)

► **JPMorgan Chase & Co.'s Chase Bank U.S.A.** unit is rolling out its "blink" contactless credit card in Colorado this month, initially with a base of more than 400 merchant locations in 63 cities, including **Arby's**, **7-Eleven**, **Regal Cinemas** and **Walgreen's**. The rollout is replete with a big media campaign. (Contact *Chase Card Services*, 302/282-5547)

► **CitiGroup** says its WorldLink Payment Services cross-border payments product now offers funds transfers in 30 additional currencies — for a total of 137. CitiGroup customers use WorldLink to make and receive payments in multiple countries for everything from payroll, goods and services to taxes and shareholder dividends, but they don't have to open local currency accounts to use it. (Contact *CitiGroup Inc.*, 212/816-2949)

► **Fidelity National Financial, Inc.** says **Bankers' Bank Northeast** of Glastonbury, Conn., will be using Fidelity's BancLine product for its core processing. Implementation is scheduled for the third quarter of 2005. (Contact *Fidelity National Financial Inc.*, 904/854-8120)

► **GE Consumer Finance's** retail sales finance unit says it has multi-year agreement with **ETON America LLC**, a manufacturer of all-terrain vehicles (ATVs) and scooters, for a new consumer credit-card program for its 600-plus dealers. (Contact *GE Consumer Finance, Retail Sales Finance*, 678/518-2596; *ETON America LLC*, 864/595-9930)

► **Hypercom Corp.** says its **HBNet Inc.** unit will be providing high-speed transaction-transport services for **Pay By Touch's** iPAY point-of-sale services. (Contact *Hypercom Corp.*, 602/504-5383; *Pay By Touch*, 954/331-1568)

► **IBM** won a \$38 million contract to provide IT services for **Fiserv's** \$455.7 million check processing deal with the so-called **Vipro** consortium of **Commonwealth Bank of Australia**, **National Australia Bank** and **Westpac** — three of Australia's four largest banks. IBM Global Services is providing Fiserv infrastructure, net-

works and desktop PCs as well as application development, management and e-business hosting services. (Contact *IBM Corp.*, 914/499-6435; *Fiserv Inc.*, 262/879-5966)

► **InfiCorp Holdings Inc.** says **PETA** (People for the Ethical Treatment of Animals) is launching a credit-card program for its members and supporters. Using the card generates contributions to PETA's programs. InfiCorp will issue and administer the PETA card through its **InfiBank N.A.** unit. (Contact *InfiCorp.*, 404/965-6000; *PETA*, 818/345-4932)

► **Lipman Electronic Engineering Ltd.** of Israel says its **Dione Xplorer**, **Secura Integrated** and **Xtreme Integrated** point-of-sale systems now offer a GPRS wireless communication option. The company says the additional function gives merchants the ability to accept payments almost anywhere at almost anytime. (Contact *Lipman Electronic Engineering Ltd.*, 011 972-3-902-9730)

► **MasterCard** says **7-Eleven Inc.** will be accepting payments with MasterCard's PayPass contactless radio frequency (RF) technology. 7-Eleven expects to roll out the program in its 5,300 U.S. locations by early 2006, and it is testing the system now in 170 stores. (Contact *MasterCard International*, 914/249-6607; *7-Eleven Inc.*, 214/828-7021)

► **Metavante's Advanced Financial Solutions** unit says **Corporate America Credit Union** is using AFS' branch-capture, check-image exchange and IRD products in its item-processing operations. The system allows Corporate America to image-capture and truncate check transactions at the branches, and then transmit the images to its regional image-item processing center (Contact *Advanced Financial Solutions*, 678/533-4861)

► **Payment Data Systems Inc.** says it has a deal with **Next Estate Communications Inc.** to provide debit-card-loading and risk-management services, including payment origination. (Contact *Payment Data Systems Inc.*, 210/249-4040)

► **Princeton eCom** says **Bank of the West** is using its **PayAnyone** product for its online retail banking-payments processing. The product provides access to Princeton eCom's direct-biller connections and its electronic-biller directory. (Contact *Princeton eCom*, 973/400-5417)

► **Strategic Payments Inc.** and **Internet Payment Solutions Inc.** jointly launched a new Web site, **Stratocash.com**, that uses Internet Solutions' **PayByCash** payment-processing platform to let online merchants offer a number of non-credit-card-payment options to their customers. StratoCash will collect no merchant fees. (Contact *StratoCash*, 513/336-7868)

If you've introduced a new product or service, please let Editor Andrew Reinbach know about it by e-mailing areinbach@accessintel.com.

The Checklist



Carreker Corporation [CANI]

Payments provider Carreker says it had net income of \$498,000, or \$0.02 per share, on revenue of \$28.2 million for the first quarter of 2005, compared with a net loss of (\$1.1 million), or (\$0.04) per share, on revenue of \$28.9 million for the same period last year. The company says it's improving margins, and it expects better earnings for the rest of this year as several new products, and growing revenues from its consulting business gain traction in the marketplace (EPW, April 12).



Catuity Inc. [CTTY]

Point-of-sale provider Catuity says the European Patent Office gave it a patent on a EMV [Europay/MasterCard/Visa] loyalty device that works at the point of sale and over the Internet. The patent covers a device enabling loyalty on mag stripe, contactless, bar code-based and other identifiers. It can also be used as a consumer ID device.



eFunds Corp. [EFD]

eFunds is buying WildCard Systems Inc, a prepaid and stored-value card provider, for \$228.8 million in cash (less a \$22.8 million holdback) plus an earn-out of as much as \$58.8 million, which depends on the 2006 revenues of the acquired business. As a result of the deal, eFunds says it expects its revenues to grow between 18 percent and 22 percent compared with 2004's results and to the 8 percent-to-12 percent growth guidance previously announced.



First Community Bancorp [FCBP]

The Calif.-based First Community Bancorp is buying Pacific Liberty Bank for \$41.8 million in First Community stock, and cash delivered for the holders of Pacific Liberty's unexercised in-the-money stock options. Pacific Liberty shareholders will be getting \$38.15 per share, subject to a 5-percent collar. Under the collar provisions, if First Community's average common-stock closing price falls to less than \$42.50 per share before the deal closes, the exchange ratio will be 0.898 shares of First Community per share of Pacific Liberty common; if First Community's average common-stock closing price for the period rises to more than \$46.98 per share, the exchange ratio will be set at 0.812 per share of Liberty common. The resulting institution will have about \$3.2 billion in assets.



First Data Corp. [FDC]

First Data is buying EuroProcessing International, a Central and Eastern European card processor, from Reiten & Co Capital Partners VAS, and the investment company Creati AS. Terms were undisclosed. EuroProcessing has operations in Slovakia, Lithuania, Latvia, Serbia and Montenegro, Russia and Hungary. Separately, First Data says it has a deal with International Card Services, a Dutch card-issuer and -acquirer, to work together in the Dutch market. ICS has about 90,000 Dutch merchants accepting Visa cards, and about 2.3 million card owners.



Guaranty Bancshares Inc. [GNTY]

This small West Texas bank says it's going private. Shareholders owning fewer than 600 shares of common will get \$24 per share in cash, while ownership positions of 600 shares or more will be undisturbed. This will reduce the number of shareholders to fewer than 300.



HSBC America [HSB]

The HSBC America unit of HSBC Corp. bought the credit-card portfolio of the Neiman Marcus Group Inc. and its Bergdorf Goodman Inc. unit for the face value of its receivables — about \$640 million. The price includes about \$527 million in net cash proceeds and the assumption or repayment of about \$113 million of the Neiman Marcus' securitization liabilities. The retailer will be getting ongoing payments related to credit sales generated under the new agreement, and it continues to handle new account processing, transaction authorization, billing adjustments, collection services and customer inquiries. The portfolio has about 3 million accounts.



Landmark National Bank

The California community bank is acquiring Legacy Bank N.A., and the deal will be accounted for as a merger closing at the end of July, when the Legacy brand will be extinguished. After the close, Landmark will be a \$110 million bank, with Landmark's chairman and its president remaining in place. Legacy's chairman, president and two directors are joining Landmark's board.



MBNA Corp. [KRB]

MBNA and its MBNA America Bank, N.A. unit say they are issuing two series of asset-backed notes through the MBNA Credit Card Master Note Trust. The first series, totaling \$125 million, consists of a 7-year note floating at 29 basis points over one-month LIBOR (London Interbank Offered Rate). The second, \$600 million series is a five-year, 4.10-percent note priced at 99.88715 percent, to yield 4.161 percent.



Mutual Bancorp of the Berkshires

This state-chartered, \$693 million, western Massachusetts bank-holding company says it's converting to a public company from a mutual holding company. It will form a new Del.-chartered holding company, following regulatory approval.