



Have you weatherproofed your ISO?



With the steady influx of regulatory, legal and technology influences redefining how we transact business, analysts project that over the next five years, revenues from payment processing will post modest annual gains of 2 to 3 percent. At the same time, more than \$1.5 billion in revenue will be up for grabs for software innovation rather than traditional POS terminals, according to research firm McKinsey & Co.

Strategies undertaken today could be the best assurance of profitability in the foreseeable future. To address potential stress points, experts from the legal and business side of payments shared insights with *The Green Sheet* on how to weather the storm – from managing talent and contracts to preventing Federal Communications Commission red flags and margin compression from taking its toll on business.

Managing core talent

Rogue elements, whether operating internally or externally, can quickly capsize an organization if left unchecked. The dual role ISOs play in managing both employees and independent contractors places inordinate pressure on hiring and retention of talent. Not only is the upfront investment to acquire top talent critical, deploying

best practices for the duration of the relationship may impact ISOs long after individuals move on.

Robert Bekken, a human resources lawyer for the past 38 years who serves as General Counsel and Director of Business Development and Charitable Giving for Los Alamitos, Calif.-based ISO Serve First Solutions Inc., is a firm believer in hiring with eyes wide open.

"You're hiring someone; it's an important decision," he said. "You're letting them inside your business, and it's much more than a first date. Find out who they are and do the prudent thing to make sure you're hiring the right person." For starters, he recommends having each person complete an employment or independent contractor background application, followed by criminal background, DMV and personal reference checks, and pre-employment drug screening.

"Once they're hired, I like to have a set of clear documents, that always end up in a lawsuit, that you've given them," Bekken said. "I like to have a separate sexual harassment policy. Under California law, if you have one employee, you could be accused of sexual harassment. If you retain an employee that's engaged in sexual harassment, that's negligent retention." The longer the retention the greater the potential liability, even with independent contractors, he added.

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ISO/MLS contact:
A. J. Almeda
Marketing Manager
310-424-5495
alameda@alliedwallet.com
www.alliedwallet.com

Act like a dinosaur, prepare to become extinct

Allied Wallet Chief Executive Officer and founder Andy Khawaja thinks like an innovator, not a banker. He has no doubt this aided him in building his company from small startup to a billion dollar enterprise serving 123 million users in nearly 200 countries in just nine years. And he expects this healthy growth to continue.

Khawaja noted that Allied Wallet built a state-of-the-art Internet payment processing platform that took market share from the banking industry during the Great Recession.

Out-maneuvering banks

Khawaja pointed out that banks made a series of bad decisions because they often label business models that are unfamiliar to them as high risk. "With the banks, if you increase more than 5 percent within six months of the gross of what you have registered in the application with them, they will shut you down," he said. "Allied Wallet does not limit the success of our merchants. ... We would cheer for you if your business is doing well because; we make money; you make money."

Allied Wallet helps merchants speed the account boarding process. "You take a merchant account at a bank, they give you a week to two weeks to underwrite the account to give you approval," Khawaja said. "You bring your merchant account to Allied Wallet, we get you approved and up and running in 12 hours, maximum 24 hours."

Embracing globalization

Allied Wallet is an Internet Payment Service Provider offering state-of-the-art payment processing via a Payment Card Industry Data Security Standard Level 1 gateway. It enables merchants to accept credit cards and electronic wallet solutions online. And the company's secure, multicurrency services allow merchants to receive card payments in 164 currencies.

"We understand e-commerce is global, and we want consumers to be able to spend money from any currency they want from anywhere in the world," Khawaja said.

"A dollar is a dollar ... it doesn't matter where it comes from." He also noted that 2.5 billion payment cards have been issued in China, and Allied Wallet is integrated to accept these cards. "Everyone wants to do business with the Chinese these days because they've got the money," he said.

Bolstering security

Allied Wallet estimated global e-commerce will reach \$1.4 trillion, with 11 percent annual growth by 2015. However, concerns about data security are keeping some businesses from doing business globally. Allied Wallet boasts a fraud rate of 0.02 percent versus the industry average, which according to U.S. Department of Justice estimates, is 2 percent.

Allied Wallet's gateway scrambles credit card information on its servers, turning every digit or letter into hundreds of numbers, making it especially difficult for fraudsters to access and use. Allied is also working on a system that will provide secure transaction services at traditional and mobile POS devices by employing a PIN code at customer login, followed by a second code before it even begins processing the transaction on its servers.

Creating the future

Allied Wallet plans to launch the Big Idea, a new product that provides capital funding to entrepreneurs. "There are a lot of good products out there, a lot of young people, entrepreneurs that want to start, but they are afraid to start because local banks are not giving them the opportunity because they don't believe in them," Khawaja said. "You know what? We believe in them."

That's why the company created the Big Idea. "You pitch us, we like it and we will invest in your business," Khawaja said. "We provide the payment processing system, we invest in your business and we will draw out our investment in a good, timely manner as agreed between us and the merchant, and we will draw out the residuals."

In thinking about what's next for the industry, Khawaja said, "Mobile payments will be the future of all transactions." 📱