

Electronic Transactions Association

1101 16th Street NW, Suite 402
Washington, DC 20036
202/828-2635
www.electran.org

ETA Executive Director

Carla Balakgie

ETA Director, Communications & PR

Thomas Goldsmith

Transaction Trends

Publishing office:

Stratton Publishing & Marketing Inc.
5285 Shawnee Road, Suite 510
Alexandria, VA 22312
703/914-9200

Publisher

Debra Stratton

Associate Publisher/Editor

Angela Brady

Managing Editor

Josephine Rossi

Art Director

Janelle Welch

Contributing Writers

Kim Fernandez,
Richard H. Gamble,
Bryan Ochalla, Julie Ritzer Ross

Editorial Intern

Suzanne Van der Eijk

Advertising Sales

James Byles (202/973-6448)
Gene Schuyler (703/286-5959)

Ad Production/Billing

Carrie Wood

Editorial Policy:



The Electronic Transactions Association, founded in 1990, is a not-for-profit organization representing entities who provide transaction services between merchants and settlement banks and others involved in the electronic transactions industry. Our purpose is to provide leadership in the industry through education, advocacy, and the exchange of information.

The magazine acts as a moderator without approving, disapproving, or guaranteeing the validity or accuracy of any data, claim, or opinion appearing under a byline or obtained or quoted from an acknowledged source. The opinions expressed do not necessarily reflect the official view of the Electronic Transactions Association. Also, appearance of advertisements and new product or service information does not constitute an endorsement of products or services featured by the Association. This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided and disseminated with the understanding that the publisher is not engaged in rendering legal or other professional services. If legal advice and other expert assistance are required, the services of a competent professional should be sought.

Transaction Trends (ISSN 1939-1595) is the official publication, published monthly, by the Electronic Transactions Association, 1101 16th St. N.W., Suite 402, Washington, DC 20036; 800/695-5509 or 202/828-2635; 202/828-2639 fax. Postage paid at New Richmond, Wisconsin and additional mailing offices. POSTMASTER: Send address changes to the address noted above.

Copyright © 2008 The Electronic Transactions Association. All Rights Reserved, including World Rights and Electronic Rights. No part of this publication may be reproduced without permission from the publisher, nor may any part of this publication be reproduced, stored in a retrieval system, or copied by mechanical photocopying, recording, or other means, now or hereafter invented, without permission of the publisher. Nonmembers, government agencies, \$150 per year; single copy, \$20. Subscriptions are available for 12-month periods only, at the quoted rates.

President's Message

The Winds of Change

Wherever we look around the payments industry, we see change. Some changes are more significant than others, of course, and those that begin with the four major card companies tend to be more significant than most. Visa, Mastercard, American Express and Discover sit at the top of our business hierarchy and so, whatever happens there tends to flow down through the rest of the payments world.

This month's cover story takes a look at some of the changes going on among the card companies and their relationships to the rest of the acquiring world. Some of the changes are positive; some no doubt will seem a bit threatening. The trend, as writer Dick Gamble points out, is pretty clear: The card companies' ways of doing business are starting to look remarkably similar. As Mastercard and Visa eye the possibility of dealing directly with the largest merchants—the model that Discover and Amex began with—Amex and Discover are expanding the number of banks that issue their cards and to bring at least some ISOs on board under terms in line with what Visa and Mastercard have long offered.

There is a term that biologists use—convergent evolution—that applies to situations in which two totally different creatures evolve to fill the same niche in nature by independently developing the same characteristics or capabilities. Now that all the card companies are essentially public companies, we probably shouldn't be surprised if their businesses begin to resemble one another.

In just a few weeks, U.S. voters will select a new president, not to mention a new House of Representatives and one third of the Senate. With that uppermost on many minds, we thought it might be interesting to look at how the voters' decision might affect our business.

Of course, neither candidate has much to say directly regarding the acquiring business. Still, both are on the record on a number of topics that are close enough to give us a sense of what might lie ahead. Both Sen. McCain and Sen. Obama have laid out policies that touch on monetary policy, banking, and the general economy that may well determine whether the number and size of the transactions pulsing through the electronic payments networks will grow or shrink. What we found begins on page 26.

In this issue of *Transaction Trends*, we also take a look at risk, but from a slightly different angle than you've seen before in our pages. The question we pose is simple: When it comes to risk at the level of ISOs and MSPs—whether public or private—what does your board (or your owners) need to know? Writer Julie Ritzer Ross takes on the subject in a feature on page 18. And if that's not enough (and we hope it isn't) you can see a live panel on the subject at next month's Strategic Leadership & Networking Forum at the Fairmont Chicago.

The Forum's organizers, as always, have assembled a great opportunity for recharging your strategic batteries and connecting with friends and colleagues. It's going to be filled with knowledgeable speakers and important topics. You won't want to miss it, and I hope to see you there.

Sincerely,
Nick Baxter

Nick Baxter serves as president of ETA and is senior vice president of First National Bank, Omaha, NE.



Tell us what you think
about *Transaction Trends* and
share your story ideas. E-mail:
jrossi@electran.org