



Views on regulation and registration

The collective eye of the federal government has finally turned toward the payments industry because merchants got its collective ear. Large, determined and well organized merchant advocacy groups successfully lobbied legislators on Capitol Hill to make card processing a hot-button topic.

The outcome of that combined lobbying effort resulted in passage of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the details of which show just how far reaching this new level of federal scrutiny can be.

New initiatives to stave off further legislative incursions into the payments sphere are being promulgated by the industry – from the Electronic Transactions Association's recently launched ISO certification program to ideas circulating about agent registration.

It is clear the time is right for the industry, as a whole, to step up efforts to police itself. Otherwise, the feds will, with potentially damaging repercussions for the economic health and well being of payments.

With that in mind, we asked members of our advisory board the following questions:

1. Are reputational problems within our industry primarily due to the actions of rogue agents, or are they more systemic in nature? In either case, who or what needs to change for the better?
2. What type of oversight do you think would be appropriate, and who should do it?
3. Who needs to be certified and/or registered? And why?
4. Are there programs currently in place that may help with self policing efforts?

David Parker

Polymath Consulting Ltd.

1. There will always be bad apples in a barrel. It happens in every industry and we are naive to think that the prepaid card industry is any different. Whether bad through “over claims” or other factors, they will always exist.

However, an equally big issue is that as an industry, we need to educate the media/journalists about what prepaid is. There is still the belief by many that cash is free to the consumer and that prepaid, as almost a form of electronic cash, should also be free – the banks are big enough; they can pay for this.

As an industry we need to create better value propositions, often meaning that prepaid becomes a feature of a product rather than the product itself. With better consumer value propositions and better media education as to the true cost of cash, then the value of prepaid, and thus the fees needed to be charged, can be understood.

2. At this point I will answer from a European perspective, as it is very different from the U.S. In Europe, the buck stops with the financial institution – not always a bank – which are in turn regulated by the financial service authorities [FSAs] in each market.

Their compliance teams must approve all communications and aspects of a program. The system works well in that there are hefty fines if rules are breached.

3. If we look at the overall value chain, scheme members are registered through the country’s FSA and schemes; funds deposit holders – i.e. banks are covered by FSAs; processors are certified by schemes; program managers are covered/managed by bank compliance; and, for MasterCard, registered.

The only potential gap is that neither MasterCard nor Visa, as far as I am aware, publish a list of all program managers, whether banks or otherwise.

This means that sometimes companies can pass themselves off as program managers without having all the required skill sets and relationships. In fact, I have seen resellers for program managers pass themselves off as the direct program managers.

4. Yes, the PIF [Prepaid International Forum] certification process. 