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A sharper focus on strategic deals and carve-outs is changing the mergers- and-acquisitions landscape in payments.

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WILL MASTERCARD MASTER STABLECOINS?

WHO SAYS PAYMENT cards have to be backed by fiat money? Well, they are if that money is backing stablecoins. Mastercard last month said it is looking to enable acceptance of stablecoin-backed cards at the more than 150 million merchants worldwide that accept its brand.

To pull this off, Mastercard is working with MoonPay, a New York City-based digital-wallet provider with links to more than 500 digital-currency exchanges and wallets. Through these integrations, MoonPay reaches more than 100 million active users of cryptocurrency, according to Mastercard.

First, a little background. Stablecoins are digital currency whose value is pegged to a constant value reflected by a fiat currency, such as the dollar. Some 20 million digital wallets around the world are generating stablecoin transactions each month, while 120 million hold stablecoin balances, say Mastercard and MoonPay.

In this deal, MoonPay will rely on Iron, a developer of APIs for stablecoin transactions. MoonPay reportedly paid a cool \$100 million to acquire the company in March. Iron's technology could ease cross-border payments as well as payouts to contractors and gig workers.

Mastercard is counting on the MoonPay partnership to exploit the steady value of stablecoins and accelerate a movement into digital currency that it began years ago. This is a big ambition. "We are redefining how money moves globally and driving a shift in payments as we know it," Mastercard executive Scott Abrahams said in a statement when the collaboration was announced.

No surprise that stablecoins have attracted more interest in the broader payments industry than have cryptocurrencies not linked to the steady value of fiat money. "I've been seeing a growing excitement around stablecoins in the U.S.," Aaron McPherson, principal at the advisory firm AFM Consulting, told us.

So Mastercard is just trying not to be left behind. After all, Visa is quietly working the crypto beat as well.

But experts argue stablecoins may not have broad utility in markets like the U.S., where alternatives are readily available. "It's questionable what problem [Mastercard and MoonPay] are solving," McPherson told us. "I don't think there's going to be a lot of demand for it."

Clearly, though, work toward getting crypto transactions running on major network rails isn't slowing down. Last month, two companies announced they will work together to enable cryptocurrency on existing banking networks as well as on Visa and Mastercard.

That's a partnership between BlocPal, a banking-technology platform, and Mobilium, a provider of compliance software and other payments technology. The companies hope to allow BlocPal to support transactions on what they call "global banking rails," as well as the Visa and Mastercard networks.

This is getting interesting. Stay tuned for further developments.

John Stewart, Editor | john@digitaltransactions.net

PUBLISHER Robert A. Jenisch

EDITOR-IN-CHIEF John Stewart

SENIOR EDITOR, DIGITAL
Kevin Woodward

CORRESPONDENTS
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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

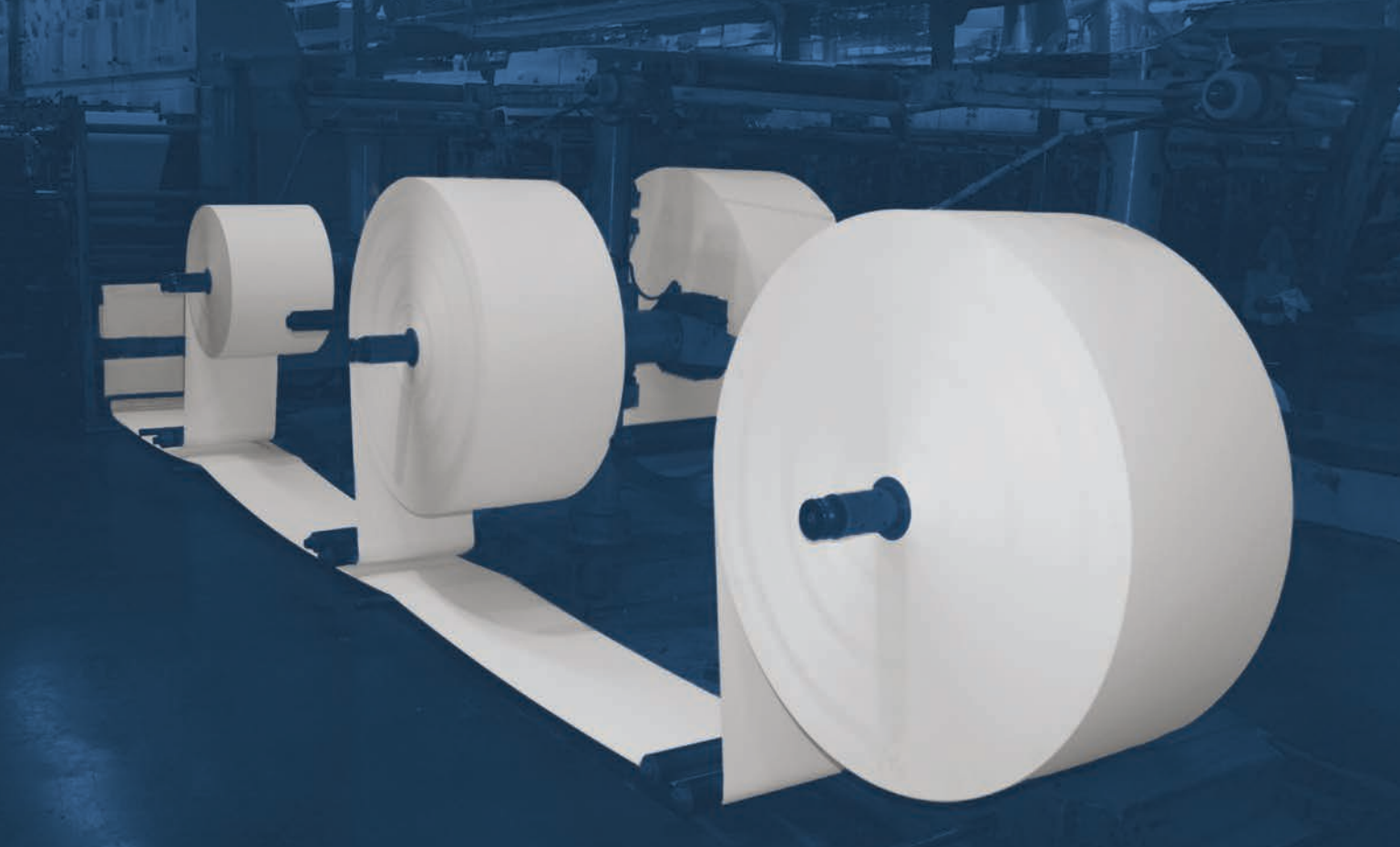
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John Stewart, Managing Director
Robert A. Jenisch, Managing Director

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STRIPE TAPS VERIFONE FOR A MAJOR CARD-PRESENT MOVE

Verifone Inc. announced last month it will work with Stripe Inc. to enable Stripe's payments services on Verifone point-of-sale devices. The move brings e-commerce giant Stripe further into the business of card-present processing and represents Verifone's latest move to collaborate with major e-commerce payments players. It also follows a recent agreement to provide devices for PayPal Holdings Inc.

Verifone and Stripe said Verifone terminals will be made available to Stripe users in the U.S. market to begin with and will then be offered elsewhere, though no timetable was offered.

Neither Stripe nor Verifone responded to queries from *Digital Transactions News* regarding the announcement. Stripe is the sixth-largest processor by volume, according to rankings made by TSG, a research and consulting firm.

The two California-based companies envision such applications as self-service checkout and tableside ordering at restaurants. The devices will work with digital wallets, QR codes, and loyalty programs, and can issue printed or digital receipts, the parties say. The product range, they say, will include handheld devices up to multilane deployments.

Stripe has worked to penetrate the physical point of sale since 2018,

when it launched beta testing for Stripe Terminal, software it made generally available in the U.S. market a year later.

Now observers see the collaboration with Verifone enabling a much more potent move into the card-present market for Stripe. "Stripe brings a massive portfolio of merchants, plenty of whom who may need card-present solutions. Verifone enhances Stripe's offerings, so they can service more potential merchants," says Cliff Gray, principal at Gray Consulting.

As formidable as 15-year-old Stripe has made itself in e-commerce processing, observers say it has long seen a need for a major move into physical stores. The company last year processed \$1.4 trillion in volume, a 38% increase over 2023.

"You have to serve the physical point of sale," says Eric Grover, principal at the consultancy Intrepid Ventures. The absence of a strong proposition for both online and in-person payments "limits you and makes your value proposition unpalatable to merchants," he adds.



Gray: "I can only imagine that each party was looking for a greater audience outside their current reach."

Now, working with Verifone “gives [Stripe] access to a whole new set of merchants,” Grover says. Crucially, the move could also be a key to unlock the physical small-business market. “It gives Stripe a more persuasive offer,” he says.

Numbers are not available on the proportion of Stripe’s volume derived from card-present transactions. “I don’t believe it’s significant—yet, anyway,” says Gray.

That hint of things to come refers to a move some experts expected long ago. “My first thought about the partnership was, it’s about time,” Gray says. “Stripe has long underserved the card-present market. Why they haven’t engaged in these partnerships previously has always been in question.”

Now, though, Gray says Stripe may have found a partner in Verifone that is looking to expand its market as much as Stripe aims to do.

“I can only imagine that each party was looking for a greater audience outside their current reach,” he says. “Stripe brings a massive portfolio of merchants, plenty of whom may need card-present solutions. Verifone enhances Stripe’s offerings, so they can service more potential merchants.

Now the critical question boils down to cost to the merchant. For now, that remains unclear. “Pricing would be anybody’s guess,” says Gray. “These pricing models and other hybrids have all been seen in the real world. It will vary greatly depending on the merchant size and configuration. More likely is that processing revenue will be prioritized over terminal revenue.”

— John Stewart

BNPL IS POPULAR. CONSUMERS ARE HAVING PROBLEMS

Nearly one quarter of consumers tend to spend more than they should when taking out a buy now, pay later loan, says a new study by Bankrate.com.

Overall, 24% of consumers say they overspent after getting BNPL funds. Gen Zers are the demographic most likely to feel that way, with 30% saying they overspent when using BNPL to finance a purchase, followed by Millennials (27%), Gen Zers (20%), and Baby Boomers (19%).

One of the reasons consumers tend to feel they overspent with BNPL is that the payment option can create the “illusion” of making it easier to manage a purchase by stretching out cash flow, especially for non-essential purchases, says Ted Rossman, a senior industry analyst at Bankrate.com.

“BNPL can be a bit like a power tool. It can be useful or dangerous, depending on how it is used,” says Rossman. “Consumers can use BNPL to make frivolous, discretionary purchases, such as [food deliveries] through DoorDash, as opposed to using BNPL

to spread out payments for a large, planned purchase.”

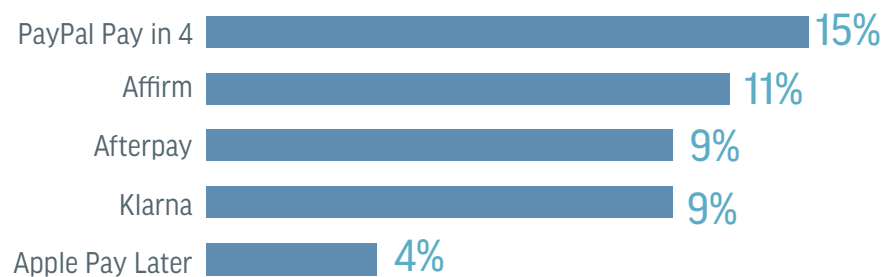
Bankrate conducted its survey using an online interview administered to 2,354 adults in the United States, of whom 707 have used a BNPL service. The survey was conducted with YouGov Plc, a United Kingdom-based market-research firm.

One surprise from the research is that BNPL usage is about the same across income levels. Households with incomes of \$50,000 to \$79,999 were the most frequent users (36%), followed by households with incomes of \$80,000 to \$99,999. Some 31% of households with incomes of less than \$50,000 have used BNPL.

“It is surprising the use of BNPL across incomes does not vary much and shows that the conventional wisdom [that] BNPL is largely used by young people without much money or credit history may be wrong,” Rossman says. “There are a lot of higher earners not rich yet, or HENRYs, that use BNPL.”

BNPL’S BIG 5

(Percentage who have used each service)



Note: 2,354 U.S. adults surveyed, of whom 707 have used BNPL. Source: Bankrate.com

Overall, 30% of Americans have used at least one BNPL service. Among BNPL providers favored by consumers, PayPal Pay In 4/Pay Later ranked first (15%), followed by Affirm (11%), Afterpay (9%), and Klarna (9%).

BNPL loans through traditional credit card brands are less popular with consumers, the report says. Just 3% of respondents had used American Express Co.'s Plan It or JP Morgan Chase's Chase Pay Over Time BNPL services.

While BNPL continues to grow in popularity, nearly half of users say they have encountered at least one problem when taking out a BNPL loan. In addition to overspending, other problems include missing a payment (16%), regretting a purchase (15%), difficulty making a return or obtaining a refund (14%), dissatisfaction with the purchase experience (12%), or some other problem (1%).

As BNPL continues to evolve as a payment option, it is becoming more

like a credit card, with many lenders offering longer-term loans with high interest rates, Rossman says.

"BNPL was positioned as a kinder, gentler alternative to credit cards that lets consumers [make] four interest-free payments over six weeks, and that's not the case any more," says Rossman. "There are a lot of plans that can be stretched out over months with high interest rates where it feels as if the purchase is being financed with a credit card."

— Peter Lucas

BEHIND SQUARE'S NEW HANDHELD POS DEVICE

Consumers and small-business owners are long accustomed to mobile phones. Now, Square is counting on that familiarity to make its new Square Handheld device an easier-to-use point-of-sale device.

Square calls Square Handheld, which is roughly the size of a smart phone though thicker, its most powerful and portable POS device ever. The company intends it to be a multipurpose device. In addition to payment acceptance for tapping and dipping

credit and debit cards, the device also scans QR codes and barcodes.

The device's built-in 16-megapixel camera also can be used for taking images of products and updating item libraries, Square says. Square Handheld requires a wireless Internet connection for operation.

Square, a unit of Block Inc., famously started out with a payment-acceptance dongle that attached to smart phones. It has since developed countertop terminals, a POS system

called Register, a kiosk, and related hardware.

Now, Square Handheld is "our smallest, lightest device—and also significantly slimmer and sleeker than comparable portable devices on the market," says a Square spokesperson.

"It's built for portability, with the thickest touchscreen (made from Gorilla Glass) in our line-up of hardware devices, an IP54 rating, and a long-lasting battery; all of which make it durable enough to stand up to the rigors of a daily shift," the spokesperson adds. Gorilla Glass is a chemically strengthened glass often used in mobile devices.

The \$399 device weighs 11 ounces and uses the recently released Square Point of Sale app. That app consolidates a variety of Square payment tools that merchants can customize. Square also offers 12-month financing from \$37 per month, subject to approval.

Cases from consumer electronics brand Belkin for Square Handheld have also launched. These silicone cases have a grippy exterior and include a raised lip to protect the

MONTHLY MERCHANT METRIC Chargebacks Transactions %

This is sourced from The Strawhecker Group's merchant datawarehouse of over 4M merchants in the U.S. market. The ability to understand this data is important as SMB merchants and the payments providers that serve them are key drivers of the economy.

All data is for SMB Households defined as households with less than \$5M in annual card volume.

For all industries including Higher Risk

Metric Definitions: (Only use definitions related to an individual month's release)

Chargebacks Transactions % of Transactions - Chargeback number divided by bankcard + OptBlue transactions

Q4'23	0.034%
Q1'24	0.033%
Q2'24	0.029%
Q3'24	0.031%
Q4'24	0.030%
Q1'25	0.030%



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display, camera, and barcode scanner. Square sells them for \$39 each.

Square says Square Releases is its new biannual product launch, meant to deliver its new features and tools all at one time. “Square Releases will cover launches from all corners of the Square ecosystem, including hardware, software, banking, partnerships, and more,” the spokesperson says.

Square Releases came about because of feedback from sellers and provides them with a simple and consistent way to receive updates, according to Square. Square Releases will bring some consistency for its sellers, the spokesperson says, and will help them make it “easier to plan, adopt, and stay ahead.”

— Kevin Woodward



FISERV ZEROES IN ON RESTAURANTS AS ITS NEW CEO SETTLES IN

Fiserv Inc.'s Clover point-of-sale technology is set to make a splash in the highly competitive restaurant market with the launch, expected this month, of Clover Hospitality.

Lilia, an Italian eatery in Brooklyn, is the first client, said Michael Lyons, the company's chief executive, who trumpeted the new product's sophistication. “It's a high-end solution for restaurants,” he told equity analysts during a call this spring to discuss Fiserv's first-quarter results.

Lyons succeeds Frank Bisignano, whom President Trump tapped to run the Social Security Administration. Lyons formerly was president of PNC Financial Services Group.

The thrust into restaurants comes as a wide range of payment-technology firms are competing for the hospitality market. Clover, however, has proven popular over the years, and has emerged as a star performer for Fiserv's merchant-services division.

Overall, the product generated \$296 billion in gross payment volume in the first quarter, up 8% year-over-year, Fiserv reported. Revenue from Clover grew 27% in the quarter, though the company does not report the absolute figure.

Restaurants in recent years have proved to be a hotly contested market, attracting a wide range of processing heavyweights, including Lightspeed, Shift4, Square, and Toast. Still, Fiserv is eyeing the market now as a key source of growth for Clover, which banks have been adopting recently “as part of a strategic initiative to address [small-and-medium-size] businesses,” Bob Hau, Fiserv's chief financial officer, told analysts during the call.

The new thrust into restaurants comes as Fiserv seeks to build on Clover's role as a growth motor for the company's Merchant Solutions unit. The operation attracted 33 clients in the quarter, all of them potential distribution hubs for the technology.

Small-business volume growth for Clover in the quarter, however, clocked in at 3%, down from an 8% growth rate in the same quarter last year, though Fiserv is working to reignite that expansion. The technology has been introduced in 13 countries, with four added during the first quarter, Lyons said, while Fiserv has added Klarna to enable payment options on the technology in the U.S. market.

Bisignano during the call took the opportunity to trumpet Clover's growth. “Seven years ago, I was debating with you guys [analysts] whether Clover would be the heavyweight champ,” he said, indicating the analysts now have an answer.

Bisignano's reference was to his former company, First Data Corp., which acquired Clover in 2012. Fiserv bought First Data in 2019 for \$22 billion.

For the March quarter, Fiserv logged \$4.79 billion in revenue, up 5% over the first quarter last year. The company's other division, the financial-solutions unit, which serves banks, generated revenue of \$2.42 billion, up nearly 6%. Regarding this unit, Lyons expressed optimism for stronger growth. “The pipeline is huge here,” he noted, without being more specific.

For now, Lyons indicated there's work to do internally. “There's still opportunity at the core to increase the efficiency of the business,” he told the analysts. “Frank has been incredible getting after these, but there's still more work we can do.”

— John Stewart

NEW POPE, NEW MONEY

BITCOIN HAS GIVEN us definitive proof that money operates on public trust, whether rational or irrational. Quite a few people realized this strange fact and issued coins that are based on thin air but are supported on slick, smart, sweeping campaigns, enriching the issuer. The extended realization from this trust-centered money is that agencies that own something of value can use it to substantiate digital coins. They can also rely on an aggressive campaign to generate demand.

Meanwhile, the Catholic church just got itself a new, modern-day, American leader who is expected to chart his own course and navigate the Holy See to find its place in cyberspace. We have the technology to translate the deeply rooted trust in the Vatican into stable, tradeable digital money that can be used for payment any place dollars are used.

The market value of the assets held by the Vatican rivals the annual budget of small-to-medium size countries. What is more, the Vatican's holdings include priceless, irreplaceable works of art that reflect the historic track of Western civilization. These are appreciated by many more than the 1.4 billion Catholics who treat the Pope as standing in for the son of God.

The Vatican also has a history of selling signed statements (indulgences). The modern version

BY
**GIDEON
SAMID**

gideon@bitmint.com



of this is to issue Vatican holding certificates that identify their owners as holding a specified fraction of the monetary value of the assets claimed by the Catholic Church. Issued in limited amounts, the value of these holding certificates will rise fast (it's very nice to hold a piece of something Michaelangelo chiseled).

As the price of these certificates soars, the Vatican could sell more of them at a higher price. The money collected from the sale of Vatican holding certificates would be issued as digital money (Pope coins) redeemable by any agency that provides aid to dejected immigrants, supports impoverished communities, and is helpful to any other natural constituency of the Vatican. Recipients would be provided with a simple cellular payphone that would house all their money. No need for a bank account, which most of these customers don't have.

Imagine an impoverished community holding ground-level digital payphones with which they can pay and get paid in solid U.S. dollars. What happens next? Capitalism kicks in. Providers will

show up simply because they will get paid. Today, rich activists like Bill Gates offer free health care to hard-hit, impoverished communities in Africa. It is wiser to load that money into recipients' cellphones and let market forces kick in. Digital coins like BitMint can be restricted to use in support of services to needy communities.

These Pope coins would be stable, and could be readily redeemed at face value by anyone who received them for delivering qualified merchandise or approved services to the target communities helped by the Vatican. The Vatican's status as a high-prestige, global institution would ensure that local authorities would not prevent free trade with Pope coins.

The new Pope is on record advocating for activism to alleviate the suffering of impoverished global migrants. Would he use his elevated status to lead the church to new places? Inertia is a powerful force in every religion, yet religious leaders enjoying such high status as that of the Pope can steer their camp to explore new territories.

Jesus advised those who wished to follow him to sell their possessions and give to the poor. Pope Leo XIV is rising to the helm when digital-money technology allows him to follow his master to the letter and in the spirit. **DT**

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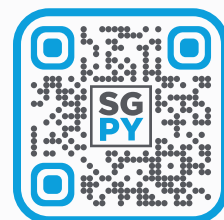
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TREAD CAREFULLY IN THE WAKE OF THE PREPAID CARD RULE WRECKAGE

DIGITAL-WALLET disclosures will change with the end of the long-running legal battle between the Consumer Financial Protection Bureau and PayPal.

Last month, Bloomberg reported that the CFPB and PayPal filed a joint stipulation to end the Bureau's appeal of a 2024 ruling that exempted PayPal from some of the disclosure requirements of the 2019 prepaid-accounts rule.

In March 2024, Judge Richard Leon ordered the Bureau not to force PayPal to provide the short-form disclosure required under the prepaid-accounts rule to customers using its digital wallet. Judge Leon agreed with PayPal's argument that digital wallets are different from general-purpose reloadable prepaid cards—especially those bought in a retail setting—and so should not need the same kind of disclosures.

The industry should be careful as they interpret what this means, for two reasons. First, the end of this appeal does not automatically resolve every product's disclosure issues. Second, there is a bigger opportunity here, but the industry will need to move quickly to make the most of it.

Looking at the first consideration, the ruling is specific to PayPal, but it is reasonable to think that other digital-wallet providers will not need to provide the short-form disclosure.



BY BEN
JACKSON

bjackson@pa.org

Still, digital-wallet providers should consider the totality of the circumstances when they think about what disclosures they should give their customers. If a digital wallet has a companion card, or even a digital card provisioned into a mobile wallet, the short form might be relevant.

One way to approach this question would be to ask whether any of the fees disclosed in the short form become relevant when the customer tries to use the product.

It's tempting to stop worrying about compliance as the new administration adopts a deregulatory posture. Still, as I have pointed out in other columns, states may pick up the slack, and certainly plaintiffs' attorneys will be happy to find opportunities to enforce the rules on behalf of consumers.

But even without a regulatory mandate, providers should make sure that their customers have the information they need to use their products well. Unhappy and broke customers are not profitable customers.

More important, this resolution offers the opportunity to argue for taking a broader look at the prepaid-accounts rule.

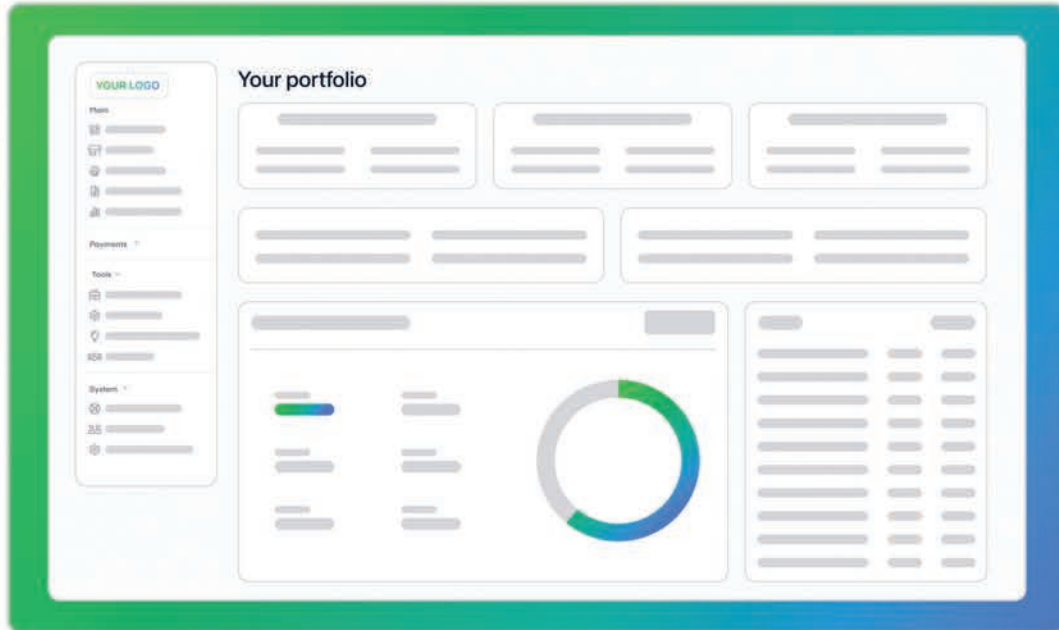
Instead of sorting through court decisions and product descriptions, it would make more sense to update the rule to reflect the current realities of the financial-services landscape.

A formal review of the rule should include defining what products are actually prepaid, and thus covered by the rule's requirements. The review should also look to level the playing field between prepaid accounts and other deposit accounts. For example, the special warnings on payroll cards might be eliminated. In addition, restrictions on when prepaid cardholders can access credit would be worth updating.

The simplest fix would be to eliminate the rule entirely and explicitly state that Regulation E applies to all deposit accounts. But it would be worth examining whether the short form does allow for better comparison shopping for direct-to-consumer products. Nonetheless, the industry needs to move quickly to push for updates to the rule. The CFPB is shifting its enforcement focus to rules covering the products that receive the most complaints. On top of that, the administration is reducing staffing across all government agencies. This means there may not be an appetite, or the in-house expertise, to open up a large and complex rule to fix its problems. **DT**



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THE GLOBAL TRADE WAR'S TOLL ON PAYMENTS TECH

The Trump administration's global trade war leaves POS terminal and chip makers little choice but to pass on the cost of those higher taxes to their customers.

BY PETER LUCAS

FROM ECONOMIC uncertainty and a roiled stock market to predictions of a recession and stagflation, it's been a wild ride since the Trump administration announced plans to increase tariffs on imports across a wide range of trading partners.

Further complicating the economic uncertainty created by the tariffs has been the changing position of the Trump administration on the taxes themselves.

The tariffs imposed on China, arguably the largest exporter of point-of-sale terminals and microchips, is a good example. After

a initial 10% tariff on all Chinese goods imported to the United States imposed in February, the rate rose steadily before peaking at 145% in April. The 145% rate came after China announced a retaliatory tariff of 125% on goods imported from the U.S.

The two countries in mid-May achieved a temporary thaw in their trade war when the Trump administration announced it would lower the tariff rate to 30%, effective May 14. The lower rate is good for 90 days. In response, China announced it would reduce tariffs on U.S. imports from 125% to 10%. Up to the moment of the temporary reprieve by both sides, exports to the U.S. from China essentially ground to a halt.

China aside, the Trump administration announced in early April tariffs imposed on other countries would be paused for 90 days.

Given how fast the trade landscape has been changing, it is not surprising businesses in the U.S. are struggling to get their arms around the economic impact of the import taxes.

In the payments industry, POS terminal companies and chipmakers are expected to bear the brunt of the economic fallout. Several major terminal makers, such as San Jose, Calif.-based Verifone Inc. and France-based Ingenico, a big exporter of terminals to the U.S., have plants



in China. Pax Global Technology, another major terminal supplier in the U.S., is headquartered in Shenzhen, China.

China is one of the largest exporters of microchips used to power terminals and chip cards, as well as a major supplier of the silicon needed to make those chips. While most of the microchips produced in China are subject to the tariffs, a carveout has been made to exempt chips designed in the U.S. and manufactured outside the country by companies such as Taiwan Semiconductor Manufacturing Co.

Many may welcome the temporary reprieve, but that doesn't solve all of the problems raised by the latest U.S. trade policy. "What makes these conditions so difficult is their unpredictability—tariffs on and off, countries shifting stances—making it nearly impossible for business leaders to forecast," says Antony Jenkins, chief executive, chairman, and founder of 10x Banking, a London-based banking-platform provider. "You have to focus on what you can control, even as real risks haven't yet crystallized."

'THE GLOBAL EPICENTER'

Remembering the ill effects that arose when China's terminal- and chip-manufacturing capabilities shut down during the Covid 19 pandemic, these companies have reportedly been stockpiling as much pre-tariff inventory in the U.S. as possible. That process began before the Trump Administration officially announced the new tariffs, which were expected after Trump took office.

Terminal and chip makers are also reportedly importing as much

product as possible from countries with lower tariffs where they have plants, such as countries within the European Union, to avoid the high tariffs imposed on Chinese exports.

Unless a resolution to the trade war is achieved soon, the tariffs are expected to result in significantly higher terminal and chip prices once stockpiled inventories run out. As a result, terminal and chip makers may soon have to make a choice between absorbing the cost of the tariffs or passing those costs through to their customers.

A quick end to the trade wars is unlikely, economists predict, since it can take months, even years, for countries to negotiate trade deals.

"China is the global epicenter for electronics and components and a lot of POS terminals, and the chips that go in them, come out of China," says John Harmon, associate director, technology research, for Coresight Research Inc., which closely follows the Chinese tech sector. "This is not going to be a case of lack of terminal and chip availability raising prices, but who is going to pay the tariffs."

With the full effect of the tariffs expected to be felt in the U.S. economy some time this summer, questions are emerging as to how long terminal makers can absorb the cost of the tariffs before passing them on to customers to reverse eroding margins.

"On some terminals, the gross margins are 50% to 60%. Cutting into those margins will be impactful," says Tuan Duang, director, corporate U.S. ratings, for S&P Global Inc., a provider of financial information, analytics, ratings, and benchmarks to the global capital and commodity markets. "Terminal makers are going

to want to look to move whatever capacity they can out of China," to lower the hit to their margins.

'NO CLARITY'

Ultimately, the expectation is that, if the trade war drags on, terminal makers will have no choice but to pass on the cost of the tariffs to their customers, regardless of how much manufacturing capacity they shift from China to countries other than the U.S. The baseline tariff for countries other than China is 10%, which is still a hefty fee, payments industry experts say.

"No matter how this plays out, the cost of the tariffs is going to be passed through to the customer eventually, and possibly even to the consumer," says Christina Hulka, executive directive for the Secure Technology Alliance. "As of now, there is no clarity on how long the tariffs will last."

As the cost gets passed through to acquirers and processors, and uncertainty grows over how long the tariffs will remain in place, merchants are likely to think twice about upgrading their hardware. "Merchants may re-evaluate their terminal-replacement strategy as the cost increases are passed through," Hulka warns.

That could lead merchants to hang on to hardware longer than normal, which in turn could lead to PCI-compliance issues as those terminals age, Hulka adds. The Payment Card Industry Data Security Standard, which is enforced by the major credit card networks, is designed to protect card data and prevent fraud.

The outlook is not much better on the chip side. Efforts have emerged

in recent years to ramp up U.S. chip production, but it can take years to build a chip plant after the plant has been greenlighted, and more time to ramp up production to meaningful levels, technology experts say.

“I doubt the U.S. could absorb all its manufacturing needs for chips at a competitive cost point in the short term,” says Nathan Hilt, managing director for business consultancy Protiviti Inc. “The general climate in durable goods [needs] to be flexible—exhaust inventory and pursue lower-tariff manufacturing where and when possible.”

‘NOT A GREAT SUBSTITUTE’

Even if terminal makers and card issuers can produce enough chips in

the U.S. to weather the storm, chances are they will not be able to escape the price pressures tariffs are certain to bring. “There are materials used in chips that are imported to the U.S., so there is really no way U.S. chip manufacturers can be totally self-sufficient for domestic production,” says Hulka.

One alternative for merchants looking to avoid tariff-induced price increases is to adopt non-traditional POS terminals, such as tablets and smart phones, which as of now are not subject to the increased tariffs. Another option is to embrace POS systems that run on the Android operating system. These terminals are upgraded through software updates, which eliminates the need to replace the hardware itself.

To an extent, moves like this are already under way. “Rising tariffs are accelerating a long-overdue shift in payments infrastructure, [which is] moving intelligence from the terminal to the cloud. For U.S. manufacturers, this opens the door to reimagining hardware entirely,” says Deepak Jain, chief executive of Wink, a cloud-based biometric-based payment- and authentication-solutions provider.

Jain says his company is “seeing a decisive move” toward so-called dumb terminals, which are lightweight, low-cost devices that don’t bear the burden of processing, security, or compliance. “That work now happens in the cloud, slashing complexity and reducing dependence on tariff-sensitive components,” says Jain.



Tariff angst: Rising duties stemming from a trade war could hike U.S. prices for basic payments technology, like POS devices.

Such terminals are starting to take a share of the traditional POS terminal market, as merchants want to take advantage of easier upgrades and have easy access to new apps, Jain adds.

While non-traditional POS devices are gaining traction with merchants, it is not a slam dunk tariffs will accelerate that shift as rapidly as some may think, argues S&P Global's Duang. "An iPad may cost the same as a low-level terminal, but it is not necessarily a great substitute," he says.

Any decision by merchants to move away from traditional POS devices, however, would "most likely need to be rooted in more than just the hardware costs," as the devices

now already have integrated software and features that often are tied into the smart devices, adds Hilt.

'MISSION CRITICAL'

One wrinkle that merchants may not consider when it comes to the impact of tariffs on terminal prices is that processors typically tie terminal sales to a service contract. While contracts lock in maintenance and servicing costs, those costs could rise as the contract expires to help processors recoup the higher costs they are paying for terminals. That could especially be the case if merchants slow their terminal replacement strategy, Hulka says.

"Raising service costs is a way to cover the cost of the tariffs without necessarily passing the cost of the tariffs along in the price of the terminal," she adds.

If nothing else, it is going to be tough for terminal and chip makers not to pass along the cost of the higher import taxes. Just what percentage they pass through depends on how much they are willing to trim their margins.

"Some of the costs may not be passed through, but terminals are mission-critical for merchants when it comes to accepting payments, so they may have to end up eating some of those costs," Duang says. **DT**

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A GIANT MISSTEP

Tariffs and threats of tariffs can do great harm to U.S. commerce. The payments business is no exception.

BY ERIC GROVER

PRESIDENT TRUMP'S BARRAGE of tariff threats and tariffs by executive diktat will pour gasoline on the fire of payments protectionism. America's payments industry is the most competitive and innovative in the world. It will pay dearly.

The President's tariffs, retaliatory tariffs, and the resulting increased uncertainty will hike the prices of consumer goods and of parts used by American producers, reduce trade, and cause an economic slowdown, recession, or worse. Growth in domestic and lucrative cross-border payments, consequently, will fall.

U.S. payment systems play an outsized role globally. The free

world, and most of the non-free world, rely on and have trusted these systems. That's been good for consumers, businesses, and banks worldwide, as well as for the shareholders and employees of American payments companies.

Mastercard and Visa are the two genuinely global retail payment systems and also enjoy dominant positions in many national markets. Tier-two global card networks American Express and Discover/Diners Club have been trying to expand and deepen their footprints abroad to buoy long-term growth, albeit with limited success to date.

Apple Pay, Google Wallet and Pay, and PayPal are leading digital wallets and alternative payment systems in an expanding roster of countries. And U.S. money transfer networks such as Western Union, MoneyGram, and Remitly operate worldwide.

It doesn't end there. Mastercard and Nebraska-headquartered payments-software gorilla ACI Worldwide provide critical core real-time interbank payments infrastructure for twelve and ten countries, respectively.

Dollar stablecoins issued by Circle, PayPal, Ripple, and Tether are taking a run at playing increased roles in cross-border payments, and in a range of niche payments markets planetwide. While the largest issuer,



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Tether, is headquartered in El Salvador, its principal stablecoin is a dollar token. After abandoning its ballyhooed Libra stablecoin, social-media colossus Meta appears to be readying a dollar stablecoin.

And, while Swift, the world's leading interbank cross-border payment messaging network, is Belgian, Washington exercises significant influence by its suzerainty over U.S. money-center banks, through which a disproportionate number of cross-border payments ultimately clear.

Finally, notwithstanding more than a century of debasement, King Dollar remains the world's reserve currency, a global payment system and a powerful brand.

'IRREVERSIBLE DAMAGE'

Payment systems are critical to every economy. But trust is essential.

America's payment systems have benefited from scale, powerful network effects, and enormous goodwill and trust in the U.S. and in U.S. institutions. But Gerard Baker of The Wall Street Journal contends Trump "is doing irreversible damage to the greatest geopolitical brand ever created."

In the movie "Ronin," when Vincent, played by Jean Reno, asks Sam, played by Robert DeNiro, how he knew they would be ambushed, Sam responds, "When there's doubt, there's no doubt." Trump's bullyragging of friend and foe alike is sowing increased doubt about the prudence of relying on U.S. companies for critical national payments infrastructure. No country wants to be dependent on payment systems it has cause to worry Washington may cut off.

Payment systems are intrinsically win-win. They enable payments which only occur when both the payor and payee, by their own compasses, think they're better off. Historian and philosopher Yuval Harari contends, "In the Trumpian vision, by contrast, the world is seen as a zero-sum game in which every transaction involves winners and losers."

In this vision, the "ideal world is a mosaic of fortresses, where countries are separated by high financial, military, cultural, and physical walls." In such a world, payments protectionism makes sense.

There are degrees of payments protectionism. Most countries have national currencies. Many countries have, and favor, electronic payment

systems run by their central banks or national bank consortiums.

Washington has weaponized U.S. payment systems, and the dollar, against a handful of foes. States like China, Iran, North Korea, and Russia, therefore, rely almost exclusively on homegrown systems for domestic payments.

Since its 2001 commitment to the World Trade Organization to completely open up its payments market by 2006, China has stymied Visa, Mastercard, American Express, Discover, and PayPal from establishing more than token footholds in its enormous domestic payments market.

Russia has been cut off from Visa's, Mastercard's, American Express's, and PayPal's networks, and, to a large degree, from the dollar-anchored global financial system. Autarkic hermit regime North Korea relies entirely on domestic government-controlled payment systems. Iran's payment systems are all national.

RESENTMENT ON STEROIDS

However, a mix of public and private domestic and foreign—principally American—payment networks is more common.



Grover: "Trump declared the U.S. doesn't need Canadian autos, lumber, and energy. American consumers and businesses disagree."

While Mastercard and Visa are the leading domestic card-payment networks in Brazil, there is a mix of competing private and public payment systems. The central bank used its regulatory clout to advantage its hugely successful payment network, Pix, over foreign competitors, such as Meta's WhatsApp Pay.

The mother of all emerging markets, India, mandates that foreign payment systems process in-country. Mindful of the politics, state banks are more likely to use India's national card network champion, Rupay, than the foreign networks Mastercard and Visa.

Delhi is unhappy that Google Pay and Walmart-backed PhonePe dominate the digital-wallet-anchored alternative payment systems. Both rely heavily on the quasi-governmental National Payments Corporation of India's real-time payment system, UPI. To check their dominance, the NPCI will limit any individual third-party app to a maximum of 30% of total UPI payments, effective Dec. 31, 2026.

The central bank in southeast Asia's most populous country, Indonesia, mandated that domestic credit and debit transactions be processed in-country by majority-Indonesian-owned firms. Turkey also requires in-country payment processing, and its national card network champion, Troy, has substantially displaced Mastercard and Visa domestically.

In the European Union, resentment of U.S. payment systems like Mastercard and Visa has long been a totem of politicians' and regulators' EU piety. Trump's tariffs and combative rhetoric are steroids for that resentment and are changing the politics of euro-protectionism.

European Central Bank board

member Philip Lane contends, "We are witnessing a global shift towards a more multipolar monetary system, with payments systems and currencies increasingly wielded as instruments of geopolitical influence, and competing jurisdictions seek to assert their independence from foreign monetary powers."

Lane wants the ECB to issue a digital euro, hoping it would "play a crucial role in strengthening the strategic autonomy of Europe in an increasingly fragmented geopolitical landscape."

Singing from the same hymnal, ECB president Christine Lagarde complains, "...when you do e-commerce, peer-to-peer, or you use your card or phone, you always rely on non-European (principally U.S.) infrastructure." She wants "a degree of independence" in how money moves around Europe, advocating a pan-EU digital platform to avoid dependency on the US.

Would-be European payment-system challengers, such as Monnet, the Euro Alliance of Payment Schemes, and PayFair, failed—notwithstanding cheerleaders in Brussels and Frankfurt.

The European Payments Initiative is the EU's latest would-be champion. It promotes itself as "Built for Europe, by European players"—the implication being that that is somehow better than a digital Mastercard or PayPal payment subject to EU and national law. The EPI acquired the Netherlands' leading e-commerce payment system, iDEAL. Its pan-EU challenger digital-wallet and peer-to-peer payment system, Wero, promoted as "Made in Europe," is live in France, Belgium, and Germany.

In the United Kingdom, more than 95% of payments on U.K.-issued cards

run over Mastercard and Visa rails. Regulators have worried about market concentration, but until now that worry has not been that the market leaders were American. And Mastercard runs the U.K.'s faster interbank payment system.

Trump vitriolically declared the U.S. doesn't need Canadian autos, lumber, and energy. Free to make their own choices and absent punitive tariffs, American consumers and businesses disagree. Canada's credit networks are American Express, Mastercard, and Visa. Viewed through an autarkic lens, that's a problem.

'FULL-THROATED ENEMIES'

American payment companies have long acquired foreign payment networks and processors to expand and deepen their delivery footprints. Now, regulators increasingly will be on the lookout against greater reliance on U.S. payment systems. Acquisitions abroad will face more critical scrutiny.

In the current climate, regulators wouldn't greenlight Visa acquiring Canada's largest debit network, Interac, France's largest card network, Cartes Bancaires, Australia's national debit network eftpos, or Brazil's Pix—should such proposals emerge.

An open world with global and national payment systems freely competing is a better world than a patchwork with most countries relying on their own protected private and public payment systems. It is in America's interest—and in that of its payment industry—that America's payment systems not be perceived as instruments of foreign and trade policy, except against a handful of full-throated enemies. DT

THE GREAT M&A REALIGNMENT



A sharper focus on strategic deals and carve-outs is changing the mergers- and-acquisitions landscape in payments.

BY KEVIN WOODWARD

MERGERS AND ACQUISITIONS ACTIVITY GETS MORE ATTENTION WITH MEGA DEALS LIKE THE \$35-BILLION CAPITAL ONE/DISCOVER AND \$22.7-BILLION GLOBAL PAYMENTS/WORLDPAY COMBOS, BUT IN PAYMENTS, AS WITH ANY OTHER BUSINESS, DEALS LIKE THESE ARE HAPPENING ALL THE TIME. CHANGES IN ECONOMIC CONDITIONS AFFECT LARGE AND SMALL M&A DEALS.

“The Global Payments/Worldpay deal is a bellwether, not just because of its scale, but because of what it signals: the era of inorganic growth is very much alive, but the rules are changing,” Scott Boyer, founder and owner of National Document LLC, a Phoenix-based firm that offers business services such as registered agent, due-diligence reviews, and other corporate services.

Atlanta-based Global Payments Inc. is buying Worldpay LLC from FIS Inc., which owned 45% of Worldpay, and GTCR, a Chicago-based private-equity firm that acquired a 55% stake in Worldpay in July 2023 from FIS, which acquired it in 2019. The new Global/Worldpay deal also sees Global selling its issuer-processing business, TSYS, to FIS for \$13.5 billion.

The other big acquisition lately is Capital One Financial Corp’s deal for Discover Financial services. This combination is poised to shake up the issuing side of the payment card industry.

That’s just the start. Opportunities for other payments M&A deals abound. Boyer views independent software vendors (ISVs), regulatory-tech and fraud-prevention providers, and cross-border entities with business-to-business payments capabilities as likely acquisition candidates.

These deals and others are and will be designed to help buyers build scale. But that is not the sole or overwhelming criterion for combinations in today’s economy. Now, observers say, fulfilling critical needs has taken on more importance, and at a strategic level.

‘A CAPABILITY SCALE’

“Scale remains important, but has evolved beyond simple transaction-volume considerations,” says Dave Glaser, chief executive of Dwolla Inc., a Des Moines, Iowa-based payments provider. “Today’s payment ecosystem values strategic scale—the ability to serve specific market segments comprehensively rather than just processing more transactions.”

Looking ahead, Glaser says companies with payment-orchestration capabilities could be acquisition candidates. So too might embedded-finance providers and, on the acquirer side, companies that can extend their reach across the payment-value chain.

Regional payment processors with a strong customer base could be active buyers, “particularly those looking to expand their technological capabilities without building in-house,” he says. “These firms benefit from established customer relationships and can leverage acquisitions to deepen these connections through expanded service offerings.”

What has evolved is an assessment of deals based on their ability to address capabilities— a “capability scale,” Glaser says. “This means acquiring complementary technologies that allow [buyers] to offer end-to-end solutions within specific verticals or payment types. The ability to deeply serve particular market segments often delivers more sustainable competitive advantage than simply being bigger.”

This trend isn't displacing all deal criteria. Many payment segments still benefit from larger scale, Glaser says, particularly in the processing arena. "But even here, the calculus has shifted toward strategic positioning rather than size alone," he says.

Others agree. "Yes, there is still a premium for size and scale. [Private-equity] firms and strategics know that the amount of effort it takes to complete a transaction with a [\$3 million] revenue company versus a [\$30 million] revenue company is more or less the same, so, from an allocation-of-resources standpoint, a strategic or private-equity firm is going to prioritize the larger asset, unless the smaller company is filing a product gap that is a 'must have' for the strategic," says Andrew Fox, a director at Leonis Partners, a New York City-based M&A advisory firm.

National Document's Boyer argues a result yielding a profitable scale is much desired now. "Buyers want platforms that can bring not just volume but margin. That's why we're seeing more carve-outs and targeted tuck-ins over mega-mergers," he says.

One of the factors affecting today's M&A climate in payments and fintech is that acquirers are looking for interoperability and speed to market, Boyer says, adding, "It's no longer just about acquiring customers. It's about acquiring infrastructure that reduces integration friction."

Another factor is regulatory scrutiny. That means compliance capabilities are weighed as heavily as revenue when vetting targets, Boyer says. And yet another factor is private-equity pressure. "PE firms are sitting on record dry powder, but rising interest rates and tighter due diligence are making them more cautious. They're backing fewer, more strategic plays," he says.

Capital raising by private fintechs picked up in the first quarter, the Financial Technology Partners' first-quarter fintech deal report found. Financing volume totaled nearly \$14 billion, a 50% year-over-year increase, San Francisco-based FT Partners says. The number of M&A and initial public offering deals in the report in the quarter, at 1,386, was up 50% year-over-year.

"Q1 2025 was certainly not quiet or business as usual," the report says. "Fintech M&A came roaring back, capital raising activity significantly picked up compared to the first quarter of last year, and several prominent fintech companies lined up to go public, all amidst initial rumbling ahead of tumultuous global public markets."

TARIFF IMPACT

While conversations about payments M&A might not find many listeners outside of payments, everyone knows about tariffs and the ups and downs of the U.S. economy. As with consumer transactions, these factors also affect payment deals. For many, a more judicious review process is critical.

"Top of mind for many organizations exploring their options right now is the current economic headwinds, including tariffs and interest rates," says Deven Monga, vice president of sales at iDeals Solutions Group, a London-based firm that provides data services for mergers and acquisitions. "There's still a lot of uncertainty around U.S. economic policy, which means a lot of companies and funds will be pausing their M&A plans while they wait for more clarity."

That factor may not adversely affect all deals, however. "That said, the U.S. trade tariffs might also cause companies with global supply chains to pursue cross-border joint ventures or acquisitions. This could help them reduce



GLASER: "Scale remains important, but has evolved beyond simple transaction-volume considerations."

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their exposure to tariffs and also ensure they can maintain access to other global markets,” Monga says.

Others see that impact, too. “The uncertainty created by on-and-off-again U.S. tariffs is creating both investment and mergers and acquisitions challenges and opportunities,” says Mark Williams, chief revenue officer at Datasite, which also provides data services for dealmaking.

New deals on Datasite are up 5% globally year-over-year and year-to-date, Williams says. “On the other hand,” he adds, “there is also growing caution among dealmakers. U.S. tariffs were identified in a recent Datasite poll as the single largest blocker to M&A activity in 2025, surpassing heightened scrutiny under antitrust regulations, and government spending cuts. Global deal hold-rates on Datasite have also increased nine percentage points year-to-date, year-over-year.”

And, as others say, buyers are now conducting more thorough due diligence, Williams says, and “increasingly using question-and-answer tools in the virtual data room to interrogate the deal information. Additionally, tariff risk analysis is in just about every valuation model.” Policy changes also need review. “This unpredictability means dealmakers must be vigilant about policy changes that could accelerate, or drag out, deal timelines,” Williams says.

The shifting activity on tariffs cannot be discounted. “As mentioned, tariffs have had perhaps the most significant impact on M&A for the better part of the past month,” Monga says. “This is particularly true when evaluating cross-border deals, as companies must factor in the potential costs of maintaining or adapting supply-chain operations if the organization they are looking to acquire or merge with has an extensive global supply chain.”

Recent political moves are a factor now, too, but that hasn’t diminished other M&A elements, such as interest rates.

“The cost dynamics of payments M&A have shifted substantially. Rising interest rates have fundamentally changed the calculus for debt-financed acquisitions, forcing more creative deal structures and increasing the importance of post-merger integration efficiency to justify higher capital costs,” Glaser says.

‘STRATEGIC REALIGNMENTS’

Along with these macro factors, the Global/Worldpay deal may also have an impact beyond itself.

“The Global Payments/Worldpay transaction signals a fundamental reshaping of how the industry views the optimal configuration of payment capabilities. The deal demonstrates that even the largest players are reassessing which parts of the payment value chain they want to own versus where they prefer partnerships,” Glaser says.

A significant ripple effect of the deal is a renewed focus on core competencies, he says. “The transaction suggests that breadth of offerings may be giving way to depth of capabilities in specific segments. This could trigger a wave of similar strategic realignments as competitors reassess their own portfolios.”

Leonis’s Fox suggests the deal also could simplify the competitive landscape because Global Payments will be focused on the integration of the companies and transition of Global’s issuing business, TSYS, to FIS.

“The transaction will require major integration work, and with much of Global Payments’ focus being on internal operations, integration work [should] take place immediately to recognize cost synergies as soon as possible. This could very well provide more nascent merchant-acquiring startups the ability to take more



FOX: Global Payments’ distraction with its deals with FIS “could very well provide more nascent merchant-acquiring startups the ability to take more market share from Global Payments and scale faster than otherwise.”



WILLIAMS: Buyers are “increasingly using question-and-answer tools in the virtual data room to interrogate the deal information.”

market share from Global Payments and scale faster than otherwise” Fox says.

“The same can be said for smaller, rapidly growing issuer-processing platforms that can plan to capitalize [on the] market with WorldPay distracted with the transaction,” he adds.

Boyer echoes Fox. “This will likely accelerate consolidation among mid-tier players who can’t compete on the breadth of services. It also pressures acquirers to move quickly, or risk becoming targets themselves. The divestiture of Global’s issuer business signals a realignment. Streamlined, vertically integrated models are winning,” Boyer says.

Glaser, too, sees opportunities for deals. “For mid-size players like Dwolla, this creates interesting opportunities. As large conglomerates refocus, they may divest non-core assets that represent significant growth opportunities for specialized providers,” he says. “The ecosystem benefits from having both comprehensive providers and focused specialists.”

“Another effect worth watching,” Glaser adds, “is how this impacts innovation velocity. Historically, major consolidations have sometimes slowed product development as organizations focused on integration. The market will be monitoring whether the combined entity can maintain the pace of innovation that fintech customers increasingly expect.”

CRITICAL CRITERIA

Still, well-honed criteria for deals aren’t lessening in importance. “Building scale is still a primary driver of M&A, particularly as we see new technology lead to the convergence of specific sectors and services within industries like financial services,” Monga says.

As Williams explains, valuation and price have grown in importance. “Whether you’re the buyer or the seller, there are generally several categories to consider, including

strategic fit, financial performance, valuation and price, cultural compatibility, customer and market access, talent, technology or intellectual property, operational synergies, and legal and regulatory matters,” he says.

“Yet, right now, dealmakers are most concerned with valuation and price. Changing U.S. trade policies are making it harder to evaluate company market valuations and they are affecting global supply chains. Because of this, some investors are including protection clauses for market downturns, while others are improving terms to secure deals. Still others are taking a ‘wait and see’ approach, which might help explain why dealhold rates are higher.”

With these added factors, the challenge is to prepare as well as possible, whether the buyer or seller.

“The key is preparation, anticipating increased levels of review, longer review processes, and leveraging technology to expedite diligence,” Williams says. “And while this could create a drag, pent-up demand and opportunities will likely drive dealmakers to continue with transactions.”

“So,” he adds, “the question isn’t if M&A will happen—it’s when.” **DT**



security

DON'T RISK THE COSTS OF NONCOMPLIANCE

The deadline may have passed, but it's not too late to upgrade to PCI DSS 4.0.

BY **ERIC COHEN**

Eric Cohen is chief executive at Merchant Advocate

IN AN ERA where data breaches are increasingly common, protecting customers' payment information is more critical than ever. As cyberattacks continue to rise, businesses that handle sensitive customer data, particularly credit card information, are prime targets.

Enter the Payment Card Industry Data Security Standard (PCI DSS), a set of requirements to safeguard payment card data. The latest iteration of these standards, PCI DSS 4.0, was

released in 2022, bringing significant updates to modern security threats.

The deadline for full compliance fell in March, so whether businesses have achieved compliance or not, it's essential to understand what PCI DSS 4.0 means, why it matters, and how noncompliance can put your business at risk—from a security and financial perspective.

Companies that fail to meet PCI DSS requirements can face fines ranging from \$5,000 to \$100,000 per month, depending on the severity and duration of noncompliance. These penalties, alongside potential legal consequences and reputational damage, make compliance a critical priority for businesses handling payment data.

Here are some key questions and answers that may help you understand both what the standard is all about and how crucial it is to comply.

WHAT IS PCI DSS 4.0?

PCI DSS (Payment Card Industry Data Security Standard) is a set of requirements to protect cardholder data. It is enforced by major credit card companies, including Visa, MasterCard, and American Express, and all businesses that handle credit



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card transactions must comply with its requirements.

The latest version of the standard is PCI DSS 4.0, first released three years ago. It includes updated security requirements to address evolving cyber threats. It matters as it provides a comprehensive framework to ensure businesses have taken the necessary steps to protect sensitive customer information.

With payment card data being an attractive target for cybercriminals, businesses that accept credit cards must implement the appropriate security measures to minimize the risk of data breaches. Failing to meet PCI DSS standards results not only in costly fines and penalties, it also makes your business a prime target for hackers.

HOW TO ACHIEVE COMPLIANCE?

Becoming PCI DSS 4.0 compliant is an ongoing process, not a one-time fix. The framework is built on 12 core requirements to secure payment card information. These include requirements to install and maintain firewalls, encrypt cardholder data, implement robust access controls, and regularly test security systems for vulnerabilities.

But one of the most important aspects of PCI DSS 4.0 is the emphasis on self-assessments. The self-assessment questionnaire (SAQ) is

a tool businesses can use to evaluate their compliance. It's important to note that PCI DSS 4.0 includes a revised SAQ that requires businesses to provide more detailed reporting on their security protocols.

While these updated SAQs were formerly considered best practices, they became mandatory on March 31. That means businesses must begin reviewing and updating their SAQs to avoid noncompliance.

Another key update in PCI DSS 4.0 is stricter cardholder data policies. Businesses must implement multi-factor authentication (MFA) for all users that access payment card data. This added layer of security is essential to ensure only authorized personnel can view or process sensitive customer information.

THE RISKS OF NONCOMPLIANCE

Failing to comply with PCI DSS 4.0 does not just expose your business to security risks—it poses serious financial and reputational consequences. While PCI DSS compliance is not mandated by law, noncompliance can lead to significant costs, including fines, data-breach liabilities, and reputational damage.

If your business is not compliant with PCI DSS 4.0 and suffers a data breach, you could be held financially responsible for reissuing credit cards, covering fraudulent charges,

and hiring forensic investigators to determine the scope of the breach.

Also, the monthly fines for non-compliance range from \$20 to \$5,000 or more, depending on the severity of the noncompliance or data breach. These fines can add up fast, further hurting your business's bottom line. Noncompliance can also lead to reputational damage, causing customers to lose trust in your business and hurting profitability.

PCI DSS 4.0 also places a greater emphasis on regular monitoring and testing of security systems. If your business does not keep up with these required security updates, it risks noncompliance and the growing threat of cyberattacks. In 2023, the health-care industry alone saw a staggering 128% increase in cyberattacks in the United States, underscoring the growing urgency for businesses to stay vigilant with respect to payment security.

The cost of a data breach is higher than most businesses may think. In fact, the average breach cost businesses \$4.88 million last year, up 10% from 2023. However, the financial implications of a breach extend far beyond the immediate costs of breach containment and notification. The latest report from IBM revealed that 70% of organizations that experienced a data breach reported significant disruptions to their operations, further amplifying the incident's cost.

Make no mistake. The costs are severe for businesses failing to comply with PCI DSS and then suffering a breach. Card issuers may hold non-compliant businesses responsible for covering all costs associated with the breach, including fraudulent charges and the re-issuance of credit cards. Many businesses also incur the cost of



Cohen: "Penalties, alongside potential legal consequences and reputational damage, make compliance a critical priority."

hiring forensic investigators to determine the full extent of the breach.

One of the most alarming breach statistics is the length of time it takes businesses to detect and contain them. According to IBM, it takes an average of 194 days to identify a breach and an additional 64 days to contain it. So, for more than half of a year, businesses may be unknowingly exposed to the consequences of a data breach. This while the breach escalates as hackers access more sensitive data.

By becoming PCI DSS-compliant and implementing best practices for data security, businesses can detect breaches earlier and minimize the damage. And compliance can quickly identify and respond to potential security threats.

WHAT ARE THE BENEFITS?

But the benefits of PCI DSS compliance extend far beyond avoiding fines and penalties. Businesses that prioritize payment security through compliance with PCI DSS 4.0 can improve their reputation, build customer trust, and reduce the risk of costly breaches.

Merchant Advocate estimates, based on internal data, that 72% of businesses are overcharged by their processors. In 2023 alone, U.S. merchants spent \$172 billion on processing fees, a 7.5% increase over the previous year. PCI DSS compliance ensures businesses optimize their payment systems and reduce unnecessary fees while improving their bottom line.

To prepare for PCI DSS 4.0 compliance, businesses should begin by reviewing the updated standards and determining how they apply to their

operations. Businesses should then update their self-assessment questionnaires and strengthen their security measures, such as implementing encryption software, firewalls, and multi-factor authentication.

Regular monitoring and testing of security systems are also essential for staying compliant and identifying potential vulnerabilities before they are exploited. Businesses should also work with payment processors and consultants to optimize their payment-processing systems and reduce unnecessary fees.

If your business fails to comply with PCI DSS 4.0, the risks are clear: you're opening the door to cyberattacks, costly fines, and potential financial and reputational damage.

Cyberattacks are becoming more sophisticated, and businesses that fail to meet the latest security standards are at risk of becoming the next target. Noncompliance also increases your liability in the event of a data breach, leaving your business vulnerable to significant financial and reputational damage.

The transition to PCI DSS 4.0 may seem daunting, but it is essential for protecting your business and your customers. The March 2025 deadline has passed, so now is the time to act if you haven't already. By ensuring compliance and fortifying your security measures, you can minimize your risks and safeguard your business against the ever-growing threat of cybercrime. **DT**

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CAN A2A GO MAINSTREAM?

Its prospects look brighter, but formidable hurdles remain.

BY NICK SAYWELL

Nick Saywell is a senior manager at PSE Consulting



FOR YEARS, account-to-account (A2A) providers have been eyeing the holy grail of in-store payments—true contactless convenience—but have been held back by closed ecosystems and technical limitations. Now, the Apple Inc. decision opens the door for widespread rollout of A2A tap-to-pay across Europe.

The European Commission finalized a historic deal with Apple in July 2024 to grant third parties access to the NFC technology on iOS devices, enabling them to provide a smooth, tap-to-pay functionality for account-to-account wallets (A2A) that has previously only been available to conventional card-based mobile wallets.

A2A in-store payments have been possible, though the experience has often fallen short—hampered by clunky QR codes, multi-step screens, and cumbersome authentication. These make it hard to rival contactless transactions. That’s why, despite the initial buzz, mainstream adoption has been slow.

Now, with NFC access finally open on both Android and Apple devices, A2A wallets are stepping into a new era, one where they can truly compete on an equal footing with traditional card payments. For the first time, consumers can enjoy the same effortless tap-to-pay convenience, while merchants and providers benefit from

lower transaction costs and direct-to-bank transfers. The longstanding technology gap is rapidly closing. And if the momentum continues, the competitive gap could be next.

Clearly, contactless payments have quickly become the cornerstone of in-store transactions, and consumers are all in. In the United Kingdom, a staggering 93% of all card payments are now contactless. This goes beyond convenience. It has redefined consumers’ payment expectations, setting a new standard in everyday purchases.

JUST THE START

If all smart-phone users, not just those with Android devices, can use contactless A2A payments, the momentum could shift dramatically for merchants, too. The first to seize this opportunity was Vipps MobilePay. In December 2024, it became the world’s first Apple Pay alternative for iPhone users. Now, in Norway, Vipps users can “tap with Vipps” in-store, with plans to expand into Denmark, Finland, and Sweden by 2025, potentially reaching an additional 7.1 million consumers.

This breakthrough in the Nordic region is just the beginning. A2A wallets have the perfect storm: demand for simpler payment methods, a shift toward contactless, and, now, access to NFC tech on all devices. It’s not just about convenience any

more. It's about providing a genuine alternative to cards.

As the A2A payments ecosystem continues to change, more wallets are following in Vipps MobilePay's footsteps, shifting away from cards as the default method for in-store transactions.

Swish, Sweden's leading A2A payment app, has upgraded its tap-to-pay solution, moving from Bluetooth to NFC for Android users, further enhancing the user experience. Similarly, Bizum, which is used by 55% of Spain's population, is preparing to launch Bizum Pay in mid-2025. This new service will offer users the flexibility to pay via Bizum's A2A network or linked debit/credit cards.

Meanwhile, in Poland, Blik—dominant in the country's e-commerce sector with 45% market share—is set to introduce iOS tap-to-pay in 2025, expanding its footprint in both online and in-store payments.

These players are not waiting around. They are positioning themselves as serious contenders to replace cards. If these apps can execute well, we could see a mass consumer exodus from cards toward A2A wallets.

While Nordic, Spanish, and Polish markets are making clear A2A in-store payments, Europe's largest economies are moving more cautiously. Wero—the pan-European A2A initiative—has delayed its in-store launch until 2026. In the U.K., progress has been even slower. Here, no A2A wallet has yet achieved meaningful consumer traction, with activity limited to early-stage proofs of concept and limited pilots.

This is the point where Europe's big economies are running the risk of being left behind. Smaller nations are proving that A2A payments are an emerging standard. Meanwhile, giants like the U.K., Germany, and France are still grappling with integration issues.

BUILDING BLOCKS

While domestic adoption of A2A wallets is accelerating, the bigger test lies in enabling seamless cross-border payments. True scale and convenience will depend on solving interoperability challenges, an area where progress is still uneven.

Wero's cross-border ambitions remain unclear. However, EuroPA—

a partnership between Bizum (Spain), Bancomat Pay (Italy), and MB Way (Portugal)—completed its first cross-border transaction in late 2024. Meanwhile, the EMPSA Alliance, which includes Bancomat Pay, Twint (Switzerland), and Blue-code (Austria), is working toward a shared A2A network that spans national borders.

These efforts suggest that, while a pan-European solution is still on the horizon, building blocks are steadily falling into place. It's clear that regional alliances are forming, but will they be enough? The cross-border challenge is huge, and while progress is being made, the real question is whether A2A can scale across borders without the headache of fragmented solutions.

Questions remain about the long-term sustainability of interoperability through bilateral or regional partnerships, or about whether an initiative such as Wero—with ambitions to become a unified European solution—would offer greater scalability, foster more consistent innovation, and streamline operations more effectively than a fragmented network of overlapping agreements.

Now that NFC access is unlocked, A2A wallets are technically ready to compete head-to-head with cards at the point of sale. But their ability to move beyond niche status and truly challenge the dominant card model will hinge on how effectively they address the needs of both consumers and merchants.

But let's be real. This is the year when A2A wallets either prove their worth or fall by the wayside. **DT**

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