TAB 23

First Atlantic Commerce and Cardservice International Collaborate to Provide E-Commerce Solutions to International Merchants

Business Editors

Internet World Fall 2001

HAMILTON, Bermuda and MOORPARK, Calif.--(BUSINESS WIRE)--Dec. 11, 2001

Joint Program Will Provide International Payment Solutions To

U.S.-Based and European Merchants Looking to Grow

Their Online Businesses

First Atlantic Commerce, a leading e-commerce solution provider in Bermuda, and Cardservice International, a leading U.S.-based transaction processing and payment solution provider, today announced they have agreed to jointly offer international payment solutions to U.S. and European businesses.

The new service, cGateWorld, is the first joint Internet payment offering of Cardservice and First Atlantic Commerce.

First Atlantic Commerce and Cardservice International can provide merchants who expand into the global arena with international e-commerce solutions for multicurrency pricing and split jurisdictional payment settlement. Global multi-currency services allow customers and merchants to transact business in their currency choice. In addition, split jurisdictional settlement enables U.S. merchants to settle domestic credit transactions in the United States, but have payments with universally accepted cards, such as MasterCard and Visa, settled to an international jurisdiction.

"As the needs of international merchants who sell goods and services online have grown and become increasingly more complex, we have continually evolved our e-commerce solutions with new capabilities," said Andrea Wilson, chief executive officer for First Atlantic Commerce. "We've observed that many of Cardservice International's merchants need global payment solutions for their Web sites. Now we can bring to these merchants the benefits of leveraging corporate tax advantages through payment settlement in the Caribbean and Latin America region, including Bermuda.

According to John Burtzloff, Cardservice International's vice president of Sales, "At Cardservice International, we recognize the range and quality of First Atlantic's services and we also see the potential we have to satisfy our international merchants' needs by co-marketing our e-commerce services. This is good for both our organizations and for our merchants who will now be in a position to enjoy the benefits of our combined services."

First Atlantic Commerce specializes in developing customized multicurrency payment solutions for e-commerce merchants. Located in Bermuda, First Atlantic Commerce operates within the credit card associations for the Latin America, Caribbean region, enabling merchants to access a wider range of regulations and payment options. The company works with reputable banks on behalf of merchants and adheres to jurisdictional compliance requirements.

About First Atlantic Commerce Ltd.

First Atlantic Commerce, a Bermuda-based e-commerce provider since 1998, specializes in consulting services to acquiring banks for Internet enablement, and secure payment solutions for online merchants. Through custom software systems, the company connects merchants to major international credit card processors, as well as numerous globally recognized banks, ensuring fast and secure transaction processing. cGate(R) and cGate(R) Secure were developed by First Atlantic Commerce using the latest technology and highest levels of encryption. First Atlantic Commerce provides universal payment solutions such as multicurrency and multiple jurisdiction settlements to enable merchants to access the global marketplace. For more information on First Atlantic Commerce, visit their Web site at www.firstatlanticcommerce.com or e-mail submissions@fac.bm or contact 441-296-5598.

About Cardservice International

Headquartered in Moorpark, California, Cardservice International provides a wide range of noncash transaction processing options to local, regional and national traditional and Internet businesses. With more than 125 million transactions annually -- from point-of-sale credit card processing to e-commerce solutions -- Cardservice International is recognized as a leader in electronic commerce and payment services. Established in 1988, the company processes every type of electronic payment method, including credit, debit, electronic benefits transfer and electronic checks. In addition, Cardservice offers popular point-of-sale hardware and software for brick-and-mortar and Internet payment acceptance. To prevent and monitor fraudulent activities, Cardservice International has one of the largest chargeback and loss prevention departments in the industry. Cardservice supports its merchants with customer service 24 hours a day, 7 days a week, in more than 140 languages and dialects. First Data Corp., a global leader in electronic commerce and payment services, holds a 50% equity position with Cardservice. For more information about Cardservice International visit cardservice.com.

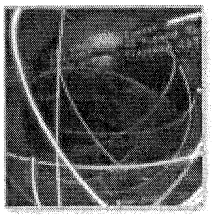
TAB 24

CARDSERVICE INTERNATIONAL

How to Get a Merchant Account

Home
Accept Credit Cards
Services We Offer
Our Products
International
Demo Sites
Contact Us

INTERNATIONAL



Cardservice International offers an international business merchant program for merchants who want to do business in the United States with U.S. cardholders, accept keyed transactions and offer products via mail order/telephone order (MOTO) and the Internet. These businesses must have a U.S. bank account and a U.S. address.

In addition, Cardservice International, in partnership with First Atlantic Commerce, provides multicurrency e-commerce solutions to U.S.-based and European merchants that want to grow their online businesses.

Cardservice International and First Atlantic Commerce provide merchants that expand into the global arena with international e-commerce solutions for multicurrency pricing and split-jurisdictional payment settlement. This allows customers and merchants to transact business in their currency choice. In addition, split-jurisdictional settlement enables U.S. merchants to settle domestic credit transactions in the United States but have payments with universally accepted cards, such as MasterCard or Visa, settled to an offshore jurisdiction.

There are numerous benefits to a global, multicurrency solution, which First Atlantic Commerce provides:

- Merchants can enter new markets with a turnkey multicurrency solution.
- Merchants can expand their e-commerce solutions with seamless transaction processing in international markets.
- Many merchants—including those based in the U.S.—want to process in multiple currencies.

For more information about multicurrency payment solutions, click here.

International Merchant Accounts

Cardservice International® offers an international business merchant program for merchants who want to do business in the United States with U.S. cardholders, accept keyed transactions and offer products via mail order/telephone order (MOTO) and the Internet. These businesses must have a U.S. bank account and a U.S. address.

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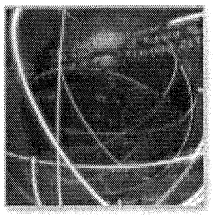
CARDSERVICE INTERNATIONAL

How to Get a Merchant Account

Special Programs | Program Types

Home
Accept Credit Cards
Services We Offer
Our Products
Special Programs
Customer Support
About Us
Contact Us
Request More Info
Apply Online

International Merchants



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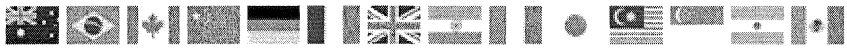
Request More Information



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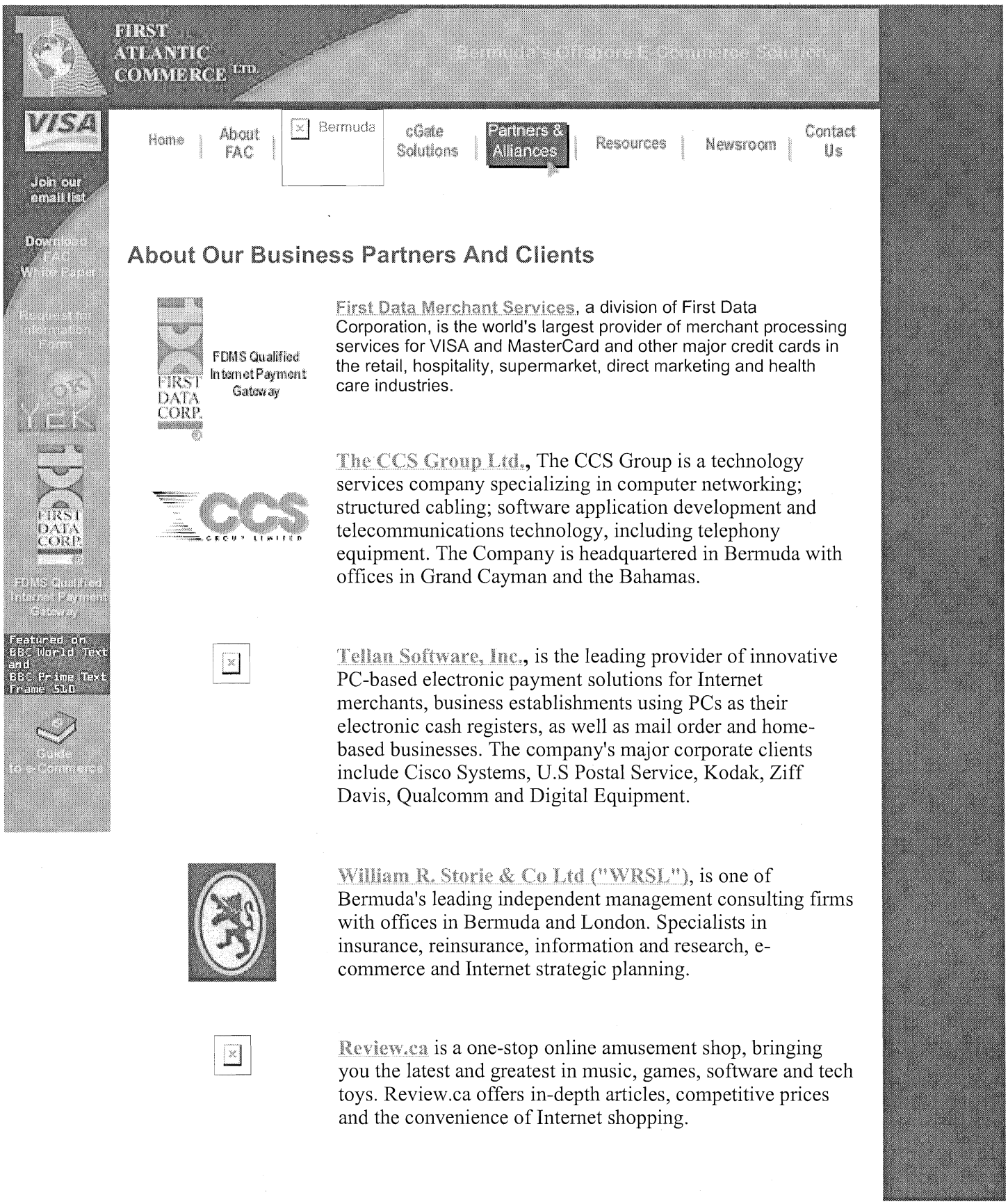


About Our Business Partners And Clients

FDMS Qualified Internet Payment Gateway

First Data Merchant Services, a division of First Data Corporation, is the world's largest provider of merchant processing services for VISA and MasterCard and other major credit cards in the retail, hospitality, supermarket, direct marketing and health care industries.

The CCS Group Ltd., The CCS Group is a technology services company specializing in computer networking; structured cabling; software application development and telecommunications technology, including telephony equipment. The Company is headquartered in Bermuda with offices in Grand Cayman and the Bahamas.

Tellan Software, Inc., is the leading provider of innovative PC-based electronic payment solutions for Internet merchants, business establishments using PCs as their electronic cash registers, as well as mail order and home-based businesses. The company's major corporate clients include Cisco Systems, U.S Postal Service, Kodak, Ziff Davis, Qualcomm and Digital Equipment.

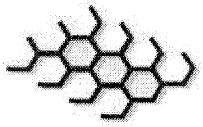
William R. Storie & Co Ltd ("WRSL"), is one of Bermuda's leading independent management consulting firms with offices in Bermuda and London. Specialists in insurance, reinsurance, information and research, e-commerce and Internet strategic planning.

Review.ca is a one-stop online amusement shop, bringing you the latest and greatest in music, games, software and tech toys. Review.ca offers in-depth articles, competitive prices and the convenience of Internet shopping.

Bratch Innovation Inc. is a recognized industry leader in Internet Web-site development, marketing, electronic commerce and communications. Its portfolio of world class implementations for Fortune 100 clients reflects its view of Web sites as living organisms - the marketing platforms whose functionality can be refined and enhanced in phases that reflect their client[1]s specific needs, budget, business plans, ability to integrate, and readiness to adopt new technologies.

Cable and Wireless (Bermuda)., The Bermuda operation is a part of the Cable & Wireless worldwide group of companies. Operating in over 70 countries, the Cable & Wireless Group is one of the world's largest international telecommunications organizations, providing leadership in virtually every branch of telecommunications technology.

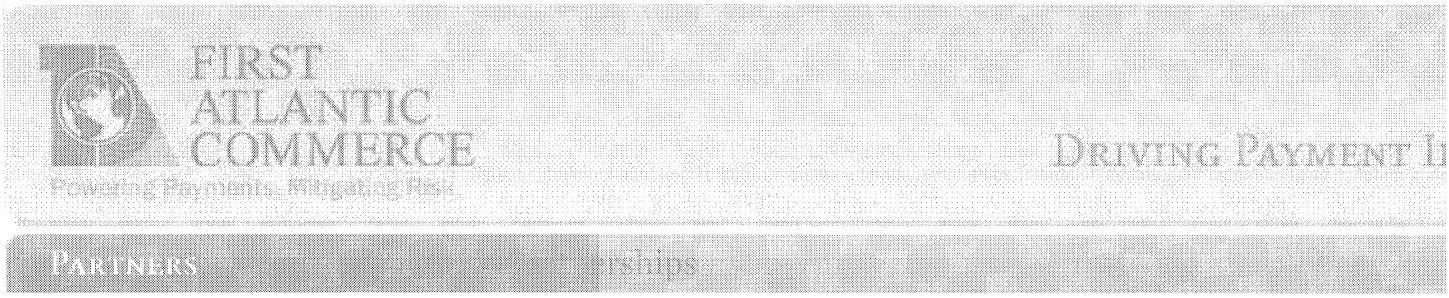
The Bank of Bermuda is one of the world's leading off-shore financial services groups. A full service bank and trust company, it provides corporations and private clients around the world with a comprehensive range of financial products and advisory services. Committed to personalized service and a global view, the Bank has earned a reputation for providing innovative solutions to the needs of forward looking businesses operating internationally.



Hansa Bank & Trust Company Limited **and Hansa.net Global Commerce Inc.**, a publicly listed e-commerce, international trade technology and marketing organization, are both Anguillian resident members of the Span-Hansa Group comprised of ten organizations doing business in as many international locations. The Group focuses on financing of intellectual property, management, public stock offerings, acquisitions and mergers, and providing an incubator environment and for emerging technologies.

TOP

TAB 26



Delivering World-Class Solutions

Our strategic partners play a key role in helping us deliver a range of online payment processing and risk management solutions to clients around the globe.

International Processing Partners:

TSYS Card Tech

TSYS Card Tech has become a market-leading provider of software solutions to the payments industry. The company prides itself in delivering the highest quality products and services on time and to an agreed budget; backing up every installation with the very best support service, 24 hours a day, seven days a week. Today, more than 190 clients, including some of the world's largest banks, use TSYS Card Tech systems in over 70 worldwide locations.

TSYS Card Tech core products are all developed in-house and are designed to address any and all aspects of the card management business. TSYS Card Tech's motto of "any card, anywhere" is justified by the company's track record. TSYS Card Tech systems are flexible, modular, parameterised, robust, scalable, cost- effective and future proof.

TSYS Card Tech products and solutions, including card issuance, merchant acquiring, authorisation, message switching, key and PIN management, eCommerce, dispute and fraud management, address every aspect of the card management business cycle.
www.ctl.com

EVERTEC, Inc.

EVERTEC, a subsidiary of Popular, Inc. (NASDAQ: BPOP), is a leading provider of transaction processing and outsourcing services including application processing, business process outsourcing, programming and IT consulting to customers in 15 countries in a variety of industries.

Through its transaction processing services EVERTEC executes over 920 million transactions yearly, and operates a network of over 4,300 automated teller machines and over 85,000 point-of-sale payment terminals. With over 1,700 professionals operating in 7 countries within the Caribbean Basin, the United States, Central and South America, EVERTEC supports a variety of production platforms ranging from portable payment devices to high-end mainframe systems.
www.evertecinc.com

First Data Merchant Services (FDMS)

First Data Corporation is a worldwide leader in electronic payment solutions. First Data through its bank partners gives a competitive edge to businesses and financial institutions, offering a complete portfolio of payment systems and services to meet the globally expanding needs of their clients. The company harnesses partnerships with industry leaders to provide leading edge, innovative products and services.

Industry leadership requires a strong commitment to business, industry and product development. Knowledge of the industries directs the creation of the right kind of products and services that drive successful business development.
www.fdms.com

Scotiabank International

Scotiabank is one of North America's premier financial institutions and Canada's most international bank. With more than 60,000 employees, Scotiabank Group and its affiliates serve approximately 12.5 million customers in some 50 countries around the world. Scotiabank offers a diverse range of products and services including personal, commercial, corporate and investment banking. With $462 billion in assets (as at July 31, 2008), Scotiabank trades on the Toronto (BNS) and New York Exchanges (BNS).
www.scotiabank.com

Verified by Visa

For more than thirty years, Visa has helped to set industry standards for secure payments between consumers and merchants. Verified by Visa improves the security of payment transactions in the electronic commerce environment over open networks. It increases both cardholder and merchant confidence in Internet purchases, and reduces disputes and fraudulent activity related to the use of Visa payment cards.
http://usa.visa.com/merchants/risk_management/vbv.html

MasterCard® SecureCode™

MasterCard® SecureCode™ provides merchants with a global authentication solution that takes online shopping security to a new level. Electronic retailers face unique challenges in accepting cards for payment in the eCommerce environment. Unlike the physical world, there's no signed sales receipt online and therefore no definitive way for a merchant to dispute a cardholder claim that a purchase wasn't made.

Now, with MasterCard® SecureCode™, there is a way to protect electronic retailers from unauthorized purchases. MasterCard®

SecureCode™ is initiated on a retailer's Web site and interacts with both the cardholder and their card issuer.
http://www.mastercard.com/us/merchant/security/what_can_do/SecureCode/index.html

PayPal

PayPal is the safer, easier way to pay and get paid online. The service allows anyone to pay without sharing financial information and gives consumers the flexibility to pay in any way they prefer, including through credit cards, bank accounts or account balances. With more than 60 million active accounts in 190 markets and 17 currencies around the world, PayPal enables global ecommerce. PayPal is an eBay company.
www.paypal.com

Strategic Risk Management Partners:

ethoca

Headquartered in Dublin, Ireland, with offices in Toronto, Canada, Ethoca is the leader in collaborative fraud management. Ethoca enables businesses operating in any customer-not-present environment (i.e., business by internet, phone, fax or mail) to make more informed decisions about their customer transactions by sharing transaction experience data in a way that is secure, automated, effective and ethical. Businesses submit transaction data to Ethoca and can use summary history and analysis based on the collaborative data of Ethoca's clients to gauge the fraud-risk associated with any given transaction.
www.ethoca.com

Technology And Design Partners:

Microsoft

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realize their full potential. MS-DOS, .NET, Office XP, 2007 Office system, Windows, Windows Server, Windows 3.0, Windows 95, Windows 98, Windows 2000, Windows XP, and Windows Vista are all registered trademarks of Microsoft Corporation.
www.microsoft.com

Xtrategies

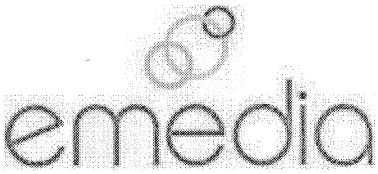
Xtrategies is a boutique consulting firm, with extensive banking, payments and strategy experience serving Latin America and the Caribbean. Practice areas include operations, risk management, product strategy and new business ventures. The company provides support across a wide range of areas including card programme management, card processing, opreational processes, reporting and performance matrix, technology and services, vendor search, evaluation and selection, project management and solution delivery and interim management, fraud prevention, Information Security Assessments (Qualified Security Assessor for PCI Evaluations) and business development.
www.xtrategies.com

Tug Ltd

London, England-based Tug specializes in Search Engine Marketing, and targeted advertising to prospects that are actively searching for information or are ready to buy online. The company provides Search Engine Optimization and Pay-Per-Click solutions to assist online merchants in meeting their business and sales objectives.
www.tugsearch.co.uk

Bermedia

Bermedia is a Bermuda-based web development agency specializing in online software development using .NET, Adobe Flash and other leading web technologies. Through their years of global experience and the support of their sister agencies in London and Argentina, Bermedia is able to deliver world class solutions for all businesses.
www.bermedia.com



emedia Bermuda Limited

emedia Bermuda Limited is a full-service firm with expertise in marketing, web design and development and public relations. Established in early 2000, emedia has continually expanded and evolved to meet the needs of our clients. The creative and cohesive team prides itself on offering a fresh approach and strategic solutions for every client, on every project.
www.emedia.bm

Industry Associations:

The Electronic Transactions Association

The Electronic Transactions Association is an international trade association representing companies who offer electronic transaction processing products and services. The purpose of ETA is to influence, monitor and help shape the merchant acquiring industry by providing leadership through education, advocacy and the exchange of information.

ETA's membership spans the breadth of the payments industry, from financial institutions to transaction processors to independent sales organizations (ISOs) to equipment suppliers.

More than 500 companies worldwide are members of ETA.
www.electran.org

Ministry of Telecommunications & eCommerce (MTEC), Bermuda

The mission of MTEC is to foster a culture of technology excellence by "facilitating" the continued development, growth and advancement of technology, technology related business, opportunities skills and access, in keeping with the social agenda objectives of empowering Bermuda's economic growth, social fabric and economy, and enabling Bermuda to continue to be recognized as the prime technology offshore jurisdiction and centre for business technology excellence.
http://www.mtec.bm

To find out more please contact us. Or simply apply online.

TAB 27

Why is Panama the preferred offshore jurisdiction?

Starting and running your own offshore business or offshore project isn't easy. You may need specialist advice, such as help with legal and taxation issues or managing your finances. And you might want to talk about your ideas and problems with someone who understands the challenges you face.

When you come to the point where you have decided to incorporate a new offshore company, you shall next decide under which offshore jurisdiction you will want to operate your own offshore business. There are plenty of offshore jurisdictions and plenty of advices on Internet and in books covering the offshore subjects.

There are many things to consider in choosing the right offshore jurisdiction. For some residents of high taxation countries, the choice of the offshore jurisdiction can be critically important.

Further, there is **no general solution for everyone in choosing the offshore jurisdiction**. But for many, we want to present some of advantages and benefits in choosing Panama as offshore jurisdiction or domicile for your investment or offshore business.

Advantages of Panama as Offshore Jurisdiction

Panama is a free country. It is independent and sovereign state. Those facts make a big difference when your local taxation office begins to investigate the business you are running.

Panama has no information exchange agreements with other countries. That means that an official letter from the tax office in your country to any of Panamanian banks or government agencies, will fail to give the result. In most of cases, such a letter will remain **unanswered**. That is what is meant with **sovereign** country. Panama is independent and unlimited by any

other country, it has its own government and is not subject to another power.

Stability of an Offshore Jurisdiction

What do we mean with stability as offshore jurisdiction?

By *stability*, we want to stress the point of the quality or attribute of being firm and steadfast offshore jurisdiction in regards to its own corporate and banking laws.

What is that?

Let us take an example of a company incorporated in the USA or anywhere in the EU. Such a company DOES enjoin the great stability in regard to its own corporate laws. Any attorney, lawyer, government agency or creditor, must first *follow* the local corporate laws in order to sue the corporation or get any informations in regards to such a local company. Local government of the USA or almost anywhere in the Europe and in many other countries, will support and protect the local company by its own corporate or company laws. It will not allow the piercing of the corporate veil, nor it will recognize any evidence against the corporation brought in an illegal manner.

Such is the Republic of Panama in regards to its company and business entities laws. **But Panama laws give superior protection in comparison with USA or EU countries**.

Small offshore jurisdictions, advertising and promoting their confidentiality or their far away positions, cannot really and practically stand the pressure of high taxation countries. Such small jurisdictions have been created by wealthy and rich people and as soon as you have low profile you will have a nice strong protection from a small offshore jurisdiction. But if it comes to some real liability, what can happen to any company in the world, small and instable offshore jurisdiction **will not practically protect you as owner** and such small offshore jurisdiction **might even break its own laws of condfidentiality and corporate matters**.

Panama is a big and strong and stable offshore jurisdiction. When it comes to corporate liabilities, Panamanian corporate laws will stand with you and offer you practical solution and protection. Such protection will not be just *promoted protection* or *advertised protection* but it will be real and practical.

Oppositely, the small offshore jurisdiction will not be able to help you when it comes to real corporate liabilities. In order to save their *"tax haven"*, small offshore jurisdiction will reveal the beneficiary behind the corporation to anyone asking for it. Attorney or lawyer working for such small offshore jurisdiction, might even try to sue you in your own home country. We do not call that *piercing the corporate veil*. We call that **barbarity**.

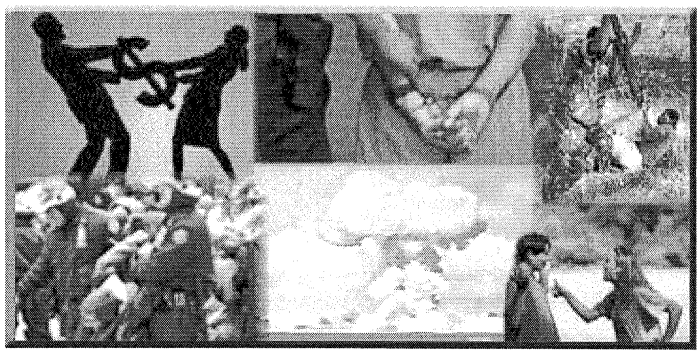
By using your Panamanian company and principles of **Thetaworld™ Knowledge**, you will gain the simple and stable tool for offshore investment and business which will stand pressure in the long run.

Corporate Advantages of Panama as Offshore Jurisdiction

Some well known corporate advantages of Panama as offshore jurisdiction are:

that both registered and **bearer shares** can be issued,
that shares of non-par value can be used,
that shareholders, directors or officers can be other entities or companies,
that shareholders, directors or officers can be of any nationality,
that shareholders can remain totally private and confidential,

that officers of the corporation can remain private and confidential,
that company name can be in any language,
that there is no exchange control in Panama.
that local currency is Balboa, equivalent to US dollar,
that no annual meetings must be held,
that meetings can be held anywhere in the world,
that corporate resolutions can be signed on different places and in different times,
that facsimiles of signatures or digital signatures are recognized,
that no accounts of the company need to be reported or filed with the government for offshore companies,
that there is no tax on income gained outside of Panama, or inside of Panama in regards to other companies,
that corporate veil cannot be pierced,
that shares (stock) of the corporation does not require paid in capital,
that consideration for shares can consist of services, goodwill or anything what directors deem to be enough,
that there are no restrictions of funds coming to Panama or going out of country,
that Panama has no mutual agreement treaties for sharing of the banking informations,
that Panama does not recognize court orders from other countries, unless in cases of drug smuggling and drug money laundering,
that Panama is business oriented country,
that Panama is based on the Roman law system,
that Panama has no military,
that Panama is home to the second largest international distribution and trade center, Free Trade Zone, the Colon Free Zone,
that Panama is well known and respected international trade and banking center,
that Panama has virtually zero inflation over the years,
that Panama is member of many Free Trade Agreements,
that Panama has been ranked as first in the Central and South America for low cost of living and operational cost of labor,
that Panama has the best risk-investments qualifications,
that Panama has strictest banking secrecy laws.



Google Custom Search

TAB 28

Marketing

Offshore
E-Commerce

Finding The Stairway to E-Commerce Heaven

by Andrea Wilson

When it comes to business simplification, where else in the world can you incorporate your business online, establish your banking relationships and early stage financing electronically, liaise with technology providers and web developers remotely, get connected to leading-edge international, multicurrency payment solutions providers and launch your e-business, all while sitting at home with your laptop? Many of the offshore jurisdictions in the Caribbean, including Anguilla, Bermuda, Barbados, Bahamas, Belize, Cayman, St. Lucia and the Netherlands Antilles have a full suite of electronic commerce solutions, advanced telecommunications services and e-banking systems ready and available for North American-based businesses to domicile their e-business in the Region. This, combined with recent e-commerce legislation and duty-free zones available in many of the countries, makes the Caribbean Region an extremely attractive place to start or re-locate a business.

How can moving my business offshore be legal?

This is a common question. If the appropriate corporate structures are in place, then an offshore e-commerce business can be set up with relative ease. In some countries the local government has established an online registration site to attract businesses and revenues directly to their jurisdiction. An example of this is in Anguilla where the government has established Anguilla's Commercial Online Registration Network or ACORN service (**http://www.anguillafsc.com**).

Why should I domicile my e-business offshore?

E-commerce businesses are the first generation of virtual or electronic companies that can really domicile their businesses "anywhere" in the world. A company is no longer restricted to start business in its home country as it has the flexibility to choose a jurisdiction that meets its corporate and tax objectives. This provides a greater opportunity to work with leading edge technology and payment solutions providers and with banks offering Internet banking services. Fifteen years ago businesses were required to have a physical or "brick and mortar" presence in these jurisdictions in order to take advantage of existing tax treaties with their home jurisdiction. In the Internet age, servers have replaced physical offices, legal and tax information is freely available through online resources and, thanks to new e-commerce legislation governing digital contracts and signatures in places like Bermuda, Barbados, Curacao, Cayman and the British Virgin Islands, corporations can be formed over the web in days instead of weeks.

What are the benefits of domiciling offshore?

Well, there are many, but let's start with the basic one tax. Clearly, careful tax planning is essential to ensure businesses are getting the biggest bang for their buck! Tax dollars saved means more dollars for marketing and growing the business. Tax neutral countries offer corporate tax, capital gains exemptions and sales tax exemptions (among others) to international businesses with a presence there. This is all legal and available for Internet businesses to leverage.

Duty Free Zones

Places such as Curacao, Belize and St. Lucia offer tax and duty exemptions to corporate

entities established within the zone. Many of the free zones provide an infrastructure that includes exemption from income, withholding, sales, dividend and capital gains taxes. DataPro (www.datapro.bz) of Belize has recently introduced a full end-to-end solution in the duty free zone located near the Belize International Airport in conjunction with Provident Bank & Trust Company (**www.providentbelize.com**).

Multicurrency and Multilingual E-commerce Solutions

"To effectively compete, US companies need truly global web sites available in multiple languages and able to handle international sales transactions involving local laws and currencies " states Lori Enos, feature writer for the E-commerce Times in an article entitled "English Only, a Mistake for US Sites." There are a few low-cost entry e-commerce solutions available to international businesses domiciled in the Caribbean that offer multicurrency and multilingual services in addition to secure hosting and site management. MegaNet Internet in Georgetown, Grand Cayman (www.meganetinternet.com), is a prime example. MegaNet's pricing includes a full end-to-end e-commerce solution, including easy to use store-builder software, domain name registration services, web site marketing and a secure, multicurrency payment solution starting at about $70 US per month. Bermuda-based First Atlantic Commerce Ltd and Australian-based software company 3D3.com, have introduced a full multicurrency and multilingual shopping cart solution which can be hosted at any ISP, providing retailers the ability to branch into the offshore marketplace at a very low entry price. Cost of the product is $299 USD.

Offshore Banking Services

The Caribbean Region is home to many of the world's leading financial institutions. The majority of banks in the LACR provide multicurrency solutions and online banking services to their e-business clients. Risk management and "know your customer" regulations are the governance of the business relationships with these clients and they stick to these policies.

Business Simplification

Likely the most underestimated benefit of locating offshore. The Caribbean market offers a world of simplification from establishing single multicurrency merchant accounts, to incorporating online, hosting with complete end-to-end technology providers, operating accounts through Internet banking and offering merchants the ability to domicile in a tax free environment.

What's the benefit to an ISO?

ISO's are the front line to many e-commerce merchants looking for a banking solution. Until recently international merchants reached into the US market to establish their e-commerce solution and either established a US presence or worked with a local agency under a master merchant arrangement at high discount rates. ISO's now have the opportunity to market complete international solutions to the mid to large size merchants who meet a certain profile or criteria, allowing ISOs to expand their range of services and grow their portfolios.

The Internet allows the world to compete on an even playing field that was not possible years ago. It brings people and businesses right to your electronic doorstep. If you have the right e-commerce solution, you can sell your digital goods or services to someone on the other side of the world in the blink of an eye, in the currency and language of the consumer's choice and choose to which jurisdiction you want the proceeds of that sale to be settled. Leveraging the services and expertise of Caribbean regional providers catapults the business months ahead of anyone attempting to piece a solution together from scratch. It's a small world which has just become that much smaller.

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In The News

3/1/2000

Merchant Accounts and Payment Systems for Offshore E-Commerce Businesses

By Jessica J. Howard, *Offshore Finance Canada (March/April 2000)*

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Launching a global e-commerce business may seem like a lucrative plan, but international Internet merchants need more than a product and a Web site for their efforts to pay off. But, as Peter Modir, vice president of business development at Actfit.com (ACTFF/NASDAQ), recently learned, finding a payment system to accommodate cross-border business needs can be a challenge. The Toronto-based public company spent several months finding and developing a payment system before launching virtual health club services last year.

Modir says Actfit.com wanted a conduct transaction in US dollars for its primarily American clientele, but found that Canadian credit card companies would not allow US dollars deposits. Although the company had the option of listing prices in US dollars and settling transactions in Canadian dollars, they did not want to subject clients to a fluctuating exchange rate and a currency exchange fee on their credit card bill.

But when Actfit.com approached US payment system companies, "no one knew how to deal with a Canadian company," says Modir. "Basically, we kept getting the runaround. They would say they could find a solution, but two weeks alter, they still didn't know how to do it."

After two months, the company found Planet Payment a New York City-based payment system company with operating subsidiaries in Bermuda, the British Virgin Islands and Ireland. Planet Payment has an agreement with the Bank of Bermuda that allows Planet Payment clients to choose transaction settlement in US and/or Canadian dollars. "The benefit of Planet Payment's service is that the customer pays his currency, while the merchant gets paid in his currency of choice," says Thomas DeLuca, the company's vice president. In the coming months, Planet Payment will offer transaction settlement in Hong Kong dollars, pounds sterling and euros.

Actfit.com is not the only Internet business to encounter such obstacles in getting an online business started. DeLuca says he began hearing about merchants' difficulties a few years ago as a lawyer with New York based Beck and Arad, an international law firm specializing in Internet business. He says the main problem is that credit card companies only allow merchant banks to do business with merchants incorporated in their jurisdiction. This means that a Canadian Internet business that wants to settle payment in US dollars would have to incorporate in the US, which would then expose them to US taxes.

Susan MacKeown, director of new product development at Visa Canada, confirms that Internet commerce is challenging Visa's traditional rules for merchants and merchant accounts. Visa generally requires merchants to have an account with a bank in the country in which their business conducted, which usually limits them to

that country's currency. The purpose of the policy is to avoid what Visa calls "cross-border acquiring" in order to protect local banks.

Due to the existence of cross-border mail order business, some Canadian banks make an exception for US currency, allowing merchant accounts in Canadian US dollars. Even if the bank is capable of settling transactions in the two currencies, it may reject an Internet merchant's request if the volume of US dollar transactions is not financially viable for the bank.

Given the example of a start-up Canadian Internet company that wants to open a US dollar account, without established American clientele, MacKeown says the chances of getting such an account would be slim.

At the moment, some e-commerce Web sites offer a currency converter that allows consumers to find out prices in their home currency, based on the exchange rate at the time. But the settlement is still done in the currency listed on the Web site, incurring a fee for currency conversion, which is not necessarily done at the rate the consumer based their purchase on.

A handful of companies like Planet Payment have emerged in response to Internet merchants outside the US who want to accept credit card payment. The firm's agreement with Bank of Bermuda, allows merchants incorporated elsewhere to get multi-currency accounts in Bermuda. David Lema, vice president of electronic banking at the Bank of Bermuda, says the bank spent a year trying to find a third party processor that could deal with multi-currency settlement before concluding that it would develop its own system in conjunction with Toronto-based Oasis Technologies. "Merchants can't call themselves international if they are only in one currency," says Lema. "We're creating the environment to attract a wider customer base."

Payment processors in the Latin American/Caribbean region that meet certain Visa requirements are also now able to provide US dollar settlement services to Internet businesses located elsewhere.

"Let's face it-the US dollar is the currency of the Internet, at least for now, so any merchant wanting to compete on the Web needs to offer their goods and services for sale in US dollars," says Andrea Wilson, senior vice president of First Atlantic Commerce Ltd., a Bermuda-based multi-currency payment system provider.

Wilson, a Canadian, also says their solution is useful for Internet merchants in countries like South Africa, where currency controls make foreign currency difficult to obtain. Establishing their merchant account offshore makes it possible for them to access US dollars and other currencies conveniently. As of February, Wilson says First Atlantic Commerce will be accepting credit cards in over 25 currencies, settling transactions initially in US dollars, and soon after settling in euros, Hong Kong dollars, Canadian dollars and pounds sterling.

Depending on how the Internet business is structured, it may also be able to take advantage of doing business in a low- or no-tax jurisdiction. Although Planet Payment and First Atlantic Commerce offer the ability of settling transactions offshore without being incorporated offshore, such a company structure does not necessarily offer tax advantages. "The tax advantage comes into play when the company is domiciled outside of North America and has their settlement to a bank in a tax-free or tax-neutral jurisdiction," says Wilson. For example, a Canadian merchant with both a Bermudian and Barbadian corporation can settle transactions through the Bermuda merchant account, then move the funds to Barbados, which has a tax treaty with Canada for subsidiaries of Canadian business. The company legitimately repatriates the funds back to Canada via the tax treaty and enjoys a lower tax rate. Wilson says this is a great answer for Canandian merchants who want an offshore solution.

Such payment system companies are some of the first to tackle the cross-border issues associated with Internet business. Although the Internet provides companies the opportunity to market globally, e-commerce

has so far been led by US merchants and consumers. But Internet consumers are becoming more international; research firm Jupiter Communications expects Europeans to make up 43%, or almost half of the online population by 2003. "The Internet has been driven by the US and they don't see other currencies as being that important," says Jon Allen, finance director at PDMS Advanced Systems, an isle of Man-based multi-currency payment processor. "But it won't be long before people in Spain want to pay in pesetas and people in France want to pay in francs. Web sites will be multilingual and display prices in multiple currencies."

DeLuca says Internet merchants have to "think global and act local," by selling globally, but making consumers feel as comfortable as they would in their neighborhood store. Allowing consumers to compare prices and buy in their home currency is one step towards streamlining the payment experience. Studies done by Jupiter Communications have found that the vast majority of Internet customers say they would buy more on line if they knew the total costs up front. Another Jupiter study found that more than a quarter of potential online buyers abandon their order before payment because of the number of online forms they have to complete. Along with currency issues, international payment system providers deal with other problems international e-merchants may encounter.

Why do Internet merchants need a payment processor?

Internet merchants need a payment processor to transmit and process the financial information from a merchant's Web site to the merchant's bank so that the merchant gets paid for their sales.

The payment processor starts the initiation request, carries out several fraud detection tests and then sends an approval or decline to the merchant, who can decide whether to proceed with the transaction.

Merchants have the option of building their own intermediary, says Andrea Wislon, senior vice president of First Atlantic Commerce, but it is very expensive and time-consuming. They can also buy off-the-shelf software "which offers little flexibility, and is usually developed for North American merchants that have compliance rules that do not apply internationally," she says. Aside from large merchants like Dell, who can afford to build their own payment processing system, most e-merchants opt for payment gateway processor, says Wislon.

Getting approval for a merchant account

Credit cards are the most0used method of payment online consumers, with 70% using Visa, followed by MasterCard, American Express and Discover card, according to a survey of American Internet users by Cyber Dialogue. For merchants to be able to accept credit cards, they have to obtain a merchant account. This may be particularly difficult for merchants incorporated offshore, because the information required by traditional merchant banks-names of beneficial owners, officers and directors-doesn't necessarily have the same meaning as it does for onshore businesses, says Jon Allen.

Added transaction risk

No matter where the merchant is incorporated, added risk is associated with online credit card, or "card not present" transactions. Online transactions fall into the same category as mail order or telephone sales, because there is less certainty the credit card actually belongs to the person using it. "on the Internet, you can potentially do millions of transaction in minutes, so the opportunity for fraud is much greater," says Allen.

Credit card holders typically have up to six months to contest or chargeback something on their bill, and the burden of proof is on the merchant. For start-up Internet companies, even a few fraudulent transactions could mean financial ruin. Allen says PDMS works by issuing sub-merchant accounts, so they maintain physical control of the money. "Banks aren't interested in such active participation," says Allen.

As well as providing online companies with merchants accounts, payment processors provide fraud and risk detection software. When and Internet purchase is made, the cardholder's information is verified in several ways for authenticity. One way to make sure the transaction is legitimate is through an address verification

system (AVS), which requires the numeric portion of the cardholder's address and their zip code. But AVS is only available for purchases made by American cardholder's, because it is based on the US postal code system. International payment processors have devised software that looks for other fraudulent flags and alerts the merchants if transactions appear suspicious; the merchant then has the option of accepting or rejecting the transaction.

Alberto Espana, vice president of merchant relations for Visa in the Latin/American/Caribbean region, says the eventual solution to international credit card verification will be the widespread adoption of a technical standard called SET (Secure Electronic Transactions). Visa, MasterCard and several other companies have been working on this system for the past few years, which will give the cardholder a certificate confirming that they are true cardholder. Visa has already implemented SET in Brazil and Peru. It is also in use in Asia and Europe, but it is not widely used in the US.

Critics question whether the implementation of SET is feasible, because it would require a bank to issue SET compliant credit cards to all their cardholders and give SET certificates to their merchants. Even without this system, Espana says that the chargeback rate for e-commerce is only slightly higher than the 0.1% rate found in traditional commerce.

Given the apparently small number of chargebacks, developing higher security may be more of a building consumer confidence issue than dealing with the risk of fraud. A Deloitte and Touche survey released in December 1999 found that almost three quarters of Canadian Internet users are concerned about online security and privacy protection, and say these fears prevent them from shopping on the Internet. Such uncertainty is a reminder that consumers-the people who really shape e-commerce-are just getting used to this new phenomenon.

Making International e-commerce a reality will take more than just ironing out cross-border payment issues, at least in terms of retail business. If the past holiday shopping season was any indication, customer service and product delivery remain major obstacles. And who knows, as domestic online stores proliferate, consumers may still prefer to buy goods and services from merchants they are familiar with.