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Welcome

Welcome to the first edition of the FEXCO Merchant Services Newsletter. We aim to publish this communication twice a year to provide you with product news, service updates and meaningful tourist statistics. FEXCO Merchant Services (FMS) provide Dynamic Currency Conversion (DCC), Tourist Tax Refunding (Global Refund) and Gift Card services to merchants throughout Ireland.

We are the market leaders in the provision of DCC services worldwide, offering DCC in the Travel and Entertainment industry in Ireland, the UK, USA, Australia, France, Netherlands, Switzerland and Germany with more countries coming on board later this year.

FMS also offers a Tax-Free Shopping service in Ireland through a franchise arrangement with Global Refund. It is the only tax refund service offering cash refunds to your customers at our airport locations. Global Refund is the leader in Tax Refunding worldwide, offering their service in 37 countries and serving over 30,000 customers every day.

With the increasing interest in gift cards, FMS now offers a gift card service to our existing customers. Electronic gift cards are not only an attractive alternative to traditional gift vouchers, they have also been proven to increase revenue, create customer loyalty and improve operational efficiencies.

FMS aims to bring you value-added services to enhance your customers' experience - whether you have a single shop or a chain of hotels, we can tailor our service and systems to suit your needs.

We provide:

- :: On-line and one-to-one training for your sales staff
- :: On-line reporting for your finance team
- :: User-friendly and reliable systems
- :: A dedicated account manager
- :: A well-trained Helpdesk team, available to assist you with any query you or your staff may have

Last year was a record year for Irish tourism, particularly with record numbers of total visitors and tourism earnings achieved. Against this backdrop, we have produced the first in a series of Irish tourist trend analyses, called the FEXCO Tourism Index. Drawing on our tourism expertise from a number of FEXCO group businesses, including DCC, Global Refund, FEXCO AllTravel and Bureau de Change, the Index's aim is to help inform you by focusing on key tourist trends.

We hope you enjoy this first issue and we will be delighted with any feedback. Please let us know if you would like us to focus on a particular issue or topic in a future edition.



Dermot O'Shea
Director

FEXCO Dynamic Currency Conversion

Advantages of FEXCO DCC Settlement Model - Single Settlement to Merchants

FEXCO DCC has tailored a settlement solution, in conjunction with AIB (our Acquiring Partner), which is geared towards providing the settlement format that best suits the Irish market. Although Amex and Diners will always be settled directly, the FEXCO DCC solution ensures our merchants benefit from a single settlement for VISA, Mastercard and Laser (both domestic currency and DCC).

This may seem like a small development. However, having reviewed the pros and cons with several of our valued clients they all agree that single settlement decreases the time taken to complete their credit card reconciliations AND reduces the system complexity needed to manage their settlement bank accounts.

A secondary benefit of the FEXCO DCC solution is that we can settle each account 'By Card Type'. This splits out the individual values of the card types included in any one day process. This can be either a single settlement per card type per terminal or amalgamated, whichever suits the merchants needs. We can also settle by Merchant ID where the account is credited with a single amount for all card types or by Terminal ID where each terminal is lodged separately with its own unique narrative.

Although 73% of our merchants are settled 'By Batch – By Terminal', the others who support more challenging reconciliation systems are delighted with their ability to pick and choose from a number of tailored settlement options that assist them with this critical part of their process.

The alternative solution currently prevalent in the marketplace with other service providers is a 'Dual Settlement Model' where the 'VISA / Mastercard DCC' is settled separately from the 'VISA / Mastercard domestic' and 'Laser'. It does not usually support settlement by Terminal ID and has been a hard pill to swallow in the Irish marketplace. It has added extra layers of complexity. Although this solution may suit some merchant needs, the impact on your reconciliation process should not be underestimated.

The feedback we are getting from merchants, who are aware of both versions, is that the FEXCO DCC option is a winner.

GPRS Mobile Terminal

FEXCO Merchant Services is pleased to announce its new mobile payment terminal offering, the Verifone Vx610. Delivering a reliable high-speed performance, it allows transactions to be processed just about anywhere, at any time. In the new Chip & PIN environment, this is the ideal solution for restaurant owners, as it allows payment at table, where the cardholder never loses sight of his/her card. With its GPRS technology, the transaction can be completed at the table in a matter of seconds. Typical authorisation times are 6 seconds on average (compared to 30 seconds + for fixed-line authorisations). There is no requirement for a telephone line and because GPRS uses an 'always-on' connection, the transaction costs are lower. You will only be charged for the amount of data transferred. These data costs are usually bundled with the monthly rental cost of the SIM card, so in reality transaction costs are minimal. The Vx610's battery-powered, all-in-one design totally eliminates the need for cords, giving you more mobility and hassle-free performance than ever before. It has a dual Swipe/Chip card reader, so there is no need for any external PIN-Pads, thus saving on counter-top space. The Vx610 also incorporates the latest protections against fraud and tampering. (Mobile units are subject to monthly rental).

Note: As with mobile phones, the Vx610 will only operate in areas where there is good network* coverage. *O2 only.

Note: The Vodafone GSM solution is available where O2 coverage is poor or non-existent. GSM tariffs differ from GPRS.

Mercury Reporting On-Line

Many of you are already using the FMS Mercury On-line Reporting system and will be aware of the great benefits it brings to your business.

The reporting tool enables direct access to your transaction data on a daily basis, allowing you to view and report the following:

- :: Transactions batched from your terminal or epos system
- :: Transactions processed for payment by card type, i.e. VISA, MasterCard, Amex, Diners and Laser
- :: Transactions carried out in Euro
- :: Transactions carried out in foreign currency
- :: Commissions earned
- :: Hit Rate management information
- :: Card Search – key in a credit card number and the system will tell you what batch it was processed in, date, value etc.
- :: Bulletin board – giving you up to-date news

If you are interested in using Mercury – all you need to do is contact the Helpdesk or your account manager. We will then provide you with a unique log-in and password allowing you to access your data.

Best Rate Guarantee Programme

FEXCO provides rates of exchange that are competitive and comparable with those used by VISA and MasterCard. We are so confident that your customers will not get a better deal elsewhere that we are prepared to guarantee the rate provided. We have developed point of sale material (see right) that can be used by you to promote this programme and to build customer confidence at your sales desk. Should you require a stock of leaflets / tent cards, please contact your account manager or call the Helpdesk.



Be Alert - Look Out For Fraudsters

FEXCO or AIB will never telephone your Front of House staff or your Sales staff requesting Card information. Do not allow anybody to interfere with your PoS terminal/Pin Pad. FEXCO employs Torex Retail Systems / PoS Systems to provide technical support. From time to time an engineer from this company will visit your store. This will be with the prior approval of FEXCO. Generally the visit will be in response to a call you made to our Helpdesk for technical support or to assist FEXCO with a software upgrade. If you have any doubts about the credentials of the visitor - please contact the Helpdesk before you allow access to the terminal and your transaction data.

Hotel No-show Transactions and Card Verification Value 2 (CVV2 Code)

Under Visa and MasterCard Operating Regulations, a hotel merchant may charge a cardholder for a 'no-show' transaction of one night of lodging services when the cardholder fails to fulfil or properly cancel a reservation that was secured by a credit card. No-show transactions are processed as card-not-present transactions. In normal circumstances, card-not-present transactions require a CVV2 code (i.e. 3-digit code printed on the back of credit cards). However, Visa and MasterCard data security rules prohibit merchants from storing the CVV2 code in anticipation of a future transaction. Therefore, hotel merchants must not request the CVV2 code when accepting card details as guarantee for a reservation. Contact AIB Credit Card Centre for additional terms and conditions associated with the Hotel Guarantee Reservation Service.

FEXCO Gift Card

Gift cards have become enormously popular among consumers offering greater flexibility and convenience. For merchants, a gift card programme can help you achieve greater sales volume whilst increasing brand awareness and creating customer loyalty.

The FEXCO Gift Card is a value-added service enabled on the Verifone PoS terminal. The service is supported by on-line reporting, allowing you to track cards sold and redeemed. The minimum order of cards and carriers on start-up is 1000 of each.

Choosing the right design and packaging for your gift card programme is essential. We will advise you on the range of design options available through our design partners. We have sourced a number of

companies that provide some wonderful packaging ideas – ask your account manager to provide you with some unique ideas.



If you are interested in offering the FEXCO Gift Card, please contact your account manager for more information.

REMINDER - Please check your stock of gift cards now. Orders for Christmas must be ordered by the end of September at the latest. Card orders will take six weeks for production and delivery after art work has been signed off.

FEXCO Tourism Information

Fáilte Ireland characterised last year as a record year for tourism. It marked a fifth consecutive year of tourism growth for the country, where overseas visitors increased by 9%, and records were achieved for total visitors and tourism earnings.

This is the backdrop against which FEXCO presents its first Tourism Index, a regular analysis of Irish tourist trends. Using our tourism expertise through feedback from our DCC, FEXCO AllTravel, Global Refund and Bureau de Change businesses, we aim to produce meaningful insights that can help you and your business. In this issue we look at some highlights for 2006.

The continuing importance of UK and US visitors and spend was a key trend for the year. DCC foreign spend (VISA and Mastercard) clearly indicated the extent to which Sterling and US dollar cardholders predominated, by accounting for 58% and 28% respectively of the total foreign spend. (See diagram 1)

This dovetailed with the Bureau de Change experience through their hotel and tourist retail outlets. Sterling and US dollar turnover from inbound tourists in these bureaux was 60% and 30% respectively of overall turnover.

Spending patterns showed that the average Sterling cardholder DCC transaction value was €147 compared with €136 for the US dollar average.

Elsewhere, cardholders from Canada, Australia and Switzerland were the next highest DCC spenders with a combined 5% share of total spend.

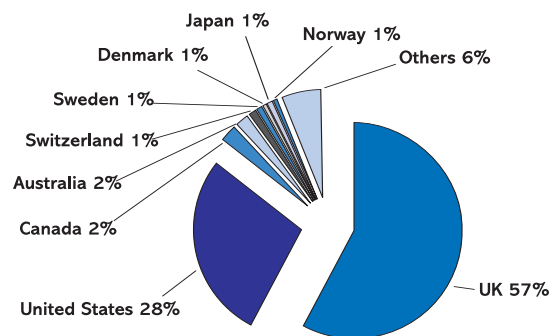
Looking at the tourists themselves, we saw that almost 140,000 tourism bookings, valued at more than €27.1 million, were made in 2006 through FEXCO AllTravel. These consisted of Gulliver bookings online, in Tourist Offices and using its Call Centre. It equated to bookings for almost 340,000 people or nearly 735,000 bednights. The average booking spend of visitors and holidaymakers was €197.

Interestingly, Gulliver's source of tourists has changed significantly since the beginning of the decade. Domestic holidaymakers were our most popular source of bookings last year with a 32% share compared with 19% in 2000. Irish people are now taking more holiday breaks at home.

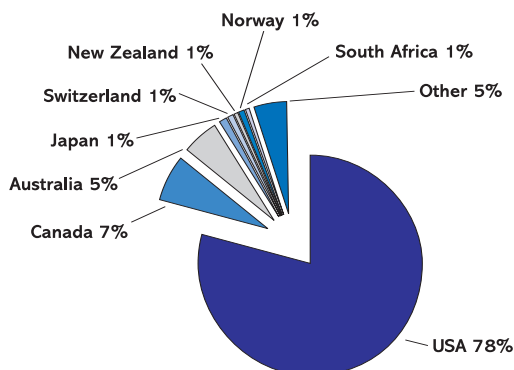
While UK visitors were our most popular tourist source in 2000 (28%), peaking at 33% in 2003, this fell to 23% in 2006. US visitors have accounted for between 14% and 21% of bookings during the period. Tourists from Australia, Canada, France, Germany, Italy and Spain have consistently followed these top three tourist sources since the beginning of the decade.

The diagrams (2&3 below) from Global Refund show a country-by-country analysis of non-EU inbound visitors to Ireland last year. This was led by US (78%), Canadian (7%) and Australian (5%) tourists. They were followed by visitors from Switzerland, South Africa, New Zealand, Japan and Norway. The tourist VAT refunding (% Spend by those inbound tourists) was dominated by US visitors with a 67% share. Next in line again were Canadian and Australian visitors.

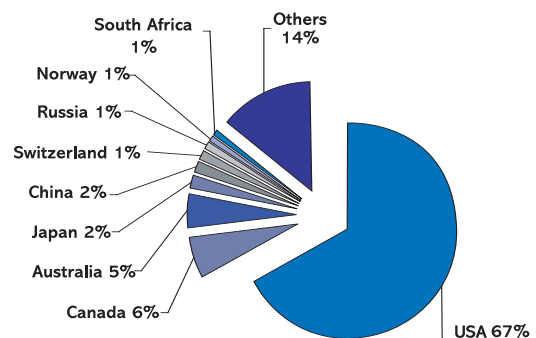
DCC Visa / Mastercard Foreign Card Spend 2006 (Diagram 1)



Global Refund Tax-Free Shopping - Inbound Visitors to Ireland 2006 (Diagram 2)



Global Refund Tax-Free Shopping - Country Breakdown by spend 2006 (Diagram 3)



Global Refund - Tax Free Shopping

Global Refund is the leader in Tax Refunding worldwide. Operating in over 37 countries through 230,000 retail outlets around the globe, more than 30,000 customers avail of the service every day. Through our airport locations in Dublin Airport (Pier C) and Shannon Airport (Departures), Global Refund customers can obtain a cash refund on departure - we are the only tax refund company that offers this service in Ireland.

We have some exciting competitions running until the end of the year for retailers and customers. Please ensure that you have all the necessary details to be in with a chance to win some fantastic prizes.

Retailer Competition

Those of you providing VAT refunding services will by now have received a poster(s) giving you details of our Retailer Competition. You or your staff could win some fabulous prizes, just by ensuring that every eligible foreign customer is given a Global Refund voucher. Ensure that the poster is placed in a prominent place – we suggest your canteen or coffee area. If you have not received a poster or would like more, please contact Eithne on 091-553-258.



Customer Competition

We are also running a customer promotion to help boost your in-store sales. You will have received details of our consumer competition by now: customers who spend €225 or more (combined vouchers) have a chance to win some beautiful Waterford Crystal. All of our advertising over the next few months will carry the following advert.



REMINDER to those of you offering VAT Off refunds, please send in your transactions to us at least once a week to ensure you receive settlement for the VAT element of the transaction in a timely fashion.





:: merchant services ::

Contact Us - Useful Telephone Numbers

FEXCO DCC Helpdesk:.....1800 402 123

Opening Hours: Monday to Sunday 8am to 9pm.
Week days: All Administration and Technical Queries.
Evening and Weekends: Technical Queries only.

AIB Authorisation Centre:01 269 7700

Requests for voice authorisation.
Any problems experienced in receiving authorisation.

Global Refund - Tax-Free Shopping

Head Office:091 553 258

For any issue relating to
Tourist VAT Refunding services.

AMEX:.....1800 626 500

For any issue with your
AMEX account and settlement of funds.

Diners:.....1800 709 944

For any issue with your
Diners account and settlement of funds.

Contact Your Account Manager

DCC / VAT Refunding / Gift Card Sales and Account Management Team

Elaine Boland - Sales Manager:.....087 242 9947

Bridget O'Keeffe - Dublin:.....087 222 2495

Naomi O'Connor - Dublin:087 985 2806

Breda Fahy - North West:.....087 272 5827

Eamonn Hughes - West:.....087 121 4947

Fionnuala Somers - Dublin:.....087 410 7986

Yvonne O'Reilly - Kerry / Limerick:.....087 232 8759

Marie Lehane - Cork/Waterford/Wexford/Tipperary:.....087 268 8651

Nicola Walsh - Dublin North / NI:086 834 5481