

Brazilian Voucher System Goes Electronic

Smart.Net implements EBT using Hypercom ICE terminals and software

The Challenge

It is common in Brazil for employers to distribute both payroll and voucher benefits to their employees. Under the current system, fulltime employees receive a specific number of food, meal and transportation or gas vouchers every payday. These benefits are carefully defined by the federal government program, "PAT - Programa de Alimentação do Trabalhador," or the Employee Food Supply Aid Program, and are predicated on variables such as the number of days worked and the individual employee's profile.

For most companies, the voucher system is paper-based, requiring considerable Human Resources personnel. It is not uncommon on payday to see long lines at the Human Resources desk, especially with lower income employees where voucher benefits represent a large part of their total compensation.

In addition to wages, employees receive a voucher package for which they must verify amounts and sign an acceptance receipt. Vouchers are redeemable at stores, restaurants, gas stations and transportation providers. By law, merchants cannot provide cash

back for amounts not spent, so users either spend exactly the voucher face value or receive a credit to be spent at that particular store on the next visit. Merchants retain the same-as-cash vouchers until their scheduled delivery date to the voucher-issuing company when they receive reimbursement. Because vouchers have a cash value for goods other than those specified, they are accepted at numerous unauthorized locations. This "parallel currency" is causing pressure by the government to establish new processes that prevent the use of vouchers outside their intended social objectives.

The Solution

VR, Ltda. is the largest voucher-issuing and collecting company in Brazil. It provides vouchers for about 20 thousand companies whose two million employees use them at more than 100 thousand locations and conduct more than 500 million transactions per year. Obviously, VR prints a considerable number of vouchers every month, using costly watermarked paper to help reduce fraud. Payday distribution to client companies requires armored security. Due to pressure from the government, VR is in the process of automating its requisition, authorization, loading, consumption, logging and processing procedures.

The strategy for accomplishing this automation is to create a wholly owned subsidiary, Smart.Net, implementing an electronic benefits transfer (EBT) system. Smart.Net will become the merchant acquirer as well as the card issuer. The new company will support both offline consumption transactions, for example, meal vouchers used from 11 am through 2 pm, as well as online transactions like credit requests and card loading at merchant sites. The solution itself is comprised of:

- Issuance of debit cards in a variety of technologies-MIFARE™ contactless smart cards, MPCOS™ smart cards and magnetic stripe cards
- Placement of Hypercom® ICE™ 5000 and 5500 MIFARE terminals at merchant locations
- Issuer-defined card-loading terminals



ICE 5500 terminal (on swivel)
with D8 data entry pad



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Merchant terminals can conduct up to 47 types of transactions including balance verification, load value, consumption, reports and registration. The merchant network infrastructure is connected to a central site via Hypercom IEN frame relay technology where transactions are received, authorized and stored in an Oracle database.

Hypercom ICE 5000 and 5500 MIFARE terminals are ideal for Smart.Net's Electronic Voucher Cards program because of Hypercom's unique benefits:

- ❑ Turnkey Solution—Hypercom delivers the terminals, applications, acquiring network, host applications, terminal deployment, training and maintenance.
- ❑ Advertising Messaging—ICE terminals can display advertising and promotional messages on both the touch-screen terminal and sales receipt to encourage new services.
- ❑ Security—ICE 5000 and 5500 terminals include internal, secure PIN pads that encrypt data and can be swiveled to face customers so they can enter their PIN numbers, thus eliminating additional peripheral devices.

The Result

The Smart.Net system represents a new approach to the voucher program in Brazil. Its deployment, coupled with VR's Human Services portal, positions the company to provide comprehensive automated services and products to their customers. The numerous benefits for issuers, client companies and merchants include:

Issuer benefits:

- ❑ Eliminates printing, distribution and collection of vouchers
- ❑ Eliminates need to process and destroy used vouchers
- ❑ Eliminates the risk of theft during distribution
- ❑ Easily tracks transactions and amounts unused to date
- ❑ Better retention of client companies
- ❑ Prevents unlawful use of vouchers
- ❑ Satisfies government demands for eliminating a parallel currency

Client company benefits:

- ❑ Easier control of amounts dispensed to and loaded by employees
- ❑ Shorter lines at payday through more frequent card loading points, either internal or external to the company
- ❑ Increased employee satisfaction
- ❑ Reduced risk of theft from employees

❑ Eliminates need to process unclaimed vouchers

Merchant benefits:

- ❑ Eliminates storage of same-as-cash vouchers until scheduled deposit dates
- ❑ Virtually eliminates voucher fraud
- ❑ Automated transaction processing decreases the probability of errors
- ❑ Can use system to implement loyalty programs

User benefits:

- ❑ Eliminates need to carry vouchers in addition to other monies
- ❑ A single smart card can be used at all merchants
- ❑ Lost or stolen cards do not represent loss of stored values
- ❑ Eliminates need to spend a fixed amount

For Hypercom solutions to your electronic benefits transfer needs for your state or government entity, contact info@hypercom.com or your regional Hypercom office.

**WORLD HEADQUARTERS/
NORTH AMERICA**

Hypercom Corporation
2851 W. Kathleen Road
Phoenix, Arizona 85053
USA

TEL: +1.602.504.5000
FAX: +1.602.504.4578

LATIN AMERICA

Hypercom Latin America
Rua Joaquim Floriano 72
16° andar Cj161
04534-000 ItaimBibi
São Paulo, Brazil

TEL: +55.11.3365.2600
FAX: +55.11.3365.2610

ASIA/PACIFIC RIM

Hypercom Asia Ltd.
21/F Metro Centre II
21 Lam Hing Street
Kowloon Bay
Hong Kong

TEL: +852.2561.6800
FAX: +852.2561.5890

**EUROPE, MIDDLE EAST,
AFRICA**

Hypercom Europe Ltd.
Unit 2, Woking Eight
Forsyth Road
Woking, GU21 5SB
United Kingdom

TEL: +44.1.483.718600
FAX: +44.1.483.718601



www.hypercom.com
1.877.840.9820

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Headquartered in Phoenix, Arizona, Hypercom maintains an installed base of more than 4 million card payment terminals which operate in over 100 countries and conduct more than 2.85 billion transactions annually.