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Interview with Clay Wilkes, CEO, Galileo Processing



What Processing in the Cloud Can Do for Prepaid



Much buzz is swirling around the “cloud.” This virtual computing environment is shown in one Microsoft commercial as a fix for a mom who needs to create a perfect family photo of her unruly tribe—all made simpler when she goes “to the cloud.” In another, delayed airline passengers use the “cloud” to watch a DVR saved to their home computer using their laptops. But what does the “cloud” mean for business? A recent Bloomberg Businessweek cover claims that cloud computing “will save your company millions.” And last month, Galileo Processing announced the availability of its Cloud Computing Environment ([Paybefore March 3, 2011](#)), which, it says, will enable its clients to exert more control over their processing environments. Paybefore sat down with CEO Clay Wilkes to find out what “the cloud” could mean for prepaid.

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Paybefore: Why did you launch Galileo Cloud Processing? What benefit does it have over traditional processing?

Clay Wilkes: It might be helpful to back up and talk about what cloud is because it’s certainly getting a lot of headline press. An easy way to think about cloud is to use the example of Gmail. In this case, you have an email service that lives somewhere out in the network—in the cloud—and you have an application to access that service on your desktop or handheld device. If you were to extend that concept a little bit, you might have a data center that’s providing processing services and an

application that, rather than sitting on your handheld or desktop, lives in your data center. The one is accessing the other via an API or application programming interface.

Paybefore: How does that translate to what you do as a prepaid processor?

CW: We’ve already been offering what we believe to be the leading platform in the industry, including accessing that platform over our Web services or our APIs. With Galileo Cloud Processing (GCP), we’re trying to do a number of additional things. First, enhance security and stability. We have a great

graphic for beginning to understand this (See Fig. 1 on next page). If you look at this graphic, you’ve got a shared code base that exists to support all of our clients. Then, you have client-specific code, which represents a unique or specific application that Client A needs on the platform.

What we’re delivering with GCP is a dedicated virtual environment for each client by basically putting a virtual wrapper around each, which gives it a private area within which all of its services are executed.

The result is, you don’t have the unintended consequences of something you’re doing for Client A impacting Client B or vice versa. That’s the first big security and stability advantage when you move beyond the API and the accessibility of the platform. But, you must have the underlying services and you must have the accessibility or it isn’t really cloud.

Paybefore: So you’ve moved your platform “to the cloud” to enable your clients to access it in a way they couldn’t before? How is the integration different?

CW: From the client perspective, the integration is going to be identical. They will use the extensive services available via the API. They also could take advantage of the other benefits of GCP without using the API, for

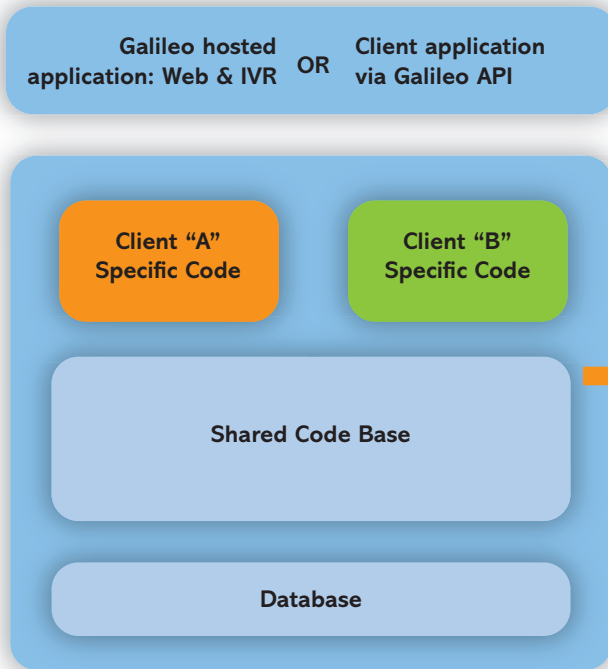
example, if they are looking for increased control, increased security and stability or increased profitability.

I think it's important to note that GCP happens in a dedicated and private environment, so from a systems

model, those expenses are accounted for as operating expenses of a client. Software license arrangements may provide the client with the ability to account for the license as a capital asset, which would change the expense

environment. As I mentioned before, there is no more shared code across clients. In addition, GCP offers an even more advanced application development environment than we offered previously. This gives our

Typical Environment



Cloud Environment

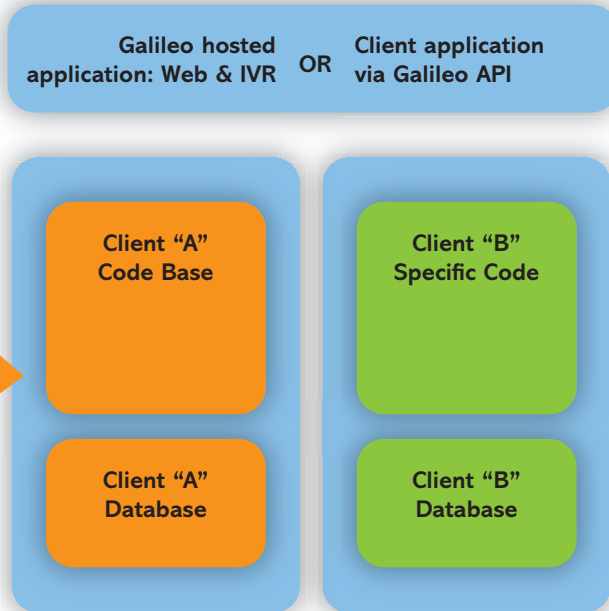


Figure 1.

and network perspective the client is accessing these services in a private, secure way. I don't want to equate GCP with the public Internet.

Paybefore: How do you charge for GCP? Is it the same per-transaction fee model that you use in a traditional platform?

CW: In addition to making our platform available through a typical transaction model, we're also offering a software licensing model that offers clients additional benefits, including the ability to capitalize the software license.

Paybefore: What do you mean by capitalizing it?

CW: In a traditional transaction-fee

line from operating to depreciation, thereby enhancing EBITDA. If you wanted to distill this down, it allows you, as the client, to essentially own [the platform] and control it.

Paybefore: Wouldn't this be true in a traditional software licensing arrangement? It's not really related to cloud, or is it?

CW: Most processors today are providing a transaction-based model—a particular click or event, like an authorization, happens and the client gets charged for it.

Coupling the dedicated virtual environment with the licensing option is one important aspect of what we're doing, but GCP goes beyond that. It gives clients more control over their

clients the ability to develop applications that solve their specific business logic needs.

Paybefore: When you talk about security, are you mainly talking about being protected from unintended consequences from other clients on the platform or do you mean data security?

CW: Both are enhanced in this environment.

Paybefore: How is data security enhanced by the cloud?

CW: One of the things you end up with, by putting this virtual wrapper around each client's environment, is that the information, the code, the data and the access are restricted to

that particular environment. In general, this decreases risk.

And, it's still hosted in our data centers, which are very secure. They are hardened and we're PCI compliant. Each of those environments is just as secure as what we always have provided.

Paybefore: Do your clients “get” the cloud? Are they concerned about the security of the cloud environment?

CW: They understand it. They get it. This evolution is an enormous technical step forward in our industry. We believe that what GCP is offering is a very important distinction to what's currently available. What we're really doing is providing a more stable, more secure environment; a richer, advanced application environment and increased control.

Paybefore: Do you expect most of your clients to move to the cloud?

CW: We anticipate moving the majority of our clients to the cloud, but we'll still offer our traditional

transactional model for those who want it.

Paybefore: Are there any programs operating in the cloud today? How many do you expect to have up and running this year?

CW: We don't have clients implemented in the cloud today, although it's available for implementation. I can't put a number or percentage to it, but we expect to have a significant number of clients executing in this environment through the second and third quarters.

Paybefore: Will this kind of technological advancement prompt banks that haven't been interested in prepaid to take another look because it improves the economics?

CW: I don't know that this is a market-pull type of technology, but it's certainly an enhancing idea. For those who have had an interest in prepaid, this strengthens the offering quite a bit. We think it's especially useful for national and regional banks looking for

a quick implementation but desiring a full range of prepaid products, such as consumer reloadable, travel, payroll and gift.

Paybefore: Do you expect that other processors will go “to the cloud” as well?

CW: I think it's possible. It's certainly a direction, from a technological perspective, that makes an awful lot of sense.

Paybefore: What is the most important thing Paybefore readers should know about cloud processing?

CW: Cloud processing is really the next evolution in providing features and functionality in the most secure, stable and flexible way. For all those involved in delivering prepaid solutions who are looking for smart innovations that help them reach profitability goals and delight clients and cardholders, we're confident Galileo Cloud Processing is the answer. 