

ELEPHANT DANCE: VALIDSOFT AND VISA

It's Thanksgiving Day tomorrow and Elephant Talk Communications' (ETAK) shareholders have been given something for which they can be thankful!

Elephant's ValidSoft subsidiary sealed the long-awaited transformational deal with Visa Europe, which will be integrating ValidSoft's fraud-prevention solutions and marketing them as services to its member banks as part of its European processing platform.

Visa Europe is the European payment system for the Visa brand, wholly owned, controlled and operated by more than 4,000 members — banks and other payment service providers, from 36 countries across Europe.

The agreement between ValidSoft and Visa Europe was announced yesterday in an understated press release issued by Visa Europe, so the news is in the public domain. However, Elephant Talk did not issue an announcement in the U.S. and will likely only file an 8-K next week with few details.

The reason should be obvious. This business is sensitive stuff and Visa and other global financial organizations gain nothing by flagging their latest advanced security solutions. Still, I was impressed the release not only summarized ValidSoft's solutions, but referred to Elephant Talk and listed its OTC Bulletin Board stock symbol.

The release also quoted Visa Europe's chief information officer: "Security is fundamental to Visa Europe's business and we feel that the solutions offered by ValidSoft can help us in our continuous efforts to address the increasingly sophisticated methods used by criminals."

Visa Europe, Then the World

It's impossible to stress just how pivotal this agreement is for ValidSoft and Elephant Talk. It represents the first one with major financial institution and I believe it will be the cornerstone for many more, including with Visa worldwide and other credit card companies and banks.

ValidSoft's solutions for electronic fraud tackle the single biggest problem for financial institutions and it does it far better than any of the competition.

Electronic fraud is a delicate subject and one that the world's big banks do not like to advertise. When you look at the numbers below you'll better understand the massive losses and costs banks are compelled to recover through their creative and inventive bank and credit card charges:

Card-not-present fraud cost the U.S. financial industry a whopping \$52 billion in 2008!

Card-present credit and debit card cost fraud cost the U.S. financial services industry another whopping \$50 billion in 2008!

Internet banking fraud cost the U.S. financial services industry \$15 billion in 2008.

Telephone fraud cost the U.S. financial services industry \$15 billion in 2008.

The above numbers total a staggering \$132 billion in one year, but without a new and effective solution to this problem market research firm, Gartner, predicts that the cost of card fraud to the industry will increase threefold during the next three to five years.

ValidSoft's Breakthrough

Earlier this year, ValidSoft was awarded the EU Privacy Seal. The EU has the most stringent rules in the world for certifying IT products and privacy compliance -- and ValidSoft remains the only company of its kind to earn the distinction of having the EU Privacy Seal.

VALid-POS, ValidSoft's breakthrough fraud prevention solution, uses technology that accesses the global mobile phone network to confirm, in real time, whether a cardholder's mobile phone is within the proximity of the ATM or merchant terminal at which the card is being used. This minimizes the number of inappropriately declined cross-border transactions and, subsequently, improves fraud discovery rates.

For companies like Visa Europe and its network of card issuers, the result is reduced case-management processing costs, reduced fraud levels and, critically, a greatly improved customer experience with legitimate transactions approved within one second.

VALid is a telecommunications based (voice and SMS) solution that uses two separate channels designed specifically for combating the most advanced fraudulent techniques such as "man-in-the-middle" and "man-in-the-browser," along with the more traditional attack vectors. VALid integrates with VALid-POS where additional location based information is required for authentication, or where automated resolution is necessary.

What the industry refers to as "man-in-the-middle" and "man-in-the-browser" attacks can't be stopped by antivirus and anti-hacking technologies. And the currently applied solutions are expensive, risky and require high administrative commitment. ValidSoft changes all of that.

Microcap Mania

As I discussed earlier, it's only in the microsphere where we can find a company like Elephant Talk, still trading on the OTC Bulletin Board, that has all the ingredients to rapidly scale to a \$1 billion-a-year revenue producer. ETAK is in the process of upgrading its stock listing, but the share price will continue to trend higher regardless of where it trades!

I am raising our Buy Under to \$3 and urge you to take a healthy position if you haven't already done so. If you have to reach a little higher than \$3, don't sweat it.

Joshua Levine