

Payments 2009 Still Shines as Industry's Premiere Event

Opportunity Trumps Challenge at NACHA's Annual Conference

Looking back at PAYMENTS conferences, there's a temptation to pigeonhole the content into a single theme. In years past, this was probably appropriate. "It's all about change;" or "the focus is on risk." But although these topics were certainly present at PAYMENTS 2009, they did not capture the 2.5 days of intense payments industry content.

If a theme could be applied, it would have to include the opposing forces of challenge and opportunity. The consistent message carried across the keynote and scores of session presentations was that in times of challenge—and the current time clearly qualifies—there is also a measure of opportunity.

Challenge and opportunity were in fact, the title subjects for several presenters. NACHA President Janet Estep, who has deftly assumed the role from the charismatic Elliott McEntee, used the challenge-equals-opportunity theme throughout her address. Quoting a Chinese proverb, Estep said, "When a storm approaches, some build walls, others build windmills."

Balancing innovation with risk mitigation has been the legacy of the ACH payments network, Estep said. Using, "an abundance of caution" in managing risk in the network, we have learned, "don't resist change; react to change."

And a sizeable crowd it was. Despite travel budget constraints, and a hesitancy to authorize conference spending at what might be viewed as a luxury destination, this year's PAYMENTS attracted approximately 2000 attendees, nearly 100 exhibitors, and just as many conference sessions.

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When it Comes to Payments, There's a Lot to Learn

Broad Choice in Sessions Highlight Payments Diversity

With nearly 100 individual conference sessions over four days, the topics covered most every aspect of the payments business. In fact, one track was titled just that—The Payments Biz. Other tracks included:

- Automated Clearing House
- Card Solutions
- Check Electronification
- Corporate Payments Solutions
- Global Focus
- Risk & Compliance

Ironically, many of the payments sessions discussed alternative payments. There's a great deal of speculation and uncertainty as to what the future of payment transactions will look like, especially with so many new transaction models already contending for consumer and merchant attention. Attendees also showed interest in how social networking sites such as

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You Say You Want a Revolution?

Steve Case Hopes Millions Will Choose New Credit Card

In his keynote luncheon address, which was part fan club and part informercial, Internet celebrity and AOL founder Steve Case discussed his latest venture. Looking to bring an alternative to what he described as the “Four Horsemen” of the credit card industry—American Express, Visa, MasterCard and Discover—Case outlined his company’s RevolutionCard.

Launched in 2007, as part of a new payment network, RevolutionMoney, the RevolutionCard reduces interchange fees for merchants while providing consumers with enhanced PIN-based security, identity protection, and periodic merchant discounts and incentives.

Case said that he and his investors see an opportunity for a new model in credit card transactions. “For a long time, such a small number of companies have determined the rules for so many,” he said. “This brings an opportunity for innovation; innovative technologies can and do change everything.”

By offering substantially lower merchant interchange fees (1/2 of 1%, which is about 75% lower than typical interchange rates), Case believes that merchants will help build interest in the RevolutionCard.

Always a “revolutionary”

thinker, AOL Founder

Steve Case believes the

market’s ready for a new

kind of credit card.

For consumers, the biggest attractions would be protected personal data (the card carries no identifying information, and relies instead on a combination of a PIN number and proprietary authentication systems). Case is trying to attract cardholders by offering premiums, incentives, and other value-added extras to its users. The card has no annual fee and bases its interest rate on the credit scores of its cardholders. “The better your credit profile, the lower your APR,” Case said.

Case seems undaunted by the formidable competition the RevolutionCard faces. “At AOL, we were not the only one getting people on the Internet,” he said. “At the time, CompuServe was the leading provider.” Case conceded that his card “won’t replace Amex, MasterCard or Visa.” However, he said, “we don’t see it as us vs. them; we see it as healthy competition.” Just as AOL was, the RevolutionCard is innovative and disruptive; and it’s time for an alternative. ■

Enhancing ACH Quality is Everyone's Business

Ten Things You Can do to Pass an ACH “Quality Check”

The following advice was presented by Nancy Grant, Senior Director Research and Standards with NACHA; Norman Robinson, President and CEO of EastPay; and EastPay Board Member Tim Thorson, Vice President and Manager of ACH Operations with Regions Bank, Birmingham, Alabama.

1: Know your customer and the name they go by.

The presenters agreed that this should be the Number One tip. “Know your customer, and your customer’s customer,” they advised. From an ODFI’s standpoint, they should also know the nature of their customer’s business. Financial institutions should ask their clients—How do you identify yourself to the network?

“I feel pretty good originating payments for the power company,” said Thorson, “Is your client a going concern? There’s a tendency to sell the service and move on to the next sale; how much are you leaving quality behind in doing that—would you give a stranger the keys to your car?”

2: Use appropriate SEC Codes

There are certain rights and responsibilities given to various transaction types. “But, sometimes it can be difficult to tell if an item is labeled with the wrong SEC Code,” Grant conceded. She advised maintaining statistics on each code, to help flag anomalies. “We

spot usage trends in new codes such as ARC, BOC, WEB and TEL,” she said. “Know which ones you are originating. There is some concern that these are not being used for the purposes they should be.”

Grant reported that a recent sampling of payments that had been coded as “ARC” were actually online business payments “That’s two strikes against them,” she said. (Neither business checks, nor online payments are allowed to be handled as Accounts Receivable entries).

3: Identify Any Direct Access Users (e.g. an Originator or 3rd party) that might send items using your routing number

This is referred to as “renting the routing number,” said Robinson. Remember, you can’t contract away compliance and there are probably companies you would want to think twice before having them use your routing number.

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Simplification is Complicated

Reorganizing the NACHA Operating Rules

In an informative presentation, Michael Herd from NACHA and Rick Burke from TD Banknorth discussed the process of rules changes within the network. Working with input from its membership (often through the voice of the local RPA) NACHA has taken a careful approach to the rule change process.

However, NACHA also recognizes that the rules have been the subject of some criticism. “They are sometimes viewed to be unintelligible, contradictory or just wrong,” Herd conceded. With this in mind, the Association has undertaken the monumental task of looking to improve them.

NACHA has established four goals for the revised rules:

- provide a more user-friendly presentation
- lower barriers to use of ACH Network
- achieve higher quality transactions
- improve compliance with the rules

The presenters also stressed the move to bring a broader access to the rules online, which would make them more accessible, as well as more practical. The current

printed version runs over 400 pages and weighs in at several pounds.

“We’re looking to build them around a new model,” said Herd. “We’re trying to move the whole process to the 21st century.”

The revised rules book is more about changing the presentation of the rules, as opposed to changing the rules themselves. Individual rule changes still go through an exhaustive process with opportunities for comment.

“Most often the rules remain intact,” Herd explained. “But the concept is to present rules around the perspective of each participant. As they are now arranged, the rules can be challenging to use. Each party’s obligations are spread among many rules; for instance, the rules for RDFIs are spread among Articles 4, 5, 6 and 8.”

As currently planned, the rules will be laid out based on the primary rules of various participants—ODFI, RDFI, ACH Operators, (also gateway operators for the new IAT designated transactions) originators, receivers, and NACHA itself.

The goal is to follow a transaction through its natural course, highlighting the roles and responsibilities of each participant. “We’re confident this will improve the

clarity, consistency and intuitiveness of the rules,” Herd said. “Everyone looks at rules from their own perspective.”

According to Burke, there have been certain areas that have been consistently problematic. “There are areas of chronic misunderstanding or non-compliance with the rules,” he told the audience, mentioning Reg E compliance and the timeframe for returns, as examples. “We’re looking to eliminate redundancies and discrepancies and clean up the language for precision, simplicity, clarity and consistency.”

The presenters assured the audience that there were no plans to eliminate the printed rules book. According to NACHA research, 59% of survey respondents continue to want a hard copy. We do want a (PDF) version available,” said Burke. “We didn’t want FIs not following the rules because they couldn’t spend the money to buy a copy.”

With a proposed change date scheduled for sometime in 2011, NACHA is already working closely with the RPAs to solicit comment. An RFC is slated for October 1st, before going out to a full NACHA-membership vote. ■

IS IT AN IAT?

New Rule Deadline Looms – September 18, 2009

IAT stands for International ACH Transaction, and is a new Standard Entry Class code to identify international ACH payments.

Remember that to be considered an IAT, an ACH entry (debits or credits) must be part of a **payment transaction** involving a **financial agency’s** office that is not located in the territorial jurisdiction of the United States.

(Instruction + Settlement) + Financial Agency (outside of U.S. territorial jurisdiction) + US ACH Network = IAT.

Enhancing ACH Quality

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NACHA currently has a voluntary direct access registry, and the presenters speculated that this may become a requirement at some point. The speakers advised that in cases where authorizing the use of a routing number is justified, that FIs should have set dollar limits or file limits in place.

4: Make sure appropriate information is included for your company description

Clear, identifiable naming will help minimize returns. Obscure abbreviations can be problematic, so the speakers recommended the use of clear and understandable language that included both the name and phone number.

5: Know your typical return patterns and take action when returns differ

“It just makes sense to monitor your returns,” said Thorson. “It gives you a sense of where the problems lie if you see what you’re getting back.”

6: Take advantage of the Rules Enforcement Process

Through its fee structure participating FIs using the ACH Network contribute to maintaining the operating rules. These rules provide the legal and operational foundation for the ACH Network. One of the guiding principles in the rules enforcement process states that the ACH Network is “based on rules, regulations, and standards that apply to all depository financial institutions and participants, and that are aggressively enforced.”

The rules enforcement process is intended to encourage those FIs originating ACH payments that create the greatest risk and highest costs to RDFIs to modify their behavior. Penalties include fines of up to \$500,000, or suspending the privilege of originating ACH payments.

7: Be mindful of NOCs (Notifications of Change) and process those you receive

“This is the number one rules violation,” said Thorson. “They’re sent, and ignored. Honor them.”

8: Sample your Originator’s authorizations periodically

Quality control is often just a matter of checking the work occasionally. If unauthorized transactions are being presented (e.g. no signature on file; or lack of PIN-verification of TEL transaction) a simple check may show there’s a problem.

#9: Recap and Review Responsibilities

Take the time to review roles and responsibilities with your ACH team.

“ACH quality is going to be impacted by the quality of your staff,” said Thorson. Constantly review methods and procedures, he advised. “No one model is perfect.”

The speakers also recommended maintaining a close working relationship with those parts of your institution that interface with your work. “You should constantly review,” said Robinson. “How do these parts fit together?”

#10: Have at least one AAP on staff

Each of the presenters stressed the value of having a certified Accredited ACH Professional on staff. “There are currently over 3500 AAPs,” said Grant. That’s only one for every four or five FIs.” Not only does having the designation set a financial institution apart from its competitors, it also ensures there is someone who knows ACH well. This alone can improve ACH quality. ■

Ten Tips Were Barely Enough

“We had many spirited conversations boiling these down to just 10 quality tips,” said Grant. Summarizing their advice, the presenters stressed the overall safety and integrity of the ACH Network.

Robinson stressed the fact that the sheer quantity of ACH transactions has made the Network stronger. “With 18 to 20 billion transactions a year, there are many natural assurances of quality,” he said. With that much volume, patterns develop; those few transactions that don’t meet standards of excellence, quickly become apparent. “That filters into quality,” Robinson observed.

Speaking from the perspective of a financial institution using the ACH Network, Thorson advised the audience to view their work from other’s perspective. “What does what you’re doing look like to other participants?” he asked. “For us it sets us apart; ACH quality is a differentiator.”

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Industry Pioneer Honored at Payments

Elliott McEntee Earns Lifetime Achievement Award

NACHA took the occasion of Payments 2009 to honor Elliott C. McEntee with its Payments Systems Lifetime Achievement Award. McEntee served as president and CEO of NACHA from November 1988 until his retirement in December 2008, during which time he was responsible for the overall management and leadership of the association.

McEntee was recognized for his contributions to the ACH Network and the nation's payments system. Under his leadership, ACH volume grew from one billion to more than 18 billion payments annually, providing substantial benefits to financial institutions, businesses, government, and consumers.

"Throughout his career, Elliott McEntee served as a true industry leader, working tirelessly to foster electronic payments

innovation and adoption," said Marcie Haitema, chairperson of NACHA's Board of Directors. "He was instrumental in developing many of the key initiatives that make the ACH Network what it is today. NACHA is pleased to honor him for his outstanding achievements and contributions to the payments system by presenting him with this award."

Prior to joining NACHA in November 1988, McEntee was an associate director of the Federal Reserve System. He was responsible for managing a function that oversees the nation's payments mechanism and financial services the Federal Reserve provides to banks, thrift institutions and the federal Government.

"I am honored to receive this prestigious award," said McEntee. "The ACH Network has evolved into one of the

largest, safest payment systems in the world. It has been rewarding to play a part in the growth and success of the ACH Network."

In a show of the great affection many NACHA members have for Elliott, nearly every speaker mentioned something about his unique personality. Everything from his trademark loafers, to his attempts at joke-telling. Beneath the quips there was evidence of genuine fondness.

McEntee continues to provide innovative and creative solutions to challenges faced by participants in the payments industry through his consulting service, McEntee's Payment Advisory Service. ■

ACH Payments Topped 18 Billion in 2008

According to NACHA, there were more than 18.2 billion ACH payments in 2008, an increase of 1.2 billion over 2007, according to statistics released at Payments 2009 in Orlando.

"Consumers, businesses, and the government are continuing to embrace the safe, smart, and green attributes of ACH payments and choosing electronic over paper," said Jan Estep, NACHA president and chief executive officer. "Despite the overall economy slowing in 2008, the ACH Network continues to see positive growth."

The portion of ACH payment volume passing through the ACH Operators grew in 2008 to nearly 15 billion transactions. The number of ACH Network transactions in 2008 was 14,960,689,587, which is 7.1 percent more than 2007. The dollar value of these payments was \$29.96 trillion, an increase of 4 percent over 2007.

Internet Payments

Internet-initiated ACH debits (WEB) experienced healthy growth in 2008, increasing by 19.7 percent to almost 2.1 billion payments. When combined with consumer-initiated credit payments (CIE), the dollar value of consumer ACH payments made via the Internet is nearing \$1 trillion annually (\$939 billion in 2008).

Business-to-Business (B2B) Payments/Financial EDI

More than 1 billion EDI-formatted addenda records were transmitted across the ACH Network in 2008, a 14.6 percent increase over 2007. Businesses use EDI-formatted addenda records to send and

receive invoice and other payment-related information. The volume of CTX payments, which can carry up to 9,999 addenda records, increased by 16.1 percent, and the number of CCD payments carrying an addenda record increased by 17.9 percent.

Back Office Conversion (BOC)

After its first full year of availability, Back Office Conversion (BOC) is beginning to gain traction with merchants, reaching 7.8 million payments by year end. This volume is comparable to the original Point-of-Purchase (POP) check conversion application when accounting for the significant decline in consumer check-writing over the

past eight years. At the same time period after its introduction, the annualized volume of POP transactions was 101 million; however, consumer check-writing has been declining during this time period by about 4 percent per year.

Network Risk and Quality Indicators

The most significant ACH Network risk and quality indicators improved moderately in 2008. Overall, the rate at which ACH debits are returned as unauthorized declined slightly from 0.041 percent to 0.040 percent, and there were no SEC codes that had a significant increase in unauthorized return rates. ■

A Look at the Alternative Payment Landscape

Which of the Many New Entrants Will Endure?

In a session titled *Alternative Payment Landscape* Breffni McGuire, senior director of payment strategy with NEACH, and Janey Place and Gary Roboff, both senior consultants with the Santa Fe Group took a look at the emerging alternate payment market. The presenters agreed that the term “alternate payment” has been broadly applied and is open to interpretation. They agreed that there are two key criteria that help define what is meant by an alternate payment.

First (and most critical to financial institutions) is the fact that these payments are not bank-controlled. Because banks don't sit in the middle of the transaction, they don't control the revenue. Also, these payment types are considered non-traditional. That is, the transaction flow might start in one payment system and end in another, e.g. decoupled debit.

For any of these emerging payment options to succeed, they must get acceptance from all participants. “There's the merchant, the financial institutions and the consumer,” said Place. “These are the three legs of the stool, and there must be something in it for all three.”

According to Place, the high cost of merchant acceptance has been the primary driver of alternate payments. “The question has been, ‘are banks losing share of the payments business?’ Yes they are,” she said. “Non-banks have extended their influence at the point of transaction initiation, and as financial institutions have divested themselves of many of the payment mechanisms, non-banks begin to own the core infrastructure.”

Roboff went on to describe how the ACH Network is being used to facilitate many consumer debit payments. For alternate payments methods such as telephone or Internet-initiated payments, the ACH Network has become the foundation for many of these non-traditional payments.

McGuire pointed out that the ACH Network is used for settlement for many alternate payment schemes because it offers several advantages. For merchants, low “interchange fees” is the key driver, but using the ACH Network also brings in

some consumers who don't have a credit card or don't want to use one online.

One example of this reliance on the ACH to facilitate alternate payment schemes is NACHA's SecureVaultPayments (SVP). SVP enables a consumer to initiate secure payments for purchases and bill payments on a merchant's website through a FI's online banking platform, using an ACH credit.

“This allows the merchant to receive guaranteed payment with (slightly) lower interchange fees,” said McGuire. “The challenge is going to be acceptance, acceptance, acceptance — gaining a critical mass of FIs, merchants, and consumers. SVP appeals to consumers because there is no exposure of personal information to the merchant.”

SVP is finding a niche market among universities as a “closed loop” system. The University of Georgia recently became one of several colleges to offer SVP for students to pay tuition bills online. Not only will SVP remove paper checks from their systems, but it will also allow them to receive bank-authorized ACH credit payments.

A Range of “Alternate” Alternatives

Each of the presenters briefly discussed many of the new players offering alternate payment options that can be used in lieu of credit cards.

eBillMe

eBillMe is being marketed to merchants, who offer the payment option on their site. Consumers choose the eBillMe option and are sent an invoice by e-mail. This is then paid using the consumer's existing online bill paying account with their personal bank. The only personal information the merchant has is an e-mail address.

Moneta

Also using the ACH Network, Moneta uses an online banking platform in a different way. The consumer establishes an account with Moneta, so the payment account data need not be given to the merchant. The drawback is that it requires giving banking information to a third-party (Moneta) which is at odds with

many of the anti-phishing advice banks give their customers.

NOCA

For merchants that have registered with NOCA, their customers must enter account information from their check. This “SecureCheck” payment method gives merchants another option, however buyers may resist entering check data online.

Mazooma

Mazooma allows those consumers who have already set up online bill payment to authorize purchases through their existing DDA account. Neither the merchant, nor Mazooma, have customer account information.

PayPal

The most established of these new payment players, PayPal now has in excess of 75 million registered accounts. PayPal was established in 1998, and acquired by eBay in 2002. PayPal has expanded to offer a variety of payment and online invoicing options.

BillMeLater

With BillMeLater, consumers are applying for an extension of credit. For consumers, each transaction is subject to review.

Acculynk

Roboff mentioned the PIN-debit technology of Acculynk. The company's software uses a “floating PIN pad technology” a graphical, scrambling PIN-pad, for the secure entry of cardholder information. Acculynk's PIN-pad integrates directly into the online checkout.

In closing, the presenters mentioned what they referred to as “wildcards,” uncertainties that will continue to shape the success of any of these alternate payment systems. Key among them is the variable cost of interchange fees, and financial institutions' reliance on them for revenue.

“There are still a lot of ‘what-ifs,’” Place said. How will they change the game? ■

PAYMENTS 2009 Still Shines as Industry's Premiere Event

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Continuing the theme of seizing opportunity in the midst of change, the opening keynote from Heidi Miller, CEO of Treasury & Security Services, JP Morgan, presented *Finding Opportunities in Challenging Times*. Identified as one of the “25 most powerful women in banking” by *Fortune* Magazine, Miller likewise referenced Chinese wisdom by pointing out the similarities between the Chinese characters for “opportunity” and “danger”.

Picking up on Estep's comments, Miller advised the audience, “This is the time we need to build both wind barriers *and* windmills. We need to collaborate,” she said. “Especially now. And not just by video conferencing, but face to face at events such as this one. In normal times, this would be an important conference,” she said. “In *these* times, it's even more important.”

Miller went on to discuss lessons JP Morgan has learned, and how the company is approaching payment system risk. “We recognize that all payments carry risk; managing these risks lets us become more efficient.”

She called ACH settlement the most tested in an environment where there are an increasing number of payment options. As payment by paper check continues to be replaced by more efficient electronic alternatives, financial institutions and others in the payment channel have had to adapt.

Addressing some of the challenges brought about by these changes to the payment system—changing fee models, increased risk of fraud, and increased competition, Miller strongly encouraged payments professionals to work together. Cooperation, she said was critical.

“Check and ACH product managers should be talking to each other,” Miller said. “Some of our standard processing procedures we now must question. The world has changed, and your strategy needs to change with it.”

Miller encouraged attendees to work together across payment channels to

combat fraud. With the advent of remote check creation and deposit, there is an increased risk of fraud from nefarious players. She stressed the KYCC mantra—Know Your Customer's Customer.

“What are we waiting for?” Miller asked. “We need collaboration from other channels.” She conceded that these initiatives may not come easily. “We need more resolve; you can never be complacent when it comes to reducing risk.”

“The world has changed,
and your strategy needs to
change with it.”

—Heidi Miller, JP Morgan Treasury Services

One example Miller cited was a shared fraud database for ACH operators that might identify the “bad actors” across payment channels. One option might be a credit card fraud list that's also available to the check network.

(Note: NACHA has recently launched a risk management service, the Originator Watch List (OWL). A part of NACHA's strategic risk management framework for the ACH Network, the service will identify Originators and Third-Party Senders that cross specified risk review thresholds.)

In addition to discussing the challenges facing payments professionals, Miller gave equal time to opportunities. These include increased focus on both business-to-business payments as well as “P2P” (person-to-person) transactions. Miller pointed out that with over 200 million potential users, social networking groups such as FaceBook will continue to venture into the payments space. This presents both challenges and opportunities, but in

either case, financial institutions need to prepare for the inevitable change.

Highlighting an increasingly important point, Miller stressed that the transaction is only a part of the value. “What's most important is the information that accompanies that transaction. This is an untapped opportunity,” she said. “The challenge will be capturing this market.”

Miller cited NACHA's EBIDS initiative as an example of how the industry can respond to changes in payment technologies and preferences. EBIDS uses the ACH Network as a bill information delivery and payment remittance option for business-to-consumer (B2C) transactions. Companies deliver billing information to and receive payments from consumer customers electronically.

In order to succeed, these initiatives require a critical mass of participants. The proven ACH Network provides an infrastructure that might be used in combining social networking with payments and information delivery. “This shows great promise,” said Miller. “However, it still needs more traction.”

Miller closed her remarks with a discussion of the opportunities that exist for payments professionals in the area of health-care reform. With considerable attention (and Federal funding) being brought to this market segment, a large opportunity exists to bring efficiencies to healthcare payments and administration. Because healthcare administrative costs in the U.S. are five times those of other developed countries, Miller said JP Morgan views healthcare as a growth area for payment and information services. Because of the current regulatory complexity and a lack of standards for insurance payables, this area is ripe for payment process efficiencies.

“There is an opportunity to streamline payments initiatives,” Miller said. “These times offer compelling momentum for the payments industry.”

“Who will lead these initiatives?” Miller asked. “You're all here in this room.” ■

Payments Diversity

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FaceBook might integrate with payment systems such as Google CheckOut, Bill-Me-Later, or PayPal.

In addition to discussing alternative payment models, there were several sessions dedicated to the legal issues raised by new payments alternatives. In the session, *Recent Developments in Electronic Payments Law*, Jane Larimer, EVP & General Counsel with NACHA and Jane Winn, Professor of Law at the University of Washington, noted that in light of the recent financial crises, the regulatory environment is ripe for further legislation.

“Regulation that seemed uncertain six months ago are apt to occur in the next 12 months,” Larimer observed.

Larimer and Winn addressed the impact of Remote Deposit Capture, and the changes in regulations required to address paper and electronic check transactions. The risks associated with RDC have prompted the FFIEC (Federal Financial Institutions Examination Council) to issue specific RDC risk guidance.

“There are legal risks associated with control over image,” Larimer asked. “Is it still check law? Once a check is destroyed, does check law still apply?”

Citing the security, confidentiality and fraud risks involved, Larimer strongly advised both financial institutions and their corporate customers to conduct a thorough risk assessment prior to RDC. “Senior management should do this *before* implementing RDC,” she said. “If you’ve not already implemented, look at risk first.”

While there were numerous sessions discussing mobile banking, the subject received less enthusiasm than it has in previous years. After several years of optimistic expectations, it seems to have become a bit disingenuous to continue presenting “The Promise of Mobile Banking.” The risks, costs, and lack of demonstrable return, as well as uncertainty regarding several unresolved technical and security issues have hampered mobile’s adoption.

Conversely, one topic that did receive extensive attention was the pending rule changes regarding IATs. International ACH Transactions rules are scheduled to take effect on September 18, 2009. In fact, many attendees were sporting “9-18-09” badges acknowledging the looming deadline.

At least seven separate conference sessions specifically addressed this topic. Each carried the message that time is short. Those financial institutions that are not already testing their preparedness are late. While the rule change is manageable, it is complex, and any FI might be impacted, whether it realizes this now or not.

In nearly all of the IAT sessions, the following quote was heard: “you can’t contract away your liability.” For those financial institutions that will rely on outside providers to perform OFAC screening (a perfectly legitimate alternative) this advice is particularly important.

In the session, *Managing IAT from an Operational Perspective*, Joseph T. Belczyk, VP, ACH & EC Operations, PNC Bank, Alex Romeo, VP, The Clearing House Payments Company and Mayra Suarez

Soto, Electronic Operations Manager, Banco Bilbao Vizcaya Argentaria discussed their IAT preparedness initiatives.

“For PNC, this is a large project,” said Belczyk. “We’re spending a lot of time and a lot of money. We must be operationally prepared; we don’t want calls coming in and customers getting different answers.”

One subject that received fresh interest was the topic of the underbanked. Several sessions brought a new line of thinking, and the promise of greater potential to this segment. With potential revenue being lost to check cashing firms, as well as the opportunity to secure lasting relationships with an underserved market, many financial institutions are rethinking their view of the underbanked.

Several sessions addressed this topic including *The Underserved Generation—Attitudes About Banks, Credit & Lending Among Consumers Under 35*. This session, presented by Fred Brothers, a partner with eCom Advisors, generated a good deal of interest. Brothers offered insight into how check cashers and pay day loan companies are winning the competition with financial institutions for underbanked consumers, and he outlined steps institutions might consider to better compete.

“This session was interesting and not what I expected,” commented Joseph Casali, Vice President with NEACH. “I entered the room assuming I’d get the typical ‘focus on Gen Y’ story but instead got an insightful education on what’s really going on. Fred explained how to engage ‘questionable’ Gen Ys and turn them into great customers.” ■

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