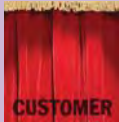


News from FedACH

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**2 DO YOU WANT TO
BE IN THE SPOTLIGHT?**
Share your ACH success story



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CUSTOMER IN THE SPOTLIGHT

TheBANK of Edwardsville

Balancing History and Stability with Progress and Innovation

Take a moment and travel back in time just over 140 years ago to the year 1868. During that year, the United States witnessed a number of important events, including the first-ever observation of Memorial Day, the issuance of a typewriter patent, and the readmittance of a number of states to the United States following the end of the Civil War in 1865. For the state of Illinois, there was the opening of the University of Illinois and the establishment of a bank that eventually became known as TheBANK of Edwardsville. At the time, people living in this area of Illinois, just across the Mississippi River from St. Louis, Mo., had little money and kept what little they had hidden in their homes or locked away in strongboxes. For Edward M. West and his son-in-law, Civil War veteran Major William R. Prickett, the need for a stable bank was apparent. For TheBANK, still known as "the leading locally-owned bank in the Metro East," its history is

important and serves as the foundation for ongoing innovation for its customers.

Leaving 1868 behind, we'll fast-forward to 2009 and see where TheBANK finds itself today. With 20 branch locations in southwest Illinois and assets exceeding \$1.25 billion, this institution serves the needs of both consumer and commercial customers. According to Cheryl Lenth, vice president of deposit account services, TheBANK maintains a community focus and encourages its more than 400 employees to participate in a variety of events such as Relay for Life, March for Babies and numerous other community activities. Lenth has been with TheBANK for 25 years, having worked in a number of areas, and she assumed responsibility for deposit account services two years ago. Lenth told us that TheBANK provides its commercial customers with ACH origination capabilities as part of its cash management service, and this online banking option has been

well-received. For consumers, direct deposit and direct payment have been longstanding payment products. TheBANK also offers its consumer customers online bill pay 24 hours a day, seven days a week, through its PayLink Online service.

Adhering to Solid Traditions

Going all the way back to 1868, one of the underlying traditions of this institution is that of offering its customers stability and customer confidence. As Lenth explained, one contributing factor to TheBANK's stability is its commitment to knowing its customers. When treasury management staff sell ACH services to a customer, exposure limits are determined early in the process, often with input from a loan officer. This assessment, along with all other information about the customer, is then passed along to Lenth's area, where the customer is set up in the online cash management



CUSTOMER IN THE SPOTLIGHT

system. From that point forward, ACH transaction activity is monitored, and bank employees troubleshoot and provide customer support as needed. According to Lenth, “We’ve stood on our know-your-customer philosophy for quite some time. Going forward, we will likely shift in the direction of credit underwriting for exposure limits as our ACH business grows.”

Talking with Lenth makes it evident that TheBANK’s growth, whether in terms of ACH transaction growth or customer expansion, is no accident. Treasury management staff constantly seek new corporate origination business, and TheBANK actively promotes consumer applications of ACH as well. Direct deposit and direct payment are consistently marketed as faster, more secure ways of receiving and sending funds. TheBANK has used flyers and statement stuffers for years and is now taking advantage of e-mail communications as well as online banking messages. Lenth acknowledged that, “There are always those customers who hold out for the paper check, but if we can get them to try direct deposit and direct payment, the vast majority come back to us saying, ‘Hey! This is great!’”

Preparing for the Future

TheBANK’s ACH origination is limited to the more traditional types of transactions,

but Lenth confirmed that the possibility for expanded ACH origination exists and that any such expansion would be preceded by a risk assessment of each transaction type as

“We’ve stood on our know-your-customer philosophy for quite some time.”

well as of the prospective customer. As a direct result of ACH transactions received, TheBANK’s customers and customer service staff have become familiar with a variety of ACH transaction types—ARC, BOC, POP, TEL, and WEB—so there may be fewer hurdles to clear should the time come to expand origination services to include some of these transactions. Staff in the customer service center, along with bank services consultants in the branches, receive periodic training on electronic transactions and can take advantage of training opportunities available from the regional payments association, Mid-America Payment Exchange. Additionally, employees can find a wealth of helpful information on TheBANK’s Intranet.

While on the topic of newer ACH transaction types, we discussed with Lenth her

institution’s preparations for the possibility of incoming IAT items on or after Sept. 18, 2009. While she confirmed that TheBANK currently has no international ACH transaction volume, bank management recently held a meeting to discuss IAT and OFAC compliance. TheBANK is updating its OFAC policies and procedures to reflect responsibilities surrounding inbound IAT debits. There are plans under way to participate in FedACH testing opportunities, but Lenth does not anticipate significant IAT activity for TheBANK’s customers.

When asked about the future ACH business at TheBANK, Lenth expressed confidence that ACH origination volume will continue to grow and that part of that growth will likely stem from increased demand for additional transaction types such as ARC, BOC, and maybe even IAT. Perhaps most telling, however, was Lenth’s assertion that, “We need to be in tune with that [increased ACH volume], and we need to consider internal reallocation of resources from areas that support paper transactions to areas that support ACH and other electronic transactions. It’s a gradual shift but, over time, it will happen.” However gradual the shift, there appears to be little doubt that TheBANK of Edwardsville will effectively build on its traditions of trust and stability.

Do You Want to be in the Spotlight?



Spencer Savings Bank, Bank of Belton, Commerce Bank and Trust, Huntington National Bank, Cass Commercial Bank, and the list goes on. What do these financial institutions have in common? They’ve all been featured as a FedACH “Customer in the Spotlight” in a previous issue of *News from FedACH*.

Have you ever wondered how your institution could be featured as our next “Customer in the Spotlight”? The only requirement is that your institution be a FedACH customer with an ACH success story just waiting to be told—or maybe just an interesting ACH

story—you decide and let us know. Send an e-mail to fedachnews@atl.frb.org and tell us why you think your institution should be in the spotlight. We’ll take it from there and follow up with any and all interesting leads. Your biggest challenge will be to decide which photo you want to run on the front page of the newsletter.

NEWS KIOSK



■ Mobile banking—ready or not, it's coming your way. The Federal Reserve Bank of Boston and the New England ACH Association (NEACH) recently published the results of a joint survey of hundreds of New England DFIs. The survey results provided information about DFIs' plans to offer mobile banking services as well as the factors driving their decisions to do so and the perceived barriers for those not planning to offer mobile banking. Visit www.bos.frb.org/bankinfo/firo/index.htm to see the full report of survey findings.

■ New customer enrollments for existing FedACH International Services were suspended as of June 1, 2009. Beginning July 1, 2009, FedACH customers wanting to use cross-border ACH services may begin pre-enrollment for FedGlobal ACH Payments via frbservices.org. Customer testing for FedACH transactions using the CBR and PBR SEC codes has been discontinued. However, testing for receipt and origination of IAT items is available and can be scheduled online at frbservices.org. If you have questions about IAT testing, please contact your FedACH Central Operations Support site.

■ There are now more than 700 FedACH customers subscribing to the FedACH Risk Origination Monitoring Service. FedACH customers are monitoring 5,610 Company IDs, and more than 180 customers are monitoring at the RTN level. If you are not yet taking advantage of the suite of FedACH risk management services, please contact your FedACH sales specialist today.

■ Join the ranks of more than 3,550 accredited ACH professionals (AAP) by registering for the 2009 AAP exam. The exam will be offered electronically at computer-based testing facilities nationwide for a three-week period beginning October 12 and ending October 30. To find out more about how to register and how to take practice exams, visit nacha.org/aap/default.htm

FedACH SALES SPECIALISTS

Each of these account executives is an ACH resource expert and is dedicated to helping customers find just the right FedACH solution. We encourage you to contact the sales specialist for your district.

Atlanta Boston New York	Nedelka Bell, AAP	954.436.2402
	Lance Wagner, AAP	816.881.2498
Chicago Minneapolis San Francisco	Dorothy Williams, AAP	801.322.7948
	Lance Wagner, AAP	816.881.2498
Cleveland / St. Louis	Susan Bivens, AAP	901.496.0626
Dallas	Matt Davies, AAP	214.922.5259
Kansas City	Lance Wagner, AAP	816.881.2498
Philadelphia	Carol Chartrand, AAP	215.574.3414
Richmond	Della Tate, CTP	443.725.4675

DID YOU KNOW?

FedACH Participation Agreement Has Changed

Effective June 1, 2009, the FedACH Participation Agreement, used to activate FedACH Services and specify transmission arrangements and other service options, was updated as follows:

- The origination and receipt sections were revamped so that data are captured in tables that are specific to the participant's role (e.g., participating institution, service provider, sending point, or receiving point),
- Users are guided through a chain of designations from depository institution to sending point or receiving point, and
- The agreement uses fillable PDF fields.

Accompanying the new FedACH Participation Agreement on frbservices.org are complete instructions featuring helpful flow charts along with a five-page quick reference guide presented in Q&A format. Please contact your FedACH Central Operations Support site with any questions on the updated FedACH Participation Agreement. *Note that existing agreements will remain in effect, and new agreements need not be submitted unless customers need to add or modify their FedACH services.*

WHAT'S COMING UP

SEPTEMBER 2009

Payments Symposium

September 13–15, 2009
www.wespay.org

Long Beach, CA

Concepts 2009

September 16–18, 2009
www.thepaymentsauthority.org

Kalamazoo, MI

Solutions 2009

September 23–25, 2009
www.gacha.org

Atlanta, GA

OCTOBER 2009

Navigating Payments 2009

October 7–8, 2009
www.umacha.org

Bloomington, MN

2009 Payments Summit

October 22–23, 2009
www.paymentscentral.org

Columbus, OH

Mid-America Payments Conference

October 28–29, 2009
www.mpx.org

Kansas City, MO

COMING ATTRACTION: SAME-DAY ACH SERVICE

Earlier this year, in response to customers' interest in depositing and posting ACH payments later in the day, the Federal Reserve Banks began development of a same-day ACH service. With availability projected for second quarter of 2010, participation in the same-day ACH service will be optional, and DFIs will need to sign an opt-in agreement to participate. The same-day ACH service will be restricted to consumer checks converted to ACH as well as consumer debits generated from Internet and telephone transactions. Consumer and corporate credits will not be included in the new service.

A new deposit deadline of 2 p.m. ET for forward originated ACH payments will represent the first such deadline change in many years. Same-day payments deposited by 2 p.m. from opt-in ODFIs will be distributed to opt-in RDFIs by 4 p.m. and settled on the same day at 5 p.m. A return schedule for same-day payments is also accommodated within the new service.

If you have any questions, or would like more information about the Fed's same-day ACH service, contact your FedACH sales specialist.



CUSTOMER SUPPORT INFORMATION

For FedACH Customers in these Districts

Boston (1)
New York (2)
Philadelphia (3)
Cleveland (4)
Richmond (5)
Atlanta (6)
Chicago (7)

Central Operations Support Site

Federal Reserve Bank of Atlanta
1000 Peachtree Street, N.E.
Atlanta, GA 30309-4470
Toll Free: 866.234.5681
Local: 404.498.8902

For FedACH Customers in these Districts

St. Louis (8)
Minneapolis (9)
Kansas City (10)
Dallas (11)
San Francisco (12)

Central Operations Support Site

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
P.O. Box 291
Minneapolis, MN 55480-0291
Toll Free: 888.883.2180

IAT and FedGlobalSM ACH Payments



Elizabeth McQuerry is an assistant vice president in the Federal Reserve's Retail Payments Office. She is responsible for developing FedGlobal ACH Payments to help improve cross-border payment opportunities for U.S. depository financial institutions. She currently serves as a steering group member-at-large in NACHA's Global Payments Forum and is a steering group member in the International Payments Framework, a global effort by industry participants to enable interoperability for non-urgent, cross-border payments.

As we heard from McQuerry when we talked, the best place to go for more information on FedGlobal ACH Payments is frb.services.org. Just click on the rotating banner for FedGlobal, and contact your FedACH sales specialist to discuss further.

The International ACH Transaction (IAT) SEC code will be implemented Sept. 18, 2009. Where does FedACH stand in terms of its preparedness as an ACH operator and as a gateway operator?

IAT has been a significant undertaking for FedACH. We've made the required changes to FedACH, and we are testing receipt of IAT items with our customers. Test scenarios have been enhanced based on customer input. FedACH also developed two new tools to assist DFIs in identifying IAT items received—a new report in FedEDI Plus and a special sort of IAT items from domestic ACH items. Both tools are available to FedACH customers. As a gateway operator, we expanded our reach to 37 countries from just a handful. This expansion includes the ability for FedACH to not only send international ACH items to these countries, but also to receive ACH items from these countries. For inbound IAT items, we have added an OFAC screening module.

How will IAT change the global payments landscape for U.S. DFIs?

IAT has led ACH network participants in this country to focus more attention on regulatory compliance. Combining this focus with the new format will open up a world of new possibilities for domestic DFIs because the IAT will be interoperable with all major global payment systems. We will be able to send and receive payments to and from more countries and enable our ACH network to play a meaningful role in the global economy.

What can you tell us about the recently-announced "FedGlobal ACH Payments"?

Creating the "FedGlobal ACH Payments" brand was a key step in communicating to domestic DFIs that our international ACH product offerings will be more robust in terms of geographic coverage and payment options. FedGlobal will expand foreign exchange options, including enabling DFIs to manage their own foreign exchange. FedGlobal will also feature a new transfer option to send ACH payments from accounts in the United States to unbanked receivers in 13 Latin American countries.

What can FedACH customers expect to see from FedGlobal ACH Payments on Sept. 18?

We view Sept. 18, 2009, as the beginning of a transition period,

rather than as a "big bang" day. It is quite possible that neither FedACH nor any other gateway operator will have a single incoming payment to introduce into the ACH network on that day. Panama will be the only service country made newly available by FedGlobal on Sept. 18. In the weeks and months to follow, we will add services to more Central and South American countries as well as to a greatly expanded footprint in Europe. Our philosophy is to not overload these new opportunities as the industry adapts to the IAT.

Are there plans for service expansion beyond next September?

We are evaluating inclusion of more countries for both account-to-account payments and for account-to-unbanked payments. Customer surveys indicate strong interest in additional countries, especially China and other emerging markets.

What will IAT and FedGlobal ACH Payments mean to FedACH customers seeking to provide their customers the ability to send payments to unbanked receivers in other countries?

Customers have requested this type of functionality for some time, but the introduction of the IAT finally makes it possible because it contains all the Travel Rule information. Banks and credit unions are required to know their customers and to screen the identity of the international payment receiver, and the added required data in the IAT records make this possible. FedGlobal is partnering with institutions in receiving countries which have had significant international payments experience and have their own regulatory compliance practices for handling payments.

What are the next steps for FedGlobal ACH Payments after Sept. 18, 2009?

We're hearing from customers that they have focused more on being ready to receive IAT payments in September and will begin to explore origination as a second step to embracing international payments services for their customers. This means that origination volumes are likely to grow only moderately in 2009. In the meantime, FedACH will look for usage of the greatly expanded FedGlobal suite of services in determining future expansion opportunities.

TWO PROPOSED ACH RULES CHANGES

On June 4, 2009, NACHA distributed its latest requests for comment (RFC) on two proposed ACH rules changes, both of which are components in NACHA's overarching risk management strategy. The first, titled "Direct Access Registration," would require any ODFI with Direct Access relationships for debit origination to provide NACHA with specific information about each originator or third party with Direct Access. Additionally, those ODFIs would be required to provide NACHA with transaction volume data for each Direct Access relationship. The proposed rule change would require an ODFI to obtain approval from its board or from a board designee of any Direct Access debit relationship. If approved, the rule change would become effective March 19, 2010.



The second proposed ACH rules change, titled "ACH Data Review Framework," would require that ACH operators and participating DFIs provide NACHA with certain ACH transaction data elements. Further, NACHA would be given authorization to use the data solely for the purposes of ensuring ACH network quality, managing risk, and enforcing compliance with the ACH Rules. All personally identifiable consumer data would be excluded from the data provided to NACHA. The planned implementation date for this ACH rule change is Dec. 18, 2009.

Comments on the proposed rule changes are due to NACHA by July 10, 2009. Please contact your regional payments association with questions or comments, or send an e-mail to fedachnews@atl.frb.org if you would like to receive the supporting documentation for either RFC.

2009 FedACH SERVICES FEE SCHEDULE¹

Origination		
Item in small file (<2,500 items)		\$0.0030
Item in large file (≥2,500 items)		\$0.0025
Receipt Item		\$0.0025
Addenda Record		\$0.0010
Web-derived Return / NOC		\$0.30
Facsimile Exception Return / NOC		\$30.00
Voice Response Return / NOC		\$3.00
Information Extract File Subscription		\$35.00/RTN/Month
Account Servicing		\$37.00/RTN/Month
FedACH Settlement		\$37.00/RTN/Month
FedACH Risk Origination Monitoring Service		
Monitoring Criteria (per set of criteria)		
For sets 2-20 per Month		\$8.00/Month
For sets 21-150 per Month		\$4.00/Month
For sets 151 and above per Month		\$1.00/Month
Batch Monitoring		\$0.0025
FedEDI Plus		
Standard Scheduled Report		\$0.20/report
Standard On Demand Report		\$0.75/report
Premier Report		\$10.00/monthly report
Encrypted e-mail		\$0.20/e-mail
FedACH International Services		
Item Originated to:	Canada	\$0.0390 (surcharge)
	Mexico	\$0.67 (surcharge)
	Austria, Germany, Switzerland, United Kingdom	\$2.00 (surcharge)
Return Received from:	Canada	\$0.77 (surcharge)
	Mexico	\$0.69 (surcharge)
	Austria, Switzerland	\$5.00 (surcharge)
	Germany, United Kingdom	\$8.00 (surcharge)
	Same day Recall of Item – Canada Service	\$4.00/\$7.00
	Item Trace - Canada Service	\$3.50/\$5.00
	Item Trace - Mexico Service	\$11.50

¹ Refer to www.frbervices.org for additional details

**IN THE
NEXT ISSUE**

Look for more information on *Portals and Rails*, a blog sponsored by the Retail Payments Risk Forum of the Federal Reserve Bank of Atlanta. Visit portalsandrails.frbatlanta.org to see recent posts on topics ranging from check fraud to identity theft to suspicious activity report filing trends. Check it out, participate in the dialogue, and we'll have more information for you in September's issue of News from FedACH.