

News from FedACH

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CUSTOMER IN THE SPOTLIGHT

Huntington National Bank

Back Office Conversion Implementation Success

Huntington Bancshares Inc., a \$55 billion regional bank holding company headquartered in Columbus, Ohio, has served customers for more than 141 years. Throughout the years, without ever changing its name or its philosophy, Huntington has seized every opportunity for growth and innovation. Since opening its doors in 1866, Huntington has steadily grown and now provides banking services through more than 600 banking offices and approximately 1,400 automated teller machines. In addition to banking offices located in Indiana, Kentucky, Michigan, Ohio, Pennsylvania, and West Virginia, Huntington conducts select financial service activities in 10 other states and has limited purpose offices in the Cayman Islands and Hong Kong.

Customer Demand Spurs Action

Given its history for innovation, it should come as no surprise that Huntington National Bank was ready to deploy the newest ACH

transaction type, back office conversion (BOC), as soon as it became available in March 2007. According to Larry Matteson, vice president and senior product manager for ACH, the bank's national customers were prepared on day one to send BOC transactions. Of course, customer demand meant that Huntington needed to be prepared as well. For Matteson, with 30 years of banking experience, the last 26 of which have been with Huntington, this deployment represented an opportunity to build a team of colleagues from various areas of the bank. That strategy has proven successful throughout the years for many efforts, whether surrounding product development or marketing. As evidenced in March, Huntington's cross-functional team approach worked again, and a successful BOC deployment was underway.

While Huntington's customers were eagerly anticipating the BOC implementation, Matteson attributes impressive volume growth—3Q07 volume was double that of 2Q07—to



the specialized sales group responsible for calling on national customers outside the bank's six-state geographical footprint. This group's responsibility is calling on large payments volume industries, such as remittance processors, throughout the country. Within the states where Huntington has branches, Matteson pointed out that, "Huntington doesn't rely heavily on traditional marketing because, in so many ways, ACH sells itself." Instead, the bank focuses on educating its sales staff since those individuals represent the gateway to customers. Most corporate customers already know what ACH can do. They are always looking

CUSTOMER IN THE SPOTLIGHT

for more efficient ways to originate and receive payments, and the challenge for the sales staff is to be well trained in demonstrating that ACH origination can be easy, even for Huntington's smaller customers.

Targeted Training Works

Huntington's sales training practices vary. While there are numerous instances when every salesperson will benefit from ACH training, other times a more targeted approach is preferable. The implementation of BOC is an example of the latter. Recognizing that BOC would be marketed to a certain customer segment—small business customers are less likely to use the service—Huntington's training efforts were focused on the national sales teams and those responsible for larger commercial accounts. Huntington relied heavily upon training and education materials available on *electronicpayments.org*. By using materials developed for, and available to, the entire industry, Matteson was assured that the information given to staff and customers was consistent and accurate and, as he acknowledged, "It made my job easier."

Huntington's focus upon training and education doesn't stop with its employees. In fact, in what might be considered an industry best practice, Huntington provides a complimentary copy of the annual *ACH Rules Book* to every new ACH origination customer.

According to Matteson, "Providing customers with a *Rules Book* is the only responsible thing to do." Along with the rules book is a request that the originator read the rules

"Providing customers with a *Rules Book* is the only responsible thing to do."

and follow up with Huntington's customer support staff to get answers to any remaining questions. As a backup to reading the entire book, the ACH origination agreement that each customer signs with Huntington includes addenda that describe each SEC code covered under the agreement and the associated rules. At a minimum, Matteson hopes that originators will read the two or three paragraphs of the addenda because these clearly and succinctly describe the rules surrounding the ACH transactions that will be originated.

Once a customer signs up with Huntington and its ACH transactions are flowing through the network, there is a chance that something might go wrong. Aware of the need to resolve issues and communicate with the customer quickly, Huntington developed a database for

its ACH support staff that identifies the relationship officer to be contacted when a particular customer's ACH work is affected. "As every ACH network participant knows," pointed out Matteson, "ACH is not a 9-to-5 business, and sometimes problems occur well after business hours." Huntington is implementing processes that will generate e-mails and reports to sales staff, even in the middle of the night, so that they have the information first thing in the morning. Sales staff is then prompted to make contact with the customer.

ACH Future is Bright

When asked about what the future holds for Huntington National Bank and its ACH business, Matteson indicated that Huntington will concentrate on consumer-initiated payments as a growth opportunity. "There will only be so many B2B payments to go around," noted Matteson. Matteson has seen the bank move from 36th on the list of top ACH originators to 17th place in 2006 with over 100 million items originated, and he expects continued growth. While the ways in which consumer-initiated payments will be handled, whether mobile, wireless, or by other types of devices, remains to be seen, Matteson remains confident of one thing—the natural place for those transactions to be cleared is through the ACH network.

Verification Procedures for FedACH Service Requests



To prevent unauthorized service changes, the Federal Reserve Banks require every customer that is a FedACH participant to submit a Board Resolution and Official

Authorization List. These documents are necessary to validate the authenticity and authority of any individual requestor prior to the completion of specific types of requests. Beginning January 1, 2008, FedACH participation agreements and service change requests submitted to the Federal Reserve Banks will need to be signed by an individual listed on the Official Authorization List.

Customers without a Board Resolution or Official Authorization List on file as of late September 2007 were notified and given a deadline of December 2007 to submit these documents. If your institution was among

those notified, please ensure that the appropriate documentation has been submitted to the Federal Reserve Banks. Without the necessary documentation on file, Federal Reserve Bank staff will require additional time to obtain proper authorization, and customers may experience delays in the processing of their requested changes.

Forms and instructions for completing the forms, along with the appropriate Federal Reserve accounting contact, can be accessed at *frb services.org* by selecting "Standard Forms and Agreements."



- The results of the 2007 Federal Reserve Payments Study are in. This latest study of noncash payments revealed that, in 2006, more than two-thirds of all U.S. noncash payments were made electronically. About 19 billion more electronic payments were made in 2006 than in 2003. The highest rate of growth from 2003 to 2006 was in ACH payments, which grew about 19 percent per year. A summary report of the 2007 Federal Reserve Payments Study is available at frbservices.org. Detailed reports will be available in early 2008.

- Congratulations to all of you who passed the Accredited ACH Professional (AAP) exam in October. We also applaud those who have put forth the effort to retain and renew their accreditations. If you would like to join the growing number of AAPs nationwide, it is never too soon to begin studying for the 2008 exam.

- As of December 14, 2007, a total of 164 FedACH customers had signed up for the FedACH Risk Origination Monitoring Service. Collectively, these customers are monitoring nearly 1,500 company IDs, and more than 30 customers are monitoring ACH origination by Routing Transit Number. To get started or to obtain information, please contact your FedACH sales specialist.

- Beginning March 20, 2009, the new SEC code for international ACH transactions—IAT—will be implemented, taking the place of the CBR and PBR SEC codes now in use. Check with your ACH software provider soon to confirm that it is already working on the changes needed to support the new SEC code.

FedACH SALES SPECIALISTS

Each of these regional 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	Nedelka Bell, AAP	954.436.2402
Boston	Jean Fisher, AAP	617.973.3218
Chicago	Mark Taylor	312.322.8449
Cleveland/St. Louis	Susan Bivens, AAP	901.496.0626
Dallas	Matt Davies, AAP	214.922.5259
Kansas City	Joni Hopkins, AAP	620.221.2712
Minneapolis	Steve Peterson	612.204.6949
New York	Thomas Goodman	201.531.3637
Philadelphia	Carol Chartrand, AAP	215.574.3414
Richmond	Della Tate, CTP	410.576.3384
San Francisco	Dorothy Williams, AAP	801.322.7948

DID YOU KNOW?

Pay It Green™ Alliance Announced

In September, NACHA – The Electronic Payments Association announced the formation of a new industry group, officially known as the Pay It Green Alliance. Comprising leaders in the financial and consumer billing industries, the alliance’s primary goal will be educating consumers and businesses about the positive environmental impact of choosing electronic bills, statements, and payments over paper.

Recognizing that most financial services companies have actively pursued for years the reduction or elimination of paper from the billing/statementing and bill payment processes, the alliance hopes to complement these efforts on a broader scale. Using a multipronged effort that will likely include online tools and resources, along with communication through various media channels, the Alliance will provide educational materials for financial institutions and consumer billing companies.

Simply put, the goal of this industry group is to stop the paper cycle. Raising awareness surrounding the amount of paper used for bills, statements, and payments is a critical first step in the process. For more information on the Pay It Green Alliance, visit electronicpayments.org/green.

WHAT'S COMING UP

JANUARY 2008

Global Payments Strategies 2008

January 22–23, 2008 Brussels, Belgium
www.nacha.org

FEBRUARY 2008

Eastpay's Information Interchange 2008

February 10–12, 2008 Orlando, FL
www.eastpay.org

APRIL 2008

WACHA's Electronic Payments Conference 2008

April 7–9, 2008 Middleton, WI
www.wacha.org

2008 Rocky Mountain Summit

April 8, 2008 Denver, CO
www.lpro.org

Southern Financial Exchange's 18th Annual Conference & Expo

April 21–23, 2008 Tunica, MS
www.sfe.org

MAY 2008

Payments 2008

May 18–21, 2008 Las Vegas, NV
www.nacha.org

A TALE OF TWO STREAMS: FIXED-TO-FIXED FOREIGN EXCHANGE (F3X) PILOT TO MEXICO

F3X is a new pilot service that allows U.S. financial institutions to take advantage of the efficiencies of FedACH International Services while providing them the opportunity to manage and apply their own foreign exchange rate to ACH credits for receivers in Mexico. The standard Mexico Service, known as Directo a México, requires that U.S. financial institutions settle their obligations with the Federal Reserve Bank in U.S. dollars, and payments are converted to Mexican pesos at the Receiving Gateway Operator;

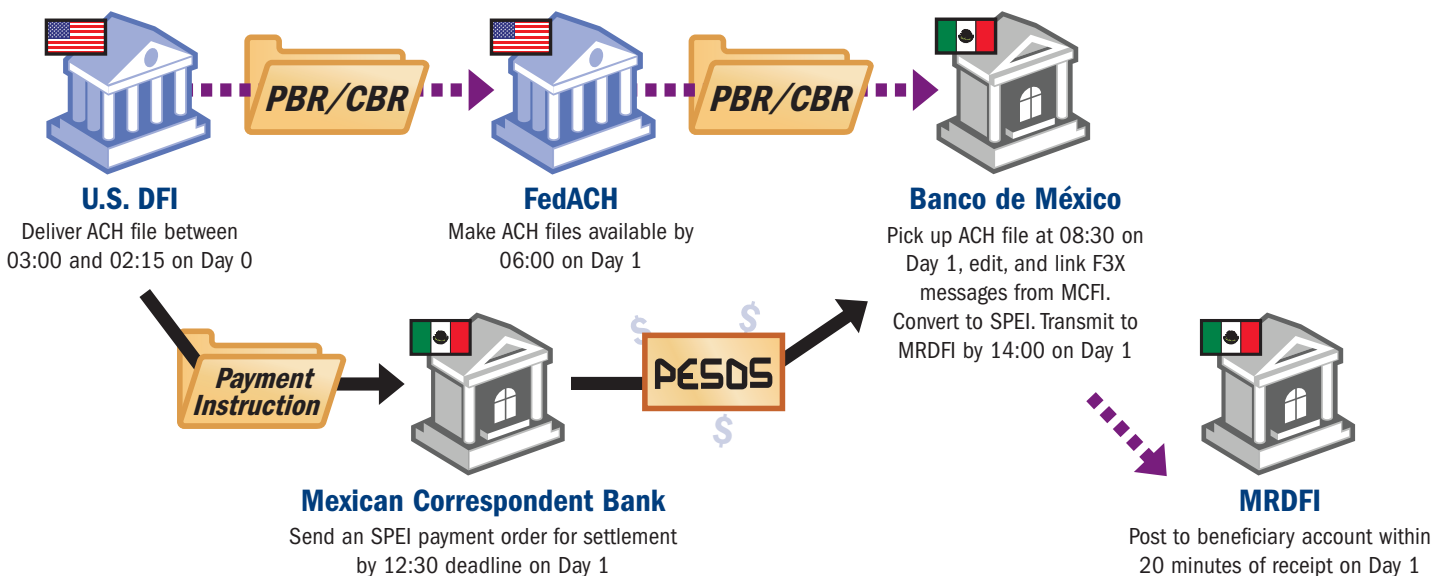
Banco de México. The F3X Pilot Service offers two distinct processing streams.

In one processing stream, FedACH acts as a messaging service for ACH payments, and no settlement occurs with the Federal Reserve Bank. In the second stream, U.S. financial institutions settle ACH transactions in aggregate with Banco de México via a relationship with a Mexican correspondent bank. The diagram below depicts the two streams.

The benefit of the F3X Pilot Service to Mexico? This service not only allows U.S.

financial institutions to manage the foreign exchange rate but also allows originators to know exactly how many Mexican pesos the beneficiaries will receive. This functionality is highly attractive for invoice and payroll payments destined to beneficiaries in Mexico.

For more information about the F3X Pilot Service to Mexico and how your financial institution can participate, please contact your local FedACH sales specialist.



Missouri Corporate Credit Union – Going the Extra Mile



Paulette Hill, director of correspondent services for Missouri Corporate Credit Union in St. Louis, Mo., talked with us recently about the ways in which Missouri Corporate Credit Union serves its ACH customers. Hill has been with Missouri Corporate Credit Union since 1984, and she maintains responsibility for training and education of member credit unions as well as for sales of ACH products and services. As an Accredited ACH Professional since 1994, Hill applied her expertise and knowledge to the development of an ACH handbook for member credit unions. That handbook, as we found out, is just one of the benefits for the credit unions who rely upon Missouri Corporate Credit Union for their ACH processing.

Please describe Missouri Corporate Credit Union (MCCU). Missouri Corporate Credit Union is a \$1 billion corporation with 13 employees, each of whom takes seriously the mission of delivering quality service to our members. We have a national field of membership, meaning that any credit union in the United States can join, regardless of its location and size.

Define the role that MCCU plays in the ACH network. We serve our members in a variety of ways. We act as their correspondent institution for ACH settlement and, in many cases, as their primary source for education about the ACH network. As an educator, we have partnered with our regional payments association (RPA) and the Federal Reserve Bank to provide our members with the best possible training and education. In October 2007, we hosted our ACH boot camp as a joint effort designed to educate our members on ACH rules, the role of our RPA, and the services available from FedACH.

What sets MCCU apart from other credit unions serving as correspondent financial institutions? It's really all about member service. Our employees are encouraged to go the additional mile when providing customer support. If a member calls about an ACH transaction, we seek out the financial institution involved in that transaction and make the phone calls to ensure our member is getting the information it needs to resolve the matter. We also confirm that our member is conveying to the other financial institution the information it needs. Ultimately, we do whatever it takes to see to it that our members, regardless of size, avoid losses.

How does MCCU assess its performance? We have a two-pronged approach to self-assessment. Internally, we adhere to a performance measurement system that is applied to every project, and we conduct monthly quality assurance meetings with staff to set quality strategies. Externally, we conduct customer satisfaction surveys, and we hire a consultant to periodically call on our members to obtain feedback about our performance. (*Editor's note:* In 2006, Missouri Corporate Credit Union received the

Missouri Quality Award, a state-level award modeled after the Malcolm Baldrige National Quality Award).

Tell us about APEX. Through our online ACH origination and receipt system—APEX—our members are able to create, collect and distribute ACH files using nearly every SEC code. By using an online system, we can offer our customers a more effective way in which to process ACH transactions. For the more than 100 credit unions using APEX, we provide full support including technical, application, marketing, and compliance assistance. And, best of all, we are no longer in the business of physically distributing software updates.

What sort of decision-making process has MCCU followed when considering additional types of ACH origination? We first conduct a thorough evaluation of the transaction type and what implications it might have for our members. We review the risk associated with the transaction type, and we talk with others who already offer it to see what challenges they might have encountered.

How does MCCU promote its ACH product offerings to members? We use our member newsletter and our Web site as the primary ways in which to communicate ACH product offerings. We include messages on members' monthly statements, and we sometimes generate a special product mailing in the form of a pamphlet that discusses the benefits associated with a product.

What member services does MCCU provide that you might consider best practices? First and foremost, we encourage our members to know their members and to know the risks that can be associated with ACH transactions. Many credit unions don't have large ACH volume, and we have found it necessary to emphasize the importance of exercising risk controls, even within their own operations. We provide our members with guidance on ACH origination, and we encourage them to look to us for support on an ongoing basis. With that said, however, we strongly encourage our members to develop ACH expertise and knowledge within their own walls.

DISTRIBUTION LOCATIONS FOR DIRECTO A MÉXICO

Bansefi is a Mexican government owned development bank that is actively involved in promoting Directo a and the Beneficiary Account Registration (BAR) Web site. The bank continues to expand financial access and reach to beneficiaries in Mexico by connecting more credit unions and savings institutions under the L@Red de la Gente network to the Mexican payments system. This expansion also allows U.S. financial institutions using Directo a México to reach more credit unions and savings institutions when sending payments to beneficiaries in Mexico.

As of November 2007, 10 L@Red de la Gente credit unions with approximately 150 branches (see the chart below) had upgraded their technological platforms to accept Directo a México payments. By using the BAR Web site, U.S. financial institutions may pre-open accounts for a third-party beneficiary in Mexico at any Bansefi branch—currently more than 490 retail branches or any of the 150 branches of these 10 participating credit unions. U.S. financial institutions can assure their customers that there is a financial institution in Mexico—near the beneficiary—to which payments can be delivered.

L@Red de la Gente Institution Name	No. of branches
BANSEFI	493
Caja Hipodromo	6
Caja Popular Oblatos	25
Caja Popular Maravatío	5
Caja Popular Cerano	11
Caja Popular Santiago de Tecomán	5
Caja Solidaria Guachinango	7
Caja Solidaria Chiquiliztli	3
Caja Popular Agustín de Iturbide	7
Caja Morelia Valladolid	66
Caja Inmaculada	12
TOTAL	640

2008 FedACH SERVICES FEE SCHEDULE¹

Origination	
Items in small files (< 2,500 items)	\$0.0030
Items in large files (> 2,500 items)	\$0.0025
Receipt Items	\$0.0025
Addenda Records	\$0.0010
Web-derived Returns / NOCs	\$.30
FedPhone-derived Returns / NOCs	\$2.00
Facsimile Exception Returns/NOCs	\$15.00
Information Extract File Subscription	\$20.00 / RTN / Month
Account Servicing	\$25.00 / RTN / Month
FedACH Settlement	\$20.00 / RTN / Month

FedACH Risk Origination Monitoring Service

Monitoring Criteria (per set of criteria)	
For the 2nd through 20th Sets	\$8.00 / Month
For Additional Sets up to 150	\$4.00 / Month
For Every Set over 150	\$1.00 / Month
Batch Monitoring	\$.0025

FedEDI Plus

Scheduled Report Generated	\$0.20/report
On Demand Report Generated	\$0.75/report
Secure Delivery (e-mail)	\$0.20/report

FedACH International Services

Item Originated to:	Canada	\$0.0390
	Mexico	\$0.67
	Austria, Germany, Switzerland, United Kingdom	\$2.00
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.frbsservices.org for additional details



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