

News from FedACH

4TH QUARTER 2009

VOL. 6, NO. 4

The Financial Services logo, "FedACH," "FedACH International," "FedACH Risk," "FedLine, GlobalNow," "FedLine Web," "FedLine Advantage," and "FedGlobal" are either registered or unregistered trademarks or service marks of the Federal Reserve Banks.



**2 FEDGLOBAL ACH PAYMENTS
IN 2010**
Expanded Service



4 GLOBENOW
New Promotional Resources

NEWS KIOSK 3
DID YOU KNOW? 3
WHAT'S COMING UP 4

CUSTOMER IN THE SPOTLIGHT

Middlesex Savings Bank

Demonstrating a Commitment to Mutuality and Conservative Business Practices



As people in various areas west of Boston welcome the new year and the start of a new decade, they can be certain of at least two things. One is that January will bring snow and cold weather, and the other is that Middlesex Savings Bank will be there to continue its long-standing tradition of providing excellent service to area residents. Headquartered in Natick, Massachusetts, Middlesex Savings Bank looks forward to celebrating its 175th anniversary in 2010 with 31 retail branches, four commercial lending offices, and \$4 billion in assets. Middlesex Savings Bank is proud to be the second-largest mutual savings bank in the state and ranks sixth among its peers in the nation.

According to Georgia Wilhelmson, manager of the electronic banking department at Middlesex, the bank has a broad consumer customer base as well as a growing commercial customer base. With more than 600 employees, Middlesex has chosen to perform many tasks and functions in-house

to control costs, monitor service levels, and maintain security.

Wilhelmson first came to Middlesex Savings Bank 22 years ago, and what started off as a temporary job in the accounting area eventually led to a management position with responsibility for wires, ACH, debit card network adjustments, and settlement and EFT claims. Additionally, Wilhelmson manages fraud prevention for both check and electronic transactions, elder financial abuse cases, and all cash item charge-offs for the bank.

Closely Managing ACH Origination Business

Shifting attention to the bank's ACH business, Wilhelmson indicated that Middlesex has essentially two types of ACH origination customers. The first type of originator typically uses the basic screens provided as part of the bank's online banking product to create a limited variety of ACH transaction, usually

PPD, CTR, CTX, and EFTPS transactions. The second group of originators uses third-party software to generate files that are then passed to Middlesex using its secure online banking link. The majority of the bank's ACH originators run payroll and cash management transactions while a smaller number of originators use the ACH application to debit their customers' accounts, credit their suppliers, and transmit state and federal tax payments.

Wilhelmson explained that Middlesex Savings Bank does not actively seek out new customers whose primary interest may be ACH origination, stating, "We tend to be relatively conservative, a practice which has served us well over the years. We see this [ACH origination] as an adjunct service that we provide for customers who are already in good standing with the bank. As a result, we have a few originating companies that are well known to us and have very low return rates."

Most of the ACH origination volume at Middlesex is limited to PPD and CCD trans-

CUSTOMER IN THE SPOTLIGHT

actions; however, according to Wilhelmson, the bank is receptive to handling additional SEC codes to meet customers' needs. So far, though, none of the bank's originators have requested other transaction types, leading management at Middlesex Savings Bank to conclude that the size and type of business customers at Middlesex do not have a need for more than two SEC codes.

Encouraging and Supporting Consumers' Use of ACH

When addressing its consumer customers, Middlesex provides automated processes for government enrollments and, like many other financial institutions, offers special benefits for those customers using direct deposit. As part of its commitment to providing high-quality customer service, the bank has a call center with staff trained to respond to ACH-related questions, and for the tougher questions that sometimes arise, there are two AAPs available—Wilhelmson and the electronic banking supervisor. At this point, Wilhelmson notes that the volume of incoming questions on check conversion SEC codes has declined as many consumer customers don't really notice the differences between Check 21 items and checks converted to ACH items. And, as she further explained, "As long as we know the difference and can assist them with any issues, they seem to be content."

In terms of assisting and training its corporate customers on ACH, Middlesex Savings Bank provides each of its originators with a complimentary copy of the corporate edition of the current year's ACH Rules. For specific

"We tend to be relatively conservative, a practice which has served us well over the years."

issues, such as return items, the bank developed its own set of clear and concise instructions for originators. These instructions are provided to each originator to instruct them on how to handle returns while maintaining compliance with ACH rules.

Maintaining Important Defense Mechanisms

Within its own ACH operations, Middlesex Savings Bank employs its online banking system as its first line of defense. This system allows customers to use the screens provided to originate only up to a set file limit and, even then, only if there is an account balance sufficient to cover the origination amount. The system does not do the same for files created on third-party software, so Middlesex staff tracks and manages those file limits.

Wilhelmson confirmed that the bank uses the FedACH Risk Origination Monitoring Service as a backup to its internal controls to ensure that "nothing gets past us." Another backup, or contingency, arrangement that Middlesex has in place for its ACH processing is the FedLine Advantage "Buddy" System.

After realizing several years ago that the bank needed a contingency plan for its ACH and wire processing, Middlesex worked with its Federal Reserve account representative to set up a "buddy" relationship with another local bank. This relationship benefits both parties by allowing them to connect to the Fed using each other's equipment as needed.

As is the case with many financial institutions today, Middlesex Savings Bank is looking for ways to improve customer service, increase market share, cut costs, and increase profits—all at the same time. According to Wilhelmson, the current "wish list" for Middlesex Savings includes providing its customers with a better online banking system, combined check and ACH positive pay, and increased and improved ACH screens and controls. The list could go on, but Wilhelmson acknowledged that there may be a few more people involved in the decision-making process, and they likely have their own wish lists.

FedGlobal ACH Payments in 2010

As we close out 2009, much anticipation surrounds the expansion of FedGlobal ACH Payments in first quarter 2010. With service already available to Canada, Mexico, and Panama, cross-border ACH credit payments to 34 additional countries in Europe and Latin America will now be possible through FedGlobal ACH Payments. Debit payments to Canada will continue to be offered as well. See full lists below:

Europe – Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom.

Latin America – Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Peru, Uruguay.

For more information, visit FRBservices.org or contact your FedACH sales specialist.





- Just over one year ago, the Federal Reserve Banks announced to FedACH customers the availability to test the IAT SEC code. Thanks to the planning, testing, and coordination of efforts among various network participants, the IAT implementation has been declared a success. FedACH Services saw 1,678 forward commercial IAT items on the very first day and by the last day of the month, the number of forward IAT items processed by FedACH in a single day exceeded 102,000. Just over half of the nearly 192,000 items processed in September were Treasury payments originated as IAT items to Canada, Mexico, and Panama
- Congratulations to all who passed the Accredited ACH Professional (AAP) exam in October. We also applaud those who have retained and renewed their accreditations. If you would like to earn your AAP accreditation, the next exam period is set for October 11–29, 2010.
- You may recall the 2007 introduction of PayItGreen, a cooperative effort to educate consumers and businesses about the positive environmental impact of choosing electronic payments, bills, and statements over paper. In October 2009, the group rolled out its new, more interactive Web site for businesses and consumers along with membership options for businesses and financial institutions of all sizes. With daily updates to consumer-oriented “green tips” and a wide array of information and tools, you will want to check out the new PayItGreen site for yourself. Just visit payitgreen.org and see how you can pay it green.
- Foreign exchange rates for FedGlobal ACH Payments can now be found on FRBservices.org at the following URL: <http://www.frbservices.org/app/fedachfx/>. Rate information is updated on a daily basis, and customers can also find historical rates for one year for each participating country.

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 Lance Wagner, AAP	954.436.2402 816.881.2498
Chicago Minneapolis San Francisco	Robb Woldman, AAP Lance Wagner, AAP	213.683.2468 816.881.2498
St. Louis	Susan Bivens, AAP	901.496.0626
Dallas	Matt Davies, AAP	214.922.5259
Cleveland / 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?

FedEDI Plus Service Continues to Improve

The FedEDI Plus Service now provides an IAT report for RDFIs and their receivers. Available since Sept. 18, 2009, when the IAT SEC code became effective, this report displays information for each forward IAT item received. The report can help the RDFI and its receivers identify any IAT items received, understand the information contained in the IAT, and comply with the Office of Foreign Assets (OFAC) requirements associated with these items.

Looking ahead to spring 2010, customers will see the following enhancements to the FedEDI Plus Service:

- Generation of return item and NOC reports at the originator level by specifying company ID, thereby allowing reports to be produced and sent directly to the originator instead of to the ODFI.
- New ODFI report to help identify company IDs for originators not yet set up in the FedEDI Plus Service.
- Inclusion of operator rejects in the Return Item Report.
- Ability to direct individual reports to specific e-mail addresses.
- Reports available via the various FedLine file delivery channels (i.e., Advantage, Command, and Direct) for uploading to Internet banking cash management portals.

Watch FRBservices.org for additional information on these service enhancements in coming months.

WHAT'S COMING UP

FEBRUARY 2010

Eastpay Information Exchange 2010

February 7–9, 2010 Orlando, FL
www.eastpay.org

MARCH 2010

Electronic Payments Conference 2010

March 15–17, 2010 Wisconsin Dells, WI
www.wacha.org

APRIL 2010

Southern Financial Exchange's 20th Annual Conference & Expo

April 12–14, 2010 Tunica, MS
www.sfe.org

Payments 2010

April 25–28, 2010 Seattle, WA
www.nacha.org

A VARIETY OF PROMOTIONAL RESOURCES NOW AVAILABLE

By now, we hope that you are familiar with FedGlobal ACH Payments, the new face of FedACH International Services. We are continuing to expand the payment destinations as well as the delivery options and foreign exchange options, and FedACH customers will have more payment options available in early 2010. To assist you in promoting cross-border ACH services to your customers, we have launched *GlobeNow*, a marketing campaign designed for financial institutions using FedGlobal ACH Payments. As seen here, three unique designs are available, and each can be downloaded and customized to include your institution's information. To access the materials and the instructions for customization, visit http://www.frbervices.org/serviceofferings/fedach/globenow_resources.html. If you have any questions, please contact your FedACH sales specialist.

Design Option 1



Design Option 2



Design Option 3



As of Jan. 1, 2010, there is no longer a requirement that additional notice be provided for ARC, BOC, and POP entries informing the receiver that funds related to an electronic check conversion entry may be withdrawn the same day the payment is received, and that the receiver's check will not be returned.



Effective March 19, 2010, the Authorization and Returns Rule will enhance the quality of transactions in the ACH network by clarifying that a consumer debit authorization must be clear and readily understandable in its terms. Any authorization that does not meet these criteria is not a valid authorization under the rules. This rule is also intended to improve the efficiency with which unauthorized debits are handled by DFIs as it provides greater definition and clarity regarding an RDFI's obligations for obtaining and providing a consumer's written statement that a debit was not authorized.

Also effective March 19, 2010, existing language regarding the expiration of a stop payment order will be revised to address differences between the ACH Rules and Regulation E regarding the intent of, and processing requirements for, stop payment orders on ACH debits. Language about the expiration of a stop payment order that may create confusion for RDFIs in light of Reg E requirements will be revised. In addition, the new language will clarify that the stop payment order would remain in effect until all entries related to the receiver's stop pay instruction have been stopped.

Additional details on these 2010 ACH Rules changes can be found on NACHA's Web site, and you can always ask your RPA for more information.

TIME IS RUNNING OUT

In October, NACHA distributed a request for comment (RFC) on its rules simplification proposal that is intended to provide a more user-friendly set of rules for ACH network participants. Comments are due to NACHA by Friday, Jan. 15, 2010, so don't miss your opportunity to weigh in on whether the updated rules are easier to use and understand. Documentation concerning this RFC can be found at www.nacha.org.

Origination		
Item in small file (< 2,500 items)		\$0.0030
Item in large file (≥ 2,500 items)		\$0.0025
Origination		
Items 1 – 1,000,000 per Month		\$0.0025
Items 1,000,001 – 25,000,000 per Month		\$0.0018
Items 25,000,000+ per Month		\$0.0016
Addenda Record		\$0.0013
Web-originated Return / NOC		\$0.30
Facsimile Exception Return / NOC		\$30.00
Voice Response Return / NOC		\$3.00
Automated NOC		\$0.15
Minimum fee—origination		\$25.00 / Month
Minimum fee—receipt		\$15.00 / Month
Information Extract File Subscription		\$50.00 / RTN / Month
Account Servicing		\$37.00 / RTN / Month
FedACH Settlement		\$45.00 / RTN / Month
IAT Output File Sort		\$35.00 / RTN / Month
FedACH Risk Origination Monitoring Service		
Monitoring Criteria (per set of criteria)		
For sets 2-20 per Month		\$8.00
For sets 21-150 per Month		\$4.00
For sets 151 and above per Month		\$1.00
Batch Monitoring		\$.0025 / Batch
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
FedGlobal ACH Payments		
Item Originated to:	Canada	\$0.62 (surcharge)
	Mexico	\$0.67 (surcharge)
	Panama	\$0.72 (surcharge)
Return Received from:	Canada	\$0.99 (surcharge)
	Mexico	\$0.91 (surcharge)
	Panama	\$1.00 (surcharge)
Item Trace:		
Item at/not at Receiving Gateway	Canada	\$5.50/\$7.00
	Mexico	\$13.50
	Panama	\$7.00
NOC	Panama	\$0.72

¹ Refer to www.frbservices.org for additional details