



SMU
Dedman School of Law
September 29, 2008



Agenda Topics

- Who is PaymentsNation?
- Who Are The Other Players?
- What is Happening in Payments?
- Emerging Payment Options?
- Conclusions

Who is PaymentsNation?

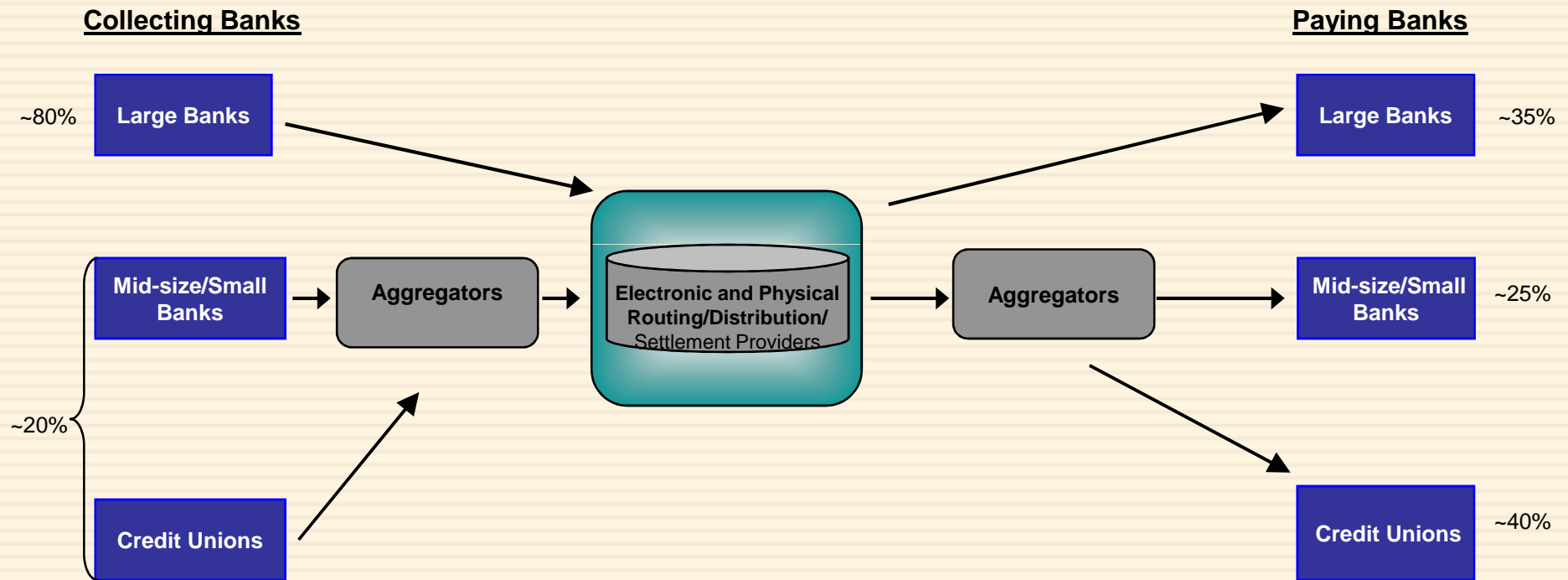
- ❑ Consortium of financial institutions that come together to address common payment industry needs
- ❑ Collaborative Products and Services – Payment Exchange/Settlement, Education, Risk Management
- ❑ Recent Announcement of Combination With Viewpointe LLC
 - ❑ Viewpointe – Owned By 5 Institutions (BofA, Chase, SunTrust, USBank, Wells Fargo) and IBM
 - ❑ Viewpointe – Payments Archive and Payments Hub

Who is PaymentsNation?

- ❑ Roughly 600 member financial institutions (holding companies)
- ❑ Combined With Viewpointe – 120 Employees
- ❑ Headquarters will be in New York City
 - ❑ Additional Offices in New Jersey, Texas, North Carolina, and Arizona
 - ❑ Corporate Board of Directors (From Equity Ownership)
 - ❑ Deal With Viewpointe Expected to Close – Next 30 – 60 days

Who is PaymentsNation?

Check Exchange and Settlement





Who is PaymentsNation?

- ❑ Viewpointe archive stores Over 60 % of checks written in the United States
- ❑ PaymentsNation settles for over 20% of checks written in the United States
- ❑ Just over 50% of all checks written are exchanged electronically
- ❑ Dramatic increase to electronics over the past 24 months
- ❑ Readiness of large financial institutions has been key to the increase

Who is PaymentsNation?

Risk Management

- Broadening of presentment warranties – Rule 9
- Image Survivable Check Security Features
- Payment Fraud Information Resources
- Training and Education
- Payments Convergence – Existing Silos

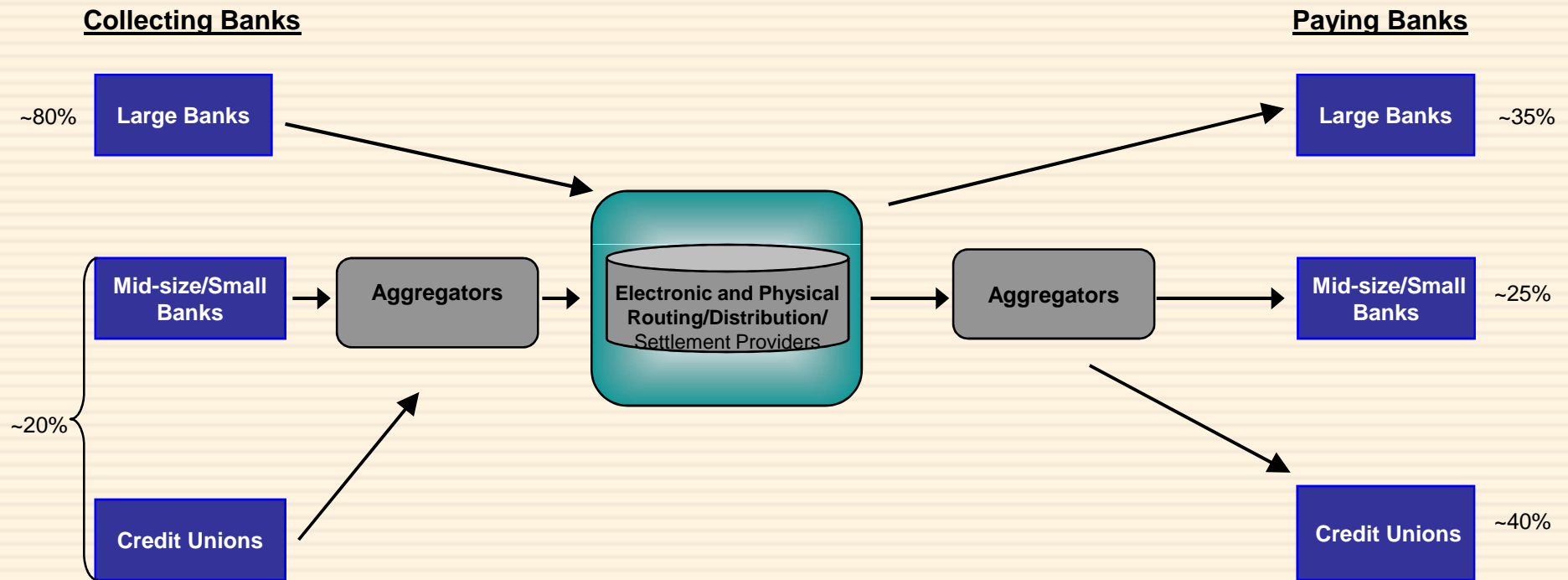
Who is PaymentsNation?

Training and Education

- Outsource educational and training needs
- Certification Classes
- Audit Services
- Industry Advocacy
- National Automated Clearing House Association (NACHA)
- Electronic Check Clearing House Organization (ECCHO)

Who is PaymentsNation?

Check Exchange and Settlement



Who are the Other Players?

- Federal Reserve
- Financial Institutions and Aggregators
- Services Providers (Image Exchange, Check and ACH Processing, Card Transactions)
- NACHA, ECCHO and various payment associations
- The Clearing House
- Local and Regional Check Clearing Houses



Payments Overview

Checks

- Continue to decline but 33% of all non cash payments
- Less reliance on original paper check
- Converted to electronic – image exchange and ACH
- Improved collection times
- Fraud prevention
- Information rich document
- 30 billion today in US (annual) expected to level off at 15-20 billion (5-10 years)



Payments Overview

- ❑ Automated Clearing House (ACH)
 - ❑ Continued growth
 - ❑ Role in check conversion to electronics
 - ❑ New fraud and risk considerations
 - ❑ Reach to all financial institutions
 - ❑ More consumer favorable laws



Payments Overview

Credit Card

- Moderate growth
- Acceptance in online transactions
- Security and information protection

Debit Card

- Strong growth
- Popular for small dollar payments (vs. cash, check)
- Confusion with credit card diminished



Payments Overview

ATM

- Moderate growth
- Reduced need for cash
- Envelope free deposits (Image)

Cash

- Diminishing need
- Battles with forgery
- High risk for consumers – Lose it and it is gone



Emerging Payment Options

Non-Financial Institution Controlled Transactions

- PayPal
- Google Checkout

Mobile Banking and Mobile Payments

- What is the difference?
- Who will control the market?
- Acceptance?
- Risk and Security?
- U.S adoption versus other countries

Conclusions

- Financial Institutions are under great pressures
- Payments are a significant part of the banking business
- Payments are changing
- Consumers are changing
- Competition for payments business has increased
- Financial institutions will need to adapt to the changing needs
 - Leverage trusted entity role
 - Ecommerce Strategy
 - Eliminating internal silos
 - Mobile Strategy