



The Power of Experience®

Implementation of the New Fedwire Format: Corporate and Bank Survey Results

May 2011

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Survey Objectives

Corporate Survey

- The main objectives of the Corporate Survey were to:
 - Understand the corporate knowledge of the new Fedwire format
 - Gauge corporate demand for the new format types
 - Understand the corporate responses to bank implementation plans

Bank Survey

- The main objectives of the Bank Survey were to:
 - Understand bank plans to implement the new Fedwire formats, with further analysis to identify:
 - » Reasons for bank implementations
 - » Reasons for delaying implementation
 - Gauge the bank perception of corporate demand for the new Fedwire formats

Survey Background

Background

- On Apr. 26, 2010 the Federal Reserve published a revised timeline for the implementation of the new Fedwire format (FAIM 3.02) with a stated implementation date of Nov. 19, 2011.
- The new wire transfer format provides for extended remittance information, payment notification and tracking, better alignment to SWIFT, and a few additional minor changes.
 - The centerpiece of the change is the addition of a new business function code called the customer transfer plus message (CTP), which allows the usage of extended remittance information.
- **The Federal Reserve is requiring banks to adopt the new FAIM 3.02 message format, but will continue to offer the standard customer transfer message (CTR) as an option within the new FAIM 3.02 format.**
- TSI conducted surveys to determine the level of corporate interest in the new expanded remittance format and the status of banks' plans to implement the new format.

Key Implications

Corporates appear unaware of the proposed new Fedwire format at this time. Perhaps after it gets more exposure in the industry, it will become a high demand tool (like payee match).

- Over 55% of corporations were unaware that the Federal Reserve was implementing a Fedwire format. Over 200+ global corporates responded to this survey.
- Corporations are generally ambivalent about the need for a new Fedwire format to support their wire activities.
- The majority of corporations will not change banking relationships based on availability of the new Fedwire formats.

Banks must implement the new FAIM 3.02 standard and will need to work with the Fed to understand which elements are required and which elements are optional.

- Approximately 61% of banks are planning to implement the new Fedwire format.
 - However, 29% of banks are unsure of their plans to implement new Fedwire format.
- Banks are primarily instituting the new Fedwire format to maintain competitive parity.
 - Banks that do not have implementation plans are unsure of client demand for the new Fedwire format.
- In general, banks believe that the new Fedwire format is necessary, but not critical for larger clients.
 - Banks do not see demand for the new format in down market and public sector segments.

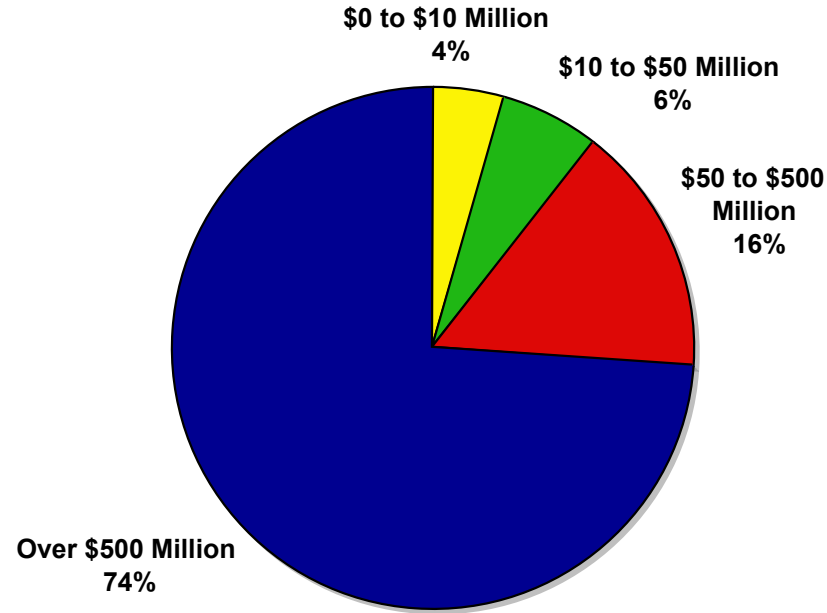
Corporate Fedwire Survey

Corporate Respondent Profile

The majority of corporate respondents (approximately 74%) had annual revenues of at least \$500 million.

- The Small Business (\$0 to \$10MM) and Commercial (\$10 to \$50MM) segments were the smallest respondent groups, however their response profiles did not differ from the larger corporations.

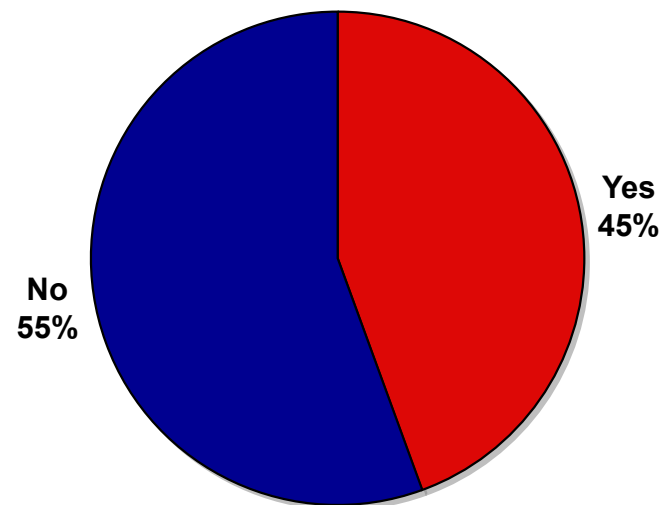
Respondent by Annual Revenue



Corporate Awareness

A majority of corporations (approximately 55%) are unaware that the Federal Reserve is implementing a new Fedwire format.

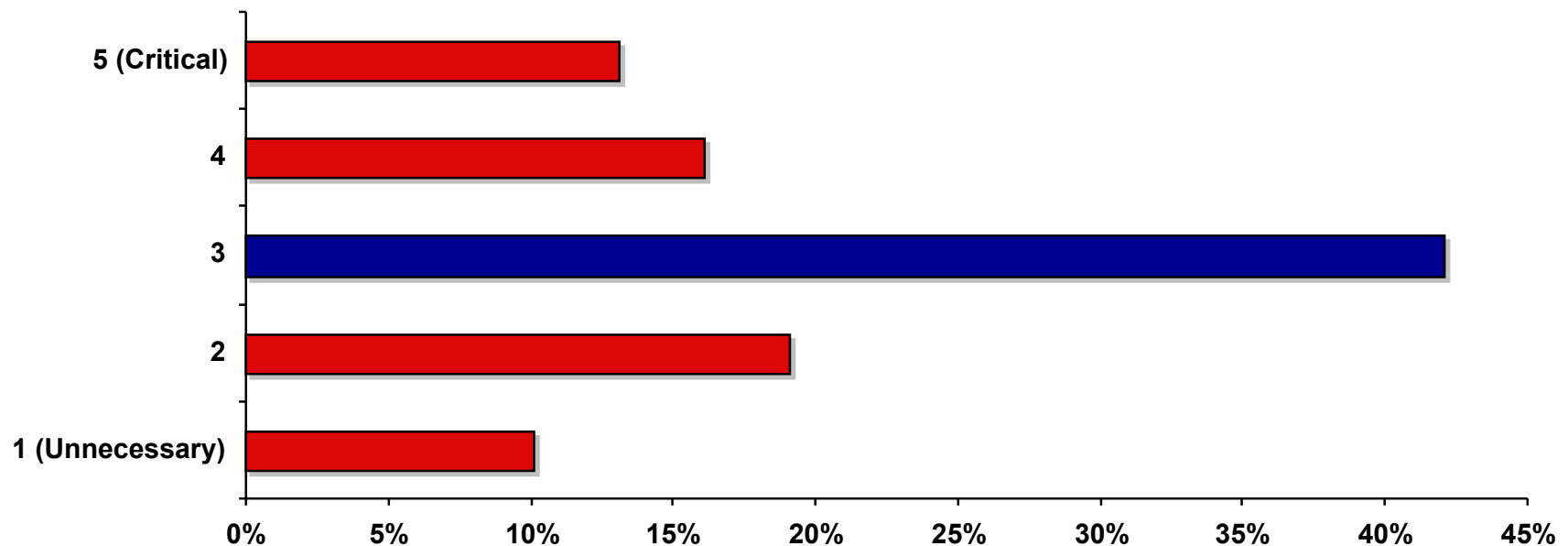
Are you aware of the Federal Reserve's implementation of the new Fedwire format?



Corporate Demand

Corporations do not generally view the new Fedwire format as providing critical functionality to their business.

On a scale of 1 to 5 with 1 being unnecessary and 5 being critical, how important is this new wire format to your business?

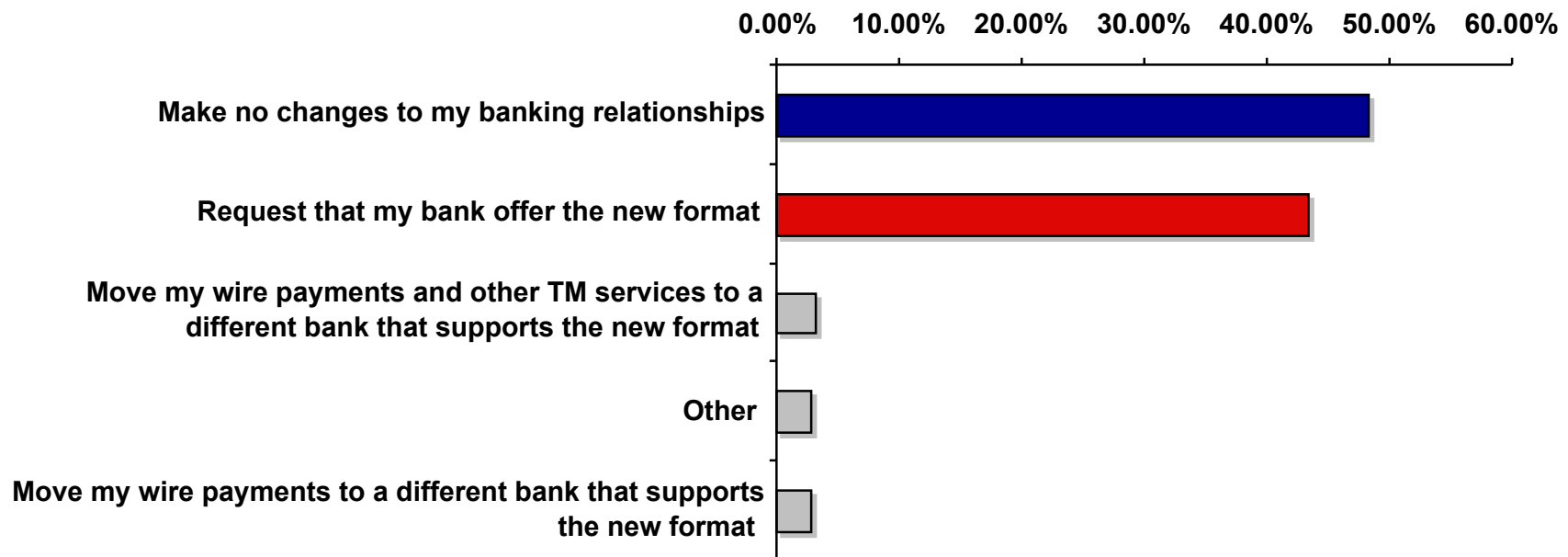


Corporate Reaction to Bank Offerings

The vast majority of corporations will not switch banks if their banks fail to support the new message formats.

- Almost 50% of corporations indicated that they would not change their current banking relationships if a provider did not offer the Fedwire formats.
- Over 40% of corporations indicated that the strongest reaction that they would take would be to request that their bank(s) would offer the new message formats.

If your bank does not offer the new Fedwire format, what is your likely response?



Bank Fedwire Survey

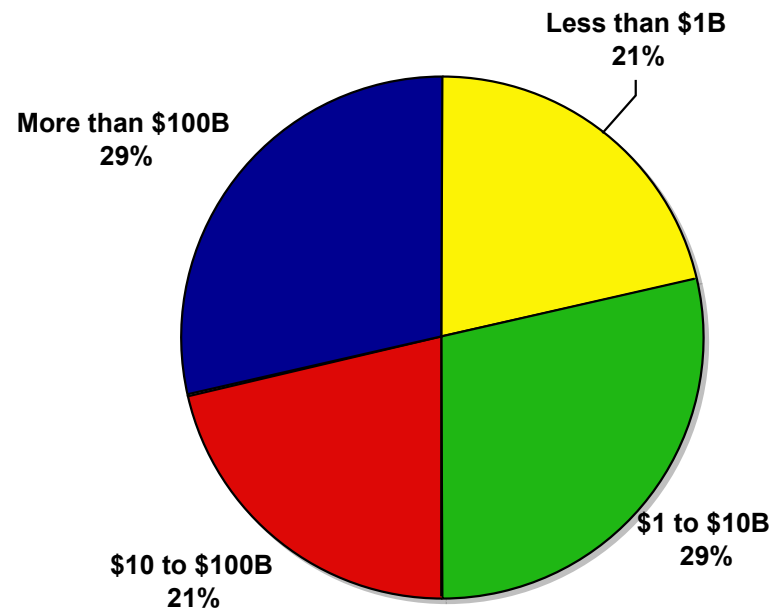
Bank Respondent Profile

Bank respondents were almost evenly split between the four major asset size groups.

- There were equal numbers of respondents in the Tier 1 and 3 segments with 29% of respondents each.
 - The Tier 2 and 4 segments had slightly fewer respondents with 21% of respondents each.

Respondents by Total Assets

Bank Tier	Total Assets
1	More than \$100 B
2	\$10 to \$100 B
3	\$1 to \$10B
4	Less than \$1 B

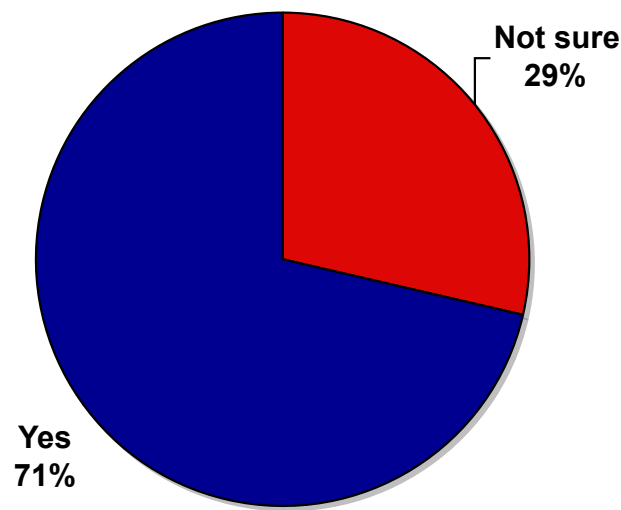


Bank Awareness and Plans

A majority of banks (approximately 71%) are planning to implement the new Fedwire format.

- According to the Federal Reserve all banks are required to implement the new FAIM 3.02 format; however, they will not be required to offer the new CTP messages.
 - The response patterns indicate that banks are unaware of the requirements around the new Fedwire format and that there is room for further clarification.
 - » Almost 1/3 of banks are apparently unaware of the Federal Reserve requirements.

Are you planning to implement the new Fedwire format?

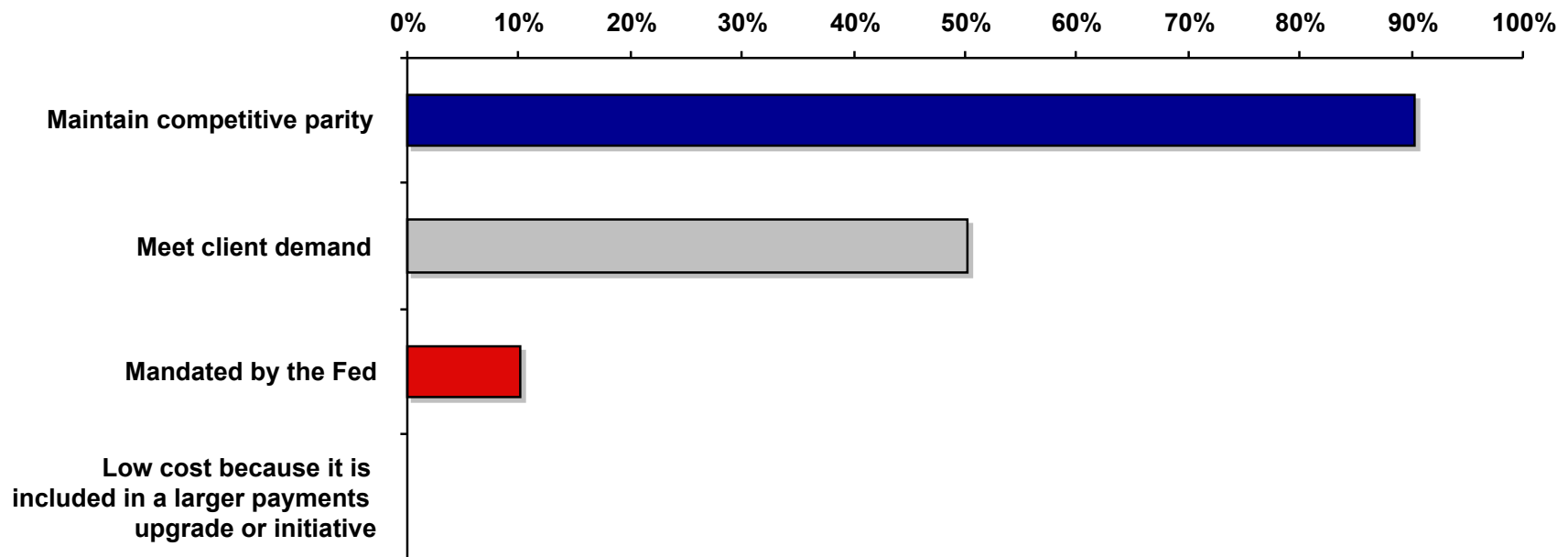


Bank Reasons for Implementation

The vast majority of banks (approximately 90%) indicated that they were implementing the new Fedwire format to maintain competitive parity.

- Only 10% of banks indicated that they were implementing the new Fedwire format because it was mandated by the Federal Reserve.

What are your reasons for implementing the new Fedwire format?

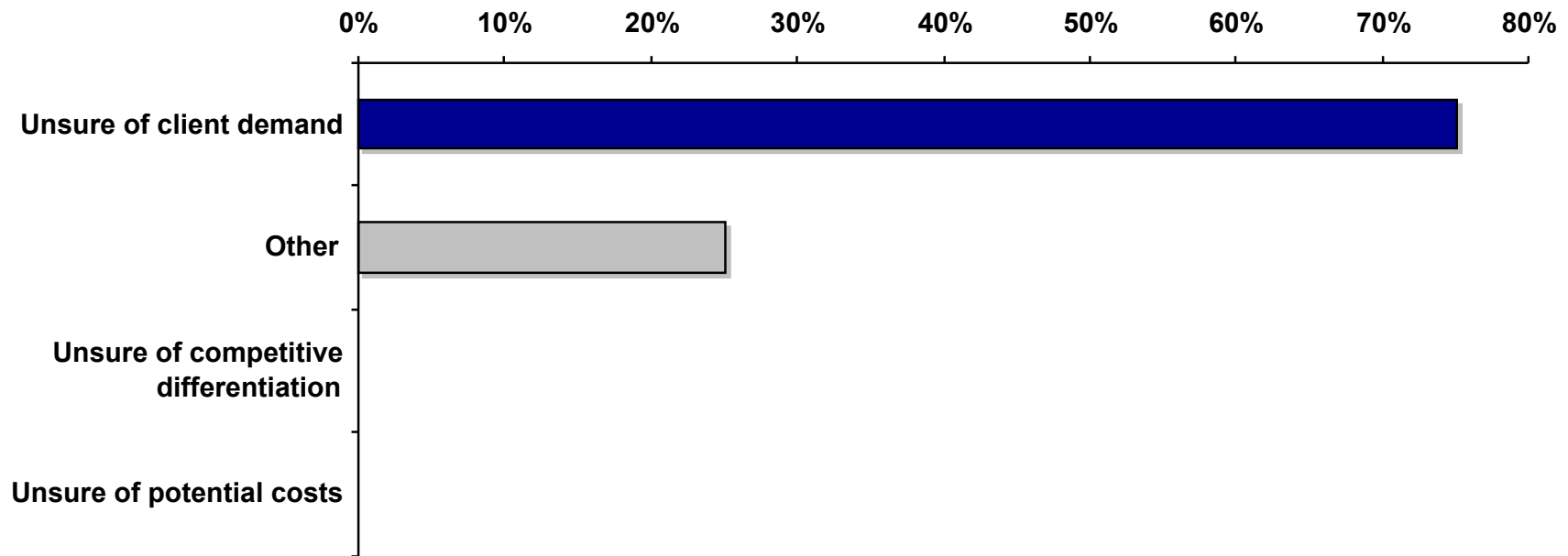


Bank Reasons for Delaying Implementation

For banks that were unsure of implementation, the vast majority (approximately 75%) indicated that they were unsure of client demand for the new Fedwire format.

- For the banks that indicated “Other”, the main issues were around cost and the scope of the changes to the Fedwire format.

Why are you unsure about implementing the new Fedwire format?

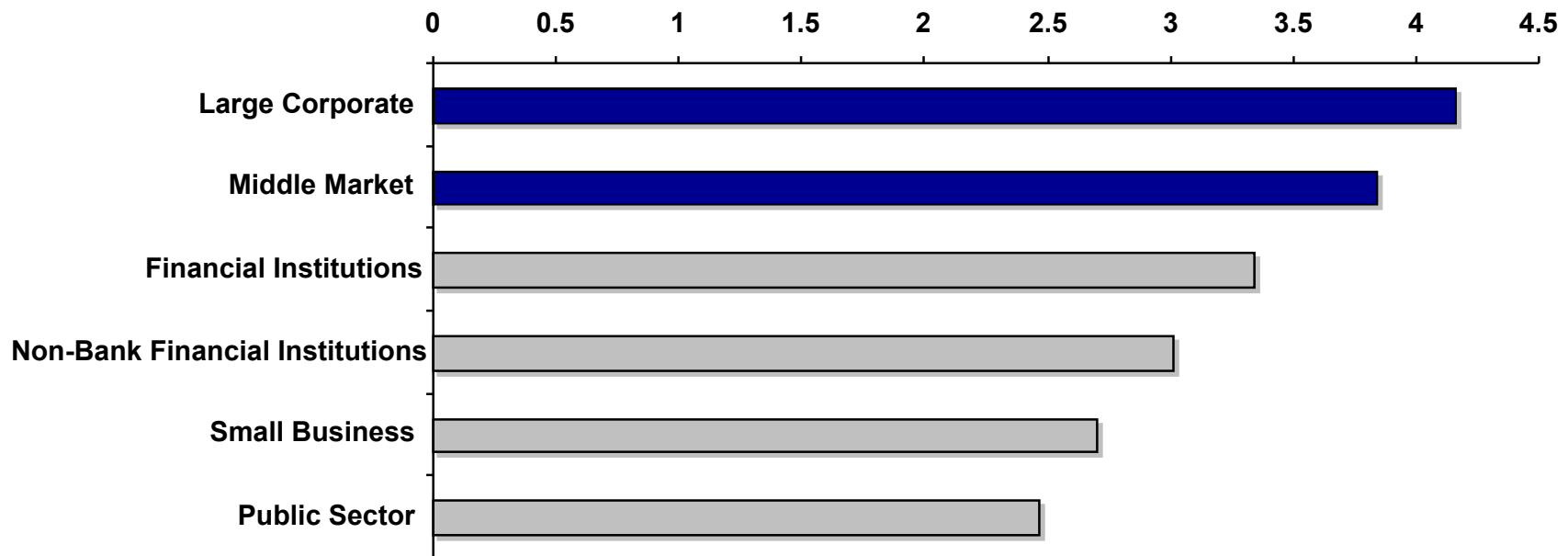


Bank Perception of Client Demand

Banks perceive moderate demand for the new Fedwire format in the large corporate and middle market segments.

- Banks see limited demand for the new Fedwire format from small business and public sector clients.

On a scale from 1 to 5, with 1 being unnecessary and 5 being critical, what is the expected need for the new Fedwire format?



Questions?

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