



## Wells-Bank of America Venture a New Model for ACH

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By [Steve Bills](#)

Wells Fargo & Co. and Bank of America Corp. said Thursday that they are planning to consolidate their automated clearing house operations into a joint venture called Pariter Solutions LLC that will use a single payment processing system to handle both companies' electronic transactions.

The ACH system, originally developed to carry low-value, recurring payments between known parties within the United States, is transforming with the introduction in recent years of formats that enable people to use it for spontaneous payments and for international transactions.

Though payments executives have supported these efforts to increase volume, they also recognize that the new uses of the ACH system require originators to invest significantly in their systems. Wells Fargo said that collaborating with Bank of America would reduce many of these expenses.

Observers also noted that the emergence of a third-party ACH processor could prompt other financial companies to outsource their own ACH volumes, much as credit card issuers have long recognized that handling the back end of transactions is a commodity activity they no longer need to control.

Stephanie Sturgis-Griffin, Pariter's chief executive officer, said in an interview Thursday that the venture offers several ways for its two owners to save money.

First, it will be able to develop a single payments system to support both Wells' and B of A's ACH businesses. "It makes sense for two financial institutions to collaborate and do that once," she said. "It is a high-fixed-cost platform. If you spread your cost over more transactions, you ultimately will result in lower unit costs."

And, in a significant departure from the ACH network's current structure, once Wells and B of A are live on the shared system, they will be able to clear and settle their ACH transactions "on-us," without routing them across either of the two ACH networks operated by the Federal Reserve banks or The Clearing House Payments Co. LLC's Electronic Payments Network unit, and without paying fees to either.

David C. Robertson, a partner at the financial consulting firm Treasury Strategies Inc., said the venture could be a sign that ACH processing is no longer a core bank function, just as many banks decided to offload card processing operations to companies such as First Data Corp. while retaining the customers and the accounts.

"These platforms require a lot of care and feeding," he said. "But it doesn't help you compete. It doesn't help you serve your customers better."

Elliott C. McEntee, the president and CEO of Nacha, the electronic payments association, said a third-party ACH processor could increase volume and reduce the cost per transaction.

"As more payments become electronic, I think you're going to see more of this outsourcing done," Mr. McEntee said. "The underlying volume, the pie, keeps getting bigger and bigger."

Susan Feinberg, the research director in the wholesale banking group of TowerGroup in Needham, Mass., an independent research group owned by MasterCard Inc., said that Pariter could become an industry utility for ACH, much as Viewpointe LLC operates as a utility for check-image archiving.

Wells and B of A "both are having to invest in keeping their technology infrastructures up to date," she said.

Given the two companies' size, they could take a good chunk of volume away from the network operators, she said. "They'll save a huge amount on fees that they are paying to third parties. They'll be just like on-us transactions."

Pariter (Latin for together) will combine the volumes of the nation's second- and third-largest ACH originators, though it will still trail those of the market's leader, JPMorgan Chase & Co. But B of A and Wells rank No. 1 and No. 2 in receiving volume, and Ms. Sturgis-Griffin, who was a senior vice president at Wells Fargo until taking the Pariter job, said the venture would be the top ACH processor by total volume by the time Wells and B of A are live on its platform, which is expected by the end of 2010.

"We're committed to leading the industry," she said.

Pariter will use Wells' proprietary ACH system, Ms. Sturgis-Griffin said. Ownership will reside with the two banking companies (the proportional ownership was not disclosed) and B of A and Wells each will designate one executive to join Ms. Sturgis-Griffin on the venture's three-member board. Pariter's chief operating officer is Walter Taylor, who is leaving his post as a B of A senior vice president.

The companies hinted that Pariter could take on additional owners or customers in the future, but Ms. Sturgis-Griffin downplayed that. "Right now we're focused on making this work really well for Wells Fargo and Bank of America," she said. Only after the two banking companies have shifted their ACH volume to Pariter "would we consider adding new financial institutions."

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