

100th bank signs up for GFX wire system

BankServ is pleased to announce that it has surpassed the 100-customer mark for its Global Funds Exchange (GFX) system for Fedwire, foreign exchange and National Book Entry Securities system transactions.

In August, the Bank of Guam became the 100th bank to sign up for GFX, with implementation taking place this winter. Over the past two years, BankServ has experienced record growth in its wire department, signing GFX contracts with 18 new banks in 2005 and 19 more through September of this year.

Reaching the milestone was a result not only of the recent rapid growth, but also of its appeal to a new kind of customer, said Ken Short, manager of development for wire transfer services.

"In the past 18 months, we've signed a lot of deals with banks that process maybe 75 or 100 wires a day, instead of a few hundred," Short said. "Smaller banks are realizing that GFX can make their wire rooms more efficient, and they're going automated too."

The most recent version of BankServ's wire transfer system, GFX 2.10, made its debut in October 2005 and included a foreign exchange module for the first time. Currently, 36 client banks are running or testing GFX 2.10, of which 23 have also signed up to use the foreign exchange capability.

Magex deal adds P2P line

BankServ also acquires mobile phone payments business

Two major new systems joined the BankServ product line in September as the company completed a deal to acquire a division of London-based Magex Holdings Ltd. Known collectively as the Magex Managed Payments Platform, the pair of products let users send person-to-person payments either online or using their mobile phones.

The Magex mobile payment technology, which is currently being deployed in the Middle East by Zafa Ltd. of Saudi Arabia, presents a chance to enter a market that remains relatively undeveloped in the United States and Europe. Customers who sign up for the service can buy items or send money using a process similar to text messaging. While similar systems have already achieved widespread popularity in Japan, it has only recently been intro-



Kristina Taylor/BankServ

THE NEW P2P PAYMENTS TEAM joined the company in September when BankServ acquired the Magex Managed Payments Platform.

duced in most other parts of the world.

Once the technology gains a foothold, it will present a viable alternative to physical payment methods like checks and credit

cards, and could even offer certain advantages over current ways of making payments online.

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New project aims to combine Fed, SWIFT processing in one system

For banks using two separate systems to process Fedwire and SWIFT transactions in their U.S. offices, a simpler solution may be on the horizon.

In collaboration with SWIFT, BankServ has begun development of a new service that will combine Fed and SWIFT functionality into a single interface. And for many banks, the ability to send both segments of an international transaction over the SWIFT Network will help eliminate a time-consuming process in the back office.

Completing an international payment within the U.S. typically requires a Fedwire transfer to settle the transaction domestically, then a separate SWIFT message to notify the receiving institution's overseas office. Many banks do not have an automated link between their Fedwire and SWIFT systems, meaning items must be entered separately into each, taking up time and creating the potential for human error.

"Despite recent efforts by the banking industry to shift toward

electronic methods of moving money, SWIFT and the Federal Reserve Bank remain on two separate systems," said Dave Kvederis, BankServ's president and CEO. "And unless a bank does a high volume of transactions on both, chances are, their systems aren't integrated. Soon, they'll be able to use just one system and let us handle the integration."

Currently named SWIFT2Fed, the new offering

(See **SWIFT**, Page 2)

Remote deposit gets a PASS into Windows Vista launch

If you've been keeping up with the latest news about Windows Vista, the next-generation operating system from Microsoft, you've probably heard by now about the delays that have pushed back its release to the general public until early 2007. That probably came as a disappointment to a lot of consumers in the market for a new PC – many of whom were left facing an extra decision about technology: Do I buy a new computer before the holidays and update my software later, or hold out until the Vista launch and take care of it all at once?

In the financial world, though, Vista is bringing along some great news. For the first time, Windows will have a “click here” option if you want to your computer to handle electronic payments. Vista's interface will be slightly different from Windows XP's, but this option will be similar to including an icon that leads to a Web site or product demo.

The way it works is that you'll be able to follow a link from within Vista to the PASS (Payments as a Secure Service) Consortium, which is basically an online marketplace for



**DAVE
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President & CEO

e-payments services. If you want your business to be able to take credit cards over the Internet, you'll be directed to a company that can help set that up; if you want to accept PayPal, there will be a link for that, too. If you're interested in remote check deposit, you'll be directed to BankServ's DepositNow product. The idea is that by going to PASS, you'll be visiting a one-stop shop where you can set up your machine to send or receive whatever kind of electronic payments you need.

Before I make this sound like the deal to end all deals, let's put some reality checks around it. Currently, Microsoft has plans to release six versions of Windows Vista – three for consumers, two for businesses and

one for developing regions. PASS is included in one of those six versions, and it's just one link among many.

But what's really important is the message that's being sent by including PASS in Vista at all: Electronic payments have become mainstream enough that any business might have a legitimate use for them. No longer restricted to massive chain retailers and quirky dot-com companies, they've quietly been building public appeal for the last several years.

When BankServ was first founded, bank-to-bank and bank-to-business transactions were the main uses for our technology. But in the 21st century, the benefits of moving money electronically are expanding to businesses everywhere, not just the biggest and the richest.

Our bank customers and friends need to stay on top of the developments in this new market – or else risk being left in the dust of emerging non-bank competitors. BankServ is here to help you remain up-to-date and engaged in the e-payments industry.

IN BRIEF

Scanners, newsletter now hosted online

To coincide with the launch of the SB1000 check and document scanner, the main bankserv.com Web site has been updated to include a new product section devoted to check scanners that work with the DepositNow system.

Interested customers can now find information and fact sheets on several different scanners on our product page: www.bankserv.com/scanners.

Also, beginning this month, the On The Money newsletter can be found on the News section of the site in both PDF and text-only format. The BankServ International Bulletin, which focuses on SWIFT and international banking products, was also added to the News section in October.

SWIFT

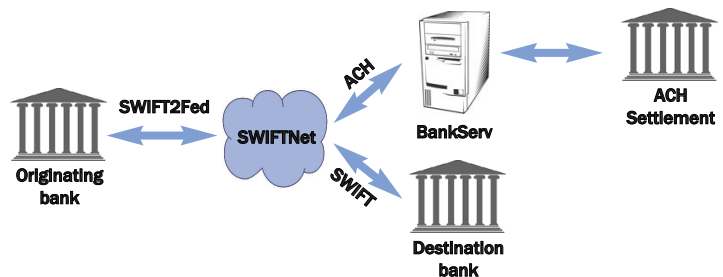
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will let the originating bank put a Fed transaction into a “wrapper” that allows it to be sent to BankServ over the SWIFTNet FileAct system. BankServ then “unwraps” it and settles the transaction with the Federal Reserve Bank while a SWIFT message is simultaneously delivered to the receiving bank (see diagram).

The idea came about, Kvederis said, when BankServ and SWIFT learned that many overseas banks with offices in the United States send a high number of SWIFT messages but relatively few Fed transactions. Often times, such banks have automated SWIFT systems, but still use manual data entry or even telephone requests for Fed transactions because a high-end system would not be worth the expense.

“Once SWIFT2Fed comes online, though, a bank's existing SWIFT connection will be able

Routing payments through one connection with BankServ's new SWIFT2Fed system



to bear the same load as an automated connection to the Fed,” Kvederis said. “It will finally be possible to integrate both sides of your international payments business at a reasonable cost, even if your transaction volume wouldn't have justified it before.”

As an accredited service bureau for both SWIFT and the Federal Reserve, BankServ already offers a similar service through its cross-compatible TurboSwift and Global Funds Exchange (GFX) systems. But in

order to take advantage of that feature, a bank needed to automate both its SWIFT and Fed connections. With SWIFT2Fed, only the SWIFT connection need be automated, and BankServ takes care of the rest.

“We expect SWIFT2Fed to make this type of automation practical where it wasn't before,” said Mary Ellen Putnam, the head of BankServ's international division. “It's one more way to spread the benefits of electronic payments to banks of all sizes that fill many different niches.”

BankServ to join SWIFT as corporate member

In order to simplify the connection process for several of its domestic services, BankServ has announced its intention to join SWIFT as a corporate member in 2007. The company hopes to have its membership activated along with the first round of incorporations using the new service plan in January of next year.

BankServ currently processes transactions through its SWIFT service bureau on behalf of a number of banks around the world, and will become the first accredited service bureau to join as a corporate member. None of BankServ's international clients, however, should experience any interruption in service, as the move will primarily affect the U.S. product line.

The main changes in store will be to the back-end interfaces of products like DepositNow and SameDayPay, where check images and ACH items will be transmitted to banks using the SWIFT FileAct system instead of custom-built direct connections. By using the SWIFT format as a standard, banks will experience considerably lower costs for connecting the services to their own systems.

It will also become possible for BankServ to use the SWIFT Network for the exchange of some of the more than 40 million ACH transactions it processes every year with its client banks.

Although corporate SWIFT membership has been available for several years, the companies joining in January will be the first to do so under a new program designed for easier access. Among the other firms joining in the group are IBM, Microsoft, General Electric and several others.

SWIFT Phase II testing wraps up

TurboRMA, other updates will be coming to market soon

In preparation for the upcoming switch to SWIFT Phase II standards, BankServ International's development team is concluding pilot programs that tested an updated version of TurboSwift and a new plug-in named TurboRMA.

The updates will keep TurboSwift users current with the SWIFT Network's new set of requirements set to debut in early 2007. Under the new rules, the present Bilateral Key

Exchange (BKE) system will be retired and replaced with a Relationship Management Application (RMA) platform for exchanging messages.

Initial pilot tests were carried out at Helaba Bank in the U.K. and DSK in Eastern Europe. BankServ is finalizing the FIN and RMA qualification test with SWIFT, after which a mandatory 90-day customer certification process will begin.

Banks still operating in a

BKE environment will be able to use their current TurboSwift system for several months while SWIFT completes the migration to RMA. TurboRMA and the next edition of TurboSwift are scheduled for release well ahead of that window, giving client banks plenty of time to prepare.

In addition to the RMA protocol, the new software will support TARGET2 standards and all other new messaging requirements.

RUSSIA ROAD SHOW PROMOTES READINESS



BANKSERV REPRESENTATIVES Andy Maloney and Mary Ellen Putnam traveled to Moscow to co-host a seminar at the headquarters of MICEX, Russia's automated clearing house system. The seminar focused on using TurboSwift as a way for Eastern European banks to update aging PC Connect systems in preparation for the upcoming SWIFT Phase II changes.

Photo courtesy of Mary Ellen Putnam/BankServ

P2P

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"The major reason why BankServ acquired this technology is because of its tremendous potential," said Mary Ellen Putnam, who leads BankServ's international business unit. "For a lot of things like utility bills or monthly rent payments, people are still mailing checks or paying in person. So it's easy to imagine how much easier it would be to do those things using your phone. Someday, you'll probably even be able to pay your mobile phone bill by sending a text message."

Also acquired in the deal was Magex's online P2P payments system for the United Kingdom. The most notable client to use that service is Zopa, an online lending exchange with more than 90,000 members in the United Kingdom. Zopa's marketplace allows members to lend money to or

magex

Courtesy of Kristina Taylor/BankServ

THE MAGEX company logo has appeared with several different P2P payments platforms.

borrow from each other directly in a secure online environment.

By expanding into P2P, Putnam believes BankServ has continued to keep its product line at the forefront of the constantly evolving field of electronic payments.

"Advances in technology are letting the financial industry come up with new ways of moving money every day," she said. "P2P payments have already begun opening new doors in banking, and we've only begun to see a glimpse of their full potential."

Introducing the new SB1000 scanner

Check imaging device is available for less than half the price of similar products

Two years after the Check 21 Act took effect, the price of most check scanners on the market today remains several hundred dollars and up – a major hurdle for many businesses considering a switch to remote deposit.

So, in order to make capturing check images more affordable, BankServ announced on September 19 the launch of its SB1000 check and document scanner. At a retail price of \$225, the SB1000 will allow potentially millions of small businesses to try remote deposit with a much smaller commitment of cash than was previously possible.



Jerry Lo Monaco/BankServ

The SB1000 check and document scanner can read both checks and ordinary documents, and is fully powered through a connection to a USB port.

An August article in Bank Technology News estimated that 95 percent of potential remote deposit users have yet to adopt the technology.

BankServ CEO Dave Kvederis thinks the high cost of an entry-level system is what's been holding them back. "To expect a small

business owner to pay up to \$1,000 for a technology he's never even tried before – that's asking a lot," Kvederis said. "But at a quarter of that cost, it's a lot easier to see why it makes sense."

In addition to capturing check images, the SB1000 can accommodate documents up to 8½" by 14" for two-sided color scanning – while most similar products can only read checks. The new scanner also draws all the power it needs from a standard USB port, consuming just 2 watts of electricity when in use.

But the SB1000's affordability compared to the competition is still unmistakable. And with a

30-day unconditional money-back guarantee and one-year warranty, customers can try remote deposit for the first time with confidence.

"If you buy the SB1000 instead of another scanner, you can save enough money to pay for a whole year of remote deposit service," Kvederis said. "The biggest problem banks have in promoting check image capture is convincing customers to pay for it. We feel we've come up with a solution to that problem."

For more information, including private-label branding opportunities, visit www.bankserv.com/products/scanners.html.

Mark your calendar: Upcoming events

The 2007 GFX User Conference will be held on July 22-25 at the Omni hotel in San Francisco. Stay tuned for specific events and times in the next issue.

Federal Reserve Bank-required contingency testing for wire customers will take place on March 14

and Sept. 15. If your institution is required to participate, you will be notified by the Federal Reserve Bank.

GFXN service bureau clients will have ISDN testing from April 9-27 to ensure their ability to restore their connection to BankServ on a backup circuit.

BANKSERV ACCEPTS HONOR FOR RAPID GROWTH



BANKSERV CEO Dave Kvederis, left, and wire division development manager Ken Short, right, accept a plaque at the awards banquet for the Deloitte and Touche Fast 50. BankServ placed 31st on the Fast 50 list, which recognizes the fastest-growing technology companies in Silicon Valley. The company was also among the top 100 nationally for five-year growth among firms in urban areas.

Photo courtesy of Deloitte and Touche

Users can sign up online at new DepositNow site

The Web site for BankServ's DepositNow service, www.depositnow.com, is undergoing a redesign to improve its flow and feel, and now also allows new customers to sign up for DepositNow online.

The overhaul was undertaken to accommodate new DepositNow members who will need to register for the service once they purchase the SB1000 scanner, or who first hear about DepositNow online.

New members can currently submit an application by clicking on links from depositnow.com and bankserv.com, and a customer service agent will call back to complete the order by the next business

day. A fully automated system that will allow instant sign-up and installation is scheduled to debut on the site by the end of the year.

The new site also gives customers the option of purchasing a check scanner if they do not have one. Prospective customers will also be able to access information about different editions of DepositNow and DepositNow A/R.

For existing customers, the site will be updated with software upgrades and new scanner drivers as they become available. A searchable online help database and product manuals will also be provided for registered DepositNow! users.