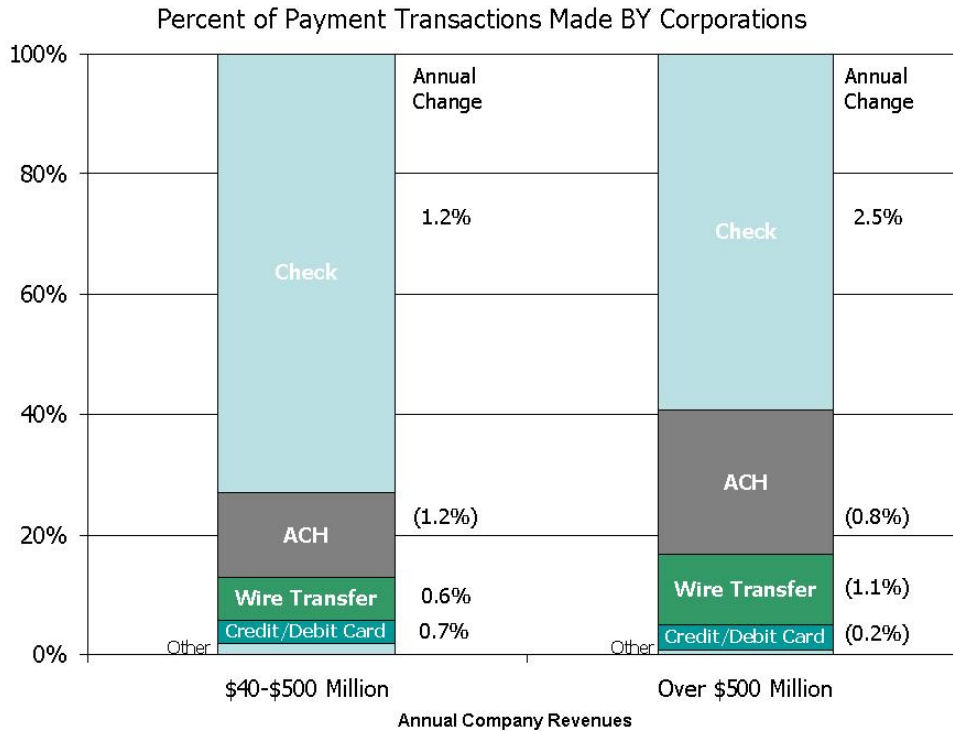


Value Trends in Payments

Paper payments remain a staple of B2B commerce mainly because the decision to pay or receive payments electronically is strongly influenced by factors other than banking costs.

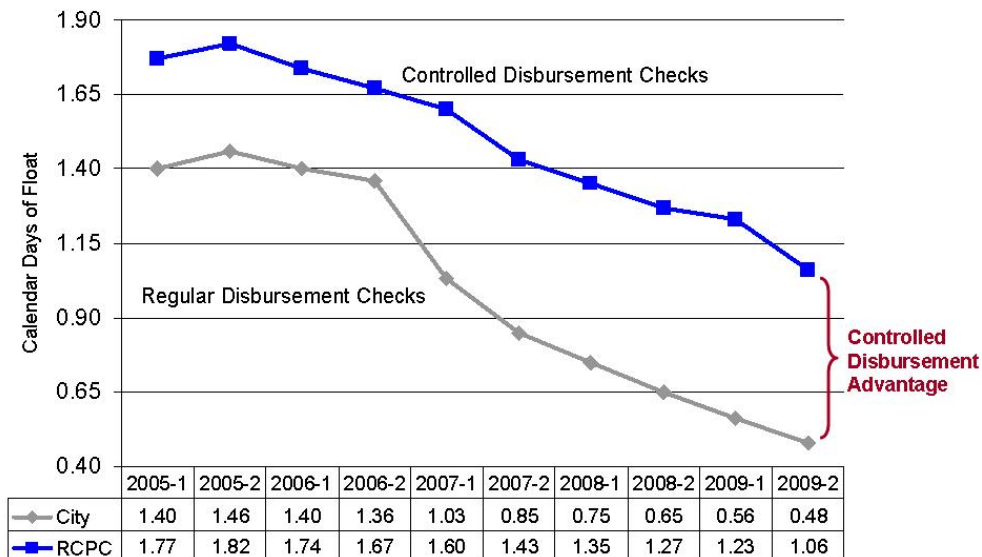


The corporate migration to electronic payments, which started with the first EDI transaction over 30 years ago, has also created numerous opportunities for banks to automate the processing of payments and payment information for corporate customers. The current wave of automation is converting paper checks at the point of first deposit into an electronic image is nearly complete. This check image processing, initially driven by the banks desire to reduce the cost of processing large volume of consumer checks, is beginning to impact corporate treasury operations. A recent Phoenix-Hecht study quantifies the benefits many companies still derive from their payables systems because of the use of controlled disbursement.

Payables

The use of image presentment by banks to clear checks faster and at less expense is increasing. The direct impact on corporate controlled disbursement accounts is a slight reduction of actual check clearing times. The majority of B2B check payments directed to a lockbox are clearing in 1.06 days down from 1.23 days according to the latest Phoenix-Hecht Check Clearing Study™. Controlled disbursing continues to have a 0.58 day float advantage for the payor over a regular checking account for lockbox deposits. This difference in clearing times is likely to be long lasting because of 6:00 am intra bank deadline for same-day posting.

Check Clearing Time Averages for Lockbox Deposits



Source: The Phoenix-Hecht Check Clearing Study™

About the Clearing Study

The Phoenix-Hecht Check Clearing Study™ is the industry standard for measuring the time delay for a deposited check to be debited at the originator's bank account. The purpose of the Clearing Study is to reflect the minimum amount of time required for a check to clear through the banking system. Checks were drawn on 86 banks representing Fed City, PCPC and country points in all Federal Reserve districts. During the study, Phoenix-Hecht deposited checks in 35 major lockbox cities as well as 57 bank branch locations. Lockbox deposits use sufficiently large dollar deposits are timed to represent normal deposit patterns experienced by corporations and to make the bank's major availability deadlines. The low-dollar, over-the-counter deposits are timed to make each deposit site's deadline for end-of-business day activity. Clearing times are expressed as the average calendar days from day of deposit to day of debiting at the drawee account. Corporations can request check clearing data on their banks at http://www.phoenixhecht.com/treasuryresources/Products/CLS_Request.aspx or directly from the bank.