



## Looking out for **YOUR** Interests

Tom Santos, Director of Government Relations  
January 30, 2006

## AFP Government Relations and Advocacy

AFP Payments Task Force  
Government Relations Committee  
Sept 2005



- The Financial Professional's voice before:
  - Congress
  - Administration/Federal Agencies
    - The Fed, SEC, U.S. Dept. Treasury, etc.
  - Rule-Making Organizations
    - FASB, NACHA, NASD



*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 2

## 2006 AFP GRC Members

R. Ross Guyer, AAP, Chairman  
Senior Deputy State Auditor  
E-Commerce/Information Technology  
WV State Auditor's Office

James R. Bickmore, CTP  
Assistant Treasurer  
American General Life & Accident

Hank A. Courson, CTP  
Head of Financial Risk Mgt.  
Nextel Communications Inc.

Joseph C. Meek  
Corporate Director – Treasury  
SSM Health Care Corp.

Doug Davis, CTP, AAP  
Director- Global Cash Mgt.  
FedEx Corporation

Mary J. Holmes  
Treasury Manager  
Allina Health System

James R. Haddad, CTP  
VP resident, Corporate Finance  
Cadence Design Systems, Inc.

R. Evan Hardin  
Vice President, Finance  
Ridgeview Apartments

Alvin C. Rodack, CTP  
Associate Treasurer  
The Ohio State University

Anita Hill, CTP  
Administrator Treasury Operations  
Indianapolis Power and Light Company

June M. Johnson, CTP  
Assistant Treasurer  
Hartmarx Corporation

Nolan L. North, CTP  
Consultant  
T. Rowe Price Group, Inc.

Maureen O'Boyle, CCM  
Assistant Treasurer  
Shaklee Corporation

Anita H. Passarella, CTP  
Director of Treasury Operations  
Vanguard Health Systems Inc.

Kenn Ashley, CTP  
Treasurer  
Hiedrick & Struggles International

Jay S. Smith, CTP  
Treasurer  
AMX Corporation

Brian M. Szames, CCM  
Treasurer  
Federated Department Stores



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 3

## Issues

- Credit Rating Agency Reform
- Check 21
- Stored Value Cards
- Corporate Check Conversion
- NACHA Return Entry Fees
- Remotely Created Checks
- Data Security & ID Theft
- Card Interchange Fees
- Deposit Insurance Reform



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 4

## Credit Rating Agency Reform

- AFP Action:
  - Two AFP surveys confirmed the following:
    - SEC should increase oversight; foster greater competition in the market
    - Information provided by credit rating agencies is neither timely or accurate
    - Rating agencies are primarily serving the interests of parties other than investors



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 5

## Credit Rating Agency Reform 2005

- SEC rules
  - SEC issued a proposed definition of NRSRO in March '05
  - AFP commented in June 2005
- Legislative solution - Credit Rating Agency Duopoly Relief Act (H.R. 2990) – Rep. Fitzpatrick (R-PA)
  - June 2005 – Testimony Supporting Bill
  - November 2005 – Hearing held in Philadelphia
  - Possible House vote early next year
- European Commission recently issued a ‘communication’ regarding the oversight of credit rating agencies



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 6

## Check 21

- Now in effect for over one year
- Authorized new negotiable instrument – substitute check
  - Paper reproduction of the original check
  - Legal equivalent of the original check
  - Long term potential cost savings
- Consumer Funds Availability
  - Consumer Checking Account Fairness Act (HR 799)
  - AFP was instrumental in educating Congress on impact of proposed legislation
  - For now, Legislation is dead - we'll continue monitoring Check 21 implementation



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 7

## Stored Value Cards

- FDIC Insured?
- Current proposal, FDIC insured for the party that placed the funds at the bank
- Or, to person holding the card if:
  - Bank records show party placing the funds is not the owner and has surrendered all rights to the money, and
  - Sufficient records are available to identify the card holder
- AFP Comment letter submitted on November 7, 2005



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 8

## Corporate Check Conversion to ACH

- NACHA rule:
  - No conversion of “business size” checks with auxiliary on-us field and checks \$25,000 and over
  - Current standard practice in industry
- Large volume of business checks are already being converted
- Effective September 15, 2006



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 9

## NACHA Return Entry Fee Proposal

- Automatically assess a fee against an Originating Depository Financial Institution (ODFI) for debit that is returned as Not Authorized or Authorization Revoked
- Fee to be about \$17 per return entry
- AFP opposed NACHA proposal
- NACHA members rejected the proposal, but it is still under consideration



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 10

## Remotely Created Checks

- On November 21, 2005, Federal Reserve issued a final rule on remotely created checks
- New Rule shifts liability for remotely created checks from the paying bank to the depository bank
- UCC adopted, but only revised in 14 states
- AFP supported the Fed's proposal



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 11

## Data Security & ID Theft

- Currently over a dozen bills introduced in Congress
- States have begun enacting strict data protection laws
- Several pieces of legislation have been introduced in Congress
- AFP is focusing on federal pre-emption, scope, notification and liability



Association for  
Financial Professionals

*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 12

## Card Interchange Fees

- Fees that merchants pay have been raised
- Federal Reserve Banks of Kansas City and NY are collecting Data on the issue
- Retailers have formed the Merchant Payments Coalition
- Several suits have been filed in Federal courts
- AFP surveyed its members
- Amendment requiring an FTC study



*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 13

## Deposit Insurance Reform

- Bank Insurance Fund (BIF) close to the statutory limit of 1.25 percent – stood at 1.26 percent for the last quarter
- The House and Senate have included deposit insurance reform in recently passed spending bills
- Submitted letter to Congress on Monday, December 12, 2005



*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 14

## Additional Issues

- Accounting and Financial Reporting
- Retirement Security/Pension Reform
- Access to Credit
- Derivatives Regulation



*Issues Affecting Corporate Treasury:  
Government Relations and Advocacy Efforts*

Slide 15