



BILL PAYMENT PROCESSING – A JOB FOR THE EXPERTS

WINTER 2006

With 58% of Canadians already banking online, customers are likely to be surprised if a bank or credit union doesn't offer the service.

While offering online banking is unlikely to win over any new customers, bill payment can influence the choice of a primary institution. The number of consumers who choose to pay their bills online continues to grow as there is increasing comfort with the option of making payment via the Internet. Customers banking at more than one institution are likely to select the one with the preferred online system as their primary provider.

Although there is substantial evidence of a direct correlation between online bill payment and a higher balance profile, it's not certain that customers will increase their balances if they are satisfied with their financial service provider. However, it is likely they will decrease their balances if unhappy with their provider. Consumers are demanding electronic payment options, looking for increased convenience and insisting on ultimate control over their money. Next to bill payment, the fastest growing electronic commerce activity is the transfer of money from one individual to another; consumers want to be able to pay anyone. How can you ensure you are offering your customers the convenience and flexibility they are increasingly demanding? Furthermore, how do you guarantee you have the capability to add new features and adapt your services to their future requirements such as the ability to receive electronically presented bills?

WHAT DO CONSUMERS REQUIRE OF THEIR BILL PAYMENT PROVIDER?

First and foremost, consider the complete picture from your customers' perspective. In order to pay all of their bills online consumers require the capability to pay local specific service providers and suppliers in addition to the typical billers such as credit card companies and major utilities listed by most bill payment service providers. They also need to be able to transfer funds from person to person. Essentially, your customers require the ability to create their own unique payment recipient list, within the same application, in order

that they can disburse their funds to whomever they please in the most efficient manner possible.

WHAT DOES A FINANCIAL INSTITUTION REQUIRE OF A BILL PAYMENT SERVICE PROVIDER?

Second, consider the decisions relative to your bill payment service offering as strategic—not merely as a simple add-on to your online banking service. Customer interfaces supplied with banking systems often remain static throughout the life of the banking system. In today's changing world, simply standing still can quickly put you behind.

Bill payment processing is a specialized business that requires scale and considerable expertise. Payment instructions need to be collected from multiple sources, consolidated for the convenience of the biller, and provided to each recipient in the format of their choice. Most importantly, accurate and correct information needs to be gathered and distributed. Updates are required regularly as billers frequently change their requirements. Exceptions created from inaccurate information or misdirected payments are costly to deal with and can undermine customer confidence. Thus, small and mid-size banks and credit unions do not have in-house bill payment capability and are reliant on third party providers.

Most banking systems are designed to include the bill payment function. However they require the services of another provider. Even large institutions that have the expertise and capability to maintain an in-house bill payment system are recognizing the increasing sophistication and flexibility required to meet consumers' growing demands. Wachovia Corporation, the fourth largest bank holding company in the United States, recently outsourced its bill payment service because it found it could not operate the service as well as a vendor dedicated to doing so.

Ultimately your choice of which system is best for you and your customers comes down to a comparison of not just price, but more importantly the benefits and convenience offered by the providers/services being considered.

TELPAY CELEBRATES ITS PIONEERING PAST WHILE REMAINING FOCUSED ON INNOVATING THE FUTURE

TWENTY YEARS OF BEING FIRST

TelPay invented the electronic payment process by anticipating the needs of consumers and responding. Our pioneering approach has led to some significant 'firsts' over the years.

TelPay was:

- the first IVR-driven bill payment system in Canada;
- the first PC-based bill payment system in Canada to enable government remittances (pre Internet);
- the first to establish Cashex Terminals (pre ATM);
- the first to establish Electronic Time Terminals;
- the first to create off-site bill payment consolidation software;
- the first to offer individuals and businesses the ability to pay anyone in Canada with PC-based software;
- the first to offer individuals the ability to pay anyone online

When you lead the way, chances are, you'll be the first one there.

MAKING HISTORY TODAY WITH CONTINUED INNOVATIONS

As TelPay celebrates its 20th anniversary it continues its pioneering tradition by improving its services to adapt to the constantly evolving needs of consumers, your customers. In 2005, TelPay:

- introduced a robust new version of TelPay for Business™;
- incorporated remote authorization features into TelPay for Business™, enabling signing officers to approve payments remotely from their laptop;
- added the ability to view and pay e-mailed bills within TelPay for Business™.

We foresee a time when most bills are sent via e-mail, TelPay customers are ready for the future now.

WELCOME

TelPay is pleased to announce the addition of the following financial institutions to the growing list of our much valued and appreciated customers:

LAURENTIAN BANK

LA FÉDÉRATION DES CAISSES POPULAIRES DU MANITOBA INC. MEMBER FINANCIAL INSTITUTIONS; first in Manitoba to offer Pay Anyone functionality with TelPay Online® banking:

- Caisse Populaire D'Elie
- La Caisse Populaire De Laurier
- La Caisse Populaire La Vérendrye
- La Caisse Populaire De Lourdes
- Caisse Populaire Provencher
- La Caisse Populaire De Saint-Boniface
- La Caisse Populaire De Saint-Claude
- La Salle Credit Union
- Ste. Rose Credit Union

WHAT OTHERS SAY ABOUT US

"We chose TelPay for both our Internet banking and payments, as they were able to provide the best product for the best price. They specialize in e-payments; have developed systems that ensure accurate data input by the user; have an established vendor list over 2,500 billers; and continue to expand their products. Their level of technology and ability to provide reliable service is superior. We also like how they keep their customers up-to-date of ongoing projects through regular communication."

*Pam MacCormack
Financial Administration Officer
Employees of Dofasco (Hamilton)
Credit Union Limited*



TelPay's Pay Anyone capability expands to help those in need.

Financial Institutions with TelPay's front-end applications can offer their customers the convenience of donating electronically to any charitable organization. More importantly, our system enhancements can assist financial institutions in processing donations on behalf of their customers and enhance community support programs. Donors are able to electronically direct funds to local charities and enter the appropriate information for tax receipt purposes. TelPay's improvements allow donations to be readily and electronically directed to local needs to strengthen the communities the funds are originating from.

This capability was developed and deployed very quickly last year in response to a need to accept electronic payments directed towards World Vision Canada and other charities during the tsunami disaster relief efforts. TelPay enhanced its services developing the capability to accommodate the tax receipt information within four days of announcement that the federal government would match donations to specific organizations.

TelPay's electronic donations capability is just one of a number of special features that are available with TelPay's front-end applications. Pay Anyone capability with funds transfer to any Canadian bank account, special features to meet the internal control requirements of financial institutions, and end-to-end payment tracing services are all included. Any enhancements are made available as they are developed.

Dear TelPay,

Thank you so much for your support and willingness to help World Vision Canada in bringing relief to the tsunami and earthquake affected regions in Asia. I want to express our special appreciation for the efforts involved to enable donors to contribute to World Vision via TelPay.

I want to assure you that your partnership and willingness to be involved is helping us to make an even greater difference. We especially want to say thank you for your willingness to extend your support throughout the tsunami crisis last year during your busy holiday season.

*Dave Toycen
President/CEO
World Vision Canada*



TelPay's Bill Loewen wins 2005 Distinguished Treasury Award

In September, the Treasury Management Association of Canada (TMAC) named Winnipeg businessman W.H. (Bill) Loewen, Chairman of the Board of TelPay Incorporated, as the winner of its prestigious Distinguished Treasury Award. TelPay has always prided itself in continuous development and innovation to always bring enhanced benefits to our customers. This award truly marks TelPay's strides to do just that.

This annual award was established in 2003 to recognize individuals who have distinguished themselves in the field of treasury and financial management. Loewen invented the electronic payment process and continues to lead innovation in the financial services industry.

As the award was presented during the TMAC Annual Conference, Mike Whiston, TMAC President said "As well as decreasing billers' costs of processing their payments, Loewen's inventions have also resulted in treasury and finance departments receiving their payments earlier thereby increasing cash flow for thousands of organizations across Canada."

NOT YOUR AVERAGE BILL PAYMENT— MEETING THE NEEDS OF YOUR BUSINESS CUSTOMERS

Although individuals have been using electronic bill payment services since it was introduced via the telephone by TelPay in 1985, businesses are just now beginning to request the same convenience that consumers have become accustomed to. In order to respond to the growing demand of the business segment, most bill payment providers are attempting to adapt their consumer bill payment service to meet the needs of their business customers. Typical bill payment services offer only about 10% of the bills a business is required to pay such as utilities, credit cards, and a few government remittances.

The bill payment needs of businesses are significantly different from those of individuals. The majority of bills businesses are required to pay involve invoices from suppliers that include details which need to accompany the payment in order to receive proper credit—more than just the account number and amount being paid. Consumer bill payment systems were not designed to accommodate sending invoice details. Furthermore, business payments frequently require additional approvals. Most importantly, almost all businesses today utilize some kind of software package, accounting and/or otherwise, and want the ability to update the software that relates to the payment being made. Hence our conclusion—business bill payment should not to be confused with consumer bill payment.

TelPay for Business™ allows businesses to make 100% of their payments electronically — any supplier, employee, or Government department in Canada — and include all payment details.

TelPay for Business™ is being used by many financial institutions to improve efficiency and reduce costs in their own accounts payable process.

“At Assiniboine Credit Union, we use TelPay for Business to pay our accounts payable bills. This is a fairly new development in our relationship with TelPay and it’s working very well. Today, we pay in excess of 300 bills per month this way. It makes the accounts payable process much more efficient because in our organization we have signers on different floors and even different locations. Through a secure e-mail system, we are able to move the work along much more easily and quickly. It didn’t take us long to realize this new system was going to save us both time and paper. TelPay has worked hard to meet our needs.”

Cathie McFarlane, Controller, Assiniboine Credit Union

TELPAY FOR BUSINESS™ INCENTIVE PLAN FOR FINANCIAL INSTITUTIONS

TelPay has developed an incentive program for our financial institution partners to assist in strengthening your relationships with your business clients through TelPay for Business™.

For more information on how we can help you with your own payables or with an incentive plan for your business customers, visit our Web site at www.telipay.ca or call: 1 (800) 665-0302.



Our new logo and Web site

For some time we have been searching for a way to depict graphically the activities undertaken by TelPay. The movement of money and information from bill payers to billers and their financial institutions has always been a challenge. Our advertising agency, Taylor George Design, was the one to see the solution. The dollar sign with embedded arrows suits us perfectly.



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