

## Bank Pricing 2010: Perceptions, Trends and Reality in Unusual Times



May 6-7, 2010

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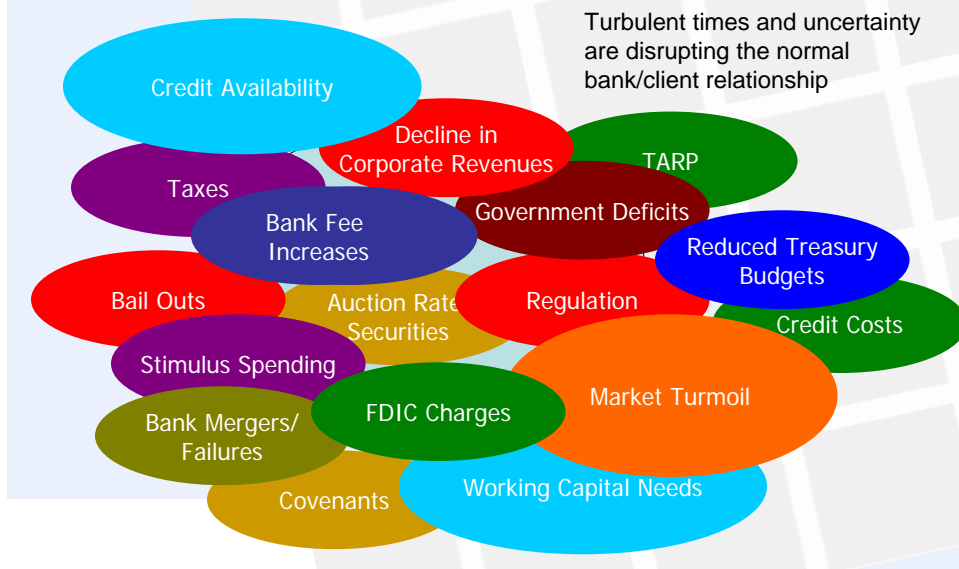
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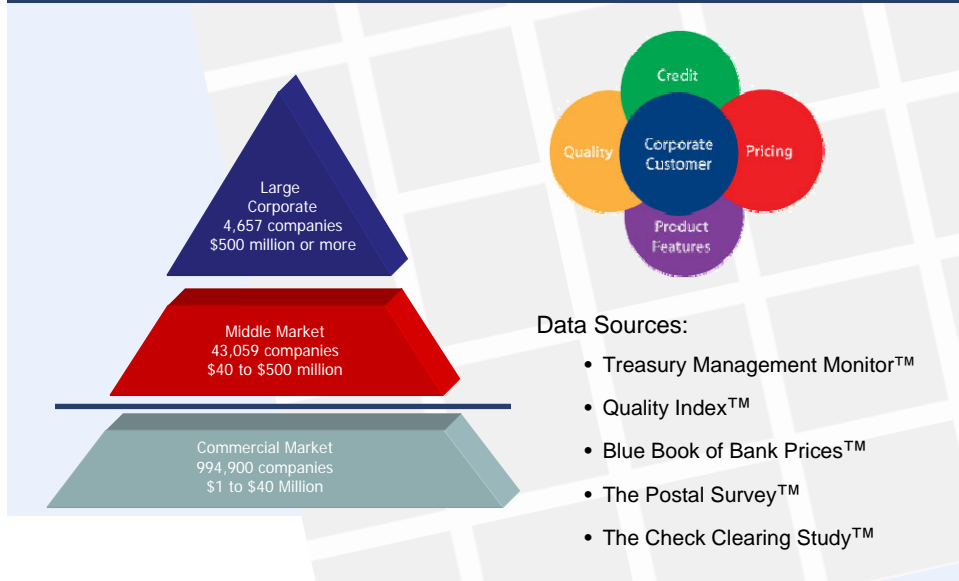
### Agenda

- The Market for Treasury Services in the U.S.
- Corporate Trends in Treasury
- Corporate Purchasing Behavior
- Bank Pricing Trends
- Predictions

## The Environment



## Measurable Dimensions of Treasury Management Relationships and Services



### Credit Stress

	Middle Market	Large Corporate
Have any credit banks reduced or withdrawn credit commitments in the last year?	17.7%	27.5%
Have any of your credit banks denied your request for additional credit in the last year?	10.9%	17.2%
Have tightening credit standards caused you to scale back bank borrowing?	24.1%	25.2%
Have you experienced a loan covenant violation in the last two years?	20.2%	8.8%
If covenant violation, were you happy with the bank's resolution?	70.7%	94.4%
If you were seeking new credit, would you be more likely to approach:		
A local or regional bank	38.4%	9.3%
One of the large national banks	55.2%	82.3%
A non-bank provider	6.4%	8.4%

### Credit Influence

	Middle Market	Large Corporate
If you accepted a credit package from a new bank, would you expect to move treasury management business to that bank?	54.3%	31.9%
Have you moved treasury management services as a result of a credit issue?	12.4%	18.6%

## Lines of Credit Pricing

Middle Market	Percent Using
LIBOR plus	66.8%
Prime	20.1%
Prime plus	23.9%
Prime minus	13.0%

Large Corporate	Percent Using
LIBOR plus	89.1%
Prime	24.5%
Prime plus	20.8%
Prime minus	3.5%

## Annual Commitment Fee

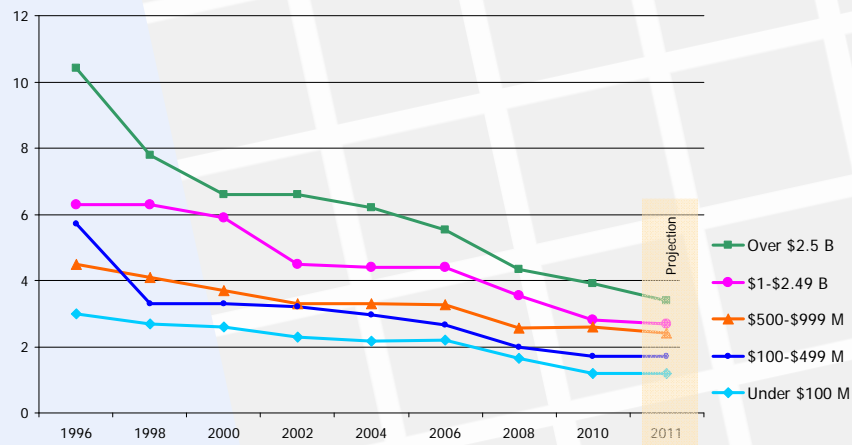
	Middle Market	Large Corporate
Companies Who Have a Revolving Line of Credit		
Company pays an annual commitment fee	57.7%	88.1%
Average fee on unused portion	0.53%	0.43%
Average fee on total commitment	0.97%	0.52%
Companies Who Do NOT Have a Revolving Line of Credit		
Company pays an annual commitment fee	36.9%	44.3%
Average fee on unused portion	0.57%	0.39%
Average fee on total commitment	1.23%	0.52%

### Bank Relationships

	Middle Market	Large Corporate
Change in total number of banking relationships	22.8%	5.6%
Change in number of treasury management relationships		
Last Two Years		
Expected	3.6%	(9.2%)
Actual	1.9%	(5.6%)
Next Two Years		
Expected	(2.0%)	(13.0%)

### Treasury Management Relationship Consolidation

Average Number of Treasury Management Relationships



Source: Treasury Management Monitor™

### Bank Relationship Types

Middle Market	2009	2010
Lead credit and treasury management	33.5%	34.6%
Other credit and treasury management	13.7	9.9
Credit only	24.5	29.7
Treasury management only	28.3	25.8

Large Corporate	2009	2010
Lead credit and treasury management	13.9%	12.2%
Other credit and treasury management	25.6	23.3
Credit only	34.7	44.2
Treasury management only	25.8	20.1

### Customer Classification of Their Banking Relationships

Middle Market	2007	2009	2010
Prime	44%	46%	48%
Stable	36	38	35
Marginal	20	16	17

Large Corporate	2007	2009	2010
Prime	42%	41%	40%
Stable	40	42	40
Marginal	18	17	20

Prime Relationship: Principal long-term provider of banking services

## Why Companies End a Bank Relationship

Primary Reason

Middle Market	2009	2010
Availability of credit	19.0%	23.9%*
Customer service	25.6	26.5
Pricing of cash management services	5.4	8.7*
Availability of cash management services	9.5	8.6
Pricing of credit	6.4	13.3*
Large Corporate	2009	2010
Availability of credit	20.7%	26.5%*
Customer service	20.1	26.1*
Pricing of cash management services	9.7	12.7*
Availability of cash management services	11.5	12.5
Pricing of credit	4.1	4.4

\*Statistically significant

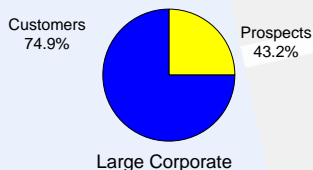
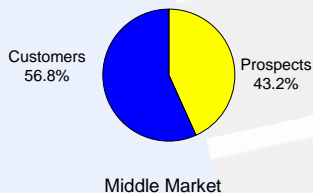
## Importance of Bank's Commitment

Middle Market (Scale 1 to 5 with 5= Very Important)	2009	2010	Diff
Problem resolution response	4.63	4.70	.07*
Credit availability	4.14	4.33	.19*
Proactive in introducing new services	3.79	3.77	(.02)
Calling officer stability	3.94	4.06	.12*
Length of relationship	3.94	4.00	.06
Frequency of calling officer visits	3.18	3.25	.07*
Large Corporate	2009	2010	Diff
Problem resolution response	4.68	4.71	.03
Credit availability	3.99	4.34	.35*
Proactive in introducing new services	3.94	4.01	.07
Calling officer stability	3.83	4.01	.18*
Length of relationship	3.65	3.86	.21*
Frequency of calling officer visits	3.11	3.32	.21*

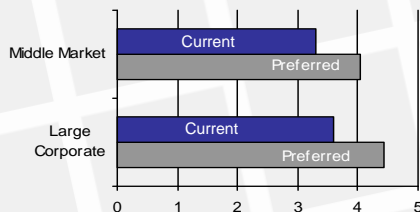
\*Statistically significant

## Bank Efforts to Generate New Business

Banks expect more business from current customers  
Visits to Customers vs. Prospects



Customers want more frequently delivered value  
Current vs Preferred Visits



### Sources of treasury services information

	Middle Market	Large Corporate
In-person bank visits	3.63	3.75
Bank website	3.27	3.13
Trade publications	2.78	3.25
Trade meetings	2.45	3.34
Web-based seminars	2.77	3.37

## Payment Transactions

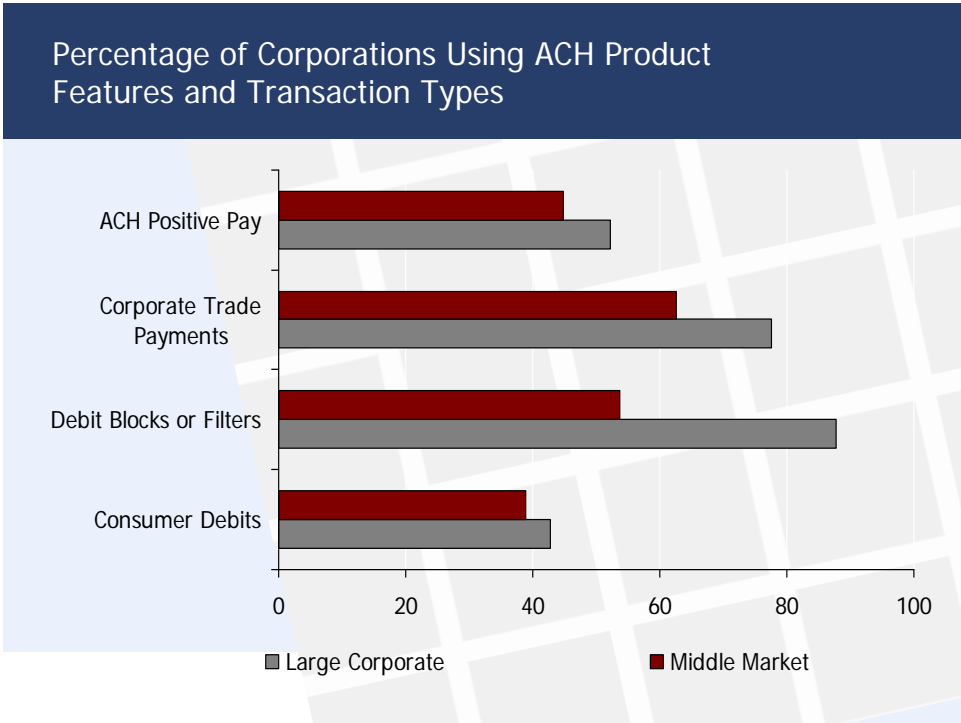
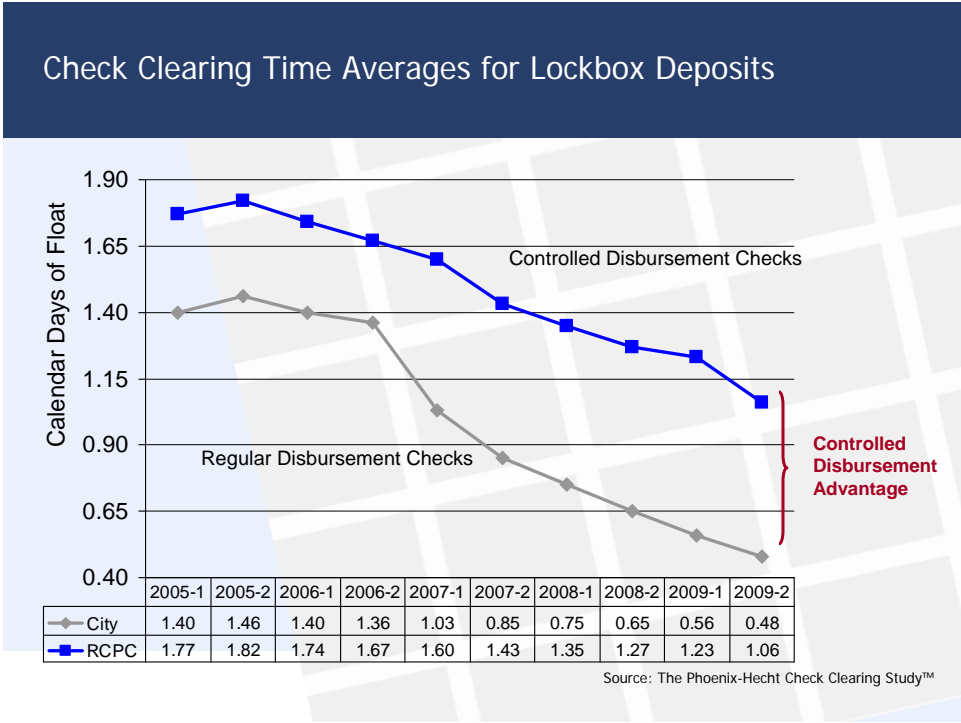
	% of Payments Made <i>BY</i> Corporation			% of Payments Made <i>TO</i> Corporation		
	2009	2010	Diff	2009	2010	Diff
<b>Middle Market</b>						
Check	72.9%	74.1%	1.2%	62.9%	63.5%	0.6%
ACH	14.3	13.1	(1.2)	16.0	15.6	(0.4)
Wire transfer	7.1	7.7	0.6	9.6	10.4	0.8
Credit/debit card	3.9	4.6	0.7	8.0	7.2	(0.8)
Cash	n/a	n/a	n/a	2.8	2.7	(0.1)
Other	1.8	0.5	(1.3)	0.7	0.6	(0.1)
<b>Large Corporate</b>						
Check	59.3%	61.8%	2.5%	50.3%	51.4%	1.1%
ACH	24.0	23.2	(0.8)	22.5	23.2	0.7
Wire transfer	11.8	10.7	(1.1)	14.7	12.2	(2.5)
Credit/debit card	4.1	3.9	(0.2)	9.0	8.5	(0.5)
Cash	n/a	n/a	n/a	3.4	4.1	0.7
Other	0.8	0.4	(0.4)	0.1	0.6	0.5

### Concern About Fraud from Specific Sources

	Middle Market			Large Corporate		
	2009	2010	Diff	2009	2010	Diff
Scale 1=Not important, 5=Very important						
Concern about fraud from specific sources						
Checks	4.39	4.37	(.02)	4.53	4.41	(.12)*
ACH debits	4.06	4.03	(.03)	4.24	4.12	(.12)*
Wire transfers	3.82	3.75	(0.7)	3.78	3.77	(.01)
Internet fraud impacting retail payments	3.16	3.04	(.12)*	3.23	2.98	(.25)*
*Statistically significant						
Significant Product Use Change						
ACH debit blocks or filters	53.6%	53.7%		80.4%	87.7%	
ACH positive pay	n/a	44.9%		n/a	52.2%	

### Disbursements

	Middle Market	Large Corporate
Controlled Disbursement Usage	65.7%	89.6%
Importance of Features		
Percent rated 4 or 5 (1=low, 5=high)		
Initiating stop payments via Internet	86.1%	91.3%
Positive pay with payee verification	72.5%	85.5%
Imaging for long-term storage of paid items	76.8%	80.8%



### Purchasing Cards

Middle Market	2009	2010
P-card usage	35.8%	32.1%
Plan to start using within two years	23.6%	12.1%
Percentage of vendor transactions to be converted	11.1%	9.3%
Receive a rebate	33.3%	56.8%
Accept for invoice greater than \$10,000	23.6%	25.7%
Change in product quality	n/a	0.00

Large Corporate	2009	2010
P-card usage	63.8%	65.0%
Plan to start using within two years	37.1%	30.9%
Percentage of vendor transactions to be converted	20.2%	16.0%
Receive a rebate	68.3%	81.7%
Accept for invoice greater than \$10,000	28.6%	26.9%
Change in product quality	n/a	(0.13)

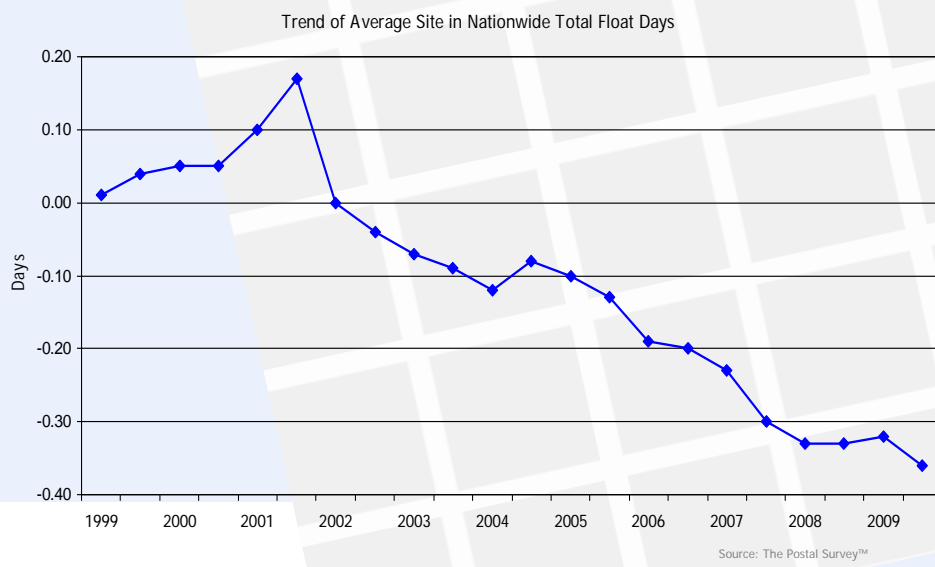
### P-Card Rebate Size as a Percentage of Annual Spend

	Middle Market	Large Corporate
.50% or less	26.5%	25.9%
.51% to .75%	9.5%	7.0%
.76% to 1.00%	31.4%	37.7%
1.01% to 1.50%	7.8%	13.6%
Above 1.50%	24.7%	15.9%

### Collection Products

	Middle Market	Large Corporate
Lockbox Usage	44.3%	77.8%
<b>Importance of lockbox features</b>		
Same-day access to remittance document image	3.57	4.26
Data file of check and return document information	3.42	4.09
Consolidation of paper / electronic payments	3.38	4.03
<b>Remote Deposit Usage</b>		
Importance of transmitting remittance info	3.78	3.73
<b>Depository Services</b>		
Importance of fraud protection service	4.49	4.69

### Historic Trend of B2B Lockbox Mail



## Product Usage

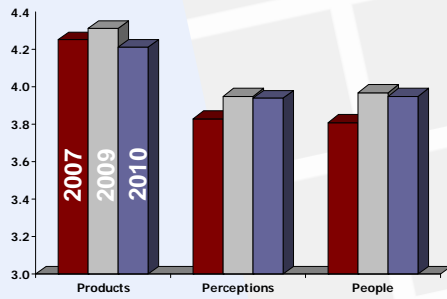
Percent of Companies Using	Middle Market	Large Corporate
Wire transfer	94.2%	99.5%
Balance reporting	93.1%	99.0%
Fraud prevention	79.2%	93.2%
Internet-related services	80.9%	90.5%
Sweep accounts	73.8%	75.5%
Foreign trade services	41.9%	47.7%
On-line short-term investments	36.1%	47.0%
Cash vault	27.2%	38.3%

## Company Plans and Intentions

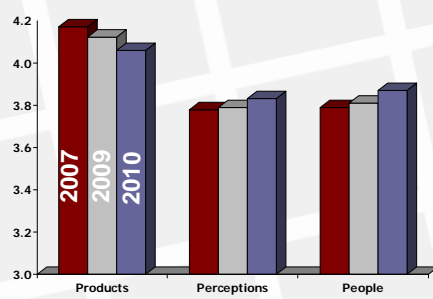
Percentage assigning 4 or 5 rating Scale 1 to 5=Likely	Middle Market	Diff	Large Corporate	Diff
Add positive pay to disbursement accounts	17.9%	(5.5%)	20.4%	(10.5%)
Increase bank credit capacity	20.5	2.8	23.2	0.8
Add or change international services bank	8.2	(1.3)	19.1	(3.0)
Reallocate treasury management business at existing banks	9.1	(3.0)	26.0	4.3
Add or change a lockbox bank	8.7	(1.0)	22.2	3.0
Add or change an ACH bank	9.6	(1.5)	13.5	(5.1)
Add or change a controlled disbursement site	11.3	(0.4)	17.7	0.9
Expand number of credit banks	12.9	0.6	21.0	5.9
Add remote deposit service	12.6	(7.6)	23.9	(10.1)
Replace current credit bank	14.7	n/a	17.9	n/a
Expand effort to pay suppliers electronically	38.7	n/a	66.4	n/a

## Average Quality Ratings

Middle Market Quality Index™



Large Corporate Quality Index™



Overall Perceptions	2007	2009	2010
Improved	21.5%	22.0%	17.6%
Worsened	11.2%	11.6%	17.6%

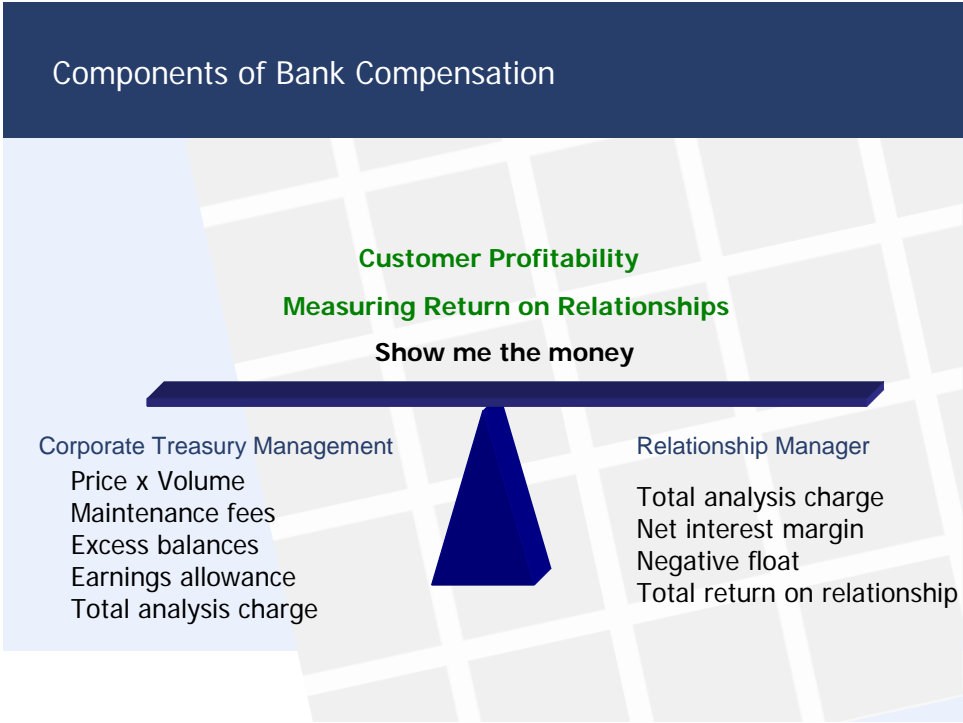
Overall Perceptions	2007	2009	2010
Improved	18.8%	17.1%	17.2%
Worsened	10.3%	10.1%	13.1%

Quality Index Grades available from individual participating banks.

## New Quality Index Categories

Rating Ranges		Middle Market	Large Corporate
Purchasing Card	High	4.14	4.08
	Low	3.34	3.46
Cash Vault Service	High	3.95	4.21
	Low	3.53	3.56
Foreign Trade Services	High	4.21	4.11
	Low	3.57	3.47
Online Short Term Investment Program	High	4.26	4.16
	Low	3.57	3.69
Sweep Account	High	4.72	4.51
	Low	3.99	3.99

High and Low Scores of Rated Banks with sufficient sample size.

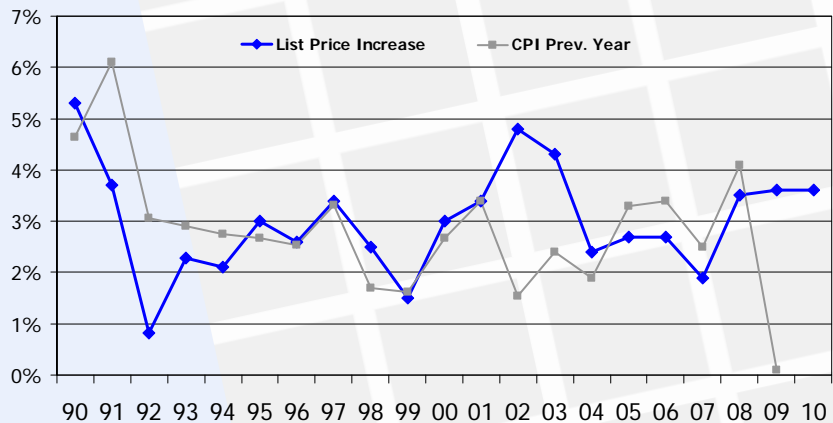


### Corporate Buying Behavior for Treasury Services

	Middle Market			Large Corporate		
	2009	2010	Diff	2009	2010	Diff
(Percentage Who Agree)						
Company requests competitive bids for <b>new</b> cash management services	45.2%	45.5%	0.3	55.7%	64.5%	8.8%*
Company buys new services only from existing banks	77.1	77.8	0.7	74.0	68.8	(5.2)*
Bank has won cash management business principally because of low prices	23.6	23.1	(0.5)	29.7	26.7	(3.0)*
Company has changed banks primarily because of price increases	12.9	13.5	0.6	15.2	13.0	(2.2)*

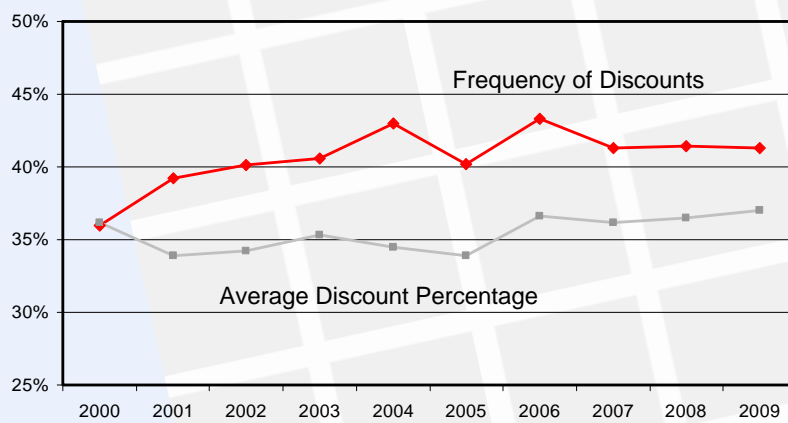
\*Statistically significant

## List Price Increase versus Previous Year CPI Increase



Source: 2009-2010 Blue Book of Bank Prices™

## Discount Trends

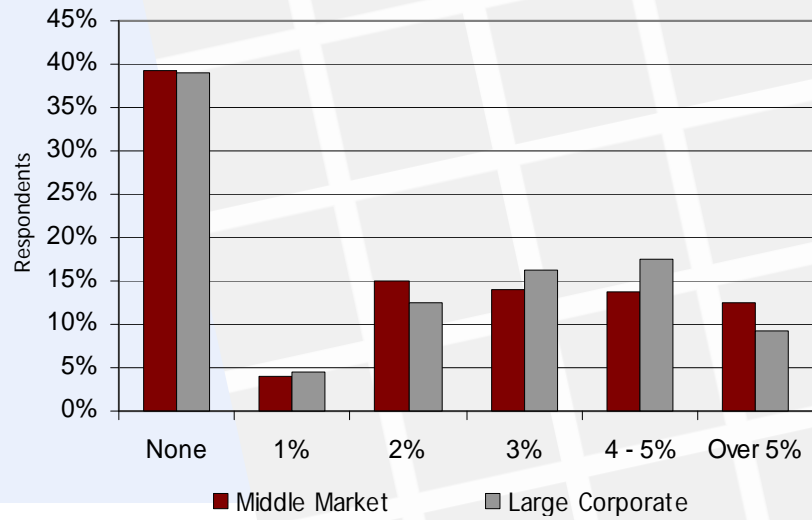


Regression analysis identified three significant factors influencing the price paid for a service:

- The volume purchased
- The total monthly fees paid to the bank
- The geographic region of the customer

Source: 2009-2010 Blue Book of Bank Prices™

### Expected Price Increases



### Monitoring Cost of Services

- Annual review of accounts and services with your banker
  - Identify accounts and services no longer needed
  - Identify new services to save you time, money, and FTE
  
- Monitoring Account Analysis Changes
  - Use of EDI 822's and TWIST Global Electronic Bank Services Billing Statements (BSB's)
  - Use of Bank relationship management software
  
- What is your Earnings Credit Rate? Is this applied to 90% or 100% of your average available balance?
  
- Float-It still exists
  - Lockbox-mail and availability - Measure, Monitor, and Model
  - Remote deposit capture
  - Over-the-counter deposit
  - Image cash letter

## Pricing Trends

- Banks are focused on raising prices on labor intense services to incent behavior to change. Examples:
  - Lockbox mail-out packages
  - Paper statements
  - Returned checks
  - Returned deposit items
  - Paid check serial sorts
  - Balance reporting phone calls/faxes
  - Phone fax stop payment initiation
  - Paper wire advices
  - Phone/fax positive pay suspect decisioning

## FDIC/TAGP Assessments

- How are you being assessed for FDIC Assessments?  
What rate is being assessed?  
How is the volume calculated on the account analysis statements?
- Transaction Account Guarantee Program
  - FDIC guarantee on checking account balances above \$250,000.
  - Extended until June 30, 2010.
  - Cost is 15-25 bps., based on each bank's capitalization.
  - Nine of the largest banks have opted out of this program beginning January 1, 2010.
  - TAGP assessments should be on quarter end ledger balances.

## Who Gets Discounts?

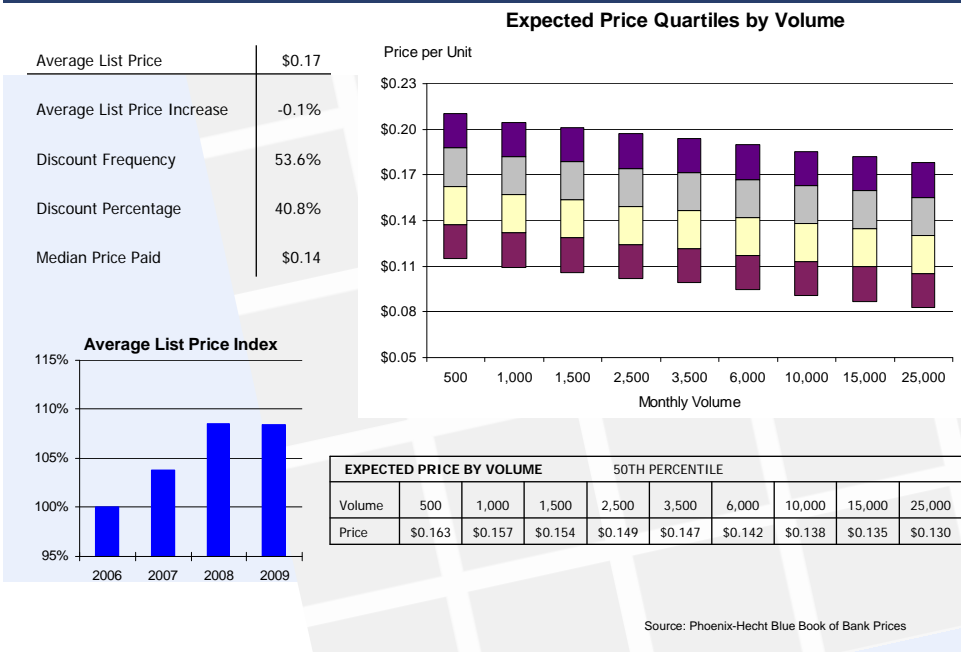
- High Transaction Volumes
- Target discounts at selected services
- Product profitability pricing
- Most Profitable Relationships
- Most Knowledgeable Customers
- New Relationships

## 2009-2010 Blue Book Pricing Highlights

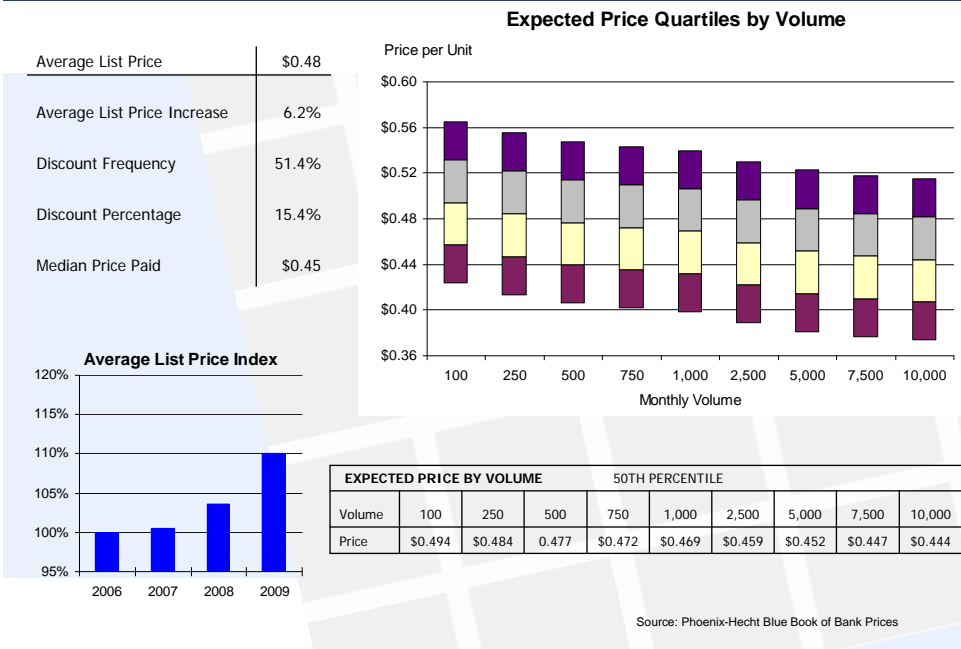
Top Price Increases	Account Recon Input	25.0%
	Deposit	11.3%
	Lockbox Data Capture	10.9%
No Increases	Controlled Disbursement Checks Paid	
	Lockbox Check Image Processing	
	Remote Deposit Capture Per Item	
Frequently Discounted	Positive Pay Checks Paid	65.7%
	ACH Debit Originated	65.0%
	Controlled Disbursement Maintenance	63.8%
Rarely Discounted	Image Clearings – On US	12.5%
	ACH Received Addenda Records	13.5%
	Remote Deposit Capture Per Deposit	13.6%

Source: 2009-2010 Blue Book of Bank Prices™

## Controlled Disbursement Checks Paid



## Lockbox Items

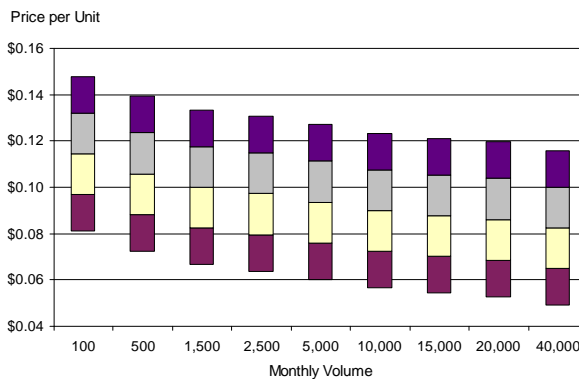


## ACH Credit Originations

Average List Price	\$0.12
Average List Price Increase	5.4%
Discount Frequency	61.0%
Discount Percentage	42.9%
Median Price Paid	\$0.100



### Expected Price Quartiles by Volume

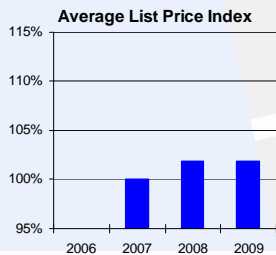


EXPECTED PRICE BY VOLUME		50TH PERCENTILE								
Volume		100	500	1,500	2,500	5,000	10,000	15,000	20,000	40,000
Price		\$0.114	\$0.106	\$0.100	\$0.097	\$0.094	\$0.090	\$0.088	\$0.086	\$0.082

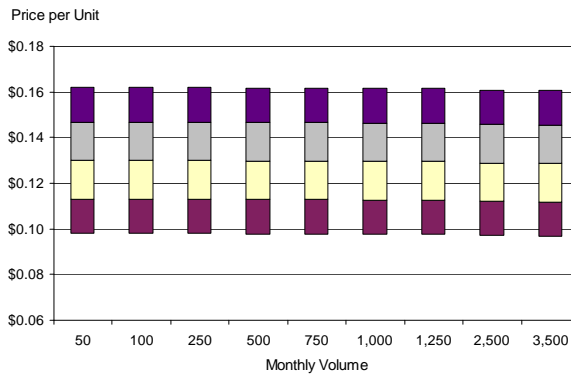
Source: Phoenix-Hecht Blue Book of Bank Prices

## Remote Deposit Item

Average List Price	\$0.14
Average List Price Increase	0.0%
Discount Frequency	30.5%
Discount Percentage	36.7%
Median Price Paid	\$0.150



### Expected Price Quartiles by Volume



EXPECTED PRICE BY VOLUME		50TH PERCENTILE								
Volume		50	100	250	500	750	1,000	1,250	2,500	3,500
Price		\$0.130	\$0.130	\$0.130	\$0.130	\$0.130	\$0.130	\$0.129	\$0.129	\$0.129

Source: Phoenix-Hecht Blue Book of Bank Prices

## Predictions

- Credit availability is driving new bank relationships.
- Companies will increasingly resist tying treasury business to the extension of credit.
- Price will be more of a factor in awarding treasury business.
- Bank fees are likely to increase more than the CPI for a few years.
- Government imposed costs will be passed to corporate customers.
- Not all companies will enjoy or share in favorable pricing.
- Companies will continually assess a bank's commitment.
- B2B checks are not ready for retirement. Expect longer implementation of payment alternatives.
- Payment fraud will increase.
- Company treasury plans continue to focus on working capital needs.

## Questions?

Supplemental  
Material Available

[www.phoenixhecht.com](http://www.phoenixhecht.com)

Free Postal Survey  
and Controlled  
Disbursement Study  
results available to  
corporations

The screenshot shows the Phoenix-Hecht Treasury Resources website. At the top right, there is a 'CLIENT LOGIN' button circled in red. Below the navigation bar, the main content area includes a 'REGULUS through Transactions' banner. Underneath, there are several articles and sections: 'Tip of the Day' featuring a '2005-1 Postal Survey' link, 'Active Delivery Problems Continue', 'Pricing Calculator', and 'Treasury Topics'. A sidebar on the left contains various links, with 'Lockbox Providers' and 'Disbursement Banks' circled in red. A red arrow points from the 'Supplemental Material Available' text to the 'Lockbox Providers' link. A red box highlights the text 'Free Postal Survey and Controlled Disbursement Study results available to corporations'.

This presentation was made possible in part because of treasury managers who so graciously lent their valuable time and account analysis statements.

In order to continue to provide educational presentations of this caliber and bring valuable insight to your organization, we ask that you give back to the industry by assisting Phoenix-Hecht in the collection of data when requested.

Please send your contact information to the presenter.



# THE BLUE BOOK OF BANK PRICES<sup>TM</sup> 2009-2010

*Executive Summary*



PHOENIX-HECHT

# INTRODUCTION

This is the twenty-second edition of the Phoenix-Hecht Blue Book of Bank Prices™, a compilation of the actual prices paid by companies for cash management services. The Blue Book of Bank Prices™ is a unique reference tool based on an extensive review of bank account analysis statements provided by participating companies.

Using actual prices paid rather than published price lists, the Blue Book is the only source of information on discounting practices within the corporate cash management industry. It specifically examines the most frequently observed line items from the largest volume providers of cash management services, analyzing both the size of discounts and the frequency with which they occur for all major cash management product categories.

Phoenix-Hecht believes that corporations can find the Blue Book useful in pricing and bidding situations, monitoring

pricing trends, as well as in the preparation of annual treasury reviews or benchmarks. Analyzed services include:

- Account Services
- Deposit Services
- Coin and Currency
- Wholesale Lockbox
- Disbursement Services
- Reconciliation Services
- ACH Services
- Wire Services
- Balance Reporting

We gratefully acknowledge that the book itself would not have been possible without the cooperation of the companies who participated in this project by submitting their bank account analysis statements. Their support speaks highly of how much value they place on this annual publication. We extend to them our sincere appreciation.

# EXECUTIVE SUMMARY

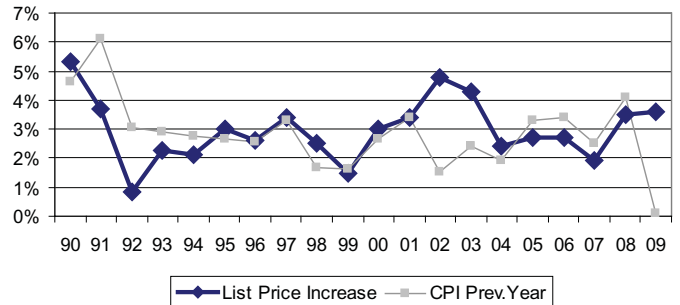
This twenty-second edition of The Blue Book of Bank Prices™ summarizes the annual Phoenix-Hecht survey of actual prices paid for treasury management services. Over 600 companies supplied pricing data by providing account analysis statements from March 2009. This year pricing data is being provided for 79 of the most common services.

## CPI Plummetts - List Price Increases Do Not

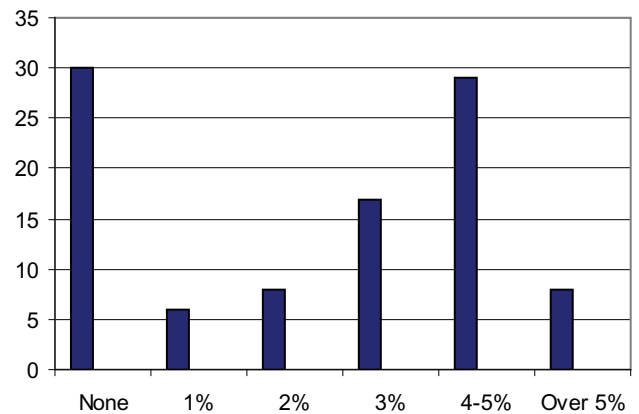
As has been observed often in this summary, the previous year's CPI is most often the best predictor of the rate of increase for list price in treasury management services. Not so for 2009. The year ending CPI plunged from 4.1% in 2007 to merely 0.1% for 2008. The average rate of increase for list prices, however, inched from 3.5% in 2008 to 3.6% for 2009. List price is an important bellwether as it indicates the price banks would like to charge for a given service. Banks appeared to have completely ignored inflation as a price determinant for 2009.

Of the 79 services for which list price increase could be calculated, 8% actually had a minor decrease, 18% had no change in list price, 25% had an increase between 1% - 3%, 27% had a substantial increase (above 3% but below 6%), and 22% had an aggressive increase (above 6%). As mentioned above, the average list price increase was 3.6%, while the median increase was 2.85%. Thus, fifty-one percent of services had list price increases below 3%. One might presume 3% to be a perceived corporate delineation, but when asked what they expected 2009 price increases to be, the two most common answers from corporations were "none" (30%) and "4-5%" (29%). Sixty-one percent of corporations did expect price increases at three percent or less.

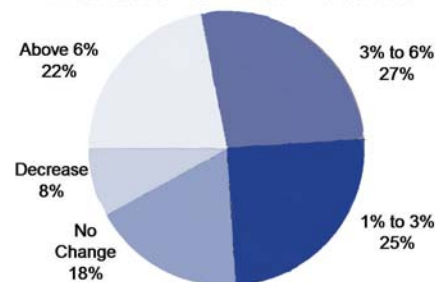
**List Price Increase v. Previous Year CPI Increase**



**Corporate Expectation of Price Increase**



**Distribution of Price Increases**



# EXECUTIVE SUMMARY

Fourteen services (18%) had no change in list price for 2009.

## No List Price Increases 2008-2009 (1-Year)

---

Vault Issued Currency Strap
Controlled Disbursement Checks Paid
ZBA Sub Account
IRD Clearings
Remote Deposit Capture Per Item
Deposit Reconciliation Item
Lockbox Check Image Processing
Lockbox Data Transmission Item
Controlled Disbursement Maintenance
Controlled Disbursement Notification
Manual Stop Payment
Internet ACH General Maintenance
ACH Reversal Item
Automated Repetitive Wire

---

Six services had very slight decreases in average list price for 2009.

## List Price Decreases 2008-2009 (1-Year)

---

ACH Credit Internet Originated	-1.6%
ACH Debit Internet Originated	-1.6%
ZBA Master Account	-1.1%
Branch Issued Coin Rolls	-1.0%
Branch Issued Currency Strap	-1.0%
Full Reconciliation Item	-1.0%

---

Twenty services have also averaged under a two percent per year increase since 2006.

## Lowest List Price Increases 2006-2009 (3-Year)

---

Controlled Disbursement Notification	0.0%
Lockbox Transmission Maintenance	1.4%
Deposit Reconciliation Item	2.0%
Full Reconciliation Item	2.0%
Branch Issued Coin Rolls	2.5%
Lockbox Data Transmission Item	2.5%
Partial Reconciliation Item	3.1%
Automated Repetitive Wire	3.1%
Manual Stop Payment	3.6%
Lockbox Check Image Processing	4.0%
Branch Issued Currency Strap	4.3%
International Outgoing Wire	4.3%
ACH Credit Internet Originated	4.7%

ACH Return Item	4.8%
ZBA Sub Account	5.3%
Vault Issued Currency Strap	5.4%
Retail Lockbox Maintenance	5.4%
Debit Posting	5.6%
Incoming Wire	5.7%
ACH Debit Originated	5.9%

---

Seventeen services (22%) posted average list price increases above 6% this year. While the 25% increase in Account Recon Input Transmission Item seems outlandish, it represents actual price changes of only a quarter and half a cent on affected statements. Positive Pay Checks Paid, Checks Paid, and Wholesale Lockbox Item are the last three services on this list. In reality, Blue Book is measuring a relatively large list price increase in the lowest volume range of pricing. These services likely have so-called "tiered" pricing (different list prices at various volume levels). Blue Book methodology sees this pricing as being more frequently discounted. Indeed, Positive Pay Checks Paid was Blue Book's most frequently discounted service this year, and Checks Paid and Wholesale Lockbox Item both were discounted on just over half of observations.

## Top List Price Increases 2008-2009 (1-Year)

---

Account Recon Input Transmission Item	25.0%
Deposit	11.3%
Lockbox Data Capture	10.9%
Full Reconciliation Maintenance	10.4%
Wholesale Lockbox Image Maintenance	9.8%
Deposit Reconciliation Maintenance	9.1%
Positive Pay Maintenance	8.6%
Ledger Overdraft Fee	8.4%
Account Recon Output Transmission Item	8.3%
Automated Stop Payment	8.1%
Wholesale Lockbox Photocopy	7.9%
Account Maintenance	7.6%
Account Recon Input Trans Per Trans	7.5%
Checks Deposited - On Us	7.5%
Positive Pay Checks Paid	6.7%
Checks Paid	6.4%
Wholesale Lockbox Item	6.2%

---

Nine services have averaged greater than 5% increases per year in list price since 2006. All of these services appear on the single year largest list price increase above.

# EXECUTIVE SUMMARY

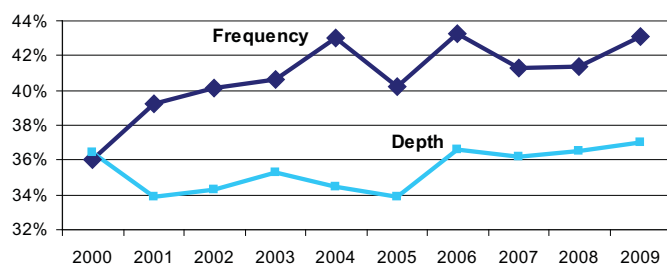
## Top List Price Increases 2006-2009 (3-Year)

Wholesale Lockbox Photocopy	29.1%
Account Recon Input Transmission Item	25.0%
Lockbox Data Capture	22.9%
Deposit Reconciliation Maintenance	20.0%
Positive Pay Checks Paid	19.5%
Account Maintenance	18.1%
Checks Paid	17.4%
Account Recon Output Transmission Item	17.4%
Wholesale Lockbox Image Maintenance	15.3%

## Discount Trends

Discount frequency, after experiencing two years of slight decline (2%) returned to 2006 levels (43.1%) when list price increases averaged almost a full percent less. Average depth of discounts (37%), has remained virtually unchanged during that period. Individual service discount frequencies ranged from a low of 12.5% to a high of 65.7%. Individual service discount depth varied from a low of 14.5% to a high of 63%.

Frequency and Depth of Discounts



## Frequently Discounted Services

Eight services experienced very substantial discount frequency, having over 60% of observations discounted. Note that tiered pricing, i.e. multiple “list” prices based upon volume processed is interpreted by Blue Book methodology to be discounting. There is thus some admitted bias toward higher discounting frequency within the services listed below. Account maintenance at large institutions that have undergone numerous mergers often reflects the historical pricing offered by the acquired institution. This coupled with discounting for numerous accounts explains the service’s presence on this list. Discounting both for numerous accounts and numerous

transactions causes both Controlled Disbursement Maintenance and Wholesale Lockbox Maintenance to appear on this list. Transaction volume drives the other services discount frequency on this list.

## Frequently Discounted Services

	Discount Frequency
Positive Pay Checks Paid	65.7%
ACH Debit Originated	65.0%
Controlled Disbursement Maintenance	63.8%
Account Maintenance	62.7%
Credit Posting	61.8%
Wholesale Lockbox Maintenance	61.4%
Checks Deposited - Transit	61.2%
ACH Credit Originated	61.0%

## Rarely Discounted Services

For 2009, seven services were granted discounts on fewer than 25% of observations. Image Clearings had little volume sensitivity. Multiple units in Remote Deposit Capture Maintenance were rarely observed. Item volume produced little discounting for ACH Received Addenda Records.

## Rarely Discounted Services

	Discount Frequency
Image Clearings - On Us	12.5%
ACH Received Addenda Records	13.5%
Remote Deposit Capture Per Deposit	13.6%
ACH Tax Payment	15.4%
Account Recon Input Transmission Item	20.5%
Image Clearings - Transit	23.4%
Remote Deposit Capture Maintenance	24.6%

## Deeply Discounted Services

This year again fourteen services experienced a median discount percentage of at least 50%. Six exceeded a median discount of “half-off.” From this list, it is evident that ACH services are prone to substantial discounts when given.

# EXECUTIVE SUMMARY

## Deeply Discounted Services

	Median Discount Percentage
ACH Debit Block-Filter Maintenance	63.0%
ACH Debit Internet Originated	60.0%
Controlled Disbursement Notification	58.3%
Image Clearings - On Us	57.9%
ACH Debit Originated	57.1%
Remote Deposit Capture Per Deposit	52.8%
Manual Stop Payment	50.2%
Return Item Redeposit	50.0%
Remote Deposit Capture Maintenance	50.0%
Intraday Balance Reporting	50.0%
ACH Return Item	50.0%
ACH Originated Addenda Records	50.0%
ACH Notification of Change	50.0%
ACH Maintenance	50.0%

## Least Deeply Discounted Services

Six services received a twenty percent or less median discount in 2009. Lockbox services have always been prevalent on this list and IRD Clearings repeat for a third year. Transit Image Clearings are discounted both infrequently (23.4%) and shallowly (20%).

## Least Deeply Discounted Services

	Median Discount Percentage
Wholesale Lockbox Item	14.5%
Wholesale Lockbox Image Maintenance	16.7%
IRD Clearings	16.7%
Ledger Overdraft Fee	20.0%
Internal Automated Wire Transfer	20.0%
Image Clearings - Transit	20.0%

## Earnings Credit Rates and Reserve Requirements

Effective January 1, 2009, the Federal Reserve began paying banks a market rate of interest on reserves maintained at the Fed. As a result, many banks began basing their imputed Earnings Credit Rate (ECR) on 100% of the Average Available Balance in checking accounts instead of 90% as in previous years. ECR's during the

month of March 2009 varied from 0.17% to 1.35% when the four week average of the 90 day T-bill was 0.62%. Within some banks there is also a wide range of ECR's and the rates do not seem to correlate with the amount of balances or the monthly total account analysis fee amount. Earnings credit rates within these banks now appear to be a part of overall relationship profitability and may be negotiable.

## FDIC and TAGP Assessments

The majority of banks pass the cost of FDIC Assessments to their corporate clients. The FDIC premium is a risk-based charge and changes quarterly. While most banks use the average ledger balance for the month, some banks use the last day of the quarter ledger balance to calculate this charge. We observed FDIC charges between 10 and 33 basis points for March 2009. Assessment rates for the quarter ending June 30, 2009 for Risk Category I banks will be 12 to 14 basis points and then adjusted for various components of each bank's capital. All banks were assessed a special 7 basis point assessment in the first quarter of 2009.

The majority of U.S. banks are participating in the Transaction Account Guarantee Program (TAGP). This provides FDIC insurance on all non-interest bearing deposits over \$250,000. The TAGP program does not apply to those balances in an overnight sweep account. TAGP assessments are based on the bank's quarterly call report, using ledger balances on the last day of the quarter. The TAGP charge to banks began for the quarter ending December 31, 2008, and not all banks implemented a TAGP fee on the March account analysis statements although a few banks bundled the TAGP and FDIC fees.

FDIC/TAGP assessments have become a major cost of doing business to the banks, and as these fees are passed to corporate customers, they have caused total account analysis charges to rise significantly in cases where the company has significant checking account balances.

## Pricing Environment

The Phoenix-Hecht Treasury Management Monitor™, a survey of corporate attitudes and quality, provides additional insight consistent with Blue Book pricing data.

# EXECUTIVE SUMMARY

## Corporate Buying Behavior

	Over \$500 Million			\$100-\$500 Million			\$40- \$100 Million		
	2006	2008	Diff	2006	2008	Diff	2007	2009	Diff
Company requests competitive bids for new cash management services	61.9%	55.7%	(6.2)*	48.4%	48.5%	0.1	41.7%	44.1%	2.4%
Company buys new services only from existing banks	69.8	74.0	4.2*	74.3	78.8	4.5*	79.1	76.5	(2.6)*
Bank has won cash management business principally because of low prices	24.6	29.7	5.1*	22.7	22.8	0.1	21.2	23.9	2.7*
Company has changed banks primarily because of price increases	13.9	15.2	1.3	12.3	12.9	0.6	12.1	12.9	0.8

\* Statistically significant

Pricing appears to be a more important factor in obtaining business rather than its retention. In the large corporate market, there has been a significant decrease in the number of competitive bidding situations, although at the same time large corporations indicated that they are increasingly awarding new cash management business principally because of low prices.

In the middle market, companies do even less competitive bidding, buy an even higher percentage of services from only existing banks and indicate that the awarding of cash management business is even less likely to be driven by low prices. The smaller companies in the study are starting to show less loyalty to current bank relationships and an increasing willingness to change banks for a better price. In each market's segment pricing does not appear to cause many corporations to change bank providers.

### Regression Analysis

The three primary factors that influence the price paid for a service are the volume purchased (most significant by far), the total monthly fees paid to the bank, and the geographic region of the customer. At the individual service level, the Blue Book provides the specific impact of these factors upon pricing.

This year we asked corporations to provide us the rates they were paying each bank on their lines of credit. We tested via regression whether paying higher credit rates could be correlated to paying higher bank prices. In our data, we could produce no such correlation.

Also interesting to us is that size of company provides relatively poor correlation to price paid versus volume purchased or total monthly fees paid. In statistical terms, though size of company may have some "co-linearity," volume purchased and total monthly fees produce more significant regression correlation.

### Conclusion

With few exceptions, the previous year's CPI is the best predictor of the rate of increase for treasury management services. The exceptions tend to occur when external factors create a window of opportunity for banks to implement larger than inflationary increases and improve their operating margins. The current credit crunch is providing such an opportunity. The average rate of increase is 3.5% above the CPI. Forty-nine percent of the services tracked had increases above three percent. The majority of services with increase above 6.2% are for transactions versus maintenance categories. Also contributing to higher analysis charges are FDIC and special assessments the banks are passing along to their corporate customers.

List price is an important bellwether as it indicates the price banks would like to charge for a given service. As our Monitor research indicates, the top five banks command better than 60% of the treasury management revenues from companies with annual sales greater than \$40 million. These banks are in a unique position to influence increases in service charges. Only competition for market share among the largest and the next tier of banks for companies with the highest credit ratings likely kept the service increases in check.

# SERVICE PRICE SUMMARY

## 2009-2010 Blue Book of Bank Prices

Service Name	Average List Price	Average List Price Increase	Discount Frequency	Discount Percentage
Ledger Overdraft Fee	\$41.00	8.4%	26.9%	20.0%
Account Maintenance	\$26.30	7.6%	62.7%	38.0%
ZBA Master Account	\$42.22	-1.1%	42.3%	32.0%
ZBA Sub Account	\$26.00	0.0%	52.7%	37.3%
Credit Posting	\$0.73	2.4%	61.8%	41.7%
Deposit	\$1.45	11.3%	52.1%	46.7%
Checks Deposited - On Us	\$0.09	7.5%	44.9%	31.9%
Checks Deposited - Transit	\$0.15	2.0%	61.2%	25.0%
Image Clearings - On Us	\$0.06	1.0%	12.5%	57.9%
Image Clearings - Transit	\$0.08	1.1%	23.4%	20.0%
IRD Clearings	\$0.09	0.0%	25.8%	16.7%
Remote Deposit Capture Maintenance	\$104.00	1.3%	24.6%	50.0%
Remote Deposit Capture Per Deposit	\$0.88	3.8%	13.6%	52.8%
Remote Deposit Capture Per Item	\$0.14	0.0%	30.5%	36.7%
Return Item	\$6.90	2.0%	50.4%	46.3%
Return Item Redeposit	\$5.38	2.5%	51.6%	50.0%
Debit Posting	\$0.29	2.0%	50.5%	31.8%
Checks Paid	\$0.18	6.4%	50.7%	34.6%
Branch Issued Coin Rolls	\$0.15	-1.0%	53.7%	34.1%
Branch Issued Currency Strap	\$0.84	-1.0%	40.3%	25.0%
Vault Issued Coin Rolls	\$0.10	5.0%	59.1%	23.5%
Vault Issued Currency Strap	\$0.62	-0.3%	39.2%	28.6%
Deposit Reconciliation Maintenance	\$92.50	9.1%	42.1%	35.9%
Deposit Reconciliation Item	\$0.12	0.0%	43.2%	37.5%
Wholesale Lockbox Maintenance	\$141.60	3.7%	61.4%	24.0%
Wholesale Lockbox Item	\$0.48	6.2%	51.4%	14.5%
Lockbox Data Capture	\$0.06	10.9%	33.0%	41.7%
Lockbox Keying	\$0.01	4.4%	49.7%	33.3%
Wholesale Lockbox Image Maintenance	\$74.38	9.8%	41.1%	16.7%
Lockbox Check Image Processing	\$0.07	0.0%	34.7%	40.0%
Lockbox Document Image Processing	\$0.09	2.2%	33.3%	23.3%
Wholesale Lockbox Photocopy	\$0.14	7.9%	50.8%	35.1%
Lockbox Deposit	\$1.35	2.8%	37.9%	28.0%
Lockbox Transmission Maintenance	\$170.71	1.4%	49.0%	42.9%
Lockbox Data Transmission Item	\$0.06	0.0%	34.9%	34.1%
Retail Lockbox Maintenance	\$200.00	4.2%	34.8%	46.5%
Controlled Disbursement Maintenance	\$131.50	0.0%	63.8%	42.8%
Controlled Disbursement Checks Paid	\$0.17	-0.1%	53.6%	40.8%
Controlled Disbursement Notification	\$85.00	0.0%	41.8%	58.3%

# SERVICE PRICE SUMMARY

Service Name	Average List Price	Average List Price Increase	Discount Frequency	Discount Percentage
Positive Pay Maintenance	\$108.00	8.6%	51.6%	43.3%
Positive Pay Checks Paid	\$0.18	6.7%	65.7%	38.0%
Check Image Maintenance	\$35.56	4.1%	41.0%	42.9%
Check Image Capture	\$0.05	5.0%	43.5%	33.3%
Automated Stop Payment	\$12.65	8.1%	44.7%	33.3%
Manual Stop Payment	\$32.22	0.0%	29.8%	50.2%
Partial Reconciliation Maintenance	\$60.60	2.9%	56.1%	35.4%
Partial Reconciliation Item	\$0.05	3.1%	41.8%	40.0%
Full Reconciliation Maintenance	\$86.00	10.4%	57.6%	35.0%
Full Reconciliation Item	\$0.07	-1.0%	50.2%	28.6%
Account Recon Input Transmission Per Transmission	\$15.50	7.5%	45.9%	21.7%
Account Recon Input Transmission Item	\$0.03	25.0%	20.5%	23.2%
Account Recon Output Transmission Per Transmission	\$15.17	2.5%	25.3%	40.0%
Account Recon Output Transmission Item	\$0.02	8.3%	29.0%	42.9%
ACH Maintenance	\$59.44	1.4%	53.3%	50.0%
Internet ACH General Maintenance	\$38.67	0.0%	34.3%	38.8%
ACH Credit Originated	\$0.12	5.4%	61.0%	42.9%
ACH Debit Originated	\$0.12	5.3%	65.0%	57.1%
ACH Originated Addenda Records	\$0.03	n/a	26.8%	50.0%
ACH Credit Internet Originated	\$0.26	-1.6%	33.3%	33.3%
ACH Debit Internet Originated	\$0.26	-1.6%	33.3%	60.0%
ACH Credit Received	\$0.17	4.1%	39.6%	42.9%
ACH Debit Received	\$0.16	4.9%	34.2%	32.0%
ACH Received Addenda Records	\$0.03	n/a	13.5%	25.0%
ACH Return Item	\$4.53	2.8%	49.8%	50.0%
ACH Notification of Change	\$3.53	4.3%	49.5%	50.0%
ACH Reversal Item	\$19.33	0.0%	39.2%	35.0%
ACH Debit Block-Filter Maintenance	\$17.78	0.9%	45.5%	63.0%
ACH Tax Payment	\$3.60	4.2%	15.4%	42.9%
Incoming Wire	\$10.13	1.9%	53.1%	31.7%
Automated Non-repetitive Wire	\$8.81	4.6%	50.8%	25.0%
Automated Repetitive Wire	\$9.13	0.0%	51.9%	22.5%
Internal Automated Wire Transfer	\$4.94	5.6%	34.3%	20.0%
International Incoming Wire	\$13.56	3.3%	35.0%	21.4%
International Outgoing Wire	\$32.78	3.7%	47.9%	28.6%
Previous Day Balance Reporting	\$61.43	1.8%	50.5%	48.6%
Previous Day Reporting Transaction	\$0.14	0.7%	50.7%	33.3%
Intraday Balance Reporting	\$61.67	5.0%	50.9%	50.0%
Intraday Reporting Transaction	\$0.24	3.6%	55.7%	47.9%

# STUDY METHODOLOGY

The 2009-2010 Blue Book of Bank Prices™ is compiled from actual bank account analysis statements, submitted by participating companies, for the month of March 2009. These corporations had sales of over \$40 million annually.

Statements were selected from the largest banks in terms of cash management activity. Collectively, these banks derive over 83% of the revenue from cash management services sold to the large corporate market. This year seventy-nine services produced sufficient observations to be included in the report.

## Blue Book Reports

The Blue Book analysis focuses on two presentations (pages) of pricing characteristics for each service. The first, shown on the left page, identifies the major factors that influence the price paid for a service using regression analysis. Three factors are most influential to the price paid for all services reported. The volume of the service purchased is the strongest predictor of the price paid. Also significant are the total monthly fees paid by the customer to the bank (expressed in quartiles) and the customer's (not the bank's) geographic region. The relationship of volume to the price paid is depicted graphically for each service and the impact of total fee quartile and customer's region is shown in tabular format. These tables may be used to apply the company's characteristics and thereby arrive at the expected distribution of prices for the service.

The second presentation, the right page of each service, focuses on various discounting metrics. To accomplish this, both "list price" and "discount prices" were identified for each service for each bank.

The computation of list price and discount price used the following procedure: Each bank's statements were examined individually to determine the highest price occurring most frequently (the mode) for each line item. This observation was classified as the "list price." Once the "list price" for the bank was determined, all prices that fell below list were examined and those data were used to determine the level of discounting.

## Issues of Consistency

Processing the account analysis statements and interpreting the data remains difficult for several reasons. First and foremost, each bank has a different policy on the bundling or unbundling of prices.

Second, banks do not adhere to any standards for account analysis terminology. At best they list an AFP code that is, most representative, in their opinion. The lack of a truly standard format leads to many instances where the same wording may mean different things at different banks.

Finally, the wording shown on the account analysis statement may not clearly spell out the service that was performed. We have done our best to resolve these inconsistencies, but some problems, no doubt, remain.

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For a more complete picture of their provider's performance, corporate treasury managers can request Postal Survey™ results, Check Clearing Study™ results, and Quality Index™ grades directly from participating institutions.

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Results from the Check Clearing Study for your banks can be requested online at [www.phoenixhecht.com](http://www.phoenixhecht.com).

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The Quality Index™ is a simple and easy to understand A+ to D grading system of bank performance perceptions, based on actual experience of corporations, across product, people and servicing characteristics.

Individual bank results are available directly from participating banks for various market segments.

## **The Blue Book of Bank Prices™**

Annual survey of actual prices paid by corporations to banks for cash management services. Blue Book data can be used to calculate price ranges for bank services online using the Pricing Calculator.

## **Education**

Through its sister company, University Conference Services, and in conjunction with major national business schools, UCS offers a number of executive educational opportunities for financial professionals in the areas of treasury management, pension management, and health care. Visit [www.ucs-edu.net](http://www.ucs-edu.net) for a complete listing of program dates and locations.

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The complete 2009-2010 Blue Book of Bank Prices can be ordered on-line at [www.phoenixhecht.com](http://www.phoenixhecht.com) or by calling 919.541.9339.

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