

VIA E-MAIL 210comments@fms.treas.gov

October 20, 2003

Stephen M. Vajs
Director, Risk Management Division
Financial Management Service
U.S. Department of the Treasury, Room 423
401 14th Street, SW
Washington, DC 20227

Re: 31 CFR Part 210 -- Government Participation in the Automated Clearing House ("ACH") Network

Dear Mr. Vajs:

Travelers Express Company Inc. respectfully submits these comments in response to the notice of proposed amendment to 31 CFR part 210, which governs the use of the Automated Clearing House (ACH) system by Federal agencies.

Our business includes payment processing, both paper and electronic. Our paper products consist of money orders, official checks, and corporate check disbursement services. Our electronic involvement with the ACH is as a service provider for credit unions receiving consumer ACH transactions.

We have reviewed the comment letter prepared by NACHA-The Electronic Payments Association. We are in agreement with their assessment of increased costs, regulatory burden, confusion to consumers and businesses, and impacts to financial services.

Following are specific effects of additional instruments becoming eligible for ACH.

Money Orders:

- Travelers Express has compliance requirements that you have not considered. As a money services business under the Bank Secrecy Act, we are required to identify and report suspicious activity.
- We detect patterns of money orders as they clear through the paper check clearing channels. When suspicious patterns are identified, we examine the actual money orders, front and back, and use the information to file our Suspicious Activity Reports. We will not be able to do this reporting under your proposal.
- We have a legal contract with the purchaser of a money order regarding the collection of service charges. This contract is on the back of every money order

and without the actual item – or a copy of it- we will not be able to prove that every purchaser has that information.

- We are often called upon by law enforcement agencies to produce original cleared money orders or copies of them to research payment transactions and money laundering.

Official Checks and Business Checks:

- Travelers Express, like many financial institutions, offers treasury management services such as Positive Pay within our paper check processing systems. This service allows payment of only those checks actually issued by the business. It is the best industry tool for fraud prevention and is responsible for minimizing check losses due to counterfeits and alterations. These services currently operate only in our paper based check clearing process.
- Certain types of our business checks, such as Women, Infants and Children (WIC) vouchers, require us to use the information from the face of the check to comply with state government agency requirements.

Cost Burden:

- The FMS proposal will substantially increase our costs. Travelers Express is not currently able to accept money orders, official checks or business checks via the ACH. We would need to develop software, different fraud prevention tools, and services for customers within an ACH environment.
- We rely on check security features built into the paper documents of our money orders and official checks for fraud prevention.
- Increased costs for new development and possible losses to fraudulent activity would have to be passed on to our consumer and business customers.

Thank you for the opportunity to comment and if you have any questions about our response, I may be contacted by email at cschaubach@temgweb.com or by telephone at 763-549-7335.

Sincerely,

Carol Schaubach
Regulatory Project Manager
Travelers Express Company, Inc.