



# Business Insights

Information and analysis from TD Commercial Banking

Fall 2006

## INDUSTRY INSIDER

# Cheque imaging and your business

Canada's system for cheque standards, processing, and clearing is changing. The changes, spearheaded by the Canadian Payments Association (CPA), will begin in 2007, and are expected to be fully implemented by 2009. The CPA aims to have all cheques across Canada cleared using electronic cheque images instead of paper cheques.

This modernization of traditional paper cheque clearing will ensure Canada keeps pace with other industrialized countries in the area of electronic clearing. More importantly, the move to cheque imaging will maximize the opportunity for processing efficiencies for both businesses and financial institutions.

### What the changes mean for your business

All financial institutions are working with their customers to ensure that cheques are compliant with the new image-friendly "Standard 006" specifications before the June 30, 2007 deadline. Although cheques will continue to be issued on paper, there will be substantial changes in the way they are processed. Benefits for your business include:

**Faster clearing.** Under the new system, paper cheques will no longer be physically exchanged between financial institutions. Instead, an image of each cheque will be captured digitally, allowing cheque images to be exchanged. This new process will save considerable time. For example, if you request a trace, we will be able to respond much more quickly.

**Better security.** With a faster clearing cycle comes increased security. This means businesses will receive cheque information faster, enabling them to detect irregularities sooner.



The move to cheque imaging ultimately will benefit both you and your customers.

### Preparing your business

Canadian business cheques must conform to new cheque specification standards by June 30, 2007. These standards will ensure the best-quality images under the new system. How can you make sure you are ready? Do not wait until the last minute to ensure that your business is compliant.

**Check your cheques.** Business cheques must conform to CPA Standard 006. Meet with your cheque printer to ensure compliance. Or, if your cheques are produced in-house, make sure that software and systems are upgraded to accommodate

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Welcome to our inaugural issue of *Business Insights*.

Our objective is to provide you with interesting and useful information to help you manage and build your business.

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**Our goal is to help you achieve yours**

## Cheque imaging and your business

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the new standards. Note that any customer cheque orders requested through TD Commercial Banking since May 31, 2005 are already compliant with the new cheque standards.

**Review business processes.** The way your business operates could be affected. For example, less storage space may be required and less manual processing may make it necessary to modify staff responsibilities. If your suppliers require copies of cleared cheques, consider how you will provide them with cheque images.

**Take advantage of cheque imaging services.** Instead of the cheques themselves, your account statements will include digital images of cleared cheques. In addition to the standard account statements, a selection of optional services will be available to fit your business needs. You can choose from services that can provide a view of both sides

of cheques, as well as improved access and reduced tracing costs. Among these options are:

- ▶ **Online image viewing.** With the Web Business Banking Balance Reporting Service, customers can view cleared cheques for 65 days from the date the cheque is cleared in Canada.
- ▶ **CD-ROMs.** Get long-term access to images on a searchable CD-ROM — an ideal way to meet business continuity requirements.
- ▶ **Daily secure transmission of image files** (coming in fall 2006). This is ideal for businesses that can retrieve and store image files through a company archive.

We will communicate further enhancements as they become available. For more details, please visit our website at [www.tdcommercialbanking.com/cheques](http://www.tdcommercialbanking.com/cheques) or contact your TD Commercial Banking Relationship Manager. ●

Learn about CPA Standard 006. It provides the specifications you need for cheques, including: paper, MICR encoding, and quality assurance. To read more, visit [www.cdnpay.ca](http://www.cdnpay.ca)

## FRAUD PREVENTION

# How you can fight online fraud

Online fraud is an increasing threat as more and more business functions move to the Internet. Governments and corporations around the globe are focusing considerable resources on both legal and technological ways to address the problem.

There are several actions you and your employees can take to protect your business.

- ▶ **Protect your password.** Choose unique passwords (see box) and do not disclose them to anyone.
- ▶ **Don't take the bait.** Be wary of "phishing" emails requesting personal or financial information. Phishing is a scam where the perpetrator sends out mass emails appearing to come from a legitimate company in an effort to "phish" for personal and financial information (such as passwords, account numbers, or other confidential information). Delete such emails immediately without responding.

Make sure that staff with banking access understand that **neither TD Commercial Banking nor any other TD Bank Financial Group<sup>1</sup> subsidiary will ever send an email asking for passwords, account**

### Keeping passwords secure

- ✓ Choose unique passwords that you can remember and do not have to write down — but avoid using personal details that others may guess at.
- ✓ Use a combination of letters and numbers (alphanumeric).
- ✓ Do not save passwords on your computer, as this allows anyone using it to impersonate you.
- ✓ Ensure that AutoComplete or other similar functions are disabled, to ensure that your browser does not automatically insert your password.

### numbers, or other confidential information.

- ▶ **Use authentication technology** for transactions such as transfers, wire payments, and electronic funds transfers. Contact us for more information.

TD Commercial Banking takes safeguarding your information seriously. With our cutting-edge protective technologies — including encryption, firewalls, and continuous systems monitoring — we strive to beat online fraud. ●

# Checking our economic pulse

BY CRAIG ALEXANDER, VICE PRESIDENT AND DEPUTY CHIEF ECONOMIST, TD BANK FINANCIAL GROUP

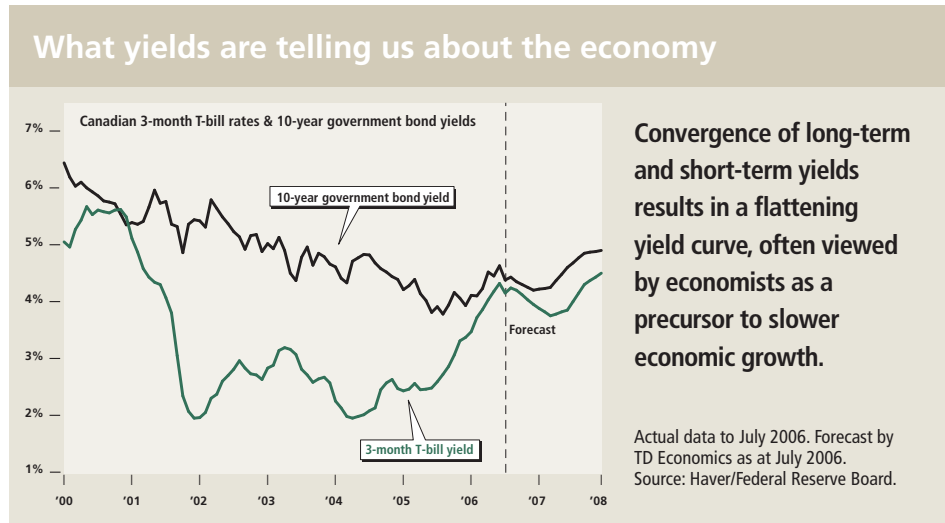


The global economy has been performing remarkably well in recent years. World economic growth has been running at its strongest pace in more than three decades, fuelling a dramatic rise in commodity prices, rapid growth in profits, and better labour market opportunities.

Booming economic conditions in China, India, and other emerging economies have led the way, but the industrialized nations have participated as well. After more than a decade of stagnation, Japan turned a corner last year, with its banking sector recapitalized and deflation ending amid stronger domestic economic conditions. In Europe, economic growth has been modest, but the corporate sector has been faring quite well and there have been recent signs of economic improvement.

## The outlook at home

Times have also been better than many people realize in North America. Economic growth in both the United States and Canada has been solid, with



unemployment at historically low levels and profits advancing at a robust pace. Domestic demand in the form of consumer spending and business investment has also proven strong.

At home, the main factor holding back the economy has been a high-flying Canadian dollar. Although it has been an extremely painful adjustment, businesses have coped surprisingly well by cutting costs and boosting their productivity in order to remain competitive.

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Slow and steady may be the best policy as we enter a period of slower economic growth, inflation worries, and interest rate uncertainty.

## Here's the bottom line for your business

■ **Slower profit growth.** A weaker economy suggests a modest pace of corporate profit growth in 2007. However, strong corporate balance sheets should allow the majority of firms to ride this out.

■ **Interest rate uncertainty.** Interest rates are expected to decline in late 2006 and early 2007 as weaker economic growth lowers the risk of inflation. The U.S. Federal Reserve Board and the Bank of Canada could cut rates to limit the slowdown. However, as economic conditions gradually recover, interest rates could rise once again.

■ **Continued weakness in the U.S. dollar.** The U.S. dollar is likely to lose ground relative to the other major currencies, including the Japanese yen and the euro. The Canadian dollar could also benefit from U.S. dollar weakness, but in recent years the dominant driver behind movements in the exchange rate has been commodity prices. Nevertheless, even if commodity prices decline as anticipated, the Canadian dollar will remain strong and will likely hold well above its estimated fair value of US\$0.82.

■ **Speedy economic recovery.** The economic slowdown should be mild and transitory. While economic and financial volatility may be present, the underlying fundamentals will remain positive.

## Checking our economic pulse

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As a result, the Canadian economy has expanded at a healthy pace.

Looking forward, however, it appears that economic conditions will be less robust. Commodity prices are vulnerable to a further correction, as a slowdown in the world's largest economy, the United States, could result in softer global demand for raw materials. Having said that, the level of prices should remain high, supported by strong demand from Asia. Some commodities will also break from the general trend. So while oil prices are expected to drop, natural gas prices are forecast to rise — barring, of course, an extraordinarily mild winter.

### U.S. economic expansion to slow

In the United States, the Federal Reserve Board has raised interest rates considerably from their 1.00% trough in order to ensure that inflation remains in check. Going forward, monetary policy will act as a headwind on the economy. In addition to tempering consumer spending, and to a lesser extent business investment, higher interest rates are cooling U.S. real estate markets. This is likely to dampen consumer spending as the powerful wealth effect arising from past home price increases, mortgage refinancing, and cashing-out of home equity wanes.

As a result, TD Economics believes that the average annual pace of U.S. economic growth in 2007 will slacken. However, a hard landing is not anticipated and some improvement can be expected in the latter part of the year.

### A global economic impact

Any moderation in U.S. economic growth will affect other economies. Softer U.S. demand would dampen



Given continuing strong demand from Asia, commodity prices should remain high.

international exports, leading to slower economic growth in the major U.S. trading partners. However, given the momentum in the world expansion, the overall pace of global growth is expected to remain above its historical average, and there is little chance that the Chinese and Indian boom will be derailed.

Canada could be adversely affected, as exports represent roughly 40% of the economy and 85% of Canadian shipments head to the U.S. Simultaneously, the Canadian economy will be feeling the lagged effect of the Bank of Canada's rate hikes delivered in late 2005 and in 2006, which may dampen consumer spending and housing markets.

Overall, the annual pace of Canadian economic growth is expected to slow modestly in 2007, with continued above-average growth in Western Canada balanced by sub-par performance in Central Canada and parts of Atlantic Canada. ●

Despite the slowdown, unemployment should remain low, interest rates are expected to remain modest by historical standards, and income will likely continue to rise.

- UNDERSTANDING - EXPERTISE - SOLUTIONS - COMMITMENT -

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The information in this newsletter is current as at Aug. 15, 2006.

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