



Stored Value Cards: A Military “Standard” For Financial Operations

*San Francisco Regional Financial Center
Customer Advisory Board Conference
San Diego, California
16-Mar-11*

Graham C. Mackenzie
U.S. Department of the Treasury, Financial Management Service

Agenda

- Background
- Stored Value Card (SVC) Applications
 - » Domestic
 - » Overseas
 - » At-sea
- Case Studies
 - » EagleCash
 - » Navy Cash
- Questions

Globally, the U.S. Military has significant Financial Management needs...

- Domestic
 - » Advance payroll to recruits / trainees
- Overseas and At-Sea:
 - » Cash checks for deployed personnel
 - » Issue payroll advances to deployed personnel
 - » Support “retail” operations on-post / on-ship
 - » Support military post office operations on-post / on-ship
 - » Support military missions off-post / off-ship
- There are significant issues around managing these processes:
 - » Risk/cost to transport U.S. currency
 - » Resources to manage
 - » Processes to secure & account
 - » Negative impacts from U.S. currency that leaves post / ship
- Local options often don't exist or are inefficient
 - » Limited or no ATM / Telecom infrastructure
 - » Limited or no practical physical access to service posts / ships
 - » Absence of local FI's to support

Treasury and the military have used SVCs since 1997 to improve cash management...

- Card-based cash management tool
- Information stored and processed on card
- Cards issued/replaced on-site
- Transactions authorized “Off-line” (and in some cases “On-line)
- Solves multiple business objectives...
 - » Reduces need for cash
 - » Increases convenience and security
 - » Reduces workload
 - » Speeds transaction times
 - » Auditable
- Aligned with Departments of Defense and Treasury strategic initiatives
- Subsequently expanded and institutionalized by each service component

SVC is a proven application with over 4.5 million cards issued and over \$4.5B in electronic currency “loaded” since inception.

Prior to SVCs, the U.S. Military relied on currency, coins, MPC, and "POGs" to support Overseas Operations...



SVC Solution for Recruit Training: EZpay Program

- Fixed denomination, low-cost disposable card
- Funds represent “payroll advance”
- Reduces cash and workload on-post, optimizes recruit training time, and increases convenience and security for cardholders
- Issued and accepted at all U.S. Army, U.S. Air Force, and U.S. Marine Corps Recruit Training sites



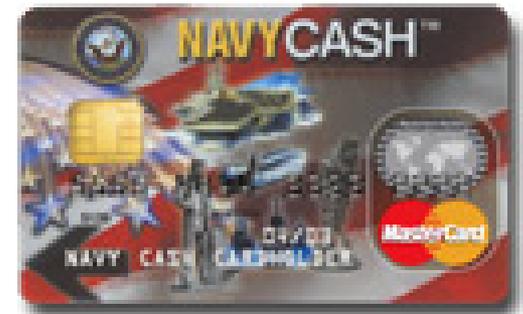
SVC Solution for Deployed Troops: EagleCash Program

- Variable denomination, re-loadable card
- Funds represent
 - » Personal funds of U.S. military personnel serving in designated overseas areas
 - » Cash deposits from PX and Military Post Offices
 - » Transfers to / from Paying Agents and DFAS
- Reduces cash “on the battlefield” and workload; increases convenience and security for cardholders
- Accepted at all on-post merchant locations (i.e. PX/BX, Postal Facilities, and local concessionaires)



SVC Solution for Ships at Sea: Navy Cash Program

- Variable denomination, re-loadable “Hybrid” card (chip + mag-stripe)
- Funds represent
 - » Personal funds of U.S. military personnel serving at-sea
 - » Cash deposits from ship stores, MWR, and Post Offices
- Eliminates cash and reduces workload on ship; increases convenience and security for cardholders
- Ship store and vending machines equipped with chip acceptance devices; mag-stripe is used to access ATMs ashore and POS Debit networks ashore.



SVC Programs have replaced \$4.5B in paper currency and coins since inception...

Location	Cards Issued/\$Loaded
Recruit Training	2.4M cards issued/\$654 loaded
Land-based Deployments	1.0M cards issued/\$3.2B loaded
Ship-based Deployments	1.1M cards issued/\$629M loaded
SVC Program Total	4.5 million cards issued/ \$4.5B loaded

We'll use 2 "Case Studies" to illustrate how SVC's support the military...

- EagleCash
 - » Deployed at designated U.S. Military Bases in 11 Counties, primarily in the Middle East

- Navy Cash
 - » Deployed throughout the Navy Surface Fleet (156 ships)





U.S. AIR FORCE

7030

17th AIR
ASSTWING











ARMY

ARMY





JAMES

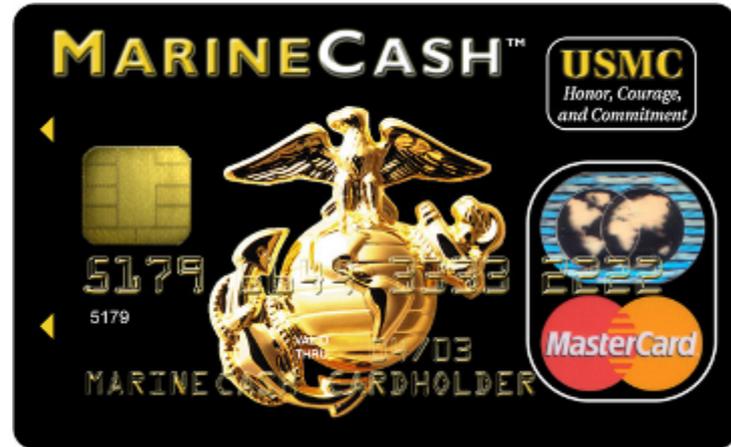
U.S. ARMY

ALICIA
A. ROBERTS
COLLEGE





SVC's eliminate most of the processes we just reviewed...



EagleCash SVC's are issued prior to deployment, or at the Finance Office...



Soldiers can “load” or “unload” funds at self-service kiosks 24/7...



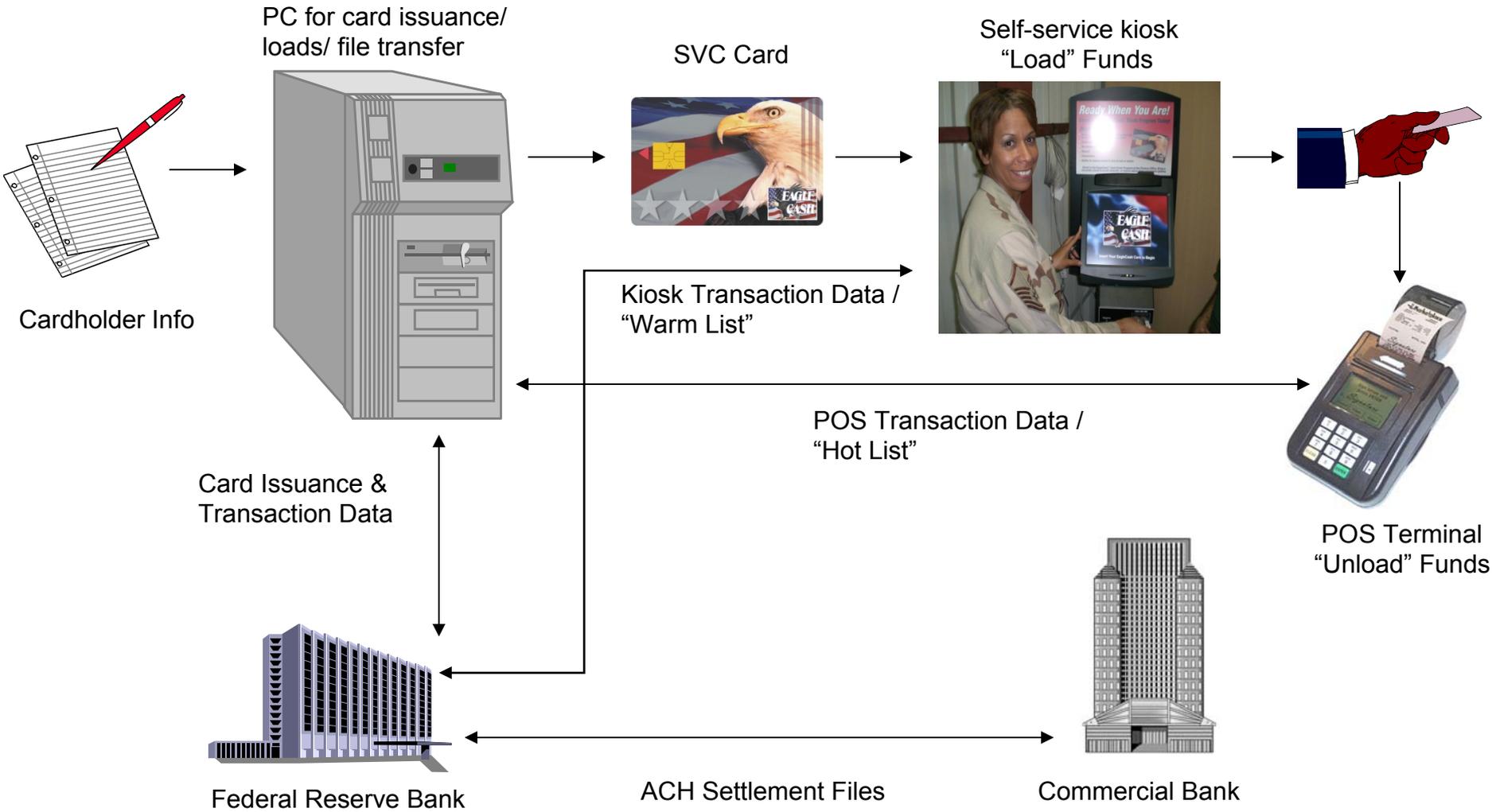




Users pay for merchandise at the PX/BX, Post Office, and local vendors



Funds settle via ACH using proprietary software and COT's hardware...



Overall satisfaction with SVC programs is high...



Self-service SVC kiosks drive program acceptance and benefits...

- Armed Forces personnel benefit from use of the kiosks:
 - » Provides fee-free access to funds in their US accounts
 - » Enables funds transfer from US account to card
 - » Enables funds transfer from card to US account
 - » Enables funds transfer from card to card
 - » Enables views of card balance and last ten transactions
 - » Provides increased convenience and security
- The Military benefits from use of the kiosk:
 - » Conduct fewer missions to obtain/transport currency
 - » Process fewer manual transactions
 - » Deploy fewer resources to manage cash
 - » Reduce financial accountability
 - » Provide better customer service

The Navy Cash SVC Program supports similar needs at-sea and on shore...



Navy Cash eliminates cash and paper transactions aboard ship...

A single smart card replaces



Smart Card

Potential for multiple applications enables cost sharing (i.e. digital cash at Navy Exchange, access to MWR and training facilities ashore)

Cash



Shipboard ATM Card



Personal Checks

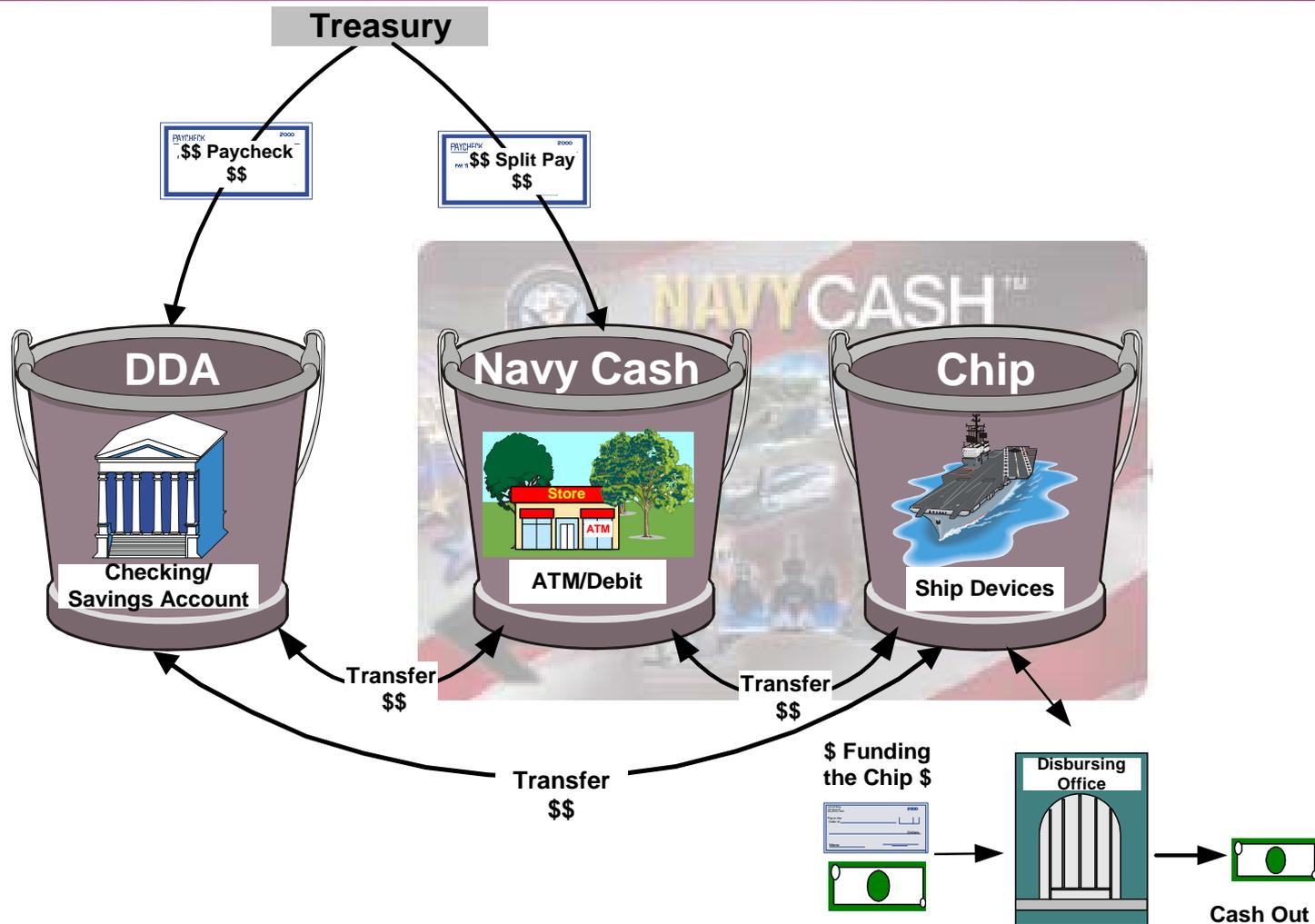


Repetitive counting, sorting, moving, and monitoring cash adds considerably to workload

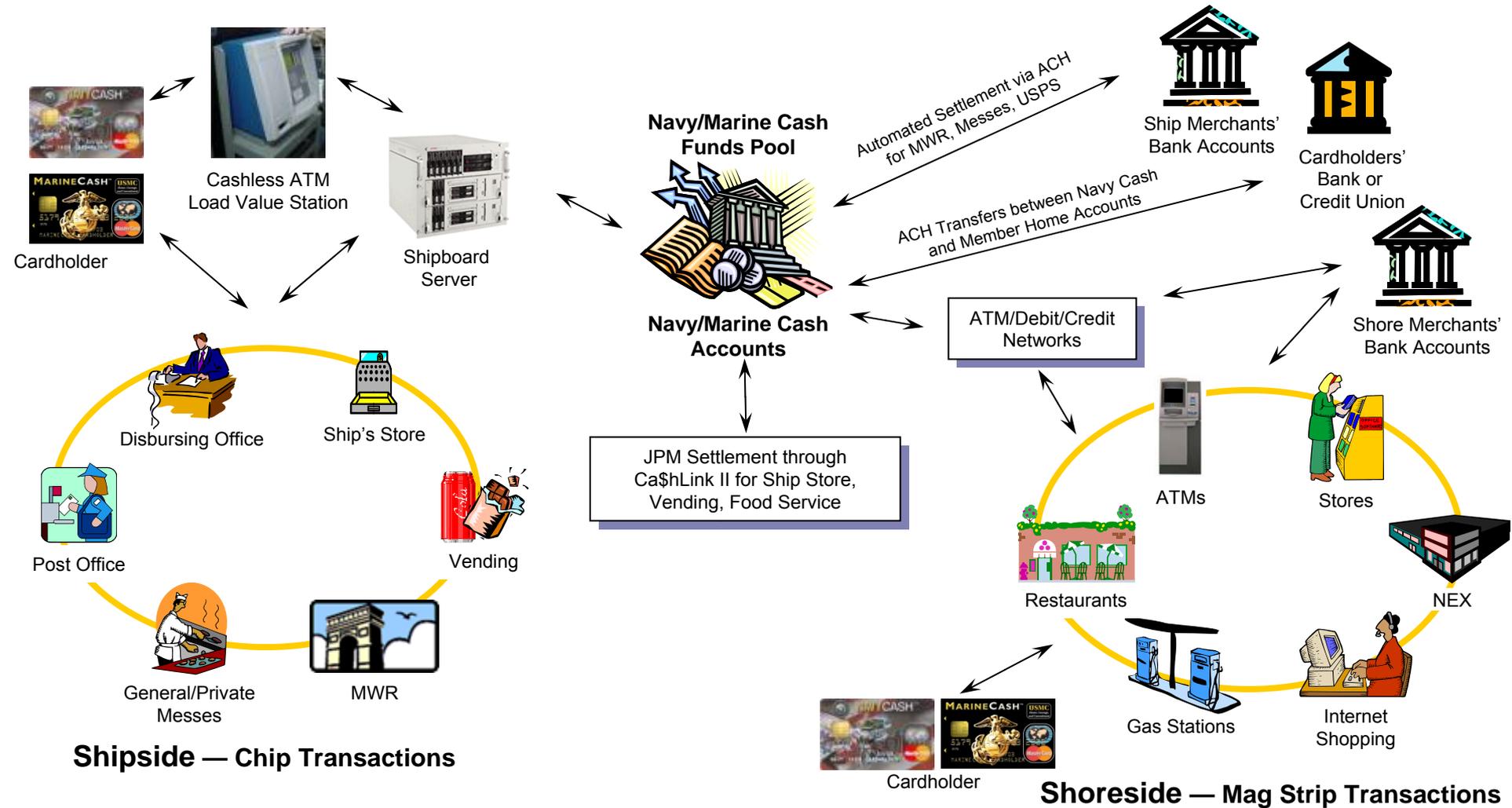
Debit payments in Ship's Store, Post Office, etc. that use an expensive and labor intensive technology

Cashing and handling checks, particularly bad checks, adds considerably to workload

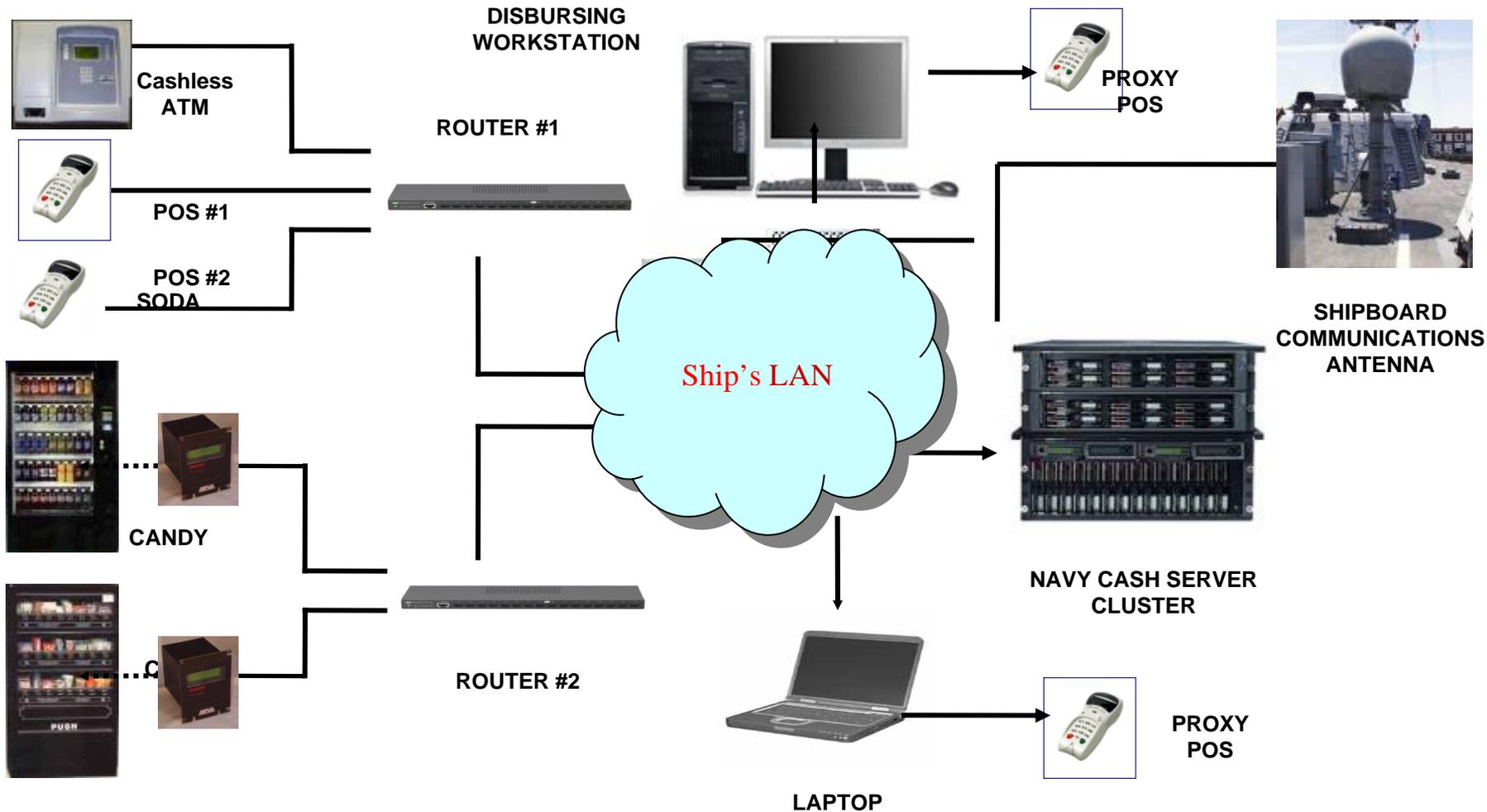
The application allows Sailors to direct a portion of their pay to the card...



How Navy Cash Works



Navy Cash: Basic System Diagram



Sailors can transfer funds to or from their SVC card via kiosks on the ship...



On-board vending machines have been reconfigured to only accept SVC's...

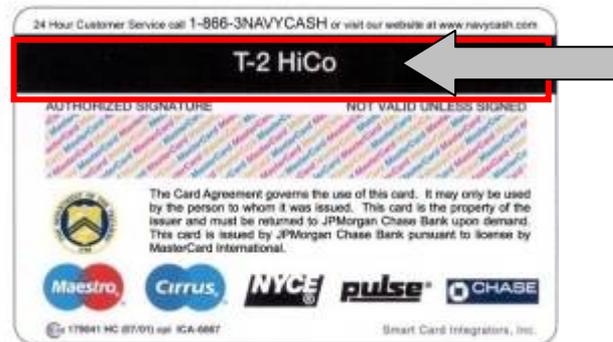


Ship/Shore Transaction Mix...



- 93% Transactions Aboard Ship (Chip)

Over 211.9M Transactions



- 7% Transactions Ashore (Stripe)
 - 52% ATM Withdrawals
 - 48% Purchases

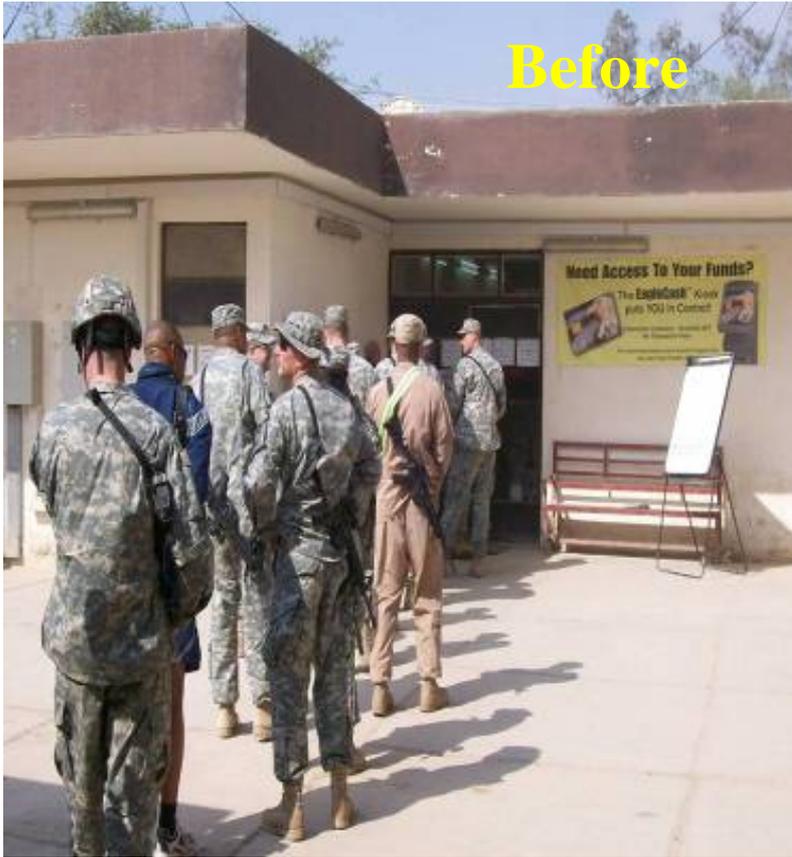
Eliminating coins and currency drives down costs!!...

The benefits to the Navy and its personnel from SVC's are many...

- Significantly reduce need for bills, coins, checks, and money orders
- Reduce cash handling cost
- Reduce infrastructure costs
- Reengineer/streamline accounting/cash management processes
- Minimize redundant and error-prone transactions
- More time for core functions
- Improve readiness
- Better, faster, cheaper, more secure than cash
- Personal bank account accessible 24/7— access to all entitlements
- Money earns interest in Sailor and Marine accounts ashore
- Split Pay sent directly to Navy/ Marine Cash accounts
- Automate financial processes
- QOL enrichment

As you see, SVC's have become a Military "Standard" for Financial Operations...

Before



After

Questions?

Thank You!