

## 2005 Banking Colloquium



# Misdirected Direct Deposits (MDD)

October – Octobre 19, 2005



# Introduction

- **Objective**
  - **Share information**
  - **Create a common understanding**
  - **Plan movement towards solutions**

# DD Success to Date

- **During fiscal year 2004-2005**
  - **PWGSC saved \$86.2 million in postage**
  - **43,714 trees were saved**
  - **2,571 tons of paper**
  - **More efficient process for FI's**
- **We all have benefited from DD**

# Challenges

- **Costs associated with MDD's are rising**
- **There is no commonly held definition of what MDDs are**
- **Processes and controls need to be strengthened**
- **Some recent examples**

# Some Facts

- **In 1998/1999 there were 1,951 MDD's valued at \$638K**
- **In 2003/2004 the numbers increased to 8,014 transactions valued at \$3.7 million**
- **310% increase in the numbers of MDD's**
- **480% increase in value**

# Some More Facts

- **In 2002/2003 there were 21,506 trace requests**
- **In 2005/2006, Receiver General is averaging 2,200 per month, forecasting a volume of 26,400**
- **Increase of 22.8% in 3 years**
- **The number of DD transactions will increase 9% during the same period**

# Risk sharing

- **For amounts less than \$5K**
  - **FI's pay for first 60% of losses due to MDD**
  - **PWGSC/FI's share equally losses above 60%**
- **MDD's greater than \$5K or older than 3 years**
  - **Handled on a case by case basis**

# Strategy

- **Categorize types of misdirected DDs**
  - **Misdirected**
  - **Invalid Program payments**
  - **Fraudulent activity**
- **Establish criteria to monitor the number and type of MDDs**
- **Solicit Stakeholder support**
- **Form a working group**
- **Develop solutions**
- **Plan Implementation**
- **Monitor progress**



# Next Steps

- **Accept that change is required**
- **Summarize and distribute discussion**
- **Determine MDD definitions**
- **Establish a stakeholders working group**
- **Develop options**
- **Move forward with a measured approach**

# Comments

