SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1999

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File Number 0-25346

TRANSACTION SYSTEMS ARCHITECTS, INC.
(Exact name of registrant as specified in its charter)

Delaware	47-0772104
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

224 South 108th Avenue
Omaha, Nebraska 68154
(Address of principal executive offices, including zip code)

(402) 334-5101
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes[X] No[ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

32,551,024 shares of Class A Common Stock at August 12, 1999

TRANSACTION SYSTEMS ARCHITECTS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999
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TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands)

	June 30, 1999	September 30, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,613	$ 63,648
Marketable securities	9,532	2,188
Billed receivables, net	57,076	58,080
Accrued receivables	39,181	33,000
Deferred income taxes	7,064	4,921
Other	4,334	3,585
Total current assets	179,800	165,422
Property and equipment, net	20,722	21,001
Software, net	23,997	7,172
Intangible assets, net	56,523	9,385
Installment receivables	12,963	2,056
Investments and notes receivable	3,568	16,754
Other	4,785	4,517
Total assets	$ 302,358	$ 226,307
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 1,075	$ 1,078
Accounts payable	10,333	13,720
Accrued employee compensation	6,429	8,426
Accrued liabilities	16,191	14,826
Income taxes	8,930	4,784
Deferred revenue	46,530	35,594
Total current liabilities	89,488	78,428
Long-term debt	1,860	2,002
Total liabilities	91,348	80,430
Stockholders' equity:		
Class A Common Stock	160	150
Class B Common Stock	-	6
Additional paid-in capital	146,355	112,400
Retained earnings	70,411	38,220
Accumulated translation adjustments	(3,936)	(2,075)
Unrealized investment holding loss	(1,968)	(2,812)
Treasury stock, at cost	(12)	(12)
Total stockholders' equity	211,010	145,877
Total liabilities and stockholders' equity	$ 302,358	$ 226,307

See notes to condensed consolidated financial statements.

TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited and in thousands, except per share amounts)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1999	1998	1999	1998
Revenues:				
Software license fees	$ 53,259	$ 42,923	$ 149,888	$ 121,570
Maintenance fees	16,042	14,664	47,605	41,999
Services	18,858	18,188	61,462	50,534
Hardware, net	967	1,232	3,192	3,726
Total revenues	89,126	77,007	262,147	217,829
Expenses:				
Cost of software license fees	10,381	9,220	32,153	26,518
Cost of maintenance and services	17,740	18,126	56,071	50,580
Research and development	8,711	6,797	25,447	19,209
Selling and marketing	17,495	15,682	50,821	45,096
General and administrative:				
General and administrative costs	14,639	13,717	43,984	37,828
Amortization of goodwill and purchased intangibles	1,572	347	3,121	1,076
Total expenses	70,538	63,889	211,597	180,307
Operating income	18,588	13,118	50,550	37,522
Other income (expense):				
Interest income	706	863	2,130	2,310
Interest expense	(77)	(46)	(236)	(144)
Transaction related expenses	-	-	(653)	-
Other	(131)	(226)	37	(266)
Total other	498	591	1,278	1,900
Income before income taxes	19,086	13,709	51,828	39,422
Provision for income taxes	(7,237)	(5,134)	(19,726)	(14,836)
Net income	$ 11,849	$ 8,575	$ 32,102	$ 24,586
Earnings Per Share Data:				
Basic:				
Net income	$ 0.37	$ 0.28	$ 1.02	$ 0.81
Average shares outstanding	32,016	30,352	31,465	30,176
Diluted:				
Net income	$ 0.36	$ 0.27	$ 1.00	$ 0.79
Average shares outstanding	32,650	31,230	32,214	31,107

See notes to condensed consolidated financial statements.

TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Nine months ended June 30, 1999	Nine months ended June 30, 1998
Cash flows from operating activities:		
Net income	$ 32,102	$ 24,586
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,074	4,627
Amortization	8,619	3,576
Changes in operating assets and liabilities:		
Billed and accrued receivables	(4,720)	(13,199)
Other current and noncurrent assets	(13,304)	(377)
Accounts payable	(72)	253
Deferred revenue	4,774	5,360
Other current and noncurrent liabilities	(8,440)	(716)
Net cash provided by operating activities	25,033	24,110
Cash flows from investing activities:		
Purchases of property and equipment	(5,026)	(5,885)
Purchases of software	(5,560)	(2,406)
Purchase of marketable securities	(6,500)	-
Acquisition of businesses, net of cash acquired	(9,967)	(253)
Additions to investment and notes receivable	(602)	(11,873)
Net cash used in investing activities	(27,655)	(20,417)
Cash flows from financing activities:		
Proceeds from issuance of Class A Common Stock	755	693
Proceeds from sale and exercise of stock options	2,114	1,676
Other	-	(865)
Payments of long-term debt	(1,350)	(938)
Net cash provided by financing activities	1,519	566
Effect of exchange rate fluctuations on cash	68	(588)
(Decrease) increase in cash and cash equivalents	(1,035)	3,671
Cash and cash equivalents, beginning of period	63,648	52,855
Cash and cash equivalents, end of period	$ 62,613	$ 56,526

See notes to condensed consolidated financial statements.

TRANSACTION SYSTEMS ARCHITECTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Financial Statements

Transaction Systems Architects, Inc. (the Company or TSA) develops, markets, installs and supports a broad line of software products and services primarily focused on facilitating electronic payments and electronic commerce. In addition to its own products, the Company distributes software developed by third parties. The Company's customers consist primarily of financial institutions, retailers and third-party processors, both in domestic and international markets.

The condensed consolidated financial statements at June 30, 1999 and for the three and nine months ended June 30, 1999 and 1998 are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 1998. The results of operations for the three and nine months ended June 30, 1999 are not necessarily indicative of the results for the entire fiscal year ending September 30, 1999.

The condensed consolidated financial statements include all domestic and foreign subsidiaries which are more than 50% owned and controlled. Investments in companies less than 20% owned are carried at cost.

2. Acquisitions

In November 1998, the Company and Media Integration BV (MINT) completed a stock exchange transaction which resulted in MINT becoming a wholly-owned subsidiary of the Company. MINT's products are used to issue and manage multi-functional applications on smart cards. Shareholders of MINT received 740,000 shares of TSA Class A Common Stock in exchange for 100% of MINT shares. The stock exchange was accounted for as a pooling of interests and, accordingly, the Company's financial statements have been retroactively restated to include the historical results for MINT for all periods presented.

In March 1999, the Company acquired approximately 78% of the outstanding shares of Insession, Inc. (Insession) for approximately 730,000 shares of TSA Class A Common Stock, valued at approximately $28.3 million, and $5.0 million cash paid in April 1999. The Company previously (January 1996) acquired a 6% minority interest in Insession for $1.5 million in cash. The Company is the exclusive distributor of Insession's System Network Architecture (SNA) connectivity tool, known as ICE, which facilitates connectivity between Compaq and IBM computers. The transaction was recorded as a purchase and resulted in the recording of approximately $35.6 million of Goodwill which is being amortized over 10 years and approximately $15.4 million of Purchased Software which is being amortized over 3 years. In August 1999, the Company reached an agreement in principle to acquire the remaining 16% of the outstanding shares of Insession for $6.0 million cash to be paid in August 1999 ($3.0 million) and in October 1999 ($3.0 million).

In July 1999, the Company and SDM International, Inc. (SDM) completed a stock exchange transaction which resulted in SDM becoming a wholly-owned subsidiary of the Company. The sole stockholder of SDM received 475,000 shares of TSA Class A Common Stock in exchange for 100% of SDM's Common Stock. The stock exchange will be accounted for as a purchase.

3. Revenue Recognition

In the first quarter of fiscal 1999, the Company adopted American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition" (SOP 97-2). SOP 97-2 provides guidance on applying generally accepted accounting principles in recognizing revenue for software arrangements entered into by the Company after September 30, 1998. The Company has analyzed the revenue recognition requirements of SOP 97-2 and has concluded that the Company's previous revenue recognition policy was primarily in compliance with SOP 97-2.

Under SOP 97-2, one requirement for recognizing revenue under software arrangements is that the software fees are fixed or determinable. SOP 97-2 specifies that extended payment terms in a software licensing agreement may indicate that the software fees are not deemed to be fixed or determinable and, if so, the software fee should be recognized as the payments become due. However, SOP 97-2 specifies that if the Company has a standard business practice of using extended payment terms in software arrangements and has a history of successfully collecting the software fees under the original payment terms of the arrangement without making concessions, the Company can overcome the presumption that the software fees are not fixed or determinable. If the presumption is overcome, the Company is required to recognize the software fees when the other SOP 97-2 revenue recognition criteria are met.

The Company has concluded that for certain fiscal 1999 software arrangements with extended payment terms, revenue should be recognized upon delivery in accordance with the provisions of SOP 97-2 as previously described. Software license fee revenue, net of third party royalties, recognized for the three and nine months ended June 30, 1999, related to these arrangements where the Company has overcome the presumption that the software fees are not fixed or determinable totaled $18.9 million and $37.5 million, respectively.

4. Marketable Securities

In June 1999, the Company entered into a transaction with Digital Courier Technologies, Inc. (DCTI), whereby the Company acquired 1.25 million shares of DCTI's Common Stock for $6.5 million. In addition, the Company received warrants to purchase an additional 1.0 million shares at an exercise price of $5.20 per share (subject to adjustment). DCTI supplies financial institutions, businesses and major web portals with e-commerce, payments processing and content delivery software. The Company has an exclusive, worldwide right to market DCTI's e-commerce payments technology. The Company has accounted for the investment in DCTI's Common Stock and warrants in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

The investment in marketable securities described above and the Company's investment in Nestor, Inc. (Nestor) have been classified as available-for-sale and recorded at fair market value, which is estimated based on quoted market prices. Net unrealized holding gains and losses, net of the related tax effect, if any, are reported as a separate component of stockholders' equity. Unrealized gains and losses are determined by specific identification.

5. Comprehensive Income

Effective October 1, 1998, the Company adopted Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income", which establishes standards for reporting and display of comprehensive income and its components in a financial statement for the period in which they are recognized. The Company's components of comprehensive income were as follows (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	1999	1998	1999	1998
Net income	$ 11,849	$ 8,575	$ 32,102	$ 24,586
Unrealized investment holding gain and losses	687	-	844	-
Foreign currency translation adjustments	29	(1,619)	(1,861)	(2,308)
Comprehensive income	$ 12,565	$ 6,956	$ 31,085	$ 22,278

6. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted net income per share is consistent with the calculation of basic net income per share while giving effect to dilutive potential shares outstanding during the period. For all periods presented, dilutive potential shares consisted entirely of stock options.

TRANSACTION SYSTEMS ARCHITECTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth certain financial data and the percentage of total revenues of the Company for the periods indicated:

	Three Months Ended June 30,				Nine Months Ended June 30,			
	1999		1998		1999		1998	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues:								
Software license fees	$ 53,259	59.8 %	$ 42,923	55.7 %	$ 149,888	57.2 %	$ 121,570	55.8 %
Maintenance fees	16,042	18.0	14,664	19.0	47,605	18.2	41,999	19.3
Services	18,858	21.2	18,188	23.6	61,462	23.4	50,534	23.2
Hardware, net	967	1.0	1,232	1.7	3,192	1.2	3,726	1.7
Total revenues	89,126	100.0	77,007	100.0	262,147	100.0	217,829	100.0
Expenses:								
Cost of software license fees	10,381	11.6	9,220	12.0	32,153	12.3	26,518	12.2
Cost of maintenance and services	17,740	19.9	18,126	23.5	56,071	21.4	50,580	23.2
Research and development	8,711	9.8	6,797	8.8	25,447	9.7	19,209	8.8
Selling and marketing	17,495	19.6	15,682	20.4	50,821	19.4	45,096	20.7
General and administrative:								
General and administrative costs	14,639	16.4	13,717	17.8	43,984	16.7	37,828	17.4
Amortization of goodwill and purchased intangibles	1,572	1.8	347	0.5	3,121	1.2	1,076	0.5
Total expenses	70,538	79.1	63,889	83.0	211,597	80.7	180,307	82.8
Operating income	18,588	20.9	13,118	17.0	50,550	19.3	37,522	17.2
Other income (expense):								
Interest income	706	0.7	863	1.1	2,130	0.7	2,310	1.1
Interest expense	(77)	(0.1)	(46)	(0.1)	(236)	0.0	(144)	(0.1)
Transaction related expenses	-	0.0	-	0.0	(653)	(0.2)	-	0.0
Other	(131)	(0.1)	(226)	(0.2)	37	0.0	(266)	(0.1)
Total other	498	0.5	591	0.8	1,278	0.5	1,900	0.9
Income before income taxes	19,086	21.4	13,709	17.8	51,828	19.8	39,422	18.1
Provision for income taxes	(7,237)	(8.1)	(5,134)	(6.7)	(19,726)	(7.6)	(14,836)	(6.8)
Net income	$ 11,849	13.3 %	$ 8,575	11.1 %	$ 32,102	12.2 %	$ 24,586	11.3 %

Results of Operations (continued)

Revenues

Total revenues for the third quarter of fiscal 1999 increased 15.7% or $12.1 million over the comparable period in fiscal 1998. Of this increase, $10.3 million of the growth resulted from a 24.1% increase in software license fee revenue, $700,000 from a 3.7% increase in services revenue and $1.4 million from a 9.4% increase in maintenance fee revenue.

Total revenues for the first three quarters of fiscal 1999 increased 20.4% or $44.3 million over the comparable period in fiscal 1998. Of this increase, $28.3 of the growth resulted from a 23.3% increase in software license fee revenue, $10.9 million from a 21.6% increase in services revenue and $5.6 million from a 13.4% increase in maintenance fee revenue. During the first three quarters of fiscal 1999, 52% of total revenues resulted from international operations as compared to 55% for all of fiscal 1998.

The growth in software license fee revenue is the result of increased demand for the Company's BASE24 ATM and POS products and System Solutions products accompanied by the continued growth of the installed base of customers paying monthly license fee (MLF) revenue. Contributing to the demand for the Company's products is the continued world-wide growth of electronic payment transaction volume and the growing complexity of electronic payment systems. MLF revenue was $14.1 million in the third quarter of fiscal 1999 compared to $11.5 million in the third quarter of fiscal 1998. MLF revenue was $40.1 million in the first three quarters of fiscal 1999 compared to $31.9 million in the first three quarters of fiscal 1998.

The growth in services revenue for the third quarter and first three quarters of fiscal 1999 is the result of increased demand for technical and project management services resulting from the increased installed base of the Company's products and, in the first quarter of fiscal 1999, to an increase in services provided to customers implementing Year 2000 compliant IT systems. The Company does not anticipate growth in services revenue throughout the remainder of fiscal 1999 as the Company believes customers, who have or will purchase the Company's products, may defer purchasing technical services until after December 31, 1999.

The preceding sentence contains a forward-looking statement. There can be no assurance the forward-looking statement will be an accurate indicator of future actual results and actual results may differ from results projected in the forward-looking statement. Such differences may be material. Factors that could cause actual results to differ include, but are not limited to, changes in customers buying patterns, changes in the conditions of the banking industry, timing of executed customer contracts and the severity of customer Year 2000 issues. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Year 2000" for additional discussion on Year 2000 risks.

The increase in maintenance fee revenue for the third quarter and first three quarters of fiscal 1999 is a result of the continued growth of the installed base of the Company's products.

Expenses

Total operating expenses for the third quarter of fiscal 1999 increased 10.4% or $6.6 million over the comparable period in fiscal 1998. Total operating expenses for the first three quarters of fiscal 1999 increased 17.4% or $31.3 million over the comparable period in fiscal 1998. The increase is due to increased staff required to support the increased demand for the Company's products and services. Total staff (including both employees and independent contractors) increased from 1,980 at June 30, 1998 to 2,252 at June 30, 1999.

The Company's operating margin for the third quarter of fiscal 1999 was 20.9% as compared to 17.0% for the comparable period in fiscal 1998. Operating margin for the first three quarters of fiscal 1999 was 19.3% as compared to 17.2% for the first three quarters of fiscal 1998. This improvement is due to the impact of the growth in the Company's recurring revenues (MLF's, maintenance and facilities management fees).

Transaction related expenses of $653,000 incurred in the first quarter of 1999 include legal, accounting, investment banking fees and other non-recurring expenses associated with the acquisition of MINT which was accounted for as a pooling of interests.

EBITDA

The Company's earnings before interest expense, income taxes, depreciation and amortization (EBITDA) increased from $16.1 million in the third quarter of fiscal 1998 to $25.0 million in the third quarter of fiscal 1999. EBITDA increased from $45.7 million in the first three quarters of fiscal 1998 to $65.3 million in the first three quarters of fiscal 1999. The increase in EBITDA can be attributed to the continued growth in both recurring and non-recurring revenues more than offsetting the growth in operating expenses. EBITDA is not intended to represent cash flows for the periods.

Income Taxes

The effective tax rates for the third quarter and first three quarters of fiscal 1999 were 37.9% and 38.1%, respectively. This compares to 38.0% for all of fiscal 1998.

As of June 30, 1999, the Company has deferred tax assets of $16.2 million and deferred tax liabilities of $0.3 million. Each quarter, the Company evaluates its historical operating results as well as its projections for the future to determine the realizability of the deferred tax assets. This analysis indicated that $7.1 million of the deferred tax assets were more likely than not to be realized. Accordingly, the Company has recorded a valuation allowance of $9.1 million as of June 30, 1999.

The Company intends to analyze the realizability of the net deferred tax assets at each future reporting period. Such analysis may indicate that the realization of various deferred tax benefits is more likely than not and, therefore, the valuation reserve may be further reduced.

Backlog

As of June 30, 1999 and 1998, the Company had non-recurring revenue backlog of $31.5 million and $29.3 million in software license fees, respectively, and $24.0 million and $29.5 million in services, respectively. The Company includes in its non-recurring revenue backlog all fees specified in contracts which have been executed by the Company and its customers to the extent that the Company contemplates recognition of the related revenue within one year. There can be no assurance that the contracts included in non-recurring revenue backlog will actually generate the specified revenues or that the actual revenues will be generated within the one year period.

As of June 30, 1999 and 1998, the Company had recurring revenue backlog of $138.5 million and $108.7 million, respectively. The Company defines recurring revenue backlog to be all monthly license fees, maintenance fees and facilities management fees specified in contracts which have been executed by the Company and its customers to the extent that the Company contemplates recognition of the related revenue within one year. There can be no assurance, however, that contracts included in recurring revenue backlog will actually generate the specified revenues or that the actual revenues will be generated within the one year period.

Liquidity and Capital Resources

As of June 30, 1999, the Company had working capital of $90.3 million which includes cash and cash equivalents of $62.6 million. The Company has a $10 million bank line of credit of which there are no borrowings outstanding. The bank line of credit expires on June 30, 2000.

During the nine months ended June 30, 1999, the Company's cash flow from operations amounted to $25.0 million and cash used in investing activities amounted to $27.7 million. Of the $27.7 million of cash used in investing activities, $10.0 million was used in the acquisition of businesses. This is comprised of $3.6 million to purchase the net assets of USPI, $3.5 to purchase the remaining 49% interest in the Company's South African subsidiary, and $2.9 million for the purchase of Insession. Also included in cash used in investing activities is $6.5 million in cash used to acquire an 11.6% minority interest in Digital Courier Technologies, Inc. (Nasdaq: DCTI) in June 1999.

In the normal course of business, the Company evaluates potential acquisitions of complementary businesses, products or technologies. In November 1998, the Company acquired 100% of MINT in exchange for 740,000 shares of the Company's Class A Common Stock. In December 1998, the Company acquired the remaining interests in the net assets of USPI for $3.6 million in cash and the forgiveness of $5.6 million of debt owed to TSA. In March 1999, the Company acquired approximately 78% of the outstanding stock of Insession in exchange for 730,000 shares of the Company's Class A Common Stock and $5.0 million cash paid in April 1999. In July 1999 the Company acquired 100% of SDM International, Inc. in exchange for 475,000 shares of the Company's Class A Common Stock. In August 1999, the Company reached an agreement to acquire the remaining 16% of the outstanding shares of Insession for $6.0 million cash to be paid in August 1999 ($3.0 million) and in October 1999 ($3.0 million).

In March 1999, the Company extended a $1.0 million line of credit agreement to Nestor, Inc. (Nestor). Nestor is a provider of neural-network solutions for financial, Internet and transportation industries. The Company distributes Nestor's PRISM intelligent fraud detection product. The line of credit is secured by future royalties owed by the Company to Nestor. At June 30, 1999, there are no borrowings against this line of credit.

In May 1999, the Company announced that its Board of Directors authorized the Company to repurchase up to two million of its outstanding common shares through February of 2000.

Management believes that the Company's working capital, cash flow generated from operations and borrowing capacity are sufficient to meet the Company's working capital requirements for the foreseeable future.

Year 2000

Year 2000 problems may arise in computer equipment and software, as well as embedded electronic systems, because of the way these systems are programmed to interpret certain dates that will occur around the change in century. In the computer industry this is primarily the result of computer programs being designed and developed using or reserving only two digits in date fields (rather than four digits) to identify the year, without considering the ability of the program to properly distinguish the upcoming century change in the Year 2000. In addition, the Year 2000 is a special-case leap year and some programs may drop February 29th from their internal calendars. Certain other dates may present problems because of the way the digits are interpreted. Because the Company's business is based on the licensing of applications software, the Company's business would be adversely impacted if its products or its internal systems experience problems associated with the century change. This issue also potentially affects the software programs and systems used by the Company in its operations.

Project Definition. In 1996 the Company initiated a company wide program to analyze three specific categories of systems: (1) software developed by the Company which is licensed to customers; (2) information technology or "IT" systems utilized by the Company consisting of applications developed in-house and purchased from third party suppliers; and (3) non-IT systems and embedded technology which are integral components of the infrastructure of the Company.

The Company adopted a methodology for reviewing its licensed software consisting of four categories. The categories are (1) preparation,

(2) analysis and remediation, (3) testing, and (4) delivery. The Company developed tools during the preparation phase of the project which were utilized during the analysis and testing phases. The tools were subsequently made available to the Company's customers at no charge. The Company believes that its remediation efforts with respect to its software products will prove to be successful. The Company's belief is based on testing by the Company of its software products by using testing tools simulating dates and testing by many of its customers who have in turn completed their own Year 2000 testing. Year 2000 compliant versions of its software products ("Compliant Software") have been made available by the Company to customers in a timely manner and its communication efforts have been proactive and ongoing. The Company continues to actively monitor the status and progress of customers and distributors and assess the risk associated in those cases where the customer has not taken delivery of the Compliant Software or may have not made satisfactory progress in their own Year 2000 testing.

With respect to IT and non-IT systems, the Company is utilizing a methodology similar to that adopted for its software products. Specifically, the Company is utilizing the following steps: (1) preparation, in which the Company conducts systematic inventory, analysis, and prioritization of the systems in accordance with mission critical impact (2) analysis, replacement and remediation (3) testing and (4) implementation.

Recognizing the importance of communications regarding and organization of Year 2000 tasks and responsibilities, the Company has embraced a management approach utilizing central coordination with distributed administration over geographic and business units. This approach mirrors the Company's organization and ensures that Year 2000 Communications Managers are deployed and managing tasks in close proximity to actual efforts. Those efforts are then reported centrally to upper management. The approach also ensures that customers are kept informed of product and Company activities relating to the Year 2000 and that the Company is able to measure progress and plan support for customers' Year 2000 projects.

Current Status. Following analysis, remediation and testing efforts, the Company began shipping Year 2000 compliant versions of its major licensed software applications in March of 1997. As efforts were completed on other applications, they too were shipped to customers so that they could be upgraded as part of the customers' own Year 2000 projects. As of June 1999, 100% of all of the Company's licensed software applications are compliant and available to customers. The Company continues to conduct analysis of newly acquired software products with appropriate measurement and documentation in accordance with the Year 2000 methodology in place.

With respect to the IT and non-IT systems, remediation and replacement is underway and has been substantially completed in the most critical areas. The internal accounting systems utilized by the Company and its subsidiaries have been replaced where necessary. The overall IT and non-IT project is approximately 80% complete. As new IT and non-IT purchases are made, each is scrutinized and inventoried for Year 2000 compliance. The Company currently anticipates it will complete its Year 2000 IT and non-IT compliance efforts by September of 1999.

The majority of the embedded systems on which the Company relies in its day to day operations around the world are owned and managed by the lessors of the buildings in which the Company's offices are located, or by agents of such lessors. The Company has sent letters to its lessors and, as applicable, their agents requesting certifications of the Year 2000 compliance of the embedded systems. The Company has received responses from more than 80% of its lessors indicating that the systems in the buildings either already are, or are expected to be before the end of 1999, Year 2000 compliant. Those systems not owned by and managed by lessors have undergone a similar inventory and certification gathering. The Company will prioritize systems and develop necessary test plans based on the further responses it continues to receive, or not to receive, to its letters.

The Company is developing contingency plans for support of its customers prior to, during, and following the "Year 2000 weekend". Such plans will incorporate, but not be limited to, distribution of support personnel in locations around the world, backup plans for telecommunications, decision and notification hierarchy, and other infrastructure support. Contingency plans are presently anticipated to be complete by September of 1999.

Costs. The Company expects to incur project costs of approximately $10 million over the life of the Year 2000 project. These costs consist of: (i) internal staff costs related to licensed product remediation and testing; (ii) internal staff costs related to IT and non-IT compliance; (iii) hardware and software cost for replacement of IT systems; and (iv) costs related to non-IT compliance involving embedded systems and consulting services. Costs incurred from the beginning of the project in 1996 through June 1999 have totaled approximately $8.5 million. The Company expects to incur an additional $1.5 million over the remaining life of the Year 2000 project. All costs related to the Year 2000 project are being expensed as incurred. The estimated remaining costs are based on currently known circumstances and various assumptions regarding future events. There can be no assurance that this estimate will be achieved and actual results could differ materially from those anticipated.

Risks. The Company believes that the most likely Year 2000 risks relate to third parties with which it has material relationships. Those parties include computer hardware system providers on which the Company and its customers rely as well as service providers such as those providing telecommunications and electricity. Failure or disruption of such services or systems could adversely affect operations and the Company's ability to support its customers. The second most likely Year 2000 risk relates to the Company's products that are used in conjunction with software products developed by other vendors or by customers who have developed their own applications for use with the Company's products, which may not be Year 2000 compliant. Since the majority of the

Company's customers utilize the Company's software products for authorization, routing, or processing of financial transactions, the failure of such customers' systems, which may be particularly susceptible to Year 2000 compliance issues, could impact the transaction volume processed by the customers thereby reducing transaction fees paid by customers with usage based fee contracts. Failures of such systems could also increase the efforts required by the Company to assist customers with resolving problems unrelated to the Company's licensed products. The third most likely Year 2000 risk relates to certain foreign countries in which the Company operates and the Company's customers in such countries that are not acting to sufficiently remediate Year 2000 issues. Some customers outside of the United States have chosen to concentrate on issues other than the Year 2000. Without concentrating on the Year 2000 upgrade and testing efforts, such customers will not be prepared and may require additional support to assist them. Commercial risks are associated with operating in countries that are not prepared for the Year 2000.

In each case cited previously, the Company is developing contingency plans to address each identified risk. In addition, the Company continues to use its methodology of centralized and distributed management to keep in contact and monitor progress with customer projects and to communicate at an upper management level to those customers categorized as "at risk" due to their lack of progress. The contingency plan being developed by the Company acknowledges the risk associated with suppliers of material services, hardware vendors closely related to the operation of the Company's licensed products, the Company's own licensed products and the ability of the Company to support its customers. In addition to distributed support methods, the Company is investigating alternative services, such as telecommunications, as part of the contingency plan. The (i) inability to timely implement contingency plans, if deemed necessary and (ii) the cost to implement such plans, may have a material adverse effect on the Company's results of operations.

Except for statements of existing or historical facts, the foregoing discussion consists of forward-looking statements and assumptions relating to forward- looking statements, including without limitation the statements relating to the timetable for completion of Year 2000 compliance efforts, future costs, potential problems relating to Year 2000, the Company's state of readiness, third party representations, and the Company's plans and objectives for addressing Year 2000 problems. Certain factors could cause actual results to differ materially from the Company's expectations, including without limitation (i) the failure of existing or future customers to achieve Year 2000 compliance, (ii) the failure of computer hardware system providers on which the Company and its customers rely or other vendors or service providers of the Company or its customers to timely achieve Year 2000 compliance, (iii) the Company's products and systems not containing all necessary date code changes, (iv) the failure of the Company's analysis and testing to detect operational problems in IT and non-IT systems utilized by the Company or in the Company's products or services, whether such failure results from the technical inadequacy of the Company's validation and testing efforts, the technological unfeasibility of testing certain non-IT systems, and the unavailability of customers or other third parties to participate in testing, (v) potential litigation arising out of Year 2000 issues, with respect to providers of software and related technical and consulting services such as the Company generally, and particularly in light of the numerous interfaces between the Company's products and products and systems of third parties which are required to successfully utilize the Company's products which could involve the Company in expensive, multiple party litigation even though the Company may have no responsibility for the alleged problem, and (vi) the failure to timely implement a contingency plan to the extent Year 2000 compliance is not achieved.

Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the Company's market risk for the three and nine month periods ended June 30, 1999. See the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 1998 for additional discussion regarding quantitative and qualitative disclosure about market risk.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 14, 1999, HNC Software Inc. filed a complaint against the Company and its wholly-owned subsidiary, ACI Worldwide, Inc. in the United States District Court for the Southern District of California, San Diego Division. The complaint alleges, among other things, patent infringement, unfair competition, false advertising, and trade libel relating to ACI Worldwide's distribution of PRISM, a fraud detection software product. ACI distributes PRISM pursuant to a license agreement with Nestor, Inc., a company in which TSA is a minority stockholder. The complaint seeks injunctive relief and unspecified damages including treble damages, costs, attorneys' fees and various other forms of relief. On November 25, 1998, Nestor had itself filed a complaint in the United States District Court for the District of Rhode Island against HNC Software alleging, among other things, infringement of a patent relating to PRISM and antitrust violations. HNC Software has filed a counterclaim in the Rhode Island lawsuit alleging infringement by Nestor of HNC Software's patents which claims are essentially the same as those filed by HNC Software against the Company and ACI Worldwide in the San Diego lawsuit. Neither the Company nor ACI Worldwide was a party to the Rhode Island lawsuit. However, because the same patents and the same products are at issue in both lawsuits, the Company and ACI Worldwide are seeking to have the San Diego lawsuit transferred to Rhode Island and consolidated with the proceedings there. Whatever the final procedural posture of the lawsuit, the Company intends to vigorously defend against HNC Software's allegations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27.00 Financial Data Schedule

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 16, 1999

TRANSACTION SYSTEMS ARCHITECTS, INC
(Registrant)

/s/ Dwight G. Hanson

Dwight G. Hanson
Vice President of Finance
(Principal Accounting Officer)

TRANSACTION SYSTEMS ARCHITECTS, INC.
INDEX TO EXHIBITS

Exhibit Number	Description
27.00	Financial Data Schedule

5
1000

3-MOS
SEP-30-1999
APR-01-1999
JUN-30-1999
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9,532
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