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 March 31, 2000

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
(I.R.S. Employer
incorporation or organization)
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:

32,992,959 shares of Class A Common Stock at May 8, 2000

TRANSACTION SYSTEMS ARCHITECTS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000
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TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands)

	March 31, 2000	September 30, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 40,801	$ 70,482
Marketable securities	24,141	8,456
Billed receivables, net	51,943	50,619
Accrued receivables	44,534	41,880
Refundable income taxes	4,806	-
Deferred income taxes	-	1,164
Other	11,409	7,215
Total current assets	177,634	179,816
Property and equipment, net	19,679	20,754
Software, net	25,969	25,835
Intangible assets, net	57,569	61,612
Long-term accrued receivables	23,614	26,850
Investments and notes receivable	4,650	3,569
Deferred income taxes	2,438	97
Other	6,166	4,785
Total assets	$ 317,719	$ 323,318
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 718	$ 501
Accounts payable	10,424	8,030
Accrued employee compensation	4,582	7,192
Accrued liabilities	15,295	18,287
Deferred income taxes	3,689	-
Income taxes	-	8,521
Deferred revenue	56,438	54,627
Total current liabilities	91,146	97,158
Long-term debt	851	991
Total liabilities	91,997	98,149
Stockholders' equity:		
Class A Common Stock	164	163
Additional paid-in capital	165,602	161,630
Retained earnings	83,090	82,922
Treasury stock, at cost	(27,593)	(14,250)
Accumulated other comprehensive income	4,459	(5,296)
Total stockholders' equity	225,722	225,169
Total liabilities and stockholders' equity	$ 317,719	$ 323,318

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 March 31,		Six Months Ended March 31,	
	2000	1999	2000	1999
Revenues:				
Software license fees	$ 46,508	$ 50,552	$ 81,761	$ 96,629
Maintenance fees	17,204	15,996	33,889	31,563
Services	11,677	19,309	26,856	42,604
Hardware, net	-	1,094	-	2,225
Total revenues	75,389	86,951	142,506	173,021
Expenses:				
Cost of software license fees	11,084	9,950	21,909	21,772
Cost of maintenance and services	17,264	18,038	34,056	38,331
Research and development	9,968	8,538	18,428	16,736
Selling and marketing	18,204	17,348	35,765	33,326
General and administrative costs	15,159	14,976	29,797	29,345
Amortization of goodwill and purchased intangibles	1,758	1,104	3,935	1,548
Total expenses	73,437	69,954	143,890	141,058
Operating income (loss)	1,952	16,997	(1,384)	31,963
Other income (expense):				
Interest income	717	721	1,664	1,424
Interest expense	(72)	(48)	(135)	(159)
Transaction related expenses	-	-	-	(653)
Other	(51)	(29)	132	168
Total other	594	644	1,661	780
Income before income taxes	2,546	17,641	277	32,743
Provision for income taxes	(995)	(6,757)	(109)	(12,489)
Net income	$ 1,551	$ 10,884	$ 168	$ 20,254
Earnings Per Share Data:				
Basic:				
Net income	$ 0.05	$ 0.35	$ 0.01	$ 0.65
Average shares outstanding	31,707	31,440	31,873	31,189
Diluted:				
Net income	$ 0.05	$ 0.34	$ 0.01	$ 0.63
Average shares outstanding	32,172	32,265	32,364	31,996

See notes to condensed consolidated financial statements.

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

	Six months ended March 31, 2000	1999
Cash flows from operating activities:		
Net income	$ 168	$ 20,254
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,079	3,984
Amortization	10,026	4,263
Changes in operating assets and liabilities:		
Billed and accrued receivables	(1,083)	(9,630)
Other current and noncurrent assets	(12,130)	(8,212)
Accounts payable	2,356	(1,516)
Deferred revenue	1,593	6,883
Other current liabilities	(11,422)	(6,385)
Net cash provided by (used in) operating activities	(6,413)	9,641
Cash flows from investing activities:		
Purchases of property and equipment	(3,368)	(2,796)
Purchases of software	(5,670)	(3,526)
Acquisition of businesses, net of cash acquired	(3,053)	(5,065)
Additions to investment and notes receivable	(1,081)	(602)
Net cash used in investing activities	(13,172)	(11,989)
Cash flows from financing activities:		
Proceeds from issuance of Class A Common Stock	931	755
Proceeds from exercise of stock options	1,661	1,665
Purchase of Class A Common Stock	(13,343)	-
Changes in long-term debt, net	77	(1,168)
Net cash provided by (used in) financing activities	(10,674)	1,252
Effect of exchange rate fluctuations on cash	578	13
Decrease in cash and cash equivalents	(29,681)	(1,083)
Cash and cash equivalents, beginning of period	70,482	63,648
Cash and cash equivalents, end of period	$ 40,801	$ 62,565

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 or acts as a sales agent for software developed by third parties. The products are used principally by financial institutions, retailers and third-party processors, both in domestic and international markets.

The condensed consolidated financial statements at March 31, 2000 and for the three and six months ended March 31, 2000 and 1999 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 for the fiscal year ended September 30, 1999. The results of operations for the three and six months ended March 31, 2000 are not necessarily indicative of the results for the entire fiscal year ending September 30, 2000.

2. Comprehensive Income

The Company's components of other comprehensive income were as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2000	1999	2000	1999
Net Income	$ 1,551	$ 10,884	$ 168	$ 20,254
Other Comprehensive income:				
Unrealized investment holding gain	6,080	625	10,767	157
Foreign currency translation adjustments	111	(1,387)	(1,012)	(1,890)
Comprehensive Income	$ 7,742	$ 10,122	$ 9,923	$ 18,521

Components of accumulated other comprehensive income at each balance sheet date were as follows (in thousands):

	March 31, 2000	September 30, 1999
Unrealized investment holding gain (loss)	$ 7,724	$ (3,043)
Foreign currency translation adjustments	(3,265)	(2,253)
	$ 4,459	$ (5,296)

As of May 10, 2000, the fair value of the marketable securities declined from $24.1 million at March 31, 2000 to approximately $12.7 million.

3. Revenue Recognition

The Company accounts for revenue in accordance with American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition" (SOP 97-2). The Company has concluded that for certain software arrangements entered into after October 1, 1998 with extended guaranteed payment terms, the "fixed or determinable" presumption of SOP 97-2 has been overcome and software license fees should be recognized upon meeting all other SOP 97-2 revenue recognition criteria ("guaranteed software license fees"). The present value of the guaranteed software license fees recognized during the three months ended March 31, 2000 and 1999 totaled $5.4 million and $11.9 million, respectively. The present value of the guaranteed software license fees recognized during the six months ended March 31, 2000 and 1999 totaled $10.5 million and $18.6 million, respectively. The discount rates used to determine the present value of the guaranteed software license fees, representing the Company's incremental borrowing rates, ranged from 9.5% to 11.0%. The portion of the guaranteed software license fees that has been recognized by the Company, but not yet billed, is reflected in accrued receivables in the accompanying condensed consolidated balance sheets.

4. Earnings Per Share

Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options using the "treasury stock" method.

The following table sets forth the computation of basic and diluted earnings per share (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2000	1999	2000	1999

Net Income	$ 1,551	$ 10,884	$ 168	$ 20,254
Weighted average shares outstanding	31,707	31,440	31,873	31,189
Dilutive effect of stock options	465	825	491	807
Dilutive shares outstanding	32,172	32,265	32,364	31,996
Basic earnings per share	$ 0.05	$ 0.35	$ 0.01	$ 0.65
Diluted earnings per share	$ 0.05	$ 0.34	$ 0.01	$ 0.63

For the three months ended March 31, 2000 and 1999, stock options representing 1,366,291 and 19,763 shares of the Company's common stock, respectively, have been excluded from the computation of diluted earnings per share as the exercise price of the stock options were greater than the average market price of the common stock. For the six months ended March 31, 2000 and 1999, stock options representing 1,349,679 and 17,629 shares of the Company's common stock, respectively, have been excluded from the computation of diluted earnings per share as the exercise price of the stock options were greater than the average market price of the common stock.

5. Segment Information

During the second quarter of fiscal 2000, the Company announced the formation of six new business units organized on the basis of the Company's products and services. As a result, the Company has changed from reporting one segment in its annual report on Form 10-K for the fiscal year ended September 30, 1999 to reporting six segments. These reportable segments are: Consumer Banking, Corporate Banking e-Payments, Electronic Business Infrastructure, Internet Banking, Electronic Commerce and Health Claims Transaction Processing and Management. A summary of the products and related services associated with each reportable segment is as follows:

- Consumer Banking products focus on the consumer side of financial institutions related to automated teller machine (ATM) networks, point-of-sale deployments, branch networks, home banking, fraud detection and back-office payments management.
- Corporate Banking e-Payments products offer electronic commerce and electronic payments solutions to corporate banking institutions.
- Electronic Business Infrastructure products facilitate communication, data movement, transaction processing and systems monitoring across incompatible computing systems involving mainframes, distributed computing networks and the Internet.
- Internet Banking products offer banking and bill payments solutions to large financial institutions as well as small community banks.
- Electronic Commerce products offer retailers, merchant banks and payment processors electronic payment solutions such as secure web-based payments, debit and credit transaction authorization, fraud management and targeted marketing programs.
- Health Claims Transaction Processing and Management allow large companies and healthcare payment processors to automate claims eligibility determination, claims capture and claims payments.

In evaluating segment performance, management focuses on income from operations. The table below presents revenues and operating income for each reportable segment.

	Three months ended March 31, 2000	Three months ended March 31, 1999	Six months ended March 31, 2000	Six months ended March 31, 1999
Segment revenues:				
Consumer Banking	$ 45,959	$ 59,834	$ 84,520	$ 113,530
Corporate Banking e-Payments	9,609	7,262	17,250	15,390
Electronic Business Infrastructure	11,290	8,989	22,166	20,912
Internet Banking	2,178	2,806	6,131	5,176
Electronic Commerce	5,492	7,027	10,694	16,062
Health Claims Transaction Processing and Management	861	1,033	1,745	1,951
Total consolidated revenue	$ 75,389	$ 86,951	$ 142,506	$ 173,021
Segment operating income (loss):				
Consumer Banking	$ 2,233	$ 17,074	$ (798)	$ 28,465
Corporate Banking e-Payments	1,206	(1,376)	498	(1,879)
Electronic Business Infrastructure	2,428	957	4,212	2,314
Internet Banking	(570)	639	324	887
Electronic Commerce	(3,280)	(442)	(5,595)	1,818
Health Claims Transaction Processing and Management	(65)	145	(25)	358
Total consolidated operating income (loss)	$ 1,952	$ 16,997	$ (1,384)	$ 31,963

The Company currently does not track total assets and expenditures for long-lived assets separately for each reportable segment.

Revenue and identifiable assets by geographic area are as follows:

	Three months ended March 31, 2000	Three months ended March 31, 1999	Six months ended March 31, 2000	Six months ended March 31, 1999
Revenues:				
United States	$ 35,240	$ 40,908	$ 66,062	$ 83,619
Americas - other	8,310	11,334	17,176	19,959
Total Americas	43,550	52,242	83,238	103,578
EMEA	24,584	25,715	44,806	53,424
Asia/Pacific	7,255	8,994	14,462	16,019
	$ 75,389	$ 86,951	$ 142,506	$ 173,021

	March 31, 2000	September 30, 1999
Long-lived assets		
Americas	$ 100,707	$ 103,425
EMEA	11,889	11,520
Asia/Pacific	1,437	1,620
	$ 114,033	$ 116,565

6. Accounting Pronouncements Issued But Not Yet Effective

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements". The Company will be required to adopt SAB 101 for fiscal 2001. SAB 101 requires, among other things, that license and other up-front fees be recognized over the term of the agreement, unless the fees are in exchange for products delivered or services performed that represent the culmination of a separate earnings process. The Company does not expect this change in accounting principle to have a material effect on the Company's financial position and results of operation.

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25". The Interpretation clarifies the application of APB Opinion No. 25 for certain issues involving employee stock compensation. The Interpretation is generally effective July 1, 2000. Adoption of this Interpretation is not expected to have a significant effect on the Company's consolidated financial statements.

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 March 31,				Six Months Ended March 31,			
	2000		1999		2000		1999	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues:								
Software license fees	$ 46,508	61.7 %	$ 50,552	58.1 %	$ 81,761	57.4 %	$ 96,629	55.9 %
Maintenance fees	17,204	22.8	15,996	18.4	33,889	23.8	31,563	18.2
Services	11,677	15.5	19,309	22.2	26,856	18.8	42,604	24.6
Hardware, net	-	0.0	1,094	1.3	-	0.0	2,225	1.3
Total revenues	75,389	100.0	86,951	100.0	142,506	100.0	173,021	100.0
Expenses:								
Cost of software license fees	11,084	14.7	9,950	11.4	21,909	15.4	21,772	12.6
Cost of maintenance and services	17,264	23.0	18,038	20.7	34,056	23.9	38,331	22.1
Research and development	9,968	13.2	8,538	9.8	18,428	12.9	16,736	9.7
Selling and marketing	18,204	24.1	17,348	20.0	35,765	25.1	33,326	19.2
General and administrative costs	15,159	20.1	14,976	17.2	29,797	20.9	29,345	17.0
Amortization of goodwill and purchased intangibles	1,758	2.3	1,104	1.4	3,935	2.8	1,548	0.9
Total expenses	73,437	97.4	69,954	80.5	143,890	101.0	141,058	81.5
Operating income (loss)	1,952	2.6	16,997	19.5	(1,384)	(1.0)	31,963	18.5
Other income (expense):								
Interest income	717	1.0	721	0.8	1,664	1.2	1,424	0.8
Interest expense	(72)	(0.1)	(48)	(0.1)	(135)	(0.1)	(159)	0.0
Transaction related expenses	-	0.0	-	0.0	-	0.0	(653)	(0.4)
Other	(51)	(0.1)	(29)	(0.0)	132	0.1	168	0.1
Total other	594	0.8	644	0.7	1,661	1.2	780	0.5
Income before income taxes	2,546	3.4	17,641	20.2	277	0.2	32,743	19.0
Provision for income taxes	(995)	(1.3)	(6,757)	(7.7)	(109)	(0.1)	(12,489)	(7.3)
Net income	$ 1,551	2.1 %	$ 10,884	12.5 %	$ 168	0.1 %	$ 20,254	11.7 %

Revenues

Total revenues for the second quarter of fiscal 2000 decreased 13.3% or $11.6 million from the comparable period in fiscal 1999. Of this decrease, $4.0 million resulted from an 8.0% decrease in software license fee revenue, $7.6 million from a 40.0% decrease in services revenue, $1.1 million from a 100% decrease in hardware revenue, offset by a $1.2 million, or 7.6%, increase in maintenance fee revenue.

Total revenues for the first half of fiscal 2000 decreased 17.6% or $30.5 million from the comparable period in fiscal 1999. Of this decrease, $14.9 million resulted from a 15.4% decrease in software license fee revenue, $15.7 million from a 37% decrease in services revenue, $2.2 million from a 100% decrease in hardware revenue, offset by a $2.3 million, or 7.4%, increase in maintenance fee revenue. During the first half of fiscal 2000, 54% of total revenues resulted from international operations as compared to 52% for all of fiscal 1999.

During the first quarter of fiscal 2000, the Company's large bank and merchant customers and potential new customers, in effect, locked down their systems in preparation for the Year 2000. This Year 2000 lock-down has had a negative impact on the Company's software license fee and services revenue during the first half of fiscal 2000 due to the less than expected demand by the Company's customers and potential new customers to upgrade and enhance their current systems. In addition, coming out of the Year 2000 cutover, the Company found its customers increasingly scrutinizing their information technology purchases which led to further delays in software and services purchases as compared to activity in the second quarter of fiscal 1999.

The Company believes overall demand for the Company's products and services appears to be increasing at a gradual pace, however, the Year 2000 lock-down described above interrupted the Company's normal sales cycle and therefore may have a negative impact on the Company's revenue and net income beyond the first half of fiscal 2000. The Company also believes customer demand for system upgrades and enhancements will be slow to return to normal growth levels, as many of the Company's customers previously upgraded and enhanced their systems prior to the Year 2000.

The statements in this report regarding future results are preliminary and "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, this report contains other forward-looking statements including statements regarding the Company's expectations, plans and beliefs. The forward-looking statements in this report are subject to a variety of risks and uncertainties. Actual results could differ materially. Factors that could cause actual results to differ include but are not limited to those described above and the following:

- That the Company will continue to derive a substantial majority of its total revenue from licensing its BASE24 family of software products and providing services and maintenance related to those products. Any reduction in demand for, or increase in competition with respect to, BASE24 products would have a material adverse effect on TSA's financial condition and results of operations.

- That the Company's business is concentrated in the banking industry, making it susceptible to a downturn in that industry.

- Fluctuations in quarterly operating results may result in volatility in TSA's stock price. No assurance can be given that operating results will not vary.

- TSA's stock price may be volatile, in part due to external factors such as announcements by third parties or competitors, inherent volatility in the high-technology sector and changing market conditions in the industry.

For a detailed discussion of these and other risk factors, interested parties should review the Company's filings with the Securities and Exchange Commission, including Exhibit 99.01 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1999.

Monthly License Fees (MLF) revenue, a component of software license fees, was $14.2 million and $14.0 million in the second quarter of fiscal 2000 and 1999, respectively. MLF revenue was $28.9 million and $26.0 million for the first half of fiscal 2000 and 1999, respectively. The increase in MLF revenue is a result of the continued growth of the installed base of the Company's consumer banking, electronic business infrastructure and Internet banking products.

Maintenance fee revenue for the second quarter of fiscal 2000 and 1999 was $17.2 million and $16.0 million, respectively. Maintenance fee revenue for the first half of fiscal 2000 and 1999 was $33.9 million and $31.6 million, respectively. The increase in maintenance revenue is a result of continued growth of the installed base of the Company's consumer banking and corporate banking products.

Hardware revenue for the second quarter of fiscal 2000 and 1999 was $0 and $1.1 million, respectively. Hardware revenue for the first half of fiscal 2000 and 1999 was $0 and $2.2 million, respectively. The Company's market development program with Compaq expired on September 30, 1999 and was not renewed.

Expenses

Total operating expenses for the second quarter of fiscal 2000 increased 5.0% or $3.5 million over the comparable period in fiscal 1999. Total operating expenses for the first half of fiscal 2000 increased 2.0% or $2.8 million over the comparable period in fiscal 1999. These increases are primarily due to the increase in amortization expense related to the acquisitions of Insession, Inc. in March 1999 and SDM International, Inc. in July 1999. This increase is offset, in part, by a reduction in staff required to support the Company's products and services. Total staff (including both employees and independent contractors) decreased from 2,288 at March 31, 1999 to 2,103 at March 31, 2000

Income Taxes
The effective tax rate for the first half of fiscal 2000 was 39.4% as compared to 37.8% for all of fiscal 1999. This increase is primarily attributable to non-deductible amortization associated with the acquisitions of Insession, Inc. and SDM International, Inc. in 1999.

As of March 31, 2000, the Company has deferred tax assets of $17.8 million and deferred tax liabilities of $9.8 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 $8.5 million of the deferred tax assets were more likely than not to be realized. Accordingly, the Company has recorded a valuation allowance of $9.3 million as of March 31, 2000.

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 March 31, 2000 and 1999, the Company had non-recurring revenue backlog of $28.2 million and $35.3 million in software license fees, respectively, and $25.8 million and $28.9 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 March 31, 2000 and 1999, the Company had recurring revenue backlog of $140 million and $136.8 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 March 31, 2000, the Company's principal sources of liquidity consisted of $40.8 million of cash and cash equivalents, as compared to $70.5 million at September 30, 1999.

The Company's net cash flows used in operating activities for the first half of fiscal 2000 amounted to $6.4 million. This compares to $9.6 million in net cash flows provided by operating activities for the first half of fiscal 1999. The decrease of $16.1 million in cash flows from operating activities is principally due to lower net income offset by an increase in amortization expense due to the acquisitions of Insession, Inc. in March 1999 and SDM International, Inc. in July 1999. A contributor to the Company's cash management program is the factoring of accrued receivables, whereby interest in Company receivables are transferred (on a non-recourse basis) to third party financial institutions in exchange for cash. During the first half of fiscal 2000 and 1999, the Company generated operating cash flows from the factoring of accrued receivables of $11.1 million and $7.9 million, respectively.

The Company's net cash flows used in investing activities totaled $13.2 million and $12.0 million in the first half of fiscal 2000 and 1999, respectively. This increase is due to growth in property and equipment and software purchases offset by a decrease in cash used for acquisitions. Cash used in investing activities in fiscal 2000 of $3.0 million related to the Company's final payment of the acquisition of Insession, Inc. in the first quarter of fiscal 2000.

The Company's Board of Directors has approved the repurchase of up to 2,000,000 shares of Common Stock through February 2001. The purpose of the stock repurchase program is to replace the shares issued in the SDM acquisition completed in July 1999, and to fund a reserve for shares for future employee stock option grants, acquisitions or other corporate purposes. Under this repurchase program, the Company purchased 500,300 shares at an average cost of $26.67 for approximately $13.3 million during the first half of fiscal 2000. The total number of shares purchased under the stock repurchase program through March 31, 2000 amounts to 975,300 shares. Subsequent to March 31, 2000 and through May 8, 2000, the Company has purchased an additional 500,000 shares at an average cost of $15.33 for approximately $7.7 million. The Company used cash available to fund the Common Stock repurchases.

Management believes that the Company's working capital and cash flow generated from operations will be sufficient to meet the Company's working capital requirements for the foreseeable future.

Corporate Business Strategy
During the second quarter of fiscal 2000, the Company announced a new business strategy resulting in the formation of six new business units organized around the Company's products and services. Key elements of the strategy include aligning the Company's business into vertically-integrated business units targeted at key market segments where the Company's products and services best

match emerging market demand. The Company believes that its key operating units will require capital to create the right technologies and solutions and drive incremental business. As a result of the shift of the Company's business strategy to put an increased emphasis on new products and markets which have longer sales and delivery cycles, the Company expects revenue recognition will be pushed out over longer time periods as compared to revenue recognition for the Company's traditional products.

One of the first steps of this new business strategy was the announcement of the formation of Insession Technologies, Inc., our electronic business infrastructure business unit. As indicated in the Company's April 25, 2000 news release, Insession Technologies, Inc. expects to file a registration statement with the Securities and Exchange Commission for a proposed initial public offering within the next five months. The timing and size of the offering are dependent on market conditions and other factors. This does not constitute an offer for any securities for sale.

Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the Company's market risk for the three and six month periods ended March 31, 2000. See the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1999 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 alleged, 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 sought injunctive relief and unspecified damages including treble damages, costs, attorneys' fees and various other forms of relief. In April 2000, the Company, ACI Worldwide and HNC mutually agreed that all claims in the San Diego lawsuit would be dismissed. The District Court subsequently issued an order dismissing the lawsuit with prejudice.

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 had filed a counterclaim in the Rhode Island lawsuit alleging infringement by Nestor of HNC Software's patents which claims were essentially the same as those filed by HNC Software against the Company and ACI Worldwide in the San Diego lawsuit. Nestor has since dropped its claim of patent infringement against HNC in the Rhode Island lawsuit. Neither the Company nor ACI Worldwide is a party to the Rhode Island lawsuit.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's annual meeting of stockholders was held on February 22, 2000. Each matter voted upon at such meeting and the number of shares cast for, against or withheld, and abstained are as follows:

1. Election of Directors

	For	Withheld
William E. Fisher	25,630,841	175,047
David C. Russell	25,630,341	175,547
Charles E. Noell, III	25,630,907	174,981
Jim D. Kever	25,627,207	178,681
Larry G. Fendley	25,630,241	175,647
Roger K. Alexander	25,630,191	175,697

2. Proposal to approve the Amendment to the Company's 1999 Stock Option Plan

   For: 20,259,001 Against: 5,464,837 Abstain: 82,050 Broker Non-vote: 0

3. Ratification of Appointment of Arthur Andersen LLP as Independent Auditors for 2000

   For: 25,137,365 Against: 22,479 Abstain: 27,206 Broker Non-vote: 0

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

Dated: May 15, 2000

TRANSACTION SYSTEMS ARCHITECTS, INC
(Registrant)

/s/ Edward C. Fuxa

Edward C. Fuxa
Controller
(Principal Accounting Officer)

TRANSACTION SYSTEMS ARCHITECTS, INC.
INDEX TO EXHIBITS

Exhibit Number	Description
27.00	Financial Data Schedule

5
1000

3-MOS
SEP-30-2000
JAN-01-2000
Mar-31-2000
40,801
24,141
96,477
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177,834
19,679
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78,389
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73,437
(666)
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0
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.05
.05