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, 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 (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:

32,013,502 shares of Class A Common Stock at May 7, 1999

TRANSACTION SYSTEMS ARCHITECTS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1999
TABLE OF CONTENTS

TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands)

	March 31, 1999	September 30, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,565	$ 63,648
Marketable securities	2,345	2,188
Billed receivables, net	61,217	58,080
Accrued receivables	39,950	33,000
Deferred income taxes	5,923	4,921
Other	4,012	3,585
Total current assets	176,012	165,422
Property and equipment, net	20,644	21,001
Software, net	22,289	7,172
Intangible assets, net	59,382	9,385
Installment receivables	9,305	2,056
Investments and notes receivable	3,558	16,754
Other	4,907	4,517
Total assets	$ 296,097	$ 226,307
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 1,138	$ 1,078
Accounts payable	13,689	13,720
Accrued employee compensation	5,712	8,426
Accrued liabilities	23,782	14,826
Income taxes	4,754	4,784
Deferred revenue	48,538	35,594
Total current liabilities	97,613	78,428
Long-term debt	1,994	2,002
Total liabilities	99,607	80,430
Stockholders' equity:		
Class A Common Stock	160	150
Class B Common Stock	-	6
Additional paid-in capital	144,401	112,400
Retained earnings	58,561	38,220
Accumulated translation adjustments	(3,965)	(2,075)
Unrealized investment holding loss	(2,655)	(2,812)
Treasury stock, at cost	(12)	(12)
Total stockholders' equity	196,490	145,877
Total liabilities and stockholders' equity	$ 296,097	$ 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 March 31,		Six Months Ended March 31,	
	1999	1998	1999	1998
Revenues:				
Software license fees	$ 50,552	$ 40,082	$ 96,629	$ 78,647
Maintenance fees	15,996	14,162	31,563	27,335
Services	19,309	16,405	42,604	32,346
Hardware, net	1,094	1,105	2,225	2,494
Total revenues	86,951	71,754	173,021	140,822
Expenses:				
Cost of software license fees	9,950	8,535	21,772	17,298
Cost of maintenance and services	18,038	16,722	38,331	32,455
Research and development	8,538	6,304	16,736	12,413
Selling and marketing	17,348	15,010	33,326	29,414
General and administrative				
General and administrative costs	14,976	12,279	29,345	24,112
Amortization of goodwill and purchased intangibles	1,104	414	1,548	729
Total expenses	69,954	59,264	141,058	116,421
Operating income	16,997	12,490	31,963	24,401
Other income (expense):				
Interest income	721	800	1,424	1,447
Interest expense	(48)	(78)	(159)	(98)
Transaction related expenses	-	-	(653)	-
Other	(29)	40	168	(40)
Total other	644	762	780	1,309
Income before income taxes	17,641	13,252	32,743	25,710
Provision for income taxes	(6,757)	(4,962)	(12,489)	(9,703)
Net income	$ 10,884	$ 8,290	$ 20,254	$ 16,007
Earnings Per Share Data:				
Basic:				
Net income	$ 0.35	$ 0.28	$ 0.65	$ 0.53
Average shares outstanding	31,440	30,143	31,189	30,087
Diluted:				
Net income	$ 0.34	$ 0.27	$ 0.63	$ 0.52
Average shares outstanding	32,265	31,068	31,996	31,046

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, 1999	Six months ended March 31, 1998
Cash flows from operating activities:		
Net income	$ 20,254	$ 16,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,984	3,039
Amortization	4,263	2,160
Changes in operating assets and liabilities:		
Billed and accrued receivables	(9,630)	(4,987)
Other current and noncurrent assets	(8,212)	1,123
Accounts payable	(1,516)	(684)
Deferred revenue	6,883	(4,737)
Other current and noncurrent liabilities	(6,385)	2,182
Net cash provided by operating activities	9,641	14,103
Cash flows from investing activities:		
Purchases of property and equipment	(2,796)	(3,367)
Purchases of software	(3,526)	(1,693)
Acquisition of businesses, net of cash acquired	(5,065)	(253)
Additions to investment and notes receivable	(602)	(4,602)
Net cash used in investing activities	(11,989)	(9,915)
Cash flows from financing activities:		
Proceeds from issuance of Class A Common Stock	755	426
Proceeds from sale and exercise of stock options	1,665	1,101
Other	-	(220)
Payments of long-term debt	(1,168)	(398)
Net cash provided by financing activities	1,252	909
Effect of exchange rate fluctuations on cash	13	(389)
(Decrease) increase in cash and cash equivalents	(1,083)	4,708
Cash and cash equivalents, beginning of period	63,648	52,855
Cash and cash equivalents, end of period	$ 62,565	$ 57,563

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 March 31, 1999 and for the three and six months ended March 31, 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 for the fiscal year ended September 30, 1998. The results of operations for the three and six months ended March 31, 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 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 initial recording of approximately $37.0 million of Goodwill which is being amortized over 10 years and approximately $12.0 million of Purchased Software which is being amortized over 3 years. The financial statements at March 31, 1999 related to the accounting for the purchase of Insession are shown on a preliminary basis. The Company is evaluating the allocation of the initial purchase price between goodwill and purchased software. In conjunction with this evaluation, the Company has engaged an independent party to assist in the allocation of the purchase price to the assets acquired. This independent valuation and the Company's internal analysis are expected to be completed in the third quarter of fiscal 1999, at which time the purchase price and its appropriate allocation will be reflected in the Company's consolidated financial statements.

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 six months ended March 31, 1999, related to these arrangements totaled $14.4 million and $18.6 million, respectively.

4. 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 March 31, 1999	Three months ended March 31, 1998	Six months ended March 31, 1999	Six months ended March 31, 1998
Net income	$ 10,884	$ 8,290	$ 20,254	$ 16,007
Unrealized investment holding gain	624	-	157	-
Foreign currency translation adjustments	(1,386)	(331)	(1,890)	(689)
Comprehensive income	$ 10,122	$ 7,959	$ 18,521	$ 15,318

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,			
	1999		1998		1999		1998	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues:								
Software license fees	$ 50,552	58.1%	$ 40,082	55.9%	$ 96,629	55.9%	$ 78,647	55.8%
Maintenance fees	15,996	18.4	14,162	19.7	31,563	18.2	27,335	19.4
Services	19,309	22.2	16,405	22.9	42,604	24.6	32,346	23.0
Hardware, net	1,094	1.3	1,105	1.5	2,225	1.4	2,494	1.8
Total revenues	86,951	100.0	71,754	100.0	173,021	100.0	140,822	100.0
Expenses:								
Cost of software license fees	9,950	11.4	8,535	11.9	21,772	12.6	17,298	12.3
Cost of maintenance and services	18,038	20.7	16,722	23.3	38,331	22.2	32,455	23.0
Research and development	8,538	9.8	6,304	8.8	16,736	9.7	12,413	8.8
Selling and marketing	17,348	20.0	15,010	20.9	33,326	19.3	29,414	20.9
General and administrative:								
General and administrative costs	14,976	17.2	12,279	17.1	29,345	16.9	24,112	17.1
Amortization of goodwill and purchased intangibles	1,104	1.4	414	0.6	1,548	0.8	729	0.6
Total expenses	69,954	80.5	59,264	82.6	141,058	81.5	116,421	82.7
Operating income	16,997	19.5	12,490	17.4	31,963	18.5	24,401	17.3
Other income (expense):								
Interest income	721	0.8	800	1.1	1,424	0.8	1,447	1.0
Interest expense	(48)	(0.1)	(78)	(0.1)	(159)	0.0	(98)	(0.1)
Transaction related expenses	-	0.0	-	0.0	(653)	(0.4)	-	0.0
Other	(29)	0.0	40	0.1	168	0.1	(40)	0.0
Total other	644	0.7	762	1.1	780	0.5	1,309	0.9
Income before income taxes	17,641	20.2	13,252	18.5	32,743	19.0	25,710	18.2
Provision for income taxes	(6,757)	(7.7)	(4,962)	(6.9)	(12,489)	(7.3)	(9,703)	(6.8)
Net income	$ 10,884	12.5%	$ 8,290	11.6%	$ 20,254	11.7%	$ 16,007	11.4%

Results of Operations (continued)

Revenues

Total revenues for the second quarter of fiscal 1999 increased 21.2% or $15.2 million over the comparable period in fiscal 1998. Of this increase, $10.5 million of the growth resulted from a 26.1% increase in software license fee revenue, $2.9 million from a 17.7% increase in services revenue and $1.8 million from a 13.0% increase in maintenance fee revenue.

Total revenues for the first half of fiscal 1999 increased 22.9% or $32.2 million over the comparable period in fiscal 1998. Of this increase, $18.0 of the growth resulted from a 22.9% increase in software license fee revenue, $10.3 million from a 31.7% increase in services revenue and $4.2 million from a 15.5% increase in maintenance fee revenue. During the first half 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 $14.0 million in the second quarter of fiscal 1999 compared to $10.9 million in the second quarter of fiscal 1998. MLF revenue was $26.0 million in the first half of fiscal 1999 compared to $20.4 million in the first half of fiscal 1998.

The growth in services revenue for the second quarter and first half 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 paragraph above contains forward-looking statements. Accordingly, there can be no assurance the forward-looking statements will be accurate indicators of future actual results and it is likely that actual results will differ from results projected in forward-looking statements. Such differences may be material.

The increase in maintenance fee revenue for the second quarter and first half 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 second quarter of fiscal 1999 increased 18.0% or $10.7 million over the comparable period in fiscal 1998. Total operating expenses for the first half of fiscal 1999 increased 21.2% or $24.6 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 1,945 at March 31, 1998 to 2,288 at March 31, 1999.

The Company's operating margin for the second quarter of fiscal 1999 was 19.5% as compared to 17.4% for the comparable period in fiscal 1998. Operating margin for the first half of fiscal 1999 was 18.5% as compared to 17.3% for the first half 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 $15.2 million in the second quarter of fiscal 1998 to $21.7 million in the second quarter of fiscal 1999. EBITDA increased from $29.6 million in the first half of fiscal 1998 to $40.2 million in the first half 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 second quarter and first half of fiscal 1999 were 38.3% and 38.1%, respectively. This compares to 38.0% for all of fiscal 1998.

As of March 31, 1999, the Company has deferred tax assets of $16.3 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 $5.9 million of the deferred tax assets were more likely than not to be realized. Accordingly, the Company has recorded a valuation allowance of $10.4 million as of March 31, 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 March 31, 1999 and 1998, the Company had non-recurring revenue backlog of $35.3 million and $28.6 million in software license fees, respectively, and $28.9 million and $24.7 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, 1999 and 1998, the Company had recurring revenue backlog of $136.8 million and $103.4 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, 1999, the Company had working capital of $78.4 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, 1999.

During the six months ended March 31, 1999, the Company's cash flow from operations amounted to $9.6 million and cash used in investing activities amounted to $12.0 million. Of the $12.0 million of cash used in investing activities, $5.1 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, offset by $2.0 million cash acquired in the purchase of Insession.

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.

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 April 1999, 98% of all of the Company's licensed software applications are compliant and available to customers. The remaining applications are expected to be complete during the second calendar quarter of 1999. 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 most of the subsidiaries have been replaced and are in production. Replacement or remediation of accounting systems for the other subsidiaries is currently underway and is expected to be implemented by June of 1999. The overall IT and non-IT project is approximately 70% 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 June 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 half 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 July 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. Cost incurred from the beginning of the project in 1996 through March 1999 have totaled approximately $8.0 million. The Company expects to incur an additional $2.0 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 which 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 which 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 six month periods ended March 31, 1999. See the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 for additional discussion regarding quantitative and qualitative disclosure about market risk.

PART II. OTHER INFORMATION

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

The Registrant's annual meeting of stockholders was held on February 23, 1999. 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	25,936,241	23,179
David C. Russell	25,915,881	43,539
Promod Haque	25,934,921	25,171
Charles E. Noell, III	25,934,321	25,099
Jim D. Kever	25,934,921	24,499
Larry G. Fendley	25,927,991	31,429

2. Approval of 1999 Stock Option Plan

For: 20,182,394 Against: 5,733,137
Abstain: 43,889 Broker Non-vote: 0

3. Approval of 1999 Employee Stock Purchase Plan

For: 25,633,015 Against: 284,773
Abstain: 41,632 Broker Non-vote: 0

4. Ratification of Appointment of Arthur Andersen LLP as Independent Auditors for 1999

For: 25,924,706 Against: 4,898
Abstain: 29,816 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 17, 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
JAN-01-1999
MAR-31-1999
62,565
2,345
101,167
0
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176,012
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97,613
0
0
0
160
196,330
296,097
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86,951
27,988
69,954
(692)
0
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17,641
6,757
10,884
0
0
0
10,884
.35
.34